# Engineering our future

Spirax Group Annual Report 2023

Spirax-Sarco Engineering plc

# Engineering our future through continuity and progression

The decisions we have taken over the course of our history enable our sustainable growth, influence the value we create and have a lasting impact for our stakeholders in the future.

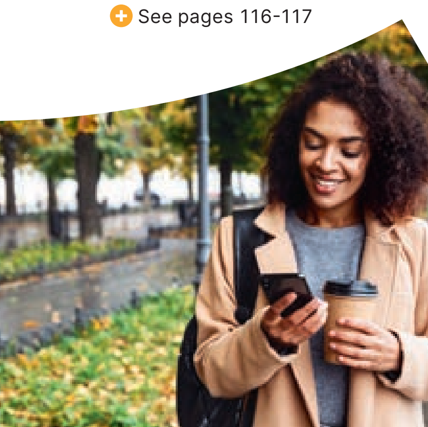
**Our colleagues**
Empowering **future** leaders
See pages 16-17

**Our customers**
Developing solutions for **future** customer needs
See pages 58-59

**Our communities**
Enabling **future** generations
See pages 82-83

**Our environment**
The **future** of sustainable steam
See pages 92-93

**Our suppliers**
Embedding sustainability into our **future**
See pages 96-97



**Our shareholders**
Engineering our **future**, together
See pages 116-117

# Spirax Group

Spirax Group is the new name for Spirax-Sarco Engineering.

It balances our history and where we have come from with who we are today, and is a natural evolution for our Company.

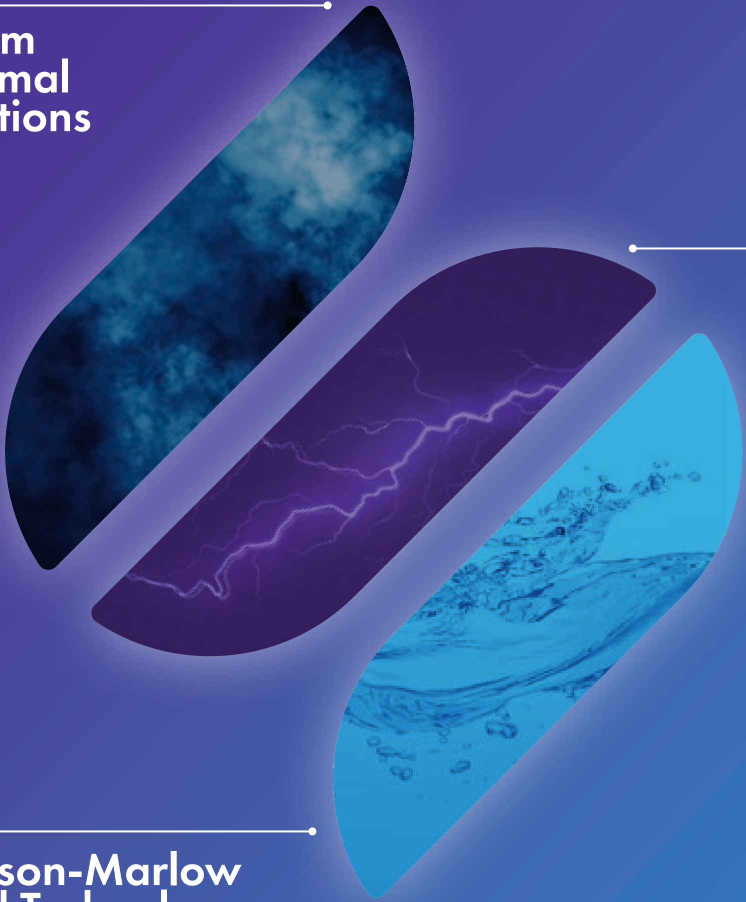
Spirax Group is different but also familiar. Its simplicity aims to create clarity, by representing everyone and everything that we do and eliminating the confusion between the name of our Group and the Spirax Sarco Division that provides steam thermal solutions to customers. As Spirax Group, we are staying true to our heritage while also reflecting our evolution to a much larger and stronger organisation.

We are inviting our shareholders to support our legal name change to Spirax Group plc at our AGM in May.

Read about our brand story overleaf

**Steam Thermal Solutions**

See pages 46-49



**Electric Thermal Solutions**

See pages 50-53

**Watson-Marlow Fluid Technology Solutions**

See pages 54-57

# A progressive decade…

Events of the last ten years have significantly contributed to the growth and evolution of our Company and are reflected in our decision to refresh our Brand. 2024 marks the culmination of an important era in our Group's history and lays strong foundations for our future as Spirax Group.

**2014**
Acquired BioPure

**2015**
Acquired Asepco and Flowsmart

**2016**
Acquired Aflex Hose

**2017**
Acquired Gestra and Chromalox

**2017**
Launched our Global Graduate Programme

**2018**
Joined the FTSE 100

**2019**
Acquired Thermocoax

> Our refreshed brand signifies our evolution across the last decade to a much larger and more capable organisation, while staying true to our heritage of more than 135 years.
>
> Across the Group, we have united behind our shared Purpose to create value for all our stakeholders by engineering a more efficient, safer and sustainable future. I am so proud of our collective achievements, grateful for all the support received and most importantly, I'm extremely confident in the future and sustainable success of Spirax Group."

**Nicholas Anderson**
Group Chief Executive
16th January 2014 – 16th January 2024

+ See page 14 for a final word from Nicholas Anderson

# ...supports our bright future

**2021**
Launched our **One Planet: Engineering with Purpose** Sustainability Strategy

**2022**
Launched the Spirax Group Education Fund and Everyone is Included

**2022**
Launched new-to-world decarbonisation solutions

**2022**
Acquired Vulcanic and Durex Industries

**2023**
Investment in Kyoto Group

**2024**

Spirax-Sarco Engineering becomes

Spirax Group

> Our Group has been built on strong foundations over decades, creating an enviable culture based on our Values. We are a caring, respectful and authentic organisation with a shared Purpose that we demonstrate every day through the way we work together to make our difference.
>
> We look forward to welcoming shareholders to our AGM in May when we will share more information on our brand refresh and ask for shareholder support to change our legal name to **Spirax Group plc**.”

**Nimesh Patel**
Group Chief Executive Officer

Read more about who we are on pages 8 - 10

# Engineering our future

As a Company established during the second industrial revolution, anticipating and investing in our future needs has become a core part of our DNA.

There were lots of examples of this during the last decade as we evolved the scale and composition of our Group by focusing on opportunities to create significant value for all our stakeholders and address the imperative of climate change.

# for over 135 years

Spirax Group is today represented by three strong and aligned Businesses providing mission critical thermal energy and fluid technology solutions to industrial customers across a diverse range of sectors.

As Spirax Group we can help everyone better understand who we are and how we work together across our Businesses to help customers meet their operational, sustainability and decarbonisation goals.

**Throughout this report we share some of the ways in which important decisions taken during the last decade will continue to shape our long-term, sustainable future.**

## Summary

# Financial, operational and sustainability highlights

For the year ended 31st December 2023

### Financial

- Revenues up 4% reflecting full-year contribution from acquisitions; down 1% organically
- Early restructuring actions and cost containment partially mitigated margin impact, particularly in H2
- Adjusted operating profit margin reflects adverse mix impact of lower volumes in higher margin businesses
- Statutory operating profit and margin reflect impact of restructuring and impairment costs
- Total dividend of 160.0 pence per share, maintaining 56 year track record
- Return to organic sales growth and adjusted operating profit margin progress expected in 2024

### Operational

- Organic revenue growth in STS and ETS outperformed IP
- Integrations of acquisitions progressing well
- Preserved investment to deliver future growth:
  - First installations of **TargetZero** solutions
  - Increased digital connections enhancing our customer propositions
  - Expansion of Chromalox Ogden manufacturing facility underway
  - Investment in Kyoto **Heatcube** adds to energy storage solutions
  - Digital innovations in Watson-Marlow support customers with preventative maintenance

### Sustainability

Good progress towards 2025 targets:

- Scope 1 and 2 emissions 6% lower (45% lower than 2019 baseline)
- Group energy use 8% lower
- Group water consumption 20% lower
- 135 biodiversity projects completed in 2023
- 36% of colleagues participated in volunteering
- Recent appointments improving gender balance of Executive Team

> Our financial results in 2023 were impacted by a more challenging trading environment than we had anticipated at the start of the year, with a number of external headwinds to our highest margin businesses. An early focus on restructuring to right-size capacity, together with cost containment actions, supported our adjusted operating profit margin. We are well positioned to return to revenue and profit growth in 2024."

**Nimesh Patel**
Group Chief Executive Officer

+ 'Sales' is used interchangeably with 'revenue' when describing the financial performance of the business

++ 'STS': Steam Thermal Solutions; 'ETS': Electric Thermal Solutions

+++ 'IP': Industrial Production growth

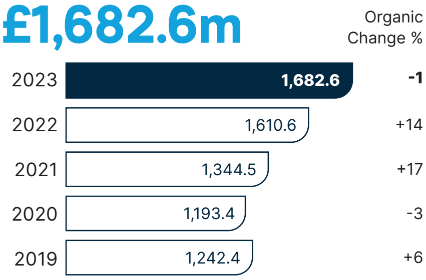
* Organic measures are at constant currency and exclude contributions from acquisitions and disposals (with our Russian operating companies treated as disposals from the date at which the Group suspended all trading with and within Russia)

** 'Biopharm' refers to Watson-Marlow sales to the Pharmaceutical & Biotechnology sector

⊕ See the Appendix to the Financial Statements for an explanation of alternative performance measures.

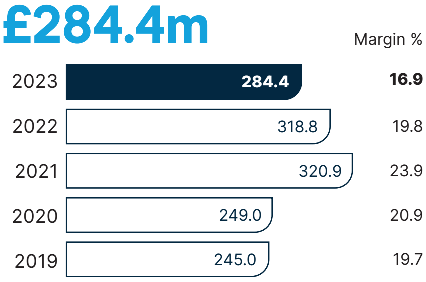
**Revenue** £ **KPI**

## £1,682.6m



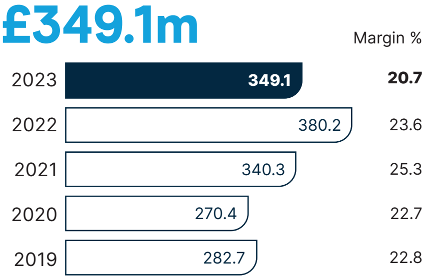
**Statutory operating profit** £m

## £284.4m



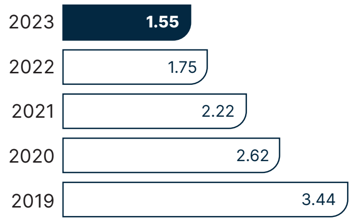
**Adjusted operating profit*** £m **KPI**

## £349.1m



**All-workplace injury rate^** **KPI**

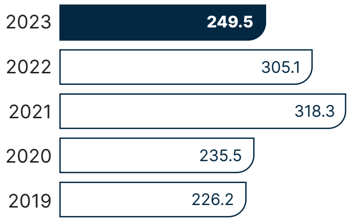
## 1.55



^ Per 100,000 hours worked

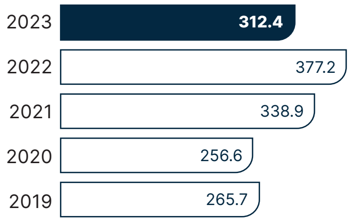
**Statutory earnings per share** p

## 249.5p

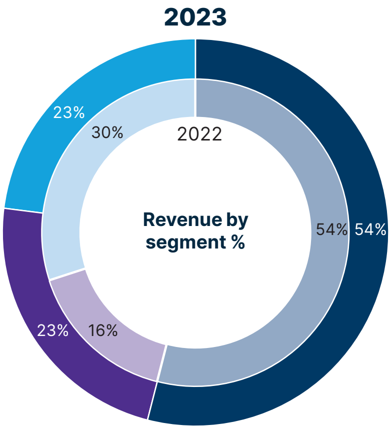


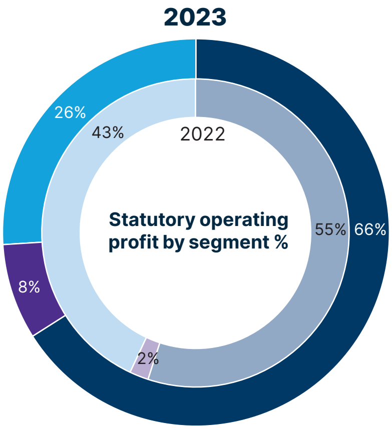
**Adjusted earnings per share*** p **KPI**

## 312.4p

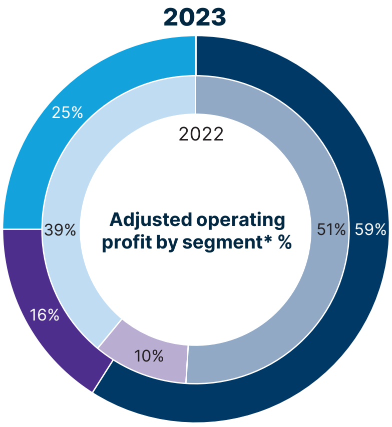


See more on our KPIs pages 34–35





Before corporate expenses of £27.8 million. (2022: £39.1 million).



Before corporate expenses of £27.8 million. (2022: £25.8 million).

● ● Steam Thermal Solutions ● ● Electric Thermal Solutions ● ● Watson-Marlow Fluid Technology Solutions

* All adjusted profit measures exclude certain items, which totalled a charge of £64.7 million (2022: charge of £61.4 million), as set out in the Appendix to the Financial Statements

The Group's three operating segments, as defined by IFRS 8, are Steam Thermal Solutions, Electric Thermal Solutions and Watson-Marlow Fluid Technology Solutions

## The industries we serve

# Solutions for a diverse range of industries

We apply our products, solutions and expertise across a diverse range of industrial sectors, helping our customers to increase their efficiency, safety and sustainability.

**Food & Beverage**

**20%** of Group revenue

Steam is used for blanching, cooking, baking, brewing, distilling, packaging, cleaning and sterilising. Electric heating elements are used in commercial food equipment. Pumps are used to meter and transfer ingredients, deliver food to process lines and handle process waste.

**Pharmaceutical & Biotechnology**

**18%** of Group revenue

Our peristaltic pumps, valves and single-use components enable precise flow control and fluid isolation. Clean steam reduces the risk of product and process contamination. Electrical heating is used in a wide range of process heating applications.

**OEM Machinery**

**12%** of Group revenue

Original Equipment Manufacturers (OEMs) are companies that build and supply machines for use in industry. Our activities with OEMs vary from simple product supply to advising on machine performance improvements and process plant design.

**Oil & Gas**

**6%** of Group revenue

Electrical heating products reduce fluid viscosity, deliver freeze protection and provide efficiency in the processing of natural gas, crude oil and water. Our steam products enable optimum steam system performance and reduce energy use during oil and gas production.

**Chemicals**

**6%** of Group revenue

Steam and electricity are widely used as an energy source in chemical production and product processing, while our pumps are used to safely and accurately transfer and dose critical chemical components.

**Power Generation**

**6%** of Group revenue

Electrical heating technologies are widely used to optimise power generation. Steam turbines transfer chemical energy in fuel into electrical energy and steam is used to distribute and reuse waste heat formed during the power generation process.

14% of Group revenues to ‘other’ industries including Pulp & Paper, Aerospace & Defence and Textiles.

Our sector diversity supports our resilience through economic cycles, see pages 18-21

**Healthcare**

**4%** of Group revenue

Steam is used in hospitals and clinics for space heating, hot water production, humidification and sterilisation. Pumps and associated equipment are used in the manufacture of products for the Healthcare industry.

**Water & Wastewater**

**3%** of Group revenue

Peristaltic pumps are used to dose chemicals during water treatment processes and to transfer viscous and abrasive slurries. Electrical heating solutions provide freeze protection, temperature maintenance and space heating in water treatment plants.

**Buildings**

**3%** of Group revenue

Steam is used to provide space heating, humidification and hot water in public and private buildings, while our electrical products are used for hot water and heat generation, snow-melting, gutter and roof de-icing and frost-heave prevention.

**Mining & Precious Metal Processing**

**3%** of Group revenue

Peristaltic pumps reduce water, energy and chemical use and increase productivity while moving and processing abrasive ores and slurries. Electrical heating is used for temperature maintenance and space heating for workers.

**Semiconductor**

**3%** of Group revenue

Electrical products are used in water manufacturing and printing production processes to ensure thermal uniformity which is critical during chip manufacturing process; clean and pure steam generators supply the humidification system to ensure the air is not too dry or wet.

**Transport**

**2%** of Group revenue

Electrical heating components provide freeze protection and defrost for engines, rotating equipment, mechanical systems and fluid delivery. Lined hoses are used for braking, cooling, transmission and steering systems. Our steam heat exchange and recovery solutions are used on cruise ships.

Introducing Spirax Group

# Who we are

## We are a leading thermal energy and fluid technology solutions Group

Our expertise, products and solutions sit behind the production of many consumables that people across the world rely on every day, from food and drink to medicines.

## A proud heritage and a bright future

We are 10,000 colleagues in every corner of the globe working together in pursuit of our shared Purpose, united by and guided by our core Values.

### Our Purpose

To create sustainable value for all our stakeholders as we engineer a more efficient, safer and sustainable world.

### Our culture

An inclusive, equitable and wellbeing-focused culture makes us stronger as individuals, as teams and as Spirax Group. It is central to the promises we make to our colleagues and critical to achieving our Purpose.

+ Read more about our inclusive culture on page 64

## Our Values

### Safety

We care about people, helping them stay safe and look after their own wellbeing.

### Collaboration

We are most successful when we trust each other and work together.

### Customer focus

Through our expertise, passion and insight we achieve extraordinary results for customers.

### Excellence

We approach challenges with passion, aiming for excellence in all we do, for a sustainable future.

### Respect

Everyone matters, both inside and outside our Company. We respect everyone we work with, as well as the natural environment and our local communities.

### Integrity

Success only matters when achieved fairly. We believe that winning with integrity leads to sustainable results.

# How we deliver

Solving customers' problems is at the heart of our 'total solutions' approach. Our thermal energy and fluid technology solutions improve operating efficiency and safety in our customers' critical industrial processes.

We deliver our solutions through three strong and aligned Businesses and their Divisions, that include global and regional product brands.

**Spirax Group**

**Steam Thermal Solutions**

spirax sarco
GESTRA
HITER
cotopaxi

**Electric Thermal Solutions**

CHROMALOX
Vulcanic
THERMOCOAX
DUREX INDUSTRIES
CETAL
RS ISOLSEC
LOREME

**Watson-Marlow Fluid Technology Solutions**

WATSON MARLOW
Bredel Hose Pumps
masosine Process Pumps
AFLEX HOSE
ASEPCO
iO PURE
Flexicon Liquid Filling
Alitea OEM Pumps

## At a glance

**10,000**
Colleagues

**2,100**
Sales and service engineers

**66**
Countries with a resident direct sales presence

**37**
Manufacturing sites

**1,700+**
Core product lines

**110,000**
Direct buying customers[1]

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[1] Actively purchasing in the last 24 months.

## Introducing Spirax Group continued

# For people and planet

Operating sustainably and supporting our customers' sustainability goals is at the heart of our approach and enshrined in our **One Planet Sustainability Strategy**, which is how how we aim to create value for people and our planet. We hold ourselves to the highest standards and work with organisations that are aligned with our ambition.

Read more in our Sustainability Report starting on page 60

MSCI ESG RATINGS: Rated AA (leader)

FTSE4Good: Score 3.0 (above industry average for E, S and G)

SUSTAINALYTICS RATED: 19.5 (low risk, top rated company)

CDP: A- (climate change), C (water)

Member of Dow Jones Sustainability Indices
Powered by the S&P Global CSA

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

BUSINESS AMBITION FOR 1.5°C

FTSE Women Leaders

Chair's Statement

# A stronger, more balanced and more sustainable Group that is well positioned for the future

> "Decisions taken over the last years have built strong foundations, enabling Spirax Group to serve and create value for all its stakeholders."
>
> **Jamie Pike**
> Chair

2023 has been a transitional year for the business on a number of fronts. With respect to trading, we have seen the transition to a post-pandemic macroeconomic environment impacting our business through customer destocking in the Pharmaceutical & Biotechnology and Semiconductor sectors, as well as a challenging geopolitical landscape resulting in higher inflation and low industrial production growth. With respect to leadership, we have successfully and smoothly made the transition to a new Group Chief Executive Officer.

# Chair's Statement continued

Against these transitions, there have also been many constants, such as the fundamental strengths of our Group. The quality of our products, criticality of our solutions and the industry drivers towards more efficient, safer and more sustainable production, are still the same. That is why the Board's confidence in Spirax Group's long-term structural growth opportunities, as well as in its people and culture, are stronger than ever.

So, while 2023 has brought some very specific, short-term headwinds, our focus has been on ensuring that we are managing the business appropriately to position ourselves for growth in 2024 as end markets recover. With this at the forefront of our minds, the Board has remained committed to ensuring the decisions we make create value for all our stakeholders and the way in which we have engaged with and taken stakeholder needs into account is outlined on pages 121 to 123.

## Board and leadership changes

In August, we announced that Nicholas (Nick) Anderson would be standing down as Group Chief Executive and he later retired from this role on 16th January 2024, precisely ten years after his appointment and after 12 years with the Company.

Nimesh Patel was appointed Group Chief Executive Officer and took up the position on 16th January 2024. Nimesh joined the Group in 2020 as Chief Financial Officer and his appointment as Group Chief Executive Officer follows a rigorous succession process, more details of which can be found in the Nomination Committee Report on pages 132 to 137.

As announced in December 2023, Louisa Burdett will join the Group in July 2024 as Chief Financial Officer (CFO). Louisa is a highly experienced CFO having led finance functions in several large companies including UK-listed Croda, Meggitt and Victrex. She currently serves as a Non-Executive Director and Audit Committee Chair of RS Group plc.

Phil Scott, who joined the Group in 2021 as Director of Group Finance, became Interim Chief Financial Officer on 16th January 2024 and will handover to Louisa shortly after she joins the Group later this year.

In 2023, we had one change to our Non-Executive Board members. Olivia Qiu stepped down as a Non-Executive Director on 31st January and Constance Baroudel joined the Board on 2nd August, bringing strong sustainability, strategic and non-executive experience.

Biographies of the Board members can be found on pages 112 and 113.

