rotork

Annual Report 2021

Enabling a sustainable future

Keeping the world flowing for future generations

rotork®

Keeping the world flowing for future generations

In fulfilling our Purpose, Rotork is helping tackle some of the most important sustainability issues of our time

Our environmental 'handprint' – the opportunity to drive positive outcomes through our products and services – is significant. We play a key role in the energy transition.

All photographs of people used in this report were taken in line with local COVID-19 guidance in place at the time.

Enabling a sustainable future

Keeping the world flowing... through automation

Rotork has been selected to provide electric actuators for the new Baihetan Dam hydropower plant on the Yangtze River in China.

Keeping the world flowing... through electrification

Rotork is supplying electric PAX actuators to a natural gas distributor in the New York City area, to replace all pneumatic devices on its network.

Keeping the world flowing... through innovation

Rotork is working with China Baowu Steel Group, one of the world's biggest steel producers, on its ambitious emissions reduction agenda.

Strategic Report

Corporate Governance

Financial Statements

Our strategy

Our targets are to deliver (i) mid to high single-digit sales growth through a combination of organic growth and acquisitions, and (ii) mid-20s adjusted operating margins over time through simplifying our core business, manufacturing improvements and development of our global supply chain.

We aim to play our part in improving our world and making it more sustainable by helping our customers better their own environmental performance, while at the same time working to improve our own ESG performance as well as that of our suppliers.

Read more on page 30

Keeping the world flowing… through automation

Electricity demand met:

50m
people

Rotork has been selected to provide electric actuators for the new Baihetan Dam hydropower plant on the Yangtze River in China.

Automation for the hydropower industry

Hydropower is one of the largest sources of low-carbon electricity today. The International Energy Agency (IEA) sees hydropower providing 12% of all renewable electricity generation by 2050 in its 'net-zero by 2050' scenario. It is expected to play a key role in providing stability and flexibility of electricity supply, alongside other renewables.

Hydropower plants use automation for turbine control and power plant regulation. Digital solutions – including the use of intelligent electric actuators – help increase operational efficiency, flexibility and lifespan, while also providing higher levels of safety performance.

Rotork's IQ actuators are ideally suited for hydropower plants; they are reliable, robust and efficient, and provide data logs that give insight into the plant's performance. Continuous tracking is available at all times, even without power supply.

Once fully operational in 2022, the Baihetan Dam hydropwer plant will have capacity to generate 60 GWh of electricity a year – enough to meet the electricity demand of around 50 million people – making it the second largest hydroelectric power plant in the world.

Rotork's actuators drive the water supply systems within the power station, as well as drainage, air compression and other auxiliary systems.

Keeping the world flowing… through electrification

Rotork is supplying electric PAX actuators to a natural gas distributor in the New York City area, to replace all of the pneumatic devices in its network. The pneumatic devices constantly emit gas into the atmosphere. Our new PAX actuators are 'zero-emissions' and will provide operational savings of approximately $500,000 a year.

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

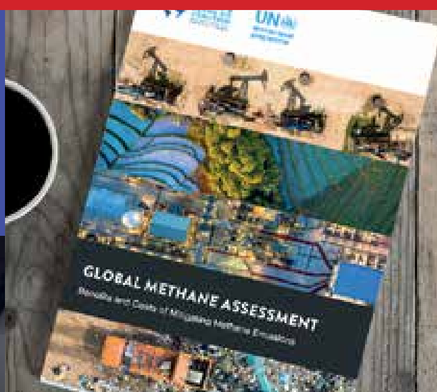
Zero-methane electric actuators help keep 1.5°C within reach

Unlike CO_2 which stays in the atmosphere for hundreds of years, methane breaks down within a decade. This makes reducing methane one of the strongest levers we have for slowing climate change.

The high-profile Global Methane Assessment, published in May 2021, highlights electric actuators as one of the most important readily-available technologies to mitigate methane emissions.

Oil and gas extraction, processing and distribution account for 23% of human-caused methane emissions. Such emissions can be eliminated through the use of electric devices in oil and gas operations and natural gas distribution networks. One example solution is Rotork's PAX actuator.

UN CLIMATE CHANGE CONFERENCE UK 2021



Oil & gas companies are launching multi-billion-dollar investment plans to upgrade their equipment. Rotork is currently supporting a western Canadian upstream oil and gas producer to reduce its emissions. We are supplying intelligent electric actuators to replace pneumatic devices and enable the producer to transition to zero emissions in its operations.

Keeping the world flowing… through innovation

China Baowu Steel Group, one of the world's biggest steel producers, is driving an ambitious emissions reduction agenda. China Baowu is pursuing a hydrogen-based metallurgy process and carbon capture technology, as well as other routes, to achieve carbon neutrality. Rotork is working with China Baowu at its pilot hydrogen project, and is proud to be a trusted supplier of actuators to China Baowu.

Global steel production per year by 2050

545m

Decarbonising heavy industry

The steel industry's products are used in every aspect of our lives: in cars and construction projects, refrigerators and washing machines, cargo ships and medical equipment. Demand for steel is growing, driven by population growth and increased prosperity. Steel is also a critical component of renewable energy infrastructure.

According to World Resources Institute data, the iron and steel sector contributes around 7% of global greenhouse gas emissions. Achieving large emission reductions in the sector is therefore imperative to achieving net-zero globally.

Hydrogen is set to play a big part in lowering emissions from the steel industry. By using hydrogen and renewable electricity in the production process, steel can be produced with close to zero emissions.

Investment bank Jefferies sees 10% of steel production being hydrogen-powered by 2030 and 100% by 2050. Demand for electrolysers, used in the production of green hydrogen, is also expected to increase materially.

Financial highlights

Rotork delivered a resilient performance in 2021 despite significant supply chain headwinds

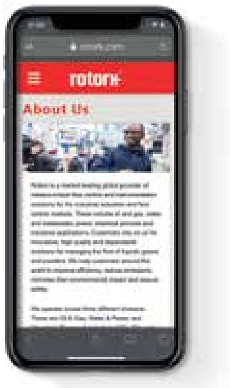
Proposed full year dividend
Rotork is a strong cash generator and recognises the importance of a growing dividend, subject to the cash needs of the business.

6.4p

Increased by 1.6%

* Dividends as announced. The 2019 final dividend was deferred by six months. See note 17 on page 188 for details.

To view our latest results or for more performance information visit **www.rotork.com**



Order intake growth resumed

Orders

£614m

Orders were 7.8% higher year-on-year on an organic constant currency (OCC) basis, driven by an acceleration in customer activity, particularly in the second half.

Sales impacted by supply chain challenges

Revenues

£569m

Sales were 2.5% lower year-on-year on an OCC[1] basis due to component shortages and logistics challenges.

Operating margins remained resilient

Adjusted[2] operating margin KPI

22.5%

Adjusted margins benefited from continued execution of the Growth Acceleration Programme but these benefits were offset by the impact of reduced volumes.

Best in class ROCE

Return on capital employed KPI

30.1%

ROCE decreased by 240 basis points reflecting the impact of the reduction in adjusted operating profit, partly offset by the reduction in average capital employed.

1 OCC – organic constant currency removes the results of businesses acquired or disposed of during the period that are not consistently presented in both periods. The 2021 results are restated at 2020 exchange rates. There are no disposals or acquisitions in 2021 that are not consistently presented in both periods.
2 Adjusted Operating Profit excludes the amortisation of acquired intangible assets and other adjustments, see note 4 of the financial statements.

Non-financial highlights

Rotork made progress on its ESG & Sustainability agenda, and set out its path to net-zero

Reduced environmental impact

KPI

We reduced absolute scopes 1 and 2 CO_2e emissions by 5% last year. Emissions per £1m revenue were broadly in line with the prior year (0.4% higher than in 2020).

Read more on page 49

14.6 $TnCO_2e$/£1m

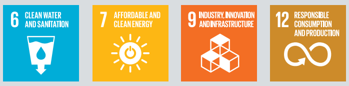
Sustainability

We help our customers to improve efficiency, reduce emissions, minimise their environmental impact and assure safety.

Read more on page 52

Sustainable development

The main UN SDGs we are targeting:



We are also supporting:

Health & Safety (LTIR)

KPI

0.20

The lost time injury rate (LTIR) is a measure of the effectiveness of our health and safety procedures. Our LTIR fell to 0.20 in 2021 (from 0.24 the prior year).

Read more on page 48

Net-zero target date

2045

We are targeting net-zero emissions by 2035 (scopes 1 & 2) and 2045 (scope 3) against a 2020 base line. We have also set science-based targets to support our ambition.

Read more on page 49

Employees owning shares

50%+

Rotork is proud to have well above average employee share ownership. We offer employees the opportunity to own Rotork shares in all geographic locations where it is practicable to do so.

Read more on page 129

Sustainability recognition

Rotork's sustainability efforts were recognised by numerous third parties. We were particularly pleased to be ranked in the top quintile globally in the Machinery and Electrical Equipment industry by S&P Global in its Corporate Sustainability Assessment.

Read more on page 46

Sustainalytics

Top

Industry Top Rated

MSCI

AA

S&P Global CSA

Top 20%

Ranked in the top quintile globally in our industry

CDP Water Security

Score: B

Rotork delivered a good performance in what was another challenging year

Martin Lamb
Chairman

The Rotork team performed well in 2021, which proved to be another challenging year. The COVID-19 pandemic refused to subside, despite the success of vaccines, and it continues to cause loss and suffering more than two years after the virus was first identified. Rotork was able to provide short-term financial help to employees and ex-employees facing hardship via Rotork Benevolent Support. The economic effects of the pandemic continue to be acutely felt, with economic sectors recovering at different paces, supply chains struggling to keep up, and inflation at levels not experienced in many decades.

Whilst oil & gas market activity remained subdued, particularly in the early part of the year, Rotork took full advantage of opportunities in its other end markets. The commercial teams remained close to their customers and kept them informed of the challenges in our supply chain and of higher input prices. The operations teams did a fantastic job of avoiding plant closures where possible, whilst ensuring health and safety, and of managing rapidly evolving supply chain challenges. Our HR teams coped admirably with the fast-changing situation regarding working practices around the world.

Rotork's role in the climate crisis

The physical effects of climate change were increasingly self-evident in 2021, with many unprecedented weather events, such as fires across western states of the United States and floods in Germany and China, destroying homes and claiming lives. In August the Intergovernmental Panel on Climate Change published its latest update, confirming that climate change was widespread, rapid and intensifying. It is increasingly apparent that we face not just climate change, but a climate emergency and that urgent action is required. One such possible action is a significant reduction of methane emissions, as highlighted by the UN in May 2021 in its Global Methane Assessment.

At COP26, held in November in Glasgow, world leaders agreed to keep '1.5 degrees alive', making commitments to net-zero, to reduce methane emissions and to phase down unabated coal power. Rotork is well positioned to help deliver on these commitments as a global leader in electric actuation systems, with an offering including low power products that are sufficiently efficient to be solar powered.

For many processes the easiest route to net-zero is via the electrification of control systems (including actuators). We are also well placed to benefit from the conversion of the world's large population of methane emitting actuators, used extensively in the oil & gas industry, to zero emission alternatives. For difficult to decarbonise sectors (such as coal-fired power, but also others, for example cement and steel production), hydrogen and carbon capture and storage have a major part to play. These are actuator intensive and complex processes which require the critical/severe service solutions that we offer.

We like to describe the impact that we have in enabling our customers to improve their environmental performance as our 'handprint'. We believe that our handprint is very sizeable indeed, encompassing not only methane emission avoiding solutions, and the hydrogen and carbon capture solutions referred to above, but also smart, low power solutions in water and waste water, natural gas, biofuel and nuclear applications, to name but a few. Whilst our 'footprint', the environmental impact arising from our own operations and supply chain, might be smaller than our handprint, it is nonetheless of critical importance to our business and a key focus for our leadership team. We were pleased to publish our inaugural Sustainability Report in June 2021, outlining the commitments we have made to advance our chosen UN Sustainable Development Goals. We are also proud to do our part in the race to net-zero, and announced our greenhouse gas emissions targets and commitments alongside our preliminary results in March 2022. These targets include scope 3, which we reported for the first time. We have submitted them to the Science Based Targets initiative and await their endorsement.

External ESG recognition

Whilst the Rotork team derives great motivation through its Purpose of keeping the world flowing for future generations, it is also extremely pleasing to be recognised by external agencies. We were particularly proud to be ranked by S&P Global in the top quintile globally in the Machinery & Electrical Equipment industry in its highly regarded Corporate Sustainability Assessment. Sustainalytics also recognised our efforts, awarding us as a Top-Rated ESG Performer. We also won the UK Investor Relations Society's award for 'Best Communication of ESG'.

Board update

We were delighted to welcome Kiet Huynh to the Board and as Chief Executive Officer on 10 January 2022.

During his four years with Rotork Kiet has excelled in the leadership of both the Chemical, Process & Industrial division and, more recently, the Water & Power division, with a clear focus on driving profitable growth through close attention to customer needs, a strong commitment to product and service innovation and a talent for developing high performing teams. He has the leadership skills and operational experience to build on the excellent progress made through the Growth Acceleration Programme, and to chart a course for accelerated growth in the years ahead.

I would like to thank Kevin Hostetler for the excellent contribution he has made to the business over the last four years. He implemented significant changes during his time with Rotork and hands over a fundamentally much-improved company to his successor. We wish him and his family every success on their return to the US.

Sally James retired from the Board at the conclusion of the AGM on 30 April 2021, having completed nine years' service. She leaves us with our best wishes and gratitude for her significant contribution to Rotork over this period. Peter Dilnot took over as Senior Independent Director on 30 April 2021.

We appointed one new non-executive director during the year and are pleased to welcome Karin Meurk-Harvey to Rotork. Karin brings highly relevant engineering, technology and digital experience, particularly in high growth markets.

I am pleased that we have increased the diversity of the Board this year, strengthening it through a broader range of perspectives and providing more diverse role models for talent rising through the organisation.

Returns to shareholders

Rotork is a highly cash generative business and recognises the importance of a growing dividend to our shareholders. We are committed to a progressive dividend policy, subject to satisfying cash requirements, which can vary significantly from year to year.

Proposed full year dividend
Up 1.6%

6.4p

On 31 March 2020, due to the unprecedented level of uncertainty presented by COVID-19, we announced the withdrawal of the recommendation to pay the 2019 final dividend of 3.9 pence per share. On 4 August 2020 we announced that we would pay in September 2020 the deferred dividend and that we would consider the dividend payable in respect of the whole of 2020 in March 2021. At that time the Board recommended a full year dividend of 6.3p per share for 2020, an increase of 1.6% from the 2019 full year dividend. The dividend was paid to shareholders on 21 May 2021.

This year the Board recommends a final dividend of 4.05p per share. With the 2021 interim dividend of 2.35p, the total dividend for the year is 6.40p, a 1.6% increase on the 2020 full year dividend. This is equivalent to 1.8x times cover based on adjusted earnings per share (2020: 2.0x). The final dividend will be payable on 20 May 2022 to shareholders on the register on 8 April 2022.

During the second half of 2021, consistent with our capital allocation policy, we returned to shareholders £50m via an on-market share buy-back programme.

Outlook

The outlook for our end markets is improving and we entered the year with a record opening order book. However, we do not anticipate current supply chain disruptions to improve in the first half of 2022. We remain committed to the financial objectives of mid to high single digit revenue growth and mid-20s adjusted operating margins over time and, notwithstanding geopolitical uncertainties, we expect a year of solid progress in 2022.

Martin Lamb
Chairman
28 February 2022

We are a market-leading global provider of mission-critical flow control and instrumentation solutions

Keeping the world flowing for future generations

one rotork®

Our Purpose
Our Purpose, 'Keeping the world flowing for future generations', is a powerful motivator and drives everything we do. We want to make a positive difference to people's lives not just today, but also into the future.

One Rotork
Everyone at Rotork is part of one global team, supporting each other as OneRotork. Our values, Stronger Together, Always Innovating, and Trusted Partner are important to us. They guide us as to how we should behave in order for Rotork to be successful, for all of us. As we grow ever more global, they ensure our culture is consistent wherever we operate in the world.

Global employees
3,200

Countries served
170

Network offices
67

Our strategy
We target mid to high single-digit sales growth and mid-20s adjusted operating margins over time through simplifying and improving our business practices, manufacturing and global supply chain. We aim to play our part in improving our world and making it more sustainable by improving not only our ESG performance, but also helping improve that of our customers and our suppliers.

Read more on pages 30 to 32

Enabling a sustainable future
We have a major role to play in new energies and technologies that will support the transition to a low-carbon economy. Rotork's products have applications in many processes for low- or no-carbon energies, which are valve and actuator intensive. Our products also have applications in preserving natural resources such as fresh water, through water recovery, recycling and treatment.

Read more on pages 32 and 33

Manufacturing facilities
17

Group revenue (£m)
569

Global presence

Europe, Middle East and Africa
Breakdown

Manufacturing facilities	**10**
Offices	**27**
Employees	**1,719**
Sales	**£213m**

Asia Pacific
Breakdown

Manufacturing facilities	**4**
Offices	**29**
Employees	**977**
Sales	**£222m**

Americas
Breakdown

Manufacturing facilities	**3**
Offices	**11**
Employees	**502**
Sales	**£134m**

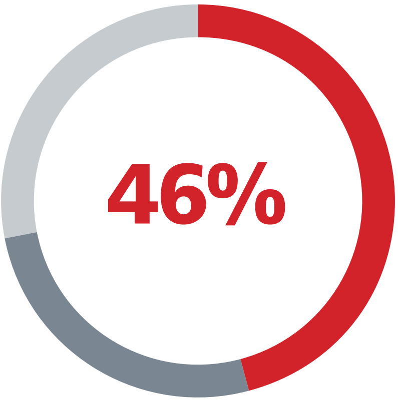
Divisional split

Oil & Gas

Rotork's products and services are used by oil and gas customers across their upstream, midstream and downstream segments including in off- and onshore production facilities, refining, processing, transportation, storage and distribution to improve efficiency, reduce emissions and assure safety.

Read more on page 40

£260m of sales = 46% of revenue



Operating margin

21.7%

Chemical, Process & Industrial

Growing demand for bulk and specialty chemicals, industrial gases, basic materials (such as metals, glass and cement), recycling, data centres and semi-conductors present exciting opportunities for CPI. Our products have a wide range of applications from mining to manufacturing.

Read more on page 42

£160m of sales = 28% of revenue

Operating margin

26.7%

Water & Power

The water and wastewater and power sectors are major users of Rotork flow control equipment. In the power sector there is increased focus on solar, waste-to-energy and carbon capture, utilisation and storage applications as well as on life-extension, modernisation and maintenance.

Read more on page 44

£149m of sales = 26% of revenue

Operating margin

27.2%

Our Purpose, our strategy, our culture and our Values, our business model and our Growth Acceleration Programme differentiate us and will drive superior value for our stakeholders

1

Market leader

Global leader in highly attractive markets

Rotork is a world leader in electric valve actuators and related network control systems. The market in which we operate has high barriers to entry and is relatively concentrated. Our products are highly specified and are used in demanding applications in tough environments. Actuators are generally considered inexpensive when compared to the high cost of shutdown.

Automation

Electrification

Digitalisation

Be easier to do business with

2

Investing for growth

Mid to high single digit revenue growth targeted

We operate in attractive growth markets that are benefiting from the mega trends of automation, electrification and digitalisation that are transforming industry. We aim to outgrow these through targeted investment in end-market alignment, Rotork Site Services expansion, high growth regions, innovation and new product development, and into new markets.

3

Driving returns

Market leading returns with room for upside

Our adjusted operating profit margin was 22.5% in 2021, amongst the highest in the industrial goods & services sector. We target a return to the mid-20s over time through continuous improvement, sourcing and supply chain initiatives and footprint optimisation. Rotork's is an asset light business and our return on capital employed (ROCE), at 30.1% in 2021, is ahead of peers.

Adjusted operating profit margin (%)

22.5%

Return on Capital Employed (ROCE)

30.1%

How we enable the energy transition

Rotork has many years' experience in methane emissions reduction and a full solution suite. According to the Intergovernmental Panel on Climate Change (IPCC), a tonne of methane is around 84-86 times stronger than CO_2 over a 20-year timeframe. As a world leader in electric actuation, Rotork is enabling electrification which is critical to the low-carbon economy. We are similarly enabling gasification. The use of gas for electricity generation and/or heating instead of coal or oil has significant CO_2 reduction and air quality benefits.

Read more on pages 4-5 and 53-54.

4

Committed to sustainability

Enabling a sustainable future

Our businesses are well positioned to enable the low-carbon global economy with products and services used to electrify flow control processes, in hydrogen, carbon capture and storage and battery production. We have a major part to play in the energy transition too. Our 'footprint' might be small, but we recognise our opportunity to reduce value chain emissions, including in our 'handprint'. We have set emissions targets to deliver net-zero by 2045.

20-year basic EPS growth
CAGR

8.2%

5

Balance sheet strength

Rotork is a highly cash generative group

Rotork's businesses are highly cash generative – cash conversion averaged 108% over the last five years. This cashflow enables us to fund organic investments and pay a progressive annual dividend. Our policy is to maintain a strong balance sheet, giving us the flexibility to invest and to make acquisitions. At the end of 2021 we had a net cash balance of £114.1m.

20-year dividend growth
CAGR

8.3%

6

Capital allocation discipline

We have a clear capital allocation framework

Our capital allocation priorities are: i) organic development (new markets, innovation and new product development, IT upgrades); ii) our progressive dividend policy; and iii) strategic investments followed by, in the event in the future we determine we have excess cash, iv) return of cash. Any return of cash would currently be executed through a share buyback.

Net cash balance

£114m

Powerful global mega trends drive our top line growth

Global mega trends	Trend	1 Population and middle class growth, urbanisation	2 Automation, energy-efficiency, electrification
	General impact	Global GDP growth continues – with developing markets growing faster than developed markets, and urban areas growing faster than rural areas.	Upgrade from manual to automated valves and process control. Move from less energy-efficient fluid to electric powered controls over time.
Our chosen markets	**Oil & Gas** Read more on page 40	Demand for oil and gas will continue to grow albeit at a slower rate than previously. Whilst transportation demand may slow, other sectors are expected to grow (fibres, plastics, fertilisers etc.). The demand for natural gas is increasing as a 'transition fuel'.	Lower prices have led to increased technology adoption in the conservative upstream and placed cost reduction through automation at the top of the agenda. Downstream, pressure on refining margins is driving investment in more efficient plant.
	Chemical, Process & Industrial (CPI) Read more on page 42	Middle class growth is driving demand for 'quality of life' products such as appliances, insulation and construction materials, chemicals, consumer goods, textiles/ clothing, premium food stuffs, pharmaceuticals, transport equipment etc.	Plant level process automation is increasingly the norm for CPI's customers as markets demand higher quality products at competitive prices with less environmental impact. Rotork's actuators, control systems and instruments offer proven solutions.
	Water & Power Read more on page 44	Demand for water infrastructure is strong across developing and developed markets for health and safety and economic development reasons. Electricity demand rises each year, driven by GDP growth and electrification (of many sectors, not just vehicles).	Water markets are generally highly regulated and the scope to increase price is limited. Capital investment is rewarded however, making automation projects attractive. In power generation, investment in smaller gas plants is more attractive than in larger combustion plants.

3 Digitalisation, industrial internet, technology

Condition monitoring, remote diagnostics, and preventative/predictive maintenance are becoming the standard across industry.

The industry is embracing new technologies such as data analytics, wireless, cloud computing, digital twins and predictive maintenance. The demand for automated flow control devices and sensors for use in pipelines and tank farms continues to grow.

Digitalisation has been more widely adopted in CPI than in other end-markets. Rotork products enable real-time monitoring and allow problems to be fixed before they escalate, improving safety, productivity, and performance.

Leak detection, monitoring and quality are a major focus of the water industry and shortages are driving the development of smart grids. Large traditional power plants are deploying digital solutions to increase asset efficiency, reduce emissions and optimise fuel and water inputs.

4 Globalisation, trade, regulatory developments

Political developments and the COVID-19 pandemic appear to have slowed globalisation, in some cases necessitating on-shoring of capacity.

Refining is migrating East where larger more complex refineries are being constructed. Shutting refineries in the West are rarely closed completely – often converted to produce biodiesel and/or into storage facilities.

Trade tensions may have reversed some earlier globalisation, in some cases necessitating investment in local production. The specialist marine sector is expected to benefit from increased demand for hydrocarbon transportation.

Increasing regulations relating to water quality, water re-use and sludge treatment are driving water-related capital expenditure across industry. Rotork is well placed to benefit, for example through the new CK range of waterproof electric actuators.

5 Infrastructure investment and modernisation

Infrastructure investment is forecast to grow significantly faster than GDP for decades. Whilst Asia dominates, there is scope for catch-up elsewhere.

The outlook for LNG-related infrastructure investment is positive as is the new investment in LNG ships, terminals and tank farms. Pipelines, liquefaction and regasification plants are required to connect new demand with supply.

Rotork's products and systems are used to safely control critical processes in numerous sectors benefiting from infrastructure spend including mining, metals, pulp & paper, chemicals, glass, marine and rail.

The water network infrastructure requires modernisation in many countries. Desalination investment continues. Whilst fewer traditional power plants are being constructed globally, the installed base requires maintenance and modernisation.

6 Climate change, decarbonisation, water scarcity

Climate change is a global environmental issue, contributed to by greenhouse gas emissions by the transportation, power and industrial sectors.

The industry is committed to reducing its emissions and better managing process water. Low- or no- carbon fuels are being developed (including hydrogen). New technology is being deployed to reduce or prevent methane emissions and flaring.

Decarbonisation is an opportunity for CPI. The battery, semi-conductor and insulation industries are expected to benefit from energy efficiency efforts. Methane and CO_2 capture systems are valve and actuator intensive.

Water scarcity is resulting in greater need for recycling and desalination. Rising water levels are necessitating flood defence investment. Traditional power stations are installing flue-gas desulphurisation and switching to biofuel.

Rotork is a leading provider of mission-critical flow control and instrumentation solutions

Our Purpose

Keeping the world flowing for future generations

The value we add

Identifying our customers' automation challenges
Customers rely upon us for innovative flow control solutions that are efficient and reliable and ensure safety.

Innovation & development of products and services
Our R&D ensures we have a cutting-edge product portfolio that is increasingly focused on environmental performance.

Industry leading application engineering
We are recognised for our high quality products which can be certified for hazardous area and safety applications.

World class product manufacturing
We have sites around the world which assemble and test our products to the highest international standards.

Lifecycle services & support
We offer dedicated service and support including planned and predictive maintenance and de-commissioning.

Our sustainability agenda

Operating responsibly
We aim to run safe, efficient and sustainable operations and to work with responsible suppliers.
Read more on page 48

Enabling a sustainable future
We have an important role to play in a cleaner future where electricity and hydrogen are the major sources of global energy.
Read more on page 52

Making a positive social impact
We endeavour to make a positive social impact by being a good corporate citizen and through providing high quality employment across our global operations.
Read more on page 56

Driving our growth
We aim to outgrow the attractive growth markets we operate in through end-market alignment and targeted investment in Rotork Site Services expansion, high growth regions, innovation and new product development, and into new markets.
Read more on page 30

One rotork®

The value we created in 2021

Our offering
(no. of product launches)

5

We launched 5 new products in 2021, slightly less than planned due to supply chain challenges. Sustainability is a high priority for our innovation and product development teams.

Employees
(no. of employees)

3,200

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

Suppliers
(spend with external suppliers)

£174m

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

Communities
(corporation cash tax paid)

£32m

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.

The environment
(CO2 emissions, YoY)

-5%

We delivered a good set of results across our key environmental metrics in 2021, including an 5% reduction in carbon emissions (scope 1& 2) and a 1.4% reduction in water usage.

Shareholders
(dividends paid)

£76m

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

Improving our margins

We target a return to mid-20s adjusted operating profit margins (from 22.5% in 2021) over time through continuous improvement, sourcing and supply chain initiatives and footprint optimisation. We continue to find ways to be more efficient whilst delivering net positive environmental benefits.

Read more on page 31

Enabling a sustainable future

We have a major role to play in new energies and technologies that will support the transition to a low-carbon economy, including hydrogen, carbon capture and storage and methane emissions reduction. We are committed to improving our ESG performance.

Read more on page 32

Rotork is extremely well positioned for the future. The flow control markets we serve have great potential for growth

Kiet Huynh
Chief Executive Officer

Introduction

It gives me great pleasure to write my first annual report statement as Rotork's Chief Executive Officer. Rotork is a first-class engineering group with a strong purpose and a great reputation for innovative, quality products and a high level of service. The Group delivered a resilient performance in 2021. Demand strengthened as the year progressed and whilst supply chain challenges impacted revenues, particularly in the second half, margins and cashflows proved resilient.

Our people are committed and passionate and have embraced the important changes we have made as part of the Growth Acceleration Programme (GAP). In recent years however the group has not delivered the rates of sales growth we had hoped to achieve, in part because of COVID-19. I am convinced we can deliver on our growth ambition.

Health, safety and wellbeing

The wellbeing of our people, partners and visitors is our number one priority at Rotork and our vision for health and safety is zero harm. During the year we successfully rolled-out our new 'Rotork Life Saving Rules'. These are based on the globally recognised 'Life Saving Rules' which are widely used in a number of industries including oil & gas.

2021 was another extremely difficult year due to the COVID-19 pandemic. I am pleased to say that Rotork once again responded extremely well to the challenges that presented themselves. The COVID-19 steering committee continued to meet each week. The committee, working closely with local management, monitored day-to-day developments and shared best practices. Our health and safety protocols for offices and plants were effective and helped to minimise disruption. Despite our best efforts we were not always able to avoid disruption to production. Generally, our operations teams were able to minimise this, and often in selfless and innovative ways.

We recognise the importance of supporting colleagues' health and wellbeing. We updated our wellbeing resources for colleagues during the year and launched a new global Employee Assistance Programme. It offers a range of services including counselling and legal and financial support for Rotork employees and is made available in all relevant languages.

Business performance

Group order intake increased 4.1% year-on-year (7.8% on an organic constant currency or OCC basis) to £614.1m. All three divisions booked higher orders on an OCC basis, with Water & Power and Chemical, Process & Industrial ('CPI') strongly ahead. Oil & Gas saw order growth return in the second half.

Our customers continue to spend on automation and environmental projects as well as maintenance and upgrade activities. Large project activity remains generally quiet however there are signs of improvement. The majority of Rotork's activity is driven by customers' operational rather than capital expenditure. We estimate that maintenance, repair and small to mid-sized automation/upgrade projects (individual orders less than £100k) generate 75% of Group orders by value in a typical year, and that orders above £1m represent only 5% of Group order intake.

Our operational teams performed well in what was a very challenging period. The COVID-19 pandemic posed significant challenges for supply chains around the world in 2021. Lockdowns, requirements to isolate and people leaving the workforce disrupted the flow of raw materials and finished goods. As an international group with a predominantly out-sourced manufacturing model, we could not avoid being affected by the availability and the cost of logistics, components and commodities.

COVID-19 related changes to spending habits resulted in higher demand for products at the same time as supply became constrained by labour and capacity shortages. The outcome was lower freight availability and significantly higher rates. We responded by optimising use of our global network of suppliers and of production facilities, working closely with our freight forwarding partners and stepping up our customer communication. To offset rate increases we implemented logistics surcharges on the most impacted routes.

Shortly after the onset of COVID-19, demand for high-end semiconductors rose as consumers accelerated the replacement cycle of their electronic goods. Later, demand from the auto products sector outpaced the recovery in auto production, as driver assistance systems became more common. Rotork responded to shortages by building tactical inventories where possible, increasing our direct purchasing of key semiconductors and electronic components, and re-engineering our products. The latter takes time, particularly in the case of certified products.

The prices of commodities such as copper, aluminium and steel were similarly lifted by an increase in demand for physical products, but also by supply restrictions as China made efforts to reduce industrial emissions. Our Global Strategic Sourcing teams focused on mitigating the impact of higher commodity costs through working with our supply base throughout the year. Our commercial teams remained in close contact with our customers at all times, so any price increases that were required were understood and did not come as a surprise.

Group revenue was 5.9% lower year-on-year (2.5% lower OCC). Oil & Gas sales declined 11.0% (7.7% OCC), the result of significantly reduced deliveries to upstream customers. Sales to the less cyclical midstream and downstream sectors (representing 77% of our Oil & Gas revenues) were slightly down year-on-year on an OCC basis. CPI sales were 7.7% ahead (OCC), reflecting strength in the chemicals and process sectors. Water & Power sales were modestly lower, the most impacted by electronics and semi-conductor shortages of Rotork's divisions.

By geography, Asia Pacific revenues by destination grew mid-single digits year-on-year on an OCC basis. Europe, Middle East & Africa ('EMEA') sales were lower, the result of a significant reduction in Oil & Gas sales. Americas revenues were modestly lower on an OCC basis, benefiting from a strong performance in Latin America.

Rotork Site Services, our global service network and a key differentiator in our industry, enjoyed a strong start to 2021. However the second half was negatively impacted by our own, and our customers, supply chain and logistics challenges. Our Lifetime Management and Reliability Services programmes continue to perform well. Rotork Site Services is managed as a separate unit within Rotork's divisions and continues to contribute a significant proportion of Group sales.

Adjusted operating profit was 10.1% lower year-on-year (8.2% lower OCC), reflecting continued benefits from the Growth Acceleration Programme (GAP) and our focus on managing materials inflation, but the benefits compared to the prior year were more than offset by the impact of the significantly reduced volumes, increased logistics costs and operational inefficiencies. Adjusted operating margins were 110 basis points lower than the previous year at 22.5%.

Return on capital employed was 30.1% (2020: 32.5%), with the reduction in capital employed more than offset by lower adjusted operating profit. Cash conversion was 108% (130%) with the lower conversion largely reflecting change in inventory, in part due to the decision in 2021 to tactically increase electronic component stocks. Our balance sheet remains strong, with a net cash position of £114.1m at the period end.

The methane emissions reduction opportunity

Awareness of the imperative to reduce methane emissions hugely stepped up in 2020 with the US Presidential Election. It did so again in 2021 with the publication of the UN's Global Methane Assessment which highlighted electric actuators as one of the key readily available technologies to avoid these emissions. Rotork has long been championing solutions to the emissions challenge – since our foundation we have been promoting the benefits of our modern zero or ultra-low emission flow control products over traditional 'venting' ones. Recognising the significant opportunity that this increase in urgency and understanding presented us, we teamed up with external experts to better understand the opportunities for Rotork. This study ensured we fully understood the scale of the opportunity, the drivers of change, the range of solutions and the routes to market. The results of the detailed report confirmed our earlier view that this is a significant opportunity for us, and one that we are committed to seizing.

"Our immediate priorities are delivering on our record opening order book and continuing to execute the Growth Acceleration Programme."

Early priorities

In my four years at Rotork I have been a major contributor to GAP's design and implementation. GAP has already considerably improved Rotork's infrastructure, operations and processes enabling us to place increasing emphasis on customers, culture, innovation and sustainability. I plan to review and refine the strategy and if necessary, prioritise certain elements. I am confident that our efforts will deliver our growth and profitability ambitions and benefits for all stakeholders.

Rotork is extremely well placed for the future. The flow control markets we serve have great potential for growth and we enjoy leading market positions. Our product and service offerings are extremely strong and we have an exciting innovation pipeline. We benefit from the strong mega trends of automation, electrification and digitalisation that are transforming industry. We have a major part to play in new energies and technologies that will deliver a low-carbon economy and enable the transition to it.

A question we are frequently asked is what proportion of our sales are of products and services which have particular environmental or sustainability benefits or which enable the energy transition and decarbonisation? This is not a straightforward question, and it can sometimes be difficult for us to identify the end use of a product we have sold. 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 the three portfolios mentioned above represented around 30% of sales in 2021, with other applications also material but difficult to estimate. We are hugely excited about the potential of our eco-transition portfolio of products and services to enable a sustainable future, and of course to grow over time.

We have a clear Purpose, Keeping the World Flowing for Future Generations, and a fantastic global team of passionate people that are totally committed to it, whether in our world-class engineering teams, sales, operations or our support functions. As a largely outsourced manufacturing business we are reliant upon our supply chain. Our suppliers have been working extremely hard to overcome the well documented logistics, components shortage and commodity cost challenges experienced in the year.

Rotork is in a strong financial position. Our policy is to maintain a strong balance sheet, giving us the flexibility to fund organic investments, pay a progressive annual dividend and make acquisitions. We have a clear capital allocation framework and are committed to returning capital if we believe it is in excess of our current requirements. We returned £50m to shareholders via a share buyback during the year.

We will provide an update on our priorities and our plans to deliver our growth ambition later in the year. Our immediate priorities are:

- **Delivering on our record opening order book.** To do this we will work in close partnership with our customers and our suppliers. We will keep up the momentum in our component purchasing, product re-engineering and re-certification efforts. We will revisit our supply chain design to see if there are opportunities to redesign certain elements. New paint lines in Bath (UK) and Rochester (NY) will reduce delivery times, raise product quality and lower costs and at the same time improve our environmental performance overall.

- **Continuing to execute GAP.** GAP has good momentum, with many of the principles now well embedded in the organisation. Our focus in 2022 is on improving our customer journey experience, leveraging the voice of customer work completed in 2021 to prioritise our new product development efforts, delivering further sourcing savings and start rolling-out the D365 ERP system to our manufacturing facilities. The latter will provide us with more detailed management information, improve our processes and deliver additional savings.

Additional focus areas, supporting our growth ambition, are:

- **Greater focus on customer value.** We have made progress in becoming easier to do business with but we must go further, putting customer value front and centre, working as one team. We want to partner with our customers in tackling their challenges. To drive this, we will continue to build on our end market structure and strengthen our key account management and value selling propositions.

– **Innovation and new product development.** The Group has a long-established tradition of innovation and of tackling challenging engineering problems. As part of GAP we have stream-lined our new product commercialisation process, and have a strong pipeline. We want to harness our engineering tradition and convert the pipeline to launches, leading with new products that offer improved efficiency and which are aligned to the 'electrification of everything' trend.

– **Enabling a sustainable future.** Our businesses are well positioned to enable the low-carbon global economy with products and services used to electrify flow control processes, in hydrogen, carbon capture and storage and battery production. We have a major part to play in the energy transition too, for example in reducing methane emissions, gasification and biofuel production. Relative to the size of our environmental handprint, we believe our footprint is small. We are committed to delivering net-zero across all three scopes by 2045.

Growth Acceleration Programme

We began to implement our Growth Acceleration Programme in the second half of 2018. This important five-year programme is not about a fundamental reinvention of Rotork, rather refining how we do things and building on our strong foundations. Despite 2021's extremely challenging conditions we made good progress on each of the pillars.

Commercial Excellence is about sales growth and to a lesser extent margin enhancement. One of the major initiatives under this pillar is sales force re-alignment. Our pivot to an end-market facing orientation was completed in 2020 and we are very pleased with the results. Another is the reinvigoration of our innovation and new product development processes. There is evidence that innovation may have suffered during the pandemic, including perhaps at Rotork. Encouragingly, incremental revenues from 'non defend the core' products grew year-on-year and were ahead of plan.

Operational Excellence is about both sales and margins but more about margin enhancement. We have continued to work to optimise our footprint and we consolidated several mid-sized manufacturing facilities during 2021. Our Continuous Improvement & Lean initiatives also continued. Across the organisation we held close to 350 rapid improvement events. The focus of the Global Strategic Sourcing team was more on maintaining production than normal, however the team were able to secure sourcing savings and stepped-up their ESG discussions with suppliers.

Revenue

£569m

Adjusted operating profit

£128m

Adjusted operating profit margin

22.5%

Profit before tax

£106m

Investment in our IT and Core Business Processes accelerated during the year. This workstream is a major enabler for GAP and the deployment of new information systems continues at pace. We have now deployed solutions for sales, marketing, customer service, human resources and site services using a common, global platform based on Microsoft's D365 technology. These modern, integrated solutions are delivering new standards of business efficiency, collaboration and reporting and are delivering significant business benefits. The design and integration of the core ERP solution for our factory and sales offices has now been completed, ready for our first deployment in 2022.

Our TCFD journey

We initiated a multi-year project to further understand the risks and opportunities presented by climate change, consistent with the requirements of the Task Force on Climate-Related Financial Disclosures ('TCFD') earlier in the year. We consider this work as considerably more than a requirement under the UK Financial Conduct Authority's Listing Rules. It is a great opportunity for us, together with external experts, to explore the risks and opportunities that different climate change scenarios might present to Rotork and to determine how to position ourselves to take advantage of opportunities and manage risks.

We have made significant progress in implementing the recommendations of TCFD in each of the four thematic areas: governance, strategy, risk management and targets and metrics. We have been particularly focused on undertaking 'climate scenario analysis' as recommended under the strategy pillar. In our current assessment of climate risks and opportunities, we believe there are significant opportunities for Rotork. As a next step, we will work to quantify the potential impact of both risks and opportunities.

Capital allocation

On 18 August 2021 we announced that, consistent with our capital allocation policy, the Board had decided to return cash to shareholders. We subsequently acquired and cancelled £50m of our shares via an on-market buyback programme split into two tranches. We completed the buyback on 9 November 2021. We retain a strong balance sheet and remain active in looking for suitable acquisition opportunities.

Kiet Huynh
Chief Executive Officer
28 February 2022

Keeping the world flowing… through our supply chain

A global challenge

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.

The COVID-19 pandemic posed significant challenges for supply chains around the world in 2021. Lockdowns, requirements to isolate and people leaving the workforce disrupted the flow of raw materials and finished goods. Whilst Rotork's supply chain proved resilient, it was still impacted by the challenges. We saw impacts on the availability and the cost of logistics, components and commodities.

Logistics

The challenge

COVID-19 related changes to spending habits resulted in higher demand for products at the same time as supply became constrained by labour and equipment shortages. The result was lower freight availability and significantly higher rates.

How we responded

We responded by optimising our use of our global network of suppliers and of production facilities, working closely with our freight forwarder partners and stepping up our customer communication. To offset rate increases we implemented logistics surcharges on the most impacted routes.

Components

The challenge
Early in the COVID-19 pandemic demand for high end semi-conductors rose as consumers accelerated electronic goods replacement. Later, demand from the auto products sector outpaced the recovery in auto production, as driver assistance systems became more common.

How we responded
Rotork responded to shortages by building tactical inventories where possible, increasing our direct purchasing of key semi-conductors and electronic components, and re-engineering our products. The latter can take some time, particularly in the case of highly certified products.

Commodities

The challenge
The price of commodities such as copper, aluminium and steel was similarly lifted by an increase in demand for physical products, but also by supply restrictions as countries made efforts to reduce industrial emissions.

How we responded
Our Global Strategic Sourcing team focused on mitigating the impact of higher commodity costs through working with our supply base. Our commercial teams remained in close contact with our customers throughout the year so any price increases that were required were understood and did not come as a surprise.

Our Growth Acceleration Programme is designed to fulfil our Purpose and deliver our strategic targets

About this section

In this section we discuss our Purpose, strategy and sustainability frameworks and how they fit together. We review year four of our Growth Acceleration Programme, a key enabler in fulfilling our Purpose and building our platform for growth. Finally, we update on key initiatives underway and our progress.

Rotork's Purpose and values

Our Purpose and sustainability vision are one and the same: keeping the world flowing for future generations. We have a major role to play in a future low carbon world and want to help drive the transition to this cleaner future. The Rotork values represent what is important to us culturally. Our values are: 'Stronger Together', 'Always Innovating' and 'Trusted Partner'. We work together as one team, as One Rotork.

Our strategic framework

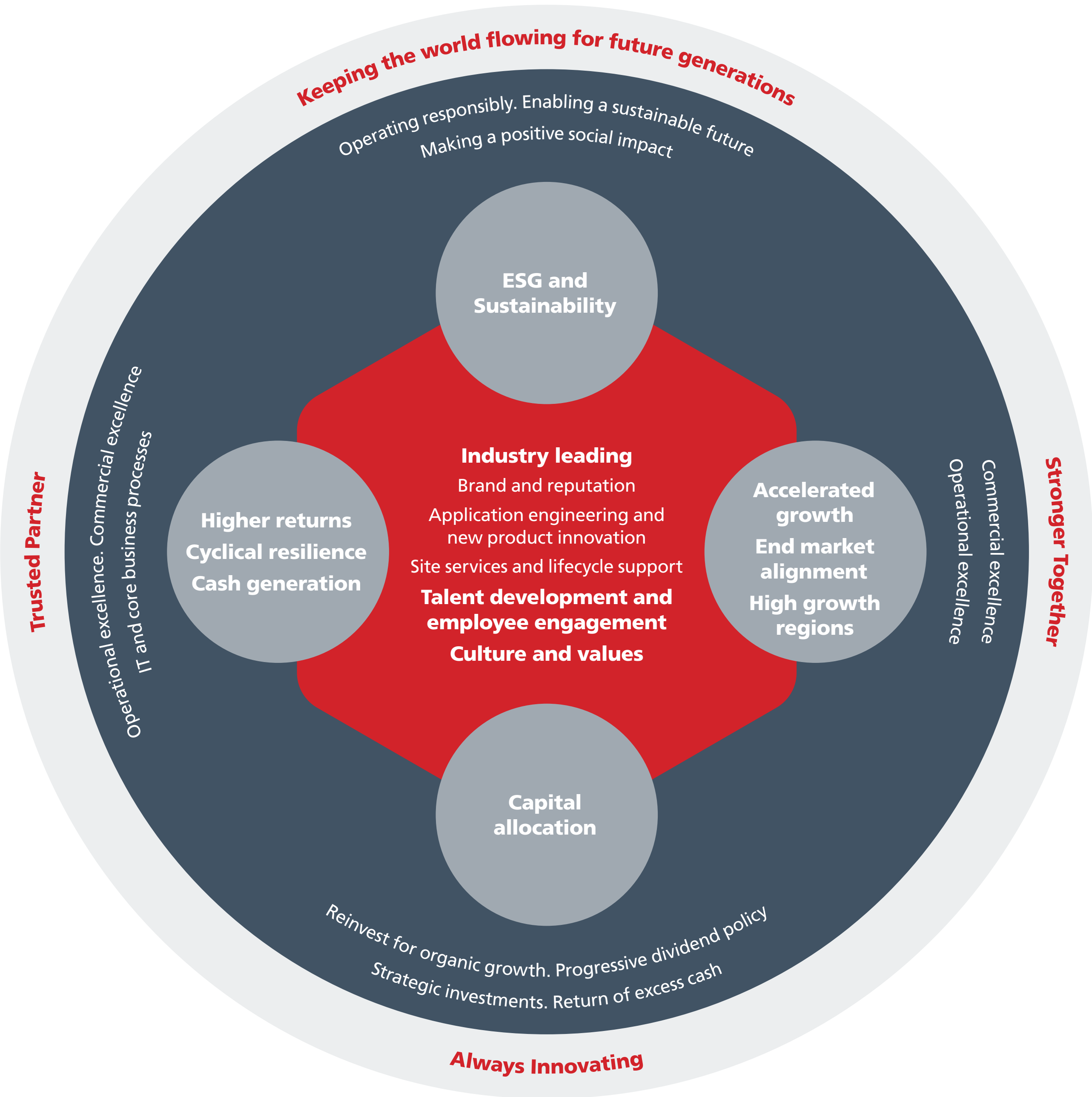
Our target is to deliver mid- to high- single digit revenue growth through a combination of organic growth and acquisitions. We are targeting mid-20s adjusted operating margins over time through simplifying our core business, manufacturing improvements and development of our global supply chain. We aim to play our part in improving the world and making it more sustainable by helping our customers better their own environmental performance, whilst at the same time working to improve our own environmental and social performance as well as that of our suppliers.

Read more on pages 30-32

Growth Acceleration Programme

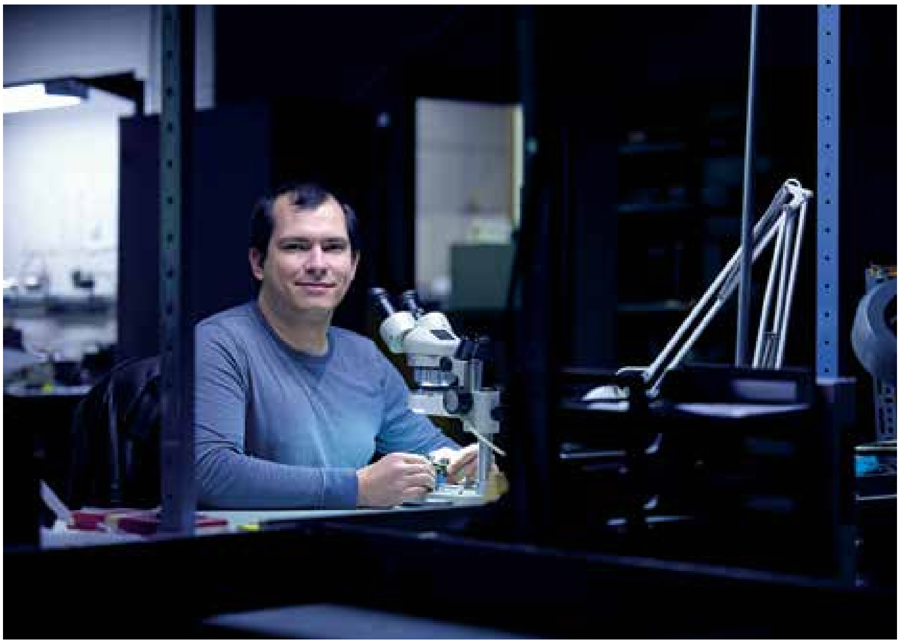
The Growth Acceleration Programme, which began in the second half of 2018, is designed to fulfil our Purpose and deliver our strategic targets. The five-year programme is about refining how we do things, building on our strong foundations, through people, processes and systems. It consists of pillars: Commercial Excellence, Operational Excellence, Talent & Culture and IT & Core Business Processes.

Read more on pages 34-37



Accelerated growth

1



Deliver accelerated year-on-year growth in sales and profits through a combination of organic growth and acquisitions

Link to risks: 1, 2, 3, 4, 5, 7, 10

Strategic initiatives

- **Targeted geographic expansion.** Drive share in high growth regions including China, India and South East Asia with focused commercial activities. Additionally, work to optimise our go-to-market and channel alignment in key geographies.
- **Commercialise innovative new products.** Accelerate our new product development processes whilst concentrating our resources on the most sustainable, profitable opportunities.
- **Help improve customers' environmental performance.** Support our customer base reducing their emissions, improving their water recovery, recycling and treatment, and lowering their energy consumption.
- **Capture exciting new markets.** Build on our existing position in high potential but early-stage markets such as hydrogen and carbon capture, utilisation and storage.
- **Accelerate our digital future.** Leverage our unrivalled installed base through our digital offerings such as the recently launched iAM. Deliver digital infrastructure solutions utilizing connected actuation technologies.
- **Rotork Site Services.** Aftermarket and service is a major opportunity for us. Our priority is to increase the number of actuators under annual service agreement, leveraging our growing installed base.
- **Acquisitions.** We have the management bandwidth and the balance sheet strength to grow by acquisition and are looking to acquire high-quality businesses in the flow control area.

Progress in 2021

- Sales were 2.5% lower year-on-year on an OCC basis due to component shortages and logistics challenges.
- We launched 5 new products, including enhancements to the IQ3 product family.
- Our 'Eco-transition portfolio' comprises three portfolios: 'Water & wastewater', 'Methane emissions reduction' and 'Energy transition & abatement' as well as other applications such as process water management and gasification. We estimate that the three portfolios above represented around 30% of sales in 2021, with other applications also material but difficult to estimate.
- Rotork Site Services invested in service personnel and in its lifetime management offerings.
- We have continued to have conversations and cultivation meetings with a number of potential acquisition targets.

New products launched

5

Increased margins

2

Deliver sustainably higher margins through simplifying our core business, targeted manufacturing improvements and development of our global supply chain

Link to risks: 1, 2, 3, 5, 6, 7, 8, 9

Strategic initiatives

- **Footprint optimisation and continuous improvement.** Our ambition is to have world class manufacturing facilities. To achieve this, we will continue to optimise our footprint, with our aim being to have more flexible, larger facilities. We will also continuously improve our processes, using mixed-model lean to raise efficiencies.
- **Supply chain and global sourcing.** We target significant supply chain improvements. We aim to rationalise our supply base and concentrate our spend with strategic supply partners. To drive this change we have contracted third party help. We also rolled out training and development to category managers.
- **We are in the process of a major management systems upgrade.** Once complete this will improve the efficiency of our operations.

Progress in 2021

- Adjusted operating profit margins benefited from continued execution of GAP but these benefits were offset by the impact of reduced volumes and margins slipped by 110 basis points to 22.5% (from 23.6% in 2020).
- Our footprint optimisation work continues and we closed three manufacturing sites.
- We continued our lean roll out.
- We made good progress on our sourcing and supply chain initiatives, for example reducing the number of suppliers by over 750 since the launch of GAP.
- We have seen a significant increase in logistics and commodity costs, reducing net savings.
- Our inventory reduction programme is on track, with encouraging results to date. Average stock turn increased.

Footprint optimisation

Manufacturing sites closed in 2021

3

Sustainability

3

Rotork's approach to sustainability is embedded in our Purpose: 'keeping the world flowing for future generations'. Our focus on sustainability has the potential to support a competitive advantage and create sustainable value for all of our stakeholders

Link to risks: 5, 6, 9

Strategic initiatives

- **Embed our sustainability framework.** We are working to embed our commitments across the business and develop programmes to help drive progress.
- **Develop ESG targets to accelerate progress.** The development of our net-zero roadmap and associated emissions reduction targets is well underway and being embedded in all relevant parts of the business.
- **Deepen our understanding of climate impacts.** Through our TCFD work, develop a deeper understanding of climate-related opportunities and risks, and develop strategies to seize them.
- **Link ESG metrics to executive remuneration.** Successful achievement of KPIs is linked to senior leaders' and executives' bonus opportunities.
- **Drive awareness and advocacy of our ESG story.** Participate in ESG ratings and benchmarks to measure performance and achieve recognition of progress. Engage stakeholders in our ESG journey and enable them to help make a difference.
- **Identify opportunities to strengthen governance.** As part of our commitment to continuous improvement, we are further developing our policies. We have launched a new Modern Slavery Policy to help manage modern slavery and human trafficking risks. Our new Supplier Code of conduct, due to be launched in 2022, will demand higher standards of environmental conduct.

Progress in 2021

- We initiated a multi-year project to further understand the risks and opportunities presented by climate change, consistent with the requirements of the Task Force on Climate-related Financial Disclosures ('TCFD').
- We developed our net-zero roadmap and set science-based emissions reduction targets.
- We embedded sustainability considerations into many areas of the business.
- Reduced our scopes 1 & 2 carbon emissions by 5% and water consumption by 1.4%.
- We increased the ethnic diversity of our Board.
- We achieved top rankings in ESG ratings.
- Employees throughout the world gave their time and money to charities and good causes.

Carbon emissions reduction

Scope 1 & 2 emissions

-5%

Our Sustainability Framework

Our sustainability framework is based on three strategic pillars: Operating Responsibly; Enabling a Sustainable Future; and, Making a Positive Social Impact. It covers the way we run our business, the impact we can have through our products and services, and the way we engage with our people and communities. The framework has been developed around our chosen UN Sustainable Development Goals (SDGs). We are targeting five main SDGs, aligned to the sustainability topics where we have the greatest potential to support the transition to a better and more sustainable future for all. These guide where we focus our efforts to continue to create sustainable, shared value for all of our stakeholders. Our ESG Committee also chose to adopt two further SDGs, to help drive progress on these issues: Goals 5 and 8.

Operating Responsibly

We aim to run safe, efficient and sustainable operations.

We will strive for the highest levels of safety and efficiency within the business and throughout our supply chain and play our part in the journey to net-zero carbon emissions, in line with our Purpose, Values and ethics.

Key areas of focus

- Playing our part in the transition to a net-zero carbon future.
- Driving health and safety excellence for our people and our wider stakeholders.
- Maximising the benefits created in our supply chain for us and those working in our supply chain.
- Living our Purpose and Values and acting ethically in the way we do business.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION | 13 CLIMATE ACTION

Enabling a Sustainable Future

We want to help drive the transition to a cleaner future where environmental resources are used sustainably.

We will seek out opportunities in energy, water, power and industrial markets, and innovate to provide new products and services, to support a green economy and a cleaner more sustainable future.

Key areas of focus

- Innovating to develop new products and applications to support customers' sustainability objectives.
- Assisting the global energy sector's shift from fossil-fuel based systems to renewable sources.
- Providing products and services that deliver reliable, energy efficient solutions.
- Contributing to the roll-out and modernisation of critical infrastructure (e.g. for water and energy).

6 CLEAN WATER AND SANITATION | 7 AFFORDABLE AND CLEAN ENERGY | 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Making a Positive Social Impact

We aim to support fair, resilient and thriving societies.

We recognise the relationship between business growth, quality employment, and wider social impact. We want to be a great place to work with a diverse and inclusive workforce, providing equal opportunity and fair pay and rewards.

Key areas of focus

- Attracting, developing and retaining talented people by providing fair and equal pay and demonstrating our commitment to diversity and inclusion.
- Supporting customers' health and safety initiatives, by helping to protect their employees.
- Proactive and transparent engagement with all stakeholders.
- Supporting communities' development and resilience to adverse situations.

5 GENDER EQUALITY | 8 DECENT WORK AND ECONOMIC GROWTH

Aligned to management's incentives for 2022

Safe and efficient operations

- Lost time injury rate
- Carbon emissions per £1 million revenue

Environmental innovation

- Product focus: greater positive environmental impact
- Customer focus: engagement on sustainability issues

Culture and engagement

- Employee engagement score
- % employees who believe Rotork offers an inclusive culture

See the Sustainability Review on page 46 onwards for further details about our approach and strategy.

Keeping the world flowing for future generations

Clear objectives

Our Growth Acceleration Programme is designed to deliver sustainable mid to high single-digit revenue growth and mid-20s adjusted operating margins over time. The programme is about building on Rotork's strong foundations and refining how we do things through our people, processes and systems.

Growth | **Margin enhancement** | **Key enablers**

Year-on-year improvement

Despite a challenging economic environment, our Growth Acceleration Programme continues to deliver planned benefits and is set to accelerate as it moves into its fifth year.

Year 1 | Year 2 | Year 3 | Year 4

Four pillars

The programme's initiatives are grouped into four pillars – Commercial Excellence, Operational Excellence, Talent & Culture and IT & Core Business Processes.

Commercial Excellence
- Sales force re-alignment – shifting to an end-market orientation
- Value Selling training
- Innovation and new product development
- Site Services expansion

Operational Excellence
- Targeted manufacturing improvements
- Supply chain globalisation
- Footprint optimisation
- Inventory reduction

Talent & Culture
- Internalising our performance appraisal and review processes
- Aligning our strategy, goals, behaviours, and rewards systems
- Redefining our Rotork culture

IT and Core Business Processes
- Improving and standardising core business processes, enabling back office leverage
- IT/systems enhancements
- Emphasising operating efficiencies

Success in a challenging year

The Growth Acceleration Programme has considerable momentum and we made good progress in 2021 despite supply chain challenges. The benefits of the sales force realignment initiative are apparent from our Voice of Customer survey and we are working to implement the additional improvement opportunities the survey identified. We continued our large facility investment and modernisation programme with the commissioning of a state-of-the-art paint plant in Bath (UK).

Strategy, portfolio and product line assessment
Simplifying our core business and preparing for acceleration

Commercial Excellence

Our objective is to supply the products and services our customers require whilst being simple and easy to do business with.

Acceleration Programme split

Growth
Margin enhancement

Key
Growth
Margin enhancement
Key enablers

Performance

- Our Voice of Customer survey confirmed that our sales force realignment initiative has significantly improved our customer intimacy. It also highlighted other areas where we can deliver additional customer value and we are working hard to do this.
- We launched 5 new products in 2021, many of which are helping customers meet their energy and emissions reduction challenges and reduce operating costs through leveraging the latest control systems.
- We continued to invest in high-growth regions, recruiting additional resource in both sales and support functions.
- Rotork Site Services continued to develop its offerings. Rotork Lifetime Management, Rotork Reliability Services and Intelligent Asset Management system ('iAM') are performing well.
- Sales of our 'Eco-transition portfolio' products and services grew year-on-year on an OCC basis.

Looking ahead

- Drive sales growth through greater focus on customer value, including delivering on our Voice of Customer survey findings.
- Delivering on our pipeline of innovative new products, leading with those offering high efficiency and aligned to the important electrification trend.
- Leverage our unrivalled installed base, including through Lifetime Management programmes, and through our spares programme.

Innovation and NPD

Rotork has a long-established tradition of innovation and of tackling challenging engineering problems. We have stream-lined our new product commercialisation process, and have a strong pipeline. We want to celebrate our engineering tradition and convert the pipeline to launches, leading with new products offering improved efficiency that are aligned to the electrification trend.

Growth Acceleration Programme continued

Operational Excellence

Our objective is to improve our operational efficiency (return on sales and capital employed) and our cyclical resilience.

Acceleration Programme split

Growth | **Margin enhancement**

Key
- Growth
- Margin enhancement
- Key enablers

Performance

– We continued to invest in the expansion and modernisation of key sites. Our largest project this year was at the Bath (UK) factory where we installed a state-of-the-art paint line and made other process flow changes. These will significantly improve our operational efficiency, including reducing our lead times.