This is my final year as Chair of Spirax Group, following ten years on the Board. The Nomination Committee is currently engaged in the search and appointment of my successor and I will stand for re-election at the Company's AGM in May in order to support the management team, and to provide an appropriate handover to the incoming Chair. I expect to have stepped down from the Board before I take up the position of Chair of IMI plc in January 2025. Further information on this can be found in the Nomination Committee and Directors' Reports on pages 134 and 180.

It has been an honour and a privilege to be part of this Group's journey over the last decade. The decisions taken over the last years have built strong foundations, enabling Spirax Group to serve and create value for all its stakeholders. I have no doubt the Group will continue to prosper under Nimesh's leadership.

## Our commitment to inclusion, equity and diversity

Our Board is diverse ethnically, culturally and in terms of gender, bringing value to our Group.

At the end of December 2023, the Board met the 40% FTSE Women Leaders Review target for female representation and with two members of the Board coming from a minority ethnic background, we exceeded the Parker Review target of at least one individual.

## Board highlights

The Board met seven times in 2023. We spent a significant proportion of our time on talent reviews and leadership succession, including managing the Group Chief Executive succession process which led to another key succession process for the CFO role.

In what was a challenging year, the Board supported management in its decision-making around necessary restructuring activities, which were executed in line with our core Values and having first given due consideration to the impacts of the decision-making outcomes on all stakeholders.

During the year we also reviewed and approved major investments to support the Group's growth, including the decision to invest US$58 million in expanding Chromalox's manufacturing facility in Ogden (Utah, USA), which is fundamental to the supply of Medium Voltage heating solutions that are critical to our decarbonisation products and solutions.

We have continued to focus on ESG activity, including receiving regular updates on Health & Safety as well as Colleague Engagement activities both through the Colleague Engagement Survey and the work of the Colleague Engagement Committee. In addition to reviewing the **One Planet Sustainability Strategy**, we received regular updates to monitor progress against targets and reviewed the Group's TCFD disclosures.

The Board travelled and visited operations in France (Thermocoax, ETS), the USA (Watson-Marlow), and UK (Spirax Sarco, STS), meeting the local leadership teams and our colleagues across sales, manufacturing and in supporting functional roles.

During the year we have closely monitored the proposed changes to the UK Corporate Governance Code, particularly those which have been clarified in the FRC guidance released in January 2024.

We have worked closely with management to support the Group's internal controls improvement 'G3' Project that aims to systematically improve and standardise controls across the Group using a risk-based framework. This workstream has been supported with additional investment into our Governance teams and supporting infrastructure.

The Board has overseen additional investment into the Group's IT infrastructure with a particular focus on assessing and improving our Cyber Security preparedness. This has included evaluating the key learnings from a ransomware simulation exercise undertaken by management.

## **Board highlights** continued

As part of the review of the Group IT and systems infrastructure, the Board approved the decision to redesign the existing ERP upgrade programme, Project OPAL, within Steam Thermal Solutions (STS). This resulted in an impairment charge. Over time the scope of Project OPAL had expanded substantially to include a wider range of business applications. In parallel, the external technology market has continued to evolve, and the Board supported the move to implement consistent ERP solutions across all three Businesses. Within STS, this will enhance future capability, in addition to leveraging the scale of the broader Group.

The Group's IT infrastructure is an important foundation for our Digital evolution. The Board engaged regularly throughout 2023 on delivery of our Digital ambition, to understand how the Businesses are advancing projects which aim to deliver connected insights to our customers, further enhancing our solutions.

You can read more about the Board's decision making in support of all our stakeholders on page 123.

## Board effectiveness

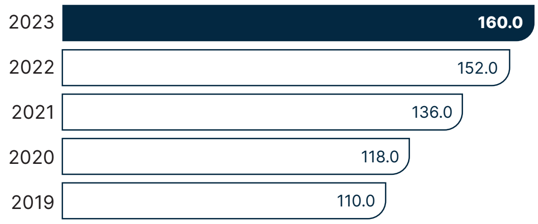
Following the external and independently facilitated Board evaluation in 2021, the Board conducted internal Board evaluations in 2022 and 2023. Full details of the 2023 evaluation process and outcomes can be found in Nomination Committee Report on page 134 and 180.

## Dividends

The Directors are proposing the payment of a final dividend of 114.0 pence per share (2022: 109.5 pence). Subject to approval of the final dividend by shareholders at the Annual General Meeting on Wednesday 15th May 2024, the total Ordinary dividend for the year will be 160.0 pence per share, an increase 5% over the Ordinary dividend of 152.0 pence per share for the prior year.

**Dividend per share** p

**160.0p**



**Jamie Pike**
Chair
on behalf of the Board of Directors
6th March 2024

## Leading with Purpose

**Across this Annual Report we have recorded some of the significant decisions and outcomes that have shaped our trajectory over the last decade, under the stewardship of Nick Anderson, who took up the role of Group Chief Executive on 16th January 2014 and retired precisely ten years later.**

Nick leaves behind a larger, more complex, more capable and sustainable Company which has grown to become home to three strong and aligned solutions-focused Businesses.

Under Nick's tenure, the Company has evolved, through investment, acquisitions and by aligning as One Group - now Spirax Group - with a common Purpose, business model and shared core Values that underpin our differentiated culture.

Nick leaves the Group well positioned and in safe hands, with the appointment of Nimesh as a strong successor from within the Group, supported by a very capable leadership team.

On behalf of the Board, I thank Nick for everything he has done and wish him well in the next phase of his Non-Executive career.

## Section 172 Statement

In accordance with the Companies (Miscellaneous Reporting) Regulations 2018, the Directors have prepared a statement describing how they have had regard to the matters set out in Section 172 when performing their duty to promote the success of the Company. This can be found on pages 121 to 123.

+ See pages 121 - 123

## Letter from former Chief Executive Nicholas Anderson

# A final word from Nicholas Anderson

> Our journey over the last ten years has been thrilling and inspiring.”

## Dear Shareholders

After joining the Company in 2012, my retirement on 16th January 2024 was precisely ten years to the day since taking up the mantle of Group Chief Executive of Spirax-Sarco Engineering, now Spirax Group.

As I reflect on my 12 years here, I look back with immense pride on what we have achieved collectively. I am also full of gratitude for the support and encouragement I have always received from all stakeholders throughout this journey.

Spirax Group is today a larger and stronger Group comprised of three aligned, solution-focused Businesses and represents everything that has been made possible by the evolution of Spirax-Sarco Engineering over the past decade. This was achieved through our investments in growth and infrastructure: expanding our direct sales capabilities and addressable markets, increasing our geographic and manufacturing footprint, developing new technologies, focusing on sustainability and enhancing our organisation, while constantly investing in the growth and wellbeing of colleagues all around the world.

In 2014, I became the leader of a very successful Company with a long and proud history, full of capable people doing brilliant things to transform the efficiency, safety and sustainability of industrial customers’ mission-critical processes. I made it my mission then to be a respectful custodian of the legacy entrusted to me and to make sure that my leadership decisions would ultimately leave the Company in an even better standing.

In 2024, I am gratified to have extended that long and successful history, leaving behind a Group with more than double the number of even more capable people and with three great solution-focused Businesses that have even more opportunities to grow and prosper. We have also focused on fulfilling our commitments to sustainability, inclusion, community engagement, innovation, operational excellence and, importantly, preserving a very special culture based on our Values.

Handing over the baton of leadership to Nimesh was the final step in a long-planned and carefully managed transition. I have every confidence that Nimesh and the Group Executive Committee, supported by our worldwide colleagues, will take Spirax Group to even greater heights and I wish them every success in this endeavour.

From my perspective, our journey together over the last ten years has been thrilling and inspiring. It has been an honour to lead the organisation to this point and I will watch with pride and keen interest, as the Group continues on the next phase of its journey.

There is no doubt in my mind that Spirax Group has a very bright future ahead.

Thank you for your support.

**Nicholas John Anderson**
Group Chief Executive
16th January 2014 – 16th January 2024


Nick
nderson
ief Execu
Spirit
Spirit

## Our colleagues

# Empowering future leaders

## Developing our talent for the future

### Global Graduate Leadership Development Programme

Every leader will remember when they embarked on their careers how those early experiences and learning shaped the skills they would go on to acquire for their future career. The world of work today is very different to how it was ten years ago, and so one way that we continue to engineer our future is by helping to develop the next generation of leaders, equipping them with the skills and experiences to lead effectively in the decades to come.

Our two-year Global Graduate Development Programme was launched in 2017 and became the Global Graduate Leadership Development Programme in 2023. The programme built upon its early UK foundations to focus on developing future leaders from across Spirax Group in commercial, manufacturing and supply roles.

Each graduate follows a consistent and structured development programme through a combination of online and Group learning activities. The programme is tailored to the graduate's interests and future career goals through the undertaking of three placement rotations, each with a common set of objectives but giving insights into different parts of the Group and its operations, including an overseas placement.

This allows them to see another part of the world, immerse themselves in a different culture and collaborate with colleagues from across the globe. In this way, our Global Graduate Leadership Development Programme supports our Inclusion Commitments, as we believe that having a diversity of skills, experience and perspectives in our Group is important today and for the future.

Number of graduate alumni since 2017

**84**

Gender split since 2017

**50:50**

Representation from minority ethnic backgrounds in UK and USA in 2023

**33%**

## Kiranjit's graduate journey

Kiranjit Dharni joined Steam Thermal Solutions, a Spirax Group Business, on the Global Graduate Development Programme in 2019, completing project placements in Supply, Business Development, Group Finance and our Spirax Sarco operating company in Sweden. Kiranjit then took the role of Business Development Manager for Spirax Sarco in the Nordics, where she was involved in implementing many areas of the **Customer first$^2$ Strategy** including Digital pilots and steam system audit capability.

As of February this year, Kiranjit is Programme Manager for Gestra, supporting the implementation of our **Customer first$^2$ Strategy** by driving and executing key initiatives for Gestra globally.

> I really felt my learning was enhanced through the graduate programme, from being able to contribute to solutions for real world problems through high profile, challenging projects which often involved senior leadership exposure, to learning about my strengths and what I enjoy doing. It was a privilege to be a part of."

**Kiranjit Dharni**
Programme Manager,
Gestra, part of Steam Thermal Solutions

# Making our difference through our One Group approach

## Business model and approach

### Our One Group approach

At Spirax Group, our customers' needs drive all that we do and to meet their needs effectively, we leverage our culture, strategic framework and business model to inform the way we work and deliver our Purpose.

**Our Purpose is to create sustainable value for all our stakeholders as we engineer a more efficient, safer and sustainable world.**
In living our Purpose, our Group is united by a strong culture, a common strategic framework with six strategic priorities, and a consistent business model which enables us to create outcomes with lasting impact for all our stakeholders across a breadth of geographies and diverse end market sectors.

+ Read more about how the Group has engaged with stakeholders this year on pages 26–33

+ Read more about how the Board has engaged with stakeholders this year on pages 121–123

**Our culture**
An inclusive, equitable and wellbeing-focused culture makes us stronger as individuals, as teams and as Spirax Group. It is central to the promises we make to our colleagues and critical to achieving our Purpose.

+ Read more on pages 64–66

### What we do

Our core activities are those things we do that enable us to meet the needs of our customers and achieve our Company Purpose.

**Innovate and design**
Through innovative research and development (R&D) and collaboration across our Group, we develop and enhance our already broad range of products, pre-fabricated packages and site services, ensuring that we meet customers' changing needs.

**1,700+**
core product lines

**Manufacture**
We manufacture industrial and commercial steam system products, electrical process heating and temperature management products and peristaltic and niche pumps and associated fluid path technologies.

**37**
manufacturing sites

**Sell**
With a resident direct sales presence in 66 countries and non-resident direct sales or distributors in a further 98 countries, we serve customers in 164 countries worldwide.

**66**
countries with direct sales presence

**Monitor and measure**
We offer a comprehensive range of site audits, maintenance services and digital monitoring solutions, to keep our customers' systems operating efficiently.

**45%**
revenue from maintenance activities

**Apply and solve**
We combine our specialist knowledge and digital capabilities with our industry-leading products and services to deliver value-adding engineered solutions to customers, who increasingly rely on our service, solutions and expertise.

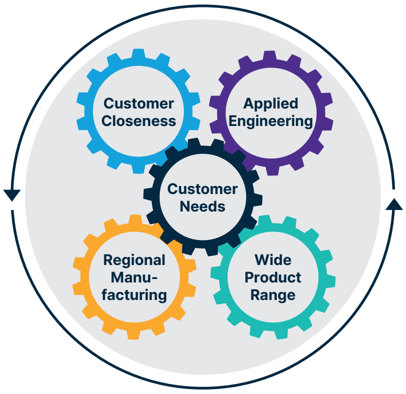
**2,100**
sales and service engineers

**Educate**
We help our customers to identify in-house engineering knowledge skill gaps and offer a wide range of training courses.

**61**
training centres

## Our customer focus

At the heart of our value creation is our deep engagement with and understanding of our customers and their processes.



**Customer closeness**
Through sectorisation and building deep, long-term, direct relationships with our customers we help them address their unrecognised needs.

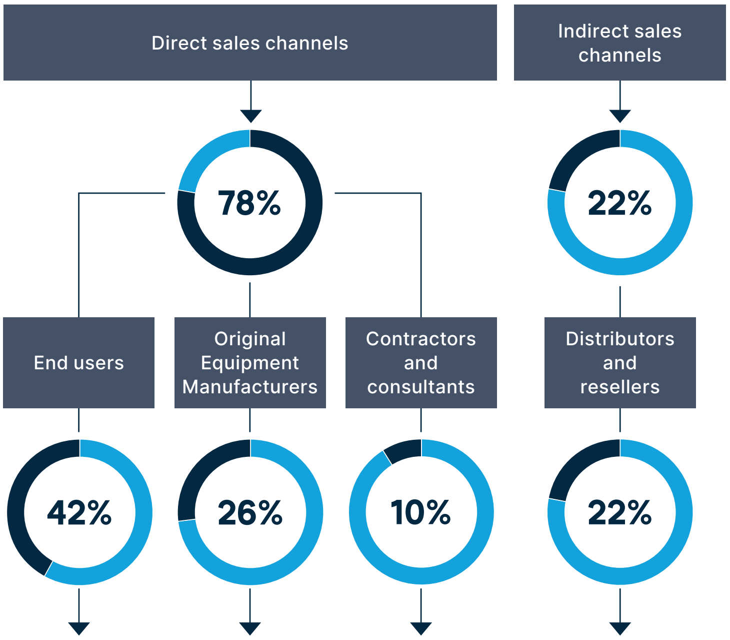
**Applied engineering**
Providing value to customers through the application of our extensive knowledge of systems design, operations and maintenance.

**Wide product range**
The breadth of our product offering is unmatched by our competitors and we are committed to R&D.

**Regional manufacturing**
Strategically located manufacturing plants provide local availability of a wide range of products whilst meeting applicable regional design codes.

## Our routes to market

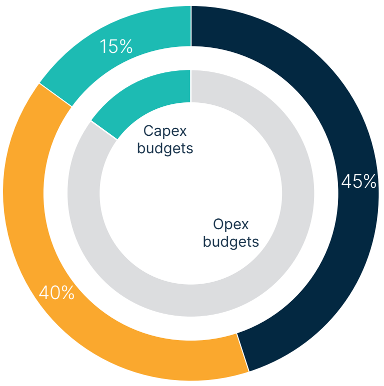
Our direct sales approach plays an important role in all routes to market – whether direct or indirect – as our engineers engage with end users to demonstrate the benefits of our products, solutions and services.



**End users of our products and services**
Industrial and commercial steam, electrical process heating and peristaltic and niche pump users, across a wide range of markets, purchasing from us directly, specifying our products, or buying from distributors.

## How we generate revenue

85% of Group revenue is generated from annual maintenance and operational budgets and 40% of Group revenue is self-generated.



- ● **Maintenance and repair sales**
  Typical invoice value £1.5k
- ● **Small project sales**
  Typical invoice value £10-70k
- ● **Large project sales**
  Typical invoice value >£100k

Read more about the industries we serve on pages 6–7

# Engineering sustainable growth

## Investment case

## Our key strengths

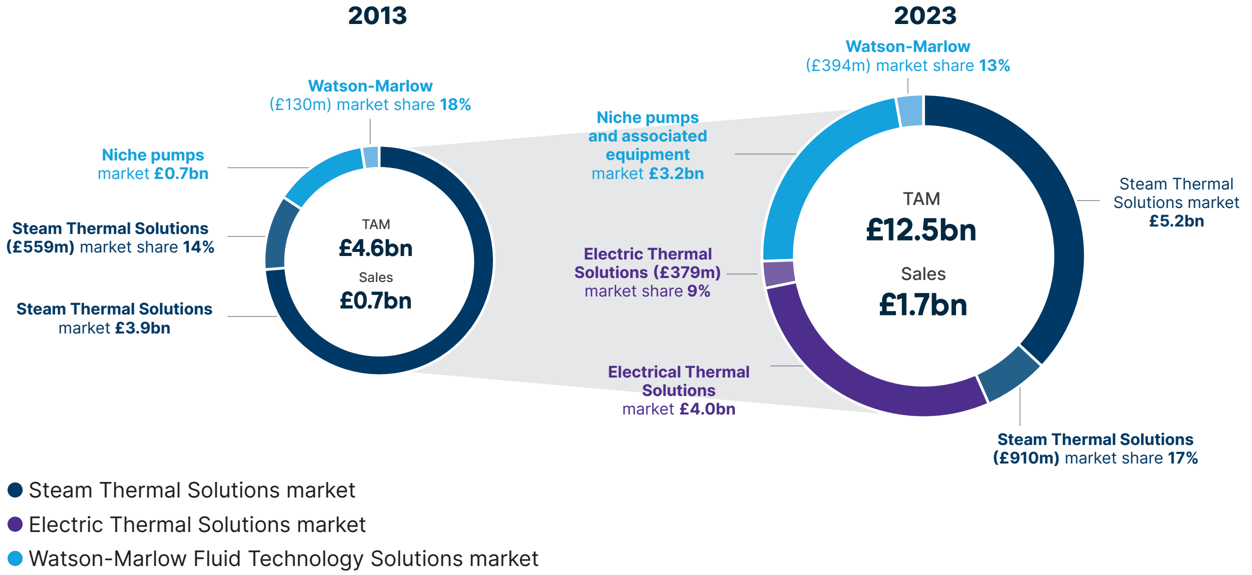
### Diverse yet balanced end markets

- Leading positions in large but niche markets
- Range of high-growth as well as defensive and resilient end markets
- Global footprint

### Driving further growth

- Operating leverage enables reinvestment to drive organic growth
- Highly selective bolt-on M&A to enhance capabilities and drive further growth

### Ten years of total addressable market (TAM) growth



Source: Based on internal estimates

## Delivering long-term compounding growth

Long-term compounding growth with attractive margins

**Critical products supporting customers' critical processes**

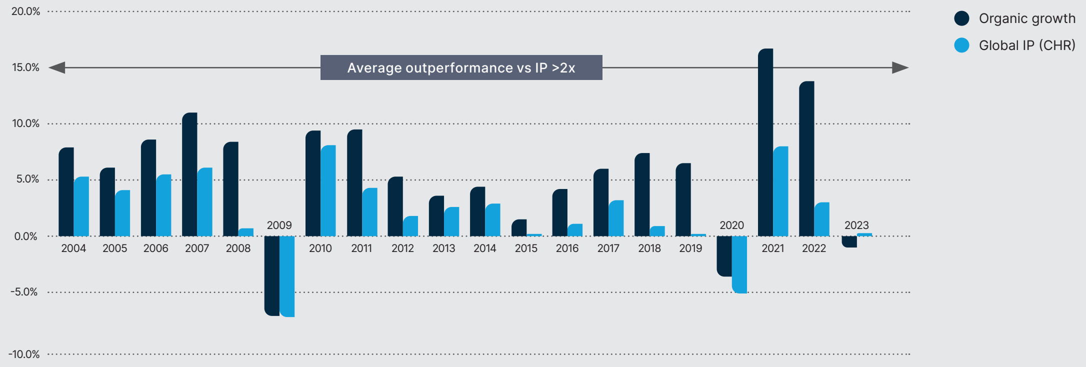
- Leading player in fragmented niche markets
- Unique direct sales model and strong customer insight
- Self-generated growth with pricing based on customer economics
- Sales funded from Opex budgets with low average invoice size
- Resilience driven by geographic, sector and customer diversity
- Growing addressable market with decarbonisation a key long-term driver

**Strong financial track record**

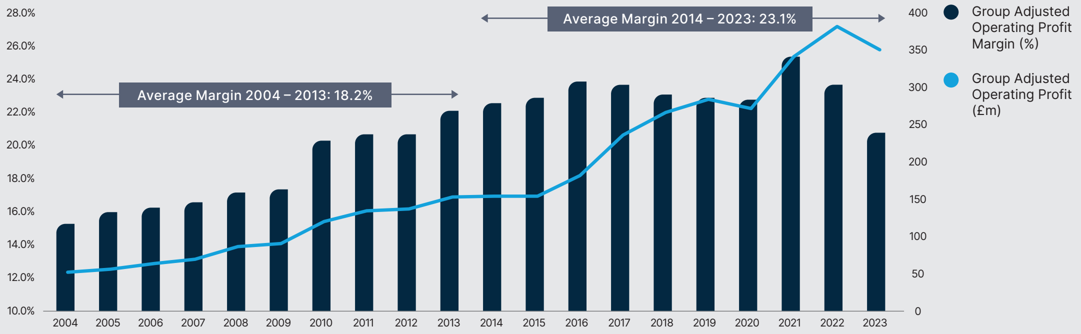
- Organic growth > 2 x IP
- Attractive stable margins
- Strong cash generation
- Earnings and dividend growth

**Delivering long-term compounding growth**

## Sustainable returns



Outperforming industrial production growth



Strong profit growth and consistent margin expansion

## Our strategic priorities

The following six strategic priorities guide our focus to deliver self-generated growth that outperforms our markets.

**Increase direct sales effectiveness through market sector focus**

**Broaden our global presence**

**Optimise our supply chain effectiveness**

**Develop the knowledge and skills of our expert sales and service teams**

**Leverage our R&D investments**

**Operate sustainably and help improve our customers' sustainability**

Chief Executive Officer's Review

# Well positioned to return to revenue and profit growth in 2024

> It is a privilege to lead Spirax Group, working alongside outstanding people to build on our strengths and support future growth."

**Nimesh Patel**
Group Chief Executive Officer

I took over as Group Chief Executive Officer of Spirax-Sarco Engineering (now rebranded Spirax Group) on 16th January 2024, following Nick Anderson's retirement. Over the past ten years, under Nick's leadership, we have established strong positions in what are now three very significant Businesses with exciting future potential.

I am grateful to Nick for bringing me into the Group and for laying the strong foundations that will support our journey in the years to come. I feel privileged to be leading Spirax Group and would like to thank the Board for supporting me and my Group Executive Committee (GEC) colleagues through this leadership transition.

## Summary of 2023 performance

The macroeconomic environment was materially weaker in 2023. Global industrial production growth (IP) was 0.3% compared to 2.1% in 2022, with lower growth in all regions. IP was materially lower than the 1.4% that had been forecast at the beginning of the year with downward revisions to second half growth particularly marked in North America and China. The Group was also impacted by external demand challenges in our Biopharm and Semiconductor (Semicon[1]) sectors (which accounted for approximately 16% and 4% of 2022 proforma[2] sales respectively), due to customer destocking.

Against this backdrop, the Group's financial performance in 2023 was in line with the expectations we set out in our November 2023 trading update.

We saw strong demand during the first half in STS and the industrial process focused Divisions of ETS (Chromalox and Vulcanic). However, demand from industrial equipment customers of ETS was lower, particularly in Semicon, impacting Durex Industries and to a lesser extent, Thermocoax. Demand in Watson-Marlow was also weak, driven by Biopharm customers destocking post the COVID pandemic. As a result, Group sales grew organically by 2% in the first half, reflecting strong growth in STS (15%) and ETS (7%) offset by a decline in Watson-Marlow (21%).

In the second half, the macroeconomic backdrop weakened for STS and the industrial process focused Divisions of ETS, while Biopharm demand remained subdued and Semicon demand was lower than in the first half. Group sales declined organically by 4% in the second half, reflecting slower growth in STS (2%) and declines in ETS (2%) and Watson-Marlow (17%).

Group revenues in 2023 declined by 1% organically compared to 2022 (down 1.5% compared to proforma 2022 sales), to £1,682.6 million. Sales benefited from a full year's contribution from the Vulcanic and Durex Industries acquisitions but were also impacted by a currency headwind of 2% and a small adverse impact from the disposal of our Russian operations in 2022. Lower sales in our highest margin businesses impacted full year adjusted operating profit, which was down 12% organically to £349.1 million, with full year adjusted operating profit margin down by 270 bps, organically, to 20.7%. This outcome reflects our strong pricing discipline, which helped to partially mitigate the impact of lower volumes and adverse sales mix on our margin, even as cost inflationary pressures eased.

Recognising the challenging trading environment, we took early action across all three Businesses to appropriately right-size capacity and overhead support costs as well as implementing temporary cost containment actions and reducing variable compensation across the Group. As a result of these actions, Group adjusted operating profit in the second half grew by 3% compared to the first half, despite sales being lower. We protected our ability to respond to an anticipated recovery in demand by continuing to invest in a number of strategic initiatives that underpin the Group's long-term growth. I am grateful to my colleagues around the world for their commitment, expertise and efforts, as well as their continued focus on delivery for all stakeholders, during these more challenging times.

The Board has declared a final dividend of 114.0 pence (2022: 109.5 pence) per ordinary share, bringing the total dividend for the year to 160.0 pence. The total dividend for 2023 represents 5% growth compared to 2022, reflecting our confidence in the Group's business model, strategy and medium to long-term prospects extending our track record of dividend progress to 56 years.

## Market environment

Global industrial production growth (IP) in 2023 was 0.3% compared to 2.1% in 2022, with lower growth in all regions. IP was also materially lower than had been forecast at the beginning of the year (1.4%) with downward revisions to second half growth particularly marked in North America and China. China's IP was expected to grow by 2.1% as it recovered from the weak 1.4% in 2022; instead, it grew by only 0.6% in 2023. Global IP fell sequentially in Q4 by 0.3% compared to Q3, despite a October 2023 forecast for sequential growth of 0.7%, evidencing the weakening outlook for industrial production heading into 2024.

In Biopharm (around 50% of Watson-Marlow's sales in 2023, down from around 60% in 2022), customer destocking, which began in the second half of 2022, continued and the recovery in demand that we had anticipated in the second half of 2023 did not materialise. During the second half of 2023, our customers began to indicate higher excess inventory levels than they had originally estimated, with a return to demand growth not expected until late 2024. Despite the challenges associated with forecasting short-term demand, the Biopharm end-markets remain robust and we believe that the underlying growth in demand has continued at its pre-pandemic rate of over 10% per annum.

| | 2023 | | | 2022 | | |
|---|---|---|---|---|---|---|
| **Industrial Production growth (IP)** | **H1** | **H2** | **FY** | **H1** | **H2** | **FY** |
| Europe | **-0.1%** | **0.2%** | **0.0%** | 2.2% | 0.6% | 1.4% |
| North America | **0.7%** | **0.4%** | **0.5%** | 4.0% | 2.8% | 3.4% |
| South America | **-1.1%** | **-1.6%** | **-1.4%** | 1.9% | 1.3% | 1.6% |
| Asia ex-China | **-0.6%** | **1.8%** | **0.6%** | 4.0% | 1.6% | 2.8% |
| China | **0.8%** | **0.5%** | **0.6%** | 0.5% | 2.3% | 1.4% |
| Global | **0.0%** | **0.6%** | **0.3%** | 2.5% | 1.7% | 2.1% |

Source: CHR 26th February 2024

[1] Semicon refers to the Semiconductor Wafer Fabrication Sector

[2] Proforma comparisons include contributions from Vulcanic and Durex Industries, as if they had been fully owned by the Group throughout 2022

# Chief Executive Officer's Review continued

## Market environment continued

In Semicon (around 11% of ETS sales in 2023, down from around 18% of proforma 2022 sales), demand in the first half was lower than we had anticipated and remained subdued through the second half, with our customers indicating a return to growth in 2024. Over the medium-term, Semicon remains an attractive and growing sector. We continue to anticipate strong demand for our niche solutions for precise thermal controls that are incorporated by Original Equipment Manufacturers (OEMs) into Wafer Fabrication Equipment (WFE) utilised in ultra-critical applications.

Other strategic sectors such as Food & Beverage, Oil & Gas and Power Generation proved resilient during 2023, while decarbonisation through electrification remains a growing strategic imperative for customers, reflected in the strong demand we have seen for our products and solutions in Chromalox and Vulcanic.

## Strategic progress

### Health and Safety#

As a result of our continued focus on Health and Safety (H&S) improvement, our all-workplace incident rate (excluding acquisitions) reduced by 11% to 1.55* in 2023.

The Group (excluding acquisitions) Lost Time Accidents (LTA) rate increased to 0.19* from 0.12* in 2022. The increase is in part attributable to our strengthened focus on monitoring and reporting. We have also introduced a category of Serious Lost Time Accidents (SLTA) and, while this increased from 7 to 8 in 2023, the rate remains low at 0.05%*.

Improving safety standards and processes in our most recent acquisitions, Vulcanic and Durex Industries, remains a key priority as we integrate these businesses into ETS. The all-workplace incident rate, LTA and SLTA rates of the two businesses in 2023 (7.55*, 1.32* and 0.47* respectively) reflect the lower priority that was given to measurement and processes around H&S under previous ownership. Both Vulcanic and Durex Industries have embraced our strong H&S focus, allowing us to build an active improvement programme.

In 2023, we introduced a five-year Group Safety Excellence Framework across all three Businesses. The framework aims to establish consistent oversight, align standards and reduce risk across all our operating companies globally, as well as evolving our H&S culture. Material areas of progress in 2023 included completion of an inventory and risk assessment of all machinery and expanding the compulsory personal protective equipment protocols. In 2024, we will conduct a global survey to better understand our H&S culture, complete a baseline of statutory inspections and introduce training to help our colleagues complete root cause analysis. In addition, as part of our commitment to continuous improvement, we have also commissioned an independent review of our approach to H&S.

### Expanding our addressable market

All three Group Businesses have continued to develop new solutions, supporting our direct sales engineers to drive growth in target sectors.

STS developed a new Customer Value Proposition to support lithium mining and the related electric vehicle battery sector, helping to expand our addressable market. Following commercial launch of the Group's '**TargetZero**' solutions, STS has begun to build a pipeline of long-term opportunities amongst its extensive global customer base. Sales in 2023 included the '**ElectroFit**' (a retrofit electric thermal solution to replace gas fired burners in steam generating boilers) installation at a Diageo site in Turkey (with a second to follow in 2024); a first fit '**SteamVolt**' (electric boiler solution developed in partnership with our boiler OEM customers) installation for a global Food & Beverage customer in Argentina; and several UK installations of the '**Steam Battery**' (a storage solution for steam that can be generated by renewable energy or when electricity costs are at their lowest).

In ETS, Chromalox and Vulcanic have also continued to develop their decarbonisation project pipelines and drive penetration of Medium Voltage technology.

Watson-Marlow successfully transformed its operating model in the mining sector in Australia from a distributor-led approach to direct sales, helping to build customer proximity and strengthen its competitive advantage. Watson-Marlow also launched an important high flowrate range extension for its Qdos pump, targeting the industrial liquid/solid separation market which is an attractive new area of growth.

We also continued to make progress in implementing our digital strategy with an acceleration in the number of STS operating locations and customers that are digitally connected through the Cotopaxi platform, to support solution generation. Watson-Marlow has developed a number of machine-learning protocols aimed at delivering preventative maintenance benefits which will shortly be piloted in a number of sites within the mining sector.

### Optimising supply chain effectiveness

Across the Group, we measure customer service levels using a number of metrics including on-time-to-request (OTTR). STS notably achieved a material improvement in its 2023 OTTR performance that had been impacted by supply chain challenges during 2022.

Watson-Marlow established a five-step process to drive operational excellence and efficiencies across its supply sites by delivering ongoing improvements in safety, productivity and procurement practices.

In October, ETS began construction of an expansion to Chromalox's manufacturing site in Ogden, Utah (USA), which will be dedicated to Medium Voltage heating solutions. The US$58 million project is expected to be completed towards the end of 2024, with production ramping-up in 2025.

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# We recognise the need to improve safety performance in our recent acquisitions. Therefore, Group data excludes acquisitions data, which is reported separately

* Per 100,000 work hours

## Operating sustainably

The Group (excluding acquisitions) continued to improve its sustainability footprint. Energy usage was down by 8% compared to 2022, which supported a reduction of 6% in our absolute scope 1 and 2 market-based greenhouse gas emissions compared to 2022. To date we have achieved a 45% reduction against our 2019 baseline and are on track to achieve our targeted reduction of 50% by 2025. We now have green energy contracts in place for over 60% of the Group's electricity usage and made further progress in implementing Project ClearSky which will materially decarbonise the STS manufacturing facility in Cheltenham (UK).

Water consumption has also reduced across the Group, down by 20% compared to 2022. Building on the momentum of 78 biodiversity projects completed in 2022, a further 135 biodiversity projects were completed in 2023. An area where we recognise the need to make additional progress is reducing the Group's total waste sent to landfill, which remained at 10% in 2023, with additional resource added in this area to help deliver our target of 0% waste to landfill by 2025. Volunteering and community engagement are key elements of our **One Planet Sustainability Strategy** and 3,280 colleagues participated in volunteering activities (36% of the total number of colleagues), with the hours contributed rising by 13% compared to 2022.

Our Sustainability Strategy is being deployed within Vulcanic and Durex Industries.

## Acquisitions and Disposals

During the year we continued to focus on the onboarding of Vulcanic and Durex Industries into ETS and the wider Group.

Our acquisition strategy is built around developing our suite of products and solutions with new and enhanced capabilities together with broadening our global presence. In July, we completed the acquisition of a 15% stake in Kyoto Group (Euronext ticker: KYOTO) as part of a strategic investment agreement alongside Iberdrola (IBE ticker: Iberdrola S.A.) to accelerate the decarbonisation of industrial process heat with Kyoto's proprietary '**Heatcube**', a molten salt thermal energy storage solution. Through Vulcanic, we have been working with Kyoto since 2021 to provide the electric immersion heater and power control systems of '**Heatcube**'. Our investment and partnership will support the commercial and technological development of electrical heaters for existing and future generations of '**Heatcube**' and help drive market adoption.

In August 2023, Gestra (part of STS) acquired a small distributor in Malaysia, with whom they have worked closely in the past, to enhance our local presence and engineering capability to develop tailored solutions for the local customer base.

Further details of the operational progress made by each Business are set out in the Operating Review.

## Group Executive Committee membership

For the majority of 2023, the Group Executive Committee (GEC) comprised the Managing Directors of our three Businesses, as well as key functional leaders across Finance, HR, Sustainability and Legal. In September 2023, we expanded GEC with the appointment of Maria Wilson, Group Digital Director. Phil Scott joined the GEC in January 2024, following his appointment as Interim Chief Financial Officer (CFO). In the summer, we will be joined by Louisa Burdett, who was appointed CFO in December 2023, and Céline Barroche who takes over as Group General Counsel and Company Secretary, succeeding Andy Robson who is retiring from the Group later this year. I'm delighted to have such a strong, capable and diverse leadership team.

Signed by:

**Nimesh Patel**
Group Chief Executive Officer
on behalf of the Board of Directors
6th March 2024

Stakeholder engagement

# Engineering our future for all stakeholders

Our Purpose guides us to operate in a way that aims to deliver long-term sustainable value for our six stakeholder groups. To do this, we listen and then take decisions in line with our Values to support our colleagues, customers, local communities, the environment, suppliers and shareholders equally.

Across Spirax Group, we aim to create a positive impact in everything that we do by managing our resources thoughtfully, mitigating our risks and capitalising on the opportunities we see by implementing our strategy for growth.

This section forms part of our Section 172 statement.

- Board engagement can be found on page 121
- Key decisions over the year on page 111

## Our colleagues

- Find out more about how the Board has engaged with colleagues throughout 2023 on pages 128-131
- Read about how we are developing talent for the future on pages 16-17

## Our shareholders

- Read about how we are creating long-term value for all our shareholders on pages 20-21
- Discover how we are improving financial controls for a more resilient future on pages 116-117

## Our customers

- Find out more about how our Businesses are responding to customer demand on pages 46-57
- Discover how we are adopting technologies such as artificial intelligence (AI) to deliver digital insights on page 58

## Our suppliers

- Find out how we are are working with suppliers to help raise the standards in our supply chain and support them on their sustainability journey on pages 80 and 96-97
- Learn about how our three Businesses are optimising supply chain effectiveness on pages 46-57

## Our environment

- Learn about the changes we are making in our own operations to deliver environmental improvements on pages 72-78
- Discover how our new-to-world '**TargetZero**' solutions are helping us to decarbonise our manufacturing facilities on pages 92-93

## Our communities

- Learn more about how we are removing barriers to improve equitable access to education in our local communities on pages 82-83
- Read about how we are supporting our communities around the world through our Giving today for a better tomorrow community engagement programme on page 81

## Stakeholder engagement continued

# Our colleagues

### Why they are important

The knowledge and expertise of our colleagues, aligned to our Purpose, Values-based culture and business model, is core to how we work at Spirax Group. Colleagues often do their best work when they feel valued and included. Diversity in our global teams brings a wide variety of perspectives and leads to stronger and better decision making. Therefore, our ability to attract and retain diverse talent is important for sustainable growth and success.

### What matters to them

Colleagues want to work in a culture where they can be themselves, feel they belong, are supported to be at their best and encouraged to make a difference for others as well as our planet. They want to achieve better balance in their work and personal lives, while pursuing opportunities for development and to be fairly rewarded and recognised for their contributions.

### How we engaged

- Colleague engagement survey which received 90% participation*
- Colleague engagement forums, including with the Board
- Senior Leader Webinars
- Business and topic specific town hall meetings

### What we learnt

- Our inclusion metrics improved on 2021 by five percent* globally as a result of launching our Group Inclusion plan, Everyone is Included in 2022
- The survey told us that colleagues feel positive about being supported to help their local communities (up ten percent* on 2021) through the launch of our Spirax Group Education Fund
- And colleagues are also positive about being supported to be more environmentally responsible (83%* favourable) through our **One Planet Sustainability Strategy**

### Outcomes

- Brought forward pay review from March to January 2023 and applied market-leading pay increases globally in response to significant inflationary pressures
- Held our first **Spirit Awards** Ceremony, recognising colleagues for living our Values
- Launched **One Place** (colleague engagement platform and **SPARK** (global learning and development platform)
- Global Wellbeing Day – an additional day of paid leave for all colleagues in 2023
- Rolled out our Group Inclusions Commitments to colleagues joining us from Vulcanic and Durex Industries (acquired in Q4 2022)
- Invested further in our Colleague Engagement and Communications capability

> I am proud to have been able to represent one of the Group’s Values and to have won a Spirit Award in the programme’s inaugural year. This experience will remain etched in my memory.”

**Ouardia Djaroun**
ADST-S Workshop Manager, Thermocoax,
Electric Thermal Solutions

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* Excluding results from our colleagues in businesses acquired in 2022

# Our customers

### Why they are important
Spirax Group has three strong and aligned Businesses that provide mission critical solutions to our customers across their thermal energy and fluid path technology processes. To provide more efficient, safer and sustainable outcomes for our customers through solving their operational challenges, we must first understand their unique and evolving needs.

### What matters to them
Customers want trusted product quality combined with local knowledge, insights, expertise and speed of response. Solving what was previously an unrecognised need can often be fundamental to the efficiency, safety and sustainability of our customers' operations. This reinforces the importance of our direct sales business model to customers with our engineers able to 'walk their plants' or increasingly through the advent of digital connectivity, 'walk their plants' data', converting insights into solutions.

### How we engaged
- 2,100 direct sales and service engineers maintaining close relationships
- Voice of customer (listening) activities and field trials of new products
- Digital connectivity, insights and solutions
- Engagement with customers in Pharmaceutical & Biotechnology and Semiconductor sectors to assist with demand planning
- Three customers shared perspectives of working with Spirax Group at our 2023 Leadership Conference

### What we learnt
- Learnings from installations of our **TargetZero** solutions at customer sites
- How well positioned we are to address customer concerns about how to transfer heat into their industrial processes while still meeting their net zero goals
- The acceleration of demand from customers for electrification solutions
- Increasing commonality of shared customers across our three Businesses
- There is high focus on shortening product development times in the Semiconductor sector

> "I enjoyed meeting with the leaders of Spirax Group last year to share insights from Tetra Pak and highlight the five areas that we focus on within our partnership values relationship model."

**Dariusz Koziarkiewicz**
Category Manager, OEM Flow & Mechanic Systems, Tetra Pak Packaging Solution AB

### Outcomes
- Commercialisation of **TargetZero**, our solutions for the decarbonisation of steam generation
- Investment in Project ClearSky, to decarbonise our UK Steam Thermal Solutions manufacturing solutions using all our **TargetZero** solutions
- US$58m investment in expansion of our Ogden manufacturing facility, Utah (USA) to accelerate production of electrification and decarbonisation solutions
- Investment in Kyoto Group to accelerate the decarbonisation of industrial process heat with Kyoto's **Heatcube**, a molten salt thermal energy storage solution
- Establishment of a Semiconductor New Product Development Group in response to shortened customer product development times in the sector

## Stakeholder engagement continued

# Our communities

### Why they are important

Many of our colleagues are also members of our local communities. It's where they and their families live. A thriving community is good for business too. By looking after our communities, we create a real sense of community spirit and we help to protect the most vulnerable people in society. Through a sustainable approach to investment in education, we can also help secure our pipeline of future talent.

### What matters to them

Local communities want to be engaged and feel supported by businesses operating on their doorsteps. They understand that business and communities can create mutual benefit and that current and future generations flourish when those relationships are working well.

### How we engaged

- Encouraged our colleagues to nominate their local education projects to receive funding from the Spirax Group Education Fund
- Proactively identified local needs and responded to requests for support through local operating companies
- Responded to requests for support due to natural disasters
- Representatives from two funded projects met and presented to leaders at the Group leadership conference on the impact made from funding received

### What we learnt

- Issues of diversity, gender inequality, poverty and access to quality education are closely intertwined, with poverty a primary barrier to education
- That providing longer term support to causes enables them to show funding stability and to access further funding from other avenues
- The challenges of financing charitable operations in a high-inflationary environments

### Outcomes

- Supported our communities with over 25,000 volunteering hours delivered by colleagues in 2023
- Donated over £75,000 to funds to support those affected by earthquakes in Turkey, Syria and Morocco
- Increased our financial commitment to the Spirax Group Education Fund pledging £15 million by 2030

> "Your extraordinary support has not only built walls and roofs but has woven dreams, painted aspirations, and constructed a gateway to a brighter tomorrow for the children. We did not just build a school, by working together we built bridges of hope and knowledge that echo in every classroom."

**Shaimaa Tantawy**
CEO, Man Ahyaha Association, Egypt

# Our environment

### Why it is important

The Earth's temperature is rising. This rise in global temperature is already having a devastating impact on the environment. We need to take action now for our future because we only have One Planet. That's why we actively promote local biodiversity initiatives to support the habitats in the locations where our colleagues work.

### What matters to it

Across the globe, Governments, Environmental Agencies, businesses and industry, as well as the wider population, are becoming increasingly concerned about the future of our planet and are taking more actions to limit the global temperature rise, to increase sustainable practices and protect the Earth's precious resources and biodiversity.

### How we engaged

- Implemented local biodiversity initiatives on or close to our sites
- Assessed and developed landscaping planting schemes to improve the biodiversity as part of major construction projects
- Focused on our top five internal consumers of water and waste in in each Business by engaging colleagues to make improvements

### What we learnt

- Identified areas where we needed to preserve and encourage biodiversity at our sites
- Understood where we could make the biggest improvements in water and waste

### Outcomes

- Reduced greenhouse gas emissions from our own operations
- Undertaken biodiversity initiatives and worked towards delivering a 10% net gain on new sites
- Decreased our water consumption by improving efficiency at our sites and increasing colleague engagement
- Funded the protection of a further 572 acres of land on the Somuncurá Plateau in Argentinian Patagonia, equivalent to our operating footprint (including acquisitions)

> Our biodiversity-focused partnership with Spirax Group is now in its third year. Each year the Group has safeguarded an equal amount of land to its physical operating footprint, which has enabled World Land Trust and our partners to bring an incredible 1,656 acres of threatened tropical habitat under protection."

**Tracey Butler**
Corporate Partnerships Manager, World Land Trust

## Stakeholder engagement continued

# Our suppliers

### Why they are important
As we progress towards our ambition of becoming a leader in industrial sustainability, we recognise the importance of achieving sustainable supply chains. By working closely with our direct suppliers we aim to achieve a sustainable supply chain and reach our 2050 net zero targets which have been approved by the SBTi Net-Zero Standard.