– We continued to drive mixed-model lean across our factories and subsidiaries during the year, with close to 350 Rapid Improvement Events being held involving 1,700 participants. These events delivered efficiency improvements as well as releasing floorspace to enable future footprint changes.

– Our procurement teams worked incredibly hard during the year to successfully maintain supply during a backdrop of extremely disrupted supply chains. We have continued our work to optimise our manufacturing footprint and closed several sites during the year, bringing the total to 17 and reducing our locations by over 40% since the programme's 2018 inception.

– Rotork's inventory optimisation tool enabled our operations teams to identify further opportunities to reduce inventory levels.

– We completed our supplier ESG & Sustainability survey.

– Our Quality team completed close to 50 improvement projects.

Looking ahead

– Our Global Strategic Sourcing team will work closely with our chosen suppliers to secure the components we require to deliver on our record opening order book.

– Engagement with identified key suppliers will be stepped-up, in-line with our net-zero commitment.

– We will deliver further benefits from our continuous improvement/lean initiatives.

– Our 'cost of quality' programme continues. We expect this to start to generate customer value and savings in 2022 and beyond.

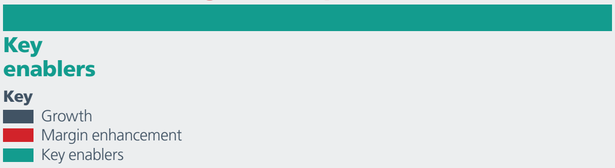
Inaugural Rotork Global Lean Awards

Regional winning teams were selected from factory and sales subsidiary locations across the Americas, Asia and EMEA and global awards were presented.

Talent & Culture

Our objective is to have the team, culture and performance management approach to achieve our goals and aspirations.

Acceleration Programme split



Performance

- The strength and resilience of Rotork's people has been extraordinary in the challenging time we experienced in 2021. Our people are truly living our Purpose, 'keeping the world flowing for future generations' and embracing our values 'Stronger Together', 'Always Innovating' and 'Trusted Partner'.
- The wellbeing of our people has been especially important. We updated our wellbeing resources for colleagues during the year to support staff in managing their physical and mental welfare. We also launched a new global Employee Assistance Programme, offering a range of services including counselling and legal and financial support in numerous languages.
- To ensure we track the development of our extended leadership team and high-potential employees, each of them has a personal profile including a development plan which has been reviewed by the Plc Board and the executive team.
- We delivered another series of value selling training to colleagues in our end-market divisions in 2021, as well as customer service training for relevant colleagues.
- Our new Learning@Rotork site offers virtual classroom-style training, including on topics such as communication and coaching for people managers. Around 350 managers have registered for or undertaken training since launch.

Looking ahead

- Following a culture and values review in 2021, focus on developing a plan to further weave our values into everything we do; how we deliver change, our people experience and our wellbeing support.
- Progress on ethnicity initiatives alongside our diversity and inclusion focus.

IT & Core Business Processes

Our objective is Group-wide IT systems and business processes that improve our way of working and increase our commercial and operational efficiency.

Acceleration Programme split

Performance

- Our IT workstream is a major enabler for the Growth Acceleration Programme and the development of new information systems and services continues at pace.
- We have now deployed solutions for sales, marketing, customer service, human resources and site services using a common, global platform based on Microsoft's D365 technology.
- These modern, integrated solutions are delivering new standards of business efficiency, collaboration and reporting and are continuously evolving to deliver significant business benefits, every day.
- The design and integration of the core ERP for our factories has now been completed, ready for our first deployment in 2022 to enable a new standard for manufacturing excellence across the group.

Looking ahead

- We are aiming to deliver our first D365 ERP deployment in 2022, to the Bath factory. The new Bath factory system will form the blueprint for all factories in future years and integrates ERP, product management and product configuration applications to optimise our sales, operations and customer service capabilities, worldwide.
- The first factory ERP deployment will be followed by the first 'selling entity' deployments.
- These major deployments combine to reinforce our vision of a single and modern architecture to serve our customers better and underpin our strategy to become a leading digital business in the flow control industry.

Key performance indicators

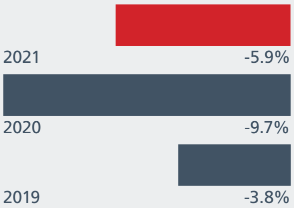
Financial KPIs

Growth of the business, quality of earnings and efficient use of resources are crucial target areas for Rotork and we employ a number of performance measures to monitor them.

Performance

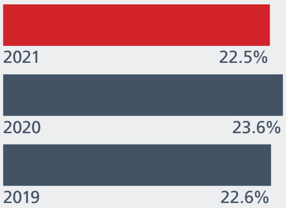
Revenue growth
%

-5.9%



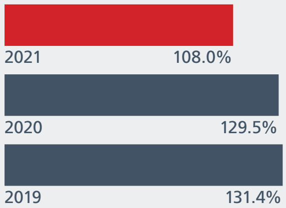
Adjusted operating margin
%

22.5%



Cash conversion
%

108.0%



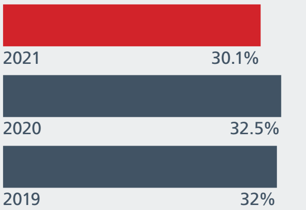
Reasons for choice

	Revenue growth	Adjusted operating margin	Cash conversion
Reasons for choice	Revenue is a key driver for the business and is reported in detail for each division and geography. The measure enables us to track our overall success and our progress in increasing our market share by product and by region.	This measure brings together the combined effects of pricing, volume and procurement as well as the leveraging of our operating assets. It is also an important check on the quality of revenue growth.	Our cash conversion demonstrates our operational efficiency and enables us to fund future growth. We consider 85% conversion as a base level of achievement. This measure is one of the constituent parts of the senior management reward system.
How we calculate	Increase in revenue year-on-year divided by prior year sales revenue.	Adjusted operating profit shown as a percentage of revenue. We use adjusted operating profit as this aids comparison year to year.	Cash flow from operating activities before tax outflows, the cash impact of other adjustments (including Software as a Service), and the pension charge to cash adjustment, as a percentage of adjusted operating profit.
Comments on results	Group revenue was 5.9% lower year-on-year as a result of supply chain restraints. Chemical, Process & Industrial sales grew, whilst both Oil & Gas and Water & Power reported revenue declines.	Margins decreased by 110bps, with benefits from the Growth Acceleration Programme and our focus on managing materials inflation more than offset by the impact of the significantly reduced volumes, operational inefficiencies and increased logistics costs.	The lower cash conversion compared to prior year reflects change in inventory, in part due to the decision in 2021 to tactically increase electronic component stocks.
Link to strategy	1	2 3	1 3

1 Accelerated growth
2 Increased margins
3 Sustainability

Return on capital employed
%

30.1%



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

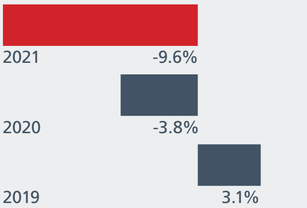
Adjusted operating profit as a percentage of average capital employed. Capital employed is defined as shareholders' funds less net cash held, with the pension fund deficit net of related deferred tax asset added back. See calculation on page 177.

Return on capital employed decreased during the year, with the 3.0% reduction in average capital employed being more than offset by lower adjusted operating profit.

2 3

Adjusted EPS growth
%

-9.6%



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

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

Adjusted earnings per share was 9.6% lower year-on-year, slightly less than the 10.1% reduction in adjusted operating profits.

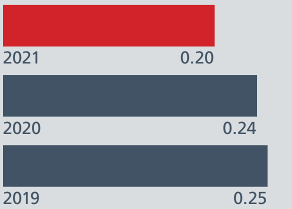
1 2

Non-financial KPIs

We monitor non-financial areas in our businesses, particularly in the environmental, health and safety and quality control areas, and we place strong emphasis within our organisation on improving our performance here.

Lost times injury rates
LTIR

0.20



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

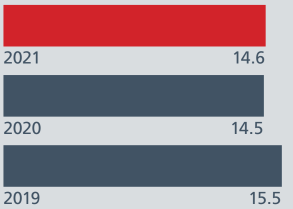
LTIR is the number of reportable injuries resulting in lost time divided by the number of hours worked multiplied by 100,000.

Our proactive approach is aimed at continuously identifying weaknesses in our safety processes and removing or mitigating risks when they are identified.

2 3

Carbon emissions
CO_2e per £m

14.6



Scope 1 & 2 carbon emissions (CO_2e) per £1m reported revenue. This KPI is a broad measure of our environmental efficiency.

Energy usage data (scopes 1 & 2) is converted to equivalent tonnes of CO_2e and reported as a function of revenue. 2020 data has been restated; we previously reported 14.1 tonnes. See page 49.

Further consolidation of sites and upgrades in some of our facilities resulted in a 5% reduction in our scope 1 and scope 2 emissions last year. Emissions per £1m were 0.4% higher than in the prior year.

2 3

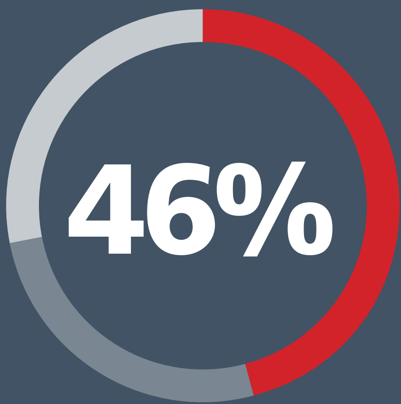
Oil & Gas

Oil & Gas customers started the year cautiously as regards their discretionary expenditure, but their confidence picked up as the year progressed.

Divisional highlights

- EMEA sales were significantly lower year-on-year
- Asia Pacific revenues grew
- Americas sales were slightly ahead OCC
- Adjusted operating profit margins were 21.7%, 160bps lower year-on-year

% of group revenue



Strategy

We are the market leading actuator supplier to the oil & gas sector, with the broadest product offering in the industry and the largest site services team.

We aim to outgrow our market through leveraging our installed base, focusing on higher growth geographies and targeted new product development.

We believe we are well placed to help our customers to deliver on their ESG targets.

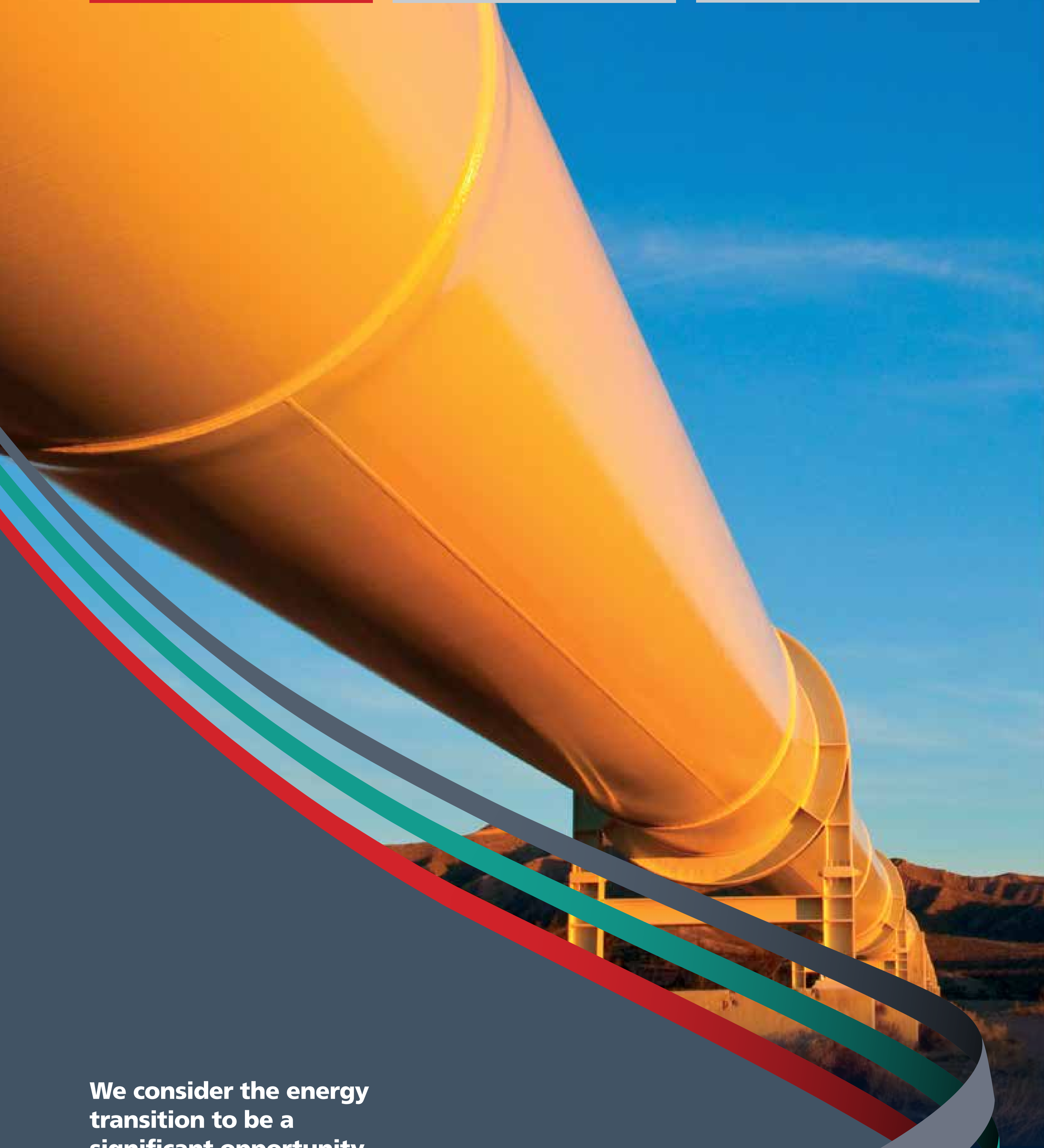
Industry capital expenditure was slightly ahead year-on-year, driven by national oil & gas companies, according to forecasters. Productivity and emissions reduction projects continued. Early in 2022 hydrocarbon prices rose to levels not seen since 2014, reflecting recovering demand, several years of underinvestment and geopolitical tensions.

Divisional revenues fell 11.0% year-on-year (-7.7% OCC), largely the result of supply chain disruption which delayed deliveries, particularly in the final quarter. Sales to the midstream sector were up double-digits on an OCC basis, benefiting from project wins in the Middle East. Sales to both the upstream and downstream sectors were lower, with the downstream proving to be less economically sensitive as anticipated. EMEA sales were significantly lower with the upstream and downstream sectors declining. Asia Pacific sales grew, with downstream and midstream growth more than offsetting upstream sector declines. Americas revenues were slightly down OCC, with growth in the upstream and midstream sectors more than offset by downstream declines. Within the Americas, South America performed particularly strongly. Rotork Site Services sales were lower year-on-year reflecting commissioning delays.

Adjusted operating profits were £56.3m, 14.3% lower year-on-year on an OCC basis. The decline in profits reflected reduced sales and higher logistics costs, partly offset by improved labour efficiency, GAP savings and a reduced level of variable pay. Adjusted margins fell 160 basis points to 21.7%, reflecting the above factors.

Oil & Gas aims to outperform its markets through a range of strategic initiatives. These include leveraging our installed base (through Rotork Site Services and our iAM and Lifetime Management programmes), helping our customers improve their operational and environmental performance, and increasing our sales of low energy consumption and connected products. We are also making targeted investments in high growth regions such as the Middle East and Asia Pacific.

We consider the energy transition to be a significant opportunity where we play an important role. The production, distribution, and utilisation of low and zero carbon fuels (including hydrogen and biofuels such as HVO) are valve and actuator intensive. We have an important part to play in climate change mitigation and abatement technologies such as methane emissions reduction and carbon capture usage and storage. The focus on the oil & gas industry's methane emissions has stepped-up the policy agenda further following COP26. We believe that electrification has an important role to play in the reduction of our customers' carbon emissions across their upstream, midstream and downstream processes, and that as world leader in electric actuation we are well placed to assist them on this journey. Gasification/fuel switching in the power generation sector in the US and Europe and in the residential and industrial sectors in Asia Pacific is expected to benefit the midstream sector.



We consider the energy transition to be a significant opportunity where we play an important role

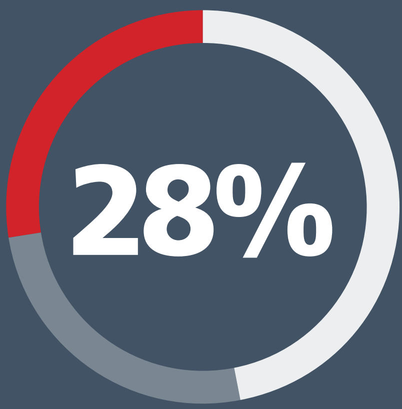
Chemical, Process & Industrial

CPI delivered a strong sales performance in the first half which was not repeated in the second half, largely due to supply chain disruption.

Divisional highlights

- APAC revenues were up high single-digits OCC
- EMEA sales accelerated after a slow start to the year
- Americas was the fastest growing geography
- Margins rose 180bps despite higher logistics costs

% of group revenue



Strategy

We target niche applications where intelligent flow control and process automation are critical to maximising operational reliability, efficiency and growth for our customers.

Growth drivers include technology (electrification, automation and digitalisation) and geography (Asia Pacific economic growth, clean air legislation in EMEA and Americas).

Our focus markets include petrochemical, HVAC, new energy technologies and decarbonisation.

The division serves a broad range of end markets and has a higher proportion of short-cycle sales and a shorter order book than Rotork's other divisions. CPI is seeing the benefits of the economic recovery as well as earlier GAP initiatives such as focusing on key niches for profitable growth. Examples include business wins in chemicals, mining, steel, pharmaceutical, semi-conductor, lithium-ion battery and data centre (HVAC) end markets.

Revenues grew 7.7% year-on-year on an OCC basis. Asia Pacific sales were up high single-digits (OCC), with our targeted niches showing encouraging growth. In EMEA, sales growth accelerated after a slow start to the year, resulting in full year revenue growth being close to that of the division (OCC). Americas was the fastest growing geography, with revenues growing close to double digits OCC, driven by higher mining and chemicals activity.

The process sector represents a substantial proportion of CPI overall. Process revenues were ahead in all regions, with Asia Pacific enjoying the highest rate of growth.

The division's adjusted operating profit was £42.8m, 11.0% up year-on-year. Adjusted operating margins increased 180bps to 26.7% reflecting the drop-through of higher sales, beneficial mix and GAP savings which were partly offset by slightly higher logistics costs.

CPI aims to outgrow its markets through focusing on niche sectors and high growth regions, optimising its channel coverage and developing the aftermarket. The division is targeting key sectors including HVAC, chemicals and basic materials.

The decarbonisation trend presents a key opportunity for CPI – through new industrial processes such as hydrogen and carbon capture usage and storage, as well as the substitution of high maintenance and inefficient pneumatic systems with electric actuators.

CPI is seeing the benefits of the economic recovery as well as earlier GAP initiatives such as focusing on key niches for profitable growth

Water & Power

Water & Power's products and services, and those of its customers, are generally considered essential, and customer activity has largely continued without disruption throughout COVID-19.

Divisional highlights

APAC revenues were lower, driven by the power sector

Americas sales were particularly impacted by supply chain issues

EMEA revenues were higher driven by the water sector

Margins down 260bps to 27.2% reflecting lower volumes and higher logistics costs

% of group revenue

Strategy

The water market is forecast to grow 4-5% a year long-term. There are good upgrade and service opportunities in power.

We are increasingly focused on specific areas we have identified as offering the greatest growth opportunity, such as digital.

We are working to further optimise our go-to-market, including through benchmarking and developing the indirect channel.

The division has the highest proportion of electric actuator sales amongst Rotork's divisions and was the most impacted by electronics and semi-conductor shortages in the year. Water & Power is clearly benefiting from earlier initiatives such as our transition to an end-market aligned structure and value selling. Looking ahead, the world's governments have identified water infrastructure investment as a priority, not only for health and safety reasons but also for economic development and we are well placed to support these efforts.

Revenues fell 5.8% year-on-year (-2.7% OCC) with higher EMEA sales insufficient to offset lower sales in other geographic regions. In Asia Pacific, the water sector achieved solid growth in sales. The Asia Pacific power sector saw a revenue decline, despite significant waste-to-energy activity, due to reduced refurbishment work. Americas sales were particularly impacted by supply chain issues however water sales were slightly ahead (OCC). In EMEA, strong water sector revenue growth offset slightly weaker power sales. For the division overall, water sector sales were ahead mid-single digits year-on-year on an OCC basis.

The division's adjusted operating profits were £40.4m, 14.0% lower year-on-year. Adjusted margins were 27.2%, down 260bps year-on-year. The margin decline reflected higher logistics costs, which disproportionately affected the division, an adverse product mix as well as an increased share of common costs, which together exceeded the savings derived from GAP.

Water & Power aims to outperform its markets through an optimised channel strategy, regional expansion and new product development. The division is focused on solving its customers' challenges. For example, water customers rely on Rotork's technologies to achieve higher water quality standards, lower operational costs, reduce water leakage and increase the lifecycle of assets above and underground. In power, our teams are targeting environmental opportunities such as waste-to-energy investments, flue-gas desulphurisation retrofits and seeking refurbishment opportunities within our large installed base.

Water & Power is clearly benefiting from earlier initiatives such as our transition to an end-market aligned structure and value selling

We sharpened our focus on our sustainability agenda in 2021, recognising its potential to support a competitive advantage and create sustainable value for stakeholders

Our strategy

We published a new sustainability framework early in 2021. It is based on three pillars: Operating Responsibly; Enabling a Sustainable Future; and Making a Positive Social Impact. It reflects the way we run our business, the impact we can have through our products and services, and the way we engage with our people and communities.

Our sustainability framework was developed around our priority sustainability topics and associated Sustainable Development Goals ('SDG's). We sought stakeholders' views in determining the materiality of different topics, having undertaken an in-depth analysis of the SDGs to identify opportunities for shared value creation. Our materiality assessment followed best practice, involving our leadership team and a broad range of external stakeholders.

Sustainability recognition

S&P
87th percentile in Machinery & Electrical Equipment industry

CDP Water Security
Rating B

CDP Climate
Rating B-

ISS ESG
Rating C, ranked 2nd decile in our industry

Bloomberg ESG
Disclosure score: 56.5

MSCI ESG Rating
Rating AA (leader)

Sustainalytics
Rated 'Low Risk', ranking 5th out of 374 companies in industrial machinery.

FTSE4Good Member
Percentile rank: 83

Delivering our strategy

We use a range of tools to ensure ESG objectives are fully integrated within our approach to business. This includes tying the successful delivery of social and environmental objectives to management's remuneration. Performance against non-financial KPIs – carbon emissions per £1m revenue and lost time injury rates – has been linked to executive directors' remuneration for a number of years, thereby incentivising performance improvements.

In 2021, ESG-related targets became 10% of the bonus opportunity, up from 5% the prior year, for the entire senior leadership population (around 100 people). Performance indicators were also expanded to include measures relating to environmental innovation, customer engagement on sustainability, employee engagement and culture.

We also drove deeper integration of ESG into our strategy and core business processes. For example, we are including ESG considerations at every checkpoint in our new product development process. We are also integrating social and environmental considerations into our property portfolio management and Voice of Customer surveys.

Governance

The Board receives regular updates on our ESG and sustainability performance. The Board is supported by a dedicated ESG Committee. Members include non-executive directors Ann Christin Andersen (Chair), Tim Cobbold (non-executive director for workplace engagement) and Karin Meurk-Harvey, who joined Rotork's Board in October 2021, as well as members of the Rotork Management Board. See page 116 for the ESG Committee Chair's report for 2021.

We also have an extensive suite of ESG policies which govern our approach. The key policies are published on our website and described in the Non-Financial Information Statement on pages 74-76.

Communications and ratings

We are committed to measuring our sustainability performance and reporting transparently on progress. We published our inaugural Sustainability Report in mid-2021 to augment our ESG communications. We were pleased to receive the Investor Relations Society's 'Best Communication of ESG' award in November 2021 in recognition of our best practice approach.

We also engage proactively with ESG ratings agencies. We are scored AA (leader) by MSCI and retained our CDP ratings of B- for Climate and B for Water Security in 2021. We also participated in the prestigious S&P Corporate Sustainability Assessment for the first time this year. We were ranked in the 87th percentile of companies in our industry globally, well ahead of all UK industrial companies.

Our Sustainability Framework

Operating Responsibly

We aim to run safe, efficient and sustainable operations.

Our commitments

UN SDG

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

SDG targets: 12.2, 12.5, 12.6

- 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.

13 CLIMATE ACTION

SDG targets: 13.1, 13.3

- We will reduce carbon emissions generated per £1m revenue and work to develop a net-zero roadmap.

Enabling a Sustainable Future

We want to help drive the transition to a cleaner future where environmental resources are used sustainably.

Our commitments

UN SDG

6 CLEAN WATER AND SANITATION

SDG target: 6.4

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

7 AFFORDABLE AND CLEAN ENERGY

SDG target: 7.3

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

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

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

We aim to support fair, resilient and thriving societies.

Our commitments

UN SDG

5 GENDER EQUALITY

SDG target:5.5

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

8 DECENT WORK AND ECONOMIC GROWTH

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.

The ESG Committee endorsed targeting these additional SDGs as part of our strategic approach.

Operating Responsibly

The starting point of our sustainability strategy is to ensure that we run our own operations as safely and efficiently as possible, within a culture of innovation, collaboration and integrity. We also seek to work with responsible suppliers that mirror our approach to sustainability and respect our social, environmental and ethical standards.

Our mission

We aim to run safe, efficient and sustainable operations.

Our commitments

We will aim to reduce our lost time injury rate each year and strive for a zero-harm workplace.

We will embed social, ethical and environmental considerations into our Global Supplier Excellence Programme.

We will reduce carbon emissions generated per £1m revenue and work on developing a net-zero roadmap.

Safety, health and wellbeing

The safety and health of our employees is our top priority. Our vision for health and safety is zero-harm.

We launched a new health and safety strategy during the year to help deliver our vision. Our strategy is focused on strengthening our health and safety culture and empowering managers to lead by example.

We refreshed our Global Health and Safety Standards to align with internationally recognised best practice. These consist of 12 new standards and a set of supporting materials to enable their successful implementation. We began the implementation of these during 2021.

We also launched our new Rotork Life Saving Rules, based on the standards typically used in the oil and gas industry. We delivered 14 modules of mandatory training, covering all staff globally. We were pleased to have delivered the training in full and on time, despite the additional challenges posed by the COVID-19 pandemic.

We use a combination of leading (proactive) and lagging (reactive) indicators to assess our health and safety performance. Our leading indicators help us anticipate safety risks, before they cause an accident. In 2021, we completed 1,344 Gemba safety walks and raised 7,805 safety spots across all Rotork facilities, an increase of 17.5% compared to 2020.

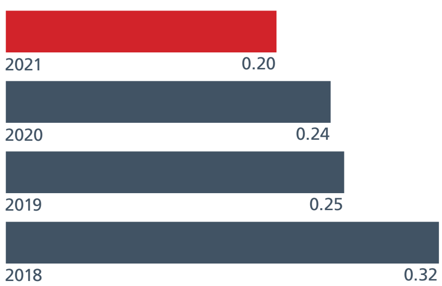
As part of our new strategy, we have set targets to help track progress against our lagging indicators. We will aim to reduce our lost time and recordable injury rates by 20% year-on-year.

In 2021, we recorded a lost-time injury rate of 0.20, compared with 0.24 in 2020. The number of first aid injuries also reduced from 147 in 2020 to 89 this year. We have also started recording and calculating our Total Recordable Injury Rate ('TRIR'), to meet stakeholder demand. We will publish our TRIR in our SASB index later in 2022.

Rotork recognises the importance of supporting colleagues' health and wellbeing, particularly in these challenging times. We updated our wellbeing resources for colleagues during the year and launched a new global Employee Assistance Programme, provided by ComPsych. It offers a range of services including counselling and legal and financial support for Rotork employees in all relevant languages. We also delivered webinars to support colleagues on a range of mental health topics, as part of our promotion of World Mental Health Day in October 2021.

Lost-time injury rate
LTIR

0.20



Climate change & environment

Our strategy

The climate crisis is an increasing risk for the world. We recognise the imperative for urgent action. Rotork is committed to playing its part in delivering net-zero and is committed to targeting deep emission cuts, in line with those required to meet the Paris Agreement goals.

Our net-zero roadmap

We have a good track record of reducing the environmental impact of our operations. As the world leader in electric actuation, Rotork also plays a key role in enabling customers to reduce their emissions and power consumption.

Going forward, we will drive faster progress and target greater reductions in emissions associated with our business. In early 2022, we set new science-based targets for scopes 1 & 2 and scope 3. We have also committed to target net-zero by 2035 for scopes 1 & 2 and 2045 for scope 3 emissions.

We undertook an exercise to calculate relevant scope 3 emissions during 2021. The process of establishing our scope 3 inventory has provided greater insight into efficiency opportunities in our value chain. It has also highlighted opportunities for us to partner more closely with customers and suppliers to reduce our collective emissions and thrive in a low-carbon economy. Our new near-term science-based targets cover our most material emissions categories. See page 73 for full scope 3 emissions data.

Case study: Solar panel installations

We installed solar panels on the roof of our Schischek facility in Langenzenn, Germany, this year. The new system generates 60 kWh; enough to support 50% of the site's energy requirements. As part of the investment, electric charging points were also installed to enable employees to charge their electric vehicles during working hours.

We also installed solar panels at our Melbourne site in Australia during the year, to increase the share of renewable energy used by the facility.

Our science-based targets

We have set a science-based target to reduce scopes 1 & 2 emissions by 42% by 2030. We have also set a science-based target to reduce emissions associated with the use of sold products (targeting a 25% reduction by 2030). In addition, we have set a target for 25% of emissions associated with purchased goods and services to be covered by science-based targets by 2027. The baseline year for all targets is 2020.

We are working to embed the targets into all relevant business processes to ensure delivery. The targets have also been submitted to the Science-Based Targets initiative for validation.

Energy & emissions performance

We reduced absolute scope 1 and 2 emissions by 5% in 2021 compared with the prior year. We emitted 14.6 tonnes CO_2e per £1m of revenue, slightly higher than in 2020 on a relative basis (2020: 14.5).

We reduced grid electricity usage by 9.9% last year, or by 32.9% compared with 2017 (our baseline year). We also achieved a reduction of 3.5% in gas usage, or 15.5% compared with our baseline. Reductions were primarily achieved through our site consolidation programme. We also completed several energy efficiency projects; manufacturing sites are targeted to implement an environmental impact reduction project annually. For example, in Manchester we replaced lighting with LED lights, and in Winston Salem we invested in a new air compressor to reduce energy usage.

In line with best practice, we will introduce dual emissions reporting in 2022 (market-based and location-based) in our Sustainability Report.

GHG Emissions

Energy	Unit of Measure	**2021**	2020	2019	2018
Electricity used	kWh	**12,458,000**	13,598,000	14,501,917	16,194,145
Gas used	Cubic metres	**982,287**	1,016,741	1,149,779	1,165,313

Emissions	Unit of Measure	**2021**	2020	2019	2018
Scope 1	Metric tonnes CO_2e	**3,686**	3,534	4,575	5,597
Scope 2	Metric tonnes CO_2e	**4,605**	5,237	5,833	6,286

We calculated our full scope 3 inventory during 2021. Our scope 3 emissions in all relevant categories (10/15) for 2020 are reported on page 73. 2020 is the baseline year for our science-based and net-zero targets.

We report our carbon emissions in line with the DEFRA Environmental Reporting Guidelines, aligned to the Greenhouse Gas (GHG) Protocol Corporate Standard. These include guidance on compliance with the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, which contain the Streamlined Energy and Carbon Reporting requirements. Emissions and energy data reported here covers our global business. Scope 1 emissions are direct emissions from sources that are owned or controlled by Rotork, including combustion of fuel and operation of facilities. Scope 2 emissions are indirect emissions from the purchase of electricity, heat, steam and cooling purchased for own use. Scope 3 emissions are indirect emissions (not included in scope 2) that occur in the value chain. Annual energy consumption (kWh) is obtained from both actual (invoices and meter readings) and estimated (some office energy rates included in monthly charge) sources. 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 22% of emissions and 27% of energy usage relates to our UK operations. The Group has no other GHG emissions (such as methane, N_2O, Sulphur hexafluoride, HFCs or PFCs) to report.

Independent verification: Electricity, gas and GHG emissions data presented here has been independently verified by Make UK. Some data for 2020 has been restated following this independent verification. Scope 1 usage figures have been restated for 2020 as they had been under-reported due to a calculation error. This had a material impact on figures. Some emissions from transport had not been included in figures previously reported for 2020. This had a minor impact. In addition, some sites over-reported scope 2 emissions for 2020 and this has also been corrected in the figures presented here. We previously (in our 2021 Annual and Sustainability Reports) reported 3,217 tonnes CO_2e for scope 1 and 5,286 tonnes for scope 2. These restatements resulted in a change to the intensity ratio (CO_2e per £m) reported last year and this has also been restated.

Operating Responsibly continued

Water management

Water consumption across the majority of our sites is relatively small and is typically limited to domestic uses, such as for drinking and sanitary facilities. Some of our sites use water for production purposes; for paint processes, cleaning products and pressure testing units.

We set an annual water usage reduction target and embed this into relevant leaders' performance scorecards. In 2021, our water withdrawal was 1.4% lower than in 2020, despite the reduction in 2020 related to COVID-19 closures. The reduction was supported by our site consolidation programme. Withdrawals in 2021 were 40% lower than in 2017 (our baseline year). For 2022, we are targeting a reduction of 1% in our water usage.

We are committed to transparent disclosure of our water usage and complete the CDP Water Security questionnaire on an annual basis. We achieved a score of B in the 2021 assessment.

Waste

We encourage all of our locations to minimise or eliminate the amount of waste that they produce. In 2021, total waste produced increased by 15%. We recycled 67% of our waste in 2021, compared to 75% in the prior year. New waste streams were identified during the year and these have been included in 2021 reported data, impacting our waste and recycling performance compared with the prior year. Site refurbishment, inventory rationalisation and increased production also impacted 2021 figures. For 2022, we are targeting a 1% reduction in the amount of waste sent to landfill.

Water and waste

Water

	Unit of Measure	**2021**	2020	2019
Total water withdrawal	Cubic metres	**32,200**	32,653	38,738

Waste

	Unit of Measure	**2021**	2020	2019
Total waste	Metric tonnes	**2,545**	2,205	2,273
Waste recycled	Metric tonnes	**1,709**	1,654	1,579
Sent to landfill	Metric tonnes	**471**	295	592
Of which hazardous	*Metric tonnes*	***60***	*67*	*264*
Sent to energy recovery	Metric tonnes	**365**	255	102

Water data for 2020 has been restated here due to over-reporting by some sites during 2020.

Circular economy & product responsibility

Generally, we operate an assembly-only philosophy across the Group, meaning that most of the manufacturing steps required to produce our products are undertaken by our suppliers. The main materials we use in our products – aluminium, copper and steel – are highly recyclable.

As well as signing up to our Supplier Code of Conduct, component suppliers are required to certify their compliance with RoHS and REACH regulations. RoHS restricts the use of specific hazardous materials in electrical and electronic products, while REACH concerns chemicals and their safe use.

Environmental criteria are embedded in our new product development process. 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.

In 2021, 4 out of 5 new products launched deliver improvements in energy efficiency, emissions reduction and enable the use of renewable energy. We also provide a refurbishment service and spares kits (to replace worn components) for customers, to maximise the life of products sold.

We launched our latest Intelligent Asset Management system in January 2021. This is a cloud-based system for intelligent actuators and the flow control equipment they operate. It monitors and reports on the condition of valves and flow control assets to detect anomalies and enable predictive and preventative maintenance.

We provide detailed advice on the responsible disposal of products at end of life and encourage re-use of the raw materials, with specific guidance for the disposal of batteries, electrical and electronic equipment, glass, metals, plastics oil/grease and rubber. We offer customers a take-back scheme but generally customers take responsibility for disposal at end of life.

Culture, ethics & governance

We strive to act ethically and responsibly in the way we do business. Our Values – Stronger Together, Always Innovating and Trusted Partner – are reflected in our Code of Conduct and apply to anyone working on Rotork's behalf.

During 2021, we launched Code of Conduct training in several languages to our global workforce, through online courses and classroom-based sessions. The training further embeds key concepts from the Code and re-emphasises both the importance of speaking up if wrongdoing is suspected and Rotork's no-retaliation policy. Mandatory trade sanctions refresher webinars were also delivered to relevant colleagues across the organisation.

In 2022, our training programme will focus on specific topics within the Code, including anti-bribery and corruption, conflicts of interest, fair competition and gifts and hospitality.

Anti-bribery and corruption

Aiming to continuously improve, we took steps to strengthen our anti-bribery and corruption controls in 2021. We rolled out a new training programme, sponsored by senior management, which emphasises the importance of ethical behaviour. It was launched with a multi-lingual CEO message and video. An independent assessment conducted during the year confirmed that our anti-bribery and corruption controls had been significantly enhanced.

Rotork offers a range of channels for colleagues to raise concerns, including through an independent third party 'Speak-Up' line, where reports can be made anonymously.

Human rights and modern slavery

Rotork continually looks for ways to support the promotion of human rights. 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.

In 2021, we took steps to strengthen our governance in this area. We mandated use of updated modern slavery clauses in our staffing agency contracts and implemented a new Modern Slavery Policy. The policy is supported by a new training programme that aims to raise employee awareness of modern slavery and human trafficking risks in our business and supply chain. It includes interactive workshops for colleagues most likely to encounter modern slavery and human trafficking risks, as well as mandatory human rights e-learning for our global online population. Our new policy also introduces key performance indicators to measure the effectiveness of our controls.

Supply chain management

We seek to maximise the benefits created in our global supply chain for us, those working in our supply chain, our communities and the environment. We have a reputation for integrity, fairness, ethical behaviour and paying on time.

We expect suppliers to sign up to 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.

Our supplier on-boarding process ensures that potential suppliers that do not meet minimum standards criteria are eliminated early from any formal tendering or engagement process. In line with our commitment to embed social, ethical and environmental considerations into our supply chain optimisation programme, in 2021 we developed new commodity purchasing strategies with embedded ESG requirements. These will be launched during 2022 and will apply to all sourcing decisions going forward.

Suppliers are requested to undertake sustainability self-assessments on an annual basis. We implemented a new system during the year to automate assessments and ensure timely completion, as well as timely escalation of any issues. The system will be rolled out in 2022.

Rotork undertakes due diligence on prospective suppliers and assessments of existing suppliers to better understand modern slavery risks in our supply chain. Supplier auditors and other colleagues in our sourcing and supplier management functions, as well as colleagues in our HR teams, undertook our new modern slavery training in late 2021 and early 2022.

In 2021, we commenced work to strengthen our Supplier Code of Conduct, to include higher expectations around suppliers' environmental performance as well as other new social and ethical requirements. The new version of the Code is due to be launched in early 2022. As part of our net-zero roadmap, we are requesting that suppliers representing 25% of emissions from purchased goods and services set science-based targets by 2027.

Conflict minerals

Rotork's Conflict Minerals Policy sets out our commitment to not use tantalum, tin, tungsten and gold that directly or indirectly finances or benefits armed groups in the Democratic Republic of the Congo, adjoining countries and other Conflict Affected and High Risk Areas (CAHRAs). We exercise due diligence based on the 'Responsible Minerals Initiative' guidance, by mapping our supply chain using their reporting templates and following up any concerns raised via a corrective action management process. We are launching new training for colleagues in 2022 to increase awareness about conflict minerals, the problems associated with them, how to identify risk of them in the supply chain and how to respond to requests for Rotork's conflict minerals declaration.

Enabling a Sustainable Future

Rotork has a major role to play in new energies and technologies that support the transition to a low-carbon economy. Our products have applications in many processes for low- or no-carbon energies, which are valve and actuator intensive. Rotork's products also have applications in processes that help preserve natural resources such as fresh water, through water recovery, recycling and treatment.

Our mission

We want to help drive the transition to a cleaner future where environmental resources are used sustainably.

Our commitments

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

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

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

Rotork is the global market leader in electric actuation. The fluid power actuators traditionally used in oil & gas operations and natural gas distribution networks are often energy inefficient and some designs 'vent' process gases such as methane during operation. Rotork's electric actuators are a more energy efficient, zero emission alternative. In addition, Rotork can support a broad spread of industries as they make greater use of automation, electrification and digitalisation to reduce the environmental impact of their operations.

As part of our commitment to enabling a sustainable future, we have begun tracking sales that have a positive environmental impact. Our 'eco-transition portfolio' comprises our 'Water and wastewater' portfolio, our 'Methane emissions reduction' portfolio and our 'New energies & technologies' portfolio, as well as other applications such as process water management and gasification. These sales promote environmental or sustainable characteristics, including water recycling and preservation, carbon capture, and new capacity renewable energy generation. We estimate that 'eco-transition portfolio' sales represented around 30% of sales in 2021, with other applications also material but difficult to estimate. We aim to grow our 'eco-transition portfolio' of products and services over time to play our fullest role in enabling a sustainable future.

Enabling the global energy transition

We have a major part to play in new energies and technologies that will deliver a low-carbon economy and enable the transition to it. Rotork's products have applications in many processes for low- or no-carbon energies, all of which are valve and actuator intensive.

Rotork's products have long been used in hydrogen processes, for example, where industry relies on Rotork's certified equipment for the production, storage, transportation and utilisation of hydrogen. Hydrogen and fuel cell technologies have significant potential to enable the transition to a clean, low-carbon energy system. Hydrogen is a versatile energy carrier that can be used as fuel for power or transportation or in industry as feedstock. It produces zero emissions at point of use.

The acceleration of hydrogen initiatives represents a significant opportunity for Rotork. IRENA's 'Planned Energy Scenario' forecasts global hydrogen production increasing to 545m tonnes per year in 2050, from 70m in 2020. New hydrogen applications in heavy industry also represent an opportunity for Rotork to support decarbonisation. Read on pages 6-7 about how Rotork is enabling low-carbon steel to be produced via hydrogen-based steel-making.

Case study: Global Wind Energy Council (GWEC)

Rotork became a member of the Global Wind Energy Council (GWEC) in 2021. GWEC is the international trade association for the wind power industry, with members from over 1,500 companies, organisations and institutions in more than 80 countries worldwide. Through our involvement, Rotork is engaging with members to share market intelligence, innovation development and best industry practice to support and strengthen green energy development.

Enabling green battery production

Rotork is supporting innovative Swedish battery manufacturer Nothvolt to produce the 'world's greenest battery' for electric vehicles. Rotork has provided valve actuators and digital positioners for Northvolt's manufacturing facility in northern Sweden, where production of the battery is due to begin in 2022. It will be Northvolt's primary site for manufacturing, cell assembly and battery recycling.

Rotork's actuators will be operating valves on the battery production line. They are ideally suited to support the operation due to their fast control and fail-safe capabilities. Rotork positioners have also been ordered to support water and heating systems in the state-of-the-art building, which will be powered entirely by clean energy as part of Northvolt's overall commitment to sustainability.

Supporting customers' energy and emissions reduction

As the world leader in electric actuation, Rotork is well placed to enable electrification of processes in all its end markets. Electric actuators have low power consumption and do not emit emissions during operation.

One of the main ways the oil & gas industry can reduce operational emissions is by replacing systems in its up- and midstream facilities traditionally powered by process gas with those powered by electricity. Importantly, electrification of these facilities can avoid methane (from process gas) being emitted into the atmosphere. Methane is a potent greenhouse gas, so reducing emissions is one of the strongest levers we have for slowing climate change.

Rotork's actuators can also be powered by a solar panel as an alternative to grid electricity. Electrification is becoming a major theme in the industry, as well as in other end markets served by Rotork.

Electrifying oil & gas operations

Rotork has provided more than 1,000 electric actuators to the Johan Sverdrup oil field in the North Sea, operated by energy company Equinor. The Johan Sverdrup field consists of four platforms, with another platform due to be installed in 2022. Equinor required electric flow control solutions as part of the electrification of the field.

Rotork's intelligent IQ3 multi and part-turn electric actuators provide monitoring and control of valves across the various platforms, in drilling, riser and processing activities, as well as in living quarters. Electric actuators enable energy efficient control with significantly reduced emissions, when compared with other flow control devices.

Sustainability review continued

Enabling a Sustainable Future continued

Reducing emissions from gas networks

Rotork supplied and installed electric actuators at several gas pressure reducing stations for Fluxys Belgium this year. Rotork has a long-standing relationship with Fluxys Belgium, which operates 4,000 kilometres of pipeline, a liquefied natural gas terminal and an underground storage facility in Belgium.

Our intelligent electric actuators were chosen as they prevent emissions from being released during the regulation of pressure within gas pipelines, as well as providing reliable flow control. They have been installed to operate butterfly valves on boilers in stations that reduce the pressure of natural gas to enable it to flow through a network which operates at a lower pressure, or to be transferred into a customer's facilities. They replaced actuators which vented gas into the atmosphere during their operation. Rotork Site Services, together with local agent Prodim, retrofitted the electric devices onto existing valves, and now prevent any emissions from being released.

Read more on pages 4-5 about how Rotork is enabling electrification to support a reduction in methane emissions.

Enabling sustainable management of water resources

Water crises are recognised as a major global risk. Almost 25% of the world's population already face water crises and by 2030, 700 million people could be displaced by water scarcity. Extreme weather events caused by climate change, such as droughts and floods, are increasing the frequency of water shortages.

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

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

Supporting processes for safe drinking water

Hundreds of Rotork's K-TORK rotary vane actuators were installed at a water treatment plant in Texas, USA, in 2021. The plant is supplied by water from the nearby East and West San Felipe Springs and uses an ultrafiltration system to process 18.2 million gallons of water a day. The treated water serves the population of Del Rio and the nearby Laughlin Air Force Base. The ultrafiltration process removes unwanted particles from water by pushing it through a thin membrane that eliminates solids and contaminants, resulting in water suitable for drinking.

The actuators were ordered following a trial period, during which their accuracy and reliability was proven. The client chose Rotork actuators because of the benefits of reduced maintenance and lower replacement costs compared to their previous units. K-TORK actuators are ideal for critical applications of this kind because of their high cycle and precise modulating output.

Making a Positive Social Impact

We endeavour to make a positive social impact by being a good corporate citizen across our global operations. We make a significant contribution through the high-quality, inclusive employment we provide. We also add value through our high-quality products, which are available with extensive certifications, including for safety applications. The impact of our business is extended through our support for charitable causes. We align donations to our sustainability goals and colleagues' interests.

Our mission

We aim to support fair, resilient and thriving societies.

5 GENDER EQUALITY

8 DECENT WORK AND ECONOMIC GROWTH

Our commitments

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

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

Our people and culture

Rotork aims to attract and develop a diverse range of talented people, by being an employer of choice, providing fair and equal pay, and demonstrating our commitment to diversity and inclusion. Our people strategy is key to retaining our market-leading position and seizing new opportunities for growth.

Our culture is defined by our values: Stronger Together, Always Innovating and Trusted Partner. They were chosen by our people and are embedded across our policies and processes, shaping the way we operate. They help make Rotork a great place to work and give us a competitive edge.

We engaged an external agency to undertake a review of culture and behaviours during the year. We have used this to input into our plans for the year ahead, focused on weaving our values into everything we do; from how we deliver change to our people experience and our wellbeing support.

Talent development

We recognise the importance of developing our people and ensuring they bring a diverse range of perspectives. We are proud to have a good mix of long-serving and newer employees. 40% of employees have been with Rotork for more than 10 years, while 42% joined in the last five years. Around half of our senior leaders have been promoted into their current roles from within Rotork.

All colleagues have regular performance conversations with their managers. We also complete a talent review process twice a year, with outputs reviewed by both the Board and our executive committee. This allows us to develop our talent pipeline and ensure the right development is in place for key individuals.

We continued to strengthen our internal training capability this year, including through the launch of a new learning and development site. Our learning@rotork site offers virtual training programmes, including induction and mandatory training. It also offers technical and product training. Colleagues can book to participate in sessions at times that are convenient for them.

We delivered a series of value-selling training to colleagues in our end-market divisions last year. We also delivered customer service training to relevant colleagues. The training was delivered 'live' in a virtual environment throughout the year. On average, globally, employees each completed around 24 hours training last year.

We believe apprenticeships and early career programmes provide a great foundation for young people. We are refreshing our young talent and apprentices programme post COVID-19 and have already commenced recruitment for 2022. We also continue to support the community by donating unused apprenticeship levy for apprenticeships more generally.

Employee engagement

Employee engagement is an important measure of our non-financial performance. For 2021, a portion of senior leaders' bonus opportunity was linked to maintaining high levels of employee engagement through the year. Our average engagement score was 6.65.

We regularly solicit employees' views using our 'Pulse' surveys. Responses to surveys increased by 17% in 2021 following the introduction of QR codes, which enabled colleagues to complete the survey on personal devices if they preferred. Survey responses are reported to both the Management Board and the Board. This enables them to consider employees' views in their decision-making and understand the underlying themes that matter most to our people.

We also held 10 global induction sessions for new colleagues in 2021, hosted by our CEO and non-executive director for workforce engagement. Colleagues were introduced to our purpose, values and strategy in these sessions.

Supporting colleagues through the pandemic

Our COVID-19 Steering Committee met weekly through the year, as the pandemic continued to impact the way we worked. The Committee oversaw a return of the vast majority of our employees to offices in the second half, having implemented additional safety measures.

Colleagues were invited to return gradually, recognising their varying circumstances and levels of comfort around office-based working. We implemented a hybrid arrangement as a transitional return pattern in a number of countries. We will keep our approach under review.

Fair pay and benefits

We believe that all colleagues should be appropriately and fairly rewarded for their contribution. Our performance and reward mechanisms are designed to incentivise colleagues to support the delivery of our strategy and recognise high performance, including through our bonus scheme.

Rotork is proud that the majority of employees own shares in the Group. Colleagues in many locations receive a gift of Rotork shares each year, giving them an additional stake in our success.

Rotork is an accredited Living Wage Employer. Our Fair Pay Framework includes five areas of focus to support fair and competitive remuneration. It includes a commitment to pay more than the real living wage where that exists in a country.

Collective bargaining

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

Diversity and inclusion

We continue to drive our commitment to diversity and inclusion and build this into the way we work. We have made diversity considerations part of our talent management processes. In our 2021 survey, colleagues scored Rotork 7.5 out of 10 in believing we offer an inclusive culture.

Gender diversity

We are committed to increasing the number of women in our organisation at all levels. Globally, women make up 22.5% of our workforce (2020: 21.8%). Our gender diversity at main Board level remains at 37.5%. Among the Executive Committee (Rotork Management Board) and its direct reports, females comprise 21.3%.

Rotork champions gender diversity through its membership of the 30% Club, which aims to achieve at least 30% representation of women at Board-level globally. We also partner with the Women in Engineering Society. In addition, we disclose gender-related information via the Bloomberg Gender Reporting Framework.

Our continued progress is reflected in our latest Gender Pay Report. Our figures show that the mean pay gap in the UK is in favour of women (-5.2%) and the median average pay for women in the UK is now just 1% lower than that of men (2020: 2.8%/2019: 8.7%). The number of senior women who have joined or been promoted continues to have a positive impact on our figures. During 2021 we welcomed a new female member to the Rotork Management Board, Lyndsey Norris, in the role of Managing Director, CPI. Our full Gender Pay Report is published on our website at www.rotork.com/en/careers/diversity-and-inclusion.

Ethnic diversity

Rotork supports the Parker Review target for all FTSE 250 boards to have at least one member from an ethnic minority background by 2024. Rotork met this target during 2021, with the appointment of Karin Meurk-Harvey to the Board.

We are also seeing progress at the senior management level. Ethnic diversity at Executive Committee level and their direct reports has increased from 20% to 25%. We believe this is important in providing role models from diverse backgrounds at senior levels.

Following the introduction of ethnicity pay analysis and reporting in 2020, we have again undertaken our annual analysis for 2021. Our figures show that for 2021 both the mean and the median pay gap were in favour of ethnic minority colleagues in the UK, among those who responded to our survey. Our full Ethnicity Pay Gap report, showing data for 2019-21, is included within our Gender Pay Report.

Further information about our workforce will be included in our 2021 Sustainability Report, due to be published mid-2022.

Making a Positive Social Impact continued

Our social contribution

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

Our charity partners

Our charity partnerships are aligned to our Purpose and chosen Sustainable Development Goals. We donated £125,000 in total to Renewable World, Pump Aid and WeForest in 2021. In addition, we have channelled almost £80,000 of funds from individuals, Rotork charity committees and the Company to our own charitable foundation, Rotork Benevolent Support, since establishing it in July 2020. The foundation supports past and present Rotork colleagues facing financial hardship, particularly as a result of the COVID-19 pandemic.

Funds donated to WeForest were used to restore 45,000 hectares of land in Tigray, Ethiopia, bringing water back to the region, halting desertification and lifting communities out of extreme poverty. Renewable World used funds to support the Keep Kids in School Programme to bring clean water, sanitation and hygiene facilities to schools in Gulmi Durbar, Nepal. Funds donated to PumpAid supported water, sanitation, hygiene and nutrition work at three childcare centres in rural Malawi.

Local charitable donations

Rotork colleagues around the world supported hundreds of charities and good causes throughout 2021.

- In India, Rotork donated to a range of projects, including to Sevalaya, a home for the elderly and abandoned children, funding solar panels and solar streetlights for the facility and outside play areas. Rotork India also donated to various organisations for medical equipment to help the fight against COVID-19.
- Rotork made a donation to a Malaysian charity that supports disabled children with food, accommodation and daily living. Rotork chose to support the charity as its revenues had been impacted by the COVID-19 pandemic.
- Colleagues at Rotork Actuation Shanghai (RAS) donated hundreds of boxes of milk and fruits to the elderly in a neighbouring village. RAS volunteers celebrated the Double Ninth Festival as part of an initiative to show their appreciation for the elderly in the community.
- In the UK we donated £5,000 to the Royal United Hospital (RUH) in Bath towards their robotic surgery programme, and £2,000 to the Children's Literature Festival, among others. At Christmas we raised funds for the Bath Foodbank and KidsOut, a charity supporting children who have escaped domestic abuse.
- In Germany, Schischek colleagues supported victims of the devastating flood in 2021 through donations and practical help and equipment to deal with flood damage. Colleagues also chose to support a local hospice and an animal protection association with donations of €7,500.
- In the US, colleagues raised awareness and funds for local cancer services, with employees wearing pink during October for breast cancer awareness. Colleagues also donated to the Salvation Army and the local food bank to provide food to those in need at Christmas.

Case study: Enhancing safety through our products

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 our products in our portfolio are certified for use in hazardous areas, and 10% are certified to the highest safety standards.

Rotork supplied electro-hydraulic actuators to provide a critical safety function for a Malaysian mass-transit railway in 2021. They control vents of up to five metres wide, which open in the event of a fire. They also control the flow of fresh air into the railway, to support temperature control and maintain safe levels of oxygen and air pollutants. The high-quality, corrosion resistant attributes of Rotork's actuators enable them to reliably perform these critical safety functions.

2021 TCFD report

We have worked to implement the recommendations of the Task Force on Climate-related Financial Disclosures ('TCFD') during the year.

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

Our progress during 2021

We made significant progress during 2021 in implementing the recommendations of TCFD in each of the four thematic areas: governance, strategy, risk management and targets and metrics. We provided detailed disclosures on key climate-related risks and opportunities in our inaugural Sustainability Report in mid-2021, building on earlier disclosures in our 2020 Annual Report.

We also appointed an external partner during the year, to support our work in implementing the Strategy pillar of TCFD recommendations. This has involved evaluating climate risks and opportunities in qualitative and quantitative terms under different climate scenarios. This external expertise, coupled with our continued focus on driving the TCFD work throughout the year, has enabled us to make significant progress. We have found TCFD to be a useful framework to support the integration of climate-related considerations into our business model and enable external communication of how we are proactively managing identified risks and seizing climate-related opportunities. We will continue our focus through 2022, to implement remaining recommendations, as set out in the 'next steps' sections throughout this report.

TCFD Statement of Compliance

Rotork is disclosing in accordance with the Financial Conduct Authority (FCA) Policy Statement 20/17 and listing rule LR 9.8.6R(8). The main disclosures are set out here, within the TCFD Report, on pages 59- 73. There are additional disclosures on pages 2-7 and 49. The disclosures describe activity to date and future areas of focus to further strengthen our strategic approach and communication of climate-related issues. Below is a summary of the TCFD recommendations which will not be fully disclosed against in this report, and an explanation for each as to what actions are planned to improve reporting in future.

– **Strategy – financial planning process:** Through 2021 and into 2022 Rotork has been building its understanding of the potential financial impact of climate-related issues on its business and operations. In 2022, following the financial quantification of our priority climate-related risks and opportunities, we intend to explore the integration of this analysis into existing financial systems and processes.
– **Strategy – business resilience:** In this report we are disclosing our assessment of risks and opportunities against three forward-looking climate scenarios and across time horizons. We are in the process of developing this analysis to quantify the potential financial impact of the most material risks and opportunities to inform how they may impact our strategic objectives and our financial performance and position. See page 63 for our timeline to complete this work.
– **Metrics & Targets – climate-related metrics:** Monitoring climate issues through climate-related metrics and targets is important for Rotork to be able to reduce our risk exposure and seize opportunities. A breakdown of energy usage (renewable and non-renewable) will be reported in our Sustainability Report later in 2022. Following the release of cross-industry, climate-related metrics from the TCFD in 2021, we also intend to develop our reporting against the recommended categories in future reports.

Response to the Task Force on Climate-related Financial Disclosures

Governance

Summary of disclosure

- The CEO has overall responsibility for the delivery of the Environmental, Social and Governance (ESG) agenda, which includes addressing climate-related issues. The CEO reports to the Board which has responsibility for the oversight of the effective management of opportunities and risks related to climate change.
- The Board is supported by the ESG Committee, and the Audit Committee, through its oversight of the Company's strategy and policy for risk management, and the Rotork Management Board in its oversight of climate-related issues.
- Individual members of the Rotork Management Board take responsibility for the delivery of components of the climate strategy within their areas of responsibility.
- For 2021, remuneration-linked ESG performance metrics were expanded to include additional measures related to our new sustainability framework. ESG measures became 10% of the bonus opportunity for 2021, up from 5% the prior year. Three of six measures were climate- and environment-related, spanning Rotork's operations and its value chain.

Next steps

- Individual Directors will be given roles to support the process of setting, monitoring and achieving climate-related targets.
- The Terms of Reference for the ESG Committee and Audit Committee will be updated to specifically describe their responsibilities for the oversight of the management of climate-related issues, and this will be agreed by the Board.

Governance framework for climate and sustainability topics

PLC Board
The Board has ultimate accountability for climate-related issues. It formally reviews climate and environment opportunities and risks at its Group Risk Review meetings held twice a year. Climate-related opportunities are also formally discussed at the Board's annual strategy day, though discussions are ongoing throughout the year.

ESG Committee
The ESG Committee has responsibility for overseeing policies, programmes and performance linked to climate change. The Committee typically meets three times a year. During 2021, it oversaw the further development of Rotork's net-zero roadmap as one of its key activities.

Audit Committee
The Audit Committee provides oversight of the effectiveness of the risk management framework, including how climate and environmental risks are identified and managed.

Remuneration Committee
The Remuneration Committee has a particular responsibility for ensuring climate-related targets are appropriately integrated into remuneration arrangements.

Rotork Management Board
The Management Board sets the group's climate strategy and targets, with support from the ESG team, and approved by the ESG Committee and the plc Board.

Individual directors
ESG & Sustainability Team
Individual Directors take responsibility for the management of climate-related issues and delivery of climate targets within their areas of the business.

Climate-related responsibilities of the Board

Climate strategy: The Board supports the ongoing development of Rotork's business strategy, and this year, it has been particularly focused on growth opportunities linked to decarbonisation, the energy transition and climate change adaptation across each of the Group's divisions. This focus on climate-related growth opportunities is reflected in our divisional updates on pages 40-45.

As part of our new sustainability framework, launched in early 2021, we are targeting progress towards five climate- and environment-related UN Sustainable Development Goals (SDGs). The Board considers how decisions impact progress toward our chosen SDGs in its decision-making processes.

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. Executive directors' remuneration was linked to the carbon intensity performance in 2021, to incentivise performance improvements. Performance against these measures is evaluated by the Board, and the ESG and Remuneration Committees.

Updates: The Board also receives monthly reports on the Group's operational energy and water consumption patterns and progress towards reduction targets. As Rotork has now set science-based emissions reduction targets, the Board and the ESG Committee will now also receive regular updates on progress made against the targets and the action plans for achievement.

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

Climate-related responsibilities of management

Targets: Climate strategy and targets are set by the Rotork Management Board, with support from the ESG & Sustainability team, and are approved by the ESG Committee and the Board. Currently, operational energy, water, and waste reduction targets are set, and from 2022, targets will also include science-based greenhouse gas ('GHG') emissions reduction targets. These GHG targets will cover scopes 1 & 2 and scope 3. See pages 72-73 for details.