### What matters to them
Many of our suppliers care about the impact they have on the planet and want to form mutually beneficial, long-term partnerships that help them fulfil their potential, as well as their sustainability goals as they continue on their journey.

### How we engaged
- Supplier sustainability surveys on ten different topics
- Supplier Sustainability Portal training and One Planet introduction webinars
- 1-2-1 meetings

### What we learnt
- An understanding of where our supply chain is today on its sustainability journey so we can establish strategies for the future
- Understanding of where there are sustainability risks in our supply chain so we can explore further
- Identified a need to upskill our teams so they can have better conversations with our suppliers about sustainability

### Outcomes
- Over 1,800 direct suppliers signed up to our updated Supplier Sustainability Code at the end of 2023
- Development and delivery of webinars to support suppliers with completing sustainability surveys
- 825 training courses completed by our internal teams equipping them to proactively engage with suppliers on sustainability topics

> Our **One Planet Sustainability Strategy** set out the minimum standards we expect from our suppliers. Helping our suppliers meet these minimum standards is not just important for us, it will make a positive difference to their operations and the planet.”

**Sarah Peers**
Group Director of Sustainability

# Our shareholders

### Why they are important
When our shareholders understand, believe in and benefit from what we do, they continue to support us both now and into the future.

### What matters to them
Accurate, transparent and reliable communications and a return on their investments in both the short and long term.

### How we engaged
- Presentations of our Full and Half Year Results
- Annual General Meeting
- Steam Thermal Solutions Investor Seminar
- Investor roadshows and sell-side conferences
- Investor meetings and site tours

### What we learnt
- Key areas of concern and interest for shareholders
- Market perception of macro and micro events and how that might influence their approach to investing in Spirax Group

### Outcomes
- Continue holding a mixture of virtual and in-person events
- Constant review of information presented to the market to ensure it continues to be valuable and insightful

> “We have deepened and broadened our investor engagement during 2023 and look forward to maintaining a constructive dialogue with all our shareholders in 2024.”

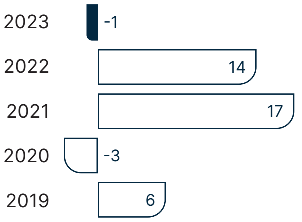
**Mal Patel**
Head of Investor Relations, Spirax Group

# Key performance indicators

## Our key performance indicators are used to measure the successful implementation of our strategy.

### 1. Organic revenue growth[†]

**-1%**



**Link to Principal Risk**

1 2 3 4 5 6 7 8

**Link to Strategy**

**Definition**
Organic revenue growth measures the change in revenue in the current year compared with the prior year from continuing Group operations. The effects of currency movements, acquisitions and disposals have been removed.

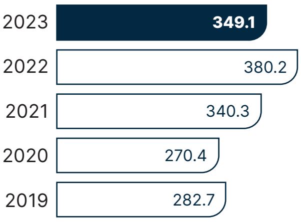
**Progress in 2023**
Sales increased by 8% organically in Steam Thermal Solutions and by 2% organically in Electric Thermal Solutions, but decreased by 19% organically in Watson-Marlow.

Read about the progress we have made in 2023 in our three Businesses in the Operating Review on pages 46 to 57

**Link to remuneration**
Revenue growth is a key driver of profit generation and a central element in the annual planning process. Bonus targets are driven off annual plans and therefore revenue growth drives a key measure of variable remuneration.

### 2. Adjusted operating profit*

**£349.1m**



**Link to Principal Risk**

1 2 3 4 5 6 7 8

**Link to Strategy**

**Definition**
Adjusted operating profit is the profit earned from our business operations before interest, taxes, the share of profit of associate companies and certain other items.

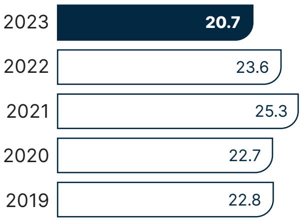
**Progress in 2023**
Adjusted operating profit decreased by 8%, reflecting an organic decrease of 12%, alongside a decrease of 2% due to exchange rates and a 6% increase from the full year impact of acquisitions.

Read about the progress we have made in 2023 in our three Businesses in the Operating Review on pages 46 to 57

**Link to remuneration**
A significant proportion of Executive Directors' bonuses are based on the achievement of adjusted operating profit targets.

### 3. Adjusted operating profit margin*

**20.7%**



**Link to Principal Risk**

1 2 3 4 5 6 7 8

**Link to Strategy**

**Definition**
Adjusted operating profit margin is defined as adjusted operating profit expressed as a percentage of revenue.

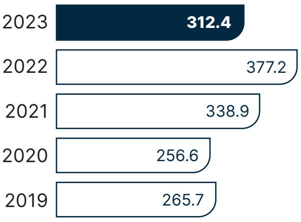
**Progress in 2023**
Decreased by 290 bps to 20.7%. On an organic basis, the adjusted operating profit margin decreased by 270 bps.

Read about the progress we have made in 2023 in our three Businesses in the Operating Review on pages 46-57

**Link to remuneration**
Executive Directors' variable remuneration is based on a number of financial components of which adjusted operating profit margin is a key driver.

### 4. Adjusted earnings per share (EPS)*

**312.4p**



**Link to Principal Risk**

1 2 3 4 5 6 7 8

**Link to Strategy**

**Definition**
Earnings per share is a measure of the profit performance of the Group, taking into account the equity structure. EPS is defined as the adjusted after-tax profit attributable to equity shareholders divided by the weighted average number of shares in issue.

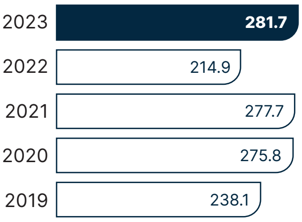
**Progress in 2023**
Decreased by 17% to 312.4 pence, in line with the decrease in adjusted profit before tax.

Read about the progress we have made in 2023 in our three Businesses in the Operating Review on pages 46-57

**Link to remuneration**
EPS growth over a three-year period is a key measure within the Group's Performance Share Plan.

## 5. Cash generation*

**£281.7m**



### Link to Principal Risk

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### Link to Strategy

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### Definition

Cash generation is adjusted operating profit after adding back depreciation and amortisation, less cash payments to pension schemes in excess of the charge to operating profit, equity settled share plans, net capital expenditure excluding acquired intangibles, working capital changes and repayment of principal under lease liabilities.

### Progress in 2023

Cash conversion improved to 81%, mainly driven by the phasing of a number of larger capital projects and lower working capital outflows.

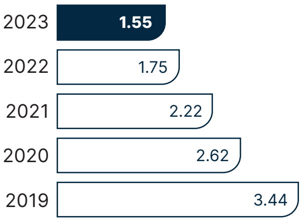
⊕ Read about the progress we have made in 2023 in our three Businesses in the Operating Review on pages 46 to 57.

### Link to remuneration

Cash generation is one of two financial measures on which Executive Directors' variable remuneration is based.

## 6. All-workplace Injury rate^ #

**1.55**



### Link to Principal Risk

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### Link to Strategy

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### Definition

The number of workplace injuries per 100,000 hours worked. The workplace is any location in which an employee is present as a requirement of employment. Employees include all permanent and temporary staff and contractors. All injuries that occur in workplaces, regardless of cause, are included, as are road traffic accidents.

### Progress in 2023

Our all-workplace injury rate decreased during 2023, falling from 1.75 per 100,000 hours in 2022, to 1.55 per 100,000 hours in 2023, which is an early indication of our wider risk reduction strategy making an impact.

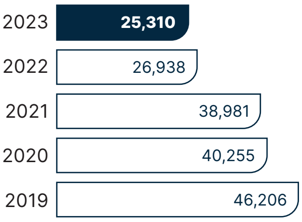
⊕ Read about the progress we have made in 2023 in our three Businesses in the Sustainability Report on pages 60 to 97

### Link to remuneration

The safety of our colleagues is central to the sustainability of our business and has an impact on the financial success and profitability of the Group. Improving the health, safety and sustainability of our Group is one of the personal strategic objectives of each Executive Director, creating a direct link with remuneration.

## 7. Group GHG emissions (scope 1 and 2) tonnes $CO_2e$ (market-based)^

**25,310 tonnes**



### Link to Principal Risk

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### Link to Strategy

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### Definition

Scope 1 greenhouse gas (GHG) emissions arise directly from company-owned or company-controlled sources, such as company vehicles or fuel combustion. Scope 2 GHG emissions are indirect emissions, primarily from the generation of purchased electricity. Market-based emissions take into account contractual and supplier-specific GHG emissions factors.

### Progress in 2023

GHG (scope 1 and 2) decreased by 6% compared to 2022 and by 45% against our 2019 baseline due to decarbonisation initiatives, an increase in operational efficiency and transition to renewable electricity supply.

⊕ Read about the progress we have made in 2023 in our three Businesses in the Sustainability Report on pages 60 to 97

### Link to remuneration

GHG emission reductions over three-year periods accounts for 20% of the Performance Share Plan opportunity.

## Principal Risks

1. Economic and political instability
2. Significant exchange rate movement
3. Cybersecurity
4. Failure to realise acquisition objectives
5. Loss of manufacturing output at any Group factory
6. Inability to identify and respond to changes in customer needs: Digital/ Non-Digital
7. Loss of critical supplier
8. Breach of legal and regulatory requirements (including ABC laws)

## Link to Principal Risk key:

● Direct link

◐ Indirect link

○ No link

⊕ See our Principal Risks on pages 101–105 of our Risk Management Report

⊕ More information about remuneration, see pages 155–178

† Organic growth is at constant currency and excludes contributions from acquisitions and disposals, see the Appendix to the Financial Statements.

* Based on adjusted operating profit. Adjusted operating profit excludes certain items as set out and explained in the Financial Review and in the Appendix to the Financial Statements.

^ Excluding 2022 acquisitions

# Per 100,000 hours worked

## Strategic themes

🎯 Increase direct sales effectiveness through market sector focus.

⭐ Develop the knowledge and skills of our expert sales and service teams.

🌐 Broaden our global presence.

💡 Leverage our R&D investments.

📦 Optimise our supply chain effectiveness.

🍃 Operate sustainably and help improve our customers' sustainability.

Financial Review

# Early actions taken in response to challenging trading environment

Revenue (£)

**£1,682.6m**

Operating profit (£)

**£349.1m**

> The Group has balanced continuing strategic investment alongside restructuring and cost containment as we have navigated 2023. Our business model positions us well to deliver future growth."

**Phil Scott**
Interim Chief Financial Officer

| £m | 2022 | Exchange | Organic | Acquisitions & disposals* | 2023 | Organic | Reported |
|---|---|---|---|---|---|---|---|
| Revenue | 1,610.6 | (27.2) | (16.0) | 115.2 | **1,682.6** | -1% | +4% |
| Adjusted operating profit | 380.2 | (7.1) | (45.9) | 21.9 | **349.1** | -12% | -8% |
| Adjusted operating profit margin | 23.6% | | | | **20.7%** | -270bps | -290bps |
| Statutory operating profit | 318.8 | | | | **284.4** | | -11% |
| Statutory operating profit margin | 19.8% | | | | **16.9%** | | -290bps |

* Results include the impact of the acquisition of Vulcanic and Durex Industries and the treatment of our Russian operating companies as disposals from the date at which the Group suspended all trading with and within Russia

To aid comparability with the prior year we refer to both organic and proforma performance measures in the commentary below. Organic performance measures include the contribution of Vulcanic and Durex Industries only for the like-for-like periods of ownership. Proforma comparisons include contribution from Vulcanic and Durex Industries, as if they had been fully owned by the Group throughout 2022.

## Sales

Group sales grew by 4%, with full year contributions from Vulcanic and Durex Industries (acquired in late 2022) partly offset by the disposal of our Russian operations, which had a small adverse impact. Group sales were 1% lower organically, compared to 2022, being 2% higher in the first half and 4% lower in the second half.

Organic sales growth in STS (8%) was significantly ahead of IP albeit with strong first half growth of 15% moderating to 2% in the second half. Second half trading was characterised by weakening macroeconomic conditions, especially in China and Germany. Large project orders were higher, compared to 2022, with growth significantly weighted to the first half of the year, reflecting customers' weakening confidence in the economic outlook and reduction in capital investment through the course of the year.

Organic sales growth in ETS (2%) was supported by demand from industrial process heating customers in Chromalox. Thermocoax sales were flat, compared to 2022, due to lower demand from Semicon customers. Chromalox's manufacturing facility in Ogden, Utah (USA) continued to implement operational improvements aimed at increasing throughput, but sales lagged the even stronger growth in demand for bespoke solutions that deliver decarbonisation benefits. We remain focused on delivering higher sales from Ogden while also completing the facility expansion.

On a proforma basis, Vulcanic sales were higher, also supported by demand from industrial process heating customers. However, this growth was more than offset by significantly lower sales in Durex Industries due to lower demand from Semicon customers (accounting for approximately 55% of Durex Industries sales in 2022), with combined proforma sales down by 6%.

Watson-Marlow sales were down by 19% organically, driven by ongoing destocking by Biopharm customers, which began in the second half of 2022. During 2023, the organic decline in Biopharm sales was greater in the first half than in the second half as a result of the more challenging comparator. Biopharm sales remained broadly flat in the second half compared to the first half. Sales to Process Industries customers, which are more directly correlated to IP, were broadly flat in the first half, compared to 2022. In the second half of 2023, Process Industries demand was impacted by the weakening macroeconomic outlook, with sales broadly similar to the first half.

## Adjusted operating profit

Group adjusted operating profit was down 8%, or 12% organically. Strong organic growth in adjusted operating profit in STS of 15%, driven by higher sales and cost containment initiatives, was offset by organic declines in operating profit in ETS (4%) and Watson-Marlow (43%). Watson-Marlow's adjusted operating profit includes a one-off charge in respect of excess Biopharm inventories in the second half.

Corporate expenses, which are included in adjusted operating profit, grew by 8% to £27.8 million (2022: £25.8 million). This increase reflects ongoing investment to support key strategic initiatives, partially offset by cost containment measures and reduced variable compensation. We expect corporate expenses in 2024 to increase at more than twice the rate of Group organic sales growth due to: increased investment in strategic initiatives; the reversal of cost containment measures in the first half; and an increase in variable compensation, subject to performance targets being achieved.

## Adjusted operating profit margin

Group adjusted operating profit margin of 20.7% was down 270 bps organically, reflecting the impact of lower sales from our higher margin businesses, partially mitigated by strong price discipline even as cost inflationary pressures eased and the benefits of early restructuring and cost containment actions.

STS adjusted operating profit margin of 24.6% saw strong organic progression (up 140 bps), reflecting sales growth, cost containment initiatives and strong pricing discipline. Sequentially, the second half margin was slightly higher than the first half margin. However, the second half margin was impacted by weakening IP in China and Germany as well as a slowdown in large projects sales, resulting in a smaller organic increase than in the first half, compared to 2022.

The increase in the STS adjusted operating profit margin was offset by organic declines in ETS (90 bps) and Watson-Marlow (1,030 bps).

The organic decline in the ETS adjusted operating profit margin primarily reflects the impact of lower sales to customers in the higher margin Semicon sector, but also investments in onboarding costs for Vulcanic and Durex Industries and ongoing operational improvement initiatives in Chromalox's Ogden facility. On a proforma basis ETS adjusted profit margin (15.6%) was 300 bps lower, compared to 2022.

Chromalox and Thermocoax combined adjusted operating profit margin in the second half of 2023 was above both the first half of the year and the second half of 2022. Excluding onboarding costs, Vulcanic adjusted operating profit margin in 2023 was also higher, compared to 2022. Durex Industries suffered a significant decline in adjusted operating profit margin as a result of lower Semicon demand despite cost actions.

Watson-Marlow's adjusted operating profit margin of 23.8% fell by 1,030 bps organically. Although sales were broadly similar across the first half and second half, the second half adjusted operating profit margin benefited from restructuring actions taken during the first half, offset by a one-off charge in respect of excess Biopharm inventories.

# Financial Review continued

## Statutory operating profit and margin

Statutory operating profit decreased by 11% to £284.4 million (2022: £318.8 million) and the statutory operating profit margin of 16.9% was down 290 bps (2022: 19.8%). Statutory operating profit and statutory operating profit margin are impacted by the same drivers as explained in the adjusted operating profit sections above, as well as the reconciling items as follows:

- Charges of £5.7 million relating to the acquisitions of Vulcanic and Gestra Malaysia. Included within this amount is a charge of £4.9 million which represents the fair value movement in deferred consideration payable by Vulcanic in relation to the acquisition of EML Manufacturing LLC in 2021
- A charge of £37.2 million (2022: £23.7 million) for the amortisation of acquisition-related intangible assets. The year-on-year increase was driven by a full year of amortisation of the intangible assets relating to Vulcanic and Durex Industries which were acquired in late 2022
- A charge of £1.3 million from the reversal of fair value adjustments to inventory on the acquisition of Vulcanic
- A profit of £0.4 million on the disposal of Econotherm (UK) Ltd, an associate investment
- A restructuring charge of £7.5 million in Watson-Marlow to appropriately right-size manufacturing capacity and reduce overhead support costs in order to offset the adverse impact of lower sales volumes; and a £1.8 million charge in relation to the impairment of non-current assets in Watson-Marlow
- A credit of £2.3 million relating to the release of the provision held in Chromalox for the restructuring of its manufacturing operation in Soissons (France)
- A one-off impairment charge of £13.9 million relating to a global ERP programme implementation within STS (further details are set out in the STS operating review)

## Net financing expense

Net financing expenses increased to £39.9 million (2022: £10.7 million) comprising £35.6 million of net bank interest (2022: £8.4 million), £2.1 million of interest on pension liabilities (2022: £0.8 million) and £2.2 million of interest on lease liabilities (2022: £1.5 million). Bank interest increased due to the full year impact of higher net debt following the acquisitions of Vulcanic and Durex Industries at the end of 2022, together with the refinancing of maturing fixed rate debt at higher interest coupons due to increases in market interest rates.

## Profit before tax

Adjusted profit before tax was down 17% to £309.2 million (2022: £370.6 million), driven by an 8% decrease in adjusted operating profit and additional net financing expense. Statutory profit before tax was down 21% to £244.5 million (2022: £308.1 million). The reconciling items between adjusted profit before tax and statutory profit before tax are shown above and in the Appendix to the Financial Statements.

## Taxation

The Group tax rate reflects the blended average of rates in tax jurisdictions around the world in which the Group operates. As expected, the Group adjusted effective tax rate increased by 50 bps to 25.5% (2022: 25.0%) and on a statutory basis the Group effective tax rate was 24.7% (2022: 27.0%). The increase in the Group adjusted effective tax rate was driven by changes in the Group's profit mix by tax jurisdiction, including the impact of a full year of ownership of Vulcanic and Durex Industries, together with the impact of increased withholding tax on intra-Group dividend payments when combined with lower adjusted profit.

The Group is subject to a local tax adjustment in Argentina that seeks to offset the impact of inflation on taxable profits. Given the current level of inflation in Argentina, this has a meaningful impact on the effective tax rate. While we include the expected impact of this adjustment in our guidance for the effective tax rate, this is difficult to accurately forecast given the current volatility of Argentinian inflation.

The Group monitors income tax developments in the countries in which it operates, including the OECD Base Erosion and Profit Shifting (BEPS) initiative to set a minimum global tax rate of 15% (Pillar Two). The main jurisdiction where this initiative may impact the Group is in Argentina as the impact of the inflation adjustment may result in a local tax rate that falls below 15%. As noted above, given the volatility of Argentinian inflation it is difficult to accurately forecast its impact on the Group's tax charge. The Group is continuing to monitor the impact of the Pillar Two income taxes legislation on its future financial performance.

On 8th June 2022, the European Union (EU) General Court published its decision on the appeals for annulment made against the European Commission's (EC) 2019 decision that certain aspects of the UK's Controlled Foreign Company regime constituted State Aid, finding in favour of the EC. The UK Government has appealed the decision of the EU General Court. Whilst the EU General Court ruling was in favour of the EC, our assessment is that there are grounds for successful appeal. As a result, we have continued to recognise a receivable of £4.9 million in the Consolidated Statement of Financial Position. This relates to the full amount paid to HM Revenue & Customs for Charging Notices received in 2021. We have not recognised a receivable for any repayment interest on the £4.9 million. The Group has not received a Charging Notice for either the benefit received prior to 2017, which is estimated to be £2.9 million, or the benefit received during 2019 of £1.1 million. No provisions have currently been recognised relating to these amounts and therefore they remain a contingent liability at 31st December 2023.

For 2024, we currently anticipate that the Group adjusted effective tax rate will increase by up to 100 bps, compared to 2023, to approximately 26.5% based on a forecast mix of profits and level of inflation in Argentina.

## Earnings per share

Adjusted basic earnings per share decreased by 17% to 312.4 pence (2022: 377.2 pence), consistent with the decrease in adjusted operating profit and increased net financing costs. Statutory basic earnings per share were 249.5 pence (2022: 305.1 pence). The statutory fully diluted earnings per share were not materially different to the statutory basic earnings per share in either year.

## Dividends

The Group has a progressive dividend policy, the aim of which is to provide sustainable, affordable dividend growth. The Group has a 55-year track record of dividend progress with a compound annual increase of 11% over that period.

The Board is proposing a final dividend of 114.0 pence per share for 2023 (2022: 109.5 pence) payable on 24th May 2024 to shareholders on the register at 26th April 2024. Together with the interim dividend of 46.0 pence per share (2022: 42.5 pence), the total dividend for the year is 160.0 pence per share, an increase of 5% on the total dividend of 152.0 pence per share in 2022. Dividend cover in 2023 will reduce to 2.0x, the lower end of the Group's target range of 2.0x to 2.5x, improving over the medium-term as a recovery in demand drives earnings growth.

The total amount paid in dividends during the year was £114.9 million, 11% above the £103.6 million paid in 2022.

## Currency movements

The Group's Income Statement and Statement of Financial Position are exposed to movements in a wide range of different currencies. This stems from our direct sales business model, with a large number of local operating companies. These currency exposures and risks are managed through a rigorously applied Treasury Policy, typically using centrally managed and approved simple forward contracts to mitigate exposures to forecast future cash flows and avoiding the use of complex derivative transactions. The largest individual currency exposures are to the euro, US dollar, Chinese renminbi and Korean won. Whilst the size of the Group's businesses in Argentina is immaterial to the consolidated financial results, the level of volatility in the Argentinian peso has had a negative translational impact on Group reported financial performance. While currency effects can be significant, the structure of the Group provides some mitigation through our regional manufacturing presence, diverse spread of geographic locations and through the natural hedge of having a high proportion of our overhead costs in the local currencies of our operating companies.

Currency movements negatively impacted adjusted operating profit by 2% with a transactional benefit of £5.9 million being offset by a translational downside of £13.0 million. The translation downside reflects the impact of the strengthening of sterling in 2023 against the currencies in which the Group generated its adjusted operating profit. The main transactional exposure flow affecting the Group is the export of products from our factories in the UK, invoiced in sterling, less the import of goods from overseas Group factories and third parties priced predominately in euros and US dollars. The net exposure to transactional currency movements is approximately £120 million.

If exchange rates at the end of February were to prevail for the remainder of 2024, there would be a headwind impact of approximately 3% on 2023 sales, or approximately 2% excluding the significant devaluation of the Argentine peso in December 2023. On the same basis, the headwind impact on 2023 adjusted operating profit would be approximately 5%, or approximately 2% excluding the Argentine peso devaluation.

## Capital employed

Capital employed increased by £46.2 million to £938.7 million at 31st December 2023. Tangible fixed assets (property, plant & equipment and right-of-use-assets) increased by £61.8 million to £513.5 million, principally as a result of the completion of the new manufacturing facility for Watson-Marlow in Devens, Massachusetts (USA) together with the commencement of the construction project to expand the Chromalox facility in Ogden, Utah (USA) in order to meet customer demand for Medium Voltage decarbonisation solutions.

Net capital expenditure in the period was £102.8 million. This was lower than anticipated as a result of changes in the phasing of payments on a number of large capital projects. In 2024, we expect the ratio of capital expenditure to sales to increase to 7% reflecting the impact of phasing delays from 2023 together with the ongoing expansion of the Ogden facility.

The capital intensity of our business is low with historic capital expenditure typically amounting to between 4% and 6% of sales. Excluding our investment in new construction projects, capital expenditure, as a percentage of sales, would be at the low end of our typical range.

Total working capital increased by £9.3 million and the ratio of working capital to sales was, as expected, 22.8% (2022: 22.8% on a proforma basis). It is expected that the working capital to sales ratio will remain at a consistent level in 2024.

| **Capital employed** | **2023 £m** | 2022 £m |
|---|---|---|
| Property, plant and equipment | **415.1** | 384.5 |
| Right-of-use assets | **98.4** | 67.2 |
| Software & development costs | **42.3** | 44.5 |
| Non-current prepayments | **1.9** | 2.0 |
| Inventories | **285.2** | 290.0 |
| Trade receivables | **299.8** | 341.1 |
| Other current assets | **71.4** | 79.6 |
| Tax recoverable | **13.6** | 19.0 |
| Trade, other payables and current provisions | **(260.7)** | (295.0) |
| Current tax payable | **(28.3)** | (40.4) |
| **Capital employed** | **938.7** | 892.5 |
| Acquired intangibles including goodwill | **1,087.0** | 1,159.1 |
| Investment in Associate | **3.0** | — |
| Post-retirement benefits | **(51.4)** | (52.1) |
| Net deferred tax | **(37.2)** | (59.1) |
| Non-current provisions and long-term payables | **(19.0)** | (15.0) |
| Lease liabilities | **(96.7)** | (65.2) |
| Net debt | **(666.7)** | (690.4) |
| **Net assets** | **1,157.7** | 1,169.8 |
| Adjusted operating profit | **349.1** | 380.2 |
| Adjusted operating profit (excluding acquisitions, disposals and leases) | **317.7** | 369.9 |
| Average capital employed | **915.6** | 775.9 |
| Average capital employed (excluding acquisitions, disposals and leases) | **772.4** | 677.5 |
| **Return on capital employed** | **38.1%** | 49.0% |
| **Return on capital employed (excluding acquisitions, disposals and leases)** | **41.1%** | 54.6% |

# Financial Review continued

## Capital employed continued

### Return on capital employed (ROCE)

ROCE reduced by 1,090 bps to 38.1% (2022: 49.0%). Excluding the impacts of acquisitions, disposals and leases, ROCE decreased by 1,350 bps to 41.1% (2022: 54.6%), driven by capital investments as well as the impact of the challenging trading environment on adjusted operating profit. ROCE is defined in the Appendix to the Financial Statements, see page 243.

### Return on invested capital (ROIC)

ROIC decreased by 480 bps to 13.5% (2022: 18.3%). Excluding the impacts of acquisitions, disposals and leases, ROIC decreased by 430 bps to 17.7% (2022: 22.0%), driven by a decrease in adjusted operating profit after tax. ROIC is defined in the Appendix to the Financial Statements, see page 243.

### Adjusted cash flow

Adjusted cash from operations is a measure of the cash flow generated from our operating companies. A reconciliation with statutory operating cash flow can be found in the Appendix to the Financial Statements.

Adjusted cash from operations of £281.7 million (2022: £214.9 million) was up £66.8 million, resulting in an improved adjusted cash conversion of 81% (2022: 57%). The improvement in cash conversion was driven by lower than anticipated capital expenditure (as outlined above) together with a lower working capital outflow which offset the fall in adjusted operating profit.

Tax paid in the period of £90.7 million (2022: £90.0 million) has remained relatively consistent year-on-year. Adjusted free cash flow of £153.3 million (2022: £116.1 million) has increased by 32% driven by improved adjusted cash from operations but negatively impacted by increased net interest payments in the period.

Dividend payments were £114.9 million (2022: £103.6 million) including payments to minority shareholders, and reflect the final dividend for 2022, as well as the interim dividend for 2023.

Share purchases, net of new shares issued for the Group's various employee share schemes, resulted in a cash outflow of £10.8 million (2022: £19.0 million) reflecting a lower vesting of the Group's Performance Share Plan.

Acquisitions (net of disposals) during the year amounted to £7.7 million (2022: £538.3 million), primarily reflecting the purchase by Gestra of a local Malaysian distributor and the acquisition of a 15% stake in Kyoto Group.

Restructuring spend of £8.1 million relates primarily to the right-sizing of capacity and overhead support costs undertaken in Watson-Marlow.

The £31.5 million increase in lease liabilities was largely driven by the lease commitment for the Watson-Marlow manufacturing facility in Devens, Massachusetts (USA).

| **Adjusted Cash flow** | **2023<br>£m** | 2022<br>£m |
|---|---|---|
| Adjusted operating profit | **349.1** | 380.2 |
| Depreciation and amortisation (excl. leased assets) | **44.2** | 36.0 |
| Depreciation of leased assets | **16.2** | 13.4 |
| Cash payments to pension schemes more than the charge to adjusted operating profit | **(5.7)** | (5.3) |
| Equity settled share plans | **6.1** | 8.9 |
| Working capital changes | **(9.3)** | (91.9) |
| Repayments of principal under lease liabilities | **(16.1)** | (12.9) |
| Capital expenditure (including software and development) | **(102.8)** | (117.5) |
| Capital disposals | **—** | 4.0 |
| **Adjusted cash from operations** | **281.7** | 214.9 |
| Net interest | **(37.7)** | (8.8) |
| Income taxes paid | **(90.7)** | (90.0) |
| **Adjusted free cash flow** | **153.3** | 116.1 |
| Net dividends paid | **(114.9)** | (103.6) |
| Purchase of employee benefit trust shares/Proceeds from issue of shares | **(10.8)** | (19.0) |
| (Acquisitions)/Disposals of subsidiaries | **(7.7)** | (538.3) |
| Restructuring costs | **(8.1)** | (3.2) |
| **Cash flow for the year** | **11.8** | (548.0) |
| Exchange movements | **11.9** | (11.9) |
| Opening net debt | **(690.4)** | (130.5) |
| **Net debt at 31st December** | **(666.7)** | (690.4) |
| Lease liability | **(96.7)** | (65.2) |
| **Net debt and lease liability at 31st December** | **(763.4)** | (755.6) |

## Financing and Liquidity

Net debt (excluding leases) at the 31st December 2023 was £666.7 million (FY 2022: £690.4 million), with a net debt to EBITDA ratio of 1.7x (2022: 1.7x on a reported basis and 1.5x on a proforma basis).

As at the 31st December 2023, total committed and undrawn debt facilities amounted to £294.5 million alongside a net cash balance of £212.8 million. In the year, the Group issued €110m of new US Private Placement notes at a fixed coupon of 4.38% and entered into a Bank Term Loan of €90m in order to refinance the €225m of 1.05% fixed coupon notes that matured in September 2023. The average tenor of our debt is over four years with the next contractual repayment maturity in October 2025. In February 2024, the Group successfully exercised an option to extend the maturity of our £400 million committed, revolving credit facility by an additional year to April 2029.

## Fundamentals of financial resilience

The macroenvironment was challenging in 2023 with global industrial production growth (IP) of 0.3% compared to 2.1% in 2022. IP was also materially lower than had been forecast at the beginning of the year (1.4%) with downward revisions to second half growth particularly marked in North America and China. Additionally, the Group was impacted by two specific external challenges in our Pharmaceutical & Biotechnology (Biopharm) and Semiconductor sectors, due to customer destocking which led to weaker sales in Watson-Marlow and ETS respectively. Despite this challenging backdrop the financial results delivered reflect the relative resilience of our business model. We have continued to focus on organic growth opportunities led by our direct sales model delivering engineering solutions for our diversified customer base. We took early action across all three Businesses to appropriately right-size capacity and support overhead costs whilst also protecting our ability to respond to future growth in demand whilst continuing to invest in key strategic initiatives that will drive future growth including supporting our decarbonisation solutions and building additional digital capability. The Group's longstanding track record of increasing returns to shareholders has continued with a proposed year-on-year increase of 5% in ordinary dividends.

The Group's products and solutions continue to support critical industrial processes across a broad range of industries and geographical markets. As in previous years, our business model supported our outperformance against global IP due to our ability to self-generate sales (accounting for 40% of sales) and a significant base business in maintenance and repair sales (accounting for 45% of sales). These sales are funded from our customers' operating budgets. The remaining 15% of sales are related to large projects, funded from customers' capital expenditure budgets, which are more heavily influenced by economic cycles. Approximately 60% of our sales are to defensive, less cyclical sectors and no single customer accounts for more than 1% of Group sales.

## Resilience over the short, medium and long term

The Group's business model and the investments we have continued to make to support future growth, combined with our strong cash conversion, position us well to adapt to economic cycles. Our Going Concern and Viability analysis provides confidence in the robust nature of our business and our capital structure, even when analysed under a number of potential downside scenarios.

We have undertaken scenario-based modelling of the key risks we have identified that could impact our business, the results of which underpin our confidence in our short and medium-term resilience. The continued implementation of our strategy supports our longer-term resilience, and we continue to closely monitor and respond to the changing external economic, environmental and social factors that will impact the markets in which we operate in the future.

## Going Concern statement

The Group's principal objective when managing liquidity is to safeguard the ability to continue as a going concern for at least 12 months from the date of signing the 2023 Annual Report. The Group retains sufficient resources to remain in compliance with all the required terms and conditions within its borrowing facilities with material headroom and no material uncertainties have been identified.

The Group continues to conduct ongoing risk assessments on its business operations and liquidity. Consideration has also been given to reverse stress tests, which seek to identify factors that might cause the Group to require additional liquidity and form a view as to the probability of these occurring.

The Group's financial position remains robust, with the next maturity of our committed debt facilities being US$150 million of Bank Term loan which matures in October 2025 and which are accounted for within the cash flow forecast model. The Group's debt facilities contain a leverage covenant of up to 3.5x. Certain debt facilities also contain an interest cover covenant of a minimum of 3.0x. The Group regularly monitors its financial position to ensure that it remains within the terms of these debt covenants. At 31st December 2023 leverage (defined as net debt excluding lease liabilities divided by adjusted earnings before interest, tax, depreciation and amortisation) was 1.7x (2022: 1.7x), Interest cover (defined as adjusted earnings before interest, tax, depreciation and amortisation divided by net bank interest) was 10x at 31st December 2023 (2022: 58x).

Reverse 'stress testing' was also performed to assess the level of business under-performance would be required for a breach of the financial covenants to occur, the results of which evidenced that no reasonably possible change in future forecast cash flows would cause a breach of these covenants. In addition, the reverse stress test cash flow modelling does not take into account any mitigating actions which the Group would implement in the event of a severe and extended revenue and profitability decline. Such actions would serve to further increase covenant headroom.

Having assessed the relevant business risks as discussed in our Principal Risks on pages 101-105 and having considered the potential impact of any climate change related risks as outlined within the Task Force on Climate-related Financial Disclosures section on pages 84-91, and in the context of the liquidity and covenant headroom available under several alternative scenarios as set out in the viability assessment below, the Directors consider it appropriate to continue to adopt the going concern basis in preparing the Financial Statements.

# Financial Review continued

## Assessment of Viability

In accordance with provision 31 of the UK Corporate Governance Code 2018, the Board has assessed the viability of the Group, taking into account the Group's current financial position, business strategy, the Board's risk appetite and the potential impacts of the Group's Principal Risks. The eight Principal Risks that have been identified are listed on page 101.

The Board has adopted a five-year viability assessment, which it believes to be appropriate as this timeframe is covered by the Group's forecasts; takes into account the nature of the Group's Principal Risks, a number of which are external and have the potential to impact over short time periods; and is in alignment with the Group's principal committed financing facility duration. While the Board has no reason to believe that the Group will not be viable over a longer period, given the inherent uncertainty involved, the Board believes that a five-year period provides a reasonable degree of confidence while still providing a longer-term perspective.

In making their assessment, the Board completed a robust assessment, supported by detailed cash flow modelling, of the Principal Risks facing the Group, including those that would threaten its business model, future performance, solvency, or liquidity. In addition to completing an impact assessment of the Principal Risks, the Board considered the probability of the occurrence of the risks, the Company's ability to safeguard against them and the effectiveness of mitigating actions. In every modelled scenario the Group is able to demonstrate that it continues to remain viable. The scenarios modelled that support this process are as follows.

| Scenarios modelled | Links to Principal Risks |
|---|---|
| **Scenario 1: Revenue Fall**<br>We considered a combination of scenarios in which future sales were adversely impacted in all years of the assessment period. The reductions reflected the combined impact of economic political instability on global Industrial Production output, material foreign exchange rate fluctuations and a loss of output at a significant Group manufacturing site.<br>We assumed a reduction of 17% in sales with a margin drop through that is consistent with our base case scenario and assumed no mitigating actions were taken by the Group. Despite these impacts the Group continued to trade profitably and always remained comfortably within the financial covenants in the external financing facilities. | **Risk 1:** Economic and political instability<br>**Risk 2:** Significant exchange rate movement<br>**Risk 5:** Loss of manufacturing output at any Group factory<br>**Risk 6:** Inability to identify or respond to changes in customer needs<br>**Risk 7:** Loss of critical supplier |
| **Scenario 2: Exceptional Charge**<br>We considered the impact of a potential large, one-off expense as could be required in the case of a legal or regulatory fine or a compensation payment. An expense equivalent to 10% of the 2023 Adjusted Group Operating Profit was assumed alongside a negative impact of 10% on Revenue resulting from the associated reputational damage. The Revenue fall of 10% occurs in 2024 and recovers over the 5 year period modelled.<br>Despite these impacts the Group continued to trade profitably and always remained comfortably within the financial covenants in the external financing facilities. | **Risk 8:** Breach of legal and regulatory requirements (including ABC laws) |
| **Scenario 3: Cyber Attack**<br>We considered the occurrence of a cyber-attack that succeeds in severely impacting Group systems. We assumed an immediate disruption to trading followed by a fall in sales in subsequent years resulting from the associated negative reputational impact, the combined effect being a loss of 5% of sales in each year over the 5 year period. A significant initial cost of around 7% of the 2023 Adjusted Group Operating Profit was also included to rectify the immediate impact of the attack followed by increased investment in all subsequent years to strengthen our cyber-security.<br>Despite these impacts the Group continued to trade profitably and always remained comfortably within the financial covenants in the external financing facilities. | **Risk 3:** Cybersecurity |
| **Scenario 4: Acquisition Failure**<br>We considered a scenario whereby recent acquisitions (within the ETS Business) fail to achieve the financial targets contained within the acquisition business case. We assumed a 20% shortfall in sales in the acquired business and that they were disposed of for a lower cash consideration than the original consideration.<br>Despite these impacts the Group continued to trade profitably and remained comfortably within the financial covenants in the external financing facilities. | **Risk 4:** Failure to realise acquisition objectives |

A further scenario was modelled to ascertain what level of revenue or adjusted profit margin reduction would be required to cause a breach of the Group's debt covenants. The reductions in revenue and adjusted profit margin required to breach Group's debt covenants were in excess of 17% within a 12 month period, significantly higher than those modelled in the above scenarios and greater than the impact experienced during the severe global economic downturn in 2009. This scenario assumed no mitigating actions were taken. Mitigating actions available could include reductions in operating and capital expenditure and shareholder dividends.

During the year the Group worked alongside a third-party specialist to undertake detailed financial modelling in order to determine the potential financial impact of increasing global temperatures on our business operations. The analysis concluded that the potential level of financial risk to the Group was lower than the impacts modelled in the Revenue Fall scenario included. As a result, no specific climate change impact scenario has been included.

Whilst linked to the Group's Principal Risks, the scenarios modelled are hypothetical and designed to test the ability of the Group to withstand such severe outcomes. In practice, the Group has an established series of risk control measures in place that are designed to both prevent and mitigate the impact of such risks. The results of the stress testing undertaken illustrate that the Group would be able to absorb the impact of the scenarios considered should they occur within the assessment time period. In all the scenarios considered the Group was not required to implement any potential mitigating actions in order to remain within its debt covenants.

## Viability statement

Based on the outcomes of the scenarios and considering the Group's financial position, strategic plans and Principal Risks, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment. The Directors' statement regarding the adoption of the going concern basis for the preparation of the Financial Statements can be found on page 41.

## Long-term resilience

The Group has a long track record, over 135 years, of consistently adapting to changing macroeconomic, environmental and social factors supported by our business model. While our strategy and business model lessen any material impact from our Principal Risk factors, we nevertheless continuously review our markets, listen to our customers and adapt our solutions, while working responsibly and in line with our Values to build long-term sustainability.

The Group has a highly resilient business and strategy that will remain relevant across different climate related scenarios.

We recognise the need to anticipate and mitigate the impact of climate-related change. In 2021 we launched our **One Planet: Engineering with Purpose Sustainability Strategy** covered in more detail on pages 60 to 97. Although not classed as a Principal Risk for our Group, the TCFD disclosures on pages 84 to 91 detail the anticipated impact of climate-change related change on the Group's longer-term resilience.

The increasing commitments to net zero targets will have a profound effect on industrial activity over the coming decades and is an additional source of growth for our Group over at least the next 30 years. To address the opportunities arising from the decarbonisation of industrial processes, we have invested significantly in the development of sustainable products and solutions that help customers meet their own sustainability goals.

## Outlook and 2024 guidance

CHR Economics' forecast for 2024 IP has reduced materially from the 2.6% expected in October 2023 to 1.7% currently, with growth weighted towards the second half (H1: 1.2%; H2: 2.1%). Against a backdrop of geopolitical unrest and continuing macroeconomic uncertainty, we remain cautious about the outlook for IP in 2024, particularly the forecast improvement in the second half.

If exchange rates at the end of February were to prevail for the remainder of the year, there would be a headwind impact of approximately 3% to 2023 sales and approximately 5% to 2023 adjusted operating profit.

In 2024, we anticipate mid to high-single-digit organic growth in Group revenues and low double-digit organic growth in Group adjusted operating profit, supported by our proven ability to grow ahead of IP and increased Biopharm and Semicon demand in the latter part of the year.

After absorbing the exchange rate headwinds outlined above, we expect modest progress in the Group adjusted operating profit margin compared to the 20.7% achieved in 2023. Adjusted operating profit in 2024 will be more second half weighted than usual, reflecting: exchange rate headwinds; the reversal of cost containment measures in the first half; and strong demand growth in the second half.

We anticipate adjusted cash conversion of approximately 75% in 2024 with capital expenditure as a proportion of sales of approximately 7%.

## Medium-long term

Over the last decade we have evolved to become a highly differentiated specialist engineering Group of three complementary Businesses with strong capabilities in high value niche markets. Our products and solutions are critical to the operating efficiency and safety of our customers' industrial processes and increasingly, their sustainability goals. Our business model and strategy have delivered a track record of growing organically ahead of IP and industry-leading margins. Leveraging this uniquely differentiated business model to take advantage of the significant opportunities we have in long-term growth markets such as thermal efficiency, fluid path technology and decarbonisation, will enable us to continue delivering sustainable compounding growth at attractive margins over the coming years.