Remuneration: For 2021, remuneration-linked ESG performance metrics were expanded to include additional measures related to our new sustainability framework. The new climate-related measures were: environmental innovation, as measured through evidence of greater positive environmental impact through our products and services, and increased customer engagement on sustainability issues. ESG measures became 10% of the bonus opportunity for 2021, up from 5% the prior year, and have been applied to the entire senior leadership population – around 100 people – showing a significant expansion in the number of leaders directly incentivised to support ESG performance.

Management team responsibilities

Individuals

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

Teams

- **ESG team:** Responsible for developing the ESG and climate strategy and delivering related communications and reports. This includes monitoring and addressing stakeholder expectations in relation to climate issues, as well as monitoring broader ESG and climate-related developments, risks and opportunities to support the management team and meet disclosure requirements.
- **Health, Safety and Environment team:** Responsible for setting and adhering to environmental standards for our operations and collating environmental performance data. It is also responsible for overseeing the implementation of the operational components of the climate strategy set by the Board.
- **Group Sourcing team:** Responsible for supplier engagement on climate issues and engaging suppliers to set science-based targets. In addition, the team is responsible for analysing and responding to climate-related risks 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 conducted a gap analysis against TCFD recommendations to identify actions required for full TCFD disclosure.
- We undertook systematic scoring and ranking of climate-related risks and opportunities across different future climate-related scenarios, including a lower than 2°C scenario, and different time horizons.
- We also undertook extensive internal stakeholder engagement to identify and assess potential climate impacts across Rotork's business value chain.
- Material climate risks and opportunities have been prioritised in readiness for quantification of financial impact.

Next steps

- Quantify the potential financial impact of selected material transition risks and opportunities across climate scenarios.
- Quantify the potential impact to critical property assets from physical hazards considering property values and disruption to production.
- Integrate the results of the climate scenario analysis into the business strategy, financial planning and risk management processes.
- Develop climate transition plans required to further enhance resilience and alignment with a future low-carbon economy.
- Begin to standardise climate scenario analysis process to enable continuous assessment of risks and opportunities to the business.

Assessment of climate-related risks and opportunities

Climate Scenario Analysis

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

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

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

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

Our Climate Scenario Analysis timeline

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

Phase 1

(completed in 2021):

Qualitative Climate Scenario Analysis

The focus over the past year has been to complete a non-financial assessment, scoring and ranking of the identified risks and opportunities. The methodology is shown on page 71 and the assessment results are set out on pages 64-68.

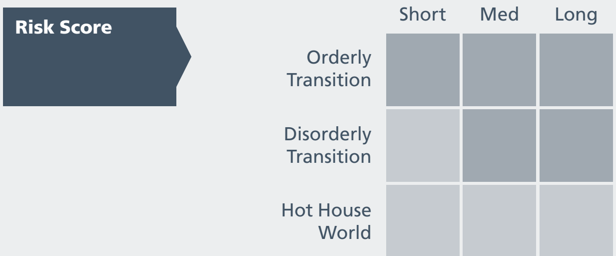
Process described

1. **Risk & Opportunity identification:** Initial research on sectoral and climate scenario impacts has been supplemented with extensive internal engagement across numerous business functions to identify risks and opportunities and understand those that are relevant for different functions. Interviews and workshops were held with teams in engineering, commercial, strategy, finance, property, energy, supply chain and sourcing. This extensive engagement has ensured that climate risks, opportunities, and potential impacts have been considered in the context of Rotork's operations.
2. **Qualitative Risks & Opportunities Assessment:** Identified risks and opportunities have been scored and prioritised using three assessment criteria: vulnerability, magnitude and likelihood. Each physical and transition risk or opportunity has been considered across time horizons and climate scenarios using indicators from IPCC and NGFS databases (specifically, IPCC WGI Interactive Atlas, and NGFS IIASA Scenario Explorer and CA Climate Impact Explorer). This analysis will enable Rotork to prioritise the most material risks and opportunities and their value drivers, from which possible financial impacts can be modelled in 2022.

2021 TCFD report continued

Transition Risk Assessment

Policy & Legal



Relevance to Rotork (sector & geography)

- Carbon tax to be implemented by 2026 on imported materials for non-EU manufacturers.
- Following COP26, countries globally will be advancing their climate policy.
- New York Independent System Operator discussing introduction of carbon tax.
- Main impacts will relate to supply chain for sourcing decisions, and operation's decarbonisation strategy.

Risk drivers

- Increased pricing of GHG emissions, as well as carbon tax on materials import and transportation.
- Stricter regulation and legislation to decarbonise and on green credentials in manufacturing.
- Mandates on carbon-intensive activities causing temporary shutdowns.

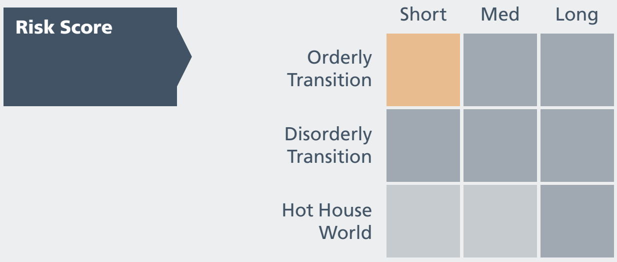
Potential financial impacts

- Higher operational costs from expansion of carbon tax coverage.
- Increased costs of compliance with new legislation and regulation in jurisdictions in which we operate.
- Impact on revenue due to disruption from temporary shutdowns and delays in the supply chain.

Response

- Incentive to invest in decarbonisation measures.
- R&D in initiatives to transition to greener operations and solutions.
- Work with suppliers to support their reduction in exposure to carbon taxes.

Market & Technology



Relevance to Rotork (sector & geography)

- Governmental climate policies to increase renewables in the energy mix may increase prices due to investment required, as well as higher fossil-fuel prices as subsidies are removed.
- Climate Change Levy and Climate Change Agreement introduced in the UK means tax must be paid on every unit of energy consumed.
- Main impacts will relate to supply chain for sourcing decisions, and to finance and strategy planning to invest in new technologies and efficiency measures to reduce resource usage and environmental impacts.

Risk drivers

- Government action leads to changes in policies and regulations.
- Change in energy costs in the energy transition.
- Increased cost of raw materials due to changes in material availability and pass through of carbon tax for carbon-intensive materials.
- End-market demand changes as customers face transition, causing a reduction in demand from parts of certain end markets.
- Capital expenditure for investment needed to achieve decarbonisation ambitions.

Potential financial impacts

- Increased operational costs and uncertainty related to energy price changes.
- Higher material costs due to shortages and pass through of carbon tax.
- Decreased revenue from parts of certain end markets.
- Capital investments in technology and costs to adopt new lower-carbon processes.

Response

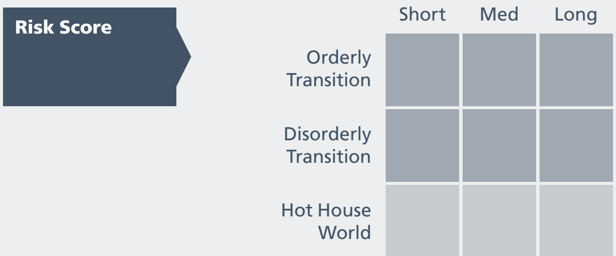
- Investment in R&D for alternative materials.
- Feature future risk of costs relating to GHG emissions in investment cases to reduce risk exposure.

Risk & Opportunity Scores:

Not assessed against the scenario · Low · Medium-low · Medium-high · High · Very high

Physical Risk Assessment
Chronic physical risks

Reputation



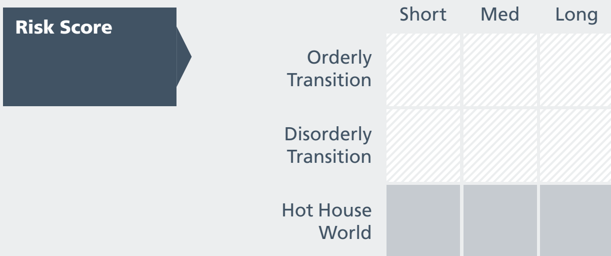
Relevance to Rotork (sector & geography)
- Science-based emissions reduction targets are becoming standard, with the minimum target ambition now being 1.5°C for scope 1 & 2 targets.
- Sustainability and climate action is becoming an increasingly important consideration for prospective employees, particularly in markets with aggressive national climate policy and in those facing the most severe impacts of climate change.
- Main impacts to the management team in implementing and achieving decarbonisation plans, as well as to recruiting and retaining talent.

Risk drivers
- Increased stakeholder concern and higher expectations relating to climate ambition and provision of environmentally positive solutions.
- Investor pressure, risk to investment and access to capital.
- Inability to attract talent if climate ambition is deemed insufficient.

Potential financial impacts
- Reduced revenue if customers opt to deal with competitors with higher climate ambitions.
- Implementation of strategy threatened if there is an inability to attract and retain an appropriately skilled workforce, impacting revenue.

Response
- Continue to develop and communicate climate ambitions and progress towards sustainability goals.
- Invest in employee attraction, engagement and retention.

Slow onset changes in temperature



Relevance to Rotork (sector & geography)
- All sites will be exposed to some level of climate changes in the future. Location and site preparedness will determine how significant the risk will be to our operations.
- Main impact is to operations management, supply chain and finance to ensure appropriate control measures are identified, invested in and implemented. It will also impact sourcing to enhance supplier assessment criteria to be able to better understand the extent that climate change may impact them.

Risk drivers
- Changes in weather patterns, including rainfall, interannual variability and rising temperatures.

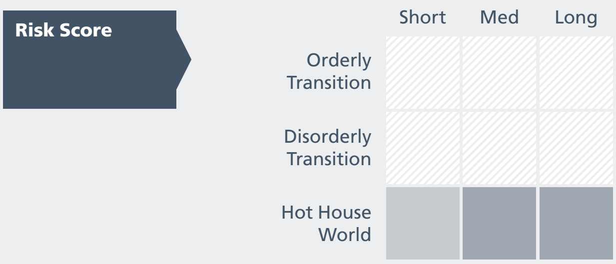
Potential financial impacts
- Increased costs to invest in mitigation and adaptation.
- Business disruption resulting in decreased revenue if appropriate measures are not taken.

Response
- Implementation of mitigation measures in own facilities to reduce exposure.
- Assessment of potential impacts on suppliers which could impact our ability to deliver products.
- Consideration of suppliers' adaptation and transition plans in supplier assessments.

Physical Risk Assessment continued

Acute physical risks

Extreme temperatures



Relevance to Rotork (sector & geography)

- Extreme cold temperatures could result in future temporary shutdowns at our sites.
- Extreme temperatures can affect usage of equipment and machinery.
- Extreme heat impacting employee working conditions is a concern globally.
- Main impact is for operations management to enhance appropriate climate control measures.

Risk drivers

- Extreme cold temperatures affect working conditions and ice on roads results in the breakdown of transport links.
- High temperatures and heatwave events affect usage of equipment and machinery.
- Increasing humidity, compounded by higher temperatures, poses health and safety risk to employees.

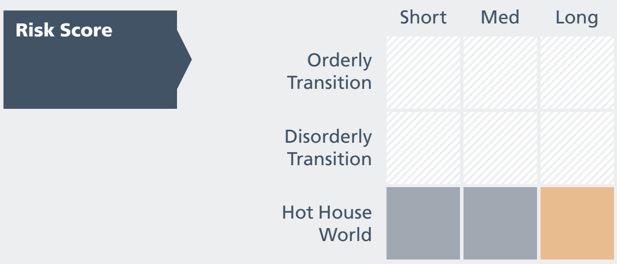
Potential financial impacts

- Transport breakdown impacts upstream and downstream value chain, and ability to assemble and distribute products, posing a risk to revenue.
- Transport breakdown also impacts employees' ability to commute to work, reducing production capacity.
- Revenue impacted as a result of lower production capacity due to building closures, stoppages as equipment needs to cool down, or due to reduced capacity and productivity of employees.
- Increased costs of maintenance of capital goods and implementation of climate control measures.
- Increased insurance premiums if risk is predicted to increase in the future.

Response

- Continued implementation and further investment in climate control at our facilities.
- Infrastructure for flexible working to reduce impact if employees are not able to get to offices.
- Review current continuity plans and strategies to mitigate potential transportation issues.

Increased rainfall & flood events



Relevance to Rotork (sector & geography)

- Floods are a high concern for sites that sit on floodplains, near to water sources, or that do not have sufficient drainage infrastructure.
- Main impact is to operations management teams to enhance business continuity plans and to assess feasibility of moving critical operations to areas with low-risk exposure.

Risk drivers

- Intense rainfall as well as increase in frequency and/or severity of flood events can result in damage to assets and transport infrastructure as well as presenting a health and safety risk for employees.

Potential financial impacts

- Revenue impacted due to delays in logistics.
- Decreased production as sites are evacuated due to safety concerns or damage to equipment.
- Increased insurance premiums if risk is predicted to increase in the future.
- Increased capital costs for repairs to damages of facility or of equipment.

Response

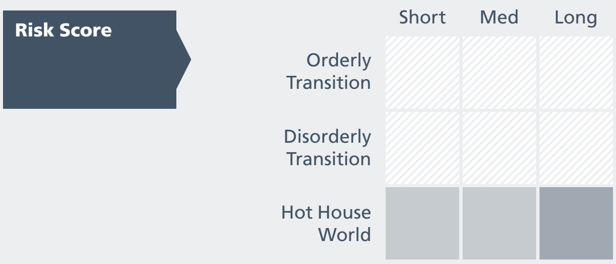
- Assess the suitability of key sites over the medium to long term as part of the operational footprint strategy.
- Assess suitability of drainage systems and invest in adaptation solutions as required.
- Enhance current major incident plans to reflect increasing likelihood of business disruption to critical assets.

Risk & Opportunity Scores:

Not assessed against the scenario · Low · Medium-low · Medium-high · High · Very high

Opportunity Assessment

Increase in extreme weather events



Relevance to Rotork (sector & geography)

- Some of our sites are based in locations which have been exposed to hurricanes and snowstorms.
- Some of our suppliers are located in areas which have been exposed to extreme weather events.
- High winds associated with hurricanes and storms can damage or cause disruption at ports.
- Main impact is to operations management teams to enhance business continuity plans and to supply chain in assessing supplier exposure to physical risks.

Risk drivers

- Frequency and intensity of hurricanes is likely to increase with the warming of oceans, which may impact both our own facilities as well as indirectly disrupting operations where suppliers are impacted. Impacts may be linked to infrastructure damage as well as power shortages.
- Increase in frequency and/or severity of snowstorms may cause power outages, and temporary shutdown of local transportation networks.

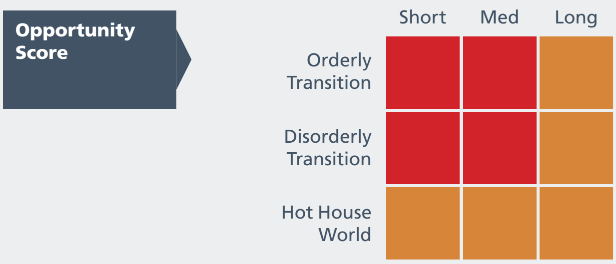
Potential financial impacts

- Temporary shutdowns impact revenue due to lower production capacity.
- Disruption to transportation network (roads as well as ports) causes delays and impacts revenue.
- Increased insurance premiums if risk is predicted to increase in the future.

Response

- Enhance current major incident plans to consider the future impact of more frequent and more severe weather events.
- Assess suppliers' exposure to the risk of extreme weather events and ability to continue in extreme weather conditions.

Energy source & efficiency



Opportunity drivers

- Implementation of energy efficiency measures to reduce energy consumption in operations.
- Engagement with customers to consider alternative products (including those that can be powered directly by renewable electricity) and to consider switching to renewable energy sources.
- Development of new technologies to facilitate climate change mitigation.

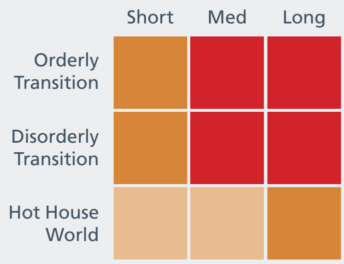
Potential financial impacts

- Reduced exposure to changes in energy prices, and decreased operating costs due to energy savings.
- Reputational benefits from decarbonisation progress drives increased revenue from higher demand.
- Reduction in costs needed to achieve decarbonisation targets, as emissions associated with the use of sold products decline as customers switch to renewable energy sources.

Opportunity Assessment continued

Products & markets

Opportunity Score



Opportunity drivers

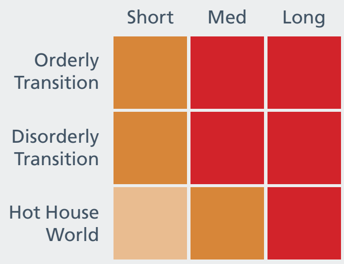
- Increasing demand for actuators as new and existing technologies accelerate to support a low-carbon world and the transition to it, including hydrogen, battery storage, gasification, biofuels etc.
- Increasing demand for our products as customers and end markets increasingly electrify and automate their operations to decarbonise.
- High-quality Rotork products are resilient under extreme climate conditions.
- Rotork products can respond to physical climate challenges, for example products which control the flow of water to mitigate impacts of flooding.

Potential financial impacts

- Increased revenue from new climate-related applications of existing products.
- Increased revenue from expanding customer base and demand for sustainable solutions.
- Increased revenue from accessing new markets.

Resilience

Opportunity Score



Opportunity drivers

- Re-design of 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 expecting suppliers to have 'green' credentials.

Potential financial impacts

- Increased reliability of supply chain and ability to operate under various conditions.
- Reduced exposure and potential costs in responding to climate-related disruption in supply chain for example due to logistics issues in extreme weathers.
- Reduced lead time from global supply chain and optimised costs, and increased level of oversight over suppliers' green credentials.

Risk & Opportunity Scores:

Not assessed against the scenario   Low   Medium-low   Medium-high   High   Very high

Phase 2

To be completed in 2022: Quantification of financial impact from material risks and opportunities

During 2022, we will continue to advance our climate scenario analysis by modelling the potential financial impacts across forward-looking business and climate scenarios from some of our most material risk and opportunities. The results will be integrated into our financial planning process and considered in our business strategy development.

Process described

1. **Define impact pathways and select value drivers for quantification:** Our initial assessment has identified climate value drivers that will be considered for financial impact quantification.
2. **Model financial impact:** For each value driver, cashflow impacts will be calculated across a range of climate and business scenarios (climate scenarios described on page 62). In this way, Rotork's strategy can be stress tested against different possible climate futures.
3. **Integrate outcomes:** The results of the assessment will form future climate-related metrics related to risk and opportunity impact. They will also be used in processes relating to risk management, capital allocation, business strategy development and financial planning.

Climate opportunity

The role Rotork can play in a green economy and a cleaner, more sustainable future featured highly in our materiality assessment in 2021.

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 and carbon capture, usage and storage.

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

Similar opportunities present themselves in the power, water and industrial markets. For example, our products have applications in the roll-out and modernisation of critical infrastructure. Water scarcity is resulting in a greater need for recycling and desalination and rising sea levels are necessitating flood defence investment. Climate-related opportunities and case studies feature highly throughout this report. Case studies illustrating the role we can play are set out on pages 2-7 and 52-54.

Our products enable renewable energy, such as hydropower, to be generated. See pages 2-3

Our products enable processes to be electrified and methane emissions to be avoided. See pages 4-5

Our products enable decarbonisation of heavy industry, e.g. through enabling hydrogen-based steel-making. See pages 6-7

Climate resilience and transition planning

Rotork is continuing to develop its climate transition plan to support progress towards emissions reduction targets. In so doing, exposure to climate risks will be reduced and Rotork's contribution to the energy transition will be enhanced. We will continue to develop the transition plan based on a more detailed assessment of mitigation options across the value chain.

Suppliers	Rotork operations	Customers
Engage with suppliers to support environmental impact reduction and setting of science-based carbon targets.	Near-term science-based targets to reduce CO_2e emissions and targeting net-zero for 2035 (scope 1&2) and 2045 (scope 3)	Partner with customers to understand how efficiencies can be deployed in the use of our sold products.
Suppliers representing 25% of supply chain emissions set science-based targets by 2027.	Reduce CO_2e emissions by 42% by 2030, compared with 2020. In 2021, reduce emissions by 2% per £1m revenue compared to the prior year.	Target further energy efficiency improvements in new product development. 4 out of 5 new products launched in 2021 deliver environmental and efficiency benefits for customers.

Risk Management

Summary of disclosure

- Environment risk appetite: "Rotork is fully committed to the prevention of pollution, compliance with all relevant legal and regulatory requirements and to the continuous improvement of our environmental performance".
- Climate risk has been treated as an emerging risk to date. Climate risk is considered in the context of each of our Principal Risks; for example, in terms of its impact to supply chain disruption. Our Principal Risks are set out on pages 88-92.
- In our current assessment of climate risks and opportunities, overall we believe there are significant opportunities for Rotork. As with all risks, we will continue to assess its potential impact to the business and influence on our Principal Risks.
- Climate-related risks and response options are managed using the Group's Risk Management Framework which incorporates both a bottom-up and top-down assessment. Climate change is a standing agenda item at risk workshops held at least twice a year.
- Given the unique characteristics of climate-related risks, we use our Horizon risk methodology to assess risks against longer time horizons relevant to climate change.
- Risk owners are assigned to the most material risks and appropriate control measures are decided based on the perceived materiality and the agreed risk appetite.

Next steps

- Build on our initial assessment of climate-related risks and opportunities by quantifying the potential financial impact for the most material risks identified.
- Further explore how our products can assist our customers to reduce their emissions and supporting new customers' flow control needs as energy transition markets evolve.
- On completion of the climate scenario analysis in 2022, Rotork will better understand the relative financial importance of different climate impacts. This will inform the further development of risk management responses to reduce exposure.

Climate risk management responsibilities

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.

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. 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.

Through our Risk Management process, the Board reviews the acceptable level of exposure to key risks, balancing threats and opportunities. This process is depicted in the risk management section on page 83. The Board defines our environment risk appetite as "fully committed to the prevention of pollution, compliance with all relevant legal and regulatory requirements and to the continuous improvement of our environmental performance". Risk appetite is defined by a set of key risk dimensions which are reviewed regularly and formally approved annually by the Board. This allows environment risk, and associated climate-related matters, to be reviewed in relation to other business risks.

We have previously treated climate risk as an emerging risk. During the year we performed a series of workshops and qualitative scenario analysis to understand and analyse the impact of climate risks and opportunities on our business. Climate risk is considered in the context of each of our Principal Risks. The risks that we report as our Principal Risks are done so on a net basis. In our current assessment of climate risks and opportunities, we believe there are significant opportunities for Rotork. As with all risks, we will continue to assess if it is appropriate to treat climate risks as a principal risk.

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 83-84 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. We also input views and contributions from our key external stakeholders, including customers, suppliers and investors. It is within this framework that climate risk assessment is integrated. However, we recognise that climate risk characteristics are unique and require an adjustment to our typical risk management processes and treatment.

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 methodology 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. The Horizon risk methodology shows how risks may materialise in different ways, for instance our risk exposure may change over time depending on external interventions such as government actions and Rotork's ability to capitalise on market opportunities.

Climate Risk Identification: Climate-related risks are identified, monitored and managed through risk workshops held with all key functions at least twice a year. The workshops held in the first half of the year link directly into the Board strategy review process, where climate-related risks are escalated as required. The workshops held in the second half of the year and the Board risk review feed into the Annual Operating Plan finalisation. During 2021, 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 workshop materials were informed by sector and climate scenario research which considered physical climate changes in our geographies, as well as existing and emerging climate policy. The potential impacts were discussed and ranked based on perceived business importance. These workshops built on existing risk and opportunity analysis and enabled us to gain a more granular view on the potential financial impact to Rotork globally.

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. This scoring has been repeated for different climate scenarios (see page 62 for selected climate scenarios) and time horizons (as per Horizon Risk Methodology described above). 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. Our scoring methodology uses a 1-5 scale for each criterion, except for exposure which is recorded as either exposed (1) or not exposed (0).

This scoring system allows us to gain a granular view on the impact that the risk could have to our business and aligns with scoring levels used in our Standard risk management methodology.

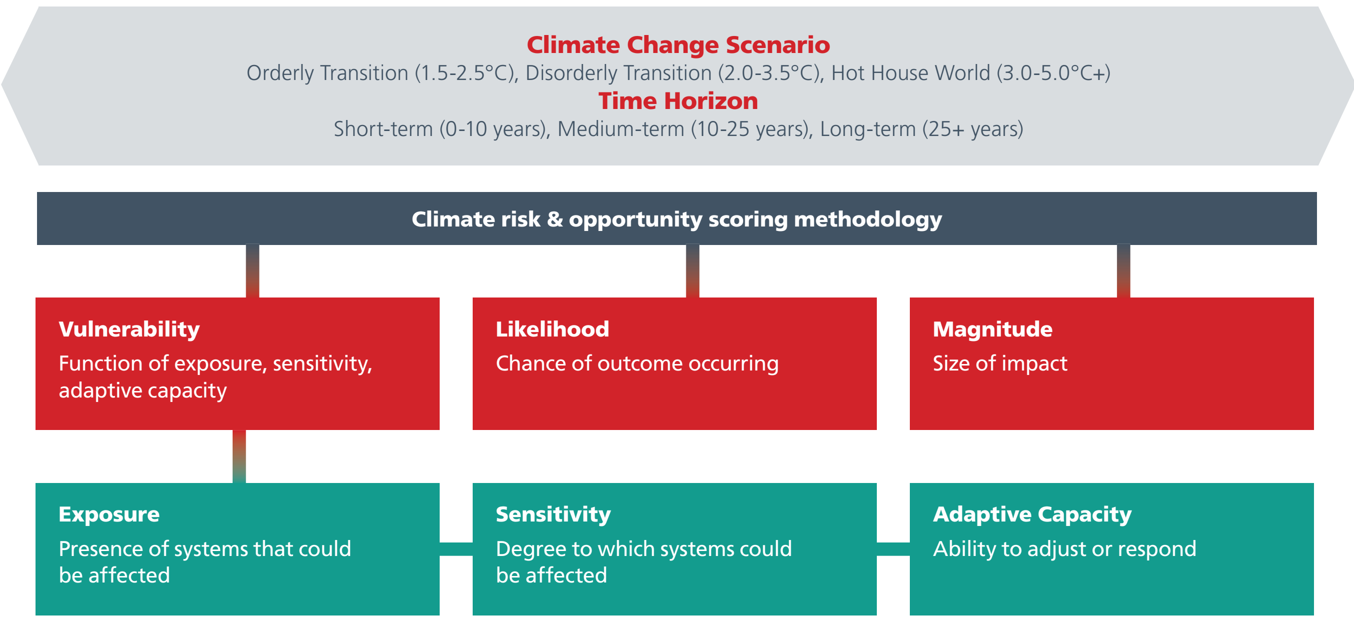
The risk and opportunity assessment results (see pages 64-68) will be used to inform the prioritisation of climate risks to be managed. The next stage of the climate risk assessment will be the quantification of potential financial impact for some of the most material risks. This will be used to inform the continued development of risk management responses for incorporation into our climate transition plan (see page 69).

Risk control and management

When risks are identified, a risk owner is assigned who is accountable for monitoring and managing the risk. The CEO has overall responsibility for climate 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. As the impact of this event is disruption to our supply chain, we currently incorporate this within Supply Chain Disruption risk, however it is also recorded as a risk in our climate risk and opportunity register.

Risk response options are defined and may relate to existing action plans or may require new actions. 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. The delivery of risk actions is the responsibility of the risk owner. The delivery and the effectiveness of new risk action and existing risk mitigations is reviewed formally twice a year at the Rotork Management Board and Plc Board Risk meetings.

Our Climate-related Risk & Opportunity Assessment Methodology



Metrics and Targets

Summary of disclosure

- Rotork has reported operational GHG emissions (scopes 1 & 2), energy, waste and water data, trends over time, and related reduction targets for many years. CO_2e per £ million revenue is a long-standing key performance metric and is linked to Executive and senior leaders' remuneration.
- Rotork further developed its net-zero roadmap in 2021. We have developed science-based targets for scopes 1 & 2 and scope 3 and have submitted them to the Science-Based Targets initiative for validation. We have also committed to target net-zero for scopes 1 & 2 by 2035 and by 2045 for scope 3. The baseline year for all targets is 2020.
- Scope 3 emissions have been reported for some categories for a number of years. In 2021, Rotork calculated its full scope 3 inventory for 2020, the baseline year for our new emissions reduction targets. Emissions in all relevant categories for 2020 are set out on the adjacent page. Scope 3 emissions for 2021 will be reported in our Sustainability Report, due to be published in mid-2022.
- Emissions are calculated according to the GHG Protocol. Scopes 1 & 2 emissions are independently verified by MakeUK. Scope 3 emissions have been calculated with support from Corporate Citizenship.

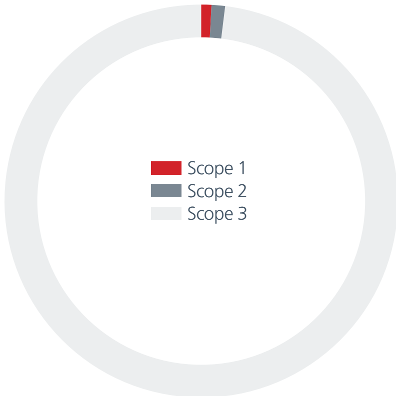
Next steps

- Achieve validation of our near-term science-based targets for scopes 1, 2 & 3.
- Develop a strategy for achieving net-zero as well as a strategy for GHG removals for residual emissions.

GHG Emissions and climate risks

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

GHG emissions in 2020 (new targets baseline year)



GHG emissions	Tonnes CO_2e (2020)	Associated risks
Scope 1 Direct	3,534	– Price volatility for fossil fuels
Scope 2 Indirect	5,237	– Fluctuation in electricity costs (renewable and non-renewable)
Scope 3 Other indirect	395,832	– 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	404,603	– Increase cost of carbon both through carbon tax and carbon price – Faster than expected growth resulting in an increase in GHG emissions beyond planned mitigation

Breakdown of scope 3 emissions (2020)

Category	Emissions (tonnes CO_2e)
Purchased goods and services[1]	66,917
Capital goods[1]	801
Fuel- and energy-related activities	1,824
Upstream transportation and distribution[1]	22,699
Waste generation in operations	104
Business travel[2]	1,213
Employee commuting[3]	4,449
Downstream transportation and distribution[1]	7,691
Use of sold products[4]	288,900
End of life treatment of products	1,234

1 Emissions were estimated based on mapping spend data against the US EPA's Environmentally-Extended Economic Input Output (EEIO) model.
2 Business travel data was calculated using a combination of BEIS conversion factors and the EEIO model.
3 Emissions were estimated based on travel and working from home data.
4 BEIS and IEA emissions factors were applied to the average operational energy usage of products over their life.

Climate-related metrics

Rotork has tracked emissions (scope 1 & 2) per £1m revenue as one of its key non-financial performance indicators since 2013 and has a strong track record of improving its efficiency year-on-year. In 2021, absolute scope 1 & 2 emissions decreased by 5%. Emissions per £m revenue increased slightly by 0.4%, with 14.6 tonnes CO_2e being produced per £m, compared to 14.5 tonnes in 2020. CO_2e per £1m was one of the ESG metrics in the bonus opportunity for Rotork's Executive and leadership population in 2021 (approximately 100 people).

We use the following metrics to track performance:

- CO_2e emissions by revenue
- Energy consumption:
  - Non-renewable electricity
  - Renewable electricity
  - Gas usage
  - Diesel usage
- Water consumption
- Waste
- Opportunity: low-carbon market revenues (our 'eco-transition portfolio')
- Remuneration: CO_2e per £1m revenue

Energy, water and waste data is reported on pages 49-50 of this report. Renewable and non-renewable energy consumption in 2021 will be reported in our Sustainability Report later in 2022.

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 2021 TCFD implementation guidance update:

- **Climate related risks and opportunities:** During 2022, Rotork will quantify financial impacts from material risks and opportunities over forward-looking scenarios. This will inform metrics against which to track performance in reducing exposure and capitalising on opportunities.
- **Capital deployment:** Rotork is in the process of refining pathways to achieve our science-based targets, including in R&D for product development to capitalise on opportunities in the transition and in a low-carbon economy. As part of the development of our net-zero roadmap we will also assess investment required to deal with further abatement and residual emissions.
- **Cost of carbon:** The process of quantifying financial impact from climate-related risks and opportunities in 2022 will help develop a bespoke cost of carbon for the business.

Climate-related targets

Rotork is setting near-term science-based targets to reduce CO_2e emissions. We are targeting net-zero for scopes 1 & 2 by 2035 and for scope 3 by 2045. Our scopes 1&2 and scope 3 emissions reduction targets have been submitted to the Science-Based Targets initiative for validation. The baseline year for all targets is 2020.

We have set a market-based target to reduce scope 1 & 2 emissions by 42% by 2030 compared with 2020. This is an absolute reduction target, aligned to a 1.5°C pathway. We will introduce market-based emissions reporting in our 2021 Sustainability Report, due mid-2022, as well as disclosing performance to date. We aim to achieve our target through renewable energy usage/procurement, energy efficiency projects across our estate and our fleet emissions reduction strategy.

For scope 3, we have also set an absolute reduction target for emissions associated with the use of sold products. We are targeting to reduce emissions by 25% by 2030, in line with a well-below 2°C pathway. We already target energy efficiency improvements as part of the new product development process. 4 out of 5 new products launched in 2021 deliver environmental and efficiency benefits for customers. Our work to calculate our scope 3 inventory has enabled us to identify and prioritise further opportunities for improvement. We aim to achieve our target by driving product developments and initiatives and partnering more closely with customers to support their emissions reduction strategies. Our ambition will also be supported by the progressive 'greening of the grid' which will mean that over time our products will increasingly be powered by renewable energy during their use.

In addition, we have set a supplier engagement target for emissions associated with purchased goods and services. We will engage with suppliers to improve their environmental performance. We will be requesting that suppliers representing 25% of supply chain emissions set science-based targets by 2027.

As in prior years, Rotork has also set an intensity target to reduce emissions per £1m revenue year-on-year. For 2021, the target was to reduce emissions by 2% per £1m revenue compared to the prior year. This was one of the performance measures linked to the bonus opportunity for the senior leadership population. The same target will again be part of the bonus opportunity for 2022.

Rotork has also set absolute targets to reduce water use and waste to landfill by 1% in 2022 compared with 2021. Performance against these targets will be assessed on a monthly basis and reported externally annually.

Non-financial information statement

The Non-Financial Reporting Requirements in sections 414A and 414CB of the Companies Act 2006 are addressed in this statement using cross references to indicate pertinent sections within this report.

This report refers to a range of policies that support our performance across environment, social and governance topics. The majority of the policies are available to read on our website: www.rotork.com/en/environmental-social-governance/esg-reports-and-policies.

Environmental information

Where material information can be found in the strategic report	Material policies	How we monitor the effectiveness of policies
Our approach to managing our environmental impacts is set out on pages 49-50. See also our TCFD report on pages 59-73. We set reduction targets for carbon, energy, waste to landfill and water usage. We report progress against them in our Annual and Sustainability Reports, and in the GRI and SASB appendices to the Sustainability Report.	**Environment & Energy Policy** This sets out our commitment to protecting the environment, ecosystems and biodiversity; continually improving our environmental and energy performance; and complying with all applicable environmental and energy regulations. It applies to the whole Group, including subsidiaries.	We measure performance against key environmental metrics and report this publicly. We also include environmental obligations in our agreements with suppliers and monitor performance. See the non-financial performance KPIs on page 39 for GHG emissions per £m revenue performance in 2021 and trends over time.

The Company's employees

Where material information is located	Material policies	How we monitor the effectiveness of policies
Our approach to People and Culture is set out on pages 56-57. Our employee engagement approach is also covered in our Section 172 Statement on pages 94-95. Related principal risks, on page 90 and 92, are Health, Safety and the Environment and Change Management.	**Board Diversity & Inclusivity Policy** Sets out the Board's approach to diversity and inclusion and provides the framework for the Board's approach to diversity and inclusion in senior management roles. **Code of Conduct** Outlines our values – Stronger Together, Always Innovating and Trusted Partner – and the standards of behaviour we expect of our employees. **Health & Safety Policy** Sets out our commitment to the planning and management of health and safety for reducing accidents and cases of work-related ill-health. It applies groupwide, including to all subsidiary businesses and persons working for or on behalf of the Company. **Speak Up Policy** Outlines our commitment to conducting our business with openness, integrity and fairness, and encouraging people to report suspected wrongdoing as soon as possible and without fear of detrimental treatment as a result of raising a concern. It applies to all individuals working within, for, or with Rotork, including suppliers.	Our regular 'Pulse' surveys assess employees' engagement and their views of Rotork as a place to work. Surveys include questions on diversity and inclusion and the pace of change. We conduct regular audits of our health and safety system. We track colleague diversity at different levels within the organisation, reviewing gender, ethnic and age diversity among others. We also monitor the number of contacts made through our whistleblowing lines and the outcomes of any investigations. The Lost Time Injury Rate (LTIR) is one of our two key non-financial performance indicators. Performance in 2021 and trends over time are set out on pages 39 and 48.

Social and community matters

Where material information is located	Material policies	How we monitor the effectiveness of policies
Our contribution to the communities in which we operate, including charitable giving, is covered on page 58. Our approach to supplier management is on page 51 and covered in our Sustainability Report.	**Supplier Code of Conduct** This code covers our expectations regarding ethical behaviours and compliance with applicable laws; including promoting equal opportunities, human rights, freedom of association, labour rights, good environmental practices, and our zero-tolerance approach to bribery and corruption. It applies to suppliers globally and is published in seven different languages. In 2021, we commenced work to strengthen our Supplier Code of Conduct, to include higher expectations around suppliers' environmental performance as well as other new social and ethical requirements. The new version of the Code is due to be launched in early 2022. **Worldwide Charity Support Policy** This policy sets out how we implement charitable giving, in line with our corporate responsibility aims. Every location has authority to spend 0.1% of its prior year's profit before tax on charitable or good cause activities chosen by the employees of that location. **Group Tax Strategy** Our overall tax strategy is for full disclosure and cooperation with all tax authorities. We consider reputational, financial and operational risks in our approach to tax planning. We are committed to creating an open and transparent working relationship with tax authorities in the jurisdictions in which we operate, and to abiding by all applicable laws.	We capture and report data on our charitable giving and assess the impact we have made. We audit high risk suppliers, as required, to ensure compliance with our Supplier Code of Conduct.

Respect for human rights

Where material information can be found in the strategic report	Material policies	How we monitor the effectiveness of policies
Our approach to diversity and inclusion and respect for human rights is covered on page 51. Our Modern Slavery Statement is published on our group website at www.rotork.com	**Modern Slavery Statement** This covers our policy on working to ensure that slavery and human trafficking is not occurring in any part of our business or supply chain. **Modern Slavery Policy** New Modern Slavery Policy implemented in 2021. It is designed to raise employee awareness of modern slavery and human trafficking and includes key performance indicators to measure the effectiveness of our control measures. **Code of Conduct** Outlines the values and standards of behaviour we expect from employees, including our approach to protecting human rights and empowering staff to 'Speak Up' if they have a concern. **Respect at Work and Equality of Opportunity** Sets out our commitment to the principle of equal opportunities to ensure that no employee or job applicant receives less favourable treatment based on their age, race, nationality, ethnic origin, disability, sex, sexual orientation, religion or belief or marital status. **Conflict Minerals Policy** This policy sets out the Company's commitment to not using tantalum, tin, tungsten and gold that directly or indirectly finances or benefits armed groups in the Democratic Republic of the Congo or adjoining countries.	We rolled out new mandatory compliance and ethics training, including online and classroom-based Code of Conduct training. We also introduce new joiners to our Values during their induction sessions. We implemented a new face-to-face and online training programme related to our new Modern Slavery Policy in 2021. We also 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 calls made to the 'Speak Up' line and the outcomes of any investigations. We provide awareness training to employees about conflict minerals via an e-learning module. We exercise due diligence based on the 'Responsible Minerals Initiative' guidance, by mapping our supply chain using their reporting templates for tantalum, tin, tungsten and gold, and following up any concerns raised via a corrective action management process.

Anti-bribery and corruption

Where material information is located	Material policies	How we monitor the effectiveness of policies
Our People and Culture, on pages 56-57 and our Sustainability Report.	**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. This is supported by a dedicated gifts and hospitality policy. **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. **Supplier Code of Conduct** Outlines our zero-tolerance policy to extortion, bribery and corruption and never offering, paying, soliciting or accepting bribes in any form.	Employees are required to complete anti-bribery and corruption courses on a regular basis. We track training completion rates. We also rolled out new, mandatory Code of Conduct training this year, through a combination of online learning and classroom-based sessions. See page 51 for more information. We monitor the Rotork 'Speak Up' hotline and the outcomes of investigations.

Our 2021 Sustainability Report will provide more details about our approach to ESG as well as our performance. It will be published in mid-2022. We also submit responses to the CDP Climate and Water Security questionnaires annually. Our 2021 responses are publicly available on the CDP website. Our Sustainability Reports and policies are published at the following address: www.rotork.com/en/careers/diversity-and-inclusion and www.rotork.com/nl/environmental-social-governance/esg-reports-and-policies.

Non-financial information

Non-financial information	Section	Pages
Business model	Business model	20-21
Key non-financial performance indicators	Key performance indicators Sustainability Review	39 46-58

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

Our end-markets

In 2021, 46% of our sales were into Oil & Gas, 28% into Chemical, Process & Industrial and 26% into Water & Power. The most common application of Rotork's products and services across all end markets is for the control and management of water, including for water recovery, recycling and treatment processes.

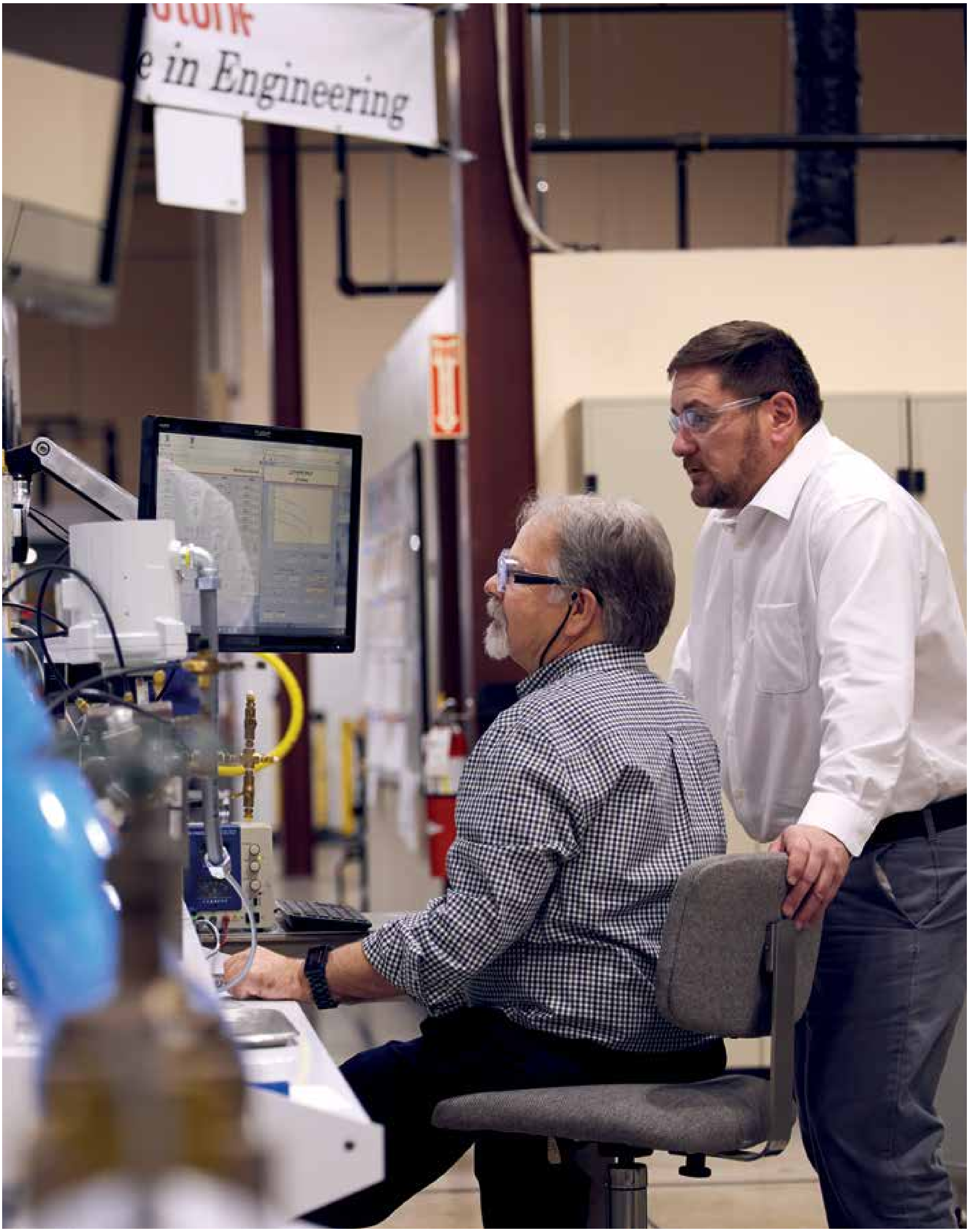
Rotork's products are an essential component in processes for new energies and technologies that enable climate change mitigation and adaptation. They also contribute positively to the sustainable use of water resources, as well as having applications in flood protection.

Our 'eco-transition portfolio' includes three portfolios: 'Water & wastewater', 'Methane emissions reduction' and 'New energies & technologies portfolio' as well as other applications such as process water management and gasification. We estimate that these three portfolios represented around 30% of sales in 2021, 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 2-7 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 46 for details.
- **Alignment to the 2015 Paris Agreement**: Rotork has set science-based emissions reduction targets across scopes 1 & 2 and scope 3. We have also committed to target net-zero by 2035 for scopes 1 & 2 and by 2045 for scope 3. See page 73 for details.
- **UN 2030 Agenda for Sustainable Development**: As part of Rotork's new 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 47 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 48, 51 and 57.


e in Engineering

We demonstrated our resilience once again in what was a challenging year

Jonathan Davis
Group Finance Director

Order intake for the year was £614.1m (2020: £590.2m), up 4.1% from the prior year or 7.8% on an organic constant currency (OCC) basis, with all divisions reporting growth. Chemical, Process & Industrial (CPI) reported the strongest growth, followed by Water & Power (W&P) with Oil & Gas (O&G) only really seeing an improvement towards the end of the year. Order intake in the second half was 5.2% higher than the first half of the year and 12.6% higher than the second half of 2020 on an OCC basis.

Group revenue was 5.9% lower (-2.5% OCC) at £569.2m. This was largely driven by continuing supply chain constraints, in particular the sourcing of components such as chipsets and electronics. Our CPI division reported strong growth in the first half, which was then impacted in the second half by supply chain and COVID-19 disruptions, ending the year 3.8% ahead (+7.7% OCC) of 2020. W&P revenues fell 5.8% year-on-year (-2.7% OCC) with higher EMEA sales insufficient to offset lower sales in other regions. Oil & Gas (O&G) revenues fell 11.0% year-on-year (-7.7% OCC), largely the result of supply chain disruption which delayed deliveries, particularly in the final quarter. Sales to the midstream sector were up double-digit on an OCC basis, benefiting from project wins in the Middle East. Sales to both the upstream and downstream sectors were lower, with the downstream, as expected, proving to be more resilient.

Rotork Site Services, our global service network and a key differentiator in our industry, made good progress in the period despite access to customer sites remaining a challenge in some countries. Revenue is ahead of 2020 on an OCC basis and our lifetime management and reliability services programmes continue to perform well. Rotork Site Services is managed as a separate unit within Rotork's divisions and contributed 21% (2020: 19%) of Group revenue.

Gross margin reduced 80 basis points to 46.2% (-110bps OCC). Logistics costs remained at elevated levels throughout the year and whilst the surcharge introduced in the first half of the year helped mitigate the costs in the second half, this and the lower revenue were the largest contributors to the reduction in gross margins. The cost increases related to supply chain shortages were mitigated throughout the year by the progressive price increases as intended.

Overheads continued to be carefully managed and reduced by £1.9m on an OCC basis compared with 2020.

Operating Profit was £105.7m, 6.5% lower year on year. Adjusted operating profit was £128.1m, a decrease of 10.1% over the prior year, with the adjusted operating margin decreasing 110 basis points to 22.5% (Restated[2] 2020: 23.6%). On an OCC basis, adjusted operating profit decreased 140 basis points from 23.6% to 22.2%, the difference to the reported numbers reflecting the stronger relative performance of our CPI business in APAC versus supply chain disruption in Americas and EMEA.

Net finance income was £0.2m (2020: expense of £0.3m) because of a lower interest cost and a more favourable impact of exchange gains/losses.

The effect of a change in the geographic mix of profits in regions where we operate drove up the adjusted effective tax rate to 23.8% (2020: 23.4%) resulting in adjusted earnings per share of 11.3p (2020: 12.5p), a decrease of 9.6%. Statutory earnings per share were 9.2p (2020: 9.8p), a decrease of 9.6%.

Growth Acceleration Programme

We entered 2021 with the workstreams under the Growth Acceleration Programme (GAP) well underway and with considerable momentum, strengthening the foundation of our business. Within the Commercial Excellence pillar, we continued to restructure the sales back-office functions, including the closure of our Petaluma office in the US, the expansion of EMEA activities transferred into our Bath and Lucca centres of excellence and the establishment of an APAC centre of excellence in Malaysia. These reorganisation activities and carryover benefits from previous route-to-market changes delivered a 2021 benefit of £1.7m and account for £0.3m restructuring costs in the year.

Within the Operational Excellence pillar, the focus on managing our factories through COVID-19 redirected efforts that might otherwise have been spent on driving GAP initiatives. The Global Strategic Sourcing (GSS) team had to focus on managing our supply chain, as COVID-19 affected suppliers to varying degrees throughout the year, to ensure we maintained the supply of components required to meet customer deliveries. There were challenges with both component supply and the logistics of getting the components to our factories. Continuous improvement and lean initiatives continued throughout the year with ~350 lean events completed. Continuous improvement and lean delivered £2.2m of savings in the year. The footprint optimisation programme continued with the closure of production lines at the Houston, San Sebastian and Cusago sites. Other Rotork manufacturing sites will continue to support customers, ensuring no discontinuity with past service. The in-year benefits of these transfers and those completed part-way through 2020 were £1.0m of incremental benefits.

2021 saw continued progress in our Growth Acceleration Programme, with the Group generating savings of £6.8m compared with GAP restructuring costs of £4.9m, and further investment of £13.6m in our D365 ERP system, of which £8.5m was expensed in the year in line with the revised accounting guidance on Software as a Service. This means the cumulative impact on the income statement of the Growth Acceleration Programme from 2018 to date has been £30.2m, which exceeds the cumulative £10.7m restructuring costs. The cumulative cash benefits, once we include the impact of working capital savings, capital costs and disposals are now £31.8m.

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 statutory profit measures are adjusted to exclude amortisation of acquired intangibles and other items, comprising the net restructuring costs resulting from the Growth Acceleration Programme and software costs associated with the new ERP development.

Adjusted earnings reconciliation

£m	Statutory results	Amortisation	Restructuring costs	Software as a service	Adjusted results
Operating profit	105.7	9.0	4.9	8.5	128.1
Profit before tax	105.9	9.0	4.9	8.5	128.3
Tax	(25.7)	(1.8)	(0.6)	(2.4)	(30.5)
Profit after tax	**80.2**	**7.2**	**4.3**	**6.1**	**97.8**

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

Organic constant currency results

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

£m		2021 as reported	Constant currency adjustment		2021 at 2020 exchange rates		2020[2]
Revenue		569.2	20.5		589.7		604.5
Cost of sales		(306.4)	(12.5)		(318.9)		(320.2)
Gross profit	**46.2%**	262.8	8.0	**45.9%**	270.8	**47.0%**	284.3
Overheads	**23.7%**	(134.7)	(5.2)	**23.7%**	(139.9)	**23.5%**	(141.8)
Adjusted operating profit[1]	**22.5%**	128.1	2.8	**22.2%**	130.9	**23.6%**	142.5

1 Adjusted operating profit is before the amortisation of acquired intangible assets and other adjustments (see note 4).
2 As a result of IFRIC agenda guidance in April 2021 on Software as a Service (SaaS) and treatment under IAS 38, 2020 has been restated to reflect the updated treatment. The detail on this restatement can be found in note 1.

Financial review continued

Currency

In 2021 we experienced an overall currency headwind. The major currencies impacting the income statement are the US dollar and the euro. The US dollar/sterling average rate of $1.38 (2020: $1.28) was a 10 cent headwind, whilst the euro/sterling average rate was €1.16 (2020: €1.12), a 4 cent headwind. With the average sterling rate across the basket of other currencies, particularly India, Russia and Mexico, strengthening in 2021 this has resulted in a £20.5m or 3.6% headwind reported to revenue.

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

In order to estimate the impact of currency, at the current exchange rates we consider the effect of a one cent movement versus sterling. A one euro cent movement now results in approximately a £200,000 (2020: £250,000) adjustment to profit and for US dollar, and dollar-related currencies, a one cent movement equates to approximately a £600,000 (2020: £700,000) adjustment.

Return on capital employed (ROCE)

Our capital-efficient business model and strong profit margins mean Rotork generates a high ROCE. Our definition of ROCE is based on adjusted operating profit as a return on the average net assets excluding net cash and the pension scheme liability, net of the related deferred tax. The average capital employed decreased 3.0% over the year to £424.8m as there were no acquisitions in 2021 and we returned £50m of shareholders' funds through a share buyback. However due to the reduction in adjusted operating profit, ROCE declined to 30.1% (2020: 32.5%).

Taxation

The Group's headline effective tax rate increased from 23.8% to 24.2%. Removing the impact of the non-recurring adjustments provides a more reliable measure and, on this basis, the adjusted effective tax rate is 23.8% (2020: 23.4%), with the year-on-year increase largely due to the change in Indian withholding tax in 2020. The Group expects its adjusted effective tax rate to remain higher than the standard UK rate due to higher rates of tax in China, the US, South Korea, Germany, India, and Australia.

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

Cash generation

Our strong cash generation resulted in a net cash position of £114.1m at the end of the year (2020: £178.1m). Our cash conversion KPI shows a conversion of 108.0% of adjusted operating profit into cash which although still strong is lower than the 129.5% reported in 2020. Cash outflow on Property, Plant and Equipment was £13.2m (2020: £15.5m), plus £5.2m in capitalised software (2020: nil) and £8.5m in software which was expensed in the period (2020: £9.8m). Our Research and Development (R&D) cash spend has decreased 2% to £12.6m which represents 2.2% of revenue (2020: £12.9m and 2.1%). We have continued to make good progress with the development of our strategic products, particularly electric actuation and the underlying technologies. During the year, significant R&D resource was diverted to re-engineer existing products in response to global supply-chain shortages. Dividends of £75.5m, tax payments of £32.0m, share buyback programme of £50.3m and purchase of own shares of £7.8m were the other major outflows.

Control of working capital as defined in the cash-flow statement, using average exchange rates and excluding disposals, is key to achieving our cash generation KPI. Inventory increased by £6.9m, as we sought to mitigate the disruption of supply chain constraints whilst trade receivables reduced, generating a cash inflow of £18.4m. Trade receivables measured as days' sales outstanding[1], increased slightly from 56 to 57 days. Net working capital in the balance sheet decreased to 21.8% of revenue compared with 23.2% in December 2020 and generated a £16.7m inflow in the cash flow statement.

COVID-19 disruption and geopolitical risk

We have reported previously COVID-19 and geopolitical risk as two areas of risk that we were monitoring, and which could impact Rotork. These mirror some of the scenarios we include in our annual viability statement which can be found on page 93. Our COVID Committee continues to monitor the external influences of COVID-19 on the business, and also coordinate the internal response.

Our operational teams have performed well in what was a very challenging period due to COVID-19. Whilst we made every effort to keep our production facilities open, we did not hesitate to shut them if we believed there was any risk to our colleagues, and there were several closures in the period. The requirement for staff to isolate and quarantine affected many of our facilities. Similar issues were also faced by our component and logistics suppliers, causing supply chain delays and disruption, which were further impacted by the temporary closure of the Suez Canal in March 2021. As widely reported, these disruptions have had a very significant impact on logistics costs (particularly sea freight) and commodities. We have responded by utilising our global network to mitigate supply chain disruption, which has intensified in the second half of the year, and have built some tactical inventories. Our Global Strategic Sourcing team have been focused on mitigating the impact of rising commodity costs. We expect component supply and costs (including of electronics) to remain a challenge for the first half of next year, along with the current level of heightened logistics costs and 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 93.

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. This level of coverage was retained despite the challenges faced in the credit market as a result of COVID-19. Where appropriate, we use trade finance instruments such as letters of credit to mitigate any identified risk.

Treasury

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

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

The Group has one committed £60m revolving credit facility expiring in June 2022. At year-end this was undrawn, resulting in £60m being available.

Retirement benefits

The Group accounts for post-retirement benefits in accordance with IAS 19, Employee Benefits. The balance sheet reflects the net deficit of these schemes at 31 December 2021 based on the market value of the assets at that date, and the valuation of liabilities using year-end AA corporate bond yields. We closed both the main defined benefit pension schemes to new entrants; the UK scheme in 2003 and the US scheme in 2009, in order to reduce the risk of volatility of the Group's liabilities. In 2018 we further reduced the risk of volatility when we completed the closure to future accrual of both the UK and US schemes. Members of the defined benefit schemes were transferred onto the relevant defined contribution plan operating in their country.

The most recent triennial valuation of the UK scheme took place at 31 March 2019 and showed an actuarial deficit of £28.7m and a funding level of 86%. A recovery plan was agreed with the Trustees as part of the 2019 valuation, resulting in required annual contributions from the Company of £6.8m with effect from 1 April 2020. The annual update to the actuarial valuation at 31 March 2021 showed the deficit had reduced to £16.8m and the funding level increased to 92%. An increase in gilt yields compared with the COVID-19 impacted March 2020, reduced the value of scheme liabilities whilst investments performed well over the period.

On an accounting basis the deficit in the schemes decreased from £38.5m to £7.5m during 2021 and the funding level increased from 85% to 97%. The Company paid total contributions of £7.4m over the year and the schemes' assets increased in value by £11.1m. The value of the schemes' liabilities has reduced by £13.9m (2020: increase of £32.7m) due to the 60 bps increase in discount rate at the year-end to 1.9%, which reflected the increase in yields on AA corporate bonds over 2021.

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

Dividends

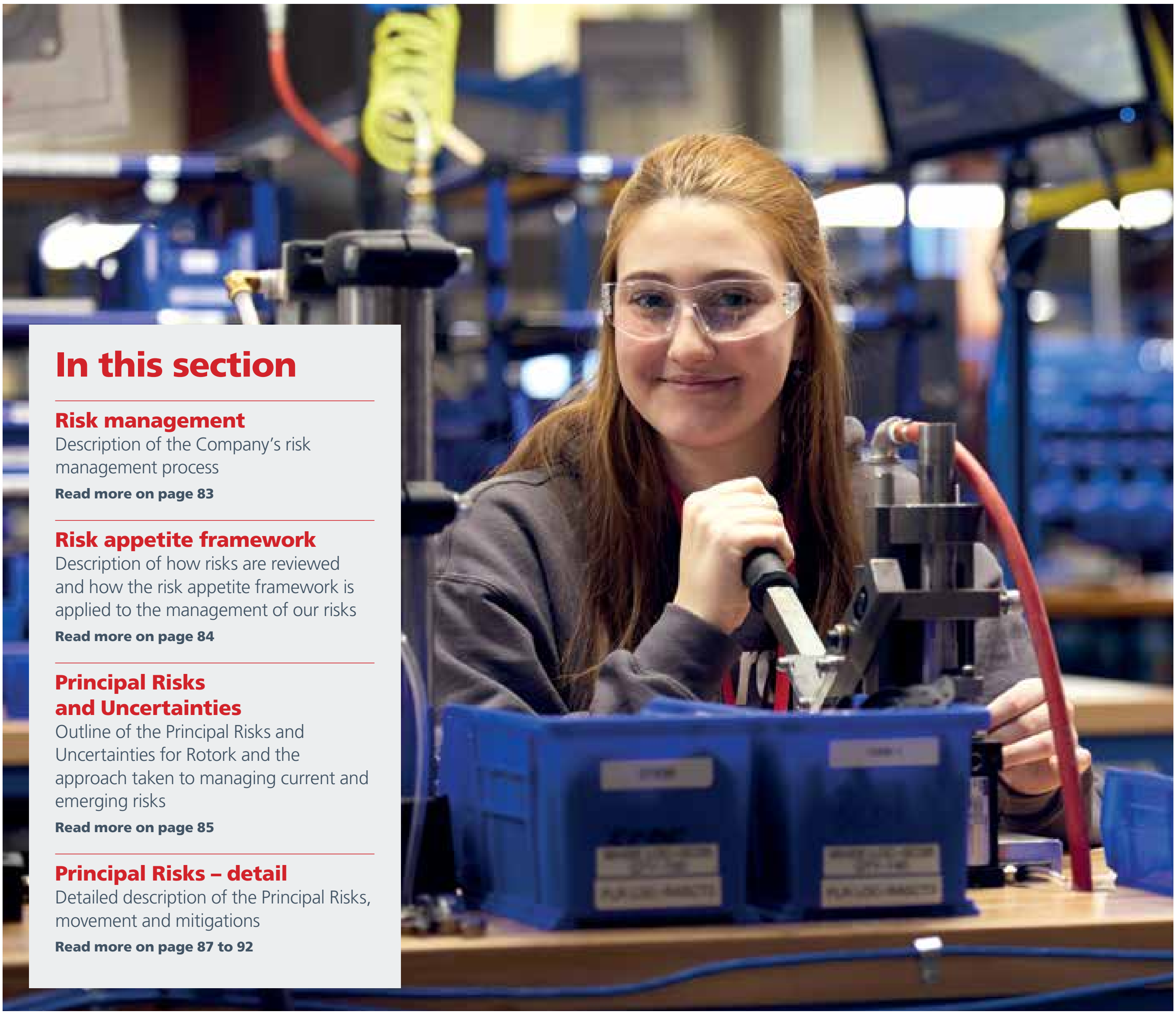
The Board is proposing a final dividend of 4.05p per share. When taken together with the 2.35p interim dividend paid in September 2021, the 6.40p (2020: 6.30p per share) represents a 1.6% increase in dividends over the prior year. This gives dividend cover of 1.8 times (2020: 2.0 times) based on adjusted earnings per share.