**Phil Scott**
Interim Chief Financial Officer
6th March 2024

# Ten-year financial summary

## Our financial performance demonstrates a strong trajectory of growth and shareholder value creation.

| | 2014<br>£m | 2015<br>£m | 2016<br>£m | 2017<br>£m | 2018<br>£m | 2019<br>£m | 2020<br>£m | 2021<br>£m | 2022<br>£m | **2023<br>£m** |
|---|---|---|---|---|---|---|---|---|---|---|
| Revenue | 678.3 | 667.2 | 757.4 | 998.7 | 1,153.3 | 1,242.4 | 1,193.4 | 1,344.5 | 1,610.6 | **1,682.6** |
| Operating profit | 148.1 | 142.8 | 174.1 | 198.9 | 299.1 | 245.0 | 249.0 | 320.9 | 318.8 | **284.4** |
| Adjusted operating profit* | 153.0 | 152.4 | 180.6 | 235.5 | 264.9 | 282.7 | 270.4 | 340.3 | 380.2 | **349.1** |
| Adjusted operating profit margin* | 22.5% | 22.8% | 23.8% | 23.6% | 23.0% | 22.8% | 22.7% | 25.3% | 23.6% | **20.7%** |
| Profit before taxation | 144.8 | 139.7 | 171.4 | 192.5 | 288.8 | 236.8 | 240.1 | 314.5 | 308.1 | **244.5** |
| Adjusted profit before taxation* | 151.1 | 151.1 | 177.9 | 229.1 | 254.6 | 274.5 | 261.5 | 333.9 | 370.6 | **309.2** |
| Profit after taxation | 100.6 | 96.7 | 121.3 | 157.9 | 223.4 | 167.0 | 173.9 | 234.9 | 225.0 | **184.0** |
| Adjusted cash from operations | 131.5 | 146.2 | 185.0 | 203.8 | 242.9 | 238.1 | 275.8 | 279.0 | 214.9 | **281.7** |
| Cash conversion | 85.9% | 95.9% | 102.4% | 86.5% | 91.7% | 84.2% | 102.0% | 82.0% | 56.5% | **80.7%** |
| Capital expenditure to sales[††] | 5.0% | 5.0% | 5.7% | 3.8% | 3.8% | 5.0% | 4.2% | 4.8% | 7.3% | **6.3%** |
| Basic earnings per share | 132.8p | 129.9p | 165.0p | 214.4p | 303.1p | 226.2p | 235.5p | 318.3p | 305.1p | **249.5** |
| Adjusted earnings per share* | 140.4p | 142.6p | 171.5p | 220.5p | 250.0p | 265.7p | 256.6p | 338.9p | 377.2p | **312.4p** |
| Dividends in respect of the year | 139.9 | 50.6 | 55.8 | 64.4 | 73.6 | 81.1 | 87.0 | 100.2 | 112.0 | **117.8** |
| Dividends in respect of the year (per share) | 64.5p | 69.0p | 76.0p | 87.5p | 100.0p | 110.0p | 118.0p | 136.0p | 152.0p | **160.0p** |
| Special dividend (per share) | 120.0p | — | — | — | — | — | — | — | — | **—** |
| Net assets | 441.9 | 398.3 | 524.4 | 609.5 | 766.9 | 826.3 | 852.3** | 1,010.0 | 1,169.8 | **1,157.7** |
| Return on capital employed[†] | 41.4% | 41.1% | 44.8% | 49.8% | 51.6% | 52.5% | 48.9%** | 59.3% | 53.3% | **41.6%** |
| Return on invested capital[†] | 27.4% | 27.1% | 28.7% | 22.6% | 19.3% | 19.0% | 17.8%** | 22.9% | 19.0% | **14.0%** |

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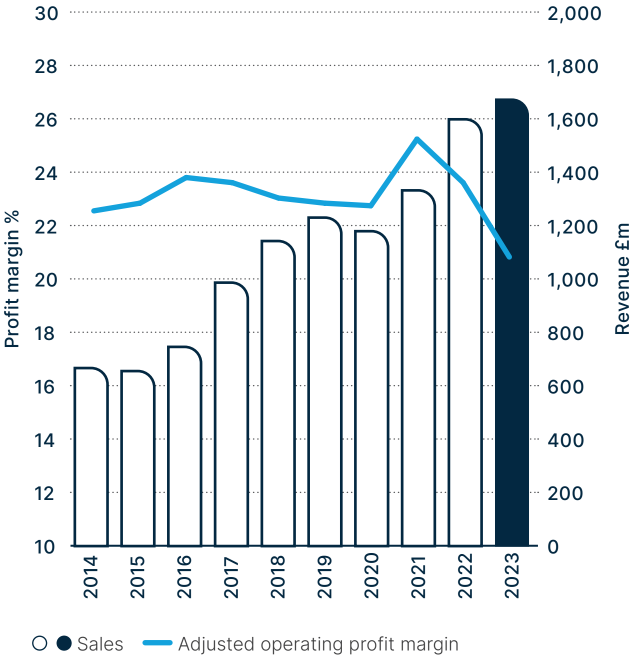
* All adjusted profit measures exclude certain items as set out and explained in the Financial Review and in the Appendix to the Financial Statements

** 2020 has been restated following the IFRS Interpretations Committee agenda decision on configuration and customisation costs in cloud computing arrangements (Software as a Service (SaaS)), see Note 1 to the Financial Statements for further details

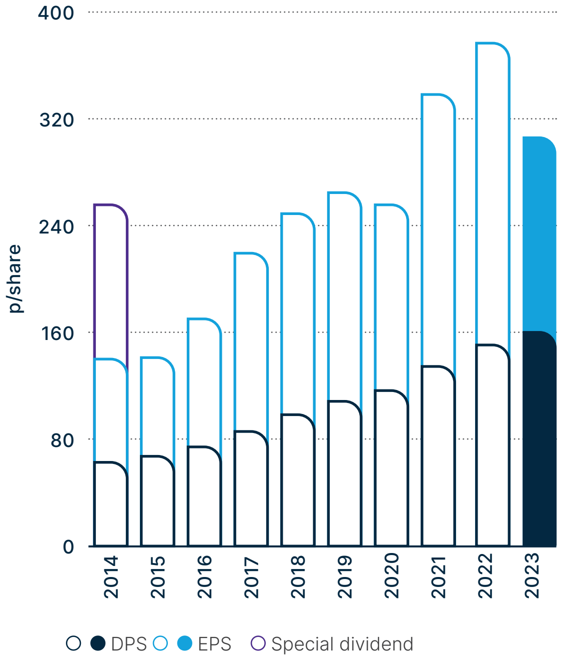
[†] The results for 2019 to 2023 exclude the impacts of IFRS 16, which was adopted in 2019

[††] Capital expenditure excludes IFRS 16 Lease repayments

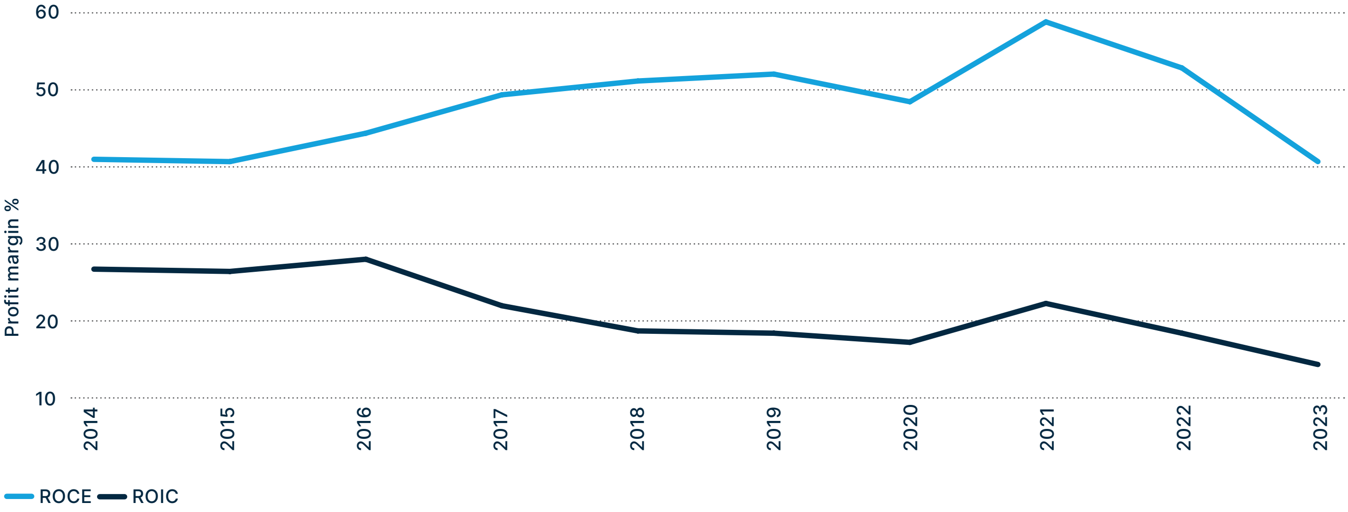
### **Revenue and adjusted operating profit margin** £m/%



### **Dividends and adjusted earnings per share** p



### **Return on capital employed and return on invested capital** %



* All adjusted profit measures exclude certain items as set out and explained in the Financial Review and in the Appendix to the Financial Statements

** 2020 has been restated following the IFRS Interpretations Committee agenda decision on configuration and customisation costs in cloud computing arrangements (Software as a Service (SaaS))

† The results for 2019 to 2023 exclude the impacts of IFRS 16, which was adopted in 2019

†† Capital expenditure excludes lease repayments

## Operating Review

# Steam Thermal Solutions

> We have continued to expand our addressable market through the development of new solutions, targeting high growth sectors."

**Maurizio Preziosa**
Managing Director, Steam Thermal Solutions

## Steam Thermal Solutions at a glance
(at year end)

**61**
operating units+

**65**
countries with a resident direct sales presence

**5,200+**
colleagues

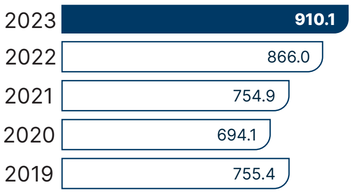
| | 2022 | Exchange | Organic | Acquisitions & disposals* | 2023 | Organic | Reported |
|---|---|---|---|---|---|---|---|
| Revenue | 866.0 | (25.1) | 70.5 | (1.3) | **910.1** | +8% | +5% |
| Adjusted operating profit | 206.1 | (11.3) | 29.3 | (0.1) | **224.0** | +15% | +9% |
| Adjusted operating profit margin | 23.8% | | | | **24.6%** | +140bps | +80bps |
| Statutory operating profit | 196.2 | | | | **205.2** | | +5% |
| Statutory operating profit margin | 22.7% | | | | **22.5%** | | -20bps |

+ Operating units are business units that invoice locally

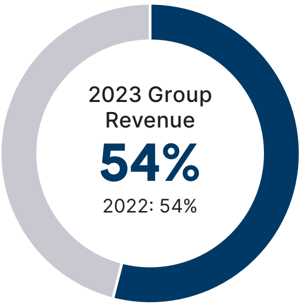
* Results include the impact of the treatment of our Russian operating companies as disposals from the date at which the Group suspended all trading with and within Russia

**Revenue** (£)

**£910.1m**

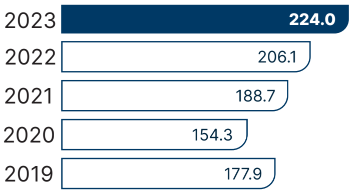


| Reported | Organic |
|---|---|
| **+5%** | **+8%** |



**Adjusted operating profit** (£)

**£224.0m**



| Reported | Organic |
|---|---|
| **+9%** | **+15%** |

**Adjusted operating profit margin** (%)

**24.6%**

2022: 23.8%

| Reported | Organic |
|---|---|
| **+ 80 bps** | **+ 140 bps** |

**Statutory operating profit margin** (%)

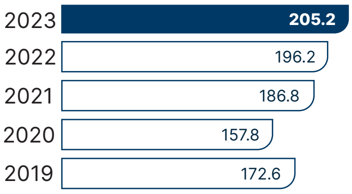
**22.5%**

**Key Industries**

- Food & Beverage
- OEM Machinery
- Pharmaceutical & Biotechnology
- Chemicals

**Statutory operating profit** (£)

**£205.2m**



Reported

**+5%**

STS delivered organic sales growth of 8%, which was significantly ahead of IP across all regions, despite a challenging macroeconomic outlook that weakened progressively through the year and particularly during the second half. Strong first half growth of 15% moderated to 2% in the second half driven by weaker IP in China and Germany, together with a slowdown in large orders compared to the first half.

Against this backdrop we implemented temporary cost containment measures while preserving investment and momentum in key growth initiatives (direct sales effectiveness, digital connected products and services, and decarbonisation solutions). As a result, full year adjusted operating profit of £224 million grew by 15% organically, with adjusted operating profit margin up 140 bps organically, reflecting price and cost discipline. Second half adjusted operating profit margin was slightly higher than in the first half of 2023 and the second half of 2022.

STS has both sales and manufacturing operations in Argentina, representing less than 1.5% of Group sales in 2023. Current levels of inflation and the extreme volatility in the Argentine peso exchange rate, as demonstrated by the large devaluation in December 2023, have created challenging operating conditions. While our local operating company prices with reference to the US dollar to protect against operating profit margin erosion, the Group's ability to repatriate cash generated in Argentina is currently limited. As a result, we are limiting inward investment into our Argentinian operations.

Statutory operating profit of £205.2 million was up 5% from £196.2 million in 2022 and the statutory operating profit margin of 22.5% decreased by 20 bps.

Since 2018, STS has been engaged in a project to upgrade its ERP systems, known as Project OPAL. Over time, the scope of the project has expanded substantially to include a wider range of business applications. In parallel, the external technology market has continued to evolve and the Group has also taken the decision to implement consistent ERP solutions across all three Businesses. Within STS, this will enhance future capability, in addition to leveraging the scale of the broader Group. This has resulted an impairment charge to statutory operating profit of £13.9 million in relation to existing assets which will no longer provide future economic benefit.

### Operating highlights

We launched our '**TargetZero**' solutions in November 2022, to support the decarbonisation of industrial steam generation, and the first installation of '**ElectroFit**' was completed during 2023 for Diageo in Turkey. Interest in these solutions continues to strengthen and decarbonisation remains a key long-term growth opportunity for STS, working in collaboration with ETS. However, the rate of adoption will depend on several factors including: the development of local infrastructure for the generation and transmission of electricity; the comparative cost of natural gas and electricity impacting operating costs as a result of decarbonisation; and customer ambition in achieving net zero greenhouse gas emissions, as well as their willingness to invest behind delivery of their targets.

# **Operating Review** continued

As an industry leader, STS organised and chaired the first ‘Sustainable Steam Symposium’ in 2023 at Brunel University. This Symposium was centred around the latest developments in research, technology trials and pilot projects within the steam and thermal solutions industry, with a focus on the decarbonisation of steam generation and energy-saving innovations.

Throughout the year we have continued to develop new digitally enhanced customer solutions that extend our expertise beyond the onsite services provided by our field engineers. We saw a doubling in the number of connected customer sites, an increase in the number of reports generated for customers and strong sales of incremental products and services attributed directly to digital connections. By driving adoption of digital connections and developing our direct sales capability to deliver solutions based on richer data and additional insights, we believe we are laying strong foundations for further digitally enabled growth in STS.

STS has continued to expand its addressable market through the development of new solutions, targeting high growth sectors. For example, STS delivered exceptional growth in the lithium-ion battery sector in 2023, particularly in Asia Pacific, where we now have over 100 customers.

In line with our strategy of continuing to develop our local presence, in August 2023 Gestra acquired a distributor in Kuala Lumpur, Malaysia. This acquisition has expanded our local direct sales team as well as our customer base allowing us to further implement our business model focused on solution-selling and self-generated sales.

### 2024 outlook

We anticipate mid-single-digit organic sales growth in STS. Adjusted operating profit margin is expected to be lower than in 2023, reflecting exchange rate headwinds, the reversal of 2023 cost containment measures and increased revenue investments to support future growth.

Steam Thermal Solutions

# Finding the right 'whey' for cheese producer

As part of our **Customer first$^2$ strategy,** our engineers focus on direct engagement to build strong customer relationships as well as a deep understanding of our customers' needs to create value-adding solutions.

'Walking the Plant' is one of the most important ways in which our direct sales engineers can add value to our customers by identifying potential problems and finding solutions. For our customer Saputo, a bulk cheese and whey producer, a visit from direct sales engineer Travis Berry helped identify important efficiency and sustainability improvements, which have led to annual savings of around US$700,000.

At its dairy plant in California, Saputo has three clean-in-place kitchen areas each producing condensate from heat exchangers which was going to waste, losing valuable heat. Spirax Sarco designed a solution to recover and return the condensate to the steam generating boiler, improving efficiency and sustainability.

The new condensate recovery system has delivered quantified energy, water and $CO_2$ savings since its installation, as well as reducing safety risks and the amount of boiler chemicals needed to treat the fresh water. It is estimated that the site will save 3,150 tons of $CO_2$ per year and the equivalent of 33 Olympic-sized swimming pools of water being saved each year.

Due to the success of the project, the solution will now be replicated at the customer's other sites across the USA and Canada.

**3,150 tons**

of $CO_2$ saved per year

**33**

Olympic-sized swimming pools of water saved each year

**US$700k**

annual running cost savings

Operating Review continued

# Electric Thermal Solutions

> “We have continued to see strong customer demand for our decarbonisation solutions leading to record order books within ETS.”

**Armando R Pazos**
President, Electric Thermal Solutions

## Electric Thermal Solutions at a glance
(at year end)

**36**
operating units+

**20**
countries with a resident direct sales presence

**2,610+**
colleagues

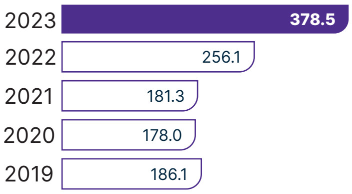
| | 2022 | Exchange | Organic | Acquisitions & disposals* | 2023 | Organic | Reported |
|---|---|---|---|---|---|---|---|
| Revenue | 256.1 | 0.3 | 4.1 | 118.0 | **378.5** | +2% | +48% |
| Adjusted operating profit | 39.9 | (1.0) | (1.7) | 22.0 | **59.2** | -4% | +48% |
| Adjusted operating profit margin | 15.6% | | | | **15.6%** | -90bps | +0bps |
| Statutory operating profit | 7.3 | | | | **25.8** | | +253% |
| Statutory operating profit margin | 2.9% | | | | **6.8%** | | +390bps |

+ Operating units are business units that invoice locally

* Results include the impact of the acquisitions of Vulcanic and Durex Industries

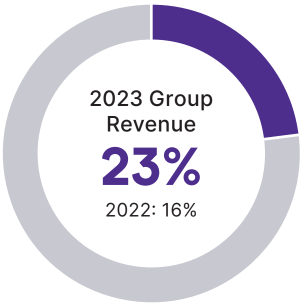
**Revenue** (£)

**£378.5m**



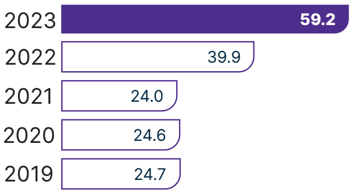
Reported
**+48%**

Organic
**+2%**



**Adjusted operating profit** (£)

**£59.2m**



Reported
**+48%**

Organic
**-4%**

**Adjusted operating profit margin** (%)

**15.6%**
2022: 15.6%

Reported
**+0 bps**

Organic
**-90 bps**

**Statutory operating profit margin** (%)

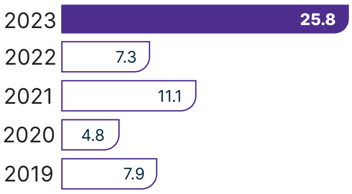
**6.8%**

**Key Industries**

- Power Generation
- Semiconductor
- Oil & Gas
- Food & Beverage

**Statutory operating profit** (£)

**£25.8m**



Reported
**+253%**

While IP remains a key underlying driver of growth in ETS, secular trends in the decarbonisation and Semicon markets are important additional drivers. As expected, Semicon (18% of ETS proforma sales in 2022) sector demand remained weak through 2023, driven by customer destocking. Both Durex Industries and to a lesser extent Thermocoax (that focus on industrial equipment heating solutions) were impacted by slowing Semicon demand.

Demand growth in Chromalox and Vulcanic (that focus on industrial process heating solutions) was significantly ahead of IP. Growth was strongest in strategically important sectors such as Energy Transition, which includes decarbonisation solutions, leading to a significantly enhanced order book.

ETS sales were up 48% reflecting the contribution from the acquisitions of Vulcanic and Durex Industries. Excluding this contribution, sales were up 2% organically (H1: up 7%; H2: down 2%), reflecting growth in Chromalox but lower Semicon demand impacting Thermocoax sales, particularly in the second half.

Chromalox's manufacturing facility in Ogden, Utah (USA) continued to implement operational improvements aimed at increasing throughput but sales lagged the even stronger growth in demand for bespoke solutions that deliver decarbonisation benefits. We remain focused on delivering higher sales from Ogden while also completing the facility expansion. On a proforma basis, the combined sales of Vulcanic and Durex Industries were down 6%, compared to 2022, with strong growth at Vulcanic offset by lower sales at Durex Industries, which was impacted by lower Semicon demand.

ETS adjusted operating profit was up 48% due to the contribution from the acquisitions of Vulcanic and Durex Industries. Excluding the acquisitions, adjusted operating profit was broadly flat, compared to 2022, with adjusted operating profit margin impacted by continued investments in operational improvements in Chromalox and weaker growth in higher margin Thermocoax. Chromalox and Thermocoax combined adjusted operating profit margin in the second half of 2023 was above both the first half of the year and the second half of 2022.

On a proforma basis, the combined adjusted operating profit margin of the acquisitions was down year-on-year, driven by the impact of lower Semicon demand on Durex Industries, as well as investments in safety, systems and processes to more closely align the acquisitions with the Group's operating standards. The benefit of early cost actions taken at Durex Industries helped to mitigate the margin decline. Excluding onboarding costs, Vulcanic adjusted operating profit margin in 2023 was higher, compared to 2022.

ETS statutory operating profit was up 253% compared to 2022, reflecting restructuring charges relating to Chromalox EMEA that impacted the 2022 result, with the statutory operating profit margin of 6.8% up 390 bps.

### Operating highlights

The integration of Vulcanic and Durex Industries, one of ETS's key priorities in 2023, continued to progress well with high levels of collaboration between the Chromalox and Vulcanic teams in areas such as sales training, deployment of pricing tools and new product development. Our dual brand strategy is being implemented in Vulcanic and Chromalox with particular benefits seen for customers in

# Operating Review continued

EMEA, as we migrated manufacturing of Chromalox products to Vulcanic sites in France and Spain following the closure of Chromalox's Soissons (France) site in 2022. ETS also completed a site rationalisation between Thermocoax and Durex Industries with the transfer of production from our Alpharetta, Georgia (USA) facility to Carey, Illinois (USA). Good progress continues to be made on improving safety and sustainability in line with Group operating standards.

Chromalox and Vulcanic have continued to drive growth in their target sectors, particularly focused on the industrial electrification opportunity, which has resulted in a significant increase in the ETS order book. During 2023, Chromalox supported Tesla with the development of its Cyber Truck manufacturing facility in San Antonio, Texas (USA).

In October, ETS began construction of an expansion to Chromalox's manufacturing site in Ogden, Utah (USA), which will be dedicated to Medium Voltage heating solutions. The US$58 million expansion is expected to be completed towards the end of 2024, with production ramping-up in 2025. In support of our commitment to sustainability, the facility will install ground source heat pump systems to efficiently heat and cool the facility with renewable energy. In addition, Chromalox's manufacturing facility in Nuevo Laredo (Mexico) completed a second solar panel system installation, which will lead to significant energy savings and emissions reductions.

## 2024 outlook

We anticipate high-single-digit organic sales growth in ETS supported by a return to demand growth in Semicon. Adjusted operating profit margin progress will be supported by improved operational performance and higher Semicon revenues, partly offset by onboarding costs in Vulcanic and Durex Industries, as well as pre-production costs for the expanded Ogden facility.

Electric Thermal Solutions

# Powering battery production from sustainable steam

A Sino-Japanese battery manufacturer turned to an industrial boiler specialist, alongside Vulcanic, part of Electric Thermal Solutions, to help it achieve sustainable steam generation for the production of electric vehicle (EV) batteries.

The battery manufacturer is committed to operating responsibly and wants to ensure that EV production from its new European manufacturing facility has minimal impact on the environment. As a result, the generation of steam for its manufacturing processes needs to be decarbonised.

The two companies combined their expertise to provide a complete end-to-end package which features Vulcanic's proprietary low voltage heating solutions to generate steam without the burning of fossil fuels. The solution is safe, easy to maintain and when it's connected to green or renewable electricity sources eliminates scope 1 and 2 greenhouse gas emissions.

The overall power of low carbon EV batteries produced by the new site will increase from 9 GWh in 2024 to 24 GWh by 2030.

**20**

**MW total electrical power capacity from low voltage heating solution for steam generation**

**24**

**GWh of low carbon EV batteries produced from decarbonised steam generation by 2030**

Operating Review continued

# Watson-Marlow Fluid Technology Solutions

> While destocking in the Biopharm sector impacted 2023 trading, underlying demand remains strong and we are well positioned for a return to growth."

**Andrew Mines**
Managing Director, Watson-Marlow Fluid Technology Solutions

## Watson-Marlow Fluid Technology Solutions at a glance

(at year end)

**47**
operating units+

**42**
countries with a resident direct sales presence

**1,960+**
colleagues

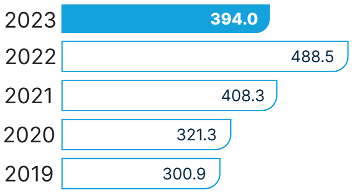
| | 2022 | Exchange | Organic | Acquisitions & disposals* | 2023 | Organic | Reported |
|---|---|---|---|---|---|---|---|
| Revenue | 488.5 | (2.4) | (90.6) | (1.5) | **394.0** | -19% | -19% |
| Adjusted operating profit | 160.0 | 5.2 | (71.5) | — | **93.7** | -43% | -41% |
| Adjusted operating profit margin | 32.8% | | | | **23.8%** | -1,030bps | -900bps |
| Statutory operating profit | 154.4 | | | | **81.2** | | -47% |
| Statutory operating profit margin | 31.6% | | | | **20.6%** | | -1,100bps |

+ Operating units are business units that invoice locally

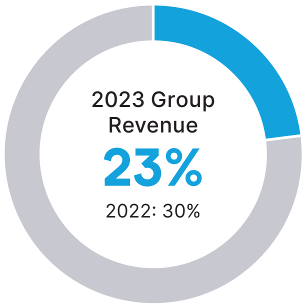
* Results include the impact of the treatment of our Russian operating companies as disposals from the date at which the Group suspended all trading with and within Russia

**Revenue** (£)

**£394.0m**

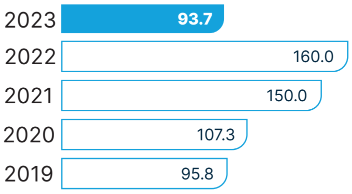


| Reported | Organic |
|---|---|
| -19% | -19% |



**Adjusted operating profit** (£)

**£93.7m**



| Reported | Organic |
|---|---|
| -41% | -43% |

**Adjusted operating profit margin** (%)

**23.8%**

2022: 32.8%

| Reported | Organic |
|---|---|
| -900 bps | -1,030 bps |

**Statutory operating profit margin** (%)

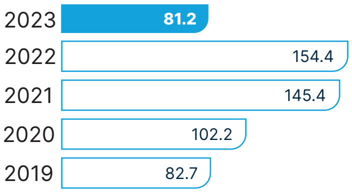
**20.6%**

**Key Industries**

- Pharmaceutical & Biotechnology
- Food & Beverage
- Water & Wastewater
- Healthcare

**Statutory operating profit** (£)

**£81.2m**



Reported

-47%

Watson-Marlow's trading continued to be impacted by customer destocking activity in the Biopharm sector throughout the year. Underlying demand remains strong, with Biopharm end-markets continuing to grow at the pre-pandemic rate of over 10% per annum. However, it became clear through 2023 that this demand would continue to be satisfied by excess inventory built up during the peak of the COVID pandemic. In Watson-Marlow this has resulted in Biopharm monthly sales remaining broadly flat throughout 2023.

Watson-Marlow sales declined by 19% organically, compared to 2022. Biopharm sales (which accounted for approximately 60% of Watson-Marlow sales in 2022) declined by close to 30% organically. The organic decline in Biopharm sales was larger in the first half than in the second half due to a more challenging comparator, with customer destocking having materially started in the second half of 2022.

Supported by the continued strong growth in Biopharm end-markets, we anticipate a return to sales growth during 2024. As evidenced by market commentary from a number of larger Biopharm OEMs, which are our customers, the precise timing and scale of the recovery remains challenging to predict with a wide range of views spanning from a recovery in the second half of 2024, through to recovery being delayed into 2025.

Sales to Process Industries customers, which are more directly correlated to IP, were broadly flat in the first half, compared to 2022. In the second half of 2023, Process Industries demand growth was impacted by the weakening macroeconomic outlook, with sales broadly similar to the first half. Process Industries sales also remained significantly ahead of pre-pandemic levels.

The benefits of early actions to address the weaker trading environment were realised in the second half of the year, mitigating the impact of lower sales on adjusted operating profit. While the adjusted operating profit margin declined by 1,030 bps organically, to 23.8%, the second half margin was impacted by a one-off charge in respect of excess Biopharm inventory.

Statutory operating profit was down 47% compared to 2022, while statutory operating profit margin was down 1,100 bps, reflecting costs of £9.3 million to appropriately right-size manufacturing capacity and reduce overhead support costs.

## Operating highlights

Against a backdrop of challenging trading conditions, we took steps to offset the adverse impact of lower sales volumes on profitability. While most of the right-sizing was focused on UK and EMEA manufacturing operations, Watson-Marlow also closed its Flowsmart site in Delaware (USA) and transferred manufacturing to its newly built facility in Devens, Massachusetts (USA).

Restructuring and cost actions continued to be implemented during the second half, balancing the need to protect margins with maintaining business-readiness for an anticipated return to volume growth in 2024. In this context, we also continued to invest in developing new products and services.

Watson-Marlow began incorporating ISO 13485, a quality management system covering the design and manufacture of medical devices, into its product development process

# Operating Review continued

from October 2023. This is expected to become a requirement for products sold into cell and gene therapy markets.

Also in Biopharm, Watson-Marlow developed ‘DriveSure’ – a digitally enabled, pre-configurable pump and drive unit that can be customised for small spaces; and further developed its unique ‘PureSU’ (Pure Single-Use) assembly offering, which represents a powerful example of tailored customer solutions by providing customised connectivity for the fluid path between disparate pieces of end-user equipment.

Watson-Marlow continued to expand its addressable market in Process Industries by developing solutions for new and emerging sectors. Cell-based meat has been identified as a high potential area of future growth and Watson Marlow Germany is working with ‘Cultivated B’, the first company in the EU to apply for certification for its product. This initiative ties into Watson-Marlow’s existing Future Foods focus where sales into precision fermented food manufacturers have more than doubled since 2021.

The Electric Vehicle (EV) battery market is another focus sector, especially for Watson-Marlow’s Bredel product range. A key process step in EV battery manufacture is the production of the Nickel, Cobalt, Manganese (NCM) Ternary Precursors used in EV battery cathodes. Peristaltic hose pumps are the ideal technology for mixing and transferring these chemical slurries, which are vital to scale up EV battery production to meet global demand. The C42 Bredel pump has been developed to meet the specific technological needs of this sector.

## 2024 outlook

We anticipate high-single-digit organic sales growth supported by a return to growth in Biopharm demand in the latter part of the year, albeit there are a variety of views within the industry on the timing and scale of this recovery. This sales growth is expected to deliver a strong improvement in adjusted operating profit margin after absorbing the reversal of 2023 cost containment measures and an increase in variable compensation.

Watson-Marlow
Fluid Technology Solutions

# Peristaltic technology keeps hearts pumping

Cardiac ablation is an important medical procedure for the treatment of certain heart conditions. When medical device manufacturers livetec Ingenieurbüro GmbH and OSYPKA were looking for a reliable and easy-to-operate peristaltic pump for use in surgical ablation systems they turned to Watson-Marlow Fluid Technology Solutions.

Any malfunction of the pump would lead to a discontinuation of the ablation treatment. After putting a number of other peristaltic pumps through a series of tests, they were unable to find another that matched or exceeded the delivery rates and compatibility of the Watson-Marlow pump.

> “Ablation treatments usually take several hours and the pump must provide saline solution continuously during this time, so absolute reliability of all components is essential and was a fundamental requirement in our decision-making process.
>
> The Watson-Marlow pump is easy to operate and has proven capability to handle the high back pressure caused by very narrow catheter channels with a very small diameter (lumen) in the micrometer range. We are able to control the flow rate precisely at any time so that the exact volume flow required for each treatment step is achieved. The peristaltic pump is one of the central components in the system and must provide absolute reliability over several years and many treatments. The ablation systems from livetec and OSYPKA have been on the market for more than five years, with several hundred devices in use. Until now, there have been no complaints due to wear of a pump. All are still working smoothly.”

**Michael Schirmeier**
Managing Director at livetec

**Reduced**
risk of human error

**100%**
reliability of continuous flow of saline solution.

**Zero pump failures**
after five years and hundreds of pumps installed

## Our customers

# Developing solutions for future customer needs

## Strengthening customer bonding through connected environments

Across Spirax Group we are developing digital solutions that augment our physical customer closeness through 'walk the plant' activities, with digital connections that generate real-time, predictive insights that also enable us to 'walk the data' adding value to our customers through anticipating and detecting critical equipment failures.

Digital specialists at our Fluid Technology Solutions Business, Watson-Marlow, are using machine learning techniques to identify potential pump and tubing failures. By training AI models in what normal operation looks like and then feeding it data points common with pump and tubing failures, our technology has been able to correctly predict failure in 90% of cases during lab testing at our R&D facility in Falmouth (UK).

Meanwhile in Germany, Steam Thermal Solutions specialist Gestra has developed a wireless steam trap monitoring solution utilising the Group's STRATA technology and combining it with Gestra Ecobolt sensors to detect broken or leaky steam traps. This enables customers to replace steam traps in an expedient manner, saving energy and improving efficiency.

> "Our aim is to support current predictive maintenance processes with AI to get the maximum product life by giving our customers the insights they need to plan maintenance and only replace parts that need replacing, rather than replacing them due to length of operation."

**Matthew Thomas**
Head of Digital, Watson-Marlow Fluid Technology Solutions

> "We are working with a fertiliser chemical company in Spain to help improve the operational efficiency of its steam trap population. Once the project is complete, we estimate that we will save the customer 173,000 MWh of energy and 4,700 tonnes of $CO_2$. That's the equivalent average annual energy consumption of more than 2,000 people and over 200,000 mature trees absorbing $CO_2$."

**Jayesh Chavda**
Business Development Manager – Connected Services, Gestra, part of Steam Thermal Solutions

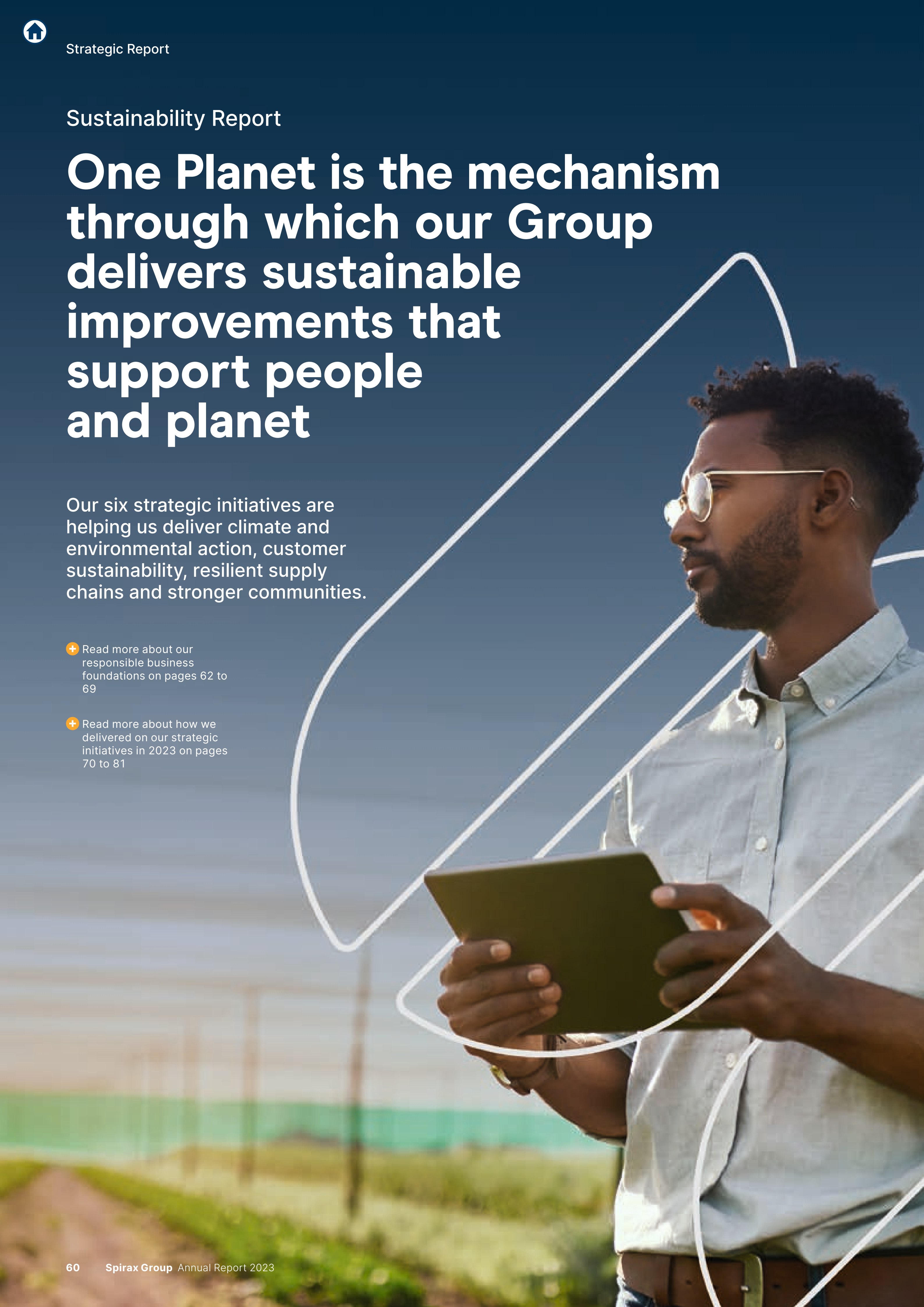
Sustainability Report

# One Planet is the mechanism through which our Group delivers sustainable improvements that support people and planet

Our six strategic initiatives are helping us deliver climate and environmental action, customer sustainability, resilient supply chains and stronger communities.

+ Read more about our responsible business foundations on pages 62 to 69

+ Read more about how we delivered on our strategic initiatives in 2023 on pages 70 to 81



> 2023 was a year of good progress as we further improved the environmental performance of the Group and delivered value to our communities."
>
> **Sarah Peers**
> Group Director of Sustainability

Our **One Planet: Engineering with Purpose** Sustainability Strategy sets out our plans for building a more sustainable future and our commitment to having a positive impact on people and planet. Now in its third year, the strategy is well embedded across the Group and we are making good progress towards achieving our goals for sustainable business operations.

### Science-Based Targets initiative

A key achievement in 2023 was the validation of our net zero targets by the Science-Based Targets initiative (SBTi). This is a collaboration between the United Nations Global Compact (UNGC), the World Resources Institute (WRI), the Carbon Disclosure Project (CDP) and the Worldwide Fund for Nature (WWF). It helps companies to set ambitious and credible climate targets that are based on the best available science and the needs of the planet.

We committed to establishing science-based targets during 2021, as part of our wider commitment to take action on climate change and reduce our environmental impacts. In 2022, we submitted our near-term and long-term decarbonisation targets to the SBTi for validation and they were approved in November 2023. This acknowledges the credibility of our decarbonisation plans both in our operations and in our value chain.

As disclosed in our 2022 Annual Report, the majority of our total emissions are scope 3 emissions and are associated with the energy in use of our Electric Thermal Solutions (ETS) products. These products are designed to replace fossil-fuel systems and therefore aid decarbonisation for our customers when supplied with green electricity. To reduce the calculated emissions associated with these products and to meet our own decarbonisation goals, we are reliant on the electricity grids in the countries where we have customers transitioning to green electricity. Read about the future of sustainable steam on pages 92-93.

### Responsible business foundations

Our responsible business foundations underpin the way in which we operate, providing the basis for our Group's ethics and social reponsibility to integrate with sustainability and shape our business practices. These are:

- Health and safety
- People and wellbeing
- Inclusion and diversity
- Ethical business

### Our Strategy

Our **One Planet Sustainability Strategy** is implemented by each of our three Businesses, with central oversight from our Group Executive Committee.

The strategy is delivered through six strategic initiatives, which are:

**1. Achieve net zero greenhouse gas emissions**
See pages 72–75

**2. Deliver biodiversity net gain**
See page 76

**3. Implement environmental improvements in our operations**
See pages 77–78

**4. Grow sales of products with quantified sustainability benefits**
See page 79

**5. Embed sustainability criteria in supply chain management**
See pages 80

**6. Support the wellbeing of people in our communities**
See page 81

Additionally, the Sustainability Strategy is supported by a strategic project to improve the availability and quality of sustainability data. A previous strategic project to develop our colleagues' sustainability knowledge achieved the objectives it set out when the strategy was launched. It was formally retired as a strategic project in 2023 as sustainability knowledge is now embedded within standard operations across the Group.

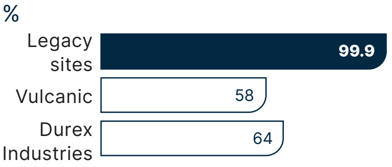
### Double materiality assessment

To support our ongoing monitoring of sustainability and to prepare for future regulatory reporting requirements, we conducted a Double Materiality Assessment (DMA) in 2023. This process involved assessing the impact of sustainability topics on the Group and also assessing the impact that the Group can have on people and planet in regard to these topics. We conducted interviews and workshops with a wide range of internal and external stakeholders, including senior leadership, colleagues, customers, suppliers, community stakeholders and investors, to complete this DMA.

## Sustainability Report: Responsible business foundations

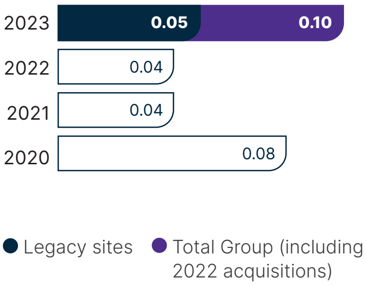
# Health and Safety

**Completion of Group H&S Excellence Framework (Foundation level) in 2023**



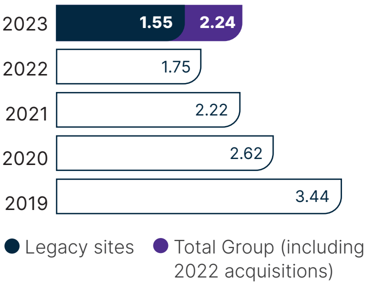
* Excluding 2022 acquisitions

**Serious Lost Time Accident Rate***



* Per 100,000 hours worked

**All-Workplace Injury Rate***



* Per 100,000 hours worked

Health and Safety (H&S) comes first in everything we do. Across Spirax Group we encourage all colleagues to play a vital role with a collective responsibility to do the right thing, even when no one is looking. We care about ourselves and our colleagues. Everyone in our Group is empowered and supported to speak up if things are not right. In support, we will listen, respond, learn and continually improve as one team. Our Group H&S Policy commitment was updated in 2023 and further refreshed at the start of 2024, our commitments include:

- Group H&S performance will be discussed at all Group Executive Committee (GEC) and Board meetings
- Appropriate resources is made available to support our H&S journey
- Our Group Reporting & Safety Management Platform will be adopted by all operating companies and Group functions
- Annual H&S objectives and targets, in line with the Group H&S Excellence Framework and other strategic initiatives, will be subject to a formal review, at least annually

Wherever we operate, we will comply with all relevant H&S legislation. If our Group standards are higher than, and not in conflict with, local standards we will operate to the higher set of standards. All Serious Lost Time Accidents, will be reported to the GEC by the responsible GEC member, once the initial facts are known and within 48 hours. Our operating companies and Group functions will implement and maintain specific and local H&S organisation, responsibilities, governance and arrangements. These will be sufficiently resourced, subject to continual improvement and at least an annual review.

We continue to evolve our approach with the introduction of a five-year Group H&S Excellence Framework. This is our internal philosophy to achieve significant enhancements to our **C**ulture; **A**ssurance; **R**isk; and **E**ngagement (**C.A.R.E.**), in addition to established external systems certification across the Group. At the time of publishing, 50 of our Group Companies are certified to H&S management standard ISO 45001 or equivalent. During this period, we also supported the H&S alignment and integration of our two recent acquisitions, Vulcanic and Durex Industries.

### Progress

We successfully launched the foundation level of our H&S Excellence Framework in January 2023. The purpose of this initial level was to create a consistent but stretching baseline across the Group. We are pleased that in 2023, 99.9% of our Group, excluding the recently acquired Vulcanic and Durex Industries, achieved foundation level by self-assessment, which was subject to validation sampling. In Vulcanic and Durex Industries, 58% and 64% achieved this level respectively and across Spirax Group, all Divisions met the targets set. The foundation level will continue to be subject to further ongoing validation in 2024, including on site.

Other highlights during the year included revitalising our behavioural-based safety programme to create our own bespoke pathway which includes an evolving suite of learning videos using actors to recreate previous incidents to promote engagement and learning. Other examples from the framework included: a full machinery inventory, validation of use and risk assessment; a major focus on pedestrian and vehicle interaction risk reduction; and a range of risk control assurance requirements. Cross-Group learning and sharing of best practice continued to be at the heart of our approach throughout the year, with a wide range of engagement initiatives being well-attended across all three Businesses. This regular cadence and engagement has been invaluable as we have matured and advanced our approach to team collaboration.

We have also continued our investment in technological solutions to improve our understanding of risk and to build our culture. Examples include the successful pilots of a machine-learning data analysis tool and an H&S Culture benchmarking platform. To provide additional context and clarity of relative risk in incident reporting, we introduced a definition of Serious Lost Time Accidents (SLTA). These include, but are not limited to: any accident that results in admittance to hospital, or injuries leading to a permanent impairment.