Jonathan Davis
Group Finance Director
28 February 2022

1 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.
2 As a result of IFRIC agenda guidance in April 2021 on Software as a Service (SaaS) and its treatment under IAS 38, 2020 has been restated to reflect the updated treatment. The detail on this restatement can be found in note 1 to the accounts.

How we manage risk

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



In this section

Managing business risks

As with all businesses, there are certain risks and uncertainties that may impact Rotork's ability to achieve our objectives. The risk management process is an established way of identifying and managing risk and is part of our governance framework as set out in our Corporate Governance report, see page 105. 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 on our risk management framework, further integrating it into business practices and decision-making. In 2021, key areas of focus included supply chain disruption, people, cyber-security, climate-related risks and health and safety. We utilised our horizon scanning risk methodology to plot climate-related risks and other business risks that have more uncertain impact and likelihood characteristics. This allows us to visualise risks across broader timeframes and look at risks that may materialise at variable rates. We can also see where risks and opportunities may interact and what action plans we should put in place to manage and monitor those risks.

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

Risk management process

Top-down risk assessment
Ongoing risk mitigation reviews and controls testing

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

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

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

Rotork Management Board (RMB)
- Identify, consolidate, report and manage Principal and Key Risks
- Report to the Plc Board on the management of our Principal and Key Risks

Bottom-up risk assessment
Divisions and functions identify, manage and monitor risks

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

Group Risk and Compliance
- Support the Group to identify risks and put in place appropriate mitigations
- Promote a risk-aware culture and adherence to risk appetite
- Report on the status of Principal Risks and emerging risks periodically, including Key Risk Indicator dashboards

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

Risk appetite framework

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 appetite

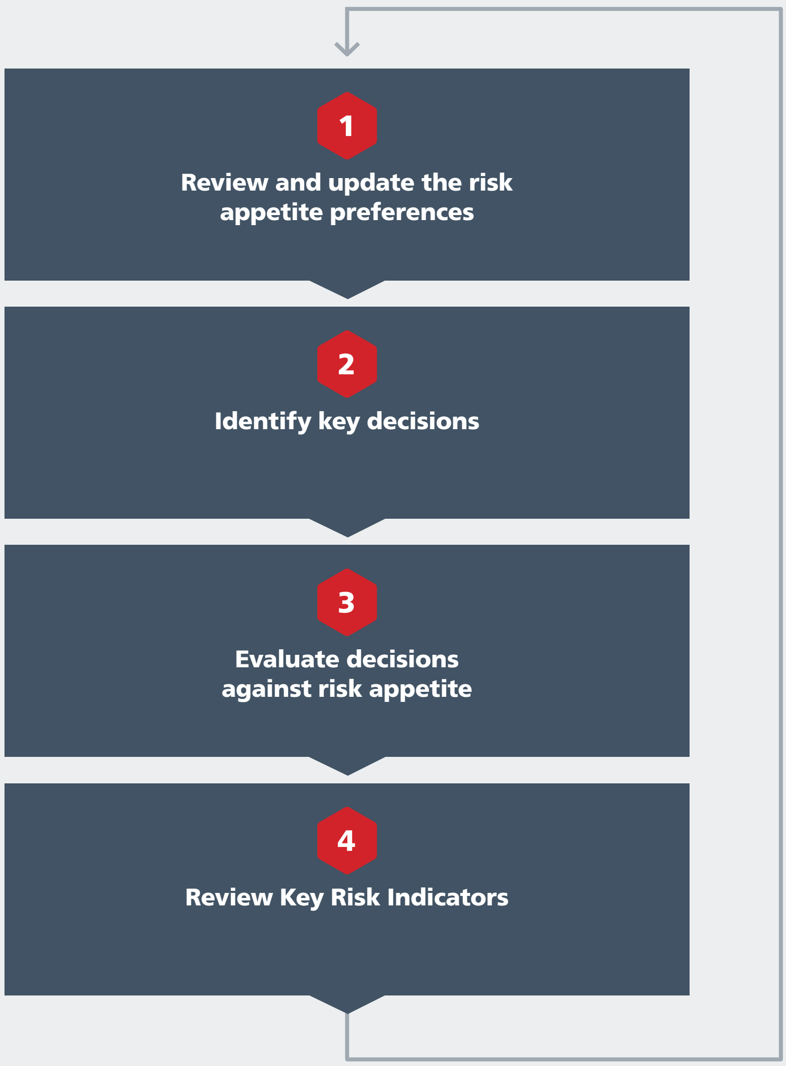
Rotork's Purpose, 'Keeping the world flowing for future generations', is embedded in the way we assess risks. We are committed to generating stakeholder value through innovation and sustainable growth and will only take considered risks that fulfil our strategic objectives and do not risk our Values,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

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 2021, the Board reviewed and updated the risk appetite framework to reflect changes to the nature of Rotork's business and our operating environment, including responses to the risks associated with sustainability, supply chain disruption and COVID-19.

The Board have also reviewed the application of risk appetite statements and preferences by monitoring the Key Risk Indicators throughout the year.



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 detailed below. These risks 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.

Emerging risks and opportunities and horizon scanning

Our risk management process includes consideration of risks and opportunities that may impact Rotork in the future. Emerging risks are risks that are unlikely to materialise in the short term, risks that cannot be fully assessed yet, or risks that we are not monitoring but that could have a significant impact on our ability to achieve our strategy.

Emerging risks are identified, managed and monitored based on the information available and put in place plans to monitor or manage the risk. In 2021, we reviewed the potential impact of a number of new and emerging risks and developed a framework to support our analysis of those risks. Emerging risks are identified throughout the year, investigated in detail at our divisional and functional risk workshops, and with the Rotork Management Board and Plc Board formally twice a year.

We believe our ability to identify risks and opportunities that may pose a future impact to Rotork and our stakeholders is fundamental to our successful risk management process. Horizon scanning is a technique of viewing risks and opportunities over the medium to longer term and allows the business to look beyond the short term and evaluate our 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 this year, we focused on the risks and opportunities associated with climate change across multiple time horizons to support our disclosures in line with TCFD (Task Force on Climate-related Financial Disclosures). For more information see pages 59 to 76.

Brexit

Throughout 2021, the risks associated with Brexit were monitored and mitigating actions put in place to minimise potential impacts. Following the UK's departure from the European Union, the impact has been well within our expectations and the actions taken by management are currently mitigating the risk. Going forward, we will continue to monitor potential risks in relation to trade, logistics and supply chain.

Update on our response to COVID-19

We continue to monitor the impact of COVID-19. The most significant risk linked to the impact of COVID-19 has been in relation to supply chain disruption as the availability of key components, such as semi-conductors, deteriorated. Our business has put in place various techniques to manage the impact, including working with suppliers, identifying and testing alternatives and putting in place forward purchasing agreements. As a global business, travel to sites has been limited in 2021, but senior leaders have been able to perform some travel or increase the level of virtual communication within the business. The Plc Board and Rotork Management Board considered how COVID-19 impacted our Principal Risks throughout the year and the COVID-19 Steering Committee continued to meet twice a week throughout the year. The Plc Board reviewed risk appetite in light of the impact of COVID-19 and the key risk indicators were also kept under review. The Group will continue to monitor the impact of the pandemic on our risk profile. See Principal Risks on pages 87 to 92.

Principal Risks and Uncertainties continued

Principal Risks

Update on 2021 Principal Risks

In 2021, the risk landscape has been a complex one, with many risks interconnected. Four of the Principal Risks show an increase from 2020. The knock-on impact of COVID-19, causing an increased level of supply chain disruption due to the availability of key components affected our ability to deliver to customers. COVID-19 appears to have caused people to re-evaluate how they work and in certain geographies, the labour market has been very active. We have put in place responses to deal with these risks and management focus has been on the actions and mitigations to reduce the impact of those risks as much as possible. A summary of some of the key reasons for increases in four of our Principal Risks is provided as well as some of the key management actions that were taken to respond to the increase in those risks. We continue to monitor heightened geopolitical tensions and the overall risk score of our 'Geopolitical Instability' risk is consistent with the prior year but showing as increasing trend. See pages 87 to 92 for more details. Key Risk Indicators (KRIs) have also been kept under review during 2021. 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 2021, KRI thresholds for geopolitical risk were updated to reflect our growth strategy, providing more meaningful risk insight to management and the Board.

Risk	Reason(s) for increase	Management actions
Supply chain disruption	– Availability of key components such as semi-conductors – Lower freight availability and significantly higher rates – Increase in price of commodities such as copper, aluminium and steel	– Building tactical inventories – Optimising network of global suppliers – Communicating with suppliers and logistics partners
Critical IT system failure and cybersecurity	– Increase in external threat environment for cyber-attacks, specifically ransomware attacks	– Continued monitoring of our environments, vulnerability and threat analysis and timely patching
Increased Competition	– Growth in demand coupled with a reduction in availability of components	– Greater focus on customer value, innovation and new product development – Price reviews
Growth Acceleration Programme	– Supply chain disruption and people activities increased the risk that the GAP objectives may not be delivered in the timeframes originally anticipated	– Supply chain focused actions as previously described – Engagement survey and focus on retention

Climate change

During 2021 we performed a significant amount of risk and opportunity analysis in preparation for our disclosures in line with TCFD. This began with including climate change as a specific agenda item in every functional risk workshop held in the business, and then by working with an independent third party to run a series of dedicated risk workshops with senior leaders in the business. The output of this work is described in more detail in the TCFD section of this report on pages 59 to 76. Following the identification and qualification of the risks and opportunities in 2021, the next step is to quantify the risks and opportunities. Our strategic planning will consider how best to take advantage of the opportunities, particularly in supporting our customers to reduce their emissions, as well as look internally to minimise our own impact on climate change. The Group has embedded the identification of climate-related risks and opportunities into the Group's risk management framework. Risks are identified throughout the normal course of business and captured in detailed risk registers. This includes assessment of the physical risks of climate change and the risks related to the transition to a low carbon economy. The ESG Committee has monitored the development of our ESG Strategy, including the risks associated with climate change, and during the year we published our first Sustainability Report which highlighted risks and opportunities associated with climate change.

People

Our people are at the centre of everything we do. During 2021, the return to the workplace for many of our colleagues and an active recruitment market in certain locations led to an increased risk that our activities could be impacted. Our management response included flexible working transition practices where possible, compensation reviews and a revised approach to recruitment. We continue to review our approach to remuneration on a more regular basis than annually, including recognition which we already link to our Values. Ways of working and employee expectations have changed more rapidly recently than in many years. As we want to continue to be an employer of choice for future and current colleagues, we continue to monitor the engagement of our colleagues, in particular through our engagement pulse surveys conducted through the year.

Focus for 2022

In 2022 we will continue to build on the work performed in 2021, especially in relation to the risks identified as part our work on TCFD. We expect supply chain disruption risks, risks associated with retention and attraction of staff and risks associated with cyber-security to persist in 2022 and we will monitor the effectiveness of our responses to those risks. We will focus on our risk culture, and training will be provided on risk management. Our work on measuring emerging risks and horizon scanning will continue and the risks associated with climate change will be part of this, as we build our maturity and scenarios.

Principal Risks

Economic & market conditions

1. Decline in market confidence
2. Increased competition
3. Geopolitical instability
4. Failure of an acquisition to deliver value

Corporate social responsibility

5. Health, safety & environment
6. Compliance with laws and regulations

Product quality and reliability

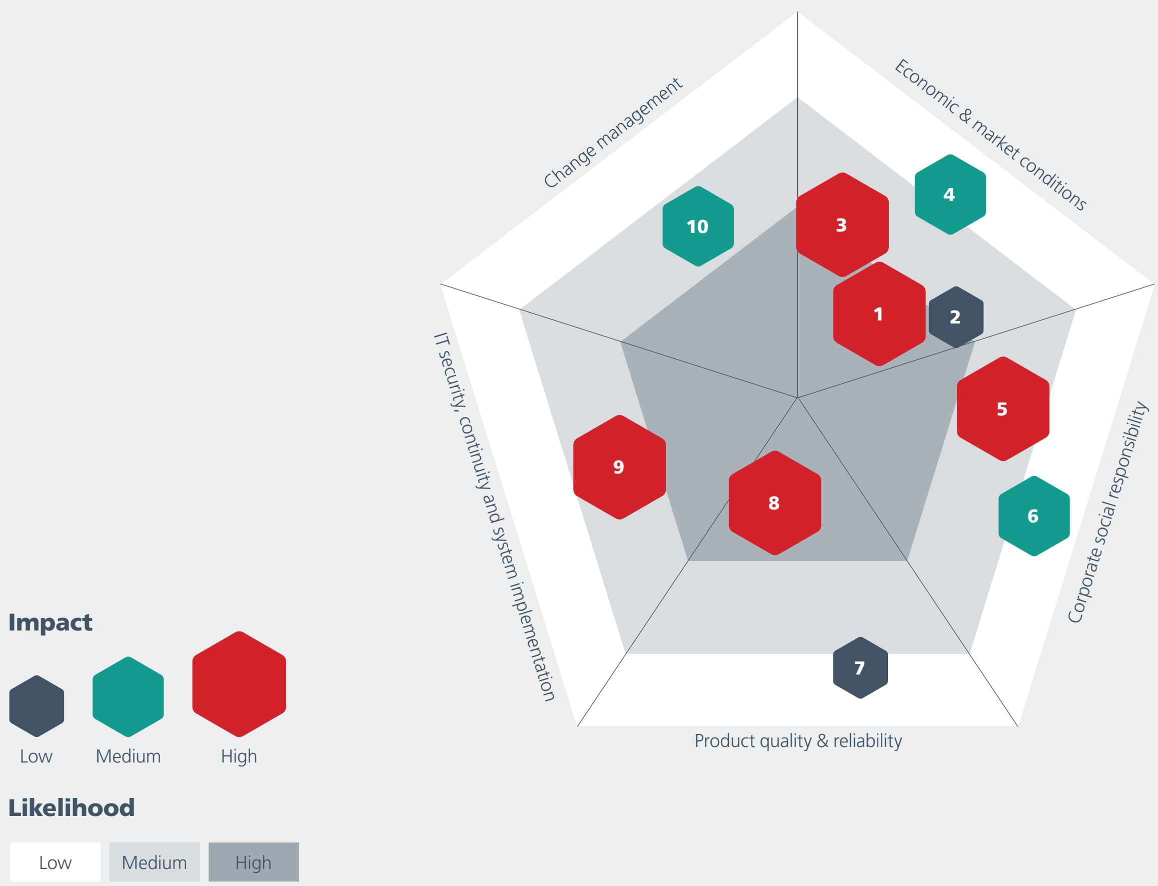
7. Major in-field product failure
8. Supply chain disruption

IT security, continuity and system implementation

9. Critical IT system failure and cybersecurity

Change management

10. Growth Acceleration Programme



Economic and market conditions

Principal risk

1. Decline in market confidence

Link to strategy

1 2 3

Link to viability scenario

1: Revenue decline

Likelihood

Low | Medium | **High**

Trend

Unchanged

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 2022
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.

Principal risk

2. Increased competition

Link to strategy

1 2 3

Link to viability scenario

1: Revenue decline
2: One-off costs

Likelihood

Low | **Medium** | High

Trend

Increased

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

Update
This risk has increased since the prior year, as growth in demand coupled with a reduction in availability of components has led to the ability to deliver to customers being a further competitive dynamic.

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 Strategic Sourcing team securing lower prices and efficiencies despite difficult market.
– Rotork has production or sales and service operations in many low-cost countries.

Risk appetite statement
We will invest in R&D in order to retain a differentiated product portfolio and will support this by providing a leading service element to our offering. We will invest in new products and technologies where there is evidence of market opportunity.

Focus for 2022
Alongside the continuation of our existing key mitigating actions we will:
– Continue our investment in innovation.
– Participate in M&A that provides meaningful value to the business and our stakeholders.
– Work with our supply chain partners to build strategic partnerships.
– Review how we deliver to customers including moving forward with our digital strategy.

1 Accelerated growth 2 Increased margins 3 Sustainability

Principal risk

3. Geopolitical instability

Link to strategy

1 2 3

Link to viability scenario

2: One-off costs

Likelihood

Low | Medium | **High**

Trend

Description

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

Update

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

Key mitigating actions

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

Risk appetite statement

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

Focus for 2022

- 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.

Principal risk

4. Failure of an acquisition to deliver value

Link to strategy

1 2 3

Link to viability scenario

None

Likelihood

Low | Medium | High

Trend

Description

Failure of an acquisition to deliver the growth or synergies anticipated, either due to unforeseen changes in market conditions or failure to integrate an acquisition effectively. Significant financial under-performance could lead to an impairment write-down of the associated intangible assets.

Update

This risk is unchanged. Rotork continues to monitor markets for suitable opportunities.

Key mitigating actions

- Forecast market conditions are considered during the due diligence process.
- Due diligence processes provide information to assist management and minimise likelihood of any surprises.
- During the due diligence process a 100 day plan is prepared to manage the important initial stages of integration.
- Careful consideration and negotiation of acquisitions by senior management to ensure the purchase price represents value for money.
- Effective integration and communication of Rotork's policies and procedures.

Risk appetite statement

We will pursue acquisition opportunities that are in line with our growth agenda and review each on its individual merits and expected benefits.

Focus for 2022

- Continuation of our existing key mitigating actions.

Corporate social responsibility

Principal risk

5. Health, safety and the environment

Link to strategy

1 2 3

Link to viability scenario

2: One-off costs

Likelihood

Low | **Medium** | High

Trend

Unchanged

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. A failure of our products or internal processes could have an impact on the environment.

Update

This risk is unchanged from the prior year. A number of initiatives have been delivered in the last year including the roll-out of the Rotork Life Saving Rules. We continue to focus on the health, safety and wellbeing of our colleagues and customers.

Key mitigating actions

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

Risk appetite statement

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

Focus for 2022

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

- Implement our refreshed Global Standards. There are twelve in total which are designed against our risk profile.
- Enhance our environment data collection processes to support the identification and targeting of high energy usage and emissions across our group.
- Update our internal assurance programme for greater independence post COVID-19 and inclusion of the Rotork Life Saving Rules into testing plans.
- As part of the Global Standards programme we will provide additional specific training to colleagues to enhance their competencies and safety awareness against our highest risks.

Principal risk

6. Compliance with laws and regulations

Link to strategy

1 2 3

Link to viability scenario

2: One-off costs

Likelihood

Low | Medium | High

Trend

Unchanged

Description

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

Update

This risk is unchanged from the prior year.

Key mitigating actions

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

Risk appetite statement

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

Focus for 2022

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

- Continue with our ongoing training programme on key compliance topics.
- Further enhance our controls relating to the appointment and monitoring of third party intermediaries.
- Review our processes and our employees' understanding of trade compliance and fair competition, and identify any recommended improvements.
- Continue to enhance our people's awareness and confidence in using our 'Speak Up' hotline.

1 Accelerated growth 2 Increased margins 3 Sustainability

Product quality and reliability

Principal risk

7. Major in-field product failure

Link to strategy

1 2 3

Link to viability scenario

3: Loss of profitability

Likelihood

Low | Medium | High

Trend

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

Update
This risk is unchanged from the prior year.

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

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

Focus for 2022
Alongside the continuation of our existing key mitigating actions we will:
- Focus on quality throughout the innovation pipeline.
- Leverage our unrivalled installed base through our digital offerings such as the recently launched iAM.
- Our cost of quality programme will continue and we expect this to start to generate customer value in 2022 and beyond.

Principal risk

8. Supply chain disruption

Link to strategy

1 2 3

Link to viability scenario

2: One-off costs

Likelihood

Low | Medium | High

Trend

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

Update
The availability of key components and the logistical challenges to source key components has increased this risk. We continue to forecast our component requirements and work with our supply chain partners.

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

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

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

Focus for 2022
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.

IT security, continuity and system implementation

Principal risk

9. Critical IT system failure and cybersecurity

Link to strategy

2, 3

Link to viability scenario

1: Revenue decline

Likelihood

Low | **Medium** | High

Trend

Increasing

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

Cyber risk has increased globally with all companies facing a huge increase in ever more convincing spam. Threat intelligence and patching has played a key role in the mitigation of this risk.

Key mitigating actions

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

Risk appetite statement

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

Focus for 2022

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.
– Implement the D365 ERP, transitioning to a more modern, resilient and integrated architecture, optimising business performance and improving the security and resilience of our factory systems.

Change management

Principal risk

10. Growth Acceleration Programme

Link to strategy

1

Link to viability scenario

2: One-off costs
3: Loss of profitability

Likelihood

Low | **Medium** | High

Trend

Increasing

Description

The Growth Acceleration Programme and other change projects lead to business disruption or have a negative effect on day-to-day operations.

Update

This risk has increased since the prior year due to a number of external disruptive factors delaying delivery of certain elements of the Growth Acceleration Programme.

Key mitigating actions

– Growth Acceleration Programme workstreams are managed by a dedicated project management office, with a mix of Rotork operational and specific project management experience.
– There is a defined benefits tracking process to monitor outcomes against the initial objectives of projects, including monitoring any impact on day-to-day operations.
– Metrics are in place to predict and monitor capacity concerns across all workstreams.
– Regular governance forums are in place to deal with risks and issues in a timely manner.

Risk appetite statement

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

Focus for 2022

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

– Improve our customer journey experience.
– Use the voice of customer work completed in 2021 to prioritise our new product development efforts.
– Deliver further sourcing savings and start rolling out the D365 ERP system to our manufacturing facilities.

1 Accelerated growth 2 Increased margins 3 Sustainability

Viability statement

Assessment of prospects

The Group Strategy (see pages 28 to 37) and Principal Risks (see pages 87 to 92) are well documented. The Group works closely with its customers on projects with durations ranging from several weeks to several years, discussing operational plans and longer-term capital expenditure programmes. The Growth Acceleration Programme, which has progressed well during the year, is expected to reduce the Group's cost base and improve the Group's longer-term operational and financial performance and financial position.

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

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

Assessment of viability

A robust assessment of the Principal Risks facing the business was conducted through the year with the review of the risk appetite framework and risk dashboards contributing to a fuller consideration of those risks which might impact the business model or future performance. The assessment has been completed on a same-state basis, and therefore Principal Risk 4, Failure of an acquisition to deliver value, has been excluded. 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 the COVID-19 virus, disruption to supply chain or to logistics (whatever the source of that disruption), geopolitical instability, increasing political protectionism in respect of trade tariffs, failure of the Growth Acceleration Programme 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 inherent volatility in exchange rates and oil prices, the current inflationary environment, the current challenges around the supply chain, and the nature of the industry and the business cycles involved.

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

Scenario modelled		Link to Principal Risks
Scenario 1: Revenue decline	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 Increased competition Critical IT system failure and cybersecurity
Scenario 2: One-off costs	Impact of a one-off cost due to a specific issue, accompanied by a reduction or downturn in revenue due to a specific product or specific end market. This scenario has been tested against the risks from supply chain disruption and geopolitical instability, with a significant cost modelled, and a double-digit decline in revenue across the 3-year plan period, and the negative impact on working capital and cash generation, as manufacturing capability is impacted by supply chain.	Geopolitical instability Health, safety and the environment Compliance with laws and regulations Supply chain disruption Growth Acceleration Programme
Scenario 3: Loss of profitability	One-off cash costs as a result of a specific issue and a permanent loss of subsequent profitability which affects operating cash generation.	Major in-field product failure Growth Acceleration Programme
Scenario 4: Reverse stress test	Combination of impacts on the business to the point where cashflow under modelled circumstances is exhausted.	Multiple concurrent risks

Engaging with our stakeholders

Our approach

The interests of our stakeholders have informed the Board's decision-making throughout 2021. Key decisions relating to our strategy and its implementation in relation to all Group companies are taken by the Board under its Matters Reserved schedule. Those decisions delegated to the CEO and his senior leadership team are taken by the Rotork Management Board which meets monthly and is responsible for implementing the strategy. Decisions made by our subsidiaries are aligned with the strategy set by the Board and the operational decisions made by the Rotork Management Board.

Our approach to making Board decisions under Section 172 is set out below:

1

Rotork's Purpose and underlying culture and Values help ensure that there is proper consideration of the potential impacts of Board decisions on our stakeholders, being our shareholders, employees, customers, suppliers, governments, communities in which we operate and the environment.

2

Board paper templates are designed to clearly set out those key matters which should be brought to the attention of the Board to inform their decision making. These include:

- information and advice from external professional advisers on commercial, financial, legal, compliance and social and environmental issues.
- identification of those groups whose interests will be materially impacted by the Board's decision.
- outcome of engagement with stakeholders summarised where relevant.

3

The Board scrutinises and challenges the quality of the information presented and receives assurance and further information where appropriate.

4

Board decision is taken.

5

Where relevant, following the decision, further engagement and dialogue with stakeholders is undertaken, with updates provided to the Board as necessary.

Section 172 Statement

As a Board, we have a duty to promote the success of Rotork for the benefit of our members. In doing so, we must have 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, the desirability of maintaining a reputation for high standards of business conduct and the consequences of decisions in the long-term.

These stakeholder relationships are fundamental to our business and strategic direction. We have in excess of 3,500 shareholders and c.3,200 employees. We serve customers in more than 170 countries and enjoy a global supply base. All these stakeholders are important to the long term success of the business and strategic direction. Relationships with our stakeholders support the generation and preservation of value in the Group, as well as our culture and Values of 'Stronger Together', 'Always Innovating' and 'Trusted Partner'. The Board receives presentations from management to help it understand the impacts at operational level and the merits of proposed business activities over the short, medium and long term. Like any business, we sometimes have to take decisions that adversely affect one or more of these groups and, in such cases, we always look to ensure that those impacted are treated fairly.

Stakeholder considerations are woven throughout all Board discussions and decisions. The table on pages 110-111 in the Corporate Governance Report sets out our key stakeholder groups and how they were engaged with, both directly and indirectly, by the Board throughout the year on those matters which the directors understand are important to each group. Examples of decisions taken by the Board and how stakeholder views and inputs, as well as other Section 172 considerations have been taken into account in its decision-making, are set out on page 109 of the Corporate Governance Report. These are incorporated by reference into this Section 172(1) Statement.

Further information on how these duties have been applied can be found throughout the Annual Report:

Section 172 duties	Key examples	Page
Consequences of decisions in the long term	Our strategy Our business model Board activities Strong balance sheet Going concern and viability statement Principal risks	30-31 20-21 108 167 93 85-92
Interests of employees	Our people and culture Our Values A message from Tim Cobbold, designated non-executive director for workforce engagement	56-57 98 111
Fostering business relationships with suppliers, customers and others	Our customers Our supply chain Divisional review	110 51,111 40-45
Impact of operations on the community and the environment	Engineering, technology and innovation Environment Engaging with our communities	6-7 52-55 58
Maintaining high standards of business conduct	Our Code of Conduct Health & Safety policy Anti-Bribery and Corruption policy Modern Slavery policy	51 48 51 51
Acting fairly between members	Shareholder engagement	110

The Strategic Report was approved by the Board on 28 February 2022 and signed on its behalf by:

Kiet Huynh
Chief Executive Officer
28 February 2022

Corporate Governance

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

In this section

Governance at a glance

Our Purpose
Rotork's Purpose, keeping the world flowing for future generations through providing innovative, high quality engineered solutions and services for our customers, helps guide our culture alongside our three Values as described below. The way that Rotork uses its resources to fulfil its Purpose is set out in our business model on pages 20 to 21.

Our culture, Values and behaviours
The Board has responsibility for reviewing, monitoring and developing Rotork's culture and ensures that this aligns with the strategy. Rotork promotes an open, collaborative culture in the workplace, where we all act with trust and respect for our colleagues.

Our three Values

Stronger together	Always innovating	Trusted partner
We put people first, we collaborate, inspire and support each other to win together.	We're committed to continuous improvement, thinking differently and improving for the future.	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 page 75.

The Board aims to ensure that our Values are integrated into decision-making and that policies and procedures, such as the Code of Conduct and our Anti-Bribery and Corruption Policy maintain these expected behaviours. Where this is not the case, the Board and management team take appropriate action. This is achieved through regular updates to the Board on, for example, compliance matters and reports received through our 'Speak Up' helpline on alleged wrongdoing. The regular employee surveys also help evaluate the implementation of our Values and culture.

The Board is satisfied that the Company's Purpose, Values, strategy and culture are aligned and promote the long-term success of the Company, generating value to shareholders and other stakeholders.

Corporate governance compliance statement
It is the Board's view that for the financial year ended 31 December 2021, the Company complied with all of the provisions and applied the principles of the UK Corporate Governance Code 2018 (the 'Code'), with the exception being Provision 38 and the alignment of pension contribution rates for executive directors with those available to the workforce. An explanation of how this departure from the Code is being addressed to ensure compliance by the end of 2022 is set out on page 149 of the Directors' Remuneration Report.

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.

Highlights of 2021

Board leadership and Company Purpose
Rotork is led by an effective and committed Board, dedicated to promoting the long-term sustainable success of the Company, generating value for shareholders and contributing to wider society.

Read more on page 105

Division of responsibilities
The roles of the Chairman and the CEO are separate and there is an appropriate combination of executive and independent non-executive directors on the Board.

Read more on page 105

Audit, risk management and internal control
Formal, transparent policies and procedures are in place to ensure the independence and effectiveness of the internal and external audit functions and the integrity of financial and narrative statements and to manage and mitigate risks.

Read more on pages 114-115

Remuneration
Rotork has a remuneration policy designed to support its strategy and promote long-term sustainable success. Executive remuneration is aligned to the Company's Purpose and Values and is clearly linked to the delivery of our long term strategy.

Read more on pages 125-150

Composition, succession and evaluation
Appointments are subject to a formal, rigorous and transparent procedure. Succession plans, designed to promote diversity of gender, social and ethnic backgrounds and cognitive and personal strengths are in place for the Board and senior management, as demonstrated by the recent internal appointment of Kiet Huynh as Chief Executive Officer. An evaluation of the Board and its committees is undertaken annually, in line with the Code.

Read more on pages 112

Focus for 2022

Sales growth
Board oversight of the delivery of mid to high single-digit sales growth through a combination of organic growth and acquisitions.

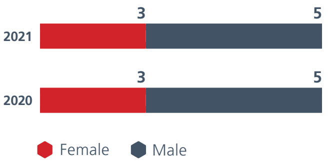
Sustainability
Progressing our net-zero roadmap; embedding our near-term emissions reduction targets into the way we operate across the business.

Stakeholders
Continued engagement and awareness of the need to balance the concerns and interests of our stakeholders when making our decisions.

Succession planning
Continue the development of diverse pipelines for succession to ensure the business benefits from a wider range of backgrounds and perspectives.

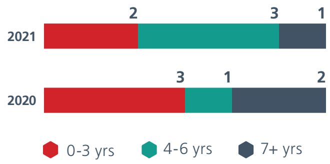
Highlights at a glance

Board gender
as at 31 December 2021

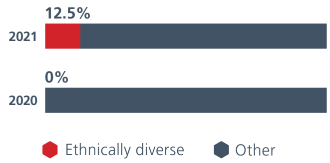


This exceeds the Hampton-Alexander review target of 33% female representation on boards by 2020

Board tenure
(non-executives, including Chairman)
as at 31 December 2021



Board ethnic diversity
as at 31 December 2021



As at 28 February 2022, ethnic diversity on the Board stands at 25%, exceeding the Parker Review recommendation for FTSE 250 companies.

Board diversity of skills and experience

(based on practical work experience acquired by way of functions in management or consulting)

Skill/Experience	Kiet Huynh	Jonathan Davis	Martin Lamb	Peter Dilnot	Ann Christin Andersen	Tim Cobbold	Karin Meurk-Harvey	Janice Stipp
Independent			✓*	✓	✓	✓	✓	✓
CEO experience			✓	✓		✓		
Engineering & innovation	✓		✓	✓	✓	✓	✓	✓
Operations	✓		✓	✓	✓	✓		
Health & safety					✓			
Finance & banking		✓				✓		✓
Strategy and M&A	✓	✓	✓	✓	✓	✓	✓	✓
Environment & sustainability				✓	✓		✓	✓
Digital, cyber & technology		✓			✓	✓	✓	✓

* Martin Lamb, Chairman, was considered independent on appointment.

Chairman's governance overview

Applying the principles of the UK Corporate Governance Code 2018

On behalf of the Board, I am pleased to introduce Rotork's Corporate Governance Report for 2021

Martin Lamb
Chairman

The aim of this report is to provide a clear explanation of Rotork's governance framework and the practical application of the principles of good corporate governance. As a Board, we consider that strong governance underpins the successful management of the Group and enables us to focus on the key strategic issues.

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 pages 59-73.

Governance highlights

What we said we would do
Mindful of the benefits of greater gender and ethnicity on our Board, we stated that a search for an additional non-executive director would commence during 2021.

What we achieved
Karin Meurk-Harvey was appointed to the Board in September with experience in digital and emerging markets. Additionally, following a robust search process, Kiet Huynh was appointed to the Board in the role of CEO in January 2022. Gender and ethnic diversity on the Board currently stands at 37.5% and 25% respectively.

What we said we would do
Develop a new sustainability framework based on Operating Responsibly, Enabling a Sustainable Future and Making a Positive Social Impact – and develop aligned sustainability goals and reporting.

What we achieved
Further integrated sustainability objectives across the business, with regular oversight of management's progress in each ESG focus area. Achieved external recognition of our approach. We published our Sustainability Report in June 2021.

What we said we would do
Remuneration structure for 2021 would be adjusted to take account of the greater strategic focus on ESG and to link successful achievement of objectives to reward.

What we achieved
Annual bonus targets were adjusted with ESG targets contributing to 10% of opportunity split across quantitative targets to cover health and safety, carbon emissions, culture and engagement scores and qualitative targets focusing on environmental innovation and customer engagement on sustainability issues.

Introduction

The effective stewardship and governance of the Group remains a key priority for the Board and is reflected in many aspects of its work. Promoting the long-term sustainable success of the Company, generating value for stakeholders and supporting the Rotork Management Board in developing the Company's strategy will continue to be the focus of the Board. As Chairman, my primary role is to provide leadership to the Board and create the right environment to enable each director and the Board as a whole to perform effectively for the benefit of the business and its stakeholders. I consider that the Board is highly effective and am confident that we continue to have in place a strong team of non-executive directors with a rich blend of skills, experience and perspectives.

Culture and Values

As part of its responsibility to provide effective leadership to the Group as a whole, the Board sets the culture and tone from the top. The executive directors, supported by the non-executive directors, lead by example to ensure our high standards and expected values, attitudes and behaviours are understood and consistently applied throughout the group. The Board monitors corporate culture by regularly receiving People updates and reviewing the outcomes of Group employee 'pulse surveys' which are conducted twice a year. Tim Cobbold, as our designated non-executive director for workforce engagement, also brings the employee voice into the boardroom through sharing updates on his engagement with employees during the year.

Our Purpose and Values are embedded across the business and represent the way we live and breathe our culture. They underpin our business model, are fundamental to the way we work with our employees, customers, suppliers and other stakeholders and guide the way we engage with the wider community and environment.

Board changes

The Board keeps its balance of skills, knowledge, experience, independence and diversity under regular review. There have been a number of changes since the last Annual Report. Appointments have been subject to a rigorous process overseen by the Nomination Committee.

Sally James retired from the Board at the conclusion of the AGM held on 30 April 2021, having completed nine years' service. Sally made a significant contribution to the Rotork Board, especially in her role as Audit Committee Chair and as Senior Independent Director and we have benefitted greatly from her knowledge, experience and wise counsel. Janice Stipp, who was appointed to the Board in December 2020, took over from Sally as Chair of the Audit Committee from 1 May 2021. With her highly relevant sectoral background and international financial expertise, Janice brings an effective mix of skills and knowledge to her leadership of the Audit Committee. Peter Dilnot took over the role of Senior Independent Director effective from 30 April 2021. With Peter's extensive experience at senior executive level in several leading global industrial businesses, most latterly as Chief Operating Officer of Melrose Industries plc, he brings sound judgment and a clear focus to our Board discussions and serves as a valuable sounding board for me in my role as Chairman.

We were delighted to welcome Karin Meurk-Harvey to the Board on 13 September 2021 who also became a member of the Remuneration, Nomination and ESG Committees from the same date. Her international commercial experience in emerging markets and, particularly, in digital and technology fields will further strengthen the diverse mix of skills and experience on the Board.

As announced in early August 2021, Kevin Hostetler informed the Board of his decision to return home to the US with his young family in 2022. Under my leadership and as Chair of the Nomination Committee, a search for a new CEO was commenced with both external and internal candidates being considered. On 10 January 2022, the Company announced the appointment, with immediate effect, of Kiet Huynh as Chief Executive Officer, formerly the Managing Director of Rotork's Water & Power and CPI divisions. Kiet replaces Kevin who stepped down from the Board and as CEO. Kevin remains with Rotork and is available to support a smooth transition of the CEO role. I am delighted to have in place a candidate of Kiet's calibre to succeed Kevin as CEO. During his time with Rotork Kiet has excelled in the leadership of both the CPI division and, more recently, the Water & Power division, with a clear focus on driving profitable growth through close attention to customer needs and a strong commitment to product and service innovation. He has the leadership skills and operational experience to build on the excellent progress made over the last four years through the Growth Acceleration Programme, and to chart a course for accelerated growth in the years ahead. I would like to thank Kevin for his excellent contribution to the business. He hands over a fundamentally much-improved business to his successor. We wish him and his family every success on their return to the US.

Stakeholder engagement

We continued to seek to balance the needs of all our stakeholders throughout the year, whether they are our employees, customers, suppliers, shareholders, or the governments and the communities in which we operate, alongside our commitments to making a positive contribution in support of a healthy and sustainable planet. As a trusted partner, working together with all our stakeholders to understand their different perspectives during this challenging year has been crucial for the Board.

Details of the ways we have engaged with stakeholders to understand their views can be found on pages 110 to 111. 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 95.

Environmental, Social and Governance ('ESG')

The Board-level Environmental, Social and Governance Committee, under the leadership of Ann Christin Andersen has, through its activities during the year, provided oversight, direction and target-setting on ESG matters for implementation throughout the business. The ESG Committee's strategic influence is wide-ranging, thereby helping Rotork to focus on operating responsibly, being environmentally sustainable and contributing positively to society. Further details of the remit of the ESG Committee and its activities can be found from page 116.

Compliance with the Code and other requirements

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. We continue to communicate our Purpose, Values and strategy across the business holding virtual town halls with employees across the globe on our Purpose, 'keeping the world flowing for future generations', which reflects our commitment to being a sustainable long term business. The Company's Corporate Governance compliance statement for 2021 is set out on page 98.

Martin Lamb
Chairman
28 February 2022

Board of directors

Chairman

Martin Lamb (62)
Chairman

N

Appointed to the Board
June 2014

Skills, competencies and experience
Martin has extensive experience in the global engineering sector having served as Chief Executive of IMI plc for 13 years and has held many senior management roles over 34 years. He was a non-executive director of Severn Trent plc and Spectris plc and has served on the boards of a variety of engineering businesses in a non-executive capacity, both in the public and private equity arena.

External appointments
– Non-executive director of Evoqua Water Technologies Corporation

Executives

Kiet Huynh (43)
Chief Executive Officer

E

Appointed to the Board
January 2022

Skills, competencies and experience
Kiet joined Rotork in 2018 as Managing Director responsible for the Instruments division. Following the Group's divisional realignment in 2019, he has led both the Chemical, Process & Industrial and the Water & Power divisions. Kiet has more than 15 years' experience working as a senior executive for world-leading industrial companies, beginning his career at IMI plc before moving on to Trelleborg. Kiet was appointed as CEO on 10 January 2022.

External appointments
– None

Jonathan Davis (55)
Group Finance Director

–

Appointed to the Board
April 2010

Skills, competencies and experience
Jonathan joined Rotork in 2002 after holding several finance positions in listed companies. He gained experience of the Rotork business initially as Group Financial Controller, and then as Finance Director of the Rotork Controls division. Jonathan was appointed as Group Finance Director in 2010.

External appointments
– None

Non-executives

Peter Dilnot (52)
Senior Independent Non-executive director

N A R

Appointed to the Board
September 2017

Skills, competencies and experience
Peter joined Melrose Industries Plc as Chief Operating Officer in 2018 and became Interim Chief Executive Officer of GKN Aerospace, which is part of the Melrose Group, in October 2020. He was appointed to the Board of Melrose Industries plc as an executive director on 1 January 2021. Prior to this, Peter spent seven years as Chief Executive Officer of Renewi plc (previously Shanks Group plc), an international recycling company. Peter has an engineering background and was a senior executive at Danaher Corporation, a leading global industrial business listed on the NYSE. His earlier career included six years at the Boston Consulting Group based in both London and Chicago.

External appointments
– Executive director of Melrose Industries plc

N Nomination Committee
A Audit Committee
R Remuneration Committee
E ESG Committee
– None
Denotes Chair

Ann Christin Andersen (55)
Non-executive director

N A R E

Appointed to the Board
December 2018

Skills, competencies and experience
Ann Christin Andersen is a non-executive director with more than 30 years' experience of the oil and gas industry. An engineer by profession, she has been Chief Digital Officer for TechnipFMC. She has served as chair and non-executive director on a number of companies over the past several years.

External appointments
- Non-executive director of The Drilling Company of 1972 AS ('Maersk Drilling')
- Non-executive director of Ferrexpo PLC
- Non-executive Chair of Glitre Energi AS (unlisted)
- Non-executive Chair of Quantafuel AS

Tim Cobbold (59)
Non-executive director responsible for workforce engagement

N A R E

Appointed to the Board
December 2018

Skills, competencies and experience
Tim has extensive experience in leading large, complex international listed businesses having previously served as the Chief Executive Officer of Chloride Group plc, De La Rue plc and most recently, UBM plc. Prior to this, Tim held senior management positions at Smiths Group/TI Group for 18 years. He was a non-executive director at Drax Group plc until September 2019.

External appointments
- Non-executive director and Senior Independent Director of TI Fluid Systems plc (becoming Chair on 18 May 2022)

Karin Meurk-Harvey (56)
Non-executive director

N R E

Appointed to the Board
September 2021

Skills, competencies and experience
Karin has an international background in engineering, technology and telecoms spanning over 30 years, adding commercial expertise to Rotork's Board, particularly in high-growth technology/digital markets. Between 1996 and 2013, Karin held a number of senior roles with Ericsson and has also served as a non-executive director of Korala Associates Ltd, a privately-owned ATM software business.

External appointments
- Chief Commercial Officer Smart DCC Ltd

Janice Stipp (62)
Non-executive director

N A R

Appointed to the Board
December 2020

Skills, competencies and experience
Janice brings highly relevant sectoral and financial expertise to the Rotork Board, together with a global perspective, particularly in Asia. Janice was formerly Senior Vice President and Chief Financial Officer of Rogers Corporation, a US speciality engineered materials technology and manufacturing company. Prior to this, Janice held senior financial positions in various international manufacturing and engineering companies.

External appointments
- Non-executive director of Sappi Ltd
- Non-executive director of ArcBest Corporation

Composition as at 28 February 2022. Throughout 2021, Kevin Hostetler held the role of Chief Executive Officer. Kevin stepped down from the Board on 10 January 2022. Sally James also served on the Board until 30 April.

Corporate governance report

Our governance framework

The Board
Accountable to shareholders for the long-term sustainable success of the Group. This is achieved through setting priorities and overseeing their delivery in a way that enables sustainable long-term growth, whilst maintaining a balanced approach to risk within a framework of effective controls and taking into account the interests of a diverse range of stakeholders.

Chairman
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

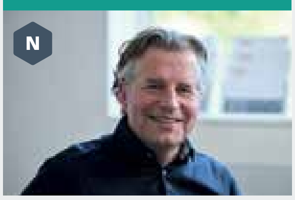
To assist the Board with the discharge of its responsibilities in relation to financial reporting, including reviewing the Group's annual and half-year financial statements and accounting policies, internal and external audits and controls.

Read more on page 119

Nomination Committee
Martin Lamb
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.

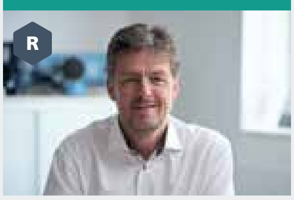
Read more on page 123



Remuneration Committee
Tim Cobbold
Chair

To recommend the Group's policy on executive remuneration, determining the levels of remuneration for executive directors, the Chairman 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 on page 125



Environmental, Social & Governance Committee
Ann Christin Andersen
Chair

To recommend the overarching ESG vision to the Board to ensure that ESG priorities are anchored at the top of the Company. To identify the relevant ESG priorities that most significantly impact the operations of the Company and its stakeholders, its reputation and public interest role.

Read more on page 116

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

Board leadership and Company Purpose

The Board is responsible for determining the Company's strategy, Purpose, culture and Values, reflecting in particular the generation of long term value for shareholders and Rotork's role in a sustainable future. It oversees the execution of its strategy by management and the governance and control framework underpinning the Company. The Board is assisted by four principal committees (Audit, Nomination, Remuneration and Environmental, Social and Governance), each of which is responsible for reviewing and dealing with matters within its terms of reference. The activities and decisions made at the committee meetings are reported to the subsequent Board meeting.

This year's strategy meeting held in June examined Rotork's strategy through to 2026. Our strategy and business model is covered on pages 20 to 21 of the Strategic Report. The Board is confident that the necessary resources are in place for the business to meet its strategic objectives.

The Board is also responsible for the review and oversight of the effective management of risk, whilst delegating oversight of the controls framework to the Audit Committee. The Board rigorously challenges strategy, performance, responsibility and accountability to ensure that decisions are made effectively and in the long term interests of the business.

In its duty to promote the long-term success of Rotork, the Board recognises that its responsibilities extend not only to the creation of value for its shareholders but also to the Company's wider stakeholders, including employees, customers, suppliers, the governments and communities in which it operates, as well as the environment. In so doing, the Board has also sought to understand the views of these other key stakeholders. Pages 110 to 111 describe how their interests have been considered at Board-level discussions. Tim Cobbold is the designated non-executive director dedicated to improving employee engagement and details of the work he has undertaken in fulfilment of this role can be found on page 111.

Division of responsibilities

All the non-executive directors have the appropriate skills, experience in their respective disciplines and characteristics to bring independence and objective judgement to Board discussions. As well as chairing the Board meetings, Martin Lamb chairs the Nomination Committee. As the Senior Independent Director, Peter Dilnot provides a sounding board for the Chairman in addition to acting as an intermediary for other directors and shareholders. In December 2021, he met with other non-executive directors, without the Chairman present, to appraise the Chairman's performance.

Until her retirement from the Board on 30 April 2021, Sally James chaired the Audit Committee with Janice Stipp taking over as Audit Committee Chair from 1 May 2021. Ann Christin Andersen chairs the Environmental, Social and Governance Committee. Tim Cobbold chairs the Remuneration Committee as well as being the designated non-executive director responsible for supporting increased engagement with the workforce and for bringing the voice of the workforce into the boardroom.

Each year the Chairman, 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 Chairman, 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 106.

Non-executive director independence

The Chairman is committed to ensuring that the Board comprises a majority of independent non-executive directors who objectively challenge management on the execution of its strategy.

The Company maintains clear records of the terms of service of the Chairman and non-executive directors to ensure they meet the requirements of the Code. Neither the Chairman nor any non-executive director has exceeded their nine-year recommended term of service. Sally James, who served as a non-executive director during the year, retired from the Board on 30 April 2021, prior to the conclusion of her nine-year term of office.

The Board considers all non-executive directors, Tim Cobbold, Peter Dilnot, Ann Christin Andersen, Karin Meurk-Harvey and Janice Stipp to be independent. Martin Lamb, Chairman, was considered to be independent on appointment.

Corporate governance report continued

Rotork Board	Responsibility
Martin Lamb Non-Executive Chairman	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.
Kiet Huynh[1] Chief Executive Officer	Overall management of the Group and leadership of the Rotork Management Board delivering the Group strategy, leading operational management, business development, growth opportunities; influencing and developing succession planning; managing Investor Relations.
Jonathan Davis Group Finance Director	Reports to the Board on the Group financial performance; supports the CEO in delivering the Group strategy and in managing investor relations; implements Board decisions; responsible for compliance with financial policy and controls.
Non-executive Directors: **Sally James**[2] Senior Independent Director **Peter Dilnot**[2] Senior Independent Director	Provides a sounding board for the Chairman and acts as an intermediary for other directors and shareholders; leads the annual performance evaluation of the Chairman; ensures the orderly succession of the Chairman's role.
Tim Cobbold Designated Non-executive director for workforce engagement	Provides an effective engagement mechanism for the Board to understand the views of the workforce; brings the views and experiences of the workforce into the boardroom; ensures that the views of the workforce are considered in the Board's decision making.
Ann Christin Andersen **Karin Meurk-Harvey** **Janice Stipp**	Independent non-executive directors provide independent oversight, judgement and challenge to the executive directors on delivery of the Company strategy within the agreed control framework and governance structure; ensure balance in the Board's decision making process.
Stuart Pain Group General Counsel & Company Secretary	Advises the Board on legal and corporate governance matters and supports the Board in applying the Code, complying with UK listing obligations and other statutory and regulatory requirements; ensures Board members have access to the information they need.

1 Until 10 January 2022, Kevin Hostetler held this office. Kiet Huynh was appointed CEO from 10 January 2022.
2 Sally James retired from the Board on 30 April 2021. Peter Dilnot was appointed Senior Independent Director from 1 May 2021.

Rotork Management Board	Responsibility
Paul Burke Chief Information Officer **Kathy Callaghan** Group HR Director **Jonathan Davis** Group Finance Director **Kiet Huynh**[1] Chief Executive Officer **Neil Manning** Managing Director, Oil & Gas and Site Services **Lyndsey Norris** (Interim) Managing Director, Chemical, Process & Industrial **Stuart Pain** Group General Counsel & Company Secretary **Mike Pelezo** Site Services Director **Grant Wood** Operations Director	The Rotork Management Board comprises the Company's senior leadership team below Board level and facilitates the execution of the strategy through running the day-to-day operational management of the business. Members of the Rotork Management Board attend Board meetings by invitation to update the Board on operational matters of importance.

1 Throughout 2021, Kiet Huynh held the role of Managing Director, Water & Power and Chemical, Process & Industrial.

Board effectiveness

Board meetings

The Board meets regularly during the year as well as on an ad hoc basis, as business needs dictate. The Board met formally seven times during the year, with video calls held in other months for updates on key matters relating to trading and financial performance. Meeting attendance is shown opposite. The Chairman, Chief Executive Officer and Group General Counsel & Company Secretary agree a structured agenda ahead of each Board meeting. Board activities are structured to help the Board achieve its goals and to provide support and advice to the executive management team on the delivery of strategy within a robust governance framework. Throughout the year, the Board has received regular in-depth progress reports and presentations on current trading and financial performance and presentations from the Chief Executive Officer, Group Finance Director and from the wider executive management team, particularly regarding emerging issues relating to our supply chain, progress on the Growth Acceleration Programme 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 Chairman meets privately with the Senior Independent Director and with the non-executive directors on a regular basis.

Board meeting attendance in 2021

Member	Member since	Eligible Meetings (Max: 7)	Attendance
Martin Lamb, Chairman	June 2014	7	7
Sally James, Senior Independent Director(i)	May 2012	2	2
Peter Dilnot, Senior Independent Director	September 2017	7	7
Kevin Hostetler, Former Chief Executive Officer	February 2018	7	7
Jonathan Davis, Group Finance Director	April 2010	7	7
Ann Christin Andersen, Non-executive director(ii)	December 2018	7	6
Tim Cobbold, Non-executive director	December 2018	7	7
Karin Meurk-Harvey, Non-executive director(iii)	September 2021	2	2
Janice Stipp, Non-executive director	December 2020	7	7

(i) Sally James retired from the Board on 30 April 2021.
(ii) Ann Christin Andersen was unable to attend the December Board meeting due to an exceptional and unexpected family circumstance.
(iii) Karin Meurk-Harvey joined the Board on 13 September 2021.

Insight into the Boardroom

An insight into the breadth of matters discussed by the Board during the year and key stakeholder groups that were central to those discussions is set out below:

Strategy and Operations	Set the Group's strategy to 2026 in line with vision of 'keeping the world flowing for future generations' and monitored progress.	1 2 3 4 6
	Received regular updates and agreed initiatives to enhance health and safety systems and increase awareness.	2 6
	M&A strategy.	1 4
	Reviewed operational issues arising from across the Group's businesses, including supply chain issues.	2 3 4 6
	Reviewed People engagement initiatives and received regular People and talent updates and continued monitoring our culture.	2 5 6
	Regularly monitored progress made against set targets in the Growth Acceleration Programme.	1 2 3 4 5 6
	Received updates on the implementation of the D365 programme and the Group's cybersecurity strategy.	1 2 3 4
	Approved sustainability pillars.	1 2 3 4 5 6
	Approved capital expenditure.	1 3 4
	Contract approvals.	1 3 4
Financial	Received regular financial performance updates from across the Group.	1 3 4
	Reviewed and considered actual and forecast trading performance against the agreed budget and implications on long-term performance. Approved 2022 budget.	1 2 3 4 5
	Considered year-end results, half-year and trading updates.	1 3 4
	Reviewed cash flow, liquidity, long term viability and going concern; agreed final and interim dividends.	1
	Considered use of cash and agreed share buy-back.	1
Risk	Conducted a full year risk review and, in the light of the Group's risk appetite, discussed the principal and emerging risks.	1 2 3 4 5 6
	Reviewed the Group's insurance renewal strategy.	1 2 3 4 5 6
Governance, Legal, Compliance and IR	Received regular updates on reports received through the 'Speak Up' hotline and follow-up investigations and actions. Received reports on compliance matters, including training rollout and completion rates.	1 2 5
	Carried out an internal evaluation of the Board's effectiveness.	1
	Reviewed the Board's composition and diversity and considered the succession plan.	1 2
	Shareholder engagement and IR updates.	1
	Committee terms of reference reviews.	1 2 5

1 Shareholders
2 Employees
3 Suppliers
4 Customers
5 Community
6 Environment

Consideration of stakeholder interests in decision making

Our section 172 Statement and an explanation of our approach is given on pages 94-95. To add more colour to our section 172 Statement, the following pages provide an insight into how we interact with our stakeholders and how we consider their interests when making key decisions. Stakeholder considerations are woven throughout all Board papers, discussions and decisions. Like any business, sometimes we 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.

Case studies:
Examples of how the Board considered the interests of its key stakeholders when making decisions

Share buyback	Consistent with our capital allocation policy, the Board decided to return a prudent level of cash to shareholders while retaining a strong balance sheet. The programme demonstrated that Rotork remains a highly cash generative business with a strong cash position that provides the business with considerable financial flexibility.
	As part of these discussions, the Board considered opportunities for alternative uses of the cash, including the capital expenditure needs of the business, employee and pension considerations.
Sustainability framework	Investors are looking for companies to prioritise climate and environment actions, drive diversity and inclusion and to ensure strong ESG integration, governance and communication. Our sustainability framework, based on the three pillars of Operating Responsibly, Enabling a Sustainable Future and Making a Positive Social Impact guides the way we manage our business, focusing on i) running safe, efficient and sustainable operations; ii) helping to drive the transition to a cleaner future; and iii) supporting thriving, fair and resilient communities.
	ESG performance is also an important part of the executive directors' personal strategic objectives and features in the annual bonus scheme for senior leaders.
	We continue to work with customers to help them reduce their emissions and manage their consumption of resources. Our comprehensive product and services portfolio and industry knowledge mean that customers rely on us to help them deliver reliable, energy efficient solutions that minimise their environmental impact.
	The Board continues to oversee improving the health and safety for our employees, and safeguarding the environment as part of running responsible operations.
	Investing in job creation, utilising local talent and supply chains. Helping to support and grow the communities in which we operate at the grassroots-level and establishing Rotork as a global company with local roots.
Pro-active management of supply chain issues	In response to supply chain delays and disruptions which, in common with our peers, had a significant impact on commodity availability and logistics costs, we utilised our global network to mitigate supply chain disruption and in some cases have built greater contingency in our inventories.
	Our Global Strategic Sourcing team focussed on mitigating the impact of rising commodity costs through our continued investment in maintaining positive relationships with our supply base.
	Through the lessons learned from the supply chain challenges, we have further developed our global supply chain to improve efficiency, simplify our core business and focus on manufacturing improvements with a view to targeting mid-20s adjusted operating margins over time for all our investors.
	Through the pro-active management of mitigating the impact of the supply chain and logistics challenges, we have taken the opportunity to further embed social, ethical and environmental considerations into our Global Supplier Excellence Programme.

Board oversight of stakeholders

Shareholders

All Board decisions are made with the long-term success of Rotork in focus, which ultimately benefits our shareholders.

All shareholders, whether they are individual or institutional, are treated fairly. They have equal access to information. We endeavour to provide a complete view of our business in the Annual Report and Accounts which is available in electronic form to shareholders on our corporate website and also in hardcopy form. Our corporate website also contains a variety of resources for investors including current webcasts, presentations and press releases, as well as Annual and Interim Reports, corporate governance matters, general shareholder information and our financial calendar.

At our 2021 AGM all proposed resolutions were passed. Votes in favour ranged from 87.37% to 100%. Due to the impact of COVID-19 and the Company's need to safeguard shareholders' and employees' health, our 2021 AGM was once again held with the minimum attendance necessary to form a quorum. However, in an effort to maintain engagement and provide shareholders with equivalent access to the Board as in previous AGMs, a dial-in facility was put in place for shareholders to listen to the AGM proceedings and provided a link for shareholder questions to be submitted in advance. In the absence of any further COVID-19 restrictions, we intend to hold a physical AGM in April 2022 in Bath, full details of which are set out in the Notice of Meeting accompanying this Annual Report and which is available on our website.

We enjoy an active dialogue with our investors and the investment community. Our Chairman, Chief Executive Officer, Group Finance Director and our Investor Relations Director regularly communicate with existing and potential shareholders, and over the course of the year have engaged with investors representing over half of our issued share capital. In 2021, despite the continuing restrictions imposed by COVID-19, they attended (either in person and virtually) over 100 meetings with over 160 separate institutions and have also participated in several in person and virtual shareholder events. The CEO succession process was an important subject of discussion in meetings during the year, as were our ESG & Sustainability initiatives. The views expressed by investors are shared with the full Board at each Board meeting and with the relevant committees, enabling the Board to take these views into account in its wider decision making.

In addition, at the beginning of 2021, Tim Cobbold as Remuneration Committee Chair, wrote to our top 20 institutional shareholders holding 56% of our issued share capital, to update them on executive remuneration matters ahead of our 2021 AGM. Further details on this shareholder engagement programme can be found on page 130.

Employees

Both the Chief Executive Officer's regular reports and the People updates presented by the Group HR Director during the year, present the views of our employees and wider workforce. These views are expressed not only via our employee forums, pulse surveys, town halls and our direct CEO communication mechanism (now 'Ask Kiet') and management line but also through our designated non-executive director for workforce engagement, Tim Cobbold, who also brings the employees' voice into the Boardroom. Tim has continued to engage in employee matters during the year, despite the practical challenges due to COVID-19. This included participating in new starter inductions, reviewing our staff engagement surveys, responding to emails and attending employee forums, albeit some remotely by video conference, including those held by our colleagues in India. Further details on Tim's engagement with employees during 2021 are set out below. Other non-executive directors, Karin Meurk-Harvey and Janice Stipp also engaged with employees during their in-person visits and workshops held at our facilities in Bath, Leeds and Winston-Salem with Peter Dilnot, Senior Independent Director, also attending an online global induction session for new staff. These provided an opportunity for employees to ask questions and air their views or concerns directly to Board members.

Customers

Interaction with our customers remains a key topic in Board discussions and especially so in the light of the supply chain challenges we faced during 2021. Putting the customer at the centre of our business remains a strategic priority of our Growth Acceleration Programme. As our dedicated end market organisations continue to increase contact and intimacy with our customers, we are expanding our capabilities to deliver greater customer satisfaction throughout the selling process. For the initial contact stage we have invested in a digital sales enablement platform that allows us to present our products to our customers in personalised formats. This helps to quickly relate their application needs to our solutions. We have also developed closer partnership alignments with some of our key customers, which has included the creation of global distribution hubs to support faster lead times. Whilst we continue to face the global supply chain challenges, we understand that quick and transparent communications with our customers is vitally important for their business planning. All of these improvements are helping us to become a trusted partner to our customers and the supplier of choice.

Community

Board decisions are made with consideration of our operational impact on the communities in which we work. There is a continued focus on environmental issues including energy management, measures to reduce our water usage and understanding, as well as managing, our waste. These were particularly considered by the Board as part of its deliberations relating to its operational footprint and factory expansion projects.

Rotork supports charitable giving at both local and global level. The local charity committees at each of the Rotork sites support charitable causes that are important to the employees locally. In addition to local sponsorship programmes, Rotork partners with three global charities: Renewable World, Pump Aid and WeForest. Between them, these charities serve to emphasise Rotork's commitment to the environment and assist communities. Further details can be found on page 58.

Our charity, Rotork Benevolent Support, which was established in 2020, has continued to provide short-term financial support to employees, ex-employees, and their families facing financial hardship, especially as a result of the COVID-19 crisis.

Suppliers	Supplier relationships are essential to the success of Rotork. During 2021 we have continued the work to identify those suppliers who are most critical to our performance and have built a multi-year category and supplier engagement strategy based on a strong Supplier Relationship Management focus. In doing so, we are targeting to exceed the expectations of our customers in striving to deliver the highest possible levels of performance from across our supply base. Our plan ensures that we secure long term agreements with our most critical suppliers and deliver stability and repeatability with all of our suppliers. We continually review our global supply chain and operations to ensure that we are working to prevent modern slavery in these areas. Details of the efforts we have made in 2021 to combat modern slavery are detailed in our 2021 Modern Slavery Statement which can be found on the Rotork corporate website at https://www.rotork.com/en/investors/modern-slavery-statement. In 2022, we are planning to launch a new version of our Supplier Code of Conduct to highlight our ever increasing focus on environmental topics such as emissions reduction, as well as setting out our core Values and expectations of suppliers that provide goods and services to Rotork. The current version can be found at www.rotork.com/en/about-us/terms-and-conditions/suppliers/supplier-code-of-conduct.
Environment	In recognition of the increasing importance of ESG and sustainability matters, both within the business and across our key stakeholder groups, the Board level ESG Committee assists the Board in defining and executing the Company's sustainability strategy. This includes soliciting and understanding the views of stakeholder groups (including customers, employees, suppliers, investors and communities) on ESG matters and ensuring that ESG priorities are an integral part of the Company's corporate strategy. During the year, the Committee has overseen the implementation of Rotork's sustainability framework which is based on the three pillars of 'Operating responsibly', 'Enabling a sustainable future', and 'Making a positive social impact'. The Committee also challenges management's performance against Rotork's long-term ESG goals, initiatives and commitments. Further details on how the Committee has provided leadership and direction on these key issues can be found on page 116. In June 2021, under the Committee's oversight, we published our first standalone Sustainability Report which details the Group's non-financial performance for 2020.

Stakeholders in the Boardroom – a message from Tim Cobbold, designated non-executive director for workforce engagement

The Board recognises that it has a key role to ensure that a healthy culture, as embodied in our Values, is in place to underpin the Group's strategy and drive long-term sustainable value for our shareholders, whilst contributing appropriately to the needs of the business's other stakeholders. In particular, the Board works with the Group's senior management to create and maintain an inclusive, innovative, dynamic workplace in which colleagues can develop with the business. The impact on and views of our employees are taken into account in our decision-making processes.

During 2021, as Rotork's designated non-executive director (NED) for workforce engagement, I and the rest of the Board, continued to build ways to hear and understand the views and opinions of our people and incorporate them into the Board and management processes and decision-making. This role combines well with my 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 and also helping the Remuneration Committee fulfil its responsibilities of oversight of pay and remuneration across Rotork's wider workforce.

I see the purpose of my role to strengthen the links between the Board and our people throughout the business, with the key aims being:

- to enable the Board to better take into account our employees' views as it considers proposals, discusses issues and makes decisions.
- to develop and improve the two-way communication between employees and the Board so there are reliable mechanisms for the workforce to share their views, both directly and indirectly, with the Board and for the Board to demonstrate how their feedback has been incorporated into decision-making in the business.

Our framework takes into account the dispersed and global nature of Rotork's workforce and comprises three streams of activities to enable us to maximise the reach of our approach to cover, as much as possible, all employees in a meaningful way:

- **Direct, two-way communications –** between employees and myself as the designated NED to enable direct communication outside existing lines of communication.

  This year we have continued the 'Ask Tim' email approach, whereby I receive emails from employees on any issues they wish to raise. I respond personally to each of these and follow up with the executive management on actions, as appropriate. On several occasions during the year, I contacted all employees with access to email directly, one of these was on Mental Health Day, expressing the Board's support and understanding of the many challenges employees have been facing, particularly linked to COVID-19 and in support of our newly launched global Employee Assistance Programme ('EAP'). I wrote to employees directly this year to explain the salary review and bonus decisions we had taken in 2020 and the plan for 2021, to highlight our first ever ethnicity pay report and to reaffirm our commitment to our Fair Pay Framework and Real Living Wage approach. I received multiple emails in reply from employees. We now include a wider workforce compensation update at each of our Remuneration Committee meetings, given the importance of the topic to our decision-making. By doing so, we proactively review the remuneration outcomes of senior management, including the executive directors, in the light of the outcomes for the wider workforce. This has also led to a greater attention on the remuneration of those who are paid least in the organisation, where we had made some significant improvements and also identified some unintended anomalies that have been addressed. Ann Christin Andersen, Chair of the Environmental, Social and Governance ('ESG') Committee, also wrote to employees on World Earth Day explaining further our commitments and plans on this important topic and we received a number of direct emails from employees with suggestions which have subsequently been discussed by the Board.

- **Face to face meetings –** with employees and members of the Board, including the designated NED, to allow for more personal interactions and to help create a level of intimacy between Board members and the individual employees.

The continued impact of COVID-19 has meant that most of our interactions continued to be online. Peter Dilnot and I joined global online induction sessions for new employees and Karin Meurk-Harvey, a Remuneration Committee member, discussed pay and performance with managers globally at one of our online Performance and Reward workshops. I was also able to chair two online focus group sessions with colleagues in India, affording me the opportunity to hear directly their specific 'on the ground, in India' challenges, conscious that travel restrictions had prevented any senior management visits for some time. By way of example, those meetings highlighted concerns about the accessibility of some of the Rotork Training and Learning tools that had been developed as part of Learning at Rotork. As a result, the communication surrounding this important provision was revised. It was of particular value to be able to reinstate in-person visits to Rotork's sites. I visited our Leeds facility, Janice Stipp visited the Winston- Salem plant and Karin Meurk-Harvey, the Bath site. During these visits, particular attention is given to meeting colleagues at all levels and particularly those at lower levels whose views aren't so naturally expressed or transmitted through conventional channels. There is no doubt that the insight and intimacy that these visits create is reflected in Board discussions and provide a useful triangulation point with the output of traditional communications methods. Consequently, in 2022, with more flexibility allowed as COVID-19 recedes, all Board members have agreed to visit at least one facility during 2022.

- **Group Employee Surveys –** to inform, in a data driven way, the view of the workforce on specific topics in a repeatable manner, with response rates indicating the degree of engagement.

  There were two Group Employee surveys in 2021 and I review the topics and questions as well as the results of these surveys. The response rate increased by 17% in 2021 which reflects good progress in the engagement of, and with, the workforce. The outputs of these surveys provide the Board with valuable insight into the views of employees and inform decision-making. By way of example, in order to inform a review of the overall employment packages offered to employees at a time when demand for talent is high, the most recent survey focussed on the value employees attach to individual elements of the benefits package we provide. Both flexible working and holiday provision figured highly as well as concerns about base pay in the current inflationary environment. There were also 2,500 verbatim comments. This employee view is being incorporated into the current review of pay and benefits. We also asked for views on recognition aligned to our Values, learning and development and our approach to performance management in our surveys this year and will be making some adjustments as a result of the responses. The surveys also include a number of standard questions, covering, for example, the applicability of our Values and the diversity and inclusivity of our culture which, in time, will allow us to establish a trend. Informed by this information we have appointed a diversity and inclusion leader who will also take responsibility to re-establish and accelerate our graduate and apprentice programmes, given the demand for talent, following the COVID-19 necessitated suspension.

The Board asked PwC to undertake a Culture Audit in 2021, the first time this has been completed at Rotork. This provided the Board with further insight into how the Rotork culture is developing and how effectively the link to our Values manifests itself across the business. This independent review also provides a triangulation point to complement the cultural insight gained from the Board site visits and the flow through the usual channels.

I meet regularly with the Group HR Director and Communications Director, who maintains the grid of our activities and ensures that we continue to maintain focus on engagement, to discuss progress and make any adjustments during the course of the year or to respond to topical issues. During these reviews we also review the whilstleblowing data.

I feel we have continued to make good progress in strengthening the engagement between the Board and our workforce and, through the Board, HR and Communications teams working together, we have developed effective ways of engaging with our employees and bringing a clearer employee voice to the Boardroom in Rotork. Going into 2022, I look forward to working together with Kiet Huynh, our new CEO, in reaching out to more employees than ever before as I and my fellow Board members are able to undertake more in-person visits to Rotork sites and factories than was possible this year, strengthening further our valuable two-way feedback approach between the Board and our employees.

Engagement with operations

To deepen the Board's understanding of the business and current challenges being faced, members engage directly with operational management. As well as regularly receiving presentations from the Rotork Management Board in formal meetings, the Board typically meets with them at least twice a year, although due to the restrictions imposed by COVID-19, only limited informal opportunities have been possible during 2021. Once restrictions are eased post-COVID, opportunities will be sought for the Board and management to engage on a more informal basis outside the Boardroom setting. This will enhance the visibility of the Board and increase their working knowledge of operations and market dynamics.

Composition, succession and evaluation

The Board consists of eight Board members, six of whom are non-executive directors. As at 28 February 2022, female representation on our Board was 37.5% with ethnic diversity representation being 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 99 and 102-103. In line with Provision 18 of the Code, each director is subject to annual re-election at the AGM.

The Board delegates certain matters to specific committees for more in-depth consideration, including to the Nomination, Audit, Remuneration and Environmental, Social and Governance ('ESG') Committees. Each Committee has formal, written terms of reference which are available to download from the Rotork website at www.rotork.com and which are reviewed annually. All Committees have at least three independent non-executive directors within their composition, with the ESG Committee also comprising two members of the Rotork Management Board. The Company also has a Disclosure Committee. The Group General Counsel & Company Secretary acts as secretary to the Committees. The number of Board meetings can be found on page 107. The number of meetings of the Audit, ESG, Nomination and Remuneration Committees can be found on pages 119, 116, 123 and 138 respectively.

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 Chairman, 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 Chairman ensures that the Board is kept properly informed and is consulted on all issues reserved for it. Board papers and other information are distributed in a timely fashion to allow directors to be properly briefed in advance of meetings.

In accordance with the Company's articles of association, directors as well as the Group General Counsel & Company Secretary, have been granted an indemnity by the Company to the extent permitted by law in respect of liabilities incurred as result of their office. The indemnity would not provide any coverage where they are proved to have acted fraudulently or dishonestly. The Company has also arranged appropriate insurance cover in respect of legal action against its directors and officers.

Ongoing professional development

In order to facilitate greater awareness and understanding of Rotork's business and the environment in which it operates, directors are given regular updates on changes and developments in the business. Over the course of the year, directors will continually update and refresh their skills and knowledge and seek independent professional advice when required.

Conflicts of interest

Procedures are in place to identify and manage declared actual and potential conflicts of interest which directors (or their connected persons) may have and are obliged to avoid under their statutory duties and the Company's articles of association. The Board considers each director's situation and decides whether to approve any conflicts based on the overriding principle that a director must at all times be able to consider and exercise independent judgment 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.

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 the Board and its committees continue to be effective and all members continue to have sufficient time and commitment to fulfil their duties. 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 as part of this evaluation process.

Case study: Director's Induction

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 were able to gain an insight into the Rotork culture and our Values.

Both Janice Stipp and Karin Meurk-Harvey who joined the Board in December 2020 and September 2021 respectively undertook our induction programmes. The programme included:

- site visits, including to our factories in Bath and Winston-Salem, in accordance with COVID-19 restrictions, which allowed them to get to know the regional and local leadership teams and to discuss a wide range of topics, including the local organisation structure, growth plans, strategic priorities, risks and the competitive landscape.
- Janice and Karin also spent time with our Engineering and New Product Development teams, where they gained insight into technology as well as our product development pipeline. Visiting our sites and facilities enabled them both to explore our complex processes and approach to process safety and behavioural safety.
- Access to a Board induction pack available through the Board materials portal to assist with understanding Rotork's history, culture, business, markets, strategy and risk management framework.
- Briefing meetings (both online and face-to-face where possible) with the Chairman, all directors, members of the Rotork Management Board and certain of their direct reports.
- Meetings with the external auditors, brokers and remuneration consultants.
- Specific information and training sessions with the Group General Counsel & Company Secretary regarding Directors' duties, responsibilities, corporate governance practices, Listing Rules obligations and key policies.

2020 internal Board evaluation

Areas identified for development	Actions taken in 2021
Increased focus on succession planning for Board, RMB and senior management level (including talent management, diversity).	The Board and Nomination Committee continued to facilitate the regular review of succession plans for each of the identified categories, including two deep dives held during the year.
Facilitate more effective debate on strategy/M&A.	Following the annual strategy day held in June, the Board regularly discussed its implementation, including alignment with longer-term sustainability issues. A dedicated session was held at the December Board meeting.
Bring more external views into Board meetings.	Agenda time was allocated for external presentations, including external advisers on sustainability, M&A and executive remuneration. Directors also shared their experiences from other Board roles or from their executive careers in other companies.
Continue the work to increase the access of Rotork's management to the Board and further develop employee engagement with non-executive directors.	Members of the RMB, senior management and High Potentials have regularly presented at Board meetings during the year, for example on sustainability, compliance, risk, finance transformation, cyber security and pricing strategy. Post-COVID, events will be arranged to facilitate more informal opportunities to meet with the Board.

2021 internal Board evaluation

This year, led by the Chairman with support and guidance from the Group General Counsel & Company Secretary, the process was conducted internally to assess progress against the actions recommended by the 2020 internal evaluation. The process was undertaken in November 2021 by way of anonymous questionnaires targeted at the agreed key action areas, with input from all Board members.

The Group General Counsel & Company Secretary collated and analysed the results, discussing them with the Chairman prior to feedback being provided at the December 2021 Board meeting. Subsequently, the Board agreed an action plan for implementation in the year ahead as set out below.

Areas identified for development	Actions to be taken in 2022
Embed the new CEO in his new role with support as needed from Board members.	Develop and implement a structured induction programme for Kiet Huynh. Board members to be available to support outside of meetings.
Focus on delivering growth, including revitalising the product portfolio.	Our 2022 strategy meeting will focus on refining our strategy to accelerate growth, including new product development and innovation.
Continue with engagement with the RMB and our People, to enhance the Board's understanding of the issues affecting the business and how our employees are addressing them.	We will review how more opportunities can be created during the year for the Board to engage, both formally and informally, with the RMB and our People.

Chairman's performance evaluation

Led by Peter Dilnot, as the Senior Independent Director, a review of the Chairman's performance was undertaken by means of an online questionnaire and private meetings held between Peter and the non-executive and executive directors. The outcome was then shared with the Chairman. The Chairman continues to be highly regarded and is considered to promote effective decision-making and constructive debate to ensure the Board works as a team.

2022 external evaluation

With internal evaluations having been carried out in each of the last two years, an external evaluation of the Board and its committees will be conducted in 2022 as the beginning of a new three-year cycle. Details of the findings from the external evaluation will be provided in next year's annual report.

Audit, Risk and Internal Control

Whilst maintaining overall responsibility, the Board delegates the establishment of formal and transparent policies and procedures relating to independence and effectiveness of internal and external audit functions to the Audit Committee. The Audit Committee scrutinises the integrity of financial and narrative statements and considers whether the assessment of Rotork's position and prospects are fair, balanced and understandable and then recommends these statements to the Board for approval.

The established risk review process produces a 'bottom up' assessment of the risks facing the Group, reflecting the views of the commercial divisions and functional teams. These are consolidated before a 'top down' review is performed by management and then by the Board to ensure the corporate risks are complete and adequately assessed.

A risk dashboard is presented to the Board on a quarterly basis. This includes a set of Key Risk Indicators which provide a means of monitoring the Group's risk exposures, and highlights areas where the Group exceeds, or will potentially exceed, risk appetite. Quarterly reporting is supplemented, as necessary, by more detailed monthly reporting to the Board by the executive management team on new or evolving risks, the effectiveness of existing mitigations and plans to further strengthen mitigations.

During 2021, an in-house Head of Risk and Compliance was appointed. PwC now leads the group's third line of defence internal audit function. From 1 May 2021, Janice Stipp has taken the role of Audit Committee Chair, replacing Sally James. Janice has been on the Committee throughout 2021 and has recent and relevant financial experience. 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 119-122.

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 82-92.

How the Board operates effectively

Risk management and internal controls

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

During 2021, the Board and Audit Committee regularly considered matters relating to the Group's risk management and internal control systems. This year, three areas which received particular focus were:
- the continued impact of COVID-19 on the Group and particularly on our supply chain and our people;
- the finance transformation programme, including new ERP development; and
- the impact of the proposed Business, Energy & Industrial Strategy ('BEIS') audit reforms which were each discussed at several meetings during the year.

Throughout the year, the Board received reports on the impact of COVID-19 and, in particular, the impact of this and other external factors on global logistics and the supply chain. The COVID-19 Steering Committee continued to meet throughout the year to consider the ongoing impact of the pandemic in each of the countries in which we operate. The Board has monitored the impact of disruption and changing working patterns on our internal controls, and overseen return to work procedures. Challenges with logistics and supply chain have been managed by dedicated teams who have reported on a regular basis to the management team and to the Board.

At each Audit Committee meeting during the year, progress with various elements of the finance transformation programme has been discussed. The focus for each meeting has varied, as needed, as this broad programme of work incorporates two major systems changes: implementation of a standardised Business Controls Framework and the change to a new target operating model over time.

Following publication of the BEIS white paper 'Restoring trust in audit and corporate governance' in March 2021, the Audit Committee reviewed the potential requirements in order to make a provisional assessment of our preparedness. Once the final requirements and implementation time are known, this will then allow for the completion of a more detailed plan.

Further details of reports undertaken and reviewed are set out in the Audit Committee report on pages 119-122.

The Audit committee has confirmed to the Board that the systems, which were in place for the year under review, and up to the date of approval of the report, are effective and are in accordance with the Code and the FRC Guidance on Risk Management, Internal Control and Related Financial and Business Reporting, and are regularly reviewed.

Main features of the Group's risk management process

The Board is responsible for determining the nature and extent of the risks it is willing to take in achieving our strategic objectives.

This is expressed through a number of risk dimensions against which risk appetite is defined and risks are monitored and reported. A Risk Dashboard is presented to the Board on a quarterly basis. It constitutes a set of Key Risk Indicators, which provide a means of monitoring the Group's risk exposures and focuses the Board on risks where the Group exceeds, or will potentially exceed, risk appetite. As part of the monthly reporting process the Board receives reports on any specific new or emerging risks and any actions planned in mitigation.

An established divisional and functional risk review process results in a 'bottom-up' assessment of Group risks. These are consolidated before the top-down evaluation is performed by management and then reviewed by the Board. The bottom-up assessment process includes a review with all central functions, a focus on risk mitigation reporting, and development of plans to respond to risks in accordance with risk appetite.

Further details of the Group's internal control and risk management systems and the process for identifying, evaluating and managing the principal risks faced by the Group during 2021, emerging risks, and the Board's risk appetite, are covered on pages 82-92.

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 Chairman and executive directors attend Audit Committee meetings with other members of the senior leadership team presenting or attending as necessary.

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;
- 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 & safety procedures.

During the year, work on some aspects of the broader finance transformation programme have progressed to plan although others have slowed as certain activities were prioritised elsewhere, as follows:
- The financial Business Control Framework project continued throughout the year. This programme will improve the quality and consistency of controls across all locations and has informed the controls which are embedded in the new Enterprise Resource Planning (ERP) system. It has also provided a good foundation for the work to come as we move towards compliance with the anticipated regulations which will flow from the BEIS white paper 'Restoring trust in audit and corporate governance';
- The mid-year appointment of a Head of Risk and Compliance, establishes a formal second line of defence capability;
- Work on development of the new ERP system continued; and
- The ERP system, together with the design of the new reporting toolset, provide the bedrock for most of the other target operating model changes and so have been the key focus in 2021. Work on other aspects of the target operating model will continue in 2022.

Remuneration

The responsibility for determining remuneration arrangements for the Chairman and executive directors, as well as oversight over all aspects of workforce remuneration, has been delegated to the Remuneration Committee, chaired by Tim Cobbold. Five meetings of the Remuneration Committee took place in 2021.

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 2021 can be found at pages 125-150.

Environmental, Social and Governance ('ESG') Committee report

E

Ann Christin Andersen
Chair of the ESG Committee

Committee composition and meetings

In 2021, the Committee comprised three independent non-executive directors (including myself as Chair), the Chief Executive Officer, the Strategy and Mergers & Acquisitions Director and the Group HR Director. Karin Meurk-Harvey joined the ESG Committee during the year, having been appointed to the Board on 13 September 2021. Karin is a very welcome addition to the ESG Committee. Her appointment strengthens the Committee's commercial expertise, particularly in high-growth markets and digital, as well as broadening its diversity. The Investor Relations Director and Head of ESG & Sustainability also attend by invitation. The Group General Counsel & Company Secretary acts as secretary to the Committee. The Committee normally meets three times a year. Details of the Committee members and their attendance at the meetings held during the year are set out below. The Chair reports to the Board on the key issues covered at each meeting.

Member	Member since	Eligible Meetings (max: 3)	Attendance
Ann Christin Andersen, Committee Chair	October 2020	3	3
Tim Cobbold, Non-executive director	October 2020	3	3
Kevin Hostetler, Chief Executive Officer[1]	October 2020	3	3
Vijay Rao, Strategy and M&A Director[1]	October 2020	3	3
Kathy Callaghan, Group HR Director	October 2020	3	3
Karin Meurk-Harvey[1]	September 2021	1	1

1 Karin Meurk-Harvey joined the ESG Committee on 13 September 2021. Kevin Hostetler stepped down from the Board and from the Committee on 10 January 2022. Kiet Huynh, who was appointed Chief Executive Officer on 10 January 2022, was appointed to the Committee from the same date and attended his first meeting in February 2022. Vijay Rao stepped down on 31 January 2022.

I am pleased to present the second annual report of Rotork's Environmental, Social and Governance ('ESG') Committee. During the year, the Committee oversaw substantial progress in driving forward our ESG and sustainability strategy. We are integrating ESG and sustainability at all levels of the business in line with our strategic areas of focus – Operating Responsibly, Enabling a Sustainable Future, and Making a Positive Social Impact – and linking successful achievement of objectives to remuneration.

Our increased focus on ESG has been recognised by stakeholders, as well as by ESG ratings agencies. We appreciate the independent assessment of our performance that they provide. However, we recognise we have more to do. We are committed to accelerating progress and engaging openly with stakeholders to understand their expectations. Looking ahead, the Committee will continue to focus on supporting and encouraging the strong momentum behind this increasingly important agenda. We see this as key to delivering our Purpose.

The ESG Committee is responsible for:

- **recommending the overarching ESG vision to the Board in order to ensure that ESG priorities are embedded in the Group's strategy and, in so doing, agree the annual plan and targets relating to ESG matters; this includes setting ESG performance targets as part of the executive directors' personal strategic objectives;**
- **agreeing a process for determining which goals are material and significant for the business and taking on board management's views on what are considered to be the most meaningful areas of focus;**
- **acting as a focal point to gather and discuss relevant insights from a variety of sources on ESG matters before sharing with the Rotork Management Board and the business;**
- **ensuring development of, and regular updates to, a suitable transformation map and dashboard that measures progress on the annual targets (informed by, and aligned to, the Remuneration Committee targets and incentive arrangements);**
- **reviewing the Company's performance against its annual plan and ESG targets including challenging management's 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.**

Activities of the Committee during the year

The Committee met three times during the year.

Sustainability Framework

At its meeting in February 2021, the Committee approved Rotork's sustainability framework. The framework was developed around an in-depth assessment of the UN Sustainable Development Goals (SDGs) Rotork is best-placed to support, and a formal materiality assessment process to confirm priority sustainability topics and associated SDGs. The sustainability framework consists of three pillars:

1. Operating Responsibly

This reflects our focus on safety and operational eco-efficiency, as well as high ethical standards, strong governance and effective management of ESG within our supply chain. Our commitments under this pillar target progress for the SDGs Responsible consumption and production (12) and Climate action (13).

2. Enabling a Sustainable Future

This reflects the significant opportunity Rotork has to help to drive the transition to a cleaner future, where environmental resources are used responsibly. We believe Rotork's products and services play a major role in new energies and technologies that will support the energy transition and a low-carbon economy. They also play a major role in water management. Rotork supports SDGs Clean water and sanitation (6), Affordable and clean energy (7) and Industry, innovation and infrastructure (9) under this pillar.

3. Making a Positive Social Impact

This focuses on the positive contribution we make through our high quality, inclusive employment practices, engagement with stakeholders and contributions to local communities. It recognises the value of our brand to our sustained success in attracting and retaining the best talent, maintaining our market leading position and securing the ongoing support of our shareholders and other stakeholders. As part of this area of focus Rotork is progressing SDGs Gender equality (5) and Decent work and economic growth (8).

The pillars of our framework articulate the key themes that have the greatest influence on Rotork's ability to drive superior value for shareholders, today and for the future. These areas of focus support the management of opportunities and risks, acceleration of productivity and growth, and allocation of investments. I am really pleased by the work undertaken and I am impressed by the extent to which the leadership team is applying an ESG lens to both its strategic and operational decision-making.

At meetings held during the year, the Committee received updates from management on commitments and goals set for each pillar to drive continued progress. The Committee recognises the need to develop increasingly quantitative measures to track and report on progress, as the Group's ESG and sustainability strategy evolves and continues to mature.

Sustainability Report

The Committee reviewed and approved Rotork's first annual Sustainability Report. It was published on 25 June 2021 (available at: www.rotork.com/en/environmental-social-governance/environment). The report details Rotork's non-financial performance for the year ended 31 December 2020, providing detailed disclosures on material ESG topics. It was prepared in accordance with Global Reporting Initiative ('GRI') Standards and the Sustainability Accounting Standards Board ('SASB') framework. I was delighted that our sustainability reporting received the 'Best Communication of ESG' award from the Investor Relations Society in November 2021. It has also helped underpin strong performance in ESG ratings in 2021, including leading rankings in S&P's Corporate Sustainability Assessment and Sustainanalytics. See page 46 for details. Our next Sustainability Report is due to be published in mid-2022.

Our Sustainability Framework

Our framework is founded on the three pillars

Operating Responsibly
We aim to run safe, efficient and sustainable operations.

Enabling a Sustainable Future
We want to help drive the transition to a cleaner future where environmental resources are used responsibly.

Making a Positive Social Impact
We aim to support thriving, fair and resilient communities.

ESG roadmap and goal setting

In October, the Committee undertook a review of management's progress against the agreed ESG roadmap for 2021 and offered guidance on future areas of focus. Among the key topics discussed at this meeting was the further development of the Company's net-zero roadmap.

The Committee reviewed management's proposed strategy to achieve further reductions in scope 1 and 2 emissions in line with climate science, whilst recognising that Rotork had reported on scope 1 and 2 emissions for many years and achieved significant emissions reductions. The Committee also endorsed management's approach for the calculation and reporting of Rotork's scope 3 emissions, in anticipation of setting appropriate emissions reduction targets.

The Committee subsequently approved Rotork's net-zero target dates and the near-term emissions reduction targets that will support its journey towards them. Rotork has set a science-based target to reduce scope 1 and 2 emissions – those arising from its operations – by 42% by 2030. The Company has also set targets to reduce emissions in its value chain, committing to reducing emissions associated with the use of sold products by 25% by 2030, and to have 25% of its suppliers committed to science-based targets by 2027. Further details are set out on page 62.

COP26 in November 2021 represented a major step forward in helping to make the Paris Agreement a reality and I am proud that Rotork is playing its part by delivering deep emissions cuts this decade. Agreements made at COP26 will also generate significant opportunities for Rotork. Rotork's products and services are an essential component of the processes that will help the energy sector and heavy industry decarbonise and reduce emissions of other greenhouse gases.

The 'Breakthrough Agenda' aims to accelerate the production of clean technologies. Among the first sectors to be targeted are green steel and hydrogen. The case study on pages 6-7 shows the integral role of electric actuation in these, and the anticipated growth of these sectors.

Environmental, Social and Governance ('ESG') Committee report continued

The 'Global Methane Pledge', also agreed at COP26, commits signatories to reduce methane emissions by 30% by 2030. The oil & gas sector is a major emitter of methane emissions, but by replacing pneumatic devices with electric actuators, such as those produced by Rotork, these emissions can be cut to close to zero. The case study on page 4-5 illustrates Rotork's role, both in oil & gas operations and gas distribution networks.

Finally, the 'Global Coal to Clean Power Transition Statement' commits signatories to accelerate a transition away from unabated coal power generation. One important way of abating emissions from coal power generation is through Carbon Capture Utilisation and Storage ('CCUS'). CCUS processes are flow control equipment intensive, representing another opportunity for us to enable the energy transition.

Further details of progress achieved during the year in each pillar of our sustainability framework can be found within the Strategic Report on pages 46-58.

TCFD reporting

In light of the increasing importance of climate-related issues, the Committee, and later the Board, participated in deep dive sessions on the requirements of TCFD during the year. These sessions were delivered by external experts and outlined the benefit of implementing the TCFD recommendations, both for businesses and financial partners, as well as the required disclosures. The Committee endorsed the practical and thorough approach being taken by management in integrating TCFD recommendations. Rotork's TCFD report can be found on pages 59-73.

Linking ESG strategy to remuneration

During the course of 2021, and in the early part of 2022, the Committee oversaw efforts to align the ESG strategy with management incentives. It worked closely with the Remuneration Committee to set relevant and meaningful ESG objectives. For 2021, the annual bonus was adjusted to include 10% of the maximum opportunity based on ESG performance, with quantitative targets set to cover health and safety (LTIR), normalised carbon emissions (scopes 1 and 2), culture and engagement scores (including inclusivity) and qualitative objectives focusing on environmental innovation and on customer engagement on sustainability issues.

Going forward into 2022, the Committee has reviewed and recommended to the Remuneration Committee that the same ESG metrics introduced in 2021 will apply to the 2022 bonus opportunity for the executive and senior leadership teams for 2022. Further details on ESG-related targets, measures and the 2021 outturn can be found within the Directors' Remuneration Report on page 141-142.

Looking ahead

Significant progress has been achieved in 2021. We have set the bar high and I am delighted to see that Rotork is delivering on its commitments to stakeholders. We have more work to do but we are making good progress. Rotork can play a pivotal role in the most urgent sustainability issues of our time and I am proud to be a part of that journey.

I would like to thank members of the ESG Committee and Rotork management for their constructive inputs and personal commitment to this crucial agenda.

Ann Christin Andersen
Chair of the ESG Committee
28 February 2022

Audit Committee report

A

Janice Stipp
Chair of the Audit Committee

Committee membership & meeting attendance

All Audit Committee members are independent non-executive directors. On 30 April 2021, Sally James, who had served as a member of the Committee since her appointment in 2012 and as Committee Chair since September 2020, retired from the Board at the conclusion of the 2021 AGM. Janice Stipp was appointed as Committee Chair from 1 May 2021. There have been no other changes to the membership of the Committee during the year.

Member	Member since	Eligible Meetings (max: 4)	Attendance
Sally James, Committee Chair[1]	05/12	1	1
Janice Stipp, Committee Chair[2]	12/20	4	4
Peter Dilnot	09/17	4	4
Ann Christin Andersen[3]	12/18	4	3
Tim Cobbold	12/18	4	4

1 Sally James retired from the Board and as Committee Chair on 30 April 2021 and accordingly only attended the February 2021 meeting.
2 Janice Stipp was appointed Committee Chair with effect from 1 May 2021.
3 Ann Christin Andersen was unable to attend the December meeting due to an exceptional and unexpected family circumstance.

Janice Stipp and Tim Cobbold hold professional accounting qualifications and are deemed to have recent and relevant financial experience. All Committee members have experience of working in complex global industrial products businesses, a number of which share common end markets with Rotork. The biographies and skillsets of each member of the Audit Committee can be found on pages 99 and 102-103.

The Audit Committee operates under formal terms of reference which are reviewed annually and were last updated in February 2021. A copy of the terms of reference is available on the Rotork website at Rotork: Audit Committee Terms of Reference.

Principal responsibilities

The principal responsibilities of the Audit Committee are to review and report to the Board on the:

- **Integrity of financial reporting.**
- **Application of significant accounting policies and judgements.**
- **Internal audit programme, its remit, resourcing and effectiveness.**
- **Adequacy and effectiveness of the Company's internal controls and risk management systems.**
- **Appointment, independence and remuneration of the external auditor.**
- **Effectiveness of the external audit process.**

Activities of the Audit Committee during the year

Financial reporting

- Reviewed the Annual Report and Accounts (including whether they are fair, balanced and understandable and new disclosures related to TCFD), the Corporate Governance Report and results announcements.
- Reviewed material judgements and estimates, going concern assumptions and the viability statement in the Annual Report and Accounts.
- Reviewed the half-year accounts including material judgments, 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 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 and approved the external audit plan and scope of the external auditor's work.
- Considered and reported to the Board on the external auditor's independence, objectivity and effectiveness of the audit process.
- Reviewed the external auditor's representation letter, views on the control environment and fraud risk management.
- Reviewed and approved non-audit services undertaken by the external auditor and the policy on non-audit work.
- Considered audit fees and engagement terms.
- Considered the re-appointment of the external auditor.
- Reviewed the effectiveness of the external audit process.

Audit Committee report continued

Internal audit

- Reviewed and approved the internal audit programme.
- Reviewed the maturity and effectiveness of internal audit, its remit and resourcing.
- Reviewed the policy on the independence of the internal auditor.
- Approved the Internal Audit Charter.
- Discussed and monitored progress on implementing recommended actions, including overdue actions.

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 2022.

I am pleased to present the report of the Audit Committee for the year ended 31 December 2021. This year the key areas of focus for the Audit Committee, in addition to its usual schedule of work, have been:

- **Reviewing progress of the finance transformation programme.** This multi-year programme has made progress in some areas whilst other aspects were deferred, as work on the development of the new ERP system and reporting toolset were prioritised. These system implementations will improve resilience and security and enhance the quality and consistency of financial analysis provided to the business whilst, at the same time, improve the efficiency of the finance function.
- **Reviewing progress with the Business Control Framework project and development of a stronger second line of defence.** The Business Control Framework activities progressed to plan during the year with all Group companies now reporting against the agreed key controls. These have also been designed into the new ERP system, where practical, to ensure consistent adoption as the system is implemented. This work also provides a solid start in our preparation for the work to come as we move towards compliance with the regulations we anticipate will result from the Business, Energy & Industrial Strategy ('BEIS') white paper 'Restoring trust in audit and corporate governance'.
- **Reviewing the change to our assurance model and establishment of a separate second line of defence.** The internal Head of Risk and Compliance now supports our risk management processes and reporting and manages the financial compliance reviews around the world. PwC retain responsibility for internal audit, the third line of defence.

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 issues as and when they arise.

The Audit Committee met four times during the year. Details of attendance are set out on page 119. The Chairman, Chief Executive Officer, Group Finance Director, Group Financial Controller, Head of Internal Audit, Head of Risk and Compliance, the Group General Counsel and Company Secretary and representatives of the external auditor (including the lead audit partner) also attend meetings by invitation.

As Chair of the Committee, I additionally hold regular meetings with the Group Finance Director, the external audit partner, the outsourced Head of Internal Audit, Head of Risk and Compliance and other members of the management team, as Sally did during her tenure. 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 auditors. Through face-to-face discussions and detailed written reports the Committee is able to challenge, scrutinise and ask questions where clarification or discussion is required. Meetings were also held with the external auditor and the Head of Internal Audit without management present.

Further details of the work undertaken by the Audit Committee during 2021 is set out on page 119.

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, which this year included consideration of the change in accounting policy in respect of Software as a Service arrangements following the IFRIC Interpretations Committee agenda decision; further details are shown in note 1 to the financial statements.
- 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.

In order to assess the financial statements, the Committee receives reports from members of the finance team and external auditors, who are invited to attend meetings. Through face-to-face discussions and detailed written reports the Committee is able to understand the key judgements and estimates and how they are being recorded and disclosed in the financial statements.

The principal matters of judgement and estimation considered by the Audit Committee in relation to the 2021 accounts and how they were addressed were:

– **Retirement benefit schemes**. At 31 December 2021, the Group operated two defined benefit retirement plans, both of which are now closed to future accrual. The valuations are prepared by an independent qualified actuary. The Audit Committee considered the report from the Group Financial Controller and were satisfied the assumptions used were appropriate. The detailed disclosure for these schemes under IAS 19 is shown in note 24 of the financial statements and the Audit Committee is satisfied they are complete and accurate.

External auditor

The year under review marks the eighth year during which Deloitte LLP has been the Group's external auditor following a formal tender process in 2014. The 2021 year end audit will be the third year that David Griffin has acted as Deloitte LLP's lead audit partner for Rotork. Whilst the opportunities for David and the Deloitte senior team to visit Rotork locations this year have been limited, they have been able to do this in the past having been part of the audit team for a number of years and have also used technology to communicate with and supervise the broader team.

The Audit Committee assesses the effectiveness of the external audit process, the scope of the Group audit and the quality of the audit work throughout the year. The assessment considers:

– Any issues arising from 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.
– The FRC audit quality review report on selected audits undertaken by Deloitte.

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

Consideration was given to the possibility of re-tendering the external audit during the year but as the Committee is satisfied with the work of Deloitte, the decision was made not to re-tender. The Audit Committee has recommended that Deloitte LLP be re-appointed auditors for the 2022 financial year and Deloitte's continuing appointment will be subject to shareholder approval at the 2022 AGM. As this is the eighth year-end since Deloitte took over as external auditors we will begin a process to re-tender our external audit service provider during 2022 or 2023.

Statement of compliance

The Company confirms that it has complied with terms of The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 (the 'Order') throughout the year.

Non-audit services

In order to safeguard the independence and objectivity of the external auditor, the Board has adopted a policy on non-audit services, which restricts the work and fees available to the external audit firm. The Audit Committee reviews the policy annually to ensure it remains appropriate. The policy reflects the FRC's Revised Ethical Standard 2019 on permitted non-audit services.

The policy permits the use of the external auditor only for services identified on the list contained in the Revised Ethical Standard. Prior to commencing any activity the external auditor will assess whether it meets the requirements of their independence checks. If those checks are satisfied the Chair of the Audit Committee will then have the delegated authority to approve or reject each activity. Any work that is approved is reported at the next Audit Committee meeting.

An analysis of fees paid to Deloitte, including the split between audit and non-audit is included in note 8 of the financial statements.

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. The work started in prior years to improve accountability, consistency between locations and the development of a stronger second line of defence has progressed through the year with the appointment of an internal Head of Risk and Compliance to lead the second line of defence. Despite physical access remaining limited throughout the year, the methods of remote working established last year continued to work effectively.

The Audit Committee received reports at each meeting on progress with the work, including reports from the external auditor. Plans for 2022 were approved by the Audit Committee in December 2021 and progress will be monitored in the coming year.

In the middle of the year, the appointment of an internal Head of Risk and Compliance to take responsibility for risk management and financial compliance reviews created a distinct second line of defence team. The core team is supplemented by Rotork finance staff from other parts of the business who received training from the compliance team during the year on the compliance review process and reporting requirements to enable them to contribute to the work programme. This combined team has delivered financial compliance reports for 25 of our global locations during 2021. These were undertaken remotely because COVID-19 prevented international travel. Guidance is provided to the compliance team on the nature and extent of testing to be undertaken including, for the second year, how to manage the process remotely and to ensure the team focus their efforts in key areas of risk, tailored by site.

The Audit Committee receives reports on financial compliance review activity, any significant matters arising and the management responses. During the year, recommendations were made for improvement to controls, which management is charged with implementing, none of which related to significant failings or weaknesses. The status and effectiveness of actions are monitored by the Head of Risk and Compliance and regularly reported to the Audit Committee. This was the first full year of operation of the revised finance team reporting lines, with the finance function reporting through the finance team throughout the world. This structure is now fully embedded and we are seeing improved accountability in respect of improvement actions arising from financial compliance reviews. The number of overdue actions has fallen again this year as a consequence of greater levels of finance team accountability and the continued rigour of the 'follow up' process.

Audit Committee report continued

The risk and compliance team continue to manage the process for sites to confirm the operation of key financial controls. The process was developed this year and carried out in a number of steps. Firstly, as part of the Business Control Framework activity, a self-assessment was carried out over all controls. This provides insight into key areas of risk and is verified during the financial compliance reviews. In the fourth quarter a separate 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.

Other means of assessing the internal control systems include the risk assessment process 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 CSR Committee.

The Risk Management Policy documents the Group's risk management processes and the connections between those various processes and the day-to-day operations of the Group. Each member of the executive team who is a designated risk owner has responsibility for producing and updating detailed 'get to green' plans to respond to risks in accordance with risk appetite. These plans are updated to reflect the changing risk environment as well as any changes in risk appetite. Work on these plans will continue in 2022.

PwC continued to provide internal audit services throughout 2021. The function is led by an experienced Head of Internal Audit from PwC who, until the appointment of the Head of Risk and Compliance, also led the risk management and financial compliance activities. Risk-based internal audit reviews have been completed during 2021 covering the following areas:

– IT access rights management.
– GAP savings and benefits realisation.
– Treasury management.
– Culture and behaviours.

With the Committee's approval, a further two proposed 2021 reviews were not undertaken. The first, in relation to the product development life cycle was deferred as a result of constraints in management capacity as a result of the well-publicised supply chain and logistics challenges. The second review, of IT obsolescence management, was not completed as resources were prioritised for the development of the new ERP system. The internal audit function instead prepared an initial assurance map over the risk of product quality failure which has helped focus planned work (including over the development life-cycle) in 2022. Internal audit also undertook additional activities: firstly a high-level assessment of the Group's readiness for a potential future internal financial controls regime and secondly, attendance from July 2021 at the monthly ERP steering meeting.

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

In early 2021 a review of all internal audit open actions was carried out with plans to close out existing actions agreed or alternative actions recommended where considered appropriate. At the same time, a new process to escalate open actions was introduced. These activities significantly reduced the number of open actions.

In selecting risk-based internal audits for the 2022 plan, the team has focused on those risks where reliance on mitigations is most significant whilst ensuring a broad coverage of areas over a multi-year cycle. The compliance and risk team has determined the sites to be subject to second line review in 2022 based on a thorough risk-assessment using a number of criteria. The Audit Committee reviewed and approved the 2022 programme at its December 2021 meeting.

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. In 2019, Independent Audit, as the appointed external board evaluator, interviewed the Committee members, Board members, members of Rotork's management team, the internal auditors and external advisors as part of this process. In 2020 and 2021 an internally-facilitated questionnaire was used to reflect on progress in the year from the previous work and the output from this was discussed in December 2021 and recommendations agreed. An external evaluation process will be used once again in 2022.

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. This included a meeting to consider the proposals of the BEIS white paper 'Restoring trust in audit and corporate governance' and later in the year PwC carried out a high-level review of readiness for possible implementation of the recommendations of the white paper.

Areas of focus for 2022

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

– To begin planning for a tender of the external audit service provider.
– To review ongoing progress with the finance transformation programme.
– To review implementation and roll-out of the ERP system and the impact of the integrated controls to enhance the control environment and drive consistency between locations.
– To review the implications for Rotork of developments in the external audit process and regulation arising from the BEIS consultation on 'Restoring trust in audit and corporate governance'.

Finally I would like to thank Sally for her excellent leadership of this Committee in the two terms she served as Audit Committee Chair. There have been considerable improvements during the time Sally has led, or been a member of, the Committee and she has played a significant role in these positive developments.

Janice Stipp
Chair of the Audit Committee
28 February 2022

Nomination Committee report

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Martin Lamb
Chair of the Nomination Committee

Committee membership & meeting attendance

The Committee, under the chairmanship of Martin Lamb, currently comprises all independent non-executive directors. Together, they bring a diverse and complementary range of backgrounds, personal attributes and experience to discharge the Committee's duties effectively. The skills and experience of the Committee members are set out on pages 99 and 102-103. The Committee met five times during the year and members' attendance at the meetings is set out below. The Chief Executive Officer, Group Finance Director, Group HR Director and the Group General Counsel & Company Secretary also attend the meetings by invitation.

Member	Member since	Eligible Meetings (max: 5)	Attendance
Martin Lamb, Committee Chair	June 2014	5	5
Sally James[1]	May 2012	2	2
Peter Dilnot	September 2017	5	5
Ann Christin Andersen	December 2018	5	5
Tim Cobbold	December 2018	5	5
Karin Meurk-Harvey[2]	September 2021	2	2
Janice Stipp	December 2020	5	5

1 Sally James retired from the Board on 30 April 2021 and accordingly only attended the February and April meetings.
2 Karin Meurk-Harvey was appointed as a Committee member with effect from 13 September 2021.

The terms of reference of the Nomination Committee were reviewed in October 2021. A copy of the current terms of reference are available on Rotork's website at www.rotork.com/en/investors/corporate-governance.

The Nomination Committee is responsible for:

- **Leading the process for Board appointments and making recommendations for appointments to the Board.**
- **Ensuring plans are in place for orderly succession to both the Board and senior management positions and overseeing the development of a diverse pipeline for succession.**
- **Reviewing the structure, size and composition and balance of the Board, including its balance of skills, diversity, knowledge and experience.**
- **Making recommendations to the Board on the composition of the Board's committees.**
- **Assessing each year whether non-executive directors continue to be independent.**
- **Reviewing the Company's policy on diversity and inclusion, its objectives and linkage to strategy, how it has been implemented and progress made on achieving the objectives.**

The role of the Committee

The Committee evaluates and examines the skills and characteristics needed to ensure the Board and senior management has the right balance, knowledge and attributes to operate effectively in the execution of its business strategy, and in the delivery of the long-term success of the Company. Board and Committee composition is formulated to ensure a full range of diverse experience and that business is conducted with the utmost integrity and in full alignment with the Company's culture, Purpose and Values. It also reviews the succession needs of the Company and puts in place the appropriate processes for nominating, training and evaluating directors, taking into account the need for diversity and inclusion.

Activities of the Nomination Committee during the year

- Led the recruitment and appointment process for a new Chief Executive Officer.
- Oversaw the selection process and appointment of an additional independent non-executive director.
- Reviewed the talent management process and personal profiles development and succession plans for Rotork's senior leaders.
- Reviewed the latest findings of the Hampton Alexander review and developments in UK Gender and Ethnicity Pay reporting.
- Considered the appointments to the Board Committees following the change in Board composition.

Succession planning

Succession planning for the Board and senior management is continuous. During the year, the Nomination Committee considered the need to maintain an appropriate balance of skills and experience within the Company to ensure progressive refreshing of the Board and senior management.

At the Committee's October meeting, in fulfilment of its role to oversee the Group's global talent review and executive succession process, the Committee received a comprehensive presentation from management on how talent was identified, developed and managed across the senior management team for some 100 individuals, also taking into account diversity and ethnicity considerations. The Committee also had the opportunity to review the personal profiles and development plans for those high-potential successor candidates identified for key future roles within Rotork, focusing on the key leadership roles required to take the business forward.

Nomination Committee report continued

Chief Executive Officer appointment

Following the announcement, made in August, of Kevin Hostetler's decision to resign as Chief Executive Officer, the Committee commenced a rigorous recruitment process to appoint a new Chief Executive and engaged Egon Zehnder to act as Rotork's executive search consultants. Other than supporting historic Board and senior executive appointments, Egon Zehnder has no other connection with the Group or the directors. The Committee appointed a sub-committee to oversee the recruitment process and worked closely with Egon Zehnder in compiling long and short lists of external and internal candidates with regular updates being held via calls, face-to-face meetings where possible and via video conference. The final shortlisted candidates also met all of the non-executive directors individually or in small groups, and gave a presentation to the Nomination Committee as a whole in December 2021. Following this process, Kiet Huynh, who has been with Rotork since 2018 and has led both the CPI division and, more recently, the Water & Power division, was selected and recommended to the Board as the preferred candidate. Kiet was appointed by the Board to take office from 10 January 2022. Kevin stepped down from the Board and as CEO from the same date but will remain available until 30 June 2022 to support a smooth transition.

Non-executive director appointment

On 30 April 2021, having not sought re-election at the AGM, Sally James stepped down from the Board following her nine years' service. Sally has made a significant contribution to the Rotork Board, especially in her roles of Senior Independent Director and Audit Committee Chair. The Board has benefitted greatly from her knowledge and experience. On the Committee's recommendation, the Board appointed Peter Dilnot as the Company's Senior Independent Director and we continue to benefit from his wise counsel in this role.

With the need having been identified for an additional non-executive director with international commercial experience, particularly in the emerging markets and with digital experience, Lygon Group were engaged in April to act as Rotork's search consultants for this appointment. Lygon has no other connection with the Group or the directors. The Committee considered a list of potential candidates provided by Lygon and took into account the balance of skills, knowledge, independence, diversity and experience of the Board, together with an assessment of the time commitment expected. The preferred candidate was interviewed individually by all members of the Committee. Following this process the Committee recommended to the Board that Karin Meurk-Harvey be appointed as a non-executive director with effect from 13 September 2021 and that she become a member of the Remuneration, Nomination and ESG Committees from the same date. Karin's other public commitments were disclosed to the Board before her appointment and are provided on page 103.

Chairman succession planning

As my role as Chairman will be coming to an end in 2023 after nine years, planning for my successor will commence during the year.

Diversity and inclusion

The Board Diversity and Inclusion Policy (www.rotork.com/en/documents/publication/24261) 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. The Committee is committed to succession planning for the Board and senior management team to ensure the right diverse mix of skills, experience, knowledge and background is achieved. There has been progressive discussion about talent management, succession planning and diversity of the Board and at senior management level during the year, as mentioned above during October's talent and succession planning review. In considering diversity, whilst gender plays an important role, the Board also takes into account social and ethnic background, and other cognitive and personal strengths. New appointments are made on merit, embracing diversity and inclusion, to ensure a rounded Board and considering the different skills, experiences and perspectives each candidate can bring. Recruitment and selection for Board members ensures equality of opportunity for all applicants and an unbiased approach will be taken when interviewing. Objectives on diversity are set by the Board on a regular basis and the policy is reviewed annually.

The Board is committed to the terms of the 30% Club, of which it is a member, and to the objectives of the Hampton-Alexander Review. As at 31 December 2021 and the date of this Annual Report, there were three female directors at Board level, equating to 37.5% female Board representation, which exceeds the measure recommended by the Hampton-Alexander Review. The Board also supports the Parker Review target for all FTSE 250 boards to have at least one Board member from an ethnic minority background by 2024. Rotork met this target during 2021 with the appointment of Karin Meurk-Harvey to the Board. Karin's international commercial experience in emerging markets and in the application of new technology will further strengthen the diverse mix of skills and experience on the Board. Since the year-end, we have also appointed Kiet Huynh as CEO. He brings to the Board substantial experience in the flow control and instrumentation sectors and we look forward to his leading Rotork in driving growth and leveraging the benefits of the Growth Acceleration Programme. As at 28 February 2022, ethnic representation on the Board was 25%. Details of the percentage of women in senior leadership positions and within the Group, together with details of our ethnic diversity targets and achievements are set out on page 57.

Internal board evaluation process

During the year an evaluation of the Board, its Committees and the Chairman was undertaken in line with the Committee's terms of reference. The evaluation process was internally facilitated by the Group General Counsel & Company Secretary. Further details on the full evaluation process can be found on pages 113-114.

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 non-executive directors remain independent, committed to their role and continue to be highly effective members of the Board. The Board is mindful of the number of external appointments held by Ann Christin Andersen and continues to be satisfied that she has time to discharge her duties to Rotork effectively. Ann Christin has provided invaluable guidance and support on Rotork's ESG priorities. The Board is recommending the election or re-election to office of all continuing directors at the 2022 AGM. Details of the service agreements for the executive directors and letters of appointment for the non-executive directors are set out in the Director's Remuneration Report on page 137.

Nomination Committee evaluation

The Committee carried out an internally facilitated review of its performance as part of the overall internal Board and Committee evaluation in 2021 and its findings were discussed by the Committee and the Board. It was concluded that the Committee continued to fulfil its duties effectively. Whilst recognising that the succession planning process had greatly improved, the Committee plans to review in more detail the training and development programs for key individuals and the development of more diverse pipelines for succession to ensure the Company benefits from a wide range of skills, experience, backgrounds and perspectives.

Martin Lamb
Chair of the Nomination Committee
28 February 2022

Directors' Remuneration report

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Tim Cobbold
Chair of the Remuneration Committee

The Remuneration Committee is responsible for:

- Within the approved policy, determining individual remuneration packages for the executive directors, Chairman and, on the advice of the Chief Executive Officer, the RMB.
- Selecting the measures and setting the performance criteria for the annual bonus and LTIP and, at the end of their performance periods, evaluating performance against these criteria and considering whether any discretion should be applied in determining the level of payment.
- Agreeing the terms and conditions to be included in service agreements for executive directors, including termination payments.
- Selecting, appointing and setting terms of reference with any remuneration consultants who may advise the Remuneration Committee.
- Monitoring the principles and structures of remuneration across the Group and ensuring there is consistency and there are procedures in place to monitor fairness of application. In this regard, the Remuneration Committee reviews internal relativities, pay ratios and gender and ethnicity pay gaps, and invites the Group HR Director to its meetings to provide a broader picture of workforce remuneration across the Group.
- Taking into account guidance issued by shareholders, their representative bodies and proxy agencies (including the Investment Association, Institutional Shareholder Services and Glass Lewis).
- 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 Report 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

2021 proved to be another exceptional year with the ongoing impact of the COVID-19 pandemic continuing to provide significant challenges for all those (and their families) connected with the business. Their health and safety remained the overriding priority for the business through the year. These COVID-19 challenges were compounded by the extraordinary supply chain issues that developed and grew in significance through 2021 and which will continue into 2022. These supply issues were commonplace for many businesses in many industries and, despite a significant number of effective mitigating actions, Rotork has been materially affected. Despite these challenges, the business has continued to focus on the Growth Acceleration Programme which continued to deliver value for shareholders. The Committee was mindful of these realities and their consequences for all stakeholders as it considered all aspects of remuneration through the year.

Priorities and activities for the Committee in 2021 included:

- The Committee, conscious of ensuring the right pay culture in the business, remained aware of the remuneration related trends that accelerated in 2021 and, to that end, extended and developed its oversight of the employment terms and conditions in the wider workforce, in particular in ensuring the application of the Key Remuneration Principles, and specifically the Fair Pay Framework throughout. The Committee was also conscious that, following societal changes accelerated by the pandemic, many employees have become much more interested in (and attach greater value to) flexibility, including home/office working, and health benefits. In considering these employment changes, the Committee has become more holistic and broad ranging in its deliberations. More detail on this is provided below in the section on Wider Workforce Remuneration Matters.
- The Committee reviewed the rationale for a structural change to Rotork's long term incentives structures and agreed an approach for a comprehensive review as part of the wider review of the Remuneration Policy in 2023 and the shareholder consultation to take place during 2022.
- The Committee paid particular attention to the significant developments in the business in working towards a coherent 'net-zero' strategy following the publication of Rotork's first Sustainability Report in 2021. The Committee is clear that specific, quantitative targets for ESG improvement that are linked to delivering our business strategy, should become a significant element of the long-term incentive structures provided there is sufficient integrity in, and assurance of, the measures used to assess improvement.
- As part of the implementation of the CEO succession plan that led to the appointment of Kiet Huynh in January 2022, the Committee reviewed and approved Kiet's remuneration package and the terms of Kevin Hostetler's departure as a good leaver in a managed succession process. More details are provided below in the section on CEO Succession.
- During the first quarter of 2021, the Committee engaged with shareholders regarding the 2020 remuneration outcomes for the executive directors ahead of the 2021 AGM. From responses received, shareholders were broadly supportive of the approach being taken which was reflected in the AGM voting of 93.12% in support of the 2020 directors' remuneration report.

The Committee's approach to Remuneration in 2021

The Committee's approach to remuneration in 2021 across Rotork in general and for the executive directors and senior managers, for whom the Committee is explicitly responsible, was guided by Rotork's Key Remuneration Principles. In particular, the approach was based on a sensitive appreciation of the business's performance, the experience of shareholders during the period and the employee experience during the year. The Committee's specific considerations are described below.

Business performance

In the Committee's view, Rotork continued to perform well despite the ongoing challenges of COVID-19 and particularly the ensuing supply chain issues. These supply chain issues manifested themselves during the year and, whilst significant actions were taken to mitigate their impact, these were not sufficient to avoid a material adverse impact on revenue, profit and cash generation during the year. This impact manifested itself in terms of input price inflation and in shortages, particularly of chipsets, contributing to significant material cost increases and lead time extensions. Importantly, order intake continued to grow as economies rebounded from declines in 2020.

- On a reported basis 2021 adjusted operating profit was £128.1m, down 10.1% on 2020 with revenues 5.9% lower. On a constant currency basis, 2021 adjusted operating profit at £130.8m was 8.2% lower. Adjusting operating margins were 110 bps lower as higher supply chain costs impacted.
- The book to bill ratio at 1.08 was exceptionally high as order flow, up 7.8% on a constant currency basis, remained strong. The Committee noted the orderbook at 31 December 2021 at £220.1m was materially higher than in earlier periods, demonstrating the underlying health of the business notwithstanding the shorter term supply chain issues.
- Operating cashflow was good, though also affected by supply chain issues with conversion at 108%. Working capital reduced year-on-year, largely due to the reduction in revenue.

The Committee's conclusion was that the business had continued to perform well given the supply chain issues that inevitably translated into a weaker financial performance than had been expected and lower than in 2020. The Committee's view was that this weaker performance should be reflected in the overall level of remuneration for the executive directors and other senior managers.

Shareholder experience

2021 proved to be a positive year in stock markets generally as economies recovered and returned to growth from the lows and declines of 2020. Rotork's share price grew by 12.3% from 318.0p at 31 December 2020 to 357.2p at 31 December 2021 though it should be noted that at the time of writing the share price had fallen back to 308.6p.

The Committee knows that dividends are an important part of the business case for many shareholders. The full year dividend for 2020 was paid following the 2021 AGM and an interim dividend of 2.35p was declared and paid in the second half of the year as is usual. Looking forward, the Board is recommending the payment of a final dividend of 4.05p at the 2022 AGM such that the full dividend for 2021 of 6.40p is in line with the stated dividend policy.

In the Committee's view the shareholder experience during the year has been positive and Rotork has demonstrated its resilience for a second year in which it has faced significant headwinds.

Employee experience

Led by the Board and senior management, Rotork's approach continues to be to protect the health (including mental health) and financial well-being of employees through this period, mindful of obligations to other stakeholders.

The Committee is also very aware of rising costs and inflation in many countries and the impact of this on the financial situation of employees, particularly for those at the lower paid levels and has considered that context within its decision making.

- The 2021 annual salary review, which would have been due ordinarily in April 2021, was brought forward to 1 January 2021 for all employees other than executive directors.
- 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.
- The business continued to support the physical and mental health of employees during an ongoing challenging pandemic year. In particular, we introduced a global Employee Assistance Programme (EAP).
- Rotork Benevolent Support, to which Rotork contributes, continued to support employees, ex-employees and their families through hardship, particularly those impacted by COVID-19.
- Pulse engagement surveys of the workforce provided a favourable view of the business's response to COVID-19 and the theme of our December survey included employees providing their input on benefits enabling us to understand those valued the most.
- 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 that no employee is paid below this level where it 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 financial wellbeing during 2021 as well as ensuring our frameworks and approaches support wider societal expectations.

Remuneration outcomes for 2021

Salary review

Salaries are normally reviewed and any changes take effect from 1 April in each year. However, for 2021, given that there were no salary reviews for the previous year due to the impact of COVID-19, the decision was taken to bring forward the 2021 salary review, which was planned to be effective from 1 April 2021, to 1 January 2021 for all employees, except for the executive directors. In line with the average increase level awarded to the wider UK workforce, the executive directors received a salary increase of 2.6%, effective from 1 April 2021. The Chairman's fee was also increased by 2.6% with the non-executive directors' base fee and the supplementary fees for the Committee Chairs and workforce engagement director increasing by 2.5% – all effective from 1 April 2021.

Annual bonus

The Annual Bonus targets for 2021 were based on annual profit (EBITA), cash generation, ESG measures including lost time injury rate (LTIR), and individual personal objectives. In order to increase the alignment of incentives with the business strategy, the weighting on ESG measures for 2021 increased by 5% of maximum opportunity to 10% (including the Health and Safety performance measure (LTIR) of 5%), with a corresponding decrease in the weighting of personal objectives to 15%. ESG performance measures and targets were agreed by both the ESG Committee and the Remuneration Committee. The weighting for profit (60% of opportunity) and cash generation (15% of opportunity) was unchanged. As reported in the 2020 Remuneration report, at the time of setting the targets there was considerable general business uncertainty so a wider range between threshold and maximum for the profit element of the Annual Bonus targets was set.

Having reviewed the performance of the business against these targets, including the personal objectives, set at the start of the year, the Committee decided that the level of payout, expressed in percentage of maximum opportunity, should be 48.7% for both Kevin Hostetler and Jonathan Davis with no need for discretion to be applied. In approving this level of payout, the Committee noted that at this level:

- The 2021 pay out results in an award, as a percentage of maximum opportunity, 20.2 percentage points lower than in 2020 on profits (EBITA) 7% lower on a constant currency basis.
- Bearing in mind the increased bonus opportunity implemented for the first time in 2021, the payout results in an award for Kevin Hostetler and Jonathan Davis of 73.1% and 60.9% of salary respectively compared to 86.1% and 68.9% respectively in 2020. This lower absolute payout reflects the weaker financial performance of the business in 2021.
- The 2021 payout for employee groups in the wider workforce averaged 46.3% of maximum opportunity with significant variance due to the performance of the local elements of individual schemes than we have seen in previous years.

The Committee was therefore satisfied that the bonus award to the executive directors is aligned with Rotork's Key Remuneration principles and to the performance of the business and is 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 2021, there will be no bonus deferred in shares under the Deferred Annual Bonus Plan.

LTIP

The Committee, as in 2020, decided that for all inflight LTIP awards (2019, 2020 and 2021) there would be no COVID-19 or other business-related adjustments to targets.

The outturn for the 2019 LTIP award, which vests in May 2022, 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 capital returns measure) over the three years to December 2021.

The outcomes on each of the performance measures over the three year period were as follows. Adjusted EPS did not grow during the period versus a requirement of 9% growth for threshold vesting. As a result, this measure was not met. Economic profit declined over the measurement period and did not reach the threshold level for payment. This tranche of the award also lapses in full. Rotork's relative TSR ranking within its comparator group was sufficient for vesting of the TSR tranche at 28%. This resulted in an overall level of vesting of 9.4% for the LTIP 2019 award.

In April 2021, an annual LTIP award was made to the executive directors, a group of senior managers and a number of less senior, high performing and talented employees. The structure of the performance conditions was consistent with prior awards under the rules of our LTIP which were approved in 2019. For the 2021 LTIP awards, as explained last year, the Committee approved the implementation of the postponed increased award levels for the CEO and GFD at 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.

Dividend equivalents

As approved under the Remuneration Policy, during 2021 the Committee exercised its discretion to award dividend equivalents to all participants including executive directors under the rules of the 2019 LTIP (which have been approved by shareholders). Although this is the first time that the Committee has done so, the Committee's view is that dividends are an important part of the return to shareholders and that, as one of the primary benefits of share-based payments is to align executive directors with shareholders, it is appropriate and right to award them. The Committee intends, unless it later decides otherwise, that dividend equivalents will be awarded on an ongoing basis. Consequently, the Committee's decision applies to all inflight LTIP awards, as well as any future LTIP awards.

Overall level of remuneration in 2021

The Committee carefully considered the extent to which the overall remuneration outturn for executive directors, taking the salary review, Annual Bonus and 2019 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 2019 LTIP are set out on pages 141-143.

CEO succession

Although the CEO succession was finalised in January 2022 with Kiet Huynh's appointment, Kevin Hostetler's intended departure was agreed in August 2021. Therefore, during 2021, the Committee considered carefully both the remuneration arrangements for the outgoing CEO and the package for the new CEO.

New CEO

In the Committee's view, the appropriate remuneration package for the new CEO is the package in place for the outgoing CEO as it is 'the rate for the role' and has been approved by shareholders and is in line with the Remuneration Policy. The new CEO's package has therefore been structured in the same way, with the same maximum Annual Bonus and LTIP opportunities and with the same shareholding guidelines. As a new executive director, pension contributions will be set in line with the wider UK workforce (currently 10.24%) and in accordance with the Remuneration Policy.

However, in terms of base salary, mindful of both the current business environment and Kiet Huynh being a first time CEO appointment, his starting base salary was set at £550,000, 11.9% lower than the base salary of his predecessor. It is the Committee's intention that Kiet's salary will be increased, over a period of approximately two years, to the level of his predecessor's salary in 2021, adjusted for any increases awarded to the wider workforce in that period. The timing and size of any increases will be at the sole discretion of the Committee, considering both individual and business performance, save that the level will not exceed his predecessor's base salary, adjusted for increases awarded to the wider workforce in the intervening period. Variable pay awards (Annual Bonus and LTIP) will, under the Remuneration Policy, be based on the prevailing base salary earned in the performance year for Annual Bonus and at the time of award for the LTIP. Shareholders should therefore note that it is possible that in the future, Kiet will benefit from a base salary increase which will exceed that offered to the wider workforce as his salary is increased progressively to the 'rate for the role'.

Outgoing CEO

It was decided that Kevin Hostetler should be treated as a good leaver given the planned and managed approach to succession to which he proactively contributed. In particular, by working with us, he facilitated a thorough recruitment process to be run and, in agreeing to stay as an employee, provides ongoing support to Kiet in the period through to June 2022. We are pleased that this carefully managed process has enabled the internal promotion of the right candidate and avoided the need for a lengthy external appointment process. Full details of Kiet's entitlement are provided on page 140. This is in line with the approved Remuneration Policy and ensures that bonus deferral, LTIP performance testing, time prorating, the two year holding period and post-cessation shareholding requirements continue to apply. These details were formally confirmed by the Committee in a meeting in January 2022, shortly ahead of the announcement of Kiet's appointment.

Remuneration in 2022

The structure of remuneration in 2022 will be consistent with 2021. There will be no changes to the structure of the LTIP incentives.

The arrangements for ESG related targets, which are currently included within the Annual Bonus opportunity, will also remain the same. However, in 2022, ahead of the 2023 Remuneration Policy review referred to earlier, the Committee will revisit the role and extent of ESG in the structure of remuneration, in particular its likely value as part of the longer-term incentives rather than as a part of the Annual Bonus. The Committee's view is that doing so will align the ESG incentive more closely with the business strategy and, within that, the developing net-zero strategy in the business. The view of the Committee is that ESG measures must be quantifiable and subject to satisfactory assurance as to their integrity. The intention is that this is developed during 2022, ahead of implementation in 2023 as part of the new Policy.

Salary review

Kiet Huynh's basic salary will not be increased in 2022. Jonathan Davis will receive a basic salary increase of 3.3%, in line with the wider workforce, effective from 1 April 2022. This aligns with the Remuneration Policy that salaries will normally only increase in line with the wider workforce. The fee for the Chairman will also increase by 3.3%, with the non-executive director base fee and supplementary fees for the Senior Independent Director, ESG Committee Chair and the workforce engagement director also increasing by 3.3%. Fees for the Audit and Remuneration Committee Chairs will increase to £11,000, all effective from 1 April 2022.

The Committee has followed closely the inflationary pressures on pay that developed in nearly every business location across the world during 2021 (and which are continuing into 2022). Action has been taken in the business, with the Committee's support, to ensure that pay levels remain locally competitive and this has resulted in many employees receiving pay increases ahead of those of the executive directors.

Pensions

In accordance with the Remuneration Policy, the rate of pension allowance awarded to Kevin Hostetler and Jonathan Davis reduced to 20% and 15% respectively with effect from 1 January 2022. From 1 January 2023 Jonathan Davis' pension allowance will align to the contribution available to the majority of the wider workforce, currently 10.24%. Rotork passes on savings of National Insurance from sacrificed salary to employees, making the majority pension contribution rate to 10.24% at current NI contribution levels. In line with government plans, we expect this rate to increase to 10.35% on 1 April 2022 for the wider workforce and for the rate for the executive directors to align accordingly. Kiet Huynh's pension allowance was aligned with the wider workforce rate on appointment.

Annual bonus

The maximum opportunity for Kiet Huynh and Jonathan Davis will be 150% and 125% of salary respectively. The performance metrics will be:

- EBITA Performance (60% of opportunity) – the bonus plan is based on the 2022 Budget approved by the Board.
- Cash Generation (15% opportunity) – the target to achieve maximum outturn will remain at 110% (it was increased to this level in 2020) reflecting the importance of the sustained focus on cash generation. 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, as set by the ESG Committee. Half of the opportunity will continue to be based on Health and Safety (LTIR) with a target set on the basis of 2021 performance and a maximum that requires maintaining the improvement. As in 2021, an additional 5% will be split across quantitative targets set to cover normalised carbon emissions; culture and engagement scores (including inclusivity); 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 for both executive directors with a focus on the strategic development of the business with a continued focus on the Growth Acceleration Programme, including leveraging the new sector-based organisation, and on the new IT System and control environment development and implementation.

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 Remuneration Policy, the maximum opportunity for Kiet Huynh and Jonathan Davis will be 200% and 175% of salary respectively.

The structure of the 2022 LTIP performance conditions will be the same as in 2021 and performance metrics will be as set out below. The adjusted EPS growth rates, TSR relative targets and economic profit measure (ROIC) remain unchanged in approach.

- Adjusted EPS (33% of opportunity) – the threshold and maximum set at 9% and 35% growth over the 2021 adjusted EPS by 2024 respectively.
- TSR (33% of opportunity) – in line with market standards for this measure the maximum outturn will be achieved if TSR is in the top quartile relative to the constituents of the FTSE 350 Industrial Goods and Services Sector.
- Economic profit (33% of the opportunity) – performance will be measured against the long-term plan for the business. Maximum award will require a growth rate in the economic profit over the period of 13.4% CAGR equivalent to growth of more than 15% CAGR in profit after tax.

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 2021.

We look to apply the Key Remuneration Principles, along with our Fair Pay Framework consistently through the business and we seek to ensure there is consistency in how we structure pay so that performance measures and incentives reinforce the right behaviours in the business. If specific actions are necessary to satisfy governance expectations or are required under the Directors' Remuneration Policy, these are made once the right remuneration structure for the business has been set.

Our Fair Pay Framework helps ensure standards are met throughout our operations globally, including ensuring our approaches and decisions are non-discriminatory.

The Committee keeps the business's performance on any potentially discriminatory factors under regular review. Whilst there has been no evidence of deliberate or wilful discrimination, the Committee will continue to monitor the potential consequences of bias in remuneration decision-making. Gender Pay gap metrics are reviewed each year before they are published, as is the gender-based distribution of pay increase, promotions and bonus awards. We have also focused our attention on pay and ethnicity and the Committee reviews these metrics in addition to gender related metrics now. We are again publishing our Ethnicity Pay Gap where we have seen positive results.

Recruitment processes are reviewed to remove any bias in order to give the business access to all talent and to ensure no bias to all potential employees.

The Company considers employee share ownership to be a key part of the Company's overall remuneration strategy and which enables the Company to align the interests of employees and shareholders and to recruit, retain and motivate employees at all levels within the Group. The Company delivers a profit-sharing programme to many employees globally and continues to review its expansion. The Committee believes that the programme provides a meaningful incentive to our employees in promoting share ownership at all levels in the Group with over half of our employees being shareholders.

As part of this programme, we are planning to extend the operation of the Share Incentive Plan (SIP) for a further period of ten years. Further details on the renewal of the SIP are given in our Notice of AGM.

Notwithstanding the considerable progress that has been made, we set ourselves high standards and will continue to review and update our approaches and continue to commit to doing the right thing. More details are provided in the 'Making a positive social impact' section on pages 56-57.

Bringing the employee voice into the Boardroom

In addition to my role as Chair of the Remuneration Committee, I am the designated non-executive director for workforce engagement which provides a useful linkage to the wider remit of the Remuneration Committee itself. Details on how I and my fellow Board members have engaged with Rotork's employees during the course of the year are set out on pages 111-112. 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 and I wrote to all employees on remuneration matters during the year with this topic also being a feature of our December pulse survey for employee feedback. As we come towards the end of the COVID-19 pandemic, the Committee is conscious that it needs to understand the employee view on the developing remuneration/employment issues around flexibility, home/office working as well as understanding the inflationary pressures on wages and reflect these in our future approaches. It is becoming clear from our surveys of the wider workforce that other, non-remuneration related, elements of an employee's relationship with the Company have gained importance.

Engagement with shareholders

Since assuming the role of Chair of the Remuneration Committee, I have been keen to maintain a high level of engagement with shareholders.

In early January 2021 we contacted our 20 largest shareholders representing over 56% of our issued share capital, as well as the Investment Association, ISS and Glass Lewis, to share with them the key decisions the Committee took in 2020 and the principles of the approach for determining 2020 outturns and setting 2021 targets. A small number of shareholders responded, and most were supportive of the approach we took, as reflected in the approval of the Remuneration Report by 93.12% at the 2021 AGM.

The Committee will be undertaking a review of the Directors' Remuneration Policy during 2022 with a view to proposing a new Policy to shareholders for approval at the 2023 AGM. As part of the policy review and in line with my commitment to engagement with shareholders, I will initiate a consultation process during 2022 to gather shareholders' views on how the Remuneration Policy might evolve. In doing so, together with the Committee, I seek to navigate a path that delivers remuneration approaches that we are sure are right for the business in the long-term which includes, for the avoidance of doubt, good alignment with remuneration for the wider workforce, and which are recognised and supported as such by a significant majority of our shareholders.

Composition of the Committee

Sally James retired as a member of both the Board and Committee in April 2021, following the conclusion of her nine years' tenure. I would like to record here my thanks to Sally for her valuable work and counsel on the Committee. We welcomed Peter Dilnot back to the Committee, effective from 30 April 2021, who has brought a strengthened knowledge of the UK remuneration environment to our discussions which complements Ann Christin's European perspective as well as Janice's US outlook. In September, Karin Meurk-Harvey joined the Committee, and we welcome her valuable input to the Committee's discussions.

Committee performance

In accordance with good governance, the Committee evaluated its performance during 2021. As is usual, opportunities for greater focus and improvement were identified, including the Committee's extended oversight of emerging retention issues arising from a more competitive labour market throughout the business and ensuring a heightened attention to diversity and inclusion. However, noting the continuing challenging nature of remuneration, at all levels, in the current environment, it is very pleasing to report that the Committee is regarded as operating effectively and to a high level.

Tim Cobbold
Chair of the Remuneration Committee
28 February 2022

Remuneration at a glance

Our Remuneration Policy in 2021

Purpose	Element	Kevin Hostetler (Former Chief Executive Officer)	Jonathan Davis (Group Finance Director)
Attract and retain high-calibre executive directors	**Salary**	£620,000	£357,000
	Benefits	Standard benefits plus relocation arrangements agreed in connection with his appointment	Standard benefits
	Pension(i)	Pension allowances were fixed from 1 January 2021 at their 2019 absolute values, i.e. £152,100 and £70,119 for the Chief Executive Officer and Group Finance Director respectively. From 1 January 2022, these allowances fell to 20% and 15% of salary respectively.	
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)**(ii)	200% salary performance share award	175% of salary performance share award
		Based on adjusted earnings per share (EPS), relative total shareholder return (TSR) and growth in economic profit assessed over a three-year performance period. 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		£1,516,020	£791,960
Actual total remuneration for 2021		£1,380,000	£709,000

(i) During the year, the Committee calculated the published wider workforce pension rate to be 10.24%.
(ii) During the year, the Committee exercised its discretion to apply dividend equivalents, in the form of additional shares, both to inflight and any future LTIP awards to be granted to the executive directors. This decision was taken in the light of the application of dividend equivalents being envisaged at the last Remuneration Policy review and included within the Policy but through oversight was not implemented at the time and is also in line with the treatment for other employees' awards.

Performance outcomes for the 2021 financial year

The table below sets out how the annual bonus and LTIP awards have vested in the year based on performance against target.

			Kevin Hostetler	Jonathan Davis
2021 annual bonus	Profit (60%) Cash generation (15%) ESG (10%) Personal and strategic (15%)	17.1% achieved 13.8% achieved 8.3% achieved KH: 9.5% achieved JD: 9.5% achieved	48.7% of maximum awarded	48.7% of maximum awarded
2019 LTIP award	EPS growth (33%) TSR (33%) Economic profit (33%)	0% of maximum 28.0% of maximum 0% of maximum	9.4% of maximum vesting	9.4% of maximum vesting

Remuneration at a glance continued

How our Remuneration Policy supports Rotork's strategy

Our directors' Remuneration Policy has been developed to enable Rotork to recruit and reward appropriately an executive team of the calibre required to lead our global business to deliver the superior outcomes for all our stakeholders. We aim to pay competitively against the talent pools from which we recruit with a significant proportion of pay linked directly to the performance of the business and delivered in Rotork's shares to ensure strong long-term alignment with shareholders.

Our aim is to deliver strong and sustainable margins, consistent year-on-year growth in revenues and profit and a high return on capital which, combined with our asset-light model, delivers strong cash generation. The financial measures in our incentive plans reflect these priorities and our long-term financial objectives. The introduction of explicit ESG measures reflects the strategic importance of ESG in Rotork.

Strategic priorities	Bonus	LTIP
Innovation	Strategic targets	Economic profit (ROIC) measure
Operational excellence	Cash generation measure & Personal performance targets	
Growth	Profit measure	Total Shareholder Return measure Earnings per share measure
Sustainability	ESG (including Safety) measures Deferral into shares Malus and clawback provisions	Five-year time horizon (three-year performance period and two-year holding period) Malus and clawback provisions

Performance measures

Performance measures are used to determine the extent of any awards made under the variable elements of the executive directors' remuneration, both annual bonus and LTIP. The performance measures are selected because of their use as Key Performance Indicators (KPIs) to assess Company performance and to align the interests of the directors to those of the shareholders. Non-financial KPIs constitute part of the annual bonus award and these are selected to ensure that performance measured by financial KPIs is not delivered at the expense of important non-financial considerations, specifically ESG.

The measures currently used each fulfil a distinct purpose as set out below:

Measure	Used in	Purpose
Adjusted operating profit	Annual bonus	Maintain focus on annual profits.
Cash generation	Annual bonus	Maintain discipline on managing inventory and receivables.
ESG Measures	Annual bonus	Focus on safety, emissions, employee engagement, diversity and product environmental impact
Strategic objectives	Annual bonus	Provide a balance to financial delivery which reflect activities which 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.

Overview of the Policy report

This section sets out an overview of Rotork's directors' Remuneration Policy which was approved by shareholders in a binding vote at the AGM held on 24 April 2020 and became effective on that date. The Committee's intention is that the current policy will operate for the three-year period to the AGM in 2023, unless approval for a new policy is sought sooner.

A copy of the directors' Remuneration Policy is set out in full within the 2019 Annual Report and can be found online at www.rotork.com/en/documents/publication/24348

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 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. Standard benefits for executive directors' benefits comprise a car and fuel (or car and fuel allowance), personal accident insurance, private medical insurance and life assurance. Additional benefits may be provided, as appropriate, including travel benefits for executives working away from their home country. Executive directors are also entitled to membership of the all-employee Rotork Share Incentive Plan (SIP), or Overseas Profit Linked Share Scheme (OPLSS), within the maximum limits as set by HMRC. 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

Overview of the Policy report continued

Element of remuneration	Purpose and how it supports the strategy	How the element operates	Maximum amounts payable	Framework used to assess performance
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.	For executive directors appointed after the 2020 AGM: no higher than the percentage of salary available to the majority of the workforce. For directors appointed prior to the 2020 AGM an amendment to service contracts will provide that: in 2020 and 2021, contribution capped at the level paid to them in 2019; in 2022, no higher than 20% of salary for the Chief Executive and 15% of salary for the Group Finance Director; and by the end of 2022, pension contributions will be aligned with that available to the majority of the workforce in which the executive is located.	N/A
Annual bonus	Drives and rewards performance against annual financial and operational goals which are consistent with the medium to long term strategic needs of the business.	Bonus up to 60% of the maximum opportunity is paid in cash. Any bonus awarded in excess of 60% of the maximum is deferred into shares for three years. Dividend equivalents may be paid on the deferred shares on vesting. The Remuneration Committee retains discretion to adjust the number of deferred shares in the event of a variation in the capital of the Company and/or to settle the award in cash.	The maximum annual bonus opportunity is 150% of salary. Details of the current annual opportunity are set out in the Annual Report on Remuneration. For each measure, normally a sliding scale of stretching targets is set by the Remuneration Committee. The threshold level of bonus under each financial measure varies but accounts for no more than one third of the maximum bonus opportunity under any single measure.	The annual bonus is focused on the delivery of strategically important performance measures. These include demanding financial and non-financial measures. Financial measures will account for the majority. Under the terms of the bonus plan, the Remuneration Committee has the discretion, in exceptional circumstances, to amend previously set targets or to adjust the proposed pay-out to ensure a fair and appropriate outcome.
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). For awards granted from 2017 onwards, the 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.

Element of remuneration	Purpose and how it supports the strategy	How the element operates	Maximum amounts payable	Framework used to assess performance
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 the adoption of this Policy (subject to a maximum holding requirement of 200% of final salary).	N/A	N/A
Chairman and non-executive directors' fees	To attract and retain non-executive directors of the right calibre.	Fees for the Chairman and non-executive directors are reviewed periodically. Non-executive director fees are determined by the Chairman and Chief Executive. The fees for the Chairman are determined by the Remuneration Committee taking into account views of the Chief Executive. The fees for the non-executive directors comprise a basic Board fee, with additional fees paid to the Senior Independent Director Committee chairs 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

Overview of the Policy report continued

Malus and clawback

The payment of any bonus is at the ultimate discretion of the Remuneration Committee which also retains an absolute discretion to reclaim or withhold some, or all, of any annual bonus paid in exceptional circumstances, such as misstatement of results, an error in the calculation of the performance targets and/or award size and gross misconduct.

The Remuneration Committee has similar power in respect of the LTIP and may exercise discretion to reclaim some, or all, of a vested LTIP award in exceptional circumstances (the specified situations being the same as for the annual bonus plan). The Remuneration Committee may also lapse or reduce an award prior to vesting where the participant is found to be guilty of serious misconduct.

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.

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 may be given over subsequent years subject to individual performance. We will be clear as to our intentions with a candidate if we intend to adopt such approach for a particular rewards 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, any outstanding variable pay awarded in relation to the previous role will be allowed to pay out according to its terms of grant. Details of the remuneration package for Kiet Huynh as the new, internally appointed, CEO are given on page 140.

Fees for a new Chairman 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 basic 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 with a pro-rata reduction to reflect the proportion of the vesting period served.

The Chairman 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 Chairman is three years and their appointments are subject to termination on three months' notice (up to 12 months for the Chairman). 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
Kevin Hostetler	12 February 2018	1 January 2018 as amended by Deeds of Variation dated 4 March 2020 and 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	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
Martin Lamb (Chairman)	2 June 2014	3 April 2019
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 29 April 2022.

Committee Membership and Governance

The Committee currently comprises five independent non-executive directors, namely, Tim Cobbold (Chair), Peter Dilnot, Ann Christin Andersen, Janice Stipp and Karin Meurk-Harvey (who joined the Board on 13 September 2021). Sally James was also a Committee member until her retirement from the Board on 30 April 2021. The Group General Counsel & Company Secretary acts as secretary to the Remuneration Committee. The Remuneration Committee met five times during 2021 with attendance set out as follows.

Member	Member since	Eligible Meetings (max:5)	Attendance
Tim Cobbold, Chair	December 2018	5	5
Sally James(i)	May 2012	1	1
Peter Dilnot(ii)	May 2021	4	3
Ann Christin Andersen(iii)	December 2018	5	4
Karin Meurk-Harvey(iv)	September 2021	3	3
Janice Stipp	December 2020	5	5

(i) Sally James stepped down from the Board with effect from 30 April 2021.
(ii) Peter Dilnot was appointed as a member of the Committee with effect from 1 May 2021. Peter was unable to attend the formal December meeting but received the papers in advance and provided feedback to the Committee Chairman. Peter also attended a number of additional calls/meetings as part of the CEO selection process.
(iii) Ann Christin Andersen was unable to attend the December meeting due to an exceptional and unexpected family circumstance. She received the papers in advance and provided feedback to the Committee Chairman.
(iv) Karin Meurk-Harvey was appointed to the Board and as a member of the Committee with effect from 13 September 2021.

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 and the Head of Reward to its meetings to provide this wider context and to ensure that all its decisions remain aligned with Rotork's Values and culture, which we seek to nurture within the business. The Chairman is also invited to attend meetings and provides input and recommendations relating to the performance and remuneration of the Chief Executive Officer. The Chief Executive Officer and Group Finance Director are invited to attend parts of certain meetings but are not present when their own remuneration is considered. A representative from Korn Ferry, the Committee's remuneration advisers, also attends to provide independent remuneration and ancillary governance advice.

Role of the Remuneration Committee

The principal role of the Remuneration Committee is to set the framework and policy for remuneration of the executive directors, the Rotork Management Board ('RMB') and the Chairman. It also oversees the principles and structure of remuneration arrangements for all employees across the Group, and seeks to ensure there is consistency across regions, business lines and organisational levels. In so far as possible, similar structures are used across the Group, since this is the most reliable way of ensuring transparency. At all levels, in line with our remuneration principles, we ensure that remuneration is competitive and fair; at the executive level, this means offering remuneration that is sufficiently attractive and appropriately rewards the leadership team required to successfully run a complex global business.

The terms of reference of the Remuneration Committee can be found on the Company's website at www.rotork.com/en/investors/corporate-governance

Priorities and activities of the Remuneration Committee during 2021

Considered the continuing impact of COVID-19 on the remuneration arrangements in 2021

- Developed the approach to the remuneration structure for 2021.
- Consulted with shareholders.

Reviewed our remuneration to ensure it delivers a package that is proportionate to the opportunity for shareholders and aligned with their interests

- Set pay principles.
- Reviewed all elements of the directors' Remuneration Policy to ensure that it is globally relevant, remains fit for purpose and aligns with, and supports, Rotork's Values and culture, 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.

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 2021.
- Reviewed the fee payable to the Chairman.

Priorities and activities of the Remuneration Committee during 2021 continued

Determined pay outcomes that are performance-driven
- Determined bonus performance outcome against 2020 targets and approved bonus payments.
- Determined LTIP vesting outcome against 2018 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 2021.
- Approved the increase in the percentage of the annual bonus targets linked to ESG from 5% to 10%.
- Approved executive directors' personal objectives for 2021.
- Set LTIP performance targets and award levels for executive directors and other members of senior management for the 2021 LTIP.

Maintained transparency and clarity in everything we do
- Engaged with shareholders on the approach taken by the Committee for determining the 2020 outturns and setting 2021 targets.
- Approved the Directors' Remuneration Report 2020.

Post 31 December 2021, the Committee reviewed and determined the remuneration arrangements relating to the departure of Kevin Hostetler and the appointment of Kiet Huynh as an Executive Director and as Chief Executive Officer, both with effect from 10 January 2022. Details of those remuneration arrangements are set out below.

Remuneration background relating to Executive Director changes post 31 December 2021

Resignation of Kevin Hostetler as Executive Director and Chief Executive Officer

As announced on 10 January 2022, Kevin Hostetler stepped down from the Board and as Chief Executive Officer with effect from 10 January 2022. Kevin will continue to provide support to the incoming Chief Executive Officer, Kiet Huynh, until his employment with Rotork ceases on 30 June 2022 ('Departure Date').

Kevin will continue to receive his current salary of £624,218 per annum (subject to annual review in line with the wider workforce) and benefits (including pension contribution of 20%) monthly up until the Departure Date. Kevin will also be entitled to certain benefits in connection with his loss of office in line with the Company's Directors' Remuneration Policy, including equivalent relocation benefits to those incurred on appointment, a maximum of £10,000 plus VAT per annum towards UK and US tax advice in relation to remuneration received in the relevant tax years and £5,000 plus VAT towards legal fees incurred in connection with his departure.

Kevin's 2021 annual bonus award is £453k. Kevin will be eligible to be considered for a pro rata 2022 annual bonus award based on his contribution during 2022. The maximum bonus opportunity in relation to the 2022 financial year will be £468,164 (subject to annual salary review in line with the wider workforce). Any amount either awarded in relation to 2022, or subject to deferral in shares under the rules of the Deferred Annual Bonus Plan ('DABP') will be disclosed in the 2022 Directors' Remuneration Report.

Kevin has been granted good leaver status, in accordance with the respective share plan rules, in respect of his existing DABP awards, and the 2020 and 2021 LTIP awards that are due to vest after his Departure Date. Any vesting of Kevin's existing LTIP awards will be pro-rated for the period until the Departure Date and will be subject to the achievement of the required performance conditions and the relevant rules. The 2019 LTIP vested at 9.4% with 29,611 shares vesting on 16 May 2022.

Details of Kevin's outstanding awards under the DABP and LTIP are as follows:

Award	Number of shares subject to award	Maximum number of shares which could vest	Vesting date	End of holding period
2018 DABP	71,783	71,783	05/03/2022	n/a
2019 DABP	59,362	59,362	03/03/2023	n/a
2020 DABP	18,533	18,533	08/03/2024	n/a
2019 LTIP	315,015	29,611	16/05/2022	16/05/2024
2020 LTIP	412,941	306,972	07/04/2023	07/04/2025
2021 LTIP	336,951	142,473	24/03/2024	24/03/2026

Any vesting of his share awards, together with such dividend entitlements to be settled in the form of additional shares, will continue to be subject to the above post-vesting holding requirements and will be disclosed, as required, in the appropriate Directors' Remuneration Report.

Kevin will receive an LTIP award under the rules of the 2019 Long Term Incentive Plan at the normal annual grant date, anticipated to be in late March 2022. After prorating to the Departure Date, the maximum number of shares which could vest will have a grant value of no more than approximately 18% of his salary.

As an employee leaving Rotork, with effect from the Departure Date, Kevin will no longer participate in the Company's Share Incentive Plan ('SIP') and shares held in the SIP trust (the 'Trust) on his behalf will be removed from the Trust. However, the post departure shareholding requirements for executive directors will apply in relation to share awards made after 24 April 2020 (up to 350% of salary for two years).

Other than as set out above, no other remuneration payment or any payment for loss of office of the type specified in Section 430(2B) Companies Act 2006 will be made to Kevin Hostetler. The relevant remuneration information will be included in Rotork's Directors' Remuneration Report in subsequent years, as appropriate.

Appointment of Kiet Huynh as Executive Director and Chief Executive Officer

Kiet Huynh joined the Company 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 was appointed an Executive Director and Chief Executive Officer in succession to Kevin Hostetler on 10 January 2022. Kiet's service contract is in line with the Company's standard form at this level, including a 12-month notice period.

Effective from his appointment date of 10 January 2022, Kiet will receive an annual salary of £550,000. It is the intention of the Committee, and dependent on both his individual and Company performance, to increase his salary to the level of the outgoing CEO's salary plus the impact of workforce increases and in line with the market, likely over a 2 year period. Otherwise, the CEO's salary will be reviewed annually in the light of the shareholder approved remuneration policy at that time and without any undertaking by the Company that his salary will be increased. The first review is not intended to be before 1 April 2023.

Benefits comprise car and fuel allowance (which can only be used towards acquiring an electric, hybrid or low emission vehicle), personal accident and private medical insurance and life assurance.

In compliance with the 2018 UK Corporate Governance Code and Remuneration Principles, a commitment has been made to align existing executive directors' pensions to the level of the majority of the workforce, currently 10.24%, by the end of 2022. Effective from Kiet's appointment date of 10 January 2022, the wider workforce pension contribution level will apply.

In line with the current Remuneration Policy, the level of Kiet's participation in the discretionary annual bonus scheme is currently an opportunity of up to 150% of basic salary. Any bonus earned above 60% of the maximum opportunity will be deferred in shares for three years and in accordance with the rules of the DABP. A description of the 2022 bonus performance targets and measures can be found on page 149.

Kiet is entitled, at the Company's sole discretion, to participate in the Company's long-term incentive plan, subject to the rules of the relevant scheme from time to time in place. The level of participation is currently up to 200% of basic salary; however, this level and the granting of any awards or shares is non-contractual and shall be determined by the Committee at its discretion and made in line with the Directors' Remuneration Policy and the terms of the plan from time to time.

As an executive director, Kiet will be subject to the Company's share ownership guidelines. He is currently subject to a requirement during his period of employment to build and maintain a shareholding in Rotork equivalent to the combined annual award opportunity under his bonus and LTIP (350% of salary). It is expected that this requirement will be achieved within five years of appointment. Following the cessation of employment, Kiet will be required to retain for a further two years any shares held that have vested to him under the Group's share plans (subject to the maximum holding requirement of 200% of final salary). The Committee retains absolute discretion to reclaim or withhold some or all of any bonus or LTIP or lapse or reduce an award prior to vesting, for clawback and malus, in accordance with the Directors' Remuneration Policy.

Kiet is entitled to participate in the appropriate all-employee share plans operated by the Company from time to time, subject to the rules of such plans from time to time. These currently include the SIP Partnership, Free Share Schemes and Sharesave Scheme.

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 2021.

Executive directors

	Salary		Benefits(i)		Annual bonus(ii)		LTIP(iii)		Pension and related benefits		Total remuneration		Total fixed pay		Total variable pay	
Name	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
Kevin Hostetler	**620**	608	**51**	48	**453**	524	**104**	1,045	**152**	152	**1,380**	2,377	**823**	808	**557**	1,569
Jonathan Davis	**357**	351	**14**	14	**218**	242	**50**	502	**70**	70	**709**	1,179	**441**	435	**268**	744

(i) The benefit value consists of a car and fuel (or a car and fuel allowance) and private medical insurance.
(ii) Of the maximum bonus opportunity, Kevin Hostetler and Jonathan Davis were paid £453k and £218k in cash respectively.
(iii) The 2021 figure relates to the vesting of the 2019 LTIP award based on performance to 31 December 2021. These awards are not eligible to vest until 16 May 2022 and, as such, an indicative share price of 352.4p (being the average closing share price over the three-month period to 31 December 2021) has been used for the purpose of valuing these awards. This value will be restated in next year's report. Of the £104k and £50k, 19% relates to an increase in the value of the underlying shares over the period. The 2020 figure relates to the vesting of the 2018 LTIP award based on performance to 31 December 2020. 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 363.6p.

Total pension entitlements (audited)

No director participates in, or has a deferred benefit under, a defined benefit pension scheme.

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 directors (£000s)

	Base fees		Additional fees/remuneration		Total remuneration	
Name	**2021**	2020	**2021**	2020	**2021**	2020
Ann Christin Andersen	**57**	56	**7**	5	**64**	61
Tim Cobbold	**57**	56	**17**	17	**74**	73
Peter Dilnot	**57**	56	**7**	–	**64**	56
Sally James(i)	**19**	56	**7**	13	**26**	69
Karin Meurk-Harvey(ii)	**16**	–	**–**	–	**16**	–
Janice Stipp(iii)	**57**	5	**7**	–	**64**	5
Martin Lamb	**239**	234	**–**	–	**239**	234

(i) Retired from the Board on 30 April 2021.
(ii) Appointed to the Board on 13 September 2021.
(iii) Appointed to the Board on 1 December 2020.

The additional fees referred to above are the supplementary fees paid in cash to the Chairs of the Audit, Remuneration and ESG Committees, the Senior Independent Director and the non-executive director responsible for workforce engagement. During the year, Peter Dilnot was appointed Senior Independent Director, replacing Sally James in this role. 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 2021

Bonuses in 2021 were based 60% on annual profit, 15% on cash generation, 10% ESG measures (including lost time injury rate), and 15% on personal strategic objectives. Details of performance achieved against the targets set are shown below.

	Performance required to trigger bonus payment	Performance required at maximum	% payable at maximum performance	Performance outcome	% bonus awarded*
Annual profit target	£117m	£157m	60%	£128m	17.1%
Cash generation	85%	110%	15%	108%	13.8%
ESG measures:					
Carbon emission reduction, environmental innovation and culture and engagement	See below	See below	5%	See below	3.3%
Lost time injury rate	0.29	0.24	5%	0.20	5.0%
Total			85%		39.2%

ESG measures comprise: (i) Environmental innovation (2%) and reducing carbon emissions (1%) year on year by 2% per £1m of revenue. The emissions target was not met but the innovation performance was sufficient to deliver the full 2% and (ii) employee engagement & culture (2%). The engagement score of 6.65 fell between the 6.5 to 7.0 range delivering 0.3% of bonus and the culture score of 7.5 outperformed the target range of 6.5 to 7.0, delivering 1% of bonus.

Personal strategic objectives, which accounted for 15% of the bonus opportunity, were set at the start of the year. The Remuneration Committee set specific and measurable targets covering a range of the Company's strategic priorities and assigned each an individual weighting. Performance against each of the defined targets was assessed by the Remuneration Committee with input from the Chairman and other non-executive directors. The objectives for both executive directors and the performance against them are summarised in the table below.

Kevin Hostetler	Performance summary	% payable at maximum	% bonus awarded
Business strategy & vision – drive growth	Continued to drive execution on previously identified strategic growth initiatives; further developed Rotork's position and opportunities on decarbonisation and the digital future. The M&A roadmap was maintained.	3.0%	2.5%
Growth Acceleration Programme, including:		12.0%	7.0%
– IT Systems Deployment	Whilst the core ERP project has progressed during the year, the deployment date has been revised to 2022.		
– Culture, Performance and Health & Safety	An enhanced Safety Program was launched, alongside the embedding across the business of the revised Rotork Life-Saving Rules. A comprehensive talent review of the senior leaders population was undertaken at Board level. LTIR targets were met.		
– Innovation, R&D and Sustaining Engineering	Whilst the New Product Development funnel was maintained, some programs were delayed due to redirection of resource to manage supply chain issues.		
– Enhancing our Operating Performance	Two sites in Spain and Italy were closed in 2021. Procurement savings were not achieved in full due to disruption in the chipsets supply chain. Similarly, reduction in inventory targets were not met due to global logistics and supply chain constraints and a decision to build strategic inventory in some places.		
– Engaging Our Customers	End market surveys were completed. Alignment and consolidation of back office operations were achieved to plan. Voice of the Customer program launched.		
Total		**15.0%**	**9.5%**

Jonathan Davis	Performance summary	% payable at maximum	% bonus awarded
Development and implementation of financial systems, including:		7.0%	3.5%
– Development of detailed design of finance target operating model and shared service proof of concept	Continued the development of the new target operating model and commenced shaping the changes in conjunction with the D365 and OneStream projects.		
– Creation of FP&A centre of expertise	FP&A team has been expanded.		
– Finance function development	In addition to implementing a formal second line of defence function and growing the FP&A team, the finance function has been strengthened through new appointments.	1.0%	1.0%
Tax strategy review	Successful completion of the review process and implementation of the selected recommendations.	2.0%	2.0%
Growth Acceleration Programme, including:		5.0%	3.0%
– IT Systems Deployment	Whilst the core ERP project has progressed during the year, the deployment date has been revised to 2022.		
– Three lines of defence	A separate Risk and Compliance team to take responsibility for the second line of defence has now been established.		
– Enhancing our Operating Performance	Procurement savings were not achieved due to disruption in the chipsets supply chain. Similarly, reduction in inventory targets were not met due to global logistics and supply chain constraints and a decision to build strategic inventory in some places.		
Total		**15.0%**	**9.5%**

Having reviewed the performance of the business against these targets, including the personal objectives, set at the start of the year the Committee decided that the level of payout, expressed in percentage of maximum opportunity, should be 48.7% for both Kevin Hostetler and Jonathan Davis with no need for discretion to be applied. As a result, the bonus for Kevin Hostetler and Jonathan Davis for 2021 paid out at 73.1% and 60.9% of salary in cash respectively. There is no deferral into shares for 2021 as the bonus levels to reach the threshold were not met.

Deferred Annual Bonus Plan (DABP) awards (audited)

Any bonus earned above a threshold of 60% of the maximum is deferred into share awards under the Deferred Annual Bonus Plan, vesting on the third anniversary of grant. No further performance conditions apply; DABP awards are subject to continued employment only and dividend equivalents may be paid on the deferred shares on vesting.

The following DABP awards were made on 8 March 2021 (based on performance in relation to the 2020 financial year):

	Share awards granted	Basis on which awards made	Face value of awards (£)[(i)]	Vesting date
Kevin Hostetler	18,533	11.1% of salary	67,685	8 March 2024
Jonathan Davis	8,544	8.9% of salary	31,203	8 March 2024

(i) The share price used to determine the number of shares under the award was 365.2p being the share price immediately prior to the date of the award.

LTIP awards vesting based on performance to 31 December 2021 (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 16 May 2019 had a performance period from 1 January 2019 to 31 December 2021 and were subject to the following performance targets:

Measure	Weighting	Performance period	Threshold target	Stretch target	Performance outcome
Earnings per share[1]	33%	01/01/2019 – 31/12/21	9% (15% vesting)	35% (100% vesting)	EPS did not grow during the period and was below the minimum target resulting in 0% vesting for this part of the award.
TSR relative to the constituents of the FTSE 350 Industrial Goods and Services Sector[1]	33%	01/01/2019 – 31/12/21	Median ranking	Upper quartile ranking or above	Rotork's relative TSR ranking within its comparator group was sufficient for the vesting of this tranche at 28%.
Economic profit growth	33%	01/01/2019 – 31/12/21	0% growth on three times the 2018 economic profit	55% growth on three times the 2018 economic profit	Economic profit declined over the measurement period and did not reach the threshold level for payment.

1 For performance between threshold and stretch, awards vest on a pro-rata basis.

During the performance period, adjusted EPS was below the minimum target of 9%. Economic profit growth (growth in profit ahead of the return demanded by the weighted average cost of capital) declined over the measurement period and did not reach the threshold level for payment. Relative TSR performance in the period was sufficient for vesting at 28%. The Remuneration Committee, therefore, determined that 9.4% of the shares awarded under the 2019 LTIP cycle would vest with the outcome for the executive directors being:

	Grant date	Number of shares under award	Number of shares vesting[1]	Number of shares lapsing	Vesting date
Kevin Hostetler	May 2019	315,015	29,611	285,404	16 May 2022
Jonathan Davis	May 2019	151,274	14,219	137,055	16 May 2022

1 During the year, the Committee exercised its discretion to apply dividend equivalents, in the form of additional shares, to the inflight and any future LTIP awards to be granted to the executive directors. This decision was taken in the light of the application of dividend equivalents being envisaged at the last remuneration policy review but not implemented and is also in line with the treatment for other employees' awards. The number of shares resulting from the application of dividend equivalents for the executive directors will be disclosed at the time of vesting.

Share awards granted in 2021 (audited)

LTIP awards (audited)

The following LTIP awards were made to the executive directors on 24 March 2021. These grants were made at the levels permitted under the current Remuneration Policy.

	Share awards made during 2021(i)	Basis on which awards made	Face value of award (£)(ii)	Percentage vesting for minimum performance(iii)	End of performance period	Vesting date
Kevin Hostetler	336,951	200% of salary	1,216,393	13.3%	31 December 2023	24 March 2024
Jonathan Davis	169,899	175% of salary	613,335	13.3%	31 December 2023	24 March 2024

(i) Awards to Kevin Hostetler were made as conditional share awards; awards to Jonathan Davis were made as nil-cost options.
(ii) The share price used to determine the number of shares under the awards was 361p, 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 and capital return (economic profit) conditions are achieved. The three equally-weighted performance measures are:
a Adjusted earnings per share – EPS growth must be at least 9% for 15% vesting, increasing on a straight-line basis to full vesting for EPS growth of 35% and above;
b Total shareholder return – measured relative to the constituents of the FTSE 350 Industrial Goods and Services Sector, 25% vesting for median performance, increasing on a straight-line basis to full vesting for upper quartile performance and above; and
c Economic profit – measures the profitability of the group after a charge for the overall level of capital (based on the total capital used and calculated using the weighted average cost of capital) is subtracted. It is measured on a cumulative basis, over the three-year performance period. No payout will be received for a negative economic profit. The threshold target requires average economic profit over the three-year period to exceed that generated in 2020 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.

The structure of the performance conditions was consistent with previous awards made in 2020 with no COVID-19 related adjustment to 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 5% of profits are distributed to employees each year in the form of ordinary shares. The distribution is calculated by reference to years of service and basic salary. Details of free share awards under the SIP made to executive directors in 2021 are set out below.

	Free share awards made during the year			
	Date of grant	Number	Basis on which award made	Face value of award
Kevin Hostetler	9 April 2021	991	Non-performance based	£3,600
Jonathan Davis	9 April 2021	991	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.

Summary of outstanding share awards held by executive directors (audited)

	Awards held at 31 December 2020	Granted in the year	Lapsed in the year	Awards exercised in the year	Awards held at 31 December 2021	Performance period	Exercise price	Date of grant	Vesting date	End of holding period
Kevin Hostetler										
LTIP[iv]	340,393	–	53,102	287,291	–	1 Jan 2018-31 Dec 2020[i]	–	7 March 2018	7 March 2021	N/A
LTIP[iv]	315,015	–	–	–	315,015	1 Jan 2019-31 Dec 2021[ii]	–	16 May 2019	16 May 2022	16 May 2024
LTIP[iv]	412,941	–	–	–	412,941	1 Jan 2020-31 Dec 2022[iii]	–	7 April 2020	7 April 2023	7 April 2025
LTIP[iv]	–	336,951	–	–	336,951	1 Jan 2021-31 Dec 2023[iii]	–	24 March 2021	24 March 2024	24 March 2026
DABP[iv]	71,783	–	–	–	71,783	N/A	–	5 March 2019	5 March 2022	N/A
DABP[iv]	59,362	–	–	–	59,362	N/A	–	3 March 2020	3 March 2023	N/A
DABP[iv]	–	18,538	–	–	18,538	N/A	–	8 March 2021	8 March 2024	N/A
SIP	1,367	–		–	1,367	N/A	–	6 April 2020	6 April 2023	N/A
SIP	–	991		–	991	N/A	–	9 April 2021	9 April 2024	N/A
SAYE[v]	7,058	–	7,058	–	–	N/A	255p	1 October 2019	1 June 2023	N/A
Total	1,207,919	356,480	60,160	287,291	1,216,948					
Jonathan Davis										
LTIP [v]	163,461	–	25,500	137,961	–	1 Jan 2018-31 Dec 2020[i]	–	7 March 2018	7 March 2021	N/A
LTIP [v]	151,274	–	–	–	151,274	1 Jan 2019-31 Dec 2021[ii]	–	16 May 2019	16 May 2022	16 May 2024
LTIP [v]	198,300	–	–	–	198,300	1 Jan 2020-31 Dec 2022[iii]	–	7 April 2020	7 April 2023	7 April 2025
LTIP [v]	–	169,899	–	–	169,899	1 Jan 2021-31 Dec 2023[iii]	–	24 March 2021	24 March 2024	24 March 2026
DABP [v]	14,697	–	–	14,697	–	N/A	–	7 March 2018	7 March 2021	N/A
DABP [iv]	36,790	–	–	–	36,790	N/A	–	5 March 2019	5 March 2022	N/A
DABP [iv]	26,744	–	–	–	26,744	N/A	–	3 March 2020	3 March 2023	N/A
DABP [iv]	–	8,544	–	–	8,544	N/A	–	8 March 2021	8 March 2024	N/A
SIP	1,274	–	–	1,274	–	N/A	–	6 April 2018	6 April 2021	N/A
SIP	1,204		–	–	1,204	N/A	–	8 April 2019	8 April 2022	N/A
SIP	1,367	–	–	–	1,367	N/A	–	6 April 2020	6 April 2023	N/A
SIP	–	991	–	–	991	N/A	–	9 April 2021	9 April 2024	N/A
Total	595,111	179,434	25,500	153,932	595,113					

(i) Subject equally to EPS performance (9% to 35% growth), TSR performance relative to the FTSE 350 Industrial Goods and Services Sector (median to upper quartile) and capital return (economic profit) performance over the three-year performance period. As described in last year's report, the EPS target was met in full with the TSR and economic profit targets achieved at above threshold. Accordingly, for Kevin Hostetler, 287,291 shares vested and, for Jonathan Davis, 137,961 shares vested in March 2021. These vested awards are subject to a two-year post-vesting holding period during which time they may not be sold.

(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. Any vesting awards will also be subject to a two-year post-vesting holding period during which time they may not be sold. As described above, only the TSR target was met at 28%. Accordingly, for Kevin Hostetler, 29,401 shares will become eligible to vest and, for Jonathan Davis, 14,118 shares will become eligible to vest in May 2022.

(iii) Subject equally to EPS performance (9% to 35% growth), TSR performance relative to the FTSE 350 Industrial Goods and Services Sector (median to upper quartile) and capital return (economic profit) performance over the three-year performance period. Any vesting awards will also be subject to a two-year post-vesting holding period during which time they may not be sold.

(iv) Conditional share awards.

(v) Nil cost options.

Annual Report on Remuneration continued

Statement of directors' shareholding and share interests (audited)

The table below shows total shareholdings of the current directors and former directors as at 31 December 2021.

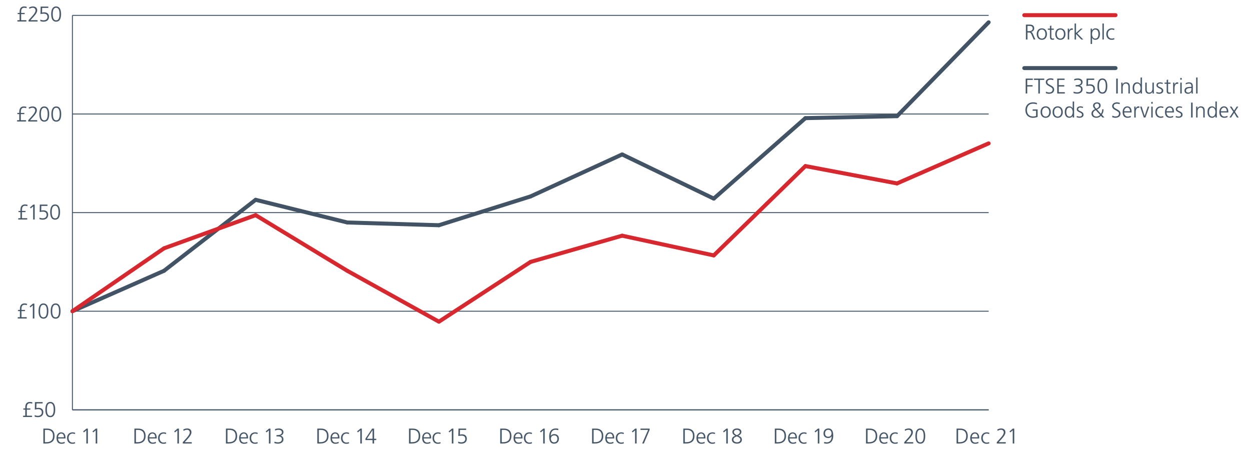
	Unconditionally owned shares(i)	Unvested DABP Awards(ii)	SIP(iii)	% of salary shareholding achieved(iv)	Unvested LTIP Awards subject to performance targets
Executive directors					
Kevin Hostetler	289,668	83,083	2,358	210%	1,064,907(v)
Jonathan Davis	450,624	48,217	3,562	488%	519,473(vi)
Non-executive directors					
Ann Christin Andersen	2,000	–	–	N/A	–
Tim Cobbold	–	–	–	N/A	–
Peter Dilnot	–	–	–	N/A	–
Janice Stipp	–	–	–	N/A	–
Martin Lamb	152,414	–	–	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 (shown net of estimated tax and national insurance) attract an entitlement to accrued dividends during the holding period but are only available upon release. The satisfaction of the entitlement can be in shares or cash as determined by the Remuneration Committee at the time of the release confirmation.
(iii) SIP free awards held in the three-year trust period.
(iv) The share price used to determine the percentage of the shareholding of salary achieved is 346.7p, being the 12 month average share price as at 31 December 2021. 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.
(v) An LTIP award over 336,951 shares was granted to Kevin Hostetler on 24 March 2021.
(vi) An LTIP award over 169,899 shares was granted to Jonathan Davis on 24 March 2021.

There has been no change in the directors' interests in the ordinary share capital of the Company between 31 December 2021 and 28 February 2022, except in the case of Jonathan Davis' monthly purchases of partnership shares under the SIP.

TSR performance graph

This graph shows the value, by 31 December 2021, of £100 invested in Rotork plc on 31 December 2011, 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
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[(i)]	1,193	90.9%	N/A
2018	Martin Lamb[(ii)]	353	N/A	N/A
2017	Martin Lamb[(ii)]	282	N/A	N/A
2017	Peter France[(iii)]	681	72.0%	0%
2016	Peter France	835	45.5%	0%
2015	Peter France	696	23.4%	0%
2014	Peter France	1,092	66.0%	37.0%
2013	Peter France	1,452	94.4%	67.0%
2012	Peter France	1,539	91.3%	75.5%

(i) Kevin Hostetler was appointed to the role of Chief Executive on 12 March 2018.
(ii) 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.
(iii) Peter France resigned as Chief Executive and stood down from the Board on 27 July 2017.

Percentage change in remuneration of directors

The table below shows the percentage change in remuneration (based on salary/fee, benefits and bonus) between 2021 and 2020 and between 2020 and 2019 of the directors in the Group compared to the percentage change for the average UK employee. Karin Meurk-Harvey and Janice Stipp were appointed to the Board in September 2021 and December 2020 respectively.

		Percentage change FY21 to FY20			Percentage change FY20 to FY19		
	Role	Salary/Fee	Benefits	Bonus	Salary/Fee	Benefits	Bonus
Executive Directors							
Kevin Hostetler	Chief Executive Officer	1.9	4.6	(13.5)	0.7	7.5	(15.3)
Jonathan Davis	Group Finance Director	1.9	0.0	(10.1)	0.7	0.0	(14.8)
Non-executive Directors							
Martin Lamb	Chairman	1.9	N/A	N/A	0.0	N/A	N/A
Ann Christin Andersen	Non-executive Director	1.9	N/A	N/A	0.0	N/A	N/A
Tim Cobbold	Non-executive Director	1.9	N/A	N/A	0.0	N/A	N/A
Peter Dilnot	Non-executive Director	1.9	N/A	N/A	0.0	N/A	N/A
Karin Meurk-Harvey	Non-executive Director	N/A	N/A	N/A	N/A	N/A	N/A
Janice Stipp	Non-executive Director	1.9	N/A	N/A	N/A	N/A	N/A
Average UK employee		4.0	2.6	(16.6)	0.3	3.7	1.0

Annual Report on Remuneration 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.

	2021	2020	Percentage change
Employee remuneration (£000s)	**125,315**	134,747	-7.0%
Dividends (£000s)[(i)]	**75,515**	33,926	122.6%

(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 – 2021 financial years.

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
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.

To provide further context, the table below shows the CEO and the employee percentile pay used to determine the 2021 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[1]	620	25	30	42
Total remuneration (single figure)[(i)]	1,380	32	35	48

(i) Full time equivalent.

Statement of voting at general meeting

The Committee is committed to ongoing shareholder dialogue and takes an active interest in voting outcomes. Where there are substantial votes against resolutions in relation to Directors' remuneration, the Company seeks to understand the reasons for any such vote and will report any actions in response to it. The following table sets out actual voting at the AGM held on 24 April 2020 in respect of the Remuneration Policy and at the AGM held on 30 April 2021 in respect of the Annual Report on Remuneration for the year ended 31 December 2020.

Resolution	Votes cast 'for'	%	Votes cast 'against'	%	Votes 'withheld'	%
To approve the Remuneration Policy	682,875,938	95.97	28,701,772	4.03	8,566,067	0
To approve the Annual Report on Remuneration 2020	682,957,254	93.12	50,451,380	6.88	6,837,444	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 2021, the Company paid £158,570 (2020: £102,948) to Korn Ferry for services to the Remuneration Committee. Figures exclude VAT and disbursements.

How we will operate the Policy in 2022

Salary	Jonathan Davis' salary will increase effective from 1 April 2022 by 3.3% to £371,580 which is no greater than that of the average 2022 increase for the UK workforce. Effective from his appointment date of 10 January 2022, Kiet Huynh will receive an annual salary of £550,000. It is the intention of the Committee, and dependent on both his individual and Company performance, to increase his salary to the level of the outgoing CEO's salary plus the impact of workforce increases and in line with the market, likely over a two-year period. Otherwise, the CEO's salary will be reviewed annually in the light of the remuneration policy in force at that time. The first review is not intended to be before 1 April 2023.
Benefits	Benefits comprise a car and fuel allowance, personal accident and private medical insurance and life assurance.
Pension	A commitment has been made to align existing executive directors' pensions allowance to the level of the majority of the workforce, 10.24%[i], by the end of 2022. From 1 January 2022, the allowance for Jonathan Davis will fall to 15% of salary and, with effect from 1 January 2023, his employer pension contribution will be reduced to the wider workforce level of 10.24%. For Kiet Huynh, who was appointed on 10 January 2022 as an Executive Director and CEO, the wider workforce pension contribution level of 10.24% applies from that date. We anticipate, dependent on National Insurance contributions changing on 6 April 2022, for the majority wider workforce pension level to increase to 10.35% and this would then be applied as our published majority workforce level.
LTIP	The LTIP award levels for 2022 will be 200% of salary for Kiet Huynh and 175% of salary for Jonathan Davis. The awards will be subject to the following performance conditions: – 33% will be based on adjusted EPS. Adjusted EPS growth must be at least 9% for 15% 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. – 33% will be based on relative TSR performance with 25% vesting at median increasing to full vesting for upper quartile performance or above. – 33% will be based on economic profit. No payout will be received for a negative economic profit. The threshold target will require the cumulative economic profit over the three-year period to exceed that generated in the three year period to 2021 and the maximum target has been set such that it will require double digit growth in post-tax profits alongside improved balance sheet efficiencies. 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. The awards will be granted following the publication of the results and will be made subject to executive directors agreeing in writing to all the conditions under which the awards are made, including the post-cessation of employment shareholding arrangements that will apply to these awards. The executive directors will be required to retain any shares vesting under the awards (net of tax) until the fifth anniversary of grant.
Annual bonus	The maximum opportunity for Kiet Huynh and Jonathan Davis will be 150% and 125% of basic salary respectively. Any bonus earned above 60% of the maximum opportunity will be deferred in shares for three years. Bonuses will be based on: – EBITA Performance (60% of opportunity); the plan is based on the 2022 Budget approved by the Board and the challenging nature of the targets and stretch elements will be maintained. – Cash Generation (15% opportunity); the target to achieve maximum outturn will remain at 110%, reflecting the value of a sustained focus on cash generation. The Growth Acceleration Programme is funded from Rotork's own cash resources. – ESG (10% of opportunity) – measures will be aligned to the three pillars of the ESG strategy. Half of the opportunity will continue to be based on Health and Safety (LTIR) with a target set on the basis of 2021 performance and a maximum that requires maintaining the historical improvement in LTIR. The remaining 5% will be split across quantitative targets set to cover normalised carbon emissions; culture and engagement scores (including inclusivity); 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 Acceleration Programme and new IT systems. The specific targets relating to the bonus have not been disclosed as they are considered by the Remuneration Committee to be commercially sensitive but full details will be given on a retrospective basis in next year's report. The executive directors will be invited to participate and must agree in writing to the conditions pertaining to the Annual Bonus Plan, including those relating to the post-cessation of employment shareholding arrangements that will apply to any bonus deferred in shares.
Shareholding guidelines	The executive directors are required to build and maintain a shareholding equivalent to their total variable pay opportunity (being 350% and 300% for the Chief Executive Officer and Group Finance Director respectively) to be achieved within five years. A requirement to hold shares for a period of two years post-cessation will apply, as described in the Policy, and is applicable only to share based awards made after Policy which was approved on 24 April 2020. In order to ensure adherence to the post-cessation holding requirements, executive directors will, as a condition of receiving any and each share-based award, formally accept the post-cessation requirements in writing going forwards.

Non-executive director fees	An increase of 3.3% to both the Chairman's fee and the base Board fee has been approved, no greater than that of the average 2022 increase for the UK workforce as follows: Chairman: £247,920, effective 1 April 2022; Base Board fee: £59,290, effective 1 April 2022. Similarly, increases have been approved to the supplementary fees payable to those directors with additional responsibilities, and effective 1 April 2022. These fees will be: Additional fee for chairing the Audit Committee £11,000 Additional fee for chairing the Remuneration Committee £11,000 Additional fee for the role of Senior Independent Director £10,588 Additional fee for chairing the ESG Committee £7,410; and Additional fee for undertaking the role of workforce engagement director £7,410

(i) During the year, the Committee approved the change in the published wider workforce pension rate to 10.24%.

On behalf of the Board

Tim Cobbold
Chair of the Remuneration Committee
28 February 2022

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 2021 as set out on pages 166-211. In compiling this report, the directors have consulted with the management of the Group.

Information required in the report of the directors set out in the Strategic Report

Information relating to the likely future developments of the Company and its subsidiaries, information relating to the research and development activities of the Company and its subsidiaries, together with a description of the principal risks and uncertainties that they face, is set out in the Strategic Report on pages 2-95 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 98 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 104-115 and is incorporated into this Directors' Report by reference.

Rotork's statement of compliance in implementing the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), required to be made under Listing Rule 9.8.6(8), is set out on pages 59-73.

Additional disclosures

The Strategic Report can be found on pages 1-95, and encompasses our corporate responsibility report. A complete list of the Group's subsidiaries has been included on pages 207-209 to comply with section 409 of the Companies Act 2006 (the 'Act'). Other information that is relevant to this report, and is incorporated by reference, including information required in accordance with the Act and Listing Rule 9.8.4R, can be located as follows:

Listing Rule Statement	Detail	Page reference
9.8.4R(4)	Details of long-term incentive schemes	Note 25 to the financial statements and the Directors' Remuneration Report on pages 143-144
9.8.4R(12)	Shareholder waivers of dividends	Note 17 to the financial statements
9.8.4R(13)	Shareholder waivers of future dividends	Note 17 to the financial statements
9.8.4R(1-2), (5-11) and (14)	Not applicable	N/A

Principal activity

The Company manufactures industrial flow control equipment and instrumentation for oil 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 3,200 employees worldwide and is headquartered in Bath, UK.

Company status

Rotork plc is incorporated as a public limited company and is registered in England and Wales with the registered number 00578327. Its registered office is Rotork House, Brassmill Lane, Bath, BA1 3JQ. It has a premium listing on the London Stock Exchange main market for listed securities (LON:ROR) and is a constituent member of the FTSE 250 Index. Our registrars are Equiniti Limited, located at Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA.

Results and dividends

The results for the year ended 31 December 2021 are set out in the financial statements on pages 166-169.

The Board has recommended a final dividend for the year of 4.05p per ordinary share (2020: 6.30p) which, together with the interim dividend of 2.35p per ordinary share paid on 24 September 2021, gives a total dividend for the year of 6.40p per ordinary share. Subject to shareholder approval, the final dividend will be paid on 20 May 2022 to ordinary shareholders on the register at the close of business on 8 April 2022.

Directors

The directors in office at the date of this report and their biographies and other details, are set out on pages 102-103. During 2021, Kevin Hostetler, former Chief Executive Officer, served as a director. Kevin stepped down from the Board with effect from 10 January 2022 with Kiet Huynh being appointed to the Board in this role from the same date. Also during the year, Sally James retired from the Board as non-executive director on 30 April 2021 with Karin Meurk-Harvey being appointed as a non-executive director from 13 September 2021.

Directors' indemnification and insurance

The Company's articles of association provide for the directors and officers of the Company to be appropriately indemnified, subject to the provisions of the Act. The Company has granted indemnities to each Director in respect of any liabilities incurred in relation to acts or omissions arising in the ordinary course of their duties, but only to the extent permitted by law. The Company also purchases and maintains insurance for the directors and officers of the Company in respect of potential legal action instigated against its directors, as permitted by section 233 of the Act.

Powers of the directors

As set out in the Company's articles of association, the business of the Company is managed by the Board who may exercise all the powers of the Company.

Appointment and removal of directors

The Board may appoint a director, either to fill a vacancy or as an additional director. Any director appointed by the Board must retire at the next AGM of the Company and put themselves forward for re-appointment by the shareholders. In accordance with the recommendations of the Code, each member of the Board submits themself for re-election on an annual basis.

In addition to any power of removal conferred by the Companies Act 2006, the Company may by ordinary resolution remove any director before the expiration of their period of office and may, subject to the articles of association, by ordinary resolution appoint another person who is willing to act as a director in their place.

Committed to the highest standards of ethical behaviour

High ethical standards are fundamental to the way in which we do business. Respecting internationally proclaimed human rights, promoting an open and honest culture, having a zero tolerance approach to bribery and corruption worldwide, and selecting suppliers with sound reputations in the marketplace are important principles that the Group adheres to.

Code of Conduct

The latest version of our Code of Conduct was introduced in 2019 and sets out the standards of behaviour that Rotork expects from anyone acting on Rotork's behalf. This is supplemented by a range of additional policies that sit beneath the Code of Conduct, covering Confidentiality, Conflicts of Interest, Speak-Up, Fair Competition, Gifts and Hospitality, Anti-Bribery and Corruption, Data Protection, Modern Slavery and Trade Sanctions. A high level summary of the main policy is set out on pages 74-76

Our Suppliers' Code of Conduct can be viewed on our website at https://www.rotork.com/en/about-us/terms-and-conditions/suppliers/code-of-conduct and is available in our six core languages.

Whistleblowing

Rotork encourages the reporting of any suspected wrongdoing through its Speak-Up line which can be found on the Rotork website https://www.rotork.com/en/documents/publication/6675. The Speak-Up policy gives the workforce various ways to alert management and directors to any concerns including suspected wrong doing. An independent anonymous Speak-Up line is provided to assist in facilitating the reporting of any concerns confidentially. The Company has a strict no-retaliation policy in place to protect those raising concerns.

All Speak-Ups are investigated thoroughly, however communicated. At each meeting of the Board, directors review any 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, which was updated in December 2021, clarifies where gifts and hospitality are acceptable and the actions that our staff are required to take when they intend to give or receive them.

As part of our process for the appointment of our agents, controls are in place to monitor how they operate in accordance with our Code of Conduct.

Modern Slavery Act

In December 2021, the Board approved an updated Modern Slavery Act Statement which can be found on the Rotork website at https://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 48-58 of the Strategic Report.

Charitable Donations

Rotork supports its chosen charities, Pump Aid, Renewable World and WeForest. In addition, a variety of local donations are made to charitable causes relevant to communities around Rotork's operating sites. Donations are also made to the Rotork Benevolent Support fund, a charity that was established to provide short-term financial support to employees, and ex-employees, and their families facing financial hardship, especially as a result of the COVID-19 crisis. Further details are given on page 58.

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 authority at the 2022 AGM to ensure that it does not inadvertently commit any breaches of the Act through the undertaking of routine activities which would not normally be considered to comprise political donations or expenditure. Further details of the proposed ordinary resolution are provided within the AGM Notice.

Use of financial instruments

An explanation of the Group policies on the use of financial instruments and financial risk management objectives are contained in note 26 to the financial statements.

Existence of branches outside the UK

The Company has no branches outside of the UK.

Share capital

Details of the Company's share capital including the rights and obligations attached to each class of shares and the ordinary shares issued during 2021 are summarised in note 17 of the financial statements. Ordinary shares of 0.5p each represent over 99.9% of the Company's total share capital and £1 non-redeemable preference shares represent less than 0.1% of the Company's total share capital.

There are no securities of the Company carrying special rights with regard to the control of the Company.

At the Company's last AGM held on 30 April 2021, 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 2022 AGM and appropriate renewals will be sought.

In accordance with the authority given by shareholders at the 2021 AGM to purchase ordinary shares within the agreed pre-set parameters as mentioned above and consistent with our capital allocation policy to return a prudent level of cash to shareholders while retaining a strong balance sheet, the Board decided to undertake a share repurchase programme. Between 19 August and 9 November 2021, 14,403,732 ordinary shares (1.6% of issued share capital) were repurchased for a total consideration of £49,999,960. All of the shares purchased in the programme were cancelled. The Company does not hold any shares in treasury.

JTC Employer Solutions Limited is a shareholder which acts as the trustee of Rotork's Employee Benefit Trust (EBT). It is used to purchase Company shares in the market from time to time and hold them for the benefit of employees, including satisfying outstanding awards under the Company's various employee share plans. The EBT purchased a total of 1,022,286 shares in the market during the year for an aggregate consideration of £3,599,984 (including dealing costs) and released 1,581,522 shares to satisfy share plan awards. As at 31 December 2021, the EBT held 1,497,841 Rotork plc ordinary shares (0.17%) of the issued share capital) in trust. A dividend waiver is in place from the trustee in respect of the dividends payable by the Company on the shares held in the EBT. Further details can be found in note 17 to the financial statements.

The Company's Articles of Association contain customary restrictions on the transfer of shares as applicable only in certain limited circumstances (e.g. in relation to transfers to a minor). Save for those provisions, there are no restrictions on the transfer of ordinary shares in the capital of the Company other than certain restrictions which may be required from time to time by law, for example, insider trading law. In accordance with the Company's share dealing code, directors and certain employees are required to seek the prior approval of the Company to deal in its shares.

The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of securities and/or voting rights. The Company's Articles of Association contain limited restrictions on the exercise of voting rights (e.g. in relation to disenfranchised shares following the issue of a notice to shareholders under section 793 Companies Act 2006).

The Company's share schemes each contain provisions providing voting rights to the scheme trustee.

Amendments to the Company's articles of association

The Company's Articles of Association may only be amended by special resolution at a general meeting of the shareholders and were last updated and approved by shareholders at the AGM held on 30 April 2021.

Significant agreements – change of control

The Company is not aware of any significant agreements to which it is party, that take effect, alter or terminate upon a change of control of the Company following a takeover. There are no agreements between the Company and its directors or employees that provide for compensation for loss of office or employment that occurs because of a takeover bid.

Greenhouse gas emissions

The disclosures concerning greenhouse gas emissions required by law are set out in the key performance indicators on page 49.

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 56-57.

Engagement with suppliers and customers

For details on how we have engaged with our suppliers and customers, see page 110-111.

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 Chairman 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 110. A range of online and virtual investor relations events following the publication of the full-year and half-year results has been scheduled for 2022.

Substantial shareholders

As at 31 December 2021, 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. On 7 February 2022, Fiera Capital Corporation made a further notification to the Company, being a disclosure of a 5.03% interest. There were no changes of interests in shares notified between 31 December 2021 and 28 February 2022.

Identity	Number of voting rights (direct and indirect)	% of voting rights
Fiera Capital Corporation	44,007,436	5.04
Liontrust Investment Partners, LLP	43,687,367	5.02
Blackrock, Inc	35,264,819	4.04

Disclosure of information to the auditor

The directors who held office at the date of approval of this Report of the Directors confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

'Going concern' basis of preparation

After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements. In forming this view, the directors have considered trading and cash flow forecasts, financial commitments, the significant order book with customers spread across different geographic areas and industries and the significant net cash position.

Viability Statement

In line with the Code, the directors have carried out a rigorous review of the prospects of the current business, and its ability to meet its liabilities through to at least the end of December 2024. For further information, see page 93 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 2021.

Annual General Meeting

The AGM will be held on 29 April 2022. Full details of the resolutions to be proposed at the AGM as well as shareholders' rights with respect to attendance, participation in the meeting and the process for submission of proxy votes in advance of the meeting, are set out in the Notice of AGM.

Additional information for shareholders can be found on the Rotork website at www.rotork.com.

External auditor

Upon the recommendation of the Audit Committee and approval of the Board, a resolution to appoint Deloitte LLP as auditor, and to authorise the Audit Committee to determine their remuneration, are to be proposed at the forthcoming AGM.

The Directors' Report was approved by the Board on 28 February 2022.

By order of the Board

Stuart Pain
Group General Counsel & Company Secretary
28 February 2022

Statement of directors' responsibility for preparing the Annual Report and financial statements

Directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors are required to prepare the group financial statements in accordance with UK-adopted international accounting standards. The directors have also chosen to prepare the parent company financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework.

Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

– Properly select and apply accounting policies;
– Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
– Provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
– Make an assessment of the company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' Responsibility statement pursuant to the Disclosure Guidance and Transparency Rules

Each of the directors, whose names and functions are listed on pages 102-103 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, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategies.

Kiet Huynh
Chief Executive Officer
28 February 2022

Financial Statements

Independent auditor's report to the members of Rotork Plc

Report on the audit of the financial statements

1. Opinion

In our opinion:
- the financial statements of Rotork plc (the 'Parent Company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2021 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:
- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and Parent Company balance sheets;
- the consolidated and Parent Company statements of changes in equity;
- the consolidated statement of cash flows; and
- the related notes 1 to 30, and (a) to (i).

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law, and United Kingdom adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfiled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the Group and Parent Company for the year are disclosed in note 8 to the financial statements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the Group or the Parent Company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: – The timing of revenue recognition; and – Accounting for Software as a Service costs. Within this report, key audit matters are identified as follows: Newly identified Increased level of risk Similar level of risk Decreased level of risk
Materiality	The materiality that we used for the Group financial statements was £6.5 million which was determined on the basis of profit before tax adjusted for 'Other adjustments', defined in note 4 to the financial statements.
Scoping	Our audit scope covered 81% of group revenue, 82% of group profit before tax, and 88% of group net assets. Our component scoping is consistent with the prior year, with audit work once again being performed by a combination of our group audit team and component audit teams.
Significant changes in our approach	We have identified a new key audit matter in the year as a result of the change in accounting policy related to Software as a Service costs, and the subsequent restatement of the 2020 financial statements. There have been no other significant changes in our approach.

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the Group's and Parent Company's ability to continue to adopt the going concern basis of accounting included:

– Evaluation of the available financing facilities including the nature of facilities, and repayment terms as well as relevant covenants, set out in note 26 to the financial statements;
– Assessment of whether the cash flow forecasts over the outlook period are reasonable including evaluation of the potential ongoing impact of COVID-19 and disruption to key supply chains and international logistics;
– Evaluation of the headroom forecast by management over both liquidity positions and covenant compliance;
– Assessment of the sufficiency of the sensitivity analysis performed by management;
– Testing of the clerical accuracy of those forecasts and our assessment of the historical accuracy of forecasts prepared by management; and
– Assessment of the appropriateness of the disclosure provided in note 1 to the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the reporting on how the Group has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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 £569 million during the year (2020: £605 million) relating to the manufacture and delivery of products and provision of services. Revenue growth is a key performance indicator for the business. In applying IFRS 15 Revenue from Contracts with Customers there is judgement required in determining the timing of the transfer of control of products and services to customers, which impacts the amount of revenue recognised in the Group's financial statements. This judgement could be the subject of management bias or error and so we considered that the timing of the cut-off of revenue recognition represents a key audit matter, and a risk of potential fraud in respect of revenue recognition. The determination of whether control of products and the provision of services has passed to a customer requires the consideration of a number of factors, which include consideration of the specific delivery terms of the arrangement and whether certain criteria have been met to evidence the passing of control. The circumstances where most judgement is required are when the products are yet to be despatched to the customer (known as bill-and-hold sales). Further details are included within note 1 to the financial statements.

How the scope of our audit responded to the key audit matter	In response to the identified key audit matter we have performed the following procedures: – obtained an understanding of the relevant controls in place at each component to address the risk that revenue is recorded in the inappropriate period; – developed an understanding of how current global supply chain disruption could impact the timing of delivery of the Group's products to their customers; – obtained an understanding of the relevant shipping terms utilised by the Group as well as assessed the likely length of time required to ship to customer locations, and how this impacts the timing of revenue recognition; and – assessed the processes that management follow in recording sales from manufacturing facilities to sales offices, and eventually to third parties. Having identified transactions of interest we have performed the following: – inspected purchase orders, invoices, despatch notes, shipping terms and delivery notes as required to assess whether the timing of revenue recognition is appropriate based on the status of products and services at year end. This included challenging management on whether control had passed in line with the requirements of IFRS 15; and – specifically in the case of bill-and-hold sales, amongst other things, 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.

5.2. Accounting for Software as a Service ("SaaS") costs

Key audit matter description	As described on page 34, the Group continues to execute its Growth Acceleration Programme. A key part of that programme relates to the roll-out of a new group-wide ERP system based on a SaaS solution, which represents a significant and multi-year programme of activity and impacts a broad range of functions with the Group including sales, customer services, human resources, site services and finance. The costs of developing and integrating this ERP system are significant and the Group started recognising costs associated with this programme in 2019. A significant portion of these costs relate to the configuration and customisation of a cloud-based solution. By their nature, large and complex multi-year IT transformation programmes incur a high level of costs and therefore judgement is required in determining whether the costs incurred should be capitalised in accordance with IAS 38 Intangible Assets. In particular, such programmes that integrate existing and develop new on-premise software require careful consideration. Management has considered the April 2021 IFRIC agenda conclusion regarding accounting for costs associated with SaaS arrangements and as a result has changed their accounting policy to be consistent with the agenda decision. This change in accounting policy has led to a restatement of results for the comparative period, as well as a change to the way software costs incurred in the period are recognised and measured. In accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, the restatement has reduced opening net assets at 1 January 2021 by £10.9 million and reduced the profit before tax for the year ended 31 December 2020 by £9.5 million. Further details of this restatement are included within note 1 to the financial statements. The costs that have been expensed as part of this transformation programme have been classified as adjusting items, as disclosed in note 4 to the financial statements. In the current period, the Group has capitalised a further £5.2 million of software costs, resulting in total software assets of £9.6 million at 31 December 2021. Further details are included in note 11 to the financial statements. Our key audit matter relates to both the restatement of the comparative period results, as well as the capitalisation of costs associated with the SaaS solution in the period. We have recognised this as a key audit matter, and a potential risk of fraud, due to the complexity of the judgement involved and the fact that this judgement could be the subject of management bias or error, particularly given the impact such costs have and will have on the Group's reported earnings in the current and future years.

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: – Evaluated the Group's new accounting policy for consistency with the IFRIC agenda decision; – Understood and evaluated the process that management implemented in assessing the appropriate accounting for such costs; – Obtained an understanding of the different categories of cost utilised in the Group's analysis of IT transformation programme costs, and evaluated the accounting treatment that management have applied to each of those categories against the requirements of IAS 38 Intangible Assets as it relates to internally generated assets; – For a sample of costs incurred in the current and previous periods we performed detail testing in order to conclude whether the nature of those costs was accurately represented and accounted for. In making this assessment, we inspected the contractual arrangements and associated scope of work with the Group's software integration partner and other suppliers and corroborated our understanding of the nature of the work provided by such suppliers with representatives of the Group's IT function; and Specifically in relation to the restatement: – Considered the potential for management to exert bias in their recognition of such costs (for example, by seeking to expense more costs than would be appropriate through adjusting items so as to reduce future amortisation costs and increase future reported profit) and, with that consideration in mind, challenged whether management had sought to overstate costs that, in their view, should have been expensed; and – Assessed the disclosures prepared by management, in consideration of the disclosure requirements of IAS 8 and IAS 1 Presentation of Financial Statements.
Key observations	We are satisfied that the accounting for SaaS costs including the restatement resulting from the change in accounting policy, is appropriate.

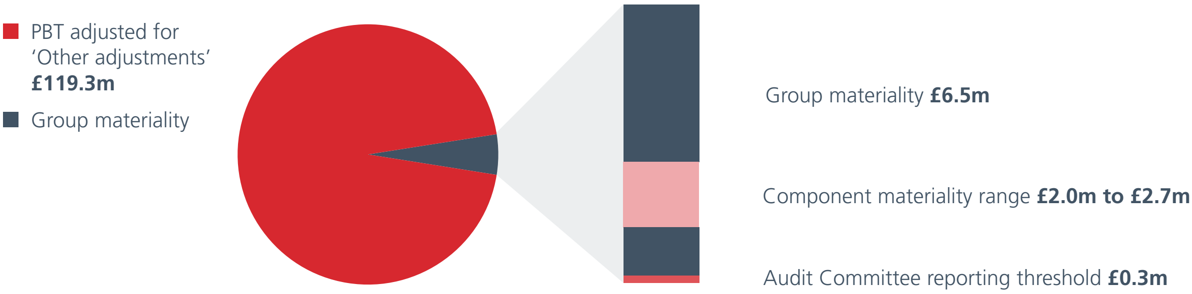
6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent Company financial statements
Materiality	£6.5 million (2020: £6.0 million)	£3.2 million (2020: £3.0 million)
Basis for determining materiality	5% of profit before tax adjusted for 'Other adjustments'. In the year ended 31 December 2021 the adjustments to statutory pre-tax profit are consistent with those presented in note 4 to the financial statements. This basis is consistent with the year ended 31 December 2020.	Parent Company materiality equates to less than 1% of net assets (2020: 1% of net assets), which is capped at less than 50% (2020: capped at 50%) 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% (2020: 70%) of Group materiality	70% (2020: 70%) of Parent Company materiality
Basis and rationale for determining performance materiality	In setting performance materiality we considered: – The quality of the control environment in the Group and in the component finance teams and the extent to which this has been impacted by COVID-19 and remote working; – The low number of corrected and uncorrected misstatements identified in previous audits; and – The level of consistency in key management personnel. We have not identified any significant changes in the above assessment which results in a consistent performance materiality determination in 2021 and 2020.	

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.3 million (2020: £0.3 million), 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.

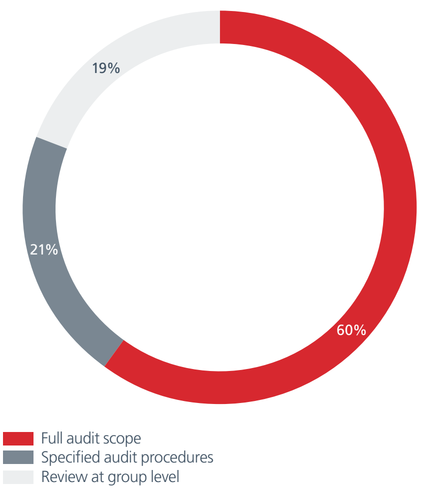
7. An overview of the scope of our audit

7.1. Identification and scoping of components

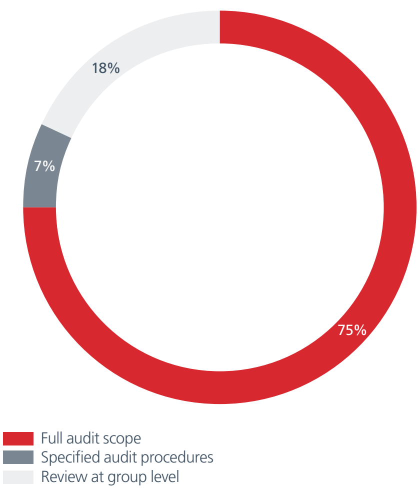
Our group audit was scoped by obtaining an understanding of the Group and its environment, including group-wide controls, and assessing the risks of material misstatement at a group level. Based on that assessment, we focused our group audit scope primarily on the audit work at 15 components (2020: 16) which were subject to a full scope audit and on a further 9 components (2020: 7) which were subject to specified audit procedures.

These 24 components (2020: 23 components) include the principal business units within the Group's three reportable segments across 14 countries and account for 81% of the Group's revenues (2020: 79%), 82% of profit before tax (2020: 86%) and 88% of net assets (2020: 87%). They were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. In selecting which business units to include within the scope of our audit we considered both quantitative and qualitative factors and a change in selected units from the prior year to introduce an element of unpredictability in scoping. Our audit work at these components was executed at levels of materiality applicable to each individual entity, which were lower than group materiality ranging from £2.0 million to £2.7 million (2020: £1.9 million to £2.5 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.

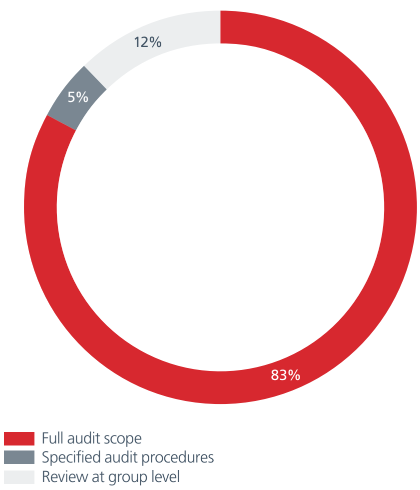
Revenue



Profit before tax



Net assets



7.2. Our consideration of the control environment
The Group operates a diverse IT infrastructure globally. With the involvement of IT audit specialists we obtained an understanding of the relevant IT environment including in some instances performing general IT control ("GITC") testing. We did not place reliance on those controls for the purposes of our substantive audit procedures. The Group is currently undergoing significant investment in its IT and Core Business Processes not least through development of a global platform based on Microsoft D365 technology. That investment, and the comparative diverse infrastructure that currently operates around the Group, led us to our audit strategy of performing a mostly substantive audit.

For all components we obtained an understanding of the relevant controls associated with the financial reporting process, areas of significant risk, and in relation to significant accounting estimates. In a small number of locations we were able to rely on certain controls relating to revenue and trade receivables, inventory, cost of sales and payables, and payroll account balances.

7.3. Our consideration of climate-related risks
As described on page 62, 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 their conclusion that there is no material impact on the carrying value of the Group's assets and liabilities at the balance sheet date. We also read the climate-related narrative in the Sustainability review to consider whether it is materially consistent with the financial statements and our knowledge obtained in the audit.

7.4. Working with other auditors
Due to the significance to the Group audit of the components' operations subject to full scope audits, we exercised oversight over our component audit teams. In light of the travel restrictions and widespread lockdowns resulting from the COVID-19 pandemic both during 2021 and immediately after the 2021 year end we were not able to complete our normal programme of planned visits in the year. In response to the restrictions we have transitioned to a remote oversight approach through a number of measures, as appropriate to each component, including more frequent dialogue and increased usage of video conferencing. Where necessary 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.

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. Extent to which the audit was considered capable of detecting irregularities, including fraud continued

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group’s remuneration policies, key drivers for directors’ remuneration, bonus levels and performance targets;
- the Group’s own assessment of the risks that irregularities may occur either as a result of fraud or error;
- results of our enquiries of management, internal audit, and the Audit Committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the Group’s documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations; and
- the matters discussed among the audit engagement team including significant component audit teams and relevant internal specialists, including tax, valuations, pensions, IT, and impairment 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. The complexity and judgement involved with the restatement and current period treatment of the SaaS costs meant that we also identified potential for fraud in that key audit matter. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules, UK Corporate Governance code, employment law, pensions legislation and tax legislation in relevant jurisdictions.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group’s ability to operate or to avoid a material penalty. These included the Group’s compliance with environmental, health and safety, and anti-bribery and corruption legislation; as well as considering the Group’s monitoring of changes in legislation including sanctions.

11.2. Audit response to risks identified

As a result of performing the above, we identified the key audit matters set out in section 5 related to the potential risk of fraud. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

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 other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors’ remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors’ report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors’ report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors’ report.

13. Corporate Governance Statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified for our review.
Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:
- the directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 153;
- the directors' explanation as to its assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on page 93;
- the directors' statement on fair, balanced and understandable set out on page 120;
- the board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 114;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 121; and
- the section describing the work of the audit committee set out on page 119.

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 8 years, covering the years ending 31 December 2014 to 31 December 2021.

15.2. Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).

16. Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

As required by the Financial Conduct Authority (FCA) Disclosure Guidance and Transparency Rule (DTR) 4.1.14R, these financial statements form part of the European Single Electronic Format (ESEF) prepared Annual Financial Report filed on the National Storage Mechanism of the UK FCA in accordance with the ESEF Regulatory Technical Standard (('ESEF RTS'). This auditor's report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS.

David Griffin FCA
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
28 February 2022

Consolidated income statement
For the year ended 31 December 2021

	Notes	2021 £000	(Restated)[1] 2020 £000
Revenue	3	**569,160**	604,544
Cost of sales		**(306,394)**	(320,234)
Gross profit		**262,766**	284,310
Other income	5	**587**	1,581
Distribution costs		**(5,397)**	(5,271)
Administrative expenses		**(152,064)**	(166,807)
Other expenses	5	**(182)**	(710)
Adjusted operating profit	2,3	**128,080**	142,543
Adjustments			
Amortisation of acquired intangible assets	3	**(9,001)**	(14,110)
Other adjustments	4	**(13,369)**	(15,330)
Operating profit	3	**105,710**	113,103
Finance income	7	**2,442**	2,394
Finance expense	7	**(2,221)**	(2,931)
Profit before tax	8	**105,931**	112,566
Income tax expense	9	**(25,686)**	(26,808)
Profit for the year		**80,245**	85,758
Basic earnings per share	18	**9.2p**	9.8p
Adjusted basic earnings per share	2,18	**11.3p**	12.5p
Diluted earnings per share	18	**9.2p**	9.8p
Adjusted diluted earnings per share	2,18	**11.2p**	12.5p

1 See note 1 for details of the prior period restatement

Consolidated statement of comprehensive income
For the year ended 31 December 2021

	2021 £000	(Restated)[1] 2020 £000
Profit for the year	**80,245**	85,758
Other comprehensive income		
Items that may be subsequently reclassified to the income statement:		
Foreign exchange translation differences	**(8,899)**	(3,913)
Effective portion of changes in fair value of cash flow hedges net of tax	**(88)**	(12)
	(8,987)	(3,925)
Items that are not subsequently reclassified to the income statement:		
Actuarial gain/(loss) in pension scheme net of tax	**19,469**	(14,836)
Income and expenses recognised in other comprehensive income	**10,482**	(18,761)
Total comprehensive income for the year	**90,727**	66,997

1 See note 1 for details of the prior period restatement

Consolidated balance sheet
At 31 December 2021

	Notes	2021 £000	(Restated)[1] 2020 £000	(Restated)[1] 2019 £000
Non-current assets				
Goodwill	10	**216,778**	223,537	222,052
Intangible assets	11	**25,722**	25,145	40,848
Property, plant and equipment	12	**77,798**	86,082	83,995
Deferred tax assets	13	**10,183**	20,232	15,776
Total non-current assets		**330,481**	354,996	362,671
Current assets				
Inventories	14	**68,447**	61,467	73,905
Trade receivables	15	**94,189**	112,565	129,390
Current tax	15	**9,558**	7,180	4,830
Derivative financial instruments	23	**1,896**	1,582	2,196
Other receivables	15	**35,824**	25,868	27,558
Assets classified as held for sale	15	**2,884**	1,119	–
Cash and cash equivalents	16	**123,474**	187,204	117,612
Total current assets		**336,272**	396,985	355,491
Total assets		**666,753**	751,981	718,162
Equity				
Issued equity capital	17	**4,302**	4,370	4,363
Share premium		**18,828**	16,826	14,521
Other reserves		**12,019**	20,934	24,859
Retained earnings		**498,931**	528,624	491,451
Total equity		**534,080**	570,754	535,194
Non-current liabilities				
Interest bearing loans and borrowings	19	**5,464**	5,396	6,791
Employee benefits	20	**11,336**	42,846	33,576
Deferred tax liabilities	13	**1,580**	9,551	11,078
Derivative financial instruments	23	**106**	–	124
Provisions	21	**1,559**	1,720	1,964
Total non-current liabilities		**20,045**	59,513	53,533
Current liabilities				
Interest bearing loans and borrowings	19	**3,872**	3,754	4,752
Trade payables	22	**38,800**	33,560	41,195
Employee benefits	20	**14,440**	23,645	24,734
Current tax	22	**12,226**	14,765	13,270
Derivative financial instruments	23	**–**	168	52
Other payables	22	**37,986**	41,334	40,581
Provisions	21	**5,304**	4,488	4,851
Total current liabilities		**112,628**	121,714	129,435
Total liabilities		**132,673**	181,227	182,968
Total equity and liabilities		**666,753**	751,981	718,162

1 See note 1 for details of the prior period restatement.

These financial statements were approved by the Board of Directors and authorised for issue on 28 February 2022 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 2021

	Issued equity capital £000	Share premium £000	Translation reserve £000	Capital redemption reserve £000	Hedging reserve £000	Retained earnings £000	Total £000
Balance at 31 December 2019 (Restated)[1]	4,363	14,521	22,287	1,644	928	491,451	535,194
Profit for the year (Restated)[1]	–	–	–	–	–	85,758	85,758
Other comprehensive income							
Foreign exchange translation differences	–	–	(3,913)	–	–	–	(3,913)
Effective portion of changes in fair value of cash flow hedges	–	–	–	–	6	–	6
Actuarial loss on defined benefit pension plans	–	–	–	–	–	(18,570)	(18,570)
Tax on other comprehensive income	–	–	–	–	(18)	3,734	3,716
Total other comprehensive income	–	–	(3,913)	–	(12)	(14,836)	(18,761)
Total comprehensive income (Restated)[1]	–	–	(3,913)	–	(12)	70,922	66,997
Transactions with owners, recorded directly in equity							
Equity settled share-based payment transactions	–	–	–	–	–	(306)	(306)
Tax on equity settled share-based payment transactions	–	–	–	–	–	(65)	(65)
Share options exercised by employees	7	2,305	–	–	–	–	2,312
Own ordinary shares acquired	–	–	–	–	–	(3,645)	(3,645)
Own ordinary shares awarded under share schemes	–	–	–	–	–	4,193	4,193
Dividends	–	–	–	–	–	(33,926)	(33,926)
Balance at 31 December 2020 (Restated)[1]	**4,370**	**16,826**	**18,374**	**1,644**	**916**	**528,624**	**570,754**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**80,245**	**80,245**
Other comprehensive income							
Foreign exchange translation differences	**–**	**–**	**(8,899)**	**–**	**–**	**–**	**(8,899)**
Effective portion of changes in fair value of cash flow hedges	**–**	**–**	**–**	**–**	**(109)**	**–**	**(109)**
Actuarial gain on defined benefit pension plans	**–**	**–**	**–**	**–**	**–**	**24,040**	**24,040**
Tax on other comprehensive income	**–**	**–**	**–**	**–**	**21**	**(4,571)**	**(4,550)**
Total other comprehensive income	**–**	**–**	**(8,899)**	**–**	**(88)**	**19,469**	**10,482**
Total comprehensive income	**–**	**–**	**(8,899)**	**–**	**(88)**	**99,714**	**90,727**
Transactions with owners, recorded directly in equity							
Equity settled share-based payment transactions	**–**	**–**	**–**	**–**	**–**	**(1,982)**	**(1,982)**
Tax on equity settled share-based payment transactions	**–**	**–**	**–**	**–**	**–**	**633**	**633**
Share options exercised by employees	**4**	**2,002**	**–**	**–**	**–**	**–**	**2,006**
Own ordinary shares acquired	**–**	**–**	**–**	**–**	**–**	**(7,809)**	**(7,809)**
Own ordinary shares awarded under share schemes	**–**	**–**	**–**	**–**	**–**	**5,455**	**5,455**
Share buyback programme	**(72)**	**–**	**–**	**72**	**–**	**(50,324)**	**(50,324)**
Dividends	**–**	**–**	**–**	**–**	**–**	**(75,380)**	**(75,380)**
Balance at 31 December 2021	**4,302**	**18,828**	**9,475**	**1,716**	**828**	**498,931**	**534,080**

1 See note 1 for details of the prior period restatement.

Detailed explanations for equity capital, the translation reserve, capital redemption reserve and hedging reserve can be seen in note 17.

Consolidated statement of cash flows
At 31 December 2021

	Notes	2021 £000	2021 £000	(Restated)[1] 2020 £000	(Restated)[1] 2020 £000
Cash flows from operating activities					
Profit for the year		**80,245**		85,758	
Adjustments for:					
Amortisation of acquired intangibles		**9,001**		14,110	
Other adjustments	4	**13,369**		15,330	
Amortisation and impairment of development costs		**1,657**		2,967	
Depreciation		**15,673**		16,313	
Equity settled share-based payment expense		**3,333**		3,685	
Loss on sale of property, plant and equipment		**–**		146	
Finance income		**(2,442)**		(2,394)	
Finance expense		**2,221**		2,931	
Income tax expense		**25,686**		26,808	
		148,743		165,654	
(Increase)/decrease in inventories		**(8,330)**		12,561	
Decrease in trade and other receivables		**5,944**		14,672	
Increase/(decrease) in trade and other payables		**2,583**		(7,195)	
Cash impact of other adjustments		**(13,346)**		(16,250)	
Difference between pension charge and cash contribution		**(7,562)**		(10,109)	
Decrease in provisions		**(937)**		(483)	
Decrease in employee benefits		**(9,632)**		(622)	
		117,463		158,228	
Income taxes paid		**(32,021)**		(30,781)	
Net cash flows from operating activities			**85,442**		127,447
Investing activities					
Purchase of property, plant and equipment		**(13,170)**		(15,466)	
Purchase of intangible assets		**(5,174)**		–	
Development costs capitalised		**(1,806)**		(1,298)	
Sale of property, plant and equipment		**3,808**		272	
Disposal of businesses		**–**		3,807	
Settlement of hedging derivatives		**4,102**		(3,157)	
Interest received		**857**		1,389	
Net cash flows from investing activities			**(11,383)**		(14,453)
Financing activities					
Issue of ordinary share capital		**2,006**		2,312	
Own ordinary shares acquired		**(7,809)**		(3,645)	
Share buy back programme		**(50,324)**		–	
Interest paid		**(881)**		(954)	
Decrease in bank loans		**(67)**		(69)	
Repayment of lease liabilities		**(4,904)**		(5,168)	
Dividends paid on ordinary shares		**(75,515)**		(33,926)	
Net cash flows from financing activities			**(137,494)**		(41,450)
Net increase in cash and cash equivalents			**(63,435)**		71,544
Cash and cash equivalents at 1 January			**187,204**		117,612
Effect of exchange rate fluctuations on cash held			**(295)**		(1,952)
Cash and cash equivalents at 31 December	16		**123,474**		187,204

1 See note 1 for details of the prior period restatement.

Notes to the Group financial statements
For the year ended 31 December 2021

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 2021 comprise the Company and its subsidiaries (together referred to as the Group). The accounting policies contained below in note 1 and the disclosures in notes 2 to 30 all relate to the Group financial statements. The Company balance sheet, accounting policies and applicable notes can be found following note 30.

1. Accounting policies
The accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to the years presented, unless otherwise stated.

Basis of preparation
The consolidated financial statements of Rotork plc have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and UK-adopted international accounting standards.

The consolidated financial statements have been prepared under the historical cost convention subject to the items referred to in the derivative financial instruments accounting policy below.

New accounting standards and interpretations
i. Amendments
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
i. Amendments
Further narrow scope amendments have been issued which are mandatory for periods commencing on or after 1 January 2022. The application of these amendments will not have any material impact on the disclosures, net assets or results of the Group.

Change in accounting policy – Software as a Service ('SaaS') arrangements
The Group has changed its accounting policy related to the capitalisation of certain software costs; this change follows the IFRIC Interpretation Committee's agenda decision published in April 2021, which clarifies the accounting treatment of the costs of configuring or customising application software under Software as a Service arrangements.

The Group's accounting policy has historically been to capitalise costs directly attributable to the configuration and customisation of SaaS arrangements as assets in the Balance Sheet. Following the adoption of the above IFRIC agenda guidance, current SaaS arrangements, principally relating to the Group's ongoing transformation programme as referred to on page 34, were identified and assessed to determine if the Group has control of the software and associated configured and customised elements. For those arrangements where the Group does not have control of the developed software, the Group derecognised the asset previously capitalised.

This change in accounting policy led to adjustments in the 31 December 2020 and 31 December 2019 balance sheets amounting to a £14,538,000 (2019: £5,067,000) reduction in property, plant and equipment, a £3,608,000 (2019: £1,194,000) increase in deferred tax assets and a £332,000 (2019: £846,000) increase in deferred tax liabilities. This change also led to adjustments to the income statement for the years ended 31 December 2020 and 31 December 2019 amounting to a £9,471,000 (2019: £5,067,000) increase in Software as a Service configuration costs within other adjustments and a decrease of £1,901,000 (2019: £861,000) in income tax expense.

Accordingly, the prior period Balance Sheets at 31 December 2020 and 31 December 2019 have been restated in accordance with IAS 8, and, in accordance with IAS 1 (revised), a Balance Sheet at 31 December 2019 is also presented, together with related notes. The tables on the following page show the impact of the change in accounting policy on previously reported financial results.

Impact on the consolidated balance sheet

	(As previously reported) 2020 £000	Impact of restatement £000	**(Restated) 2020 £000**
Property, plant and equipment	100,620	(14,538)	**86,082**
Deferred tax assets	16,624	3,608	**20,232**
Other assets	645,667	–	**645,667**
Total assets	762,911	(10,930)	**751,981**
Retained earnings	540,400	(11,776)	**528,624**
Deferred tax liabilities	8,705	846	**9,551**
Other equity and liabilities	213,806	–	**213,806**
Total equity and liabilities	762,911	(10,930)	**751,981**

Impact on the consolidated income statement and statement of comprehensive income

	(As previously reported) 2020 £000	Impact of restatement £000	**(Restated) 2020 £000**
Adjusted operating profit	142,543	–	**142,543**
Adjustments			
– Amortisation of acquired intangible assets	(14,110)	–	**(14,110)**
– Other adjustments	(5,859)	(9,471)	**(15,330)**
Operating profit	122,574	(9,471)	**113,103**
Profit before tax	122,037	(9,471)	**112,566**
Income tax expense	(28,709)	1,901	**(26,808)**
Profit for the year	93,328	(7,570)	**85,758**
Total comprehensive income for the year	74,567	(7,570)	**66,997**

Impact on basic and diluted earnings per share

	(As previously reported) 2020	Impact of restatement	**(Restated) 2020 £000**
Basic earnings per share	10.7p	(0.9)p	**9.8p**
Adjusted basic earnings per share	12.5p	–	**12.5p**
Diluted earnings per share	10.7p	(0.9)p	**9.8p**
Adjusted diluted earnings per share	12.5p	–	**12.5p**

Impact on statutory tax rate and effective tax rate on adjusted profit before tax

	(As previously reported) 2020 £000	Impact of restatement £000	**(Restated) 2020 £000**
Profit before tax	122,037	(9,471)	**112,566**
Total tax charge for the year	(28,709)	1,901	**(26,808)**
Profit after tax	93,328	(7,570)	**85,758**
Effective tax rate	23.5%	20.1%	**23.8%**

Impact on the consolidated statement of cash flows

	(As previously reported) 2020 £000	Impact of restatement £000	**(Restated) 2020 £000**
Net cash flows from operating activities	137,260	(9,813)	**127,447**
Net cash flows from investing activities	(24,266)	9,813	**(14,453)**
Net cash flows from financing activities	(41,450)	–	**(41,450)**
Cash and cash equivalents at 31 December	187,204	–	**187,204**

No impact on the overall increase in cash and cash equivalents for the year.

1. Accounting policies continued

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 on the face of the income statement to provide greater clarity and a better understanding of the impact of these items on the Group's financial performance. In doing so, it also facilitates greater comparison of the Group's underlying results with prior periods and assessment of trends in financial performance. This split is consistent with how underlying business performance is measured internally.

Adjustments to profit items may include but are not restricted to: costs of significant business restructuring, significant 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 due to their significance, size or nature, and the related taxation.

Going concern
The directors have reviewed the current financial position of the Group, which has net cash of £123m; the significant order book, which contains customers spread across different geographic areas and industries; and the trading and cash flow forecasts for the Group. The directors have reverse stress tested the forecasts and are satisfied that the downside scenarios are considered remote and that the Group would continue to have headroom on existing facilities. 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 reductions in discretionary spend.

Based on the factors detailed above, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and at least 12 months from the date of this report. For this reason, they continue to adopt the going concern basis in preparing the financial statements. In forming this view, the on-going impact of COVID-19 on the Group has been considered.

Consolidation
The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries for the year to 31 December 2021. 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 foreign exchange 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.

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, generally at a point of time on despatch of goods, in line with the International Chamber of Commerce International Commercial terms (incoterms). 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.

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.

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.

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 capitalise 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.

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 natures of each of the intangibles acquired. The assessed useful lives of intangibles acquired are as follows:

Brands	4 to 10 years
Customer relationships	2 to 8 years
Other – product design patents	4 to 8 years
Other – order backlog	3 months to 1 year

Amortisation is charged on a straight-line basis over the estimated useful life of the assets.

Property, plant and equipment

Freehold land is not depreciated. Long leasehold buildings are amortised over 50 years or the expected useful life of the building where less than 50 years. Other assets are depreciated in equal annual instalments by reference to their estimated useful lives and residual values at the following annual rates:

Freehold buildings	2% to 4%
Short leasehold buildings	period of lease
Plant and equipment	10% to 33%

Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation and impairment losses.

1. Accounting policies continued

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.

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 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.

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. 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.

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 actuarial gains and losses that arise in calculating the Group's obligation in respect of the plans, these are recognised in other comprehensive income. The retirement benefit obligation recognised in the consolidated balance sheet represents the deficit in the Group's defined benefit pension schemes. Interest on pension scheme liabilities has been recognised within financing expenses.

The Group also operates defined contribution pension schemes. The costs for these schemes are recognised in the income statement as incurred.

ii) Share-based payment transactions

The Rotork Sharesave Plan offers certain employees the opportunity to purchase shares in Rotork plc at a discounted price compared with the market price at the time of grant. Details of the scheme are given in note 25. The fair value of the right/option is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period between grant and maturity. The right/option reaches maturity when the employee becomes unconditionally entitled. The fair value of the grant is measured using a Black-Scholes model, taking into account the terms and conditions upon which the rights were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is due only to share prices not achieving the threshold for vesting.

The Rotork Long Term Incentive Plan grants shares to executive directors and senior managers. These awards may vest after a period of three years dependent upon both market and non-market performance conditions being met. Details of the grants are given in note 25. The fair value of the award is measured at grant date, using a Monte Carlo simulation model which takes into account the market based performance criteria, and spread over the vesting period. The fair value of the award is recognised as an employee expense with a corresponding increase in equity for the share settled award. The amount recognised as an expense is adjusted to exclude options that do not vest as a result of non-market performance conditions not being met.

The Overseas Profit Linked Share Plan (OPLSS) and the share incentive plan (SIP) are discretionary profit linked share schemes based on the prior year profit of the participating Rotork companies. The value of the award to each employee is based on salary and the length of service, the value of the awards can be up to £3,600. Shares awarded under these schemes are issued by the trustee at the cost of purchase. The costs of providing these plans are recognised in the income statement over the period in which the employee has earned the award.

iii) Long term service leave

The Group's net obligation in respect of long term service leave is the amount of future benefit that employees have earned in return for their service in the current and prior periods.

iv) Other employee benefits

The Group offers a number of discretionary bonus schemes to employees around the world. The costs of these schemes are recognised in the income statement as the criteria are met and service is undertaken.

1. Accounting policies continued

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 accounting estimates and judgements

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 62, 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 provisions for, retirement benefit obligations. Management is required to estimate the future rates of inflation, salary increases, discount rates and longevity of members, each of which may have a material impact on the defined benefit obligations that are recorded. Sensitivities to changes in key estimates affecting the pension schemes' liabilities are shown in note 24.

2. Alternative performance measures

The Group uses adjusted figures as key performance measures in addition to those reported under adopted IFRS, as management believe these measures facilitate greater comparison of the Group's underlying results with prior periods and assessment of trends in financial performance.

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 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 on these adjustments are given in note 4.

b. Adjusted profit before tax

The adjustments in calculating adjusted profit before tax are consistent with those in calculating adjusted operating profit above.

	2021	(Restated) 2020
Profit before tax	**105,931**	112,566
Adjustments:		
Amortisation of acquired intangible assets	**9,001**	14,110
Gain on disposal of property	**(1,569)**	–
Software as a Service configuration costs	**8,493**	9,471
Redundancy costs	**3,871**	5,744
Other restructuring costs	**2,574**	115
Adjusted profit before tax	**128,301**	142,006

c. Adjusted basic and diluted earnings per share

Adjusted basic earnings per share is calculated using the adjusted net profit attributable to the ordinary shareholders and dividing it by the weighted average ordinary shares in issue (see note 18). Adjusted net profit attributable to ordinary shareholders is calculated as follows:

	2021	(Restated) 2020
Net profit attributable to ordinary shareholders	**80,245**	85,758
Adjustments:		
Amortisation of acquired intangible assets	**9,001**	14,110
Gain on disposal of property	**(1,569)**	–
Redundancy costs	**3,871**	5,744
Other restructuring costs	**2,574**	115
Software as a Service configuration costs	**8,493**	9,471
Tax effect on adjusted items	**(4,785)**	(6,385)
Adjusted net profit attributable to ordinary shareholders	**97,830**	108,813

Diluted earnings per share is calculated by using the adjusted net profit attributable to ordinary shareholders and dividing it by the weighted average ordinary shares in issue adjusted to assume conversion of all potentially dilutive ordinary shares (see note 18).

d. Adjusted dividend cover

Dividend cover is calculated as earnings per share divided by dividends per share. Adjusted dividend cover is calculated as adjusted earnings per share as defined in note 2c above divided by dividends per share.

e. Total shareholder return

Total shareholder return is the movement in the price of an ordinary share plus dividends during the year, divided by the opening share price.

f. Return on capital employed

The return on capital employed ratio is used by management to help ensure that capital is used efficiently.

	2021	(Restated) 2020
Adjusted operating profit	**128,080**	142,543
Capital employed		
Shareholders' funds	**534,080**	570,754
Cash and cash equivalents	**(123,474)**	(187,204)
Interest bearing loans and borrowings	**9,336**	9,150
Pension deficit net of deferred tax	**6,023**	30,965
Capital employed	**425,965**	423,665
Average capital employed	**424,815**	438,367
Return on capital employed	**30.1%**	32.5%

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.

2. Alternative performance measures continued

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 2021 results are restated at 2020 exchange rates. There are no disposals or acquisitions in 2021 that are not consistently presented in both periods.

Key headings in the income statement are reconciled to OCC as follows:

	31 December 2021	Currency adjustment	OCC 31 December 2021
Revenue	**569,160**	20,530	589,690
Cost of sales	**(306,394)**	(12,540)	(318,934)
Gross margin	**262,766**	7,990	270,756
Overheads	**(134,686)**	(5,239)	(139,925)
Adjusted operating profit	**128,080**	2,751	130,831
Interest	**221**	(39)	182
Adjusted profit before tax	**128,301**	2,712	131,013
Adjusted taxation	**(30,471)**	(635)	(31,106)
Adjusted profit after tax	**97,830**	2,077	99,907

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
– Water & Power
– Chemical, Process & Industrial

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 and remain the same as they were under the previous product division structure.

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 2021	Chemical, Process & Industrial 2021	Water & Power 2021	Unallocated 2021	Group 2021
Revenue from external customers	**260,153**	**160,454**	**148,553**	**–**	**569,160**
Adjusted operating profit*	**56,342**	**42,775**	**40,430**	**(11,467)**	**128,080**
Amortisation of acquired intangible assets	**(6,381)**	**(1,782)**	**(838)**	**–**	**(9,001)**
Segment result	**49,961**	**40,993**	**39,592**	**(11,467)**	**119,079**
Other adjustments					**(13,369)**
Operating profit					**105,710**
Net finance income					**221**
Income tax expense					**(25,686)**
Profit for the year					**80,245**

	Oil & Gas 2020	Chemical, Process & Industrial 2020	Water & Power 2020	Unallocated 2020	Group 2020
Revenue from external customers	292,173	154,605	157,766	–	604,544
Adjusted operating profit*	67,949	38,553	47,037	(10,996)	142,543
Amortisation of acquired intangible assets	(7,380)	(5,785)	(945)	–	(14,110)
Segment result	60,569	32,768	46,092	(10,996)	128,433
Other adjustments					(15,330)
Operating profit					113,103
Net finance expense					(537)
Income tax expense					(26,808)
Profit for the year					85,758

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

	Oil & Gas 2021	Chemical, Process & Industrial 2021	Water & Power 2021	Unallocated 2021	Group 2021
Depreciation	**7,161**	**4,420**	**4,092**	**–**	**15,673**
Amortisation:					
– Acquired intangible assets	**6,381**	**1,782**	**838**	**–**	**9,001**
– Development costs	**817**	**457**	**383**	**–**	**1,657**

	Oil & Gas 2020	Chemical, Process & Industrial 2020	Water & Power 2020	Unallocated 2020	Group 2020
Depreciation (Restated)	7,491	4,184	4,296	–	15,971
Amortisation:					
– Acquired intangible assets	7,380	5,785	945	–	14,110
– Development costs	1,204	673	565	–	2,442
Impairment of development cost assets	–	525	–	–	525

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.

3. Operating segments continued

Geographic analysis continued

Geographical analysis:

Revenue by location of subsidiary	2021	2020
UK	**55,971**	66,077
Italy	**49,150**	62,176
Rest of Europe	**102,501**	106,940
USA	**96,565**	109,929
Other Americas	**40,152**	35,965
China	**98,011**	80,431
Rest of World	**126,810**	143,026
	569,160	604,544

	UK 2021	Europe 2021	USA 2021	Other Americas 2021	Rest of World 2021	Group 2021
Non-current assets:						
– Goodwill	**61,342**	**62,666**	**53,366**	**725**	**38,679**	**216,778**
– Intangible assets	**22,890**	**1,464**	**817**	**–**	**551**	**25,722**
– Property, plant and equipment	**22,243**	**22,224**	**13,871**	**768**	**18,692**	**77,798**

	(Restated) UK 2020	Europe 2020	USA 2020	Other Americas 2020	Rest of World 2020	Group 2020
Non-current assets:						
– Goodwill	61,342	66,940	52,830	728	41,697	223,537
– Intangible assets	19,392	1,877	2,355	–	1,521	25,145
– Property, plant and equipment	25,635	29,884	11,257	1,225	18,081	86,082

4. Other adjustments

The other adjustments are adjustments that management consider to be significant and where separate disclosure enables stakeholders to assess the underlying trading performance of the Group on a consistent basis.

The other adjustments to profit included in statutory profit are as follows:

	2021	(Restated) 2020
Gain on disposal of property	**1,569**	–
Redundancy costs	**(3,871)**	(5,744)
Other restructuring costs	**(2,574)**	(115)
Software as a Service configuration costs	**(8,493)**	(9,471)
Other adjustments	**(13,369)**	(15,330)

Growth Acceleration Programme

The Growth Acceleration Programme, which the Group began to implement in the second half of 2018, is designed to fulfil the Group's purpose and deliver its strategic targets. The Group is in the fourth year of the five-year programme and delivers initiatives under the following pillars: Commercial Excellence, Operational Excellence, Talent & Culture and IT & Core Business Processes.

i) Gain on disposal of property

The £1,569,000 (2020: £nil) gain on disposal of properties relates to the sale of two properties in the period as a result of the ongoing review of the global footprint.

ii) Redundancy and Other restructuring costs

A further £3,871,000 (2020: £5,744,000) redundancy costs have been incurred as a result of the progress made with the Growth Acceleration Programme. In 2021 it was announced that the Group's operations in Cusago, Italy would cease during the second half of 2021, other Rotork manufacturing sites will continue to support customers, ensuring no discontinuity with past service. The closure of the Cusago facility resulted in redundancy costs and other restructuring costs totalling £4,013,000.

iii) Software as a Service configuration costs

During the year £8,493,000 (2020: £9,471,000) of configuration costs were incurred on the development of cloud-based software as part of the D365 ERP system implementation under the Growth Acceleration Programme, these costs were expensed as they do not meet the capitalisation criteria under IAS 38.

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.

5. Other income and expense

	2021	2020
Gain on disposal of property, plant and equipment	**133**	80
Other	**454**	1,501
Other income	**587**	1,581

	2021	2020
Loss on disposal of property, plant and equipment	**133**	226
Other	**49**	484
Other expense	**182**	710

6. Personnel expenses

	2021	2020
Wages and salaries (including bonus and incentive plans)	**125,315**	134,747
Social security costs	**17,781**	18,798
Pension costs (note 24)	**5,855**	6,895
Share-based payments (note 25)	**3,333**	3,685
(Decrease)/Increase in liability for long term service leave	**(42)**	32
	152,242	164,157

	2021	2020
Average monthly number of employees during the year:		
Sales, marketing and market focused staff		
– Oil and Gas	**132**	109
– Chemical, Process and Industrial	**79**	69
– Water and Power	**93**	75
Manufacturing and other shared functions	**2,992**	3,254
	3,296	3,507
UK	**860**	909
Overseas	**2,436**	2,598
	3,296	3,507

7. Finance Income and Expense

Recognised in the income statement

	2021	2020
Interest income	**1,123**	1,517
Foreign exchange gains	**1,319**	877
Finance income	**2,442**	2,394

	2021	2020
Interest expense	**(818)**	(872)
Interest expense on lease liabilities (note 27)	**(404)**	(499)
Net interest charge on pension scheme liabilities (note 24)	**(522)**	(609)
Foreign exchange losses	**(477)**	(951)
Finance expense	**(2,221)**	(2,931)

Recognised in other comprehensive income

	2021	2020
Effective portion of changes in fair value of cash flow hedges	**1,023**	1,131
Fair value of cash flow hedges transferred to income statement	**(1,132)**	(1,125)
Foreign currency translation differences for foreign operations	**(8,899)**	(3,913)
	(9,008)	(3,907)
Recognised in:		
Hedging reserve	**(109)**	6
Translation reserve	**(8,899)**	(3,913)
	(9,008)	(3,907)

8. Profit before tax

Profit before tax is stated after charging/(crediting) the following:

	Notes	2021	(Restated) 2020
Depreciation of property, plant and equipment:			
– Owned assets	i	**11,032**	11,287
– Assets held under lease contracts	i	**4,641**	4,684
Amortisation:			
– Other intangibles	iii	**9,001**	14,110
– Development costs	iii	**1,657**	2,967
Impairment of development cost assets	iii	**–**	525
Impairment of property, plant and equipment	iii	**707**	–
Inventory write downs recognised in the year	ii	**1,303**	2,718
Product research and development expenditure	iii	**10,815**	11,673
Exchange differences realised	iv	**(842)**	73
Audit fees and expenses paid to Deloitte:			
– Audit of the Group financial statements		**988**	1,002
– Audit of financial statements of subsidiaries of the Company		**274**	268
Total audit fees and expenses		**1,262**	1,270
Amounts paid to Deloitte and its associates in respect of:			
– Other assurance services		**60**	58
		60	58
Total fees		**1,322**	1,328

These costs can be found under the following headings in the income statement:
i) Both within cost of sales and administrative expenses
ii) Within cost of sales
iii) Within administrative expenses
iv) Within finance income and expenses

9. Income tax expense

	2021	2021	(Restated) 2020	(Restated) 2020
Current tax:				
UK corporation tax on profits for the year	**2,029**		2,711	
Adjustment in respect of prior years	**(615)**		(966)	
		1,414		1,745
Overseas tax on profits for the year	**26,277**		28,034	
Adjustment in respect of prior years	**(295)**		(232)	
		25,982		27,802
Total current tax		**27,396**		29,547
Deferred tax:				
Origination and reversal of other temporary differences	**(1,170)**		(1,618)	
Impact of rate change	**(592)**		(1,103)	
Adjustment in respect of prior years	**52**		(18)	
Total deferred tax		**(1,710)**		(2,739)
Total tax charge for year		**25,686**		26,808
Profit before tax		**105,931**		112,566
Profit before tax multiplied by the blended standard rate of corporation tax in the UK of 19.0% (2020: 19%)		**20,127**		21,388
Effects of:				
Different tax rates on overseas earnings		**7,381**		7,613
Permanent differences		**1,591**		578
Losses not recognised		**(128)**		292
Tax incentives		**(1,835)**		(744)
Impact of rate change		**(592)**		(1,103)
Adjustments to tax charge in respect of prior years		**(858)**		(1,216)
Total tax charge for year		**25,686**		26,808
Effective tax rate		**24.2%**		23.8%
Adjusted profit before tax (note 2b)		**128,301**		142,006
Total tax charge for the year		**25,686**		26,808
Amortisation of acquired intangible assets		**1,784**		3,010
Software as a service configuration costs		**2,400**		1,901
Other adjustments (note 4)		**601**		1,474
Adjusted total tax charge for the year		**30,471**		33,193
Adjusted effective tax rate		**23.8%**		23.4%

A tax credit of £631,000 (2020: £65,000) in respect of share-based payments has been recognised directly in equity in the year.

The effective tax rate for the year is 24.2% (2020 restated: 23.8%). The adjusted effective tax rate is 23.8% (2020 restated: 23.4%) and is lower than the effective tax rate for the year principally because of the tax treatment of expenses included in exceptional items.

The adjusted effective tax rate has increased from 23.4% in 2020 to 23.8% in 2021, principally because of an increase in the proportion of the Group profits arising in higher tax jurisdictions internationally. The Group expects its adjusted effective tax rate to continue to move in line with the trends in corporate tax rates in the jurisdictions where Rotork operates. However, the adjusted effective tax rate will still be higher than the standard UK rate due to higher rates of tax in China, Germany, South Korea, India, Australia and the US.

There is an unrecognised deferred tax liability for temporary differences associated with investments in subsidiaries. Rotork plc controls the dividend policies of its subsidiaries and the timing of the reversal of the temporary differences. The value of temporary differences associated with unremitted earnings of subsidiaries for which deferred tax has not been recognised is £258,167,000 (2020: £256,554,000).

10. Goodwill

	2021	2020
Cost		
At 1 January	**245,113**	243,696
Exchange adjustments	**(6,743)**	1,417
At 31 December	**238,370**	245,113
Provision for impairment		
At 1 January	**21,576**	21,644
Exchange adjustments	**16**	(68)
At 31 December	**21,592**	21,576
Net book value	**216,778**	223,537

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 and Gas, Water and Power, and Chemical, Process and Industrial divisions. On this basis, the value in use calculations exceeded the CGU carrying values after applying sensitivity analysis.

Cash generating unit	Discount rate 2021	Discount rate 2020	2021	2020
Oil and Gas	11.2%	11.8%	**87,597**	89,936
Chemical, Process and Industrial	11.4%	12.1%	**113,680**	117,232
Water and Power	11.4%	12.1%	**15,501**	16,369
Total Group			**216,778**	223,537

Impairment testing

The Group is required to test, on an annual basis, whether goodwill has suffered any impairment.

The key assumptions used in the annual impairment review which are common to all CGUs are set out below:

i) Discount rates

The discount rates for the significant CGUs presented above are pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU for which the future cash flows have not been adjusted. Discount rates are based on estimations that market participants operating in similar sectors to Rotork would make, using the Group's economic profile as a starting point. For each CGU we adjusted the risk premium on a weighted average basis to reflect the region in which the CGU carries out the majority of its business, applied a premium based on the size of the CGU and applied a market participant tax rate in the region the CGU operates. In calculating the discount rates, consideration was given to exclude risks that were not relevant or which had already been reflected in the cash flows.

ii) Growth rates

Value in use calculations are used to determine the recoverable amount of goodwill allocated to each of the CGUs. These calculations use cash flow projections from management forecasts which are based on the budget and the Group's three year strategic plan. The three year plan is a bottom up process which takes place as part of the annual budget process. Once the budget for the next financial year is finalised, years two and three of the three year plan are prepared by each reporting entity's management reflecting their view of the local market, known projects and experience of past performance. 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 3 year plans.

In the period after the three year plan growth rates are forecast at 4% (2020: 4%) per annum for the next two years and at 2% (2020: 2%) for the long-term growth rate.

Sensitivity analysis

The Group has conducted an analysis of the sensitivity of the impairment test to changes in the key assumptions used to determine the recoverable amount for each of the CGUs to which goodwill is allocated.

For all CGUs the sensitivity analysis shows that if pre-tax discount rates are raised by 1%; short term growth rates are lowered by 10% in years one to three; or long-term growth rates are lowered by 1% then no impairment would arise. Each of these sensitivities are considered to be a reasonably possible change.

There are no reasonably possible changes in assumptions that would lead to an impairment.

11. Intangible assets

	Software	Product development costs	Acquired intangible assets: Brands	Customer relationships	Other	Total
Cost						
31 December 2019	–	20,402	50,872	116,693	21,870	209,837
Additions	–	1,262	–	–	–	1,262
Exchange Adjustments	–	105	210	100	197	612
31 December 2020	**–**	**21,769**	**51,082**	**116,793**	**22,067**	**211,711**
Additions	5,174	1,806	–	–	–	6,980
Transfer from property, plant and equipment	4,450	–	–	–	–	4,450
Exchange adjustments	–	(185)	(1,238)	(3,022)	(646)	(5,091)
31 December 2021	**9,624**	**23,390**	**49,844**	**113,771**	**21,421**	**218,050**
Amortisation						
31 December 2019	–	12,297	42,147	94,519	20,026	168,989
Charge for the year	–	2,442	3,212	9,579	1,319	16,552
Impairment charge	–	525	–	–	–	525
Exchange Adjustments	–	43	169	92	196	500
31 December 2020	**–**	**15,307**	**45,528**	**104,190**	**21,541**	**186,566**
Charge for the year	–	1,657	1,596	6,879	526	10,658
Exchange adjustments	–	(97)	(1,190)	(2,963)	(646)	(4,896)
31 December 2021	**–**	**16,867**	**45,934**	**108,106**	**21,421**	**192,328**
Net book value						
31 December 2020	–	6,462	5,554	12,603	526	25,145
31 December 2021	**9,624**	**6,523**	**3,910**	**5,665**	**–**	**25,722**

Other acquired intangible assets represent order books and intellectual property.

The amortisation charge is recognised within administrative expenses in the income statement.

Included in the net book value of software are assets in the course of development, which are not amortised, with a cost of £9,624,000.

Notes to the Group financial statements continued
For the year ended 31 December 2021

12. Property, plant and equipment

	Land and buildings	Plant and equipment	Total
Cost			
31 December 2019 (Restated)	74,434	117,581	192,015
Additions	8,484	10,662	19,146
Disposals	(500)	(5,157)	(5,657)
Assets classified as held for sale	(1,365)	(134)	(1,499)
Exchange adjustments	336	986	1,322
31 December 2020 (Restated)	**81,389**	**123,938**	**205,327**
Additions	7,641	10,882	18,523
Disposals	(2,697)	(7,335)	(10,032)
Transfer to intangible assets	–	(4,450)	(4,450)
Assets classified as held for sale	(5,182)	(581)	(5,763)
Exchange adjustments	(2,423)	(2,768)	(5,191)
31 December 2021	**78,728**	**119,686**	**198,414**
Depreciation			
31 December 2019 (Restated)	24,868	83,152	108,020
Charge for the year	4,903	11,068	15,971
Disposals	(376)	(4,812)	(5,188)
Assets classified as held for sale	(335)	(45)	(380)
Exchange adjustments	15	807	822
31 December 2020 (Restated)	**29,075**	**90,170**	**119,245**
Charge for the year	5,378	10,295	15,673
Disposals	(2,581)	(6,469)	(9,050)
Impairment	87	620	707
Assets classified as held for sale	(2,400)	(477)	(2,877)
Exchange adjustments	(771)	(2,311)	(3,082)
31 December 2021	**28,788**	**91,828**	**120,616**
Net book value			
31 December 2020 (Restated)	52,314	33,768	86,082
31 December 2021	**49,940**	**27,858**	**77,798**

Net book value of land and buildings can be analysed between:

	2021	2020
Land	**6,058**	6,957
Buildings	**43,882**	45,357
Net book value at 31 December	**49,940**	52,314

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. The impairment charge of £707,000 in 2021 arose as a result of the ongoing review of the global footprint.

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 £1,570,000 (2020: £4,921,000). Depreciation of these assets will commence when the assets are ready for their intended use.

13. Deferred tax assets and liabilities

	Assets 2021	**Liabilities 2021**	**Net 2021**	(Restated) Net 2020	(Restated) Net 2020	(Restated) Net 2020
Property, plant and equipment	**6,701**	**(1,091)**	**5,610**	4,111	(1,538)	2,573
Intangible assets	**11**	**(6,513)**	**(6,502)**	3	(6,401)	(6,398)
Employee benefits	**3,901**	**–**	**3,901**	10,040	–	10,040
Inventory	**4,862**	**–**	**4,862**	4,930	–	4,930
Other items	**4,103**	**(3,371)**	**732**	3,006	(3,470)	(464)
Net tax assets/(liabilities)	**19,578**	**(10,975)**	**8,603**	22,090	(11,409)	10,681
Set off of tax	**(9,395)**	**9,395**	**–**	(1,858)	1,858	–
	10,183	**(1,580)**	**8,603**	20,232	(9,551)	10,681

Movements in the net deferred tax balance during the year are as follows:

	2021	(Restated) 2020
Balance at 1 January (Restated)	**10,681**	4,698
Credited to the income statement	**1,118**	1,636
Credited/(charged) directly to equity in respect of share-based payments	**631**	(66)
Impact of rate change	**592**	1,103
(Charged)/credited directly to equity in respect of pension schemes	**(4,571)**	3,734
Credited/(charged) directly to hedging reserves in respect of cash flow hedges	**21**	(18)
Exchange differences	**131**	(406)
Balance at 31 December (Restated)	**8,603**	10,681

A deferred tax asset of £10,183,000 (2020: £20,232,000) has been recognised at 31 December 2021. The directors are of the opinion, based on recent and forecast trading, that the level of profits in the current and future years make it more likely than not that these assets will be recovered.

A deferred tax asset has not been recognised in relation to capital losses of £7,632,000 (2020: £7,632,000), due to uncertainty over the offset against future capital profits in the companies concerned. There is no expiry date in relation to this asset.

14. Inventories

	2021	2020
Raw materials and consumables	**52,083**	46,101
Work in progress	**3,871**	3,630
Finished goods	**12,493**	11,736
	68,447	61,467

Included in cost of sales was £173,536,000 (2020: £187,507,000) in respect of inventories consumed in the year.

15. Trade and other receivables including assets held for sale

	2021	2020
Current assets:		
Trade receivables	**98,764**	117,253
Less provision for impairment of receivables	**(4,575)**	(4,688)
Trade receivables – net	**94,189**	112,565
Corporation tax	**9,558**	7,180
Current tax	**9,558**	7,180
Other non-trade receivables	**5,825**	3,348
Other taxes and social security	**12,199**	13,629
Prepayments	**17,800**	8,891
Other receivables	**35,824**	25,868
Land and buildings	**2,780**	1,030
Plant and equipment	**104**	89
Assets held for sale	**2,884**	1,119

As at 31 December 2021, non-current assets relating to a property in Melle, Germany were classified as held for sale.

16. Cash and cash equivalents

	2021	2020
Bank balances	**82,945**	95,740
Cash in hand	**35**	49
Short term deposits	**40,494**	91,415
Cash and cash equivalents in the consolidated statement of cash flows	**123,474**	187,204

17. Capital and reserves

	0.5p Ordinary shares issued and fully paid up 2021	£1 Non-redeemable preference shares 2021	0.5p Ordinary shares issued and fully paid up 2020	£1 Non-redeemable preference shares 2020
At 1 January	**4,370**	**40**	4,363	40
Issued under employee share schemes	**4**	**–**	7	–
Cancelled following share buyback programme	**(72)**	**–**	–	–
At 31 December	**4,302**	**40**	4,370	40
Number of shares (000)	**860,276**		873,955	

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 £1,528,000 (2020: £2,312,000) in respect of the 816,422 (2020: 1,417,104) ordinary shares issued during the year: £4,000 (2020: £7,000) was credited to share capital and £1,524,000 (2020: £2,305,000) to share premium. Further details of the share awards are shown in note 25.

Share buyback programme

During the year, the Group bought back a total of 14,403,732 Ordinary shares of 0.5p each for a total value of £50,324,000 including costs of £324,000. The average price paid for these repurchased shares was 348.1p. These repurchased shares were then cancelled in the same period.

Share forfeiture

During the year the Group had a share forfeiture programme following the completion of a tracing and notification exercise to any shareholders who have not had contact with the Company over the past 12 years, in accordance with the provisions set out in the Company's Articles of Association. Under the share forfeiture programme, the shares and dividends associated with shares of untraced members are forfeited and resold in the market, with the resulting proceeds transferred to the Group. During the year, the Group received £478,000 proceeds from sale of untraced shares and £135,000 write-back of unclaimed dividends on those shares, which are reflected in share premium and retained earnings respectively.

Own shares held

Within the retained earnings reserve are own shares held. The investment in own shares held is £5,291,000 (2020: £2,937,000) and represents 1,500,000 (2020: 997,000) ordinary shares of the Company held in trust for the benefit of directors and employees for future payments under the Share Incentive Plan and Long Term Incentive Plan. The dividends on these shares have been waived.

Preference shares

The preference shareholders take priority over the ordinary shareholders when there is a distribution upon winding up the Company or on a reduction of equity involving a return of capital. The holders of preference shares are entitled to vote at a general meeting of the Company if a preference dividend is in arrears for six months or the business of the meeting includes the consideration of a resolution for winding up the Company or the alteration of the preference shareholders' rights.

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

Capital redemption reserve

The capital redemption reserve arises when the Company redeems shares wholly out of distributable profits.

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments that are determined to be an effective hedge.

Dividends

The following dividends were paid in the year per qualifying ordinary share:

	2021 Payment date	2021	2020
6.30p final dividend for 2020 (final dividend for 2019 was postponed)	**21 May**	**54,996**	–
2.35p interim dividend for 2021 (interim dividend for 2020: 3.90p)	**24 September**	**20,519**	33,926
		75,515	33,926

The Company has exercised its authority in accordance with the provisions set out in the Company's Articles of Association that the balance of unclaimed dividends over past 12 years be forfeited. During the year £135,000 of unclaimed dividends have been adjusted for in retained earnings, resulting in a dividends movement in the statement of changes in equity of £75,380,000.

The recommendation to pay a 3.90 pence per share final dividend in respect of 2019 was withdrawn on 31 March 2020 in response to the uncertainty arising from the COVID-19 pandemic. The Board decided to pay this dividend as an interim dividend of 3.90 pence which was paid to shareholders in September 2020. In March 2021 a dividend, reflecting the combined interim and final dividend, was proposed in respect of the year to 31 December 2020 and was paid in May 2021. The Company has now returned to the regular schedule of dividends payments.

After the balance sheet date the following dividends per qualifying ordinary share were proposed by the directors. The dividends have not been provided for.

	2021	2020
Final proposed dividend per qualifying ordinary share		
4.05p	**34,780**	–
6.30p	**–**	55,059

18. Earnings per share

Basic earnings per share

Earnings per share is calculated for both the current and previous years using the profit attributable to the ordinary shareholders for the year. The earnings per share calculation is based on 869.5m shares (2020: 871.7m shares) being the weighted average number of ordinary shares in issue (net of own ordinary shares held) for the year.

	2021	(Restated) 2020
Net profit attributable to ordinary shareholders	**80,245**	85,758
Weighted average number of ordinary shares		
Issued ordinary shares at 1 January	**872,958**	871,401
Effect of own shares held	**(28)**	17
Effect of Share Buyback Programme	**(3,694)**	–
Effect of shares issued under Sharesave plans	**220**	244
Weighted average number of ordinary shares during the year	**869,456**	871,662
Basic earnings per share	**9.2p**	9.8p

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.

	2021	2020
Adjusted net profit attributable to ordinary shareholders	**97,830**	108,813
Weighted average number of ordinary shares during the year	**869,456**	871,662
Adjusted basic earnings per share	**11.3p**	12.5p

Diluted earnings per share

Diluted earnings per share is based on the profit for the year attributable to the ordinary shareholders and 870.5m shares (2020: 873.3m 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).

	2021	(Restated) 2020
Net profit attributable to ordinary shareholders	**80,245**	85,758
Weighted average number of ordinary shares (diluted)		
Weighted average number of ordinary shares for the year	**869,456**	871,662
Effect of Sharesave options	**711**	561
Effect of LTIP share awards	**372**	1,101
Weighted average number of ordinary shares (diluted) during the year	**870,539**	873,324
Diluted earnings per share	**9.2p**	9.8p

18. Earnings per share continued

Adjusted diluted earnings per share

	2021	(Restated) 2020
Adjusted net profit attributable to ordinary shareholders	**97,830**	108,813
Weighted average number of ordinary shares (diluted) during the year	**870,539**	873,324
Adjusted diluted earnings per share	**11.2p**	12.5p

19. Interest bearing loans and borrowings

This note provides information about the contractual terms of the Group's interest bearing loans and borrowings. For more information about the Group's exposure to interest rate, liquidity and currency risks, see note 26.

	Notes	2021	2020
Non-current liabilities			
Preference shares classified as debt		**40**	40
Bank loans		**620**	728
Lease liabilities	27	**4,804**	4,628
		5,464	5,396
Current liabilities			
Bank loans		**65**	69
Lease liabilities	27	**3,807**	3,685
		3,872	3,754
Total interest bearing loans and borrowings		**9,336**	9,150

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	2021	2020
Non-redeemable preference shares	Sterling	9.5%	–	**40**	40
Bank loans	Euro	2.35%	2032	**685**	797
				725	837

Repayment profile

Bank loans are payable as follows:

	Principal 2021	Interest 2021	Minimum payments 2021	Principal 2020	Interest 2020	Minimum payments 2020
Bank loans less than one year	**65**	**16**	**81**	69	18	87
Bank loans more than one and less than five years	**261**	**47**	**308**	728	99	827
Bank loans more than five years	**359**	**24**	**383**	–	–	–
	685	**87**	**772**	797	117	914

Information on leases and the lease repayment profile are shown in note 27.

20. Employee benefits

	2021	2020
Recognised liability for defined benefit obligations:		
Present value of funded obligations	**233,135**	252,959
Fair value of plan assets	**(225,510)**	(214,442)
	7,625	38,517
Other pension scheme liabilities	**261**	243
Employee bonuses	**10,717**	19,676
Long Term Incentive Plan	**143**	560
Employee indemnity provision	**2,033**	2,474
Other employee benefits	**4,997**	5,021
	25,776	66,491
Non-current	**11,336**	42,846
Current	**14,440**	23,645
	25,776	66,491

Defined benefit pension scheme disclosures are detailed in note 24.

21. Provisions

	Contingent consideration	Warranty provision	Restructuring provision	Total
Balance at 1 January 2021	**183**	**5,213**	**812**	**6,208**
Exchange differences	**(10)**	**(54)**	**(1)**	**(65)**
Charge to the income statement	**88**	**351**	**1,562**	**2,001**
Provisions utilised during the year	**(22)**	**(1,036)**	**(223)**	**(1,281)**
Balance at 31 December 2021	**239**	**4,474**	**2,150**	**6,863**
Maturity at 31 December 2021				
Non-current	**75**	**1,484**	**–**	**1,559**
Current	**164**	**2,990**	**2,150**	**5,304**
	239	**4,474**	**2,150**	**6,863**
Maturity at 31 December 2020				
Non-current	–	1,720	–	1,720
Current	183	3,493	812	4,488
	183	5,213	812	6,208

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 relates to amounts outstanding in respect of redundancy and other restructuring costs associated with the Growth Acceleration Programme.

22. Trade and other payables

	2021	2020
Trade payables	**38,800**	33,560
Corporation tax	**12,226**	14,765
Current tax	**12,226**	14,765
Other taxes and social security	**7,673**	10,086
Payments on account	**9,772**	9,779
Other payables and accrued expenses	**20,541**	21,469
Other payables	**37,986**	41,334

23. Derivative financial instruments

	2021 Assets	2021 Liabilities	2020 Assets	2020 Liabilities
Forward foreign exchange contracts – cash flow hedges	**1,186**	**106**	1,235	168
Foreign exchange swaps – cash flow hedges	**710**	**–**	347	–
Total	**1,896**	**106**	1,582	168
Less non-current portion:				
Forward foreign exchange contracts – cash flow hedges	**–**	**106**	–	–
Current portion	**1,896**	**–**	1,582	168

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 2021 are recognised in the income statement in the period or periods during which the hedged forecast transaction affects the income statement.

24. Pension schemes

i) Defined benefit pension schemes

The Group operates two defined benefit pension arrangements – the Rotork Pension and Life Assurance Scheme (UK Scheme) and the Rotork Controls Inc. Pension Plan (US Pension Plan). On retirement, leaving service or death, the Schemes provide benefits based on final salary and length of service. Whether measured by assets or liabilities, the UK Scheme is more than 90% of the overall value of the two defined benefit Schemes.

The UK Scheme is subject to the Statutory Funding Objective under the Pensions Act 2004. A valuation of the Scheme is carried out at least once every three years to determine whether the Statutory Funding Objective is met. As part of the process the Company must agree with the trustees of the Scheme the contributions to be paid to address any shortfall against the Statutory Funding Objective.

The UK Scheme is managed by a Trustee, with directors appointed in part by the Group and part from elections by members of the Scheme. The Trustee has responsibility for obtaining valuations of the fund, administering benefit payments and investing the Scheme's assets. The Trustee delegates some of these functions to its professional advisers where appropriate. The UK Scheme which was closed to new entrants in 2003 was closed to future accrual from 1 April 2018.

The US Pension Plan is subject to the ERISA funding requirements. A valuation of the Plan is carried out annually to ensure the Funding Objective is met under ERISA by contributing at least the Minimum Required Contribution. As part of this process the Company must contribute to the Plan enough contributions to ensure at least the Minimum Contribution is deposited in the Trust to pay for the accrual of benefits. The US Pension plan which was closed to new entrants in 2009 was closed to future accrual on 31 December 2018.

The two defined benefit pension arrangements expose the Group to a number of risks:

- **Investment risk** – the Schemes hold investments in asset classes, such as equities, which have volatile market values and while these assets are expected to provide real returns over the long-term the short-term volatility can cause additional funding to be required if a deficit emerges. The Schemes have a relatively balanced investment in equities, debt instruments and property. Due to the long-term nature of the plan liabilities, the Trustees of the pension funds consider it appropriate that a reasonable portion of the plan assets should be invested in equities and in property to leverage the return generated by the funds.
- **Interest rate risk** – the Schemes' liabilities are assessed using market yields on high quality corporate bonds to discount the liabilities. As the Schemes hold assets such as equities the value of the assets and liabilities may not move in the same way. A decrease in the bond interest rate will increase the Schemes' liabilities but this will be partially offset by an increase in the return of the Schemes' debt investments.
- **Inflation risk** – a significant proportion of the benefits under the UK Scheme is linked to inflation. Although the UK Scheme's assets are expected to provide a good hedge against inflation over the long term, movements over the short-term could lead to deficits emerging.
- **Mortality risk** – in the event that members live longer than assumed a deficit will emerge in the Schemes.

The impact of the requirement to equalise benefits of men and women for unequal GMPs was estimated to be a 0.5% addition to liabilities in 2018 and was introduced as a past service cost in the 2018 income statement. This allowance has been judged sufficient to allow for the equalisation of previous transfers out and so has been retained for the 2020 and 2021 year-ends.

Movements in the present value of defined benefit obligations

	2021	2020
Liabilities at 1 January	**252,959**	223,222
Administration costs	**42**	223
Interest cost	**3,568**	4,882
Benefits paid	**(9,675)**	(7,136)
Actuarial loss	**(13,961)**	32,727
Currency loss/(gain)	**202**	(959)
Liabilities at 31 December	**233,135**	252,959

Movements in fair value of plan assets

	2021	2020
Assets at 1 January	**214,442**	193,646
Interest income on plan assets	**3,046**	4,273
Employer contributions	**7,432**	10,308
Benefits paid	**(9,675)**	(7,136)
Return on plan assets, excluding interest income on plan assets	**10,079**	14,157
Currency gain/(loss)	**186**	(806)
Assets at 31 December	**225,510**	214,442

Expense recognised in the income statement

	2021	2020
Administration costs	**42**	223
Net interest cost	**522**	609
	564	832

The expense is recognised in the following line items in the income statement

	2021	2020
Cost of sales	**16**	84
Administrative expenses	**26**	139
Other income	**–**	–
Net finance expense	**522**	609
	564	832

Remeasurements over the year

	2021	2020
Experience adjustments on plan assets	**10,079**	14,157
Experience adjustments on plan liabilities	**(2,683)**	4,985
Actuarial gain/(loss) from changes to financial assumptions	**16,475**	(36,808)
Actuarial gain/(loss) from changes to demographic assumptions	**169**	(904)
Experience adjustments on currency	**(16)**	153
	24,024	(18,417)

Reconciliation of net defined benefit obligation

	2021	2020
Net defined benefit obligation at the beginning of the year	**38,517**	29,576
Current service costs	**–**	–
Administration costs	**42**	223
Net financing expense	**522**	609
Remeasurements over the year	**(24,024)**	18,417
Employer contributions	**(7,432)**	(10,308)
	7,625	38,517

24. Pension schemes continued

i) Defined benefit pension schemes continued

Liability for defined benefit obligations

The principal actuarial assumptions at 31 December 2021 (expressed as weighted averages):

	UK scheme (% per annum)		US scheme (% per annum)		Weighted average (% per annum)	
	2021	2020	**2021**	2020	**2021**	2020
Discount rate	**1.9**	1.3	**3.0**	2.7	**2.0**	1.4
Rate of increase in salaries	**n/a**	n/a	**n/a**	n/a	**n/a**	n/a
Rate of increase in pensions (post May 2000)	**3.2**	2.8	**0.0**	0.0	**2.9**	2.5
Rate of increase in pensions (pre May 2000)	**4.6**	4.6	**0.0**	0.0	**4.2**	4.2
Rate of inflation	**3.3**	2.9	**n/a**	n/a	**3.3**	2.9

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' quoted assets were as follows:

	2021 Fair value	2020 Fair value
Equities	**36,339**	37,042
Targeted return	**56,434**	53,155
Property	**3,681**	5,238
Multi-asset credit (quoted)	**21,176**	19,316
LDI/absolute return bonds	**89,396**	81,615
US deposit administration contract	**18,484**	18,076
Total	**225,510**	214,442
Actual return on the Schemes' assets	**13,125**	18,430

The UK Scheme has a strategic asset allocation which was agreed after considering its liability profile, funding position, expected return of the various asset classes and the need for diversification. The level of interest rate and inflation hedging has been increased by the use of liability driven investment (LDI) funds. Currently the Scheme has hedged around 65% of both the interest rate risk and the inflation risk of its liabilities, as measured on a low risk gilts basis.

The only change made to the demographic assumptions at the 2021 year-end is that future improvements in mortality are now based on the CMI_2020 projection model, albeit with no allowance for 2020's actual experience which reflected the impact of the pandemic (2020: CMI_2019).

By way of example the respective mortality tables indicate the following life expectancy:

	2021 Life expectancy at age 65		2020 Life expectancy at age 65	
Current age	**Male**	**Female**	Male	Female
65	**23.2**	**23.7**	23.0	23.5
45	**24.5**	**25.2**	24.4	25.0

Sensitivity analysis on the Schemes' liabilities

Adjustments to assumptions	**Approximate effect on liabilities**
Discount rate	
Plus 1.0% p.a.	(41,300)
Minus 1.0% p.a.	50,900
Inflation	
Plus 0.5% p.a.	13,700
Minus 0.5% p.a.	(13,000)
Life expectancy	
Increase of one year in assumed life expectancy	10,700

The above sensitivities are approximate and only show the likely effect of an assumption being adjusted whilst all other assumptions remain the same.

The sensitivity analysis shown above was determined using the same method as per the calculation of liabilities for the balance sheet disclosures, but using assumptions adjusted as detailed above.

Effect of the Schemes on the Group's future cash flows

The Group is required to agree a Schedule of Contributions with the Trustee of the UK Scheme following a valuation which must be carried out at least once every three years. Following the valuation of the UK Scheme as at 31 March 2019, the Group is paying agreed deficit contributions of £6,800,000 a year until 30 September 2023 and then £5,500,000 until 31 March 2025. However, the level of deficit contributions will be reviewed at the next valuation, which will be carried out with an effective date of 31 March 2022.

The Group estimates that cash contributions to the Group's defined benefit pension schemes during 2022 will be £6,840,000 (2021: £7,432,000).

The weighted average duration of the defined benefit obligation for the UK Scheme is approximately 21 years.

ii) Other pension plans

The Group makes a contribution to a number of defined contribution plans around the world to provide benefits for employees upon retirement. Total expense relating to these plans in the year was £5,855,000 (2020: £6,895,000).

25. Share-based payments

The Group awards shares under the Long Term Incentive Plan (LTIP), the Save As You Earn scheme (Sharesave plan), the Overseas profit linked share plan (OPLSS) and the share incentive plan (SIP). The equity settled share-based payment expense included in the income statement for each of the plans can be analysed as follows:

	2021	2020
Sharesave plan (a)	**816**	482
Long Term Incentive Plan (b)	**223**	1,140
OPLSS/SIP profit linked share scheme	**2,294**	2,063
Total expense recognised as employee costs (note 6)	**3,333**	3,685

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	
	2021	2020	2021	2020
Grant date	**6 October**	9 October	**6 October**	10 October
Share price at grant date	**339p**	298p	**339p**	298p
Exercise price	**283p**	243p	**283p**	243p
Shares granted under scheme	**478,490**	674,240	**149,248**	216,320
Vesting period	**3 years**	3 years	**5 years**	5 years
Expected volatility	**33.3%**	33.0%	**33.3%**	33.0%
Risk free rate	**0.50%**	(0.07)%	**0.68%**	(0.02)%
Expected dividends expressed as a dividend yield	**2.55%**	1.31%	**2.55%**	1.31%
Probability of ceasing employment before vesting	**2%**	2%	**2%**	2%
Fair value	**81p**	84p	**90p**	95p

Movements in the number of share options outstanding and their weighted average prices are as follows:

	2021		2020	
	Average option price per share	Options	Average option price per share	Options
At 1 January	**232p**	**2,909,674**	149p	3,691,109
Granted	**283p**	**627,738**	243p	890,560
Exercised	**187p**	**(816,422)**	161p	(1,417,104)
Forfeited	**246p**	**(378,983)**	248p	(254,891)
At 31 December	**252p**	**2,342,007**	231p	2,909,674

Of the 2,342,007 outstanding options (2020: 2,909,674), 232,000 are exercisable (2020: 334,000).

The Group received proceeds of £1,528,000 in respect of the 816,422 options exercised during the year: £4,000 was credited to share capital and £1,524,000 to share premium. The weighted average share price at date of exercise was 348p (2020: 300p).

25. Share-based payments continued

Volatility assumptions for equity-based payments continued

The weighted average remaining life of 1,549,121 (2020: 1,735,589) awards outstanding under the 3 year plan is 1.8 years. The weighted average remaining life of 792,866 (2020: 1,174,085) awards outstanding under the 5 year plan is 2.7 years.

b) Long Term Incentive Plan

The Long Term Incentive Plan (LTIP) is a performance share plan under which shares are conditionally allocated to selected members of senior management at the discretion of the Remuneration Committee on an annual basis. Following shareholder approval of the LTIP at the Company's AGM on 18 May 2000, awards over shares are made to executive directors and senior managers each year.

2010 LTIP plan

Following shareholder approval of the 2010 LTIP plan at the Company's AGM on 23 April 2010, awards of shares have been made annually to executive and senior managers. From 2017 onwards, a third of these awards vested under a TSR performance condition, a third under an EPS performance condition and a third under a Return on Invested Capital (ROIC) performance condition.

TSR measures the change in value of a share and reinvested dividends over the period of measurement. The actual number of shares transferred will be determined by the number of shares initially allocated multiplied by a vesting percentage. The actual number of shares transferred will be 25% at the 50th percentile rising to 100% at the 75th percentile.

The EPS performance condition is satisfied with 15% of the awards vesting if the EPS growth is 9% over the vesting period up to a maximum of 100% vesting if EPS growth exceeds 35%.

Vesting of awards under the ROIC condition is determined by calculating the growth in ROIC, on a cumulative basis, over the performance period. For the 2018, 2019 and 2020 awards, the awards will vest by comparing the average ROIC over the performance period against a set of pre-defined targets.

The performance period for the 2018 awards ended on 31 December 2020. Messrs. PricewaterhouseCoopers LLP as independent actuaries certified to the Remuneration Committee that there was an 84.4% vesting of this award as the Company was in the 73rd percentile relative to the comparator group, the Group's EPS growth was 39% over the performance period and the Group's growth in economic profit was 13.7%. These awards vested during 2021.

The performance period for the 2019 awards ended on 31 December 2021. Messrs. PricewaterhouseCoopers LLP as independent actuaries certified to the Remuneration Committee that there was a 9.4% vesting of this award as the Company was in the 51st percentile relative to the comparator group. The EPS and ROIC elements of the scheme did not vest as the performance criteria was not met. These awards will vest during 2022.

	2021	2020
Grant date	**24 March**	07 April
Share price at grant date	**362p**	239p
Shares granted under scheme	**1,162,633**	1,726,334
Vesting period	**3 years**	3 years
Expected volatility	**35.4%**	35.8%
Risk free rate	**0.6%**	(0.1)%
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	**181p**	176p
Fair value of awards under EPS and ROIC performance conditions	**357p**	318p

	Outstanding at start of year	Granted during year	Vested during year	Lapsed	**Outstanding at end of year**
2018 Award	981,204	–	(863,984)	(117,220)	–
2019 Award	1,218,889	–	–	(27,798)	1,191,091
2020 Award	1,687,558	–	–	(117,462)	1,570,096
2021 Award	–	1,162,633	–	(58,961)	1,103,672
	3,887,651	1,162,633	(863,984)	(321,441)	3,864,859

The weighted average remaining life of awards outstanding is one year.

c) Overseas profit linked share plan (OPLSS) and the share incentive plan (SIP)

These discretionary profit linked shares schemes are annual schemes based on the prior year profit of participating Rotork companies. The value of the award to each employee is based on salary and length of service and can be up to £3,600.

26. Financial instruments

Financial risk and treasury policies

The Treasury department maintains liquidity, identifies and manages foreign exchange risk, manages relations with the Group's bankers and provides a treasury service to the Group's businesses. Treasury dealings such as investments, borrowings and foreign exchange are conducted only to support underlying business transactions.

The Group has clearly defined policies for the management of credit, foreign exchange and interest rate risk. The Group Treasury department is not a profit centre and, therefore, does not undertake speculative foreign exchange dealings for which there is no underlying exposure. Exposures resulting from sales and purchases in foreign currency are matched where possible and the net exposure may be hedged.

a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and cash on deposit with financial institutions.

Management has a credit policy in place and exposure to credit risk is both monitored on an ongoing basis and reduced through the use of credit insurance covering over 80% of trade receivables at any time. Credit evaluations are carried out on all customers requiring credit above a certain threshold, with varying approval levels set around this depending on the value of the sale. At the balance sheet date there were no significant concentrations of credit risk.

Goods are sold subject to retention of title clauses, so that in the event of non–payment the Group may have a secured claim.

The Group maintains an allowance for impairment in respect of non–insured receivables where recoverability is considered doubtful.

The Group Treasury Committee meets regularly and reviews the credit risk associated with institutions that hold a material cash balance. As well as credit ratings, counterparties and instruments are assessed for credit default swap pricing and liquidity of funds.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Carrying amount	
	2021	2020
Trade receivables	**94,189**	112,565
Other receivables	**35,824**	25,868
Cash and cash equivalents	**123,474**	187,204
	253,487	325,637

Other receivables consist principally of tax receivables and prepayments. These items do not give rise to significant credit risk.

The maximum exposure to credit risk for trade receivables at the reporting date by currency was:

	Carrying amount	
	2021	2020
Sterling	**12,204**	16,618
US dollar	**19,369**	21,697
Euro	**30,327**	38,164
Other	**32,289**	36,087
	94,189	112,566

Provisions against trade receivables

The following table shows the expected credit loss (ECL) that has been recognised for trade receivables:

	Gross 2021	**Provision 2021**	Gross 2020	Provision 2020
Not past due	**69,708**	**(20)**	82,849	(3)
Past due 0–30 days	**13,829**	**–**	18,481	–
Past due 31–60 days	**5,709**	**(65)**	6,314	(94)
Past due 61–90 days	**2,672**	**(54)**	3,468	(42)
Past due more than 91 days	**6,846**	**(4,436)**	6,142	(4,549)
	98,764	**(4,575)**	117,254	(4,688)

26. Financial instruments continued

Provisions against trade receivables continued

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 (2020: £5,000,000) on which interest would be payable at base rate plus 1.35% and a €5,000,000 uncommitted overdraft facility (2020: €5,000,000) on which interest would be payable at base rate plus 1.1%.

The Group holds a £60,000,000 committed Revolving Credit Facility and arranged a new £60,000,000 committed Revolving Credit Facility which matures in June 2022. At year end this committed facility was fully undrawn, resulting in £60,000,000 being available.

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 2021	**Carrying amount**	**Contractual cash flows**	**Less than 12 months**	**1–2 years**	**2–5 years**	**More than 5 years**
Bank loans	**685**	**772**	**81**	**79**	**229**	**383**
Lease liabilities	**8,611**	**9,416**	**4,155**	**2,913**	**2,348**	**–**
Trade and other payables	**76,786**	**76,786**	**76,786**	**–**	**–**	**–**
Contingent consideration	**239**	**239**	**164**	**75**	**–**	**–**
Foreign exchange contracts	**106**	**106**	**–**	**106**	**–**	**–**
Non-redeemable preference shares	**40**	**40**	**–**	**–**	**–**	**40**
	86,467	**87,359**	**81,186**	**3,173**	**2,577**	**423**

			Analysis of contractual cash flow maturities			
31 December 2020	Carrying amount	Contractual cash flows	Less than 12 months	1–2 years	2–5 years	More than 5 years
Bank loans and overdrafts	797	914	85	85	744	–
Finance lease liabilities	8,302	9,612	4,236	2,832	2,427	117
Trade and other payables	74,894	74,894	74,894	–	–	–
Contingent consideration	183	183	183	–	–	–
Foreign exchange contracts	168	168	168	–	–	–
Non-redeemable preference shares	40	40	–	–	–	40
	84,384	85,811	79,566	2,917	3,171	157

Where a counterparty experiences credit stress then 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 £88,610,000 (2020: £111,546,000) and the gross inflow is £90,400,000 (2020: £112,960,000).

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 2021 was a £1,790,000 asset (2020: £1,414,000 asset) comprising an asset of £1,896,000 (2020: £1,582,000) and a liability of £106,000 (2020: £168,000). Forward exchange contracts in place at 31 December 2021 mature in 2022 and 2023.

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 2021 of £200,000 (2020: £250,000) 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 2021 of £600,000 (2020: £700,000). 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	
	2021	2020	**2021**	2020
US dollar	**1.38**	1.28	**1.35**	1.37
Euro	**1.16**	1.12	**1.19**	1.12

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:

	2021	2020
Fixed rate financial liabilities	**40**	40
Floating rate financial liabilities	**685**	797
	725	837

The fixed and floating rate financial liabilities comprise preference shares and bank loans. The floating rate obligations bear interest at rates determined by reference to the relevant LIBOR or equivalent rate.

The weighted average interest rate of the fixed and floating rate financial liabilities are 9.5% (2020: 9.5%) and 2.35% (2020: 2.35%) respectively.

The maturity profile of the Group's financial liabilities (excluding leases) at 31 December was as follows:

	2021	2020
In one year or less	**65**	69
In more than one year but not more than two years	**65**	69
In more than two years but not more than five years	**196**	659
In more than five years	**399**	40
Total	**725**	837

26. Financial instruments continued

Provisions against trade receivables continued

d) Capital risk management

The primary objective of the Group's capital management is to ensure it maintains sufficient capital in order to support its business and maximise shareholder value. The Group has an asset-light business model and uses cash generated from operations to either invest organically or by acquisition. The Group manages its capital structure and makes adjustments to it in light of changes in economic and market conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares.

The Group defines capital as net 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	**2021**	2020
Total borrowings including lease liabilities	19	**(9,336)**	(9,150)
Total cash and cash equivalents	16	**123,473**	187,204
Group net cash		**114,137**	178,054
Reconciliation of changes in assets and liabilities arising from financing activities			
Repayment of borrowings		**67**	69
Net (increase)/decrease in lease liabilities		**(298)**	2,452
Effect of exchange rate fluctuations		**44**	(128)
Changes in financial liabilities arising from financing activities		**(187)**	2,393
Net (decrease)/increase in cash and cash equivalents		**(63,730)**	69,592
Net (decrease)/increase in net cash		**(63,917)**	71,985
Net cash at start of year		**178,054**	106,069
Net cash at end of year		**114,137**	178,054

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 2021	**Fair value 2021**	Carrying amount 2020	Fair value 2020
Loans and receivables				
Trade receivables	**94,189**	**94,189**	112,565	112,565
Other receivables	**35,824**	**35,824**	25,868	25,868
Financial assets				
Cash and cash equivalents	**123,473**	**123,473**	187,204	187,204
Designated cash flow hedges				
Foreign exchange contracts:				
Financial assets	**1,896**	**1,896**	1,582	1,582
Financial liabilities	**(106)**	**(106)**	(168)	(168)
Financial liabilities at amortised cost				
Bank loans	**(685)**	**(685)**	(797)	(797)
Trade and other payables	**(76,786)**	**(76,786)**	(74,894)	(74,894)
Contingent consideration	**(239)**	**(239)**	(183)	(183)
Preference shares	**(40)**	**(40)**	(40)	(40)
Lease liabilities	**(8,611)**	**(8,611)**	(8,313)	(8,313)
	168,915	**168,915**	242,824	242,824

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 estimated using market foreign exchange rates at the balance sheet date. All derivative financial instruments are categorised at 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:

i) Trade and other receivables/payables

As the majority of receivables/payables have a remaining life of less than one year, the notional amount is deemed to reflect the fair value.

ii) Contingent consideration

As the majority of the contingent consideration is contractually due for payment within 12 months, the notional amount is deemed to reflect the fair value. Further information on the contingent consideration is shown in note 21.

27. Leases

The Group leases many assets including land and buildings, vehicles, machinery and IT equipment. Information about leases for which the Group is a lessee is presented below.

Right-of-use assets

The right-of-use assets are disclosed as a non-current asset and are part of the property, plant and equipment balance of £77,798,000 at 31 December 2021.

2021	Land and buildings	Plant and equipment	Total
Balance at 1 January	5,729	2,338	8,067
Depreciation charge for the year	(3,387)	(1,254)	(4,641)
Additions to right-of-use assets	4,454	610	5,064
Right-of-use assets disposed of	–	(34)	(34)
Foreign exchange differences	(84)	(115)	(199)
Balance at 31 December	**6,712**	**1,545**	**8,257**

Lease liabilities

	2021	2020
Maturity analysis – contractual undiscounted cash flows		
Less than one year	4,155	4,236
One to five years	5,261	5,259
More than 5 years	–	117
Total undiscounted lease liability at 31 December	9,416	9,612
Interest cost associated with future periods	(805)	(1,299)
Lease liabilities included in statement of financial position at 31 December	8,611	8,313
Current	3,807	3,685
Non-current	4,804	4,628

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.

	2021	2020
Leases under IFRS 16		
Interest on lease liabilities	404	499
Expenses relating to short-term leases and leases of low-value assets	1,645	1,821
Depreciation of right-of-use assets	4,641	4,684

Amounts recognised in statement of cash flows

	2021	2020
Total cash outflow for leases	5,759	6,505

28. Capital commitments

Capital commitments at 31 December for which no provision has been made in these accounts were:

	2021	2020
Contracted	**3,433**	7,699

29. Contingencies

	2021	2020
Performance guarantees and indemnities	**4,000**	5,261

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.

30. Related parties

The Group has a related party relationship with its subsidiaries and with its directors and key management. A list of subsidiaries is shown on page 207 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:

	2021	2020
Emoluments including social security costs	**4,739**	4,680
Post-employment benefits	**–**	25
Pension supplement	**378**	466
Share-based payments	**165**	747
	5,282	5,918

Rotork plc Company balance sheet
At 31 December 2021

	Notes	2021 £000	(Restated[1]) 2020 £000
Non-current assets			
Property, plant and equipment	c	**17**	–
Investments	d	**43,205**	43,205
Amounts owed by Group undertakings[1]		**357,791**	363,579
Deferred tax assets	e	**502**	503
		401,515	407,287
Current assets			
Amounts owed by Group undertakings[1]		**6,640**	3,371
Other receivables	f	**868**	588
Cash and cash equivalents		**–**	2,464
		7,508	6,423
Total assets		**409,023**	413,710
Equity			
Share capital	i	**4,302**	4,370
Share premium		**18,828**	16,826
Capital redemption reserve		**1,716**	1,644
Retained earnings		**310,753**	376,709
		335,599	399,549
Non-current liabilities			
Preference share capital		**40**	40
		40	40
Current liabilities			
Trade payables		**182**	316
Current tax		**2,662**	2,276
Amounts owed to Group undertakings		**66,769**	6,574
Other payables	g	**3,771**	4,955
		73,384	14,121
Total equity and liabilities		**409,023**	413,710

1 Following a review of the Amounts owed by Group undertakings to the Company, management have reclassified 2020 balances not deemed to be current based on an assessment of the expected settlement dates. The Amounts owed by Group undertakings previously presented for non-current and current assets were £nil and £366,950,000 respectively.

The Company reported a total comprehensive income for the financial year of £64,084,000 (2020: £132,436,000).

These Company financial statements, company number 00578327, were approved by the Board of Directors on 28 February 2022 and were signed on its behalf by:

K Huynh and **JM Davis**
Directors

Rotork plc Company statement of changes in equity
At 31 December 2021

	Share Capital £000	Share premium £000	Capital redemption reserve £000	Retained earnings £000	Total equity £000
Balance at 31 December 2019	4,363	14,521	1,644	277,957	298,485
Total comprehensive income for the year	–	–	–	132,436	132,436
Equity settled share-based payment transactions	–	–	–	(306)	(306)
Share options exercised by employees	7	2,305	–	–	2,312
Own ordinary shares acquired	–	–	–	(3,645)	(3,645)
Own ordinary shares awarded under share schemes	–	–	–	4,193	4,193
Dividends	–	–	–	(33,926)	(33,926)
Balance at 31 December 2020	**4,370**	**16,826**	**1,644**	**376,709**	**399,549**
Total comprehensive income for the year	–	–	–	64,084	64,084
Equity settled share-based payment transactions	–	–	–	(1,982)	(1,982)
Share options exercised by employees	4	2,002	–	–	2,006
Own ordinary shares acquired	–	–	–	(7,809)	(7,809)
Own ordinary shares awarded under share schemes	–	–	–	5,455	5,455
Share buyback programme	(72)	–	72	(50,324)	(50,324)
Dividends	–	–	–	(75,380)	(75,380)
Balance at 31 December 2021	**4,302**	**18,828**	**1,716**	**310,753**	**335,599**

Notes to the Company financial statements

a) Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements. Notes a to i relate to the Company rather than the Group. Except where indicated, values in these notes are in £000.

Basis of preparation

The financial statements have been prepared under the historical cost convention.

The Company has applied Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) issued by the Financial Reporting Council (FRC) incorporating the Amendments to FRS 101 issued by the FRC in July 2015, and the amendments to Company law made by The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015. In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:
- A Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital and tangible fixed assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs; and
- Disclosures in respect of the compensation of Key Management Personnel.

The Company produces consolidated financial statements which are prepared in accordance with International Financial Reporting Standards. 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 is 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.

a) Accounting policies continued

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.

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 accounting estimates and judgements

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

	2021	2020
Wages and salaries (including bonus and incentive plans)	**4,599**	5,521
Social security costs	**515**	690
Pension costs	**142**	111
Share-based payment charge	**15**	183
	5,271	6,505

During the year there were 29 (2020: 28) employees of Rotork plc including the two (2020: two) executive directors.

Disclosures required by paragraph 1 of schedule 5 of SI2008/410 are set out in the director's remuneration report on pages 125 to 150.

Share-based payments

The share-based payment charge relates to employees of the Company participating in the Long Term Incentive Plan (LTIP). The disclosures required under IFRS 2 can be found in note 25 to the Group Financial Statements. The table below sets out the movement of share options under the LTIP for employees of the Company.

	Outstanding at start of year	Granted during year	Vested during year	Lapsed	**Outstanding at end of year**
2018 Award	540,421	–	(318,152)	(222,269)	**–**
2019 Award	504,714	–	–	–	**504,714**
2020 Award	701,514	–	–	(10,407)	**691,107**
2021 Award	–	542,929	–	–	**542,929**
	1,746,649	542,929	(318,152)	(232,676)	**1,738,750**

The weighted average remaining life of awards outstanding at the year end is one year.

c) Property, plant and equipment in the Company balance sheet

	Plant and equipment	Total
Cost		
At 1 January 2021	221	221
Additions	18	18
At 31 December 2021	**239**	**239**
Depreciation		
At 1 January 2021	221	221
Charge for year	1	1
At 31 December 2021	**222**	**222**
Net book value	17	17
At 31 December 2021	**–**	**–**
At 31 December 2020	–	–

d) Investments in the Company balance sheet

Shares in Group companies

	2021	2020
At 1 January and 31 December	**43,205**	43,205

The Company has the following investments in wholly owned subsidiaries. The principal activities of all the subsidiary undertakings are those of the Group, except as indicated below:

[D] Dormant company
[H] Holding company
[N] Active non-trading company

Subsidiary	**Incorporated in**	**Registered address**
100% owned by Rotork plc		
G.H. Chaplain & Co (Engineers) Limited[D]	England and Wales	Rotork House, Brassmill Lane, Bath, BA1 3JQ
Rotork Analysis Limited[N]	England and Wales	Rotork House, Brassmill Lane, Bath, BA1 3JQ
Rotork Cleaners Limited[N]	England and Wales	Rotork House, Brassmill Lane, Bath, BA1 3JQ
Rotork Control and Safety Limited[D]	England and Wales	Rotork House, Brassmill Lane, Bath, BA1 3JQ
Rotork Instruments Limited[D]	England and Wales	Rotork House, Brassmill Lane, Bath, BA1 3JQ
Rotork Nominees Limited[N]	England and Wales	Rotork House, Brassmill Lane, Bath, BA1 3JQ
Widcombe (Developments) Limited[D]	England and Wales	Rotork House, Brassmill Lane, Bath, BA1 3JQ
Rotork Controls Limited	England and Wales	Rotork House, Brassmill Lane, Bath, BA1 3JQ
Rotork Overseas Limited[H]	England and Wales	Rotork House, Brassmill Lane, Bath, BA1 3JQ
100% owned by Rotork Controls Limited		
Rotork Actuation (Shanghai) Co Limited	China	Building G, No.260 Liancao Road, Minhang District, Shanghai, PRC 201108
Rotork Trading (Shanghai) Co Limited	China	Room E, 3/f Tower D, Westlink, No. 2337 Gudai Road, Minhang District Shanghai, 201199, China
Rotork Controls (India) Private Limited	India	28B, Ambattur Industrial Estate (North Phase), Ambattur, Chennai 600 098, India
Rotork UK Limited	England and Wales	Rotork House, Brassmill Lane, Bath, BA1 3JQ
Valvekits Limited[H]	England and Wales	Rotork House, Brassmill Lane, Bath, BA1 3JQ
Rotork Americas Holdings Limited[N]	England and Wales	Rotork House, Brassmill Lane, Bath, BA1 3JQ
100% owned by Rotork Overseas Limited		
Rotork Australia Pty Limited	Australia	21-23 Décor Drive, Hallam, VIC, 3803, Australia
Rotork Controls Comercio De Atuadores LTDA	Brazil	Condomínio Industrial Veccon Zeta Estrada Mineko Ito n° 4.30, Sumaré, São Paulo, 13178-542, Brazil
Rotork Controls (Canada) Limited	Canada	3-6705 Milcreek Drive, Mississauga, Ontario, L5N-5M4, Canada
Rotork Andina SpA	Chile	Avenida Presidente Kennedy, 4700 Oficina 901 Las Condes, Santiago, Chile
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

Notes to the Company financial statements continued

d) Investments in the Company balance sheet continued

Shares in Group companies continued

Subsidiary	Incorporated in	Registered address
100% owned by Rotork Overseas Limited		
Rotork Germany Holdings GmbH[H]	Germany	Mühlsteig 45, 90579 Langenzenn, Germany
Rotork Limited	Hong Kong	Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong
Rotork Italy Holdings Srl[H]	Italy	Corso di Porta Vittoria 9, 20122, Milano, 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	No 32, Jln Anggerik Mokara 31/47, Kota Kemuning, 40460 Shah Alam, Malaysia
Rotork BV	Netherlands	Mandenmakerstraat 45, 3194, DA Hoogvliet, Netherlands
Rotork Gears Holding BV[H]	Netherlands	Nijverheidstraat 25, 7581 PV Losser, Netherlands
Robusta Miry Brook BV[H]	Netherlands	Herikerbergweg 88, 1101CM, Amsterdam, Netherlands
Rotork Norge AS	Norway	Ormahaugvegen 3, 5347 Ågotnes, Norway
Rotork Polska Zoo	Poland	Tarnogórska 241, 44-100 Gliwice, Poland
Rotork Rus Limited	Russia	2nd Floor, Offices #203-205, Otradnaya Street 2B, Building 3, 127273 Moscow, Russia
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 509, 42 Jangmi-ro, Bundang-gu, Seongnam-si, Gyeonggi-do, 13496, Korea, Republic of
Rotork YTC Limited	South Korea	81 Hwanggeum-ro, 89 Beon-gil, Yangchon-eup, Gimpo-si, Gyeonggi-do, 1048, Korea, Republic of
Rotork Controls (Iberia) SL	Spain	Larrondo Beheko Etorbidea, Edificio 2, 48180 Loiu Bizkaia, Spain
Rotork Sweden AB	Sweden	Box 80, 791 22 Falun, Sweden
Rotork AG[H]	Switzerland	Fuchsacker 678, 9426 Lutzenberg, Switzerland
Rotork Inc[H]	USA	675 Mile Crossing Blvd., Rochester NY 14624, United States
Rotork Controls de Venezuela SA	Venezuela	Av. Casanova Torre banco plaza, piso 3 Ofic. 3D. Sabana Grande. Caracas – Venezuela
Rotork Turkey Akış Kontrol Sistemleri Ticaret Limited Sirketi	Turkey	Aydınli Mh. Melodi Sk., Bilmo Küçük Sanayi Sitesi, No:35/1-2, Tuzla, Istanbul, 34953, Turkey
100% owned by Valvekits Limited		
Circa Engineering Limited[D]	England and Wales	Rotork House, Brassmill Lane, Bath, BA1 3JQ
100% owned by Rotork Trading (Shanghai) Co Limited		
Centork Trading (Shanghai) Co. Ltd	China	Room C-02, 1/F, West Area No. 2 Building, No. 29 Jiatai Road, Free Trade Zone, Shanghai, China
100% owned by Rotork UK Limited		
Prokits Limited[D]	England and Wales	Rotork House, Brassmill Lane, Bath, BA1 3JQ
Flowco Limited	England and Wales	Rotork House, Brassmill Lane, Bath, BA1 3JQ
100% owned by Rotork Italy Holdings Srl		
Rotork Controls Italia Srl	Italy	Viale Europa n.17 – 20047 Cusago, Milano Italy
Rotork Instruments Italy Srl	Italy	Viale Europa n.17 – 20047 Cusago,Milano Italy
Rotork Fluid Systems Srl	Italy	Via Padre Jacques Hamel, 55016 Porcari, Lucca Italy
Rotork Gears Srl	Italy	Viale Europa n.17 – 20047 Cusago, Milano Italy
100% owned by Rotork Gears Holding BV		
Rotork Gears BV	Netherlands	Nijverheidstraat 25, 7581, PV Overijssel, Netherlands

Subsidiary	Incorporated in	Registered address
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[D]	USA	3920 West Point Blvd, Winston-Salem, NC 27103, USA
100% owned by Fairchild Industrial Products Company		
Fairchild Industrial Products (Sichuan) Company Limited	China	Room 1201, Complex Square, No.88 West Shenghe No.1 Road, High Tech Zone, Chengdu, Sichuan, China. 610041
Fairchild India Private Limited	India	56-C/BB, Janakpuri, New Delhi-110058 IN, India
100% owned by Bifold Group Limited		
Bifold Fluidpower (Holdings) Limited[H]	England and Wales	Rotork House, Brassmill Lane, Bath, BA1 3JQ
100% owned by Bifold Fluidpower (Holdings) Limited		
Bifold Fluidpower Limited	England and Wales	Rotork House, Brassmill Lane, Bath, BA1 3JQ
MTS Precision Limited[D]	England and Wales	Rotork House, Brassmill Lane, Bath, BA1 3JQ
Marshalsea Hydraulics Limited[D]	England and Wales	Rotork House, Brassmill Lane, Bath, BA1 3JQ
Bifold Company (Manufacturing) Limited[D]	England and Wales	Rotork House, Brassmill Lane, Bath, BA1 3JQ
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	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
100% owned by Rotork Controls (Iberia) SL		
Actuation Iberia S.L.[D]	Spain	C/ Ercilla, 21., 48009, Bilbao (Vizcaya), Spain

e) Deferred tax assets and liabilities in the Company balance sheet
Deferred tax assets and liabilities are attributable to the following:

	Assets 2021	Liabilities 2021	Net 2021	Assets 2020	Liabilities 2020	Net 2020
Tangible fixed assets	**8**	**–**	**8**	8	–	8
Provisions	**494**	**–**	**494**	495	–	495
	502	**–**	**502**	503	–	503

Movements in the net deferred tax balance during the year are as follows:

	2021	2020
Balance at 1 January	**503**	283
Credited to the income statement	**44**	220
Impact of rate change	**(45)**	–
	502	503

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 subsequently 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 £258,167,000 (2020: £256,554,000).

f) Other receivables in the Company balance sheet

	2021	2020
Prepayments	**765**	524
Other receivables	**103**	64
	868	588

g) Other payables in the Company balance sheet

	2021	2020
Other taxes and social security	**447**	154
Other payables	**1,825**	3,317
Accruals	**1,499**	1,484
	3,771	4,955

The Company has a £17,000,000 gross overdraft facility (2020: £17,000,000) and is part of a UK banking arrangement, see note h.

h) Contingencies in the Company
The UK banking arrangements are subject to cross-guarantees between the Company and its UK subsidiaries. These accounts are subject to a right of set-off. The performance guarantees and indemnities have been entered into in the normal course of business. A liability would only arise in the event of the Group failing to fulfil its contractual obligations.

The Company holds a £60,000,000 committed Revolving Credit Facility and arranged a new £60,000,000 committed Revolving Credit Facility which matures in June 2022. The facilities are available to the Company, Rotork Controls Limited and Rotork Overseas Limited. At year end this committed facility was fully undrawn, resulting in £60,000,000 being available.

i) Capital and reserves in the Company balance sheet
Details of the number of ordinary shares in issue and dividends paid in the year are given in note 17 to the Group financial statements.

Ten year trading history

	2021 £000	(Restated[1]) 2020 £000	(Restated[1]) 2019 £000	2018 £000	2017 £000	2016 £000	2015 £000	2014 £000	2013 £000	2012 £000
Revenue	**569,160**	604,544	669,344	695,713	642,229	590,078	546,459	594,739	578,440	511,747
Cost of sales	**(306,394)**	(320,234)	(357,718)	(384,253)	(358,090)	(328,410)	(296,944)	(309,280)	(304,066)	(272,199)
Gross profit	**262,766**	284,310	311,626	311,460	284,139	261,668	249,515	285,459	274,374	239,548
Overheads	**(157,056)**	(171,207)	(189,683)	(188,542)	(198,167)	(167,891)	(145,129)	(143,232)	(135,109)	(115,081)
Operating profit	**105,710**	113,103	121,943	122,918	85,972	93,777	104,386	142,227	139,265	124,467
Adjusted[2] operating profit	**128,080**	142,543	151,005	146,015	130,162	120,588	125,272	157,167	151,412	131,866
Amortisation of acquired intangible assets	**(9,001)**	(14,110)	(18,841)	(20,284)	(27,183)	(26,811)	(20,886)	(14,940)	(12,147)	(7,399)
Other adjustments	**(13,369)**	(15,330)	(10,221)	(2,813)	(17,007)	–	–	–	–	–
Operating profit	**105,710**	113,103	121,943	122,918	85,972	93,777	104,386	142,227	139,265	124,467
Net interest	**221**	(537)	(2,953)	(2,170)	(5,386)	(2,707)	(2,517)	(1,062)	(1,268)	(273)
Profit before taxation	**105,931**	112,566	118,990	120,748	80,586	91,070	101,869	141,165	137,997	124,194
Tax expense	**(25,686)**	(26,808)	(29,096)	(29,004)	(24,973)	(23,897)	(27,012)	(37,963)	(38,488)	(34,879)
Profit for the year	**80,245**	85,758	89,894	91,744	55,613	67,173	74,857	103,202	99,509	89,315
Dividends	**75,515**	33,926	52,287	48,288	45,218	43,876	43,765	42,702	38,735	33,924
Basic EPS	**9.2p**	9.8p	10.3p	10.5p	6.4p	7.7p	8.6p	11.9p	11.5p	10.3p
Adjusted[2] EPS	**11.3p**	12.5p	13.0p	12.6p	10.6p	10.0p	10.4p	13.2p	12.5p	10.9p
Diluted EPS	**9.2p**	9.8p	10.3p	10.5p	6.4p	7.7p	8.6p	11.9p	11.4p	10.3p

1 See note 1 of the Financial Statements for details of the prior period restatement.
2 Adjusted is before the amortisation of acquired intangible assets, the disposal of property and other adjustments.

Share register information

The tables below show the split of shareholder and size of shareholding in Rotork plc.

Ordinary shareholder by type	Number of holdings	%	Number of shares	%
Individuals	2,802	78.1	21,226,444	2.5
Bank or nominees	732	20.4	832,255,171	96.7
Other company	32	0.9	2,782,324	0.3
Other corporate body	22	0.6	4,012,442	0.5
	3,588	**100.0**	**860,276,381**	**100.0**

Range	Number of holdings	%	Number of shares	%
1-1,000	1,114	31.1	494,024	0.1
1,001-2,000	478	13.3	707,406	0.1
2,001-5,000	603	16.8	1,991,803	0.2
5,001-10,000	430	12.0	3,105,313	0.3
10,001-50,000	555	15.5	12,217,799	1.4
50,001-100,000	102	2.8	7,518,063	0.9
100,001 +	306	8.5	834,241,973	97.0
	3,588	**100.0**	**860,276,381**	**100.0**

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 2021 final dividend, proposed and subject to shareholder approval at the 2022 AGM.

	Interim dividend (p)	Final dividend (p)	Total dividends (p)
2021	2.35	4.05[1]	6.40
2020[2]	–	6.30	6.30
2019[2]	2.30	3.90	6.20
2018	2.20	3.70	5.90
2017	2.05	3.35	5.40

Financial calendar

1 March 2022	Preliminary announcement of annual results for 2021
7 April 2022	Ex-dividend date for final proposed 2021 dividend
8 April 2022	Record date for final proposed 2021 dividend
20 May 2022	Payment date for final proposed 2021 dividend
29 April 2022	Announcement of trading update
29 April 2022	Annual General Meeting to be held at Bailbrook House Hotel, Eveleigh Avenue, London Road West, Bath, Somerset, BA1 7JD
2 August 2022	Announcement of interim financial results for 2022
23 November 2022	Announcement of trading update

1 Subject to shareholder approval at the 2022 AGM

2 On 31 March 2020, the Board decided to withdraw the recommendation to pay the 2019 final dividend of 3.90p per share. This was to reflect the exceptional set of circumstances imposed by COVID-19 at the time. The Board subsequently decided to pay the 3.90p per share in full in September 2020 as an interim dividend. To aid year-on-year comparisons the table above presents this dividend as the 2019 Final dividend reflecting the year to which it related.

Corporate directory

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