There were no work-related fatalities among colleagues or contractors and whilst our overall lost-time accidents have increased this year, there is no discernible trend. This is considered indicative of our good reporting culture, which is being fully embraced by our acquisitions and is a good sign of our cultural alignment. Our all-workplace incident rate, without our acquisitions, has reduced by 11% in this reporting period. Having undertaken an analysis of SLTA, this rate is low, currently 0.05 (excluding 2022 acquisitions). Our acquisitions are embracing our H&S culture and we have an active programme of H&S alignment and continual improvement.

### Focus for 2024

- Continue to implement our Group-wide H&S Excellence Framework, through Bronze level rollout
- Complete a Group-wide H&S Culture survey
- Complete an independent review of our H&S strategy
- New Group H&S thematic assurance audits (including further validation of our Foundation level of the framework)
- Implement our new machine-learning H&S data analysis tool

# People and wellbeing

We are a global business united by our Purpose and where the safety and wellbeing of our colleagues are paramount. Wherever we work, we are guided by our Values of Safety, Collaboration, Customer Focus, Excellence, Respect and Integrity. They are part of an inclusive culture that empowers strong relationships and supportive teams, where everyone can contribute and learn from each other and where meaningful work helps create the sustainable future we all aspire to have. They are supported through our HR policies and systems that help protect the rights of our colleagues and ensure their equitable treatment around the world.

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## Progress

In 2023 we conducted our biennial Colleague Engagement Survey. Across the Group, 90% of our colleagues participated. Whilst our engagement score remained static at 72%, we saw some significant improvements across the Group in the following areas:

i. **Valuing and promoting diversity.** The launch of our Group Inclusion Plan, **Everyone is Included**, in 2022 has had a tangible impact on our inclusion metrics in the engagement survey. Overall, the Inclusion Index increased by five percent since 2021 (excluding Vulcanic and Durex Industries). This was particularly strong in Steam Thermal Solutions (STS) where there was an eight percent increase. More significantly, our colleagues said that our Group values and promotes diversity, with this score increasing nine percent since 2021 to 78% positive.

ii. **Actively helping our communities.** This theme saw the greatest improvement of all colleague engagement survey results (up ten percent since 2021) whilst 'Supporting colleagues to be environmentally responsible' also scored highly at 83% favourable. This reflects the progress we have made embedding our **One Planet Sustainability Strategy** and our focus on fulfilling our Purpose, with one of our recognised stakeholders being the communities in which we work.

iii. **Supporting a balance between work and personal life.** Colleague wellbeing saw improvement across the Group (up four percent since 2021), with colleagues recognising the focus we place on mental health, wider wellbeing and supporting a balance between work life and personal life. Our aim is to continually improve these scores. In 2023, we supported this with a range of events throughout the year covering topics such as psychological safety, the menopause and preventing male suicide. We also produced a World Mental Health Day resource pack and shared it across the Group.

In 2023, we hosted the awards ceremony for our inaugural Group-wide, Values-based recognition programme, the **Spirit Awards**. From a pool of 633 applications, six Values winners were announced alongside a Group Chief Executive Award and a People's Choice recipient which was the result of a global colleague vote.

Nominations have been received for our second Spirit Awards and 18 finalists have been selected from just over 300 applications. The finalists will be invited to attend the Awards Ceremony in 2024 when the winner in each Value category will be announced.

We strive to continually improve the development opportunities for all colleagues. In September 2023, we launched our new learning and development portal, **SPARK**. This gives our colleagues access to learning academies on topics such as Personal Development, Wellbeing and Mental Health, Inclusion and Diversity, Health and Safety, Sustainability and more. It includes colleague communities and a range of content that can be tailored to individual development goals, helping our colleagues to ignite their potential. Together with **One Place**, our new internal colleague platform that was launched in March 2023, this is helping to empower the creation of more inclusive workplaces where wellbeing and mental health are prioritised building a sense of belonging across our Group.

We introduced a Wellbeing Day in 2022, giving colleagues all around the world an additional day of paid annual leave to focus on their wellbeing and self-care. Having seen the impact of providing that extra time for colleagues to refresh and invest in their positive mental health, the Wellbeing Day was brought back in 2023 and has been made permanent for all colleagues from 2024 onwards.

## Focus for 2024

- Follow-up actions from the Colleague Engagement Survey
- Refresh and embed our Colleague Promises
- Continue to embed One Place and launch an app to improve access for desk-free colleagues
- Further develop and embed Spark
- Ongoing focus on inclusion, wellbeing and mental health

Sustainability Report continued

# A progressive, supportive and inclusive culture

We want every day to be exceptional for all our colleagues. That's why we enable them, through our Purpose, Values, business model and Group Inclusion Commitments, providing the framework to help them achieve their potential.

Spirax Group endeavours to offer a consistently exceptional colleague experience. Colleagues have regular opportunities to give feedback and offer suggestions for improvement such as our biennial Colleague Engagement Survey. From this feedback we have developed four colleague promises that define what it means to work as part of Spirax Group.

Our promises are designed to encapsulate our Purpose, Values and Group Inclusion Commitments.

## 1.

### An inclusive culture based on Values

As a leading global business, we are committed to creating a more inclusive and equitable world for our colleagues at work, at home and in the community. Our shared Values of Safety, Collaboration, Customer Focus, Excellence, Integrity and Respect are our organisational 'glue'; they guide our behaviours and underpin our sustainable approach to the way we do business and work together every day.

Inclusion is present in all our Values and brought to life through **Everyone is Included**, our Group's Inclusion Plan, which has ten Group Inclusion Commitments designed to support colleagues through all of life's key moments.

## 2.

### Meaningful work creating a sustainable future for all

Within every role in Spirax Group there is the opportunity to be part of something bigger. We promise colleagues meaningful work that enables them to use their unique capabilities and innovate to engineer a more efficient, safer and sustainable world.

## 3.

### Development every day to fulfil your potential

With an eye to the future, colleagues have the opportunity to drive their careers, problem solve and develop new capabilities whilst recognising and building on their strengths. Our dedicated learning platform, **SPARK**, as well as our '**Development every day**' festivals are just some of the ways in which we bring this promise to life.

## 4.

### Belonging to supportive teams and strong relationships

Our colleagues are part of friendly, supportive and innovative teams and connect with dedicated, inspiring and diverse global colleagues. Colleagues are supported and encouraged to be themselves and champion an inclusive culture.

## Representing the views of our colleagues

- We have a comprehensive engagement programme to make sure we hear from colleagues about what matters to them, including focus groups and a biennial Colleague Engagement Survey. Many of our colleagues consistently highlight four strengths, which they value highly:
- A safety mindset 'first and foremost' – this is a particularly strong observation from colleagues who have recently joined our Group
- A strong Values-based culture – colleagues regularly share examples of living our Values in the real world, which deliver better customer service, grow the business and improve colleague experience
- A sense of belonging within supportive teams – most colleagues we speak to feel part of a 'local' business, where they have a sense of being involved, listened to and permission to be entrepreneurial
- The introduction of inclusive policies, such as gender-neutral policies for parental leave and carers' leave, is seen as being best-in-class
- Colleagues also appreciate being part of a resilient and strong Company and felt supported through the cost-of-living challenges of 2023

## What our colleagues have to say

### Connecting personally with Company Purpose

It's good to talk and that happens much more naturally when you feel part of a strong and supportive team.

That's why, when 40 colleagues came together to celebrate the 50th anniversary of the founding of Spirax Sarco (part of Steam Thermal Solutions) in Japan, the operating company's General Manager, Shinichi Oyama saw an opportunity.

"It was a celebration but the event was also the perfect platform through which to strengthen trust and to create unity in the team. So we asked colleagues to share their own personal purpose or 'ikigai'.

"Across two days, working in small groups, we participated in several workshops including 'Leading with Purpose', the 'Story of Your Life' and 'Every day is Still Day One', and played games to break the ice and keep the conversations going.

"The feedback has been overwhelmingly positive. In developing their own personal purpose, colleagues were able to better relate to our Company Purpose and through personal storytelling have built much stronger relationships with each other."

### Building stronger teams through an inclusive approach

We are all unique, we all have a story and the diversity of our lived experiences and perspectives is what makes us strong as a team. When Ilysia Carlberg joined Chromalox, part of Electric Thermal Solutions, to take up an inclusion-focused role, she set out to broaden the diversity of colleagues in the team and to help everyone feel more included.

Recognising the challenge of personal bias in the recruitment process, Ilysia introduced a linguistic gender bias decoder, an online tool to help hiring managers to identify subtle bias in job descriptions and adverts. To support the more inclusive process, she also created a set of standard interview questions and made sure to include a debrief step.

"The blueprint for inclusivity and equity lies in a structured interview process, where every candidate is afforded the same opportunity to shine. By fostering clear guidelines and standardised criteria, we dismantle biases and pave the way for diverse talents to thrive, ensuring that merit, not circumstance, defines success in our working environment." Ilysia Carlberg, Talent and Inclusion Programs Manager, Chromalox

### Helping everyone feel included

The UK operations of our Watson-Marlow Fluid Technology Solutions Business, in Falmouth, has been actively fostering positive change within the community, demonstrating our commitment to LGBTQ+ (lesbian, gay, bi, trans, queer and questioning) inclusion. The Business has developed a mutually advantageous partnership with Cornwall Pride. As part of this, it gifts some of its allocated stand spaces at community Pride events to local charities who might not have otherwise been able to attend. This has helped charities such as ShelterBox and St Petrocs raise their profile with 40,000 people who attend Cornwall Pride each year.

Watson-Marlow has signed the Cornwall Pride Pledge, reinforcing our Group's position as a safe place for all LGBTQ+ people, wherever we operate in the world. Through our ongoing partnership in Cornwall we want to emphasise the strength of our support for the LGBTQ+ community. Our ongoing programme includes co-envisioning the future of Cornwall Pride for the next decade, colleague training and educational workshops.

"Our colleagues have really got behind the partnership. From volunteering to supporting the events and participating in activities in the workplace, it's been great to see colleagues celebrating inclusion. A highlight of 2023 was when the team hosted the UK's largest Progress Pride flag at our Cornwall operations." Rehan Afzal, Head of HR, EMEA, Watson-Marlow Fluid Technology Solutions

## A progressive, supportive and inclusive culture continued

### What our colleagues have to say continued

## Bringing us together as Spirax Group

For three years we've been evolving how we communicate with and unify colleagues across the Group.

To deliver these improvements, our Communications teams have been 'developing every day', navigating complex challenges to put in place channels that reach all colleagues, wherever they are and whatever they do. The resulting impact of our digital signage network and a new colleague engagement platform mean that colleagues feel more informed and engaged.

The **Spirit Awards** are now in their second year and the impact we have seen from giving colleagues a platform from which to be recognised and celebrate the difference they make has been tangible.

These initiatives help colleagues feel part of One Group and know they are part of something bigger. To help cement this thinking and make it more visible outside the Company, we turned our attention to our external channels and to our brand.

In February 2024, we launched the new Spirax Group brand alongside a new website. Spirax Group is the complete representation of our Group's growth and evolution and stands for everyone and everything that we do.

Hazel Meldrum is the Group's Head of Communications:

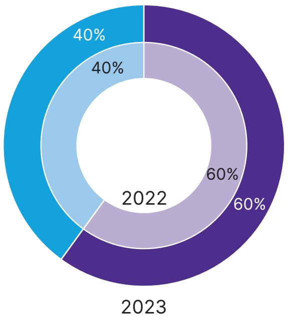
> As a low-cost, internally led and timebound change programme, this was perhaps the team's biggest challenge yet. We set out to take my idea on a post-it note and make it reality in less than a year with the clock ticking ahead of the announcement of the Group's Full Year Results, our first as Spirax Group.
>
> "Our new brand is a significant milestone, but all of these initiatives demonstrate how, over the last three years, we have been able to develop our communications capability at the centre, as well as in our Businesses. I'm proud that we've provided our teams with growth, as well as a sense of achievement and fulfilment. They can see the meaningful difference they are making, by helping colleagues feel more informed, connected and engaged, as well as through enabling our wider stakeholders to better understand who we are, what we do and what matters to us."

Together as One Group. Together, as Spirax Group

## Sustainability Report: Responsible business foundations continued

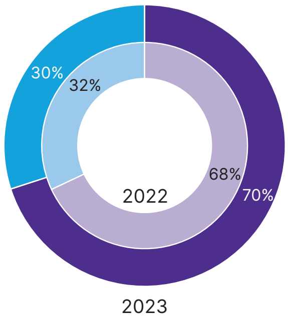
# Inclusion and diversity

**Gender – Board of Directors***



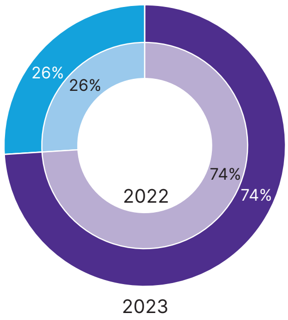
●● Female – 4 (2022: 4)
●● Male – 6 (2022: 6)
Non-binary and other genders – none

**Gender – senior leadership***



●● Female – 18 (2022: 19)
●● Male – 42 (2022: 40)
Non-binary and other genders – none

**Gender – total workforce***



●● Female – 2,588 (2022: 2,692)
●● Male – 7,323 (2022: 7,724)
Non-binary and other genders – data not available

* At 31st December 2023

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Inclusion and equity create the conditions where all of our colleagues are able to be their authentic selves and achieve their potential. A culture that empowers and embeds this is one that also attracts great talent from all backgrounds. It brings a diversity of individuals, experiences and thought to our Group, helping us become a better and higher performing business. This fuels our continued growth, creating more opportunities for our colleagues and other stakeholders. Across Spirax Group, we see difference as our strength and aspire for everyone to feel included.

### Progress

The February 2024 FTSE Women Leaders Review report ranked us as 61st in the FTSE 100 for gender diversity at Board and senior leadership (Group Executive Committee and direct reports combined) levels based on data from October 2023 (February 2023 report: 39th). The Review, co-Chaired by our Group CEO, Nimesh Patel, noted that we continue to meet its target of 40% women on the Board. Whilst gender diversity of senior leadership dropped slightly on the previous year by year-end 2023 (30%), we anticipate being at 33% by the end of Q1 2024. We remain committed to achieving a minimum of 40% women in our senior leadership by December 2025.

In addition, the Parker Review report, published in Q1 2023, confirmed that we continue to meet its goal of having at least one ethnically diverse Director on our Board.

Recognising the strategic significance of digital strategy, Maria Wilson was appointed to our Group Executive Committee (GEC) as Group Digital Director in 2023. In December 2023, we announced the appointment of Louisa Burdett as Chief Financial Officer (CFO) and Executive Director, following Nimesh Patel's move from CFO to Group Chief Executive Officer in January 2024. Louisa will join the Group in this role from July 2024. In February 2024, we also announced the appointment of Céline Barroche as Group General Counsel and Company Secretary to the Board, as well as a member of the GEC, following the upcoming retirement of Andy Robson.

In line with Listing Rule 9.8.6, data used to compile diversity information is based on internal HR records for our Executive management. For the Board of Directors, we seek individual permission to share this data on an annual basis. We do not prescribe set gender or ethnicity categories, but ask for Directors to self-describe this.

In support of our gender equity journey, we continued our Women's Executive Mentoring Programme and our partnerships with Women in Science and Engineering (WISE) and the Women's Engineering Society (WES).

**Spirax Sarco and Gestra Italia – celebrating our gender equity milestone**

In Spirax Sarco and Gestra Italia, our teams are working hard to create an inclusive and equitable workplace where everyone feels respected and treated fairly and is comfortable to be themselves. In recognition of this, we have received the Italian UNI/PdR 125:2022 Gender Equality Certification. This is given to organisations that demonstrate commitment to promoting gender equality and inclusivity within the workplace. The certificate recognises that we have adopted specific practices and cultural changes aimed at creating a more gender-equal workplace.

# Sustainability Report: Responsible business foundations continued

## Inclusion and diversity continued

### Progress continued

Our Women's Global Network also continued to connect and support women and allies across the Group. This included marking International Women's Day with a global webinar on 'embracing equity', menopause awareness training and activity covering wide-ranging topics such as 'Endometriosis and menstrual health', 'Psychological safety' and 'Allyship across genders'.

Following on from the successful launch of our Group Inclusion Plan, **Everyone is Included** and Group Inclusion Commitments in 2022, we formally launched our Group Diversity goals at our Global Leadership Conference in March 2023. These goals widen our focus on gender and introduce new aspirations to increase the ethnic diversity of our colleagues, so that we better reflect the diversity of the communities we are part of.

### Diversity goals

**By the end of 2025, our ambition is to achieve:**
- 20% women in commercial leadership roles
- 20% of Group Executive Committee (GEC) direct reports from under-represented ethnic groups
- 30% women in our global workforce
- 40% women in senior leadership (including each of our Board, GEC and GEC direct reports communities).

**We will also seek to:**
- Increase the ethnic diversity of our Board and GEC
- Have a woman as our Chair, Senior Independent Director, Chief Executive Officer or Chief Financial Officer

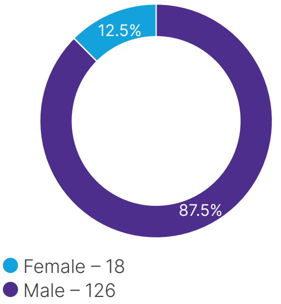
**And annually, we aim to achieve:**
- 50% women joining the Global Graduate Development Programme
- 30% of UK and US graduate intake from under-represented ethnic groups

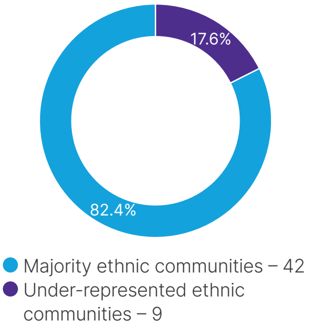
In support of the Parker Review, we also set a new goal of 25% of senior leadership (Group Executive Committee and direct reports) to be from under-represented ethnic groups by December 2027.

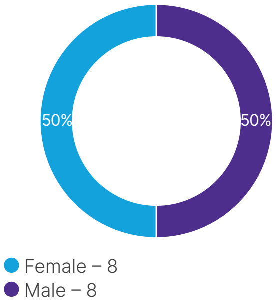
In 2023, we increased our focus on race equity, through roundtables with our Black and African American colleagues in the USA and related action planning with colleagues, leaders and HR practitioners. In June and July, we hosted two global race equity webinars to explore the context for racism in different cultures, share colleague experiences and help colleagues to consider how they can move from being 'non-racist' to 'actively anti-racist' through simple, practical actions. In addition, we continued to support the Change the Race Ratio campaign, marked UK Black History Month in October with a resource pack for colleagues and launched a new Multicultural Global Network.

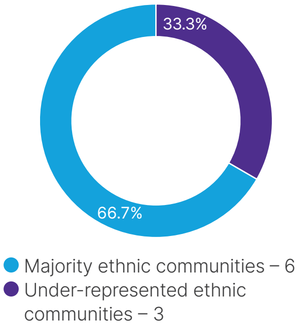
In 2023, we increased our support of LGBTQ+ Pride activities, by attending and supporting four UK Pride events and running three global Pride webinars. In Brazil, Steam Thermal Solutions ran an LGBTQ+ awareness event, whilst our US operations supported South Carolina Black Pride and the Trevor Project, a leading suicide prevention and crisis intervention charity for LGBTQ+ young people.

This year, we continued to embed inclusion, equity, diversity and wellbeing into our wider business processes. For example, we added a wide range of content in to our new Group education platform, **SPARK,** through a new Inclusion and Diversity Academy and a Wellbeing Academy. We also embedded inclusion, wellbeing and mental health into our new Group Health and Safety Excellence Framework (see page 62) and our global supplier selection and monitoring processes (see page 80).


**Commercial leadership roles**


**Direct reports to GEC**


**2023 global graduate intake**


**2023 UK and USA graduate intake**

### Focus for 2024
- Embed Diversity goals across the Group
- Achieve a broader and deeper focus on race equity
- Further grow and empower our global colleague networks

# Ethical business

Our strong Company Values and robust Group policies instil a culture of ethical behaviour and provide a framework within which we operate. We expect that colleagues in all parts of our global operations meet these high standards.

## Progress

All colleagues with a Company email address are required to complete our Group Essentials training programme when joining the Company and annually thereafter. In 2023 we migrated all our Group Essentials training modules to a new software environment, to facilitate easier and quicker maintenance going forward. We also gave each course a design refresh to ensure that they remain current and engaging for our colleagues.

Our Group Essentials training covers topics including Anti-Bribery and Corruption (ABC), Corporate Criminal Offences (CCO), Health and Safety (H&S) and Sustainability. After a pilot, including a review cycle, the Group Essentials content for our desk-free colleagues will be rolled out to our Group manufacturing sites in 2024.

Following the release of our new Group Sustainability Policy and new Environmental and Energy Policy, we created training for senior leaders to introduce these and increase knowledge of all Group sustainability-related policies. This training highlights key points and principles colleagues should be aware of in each policy and enables leaders to support their teams' understanding. We also released an animation internally to all colleagues to raise awareness of the new Sustainability Policy. By the end of the year, 221 senior leaders had completed this voluntary training.

In 2023, we continued the work to embed the Group Essentials training to our newer colleagues in Cotopaxi, Vulcanic and Durex Industries, as well as to our factory-based colleagues. By the end of the year 6,938 colleagues across the Group had completed ABC training and 6,782 had completed CCO training. Introduction to Sustainability had been completed by 6,575 colleagues and Health and Safety at Work by 7,205 colleagues.

## Whistle-blowing

Any colleague with a concern about potentially unethical behaviour can raise it confidentially through a local, independent third-party whistle-blowing service, hosted by Safecall. In 2023, 51 reports were raised globally via this service.

All reports were investigated by senior management and action taken if necessary, with summaries of reports and related actions reviewed by the Audit Committee.

## Governance

The **One Planet Sustainability Strategy** has central oversight and is sponsored by the Group Executive Committee (GEC). The Group Chief Executive Officer is the overall Executive sponsor for the strategy. The day-to-day oversight is undertaken by the Group Sustainability Management Committee (GSMC), with membership detailed in our sustainability organisation chart. The GSMC meets regularly to discuss strategic progress. This feeds into updates at most GEC meetings as well as at quarterly updates to the One Planet Steering Committee (comprised of the GEC). The Board also receives regular updates throughout the year. This combination of Board and Executive oversight ensures that the **One Planet Sustainability Strategy** is a key focus area for the Group.

Responsibility for implementing the strategy sits at a Business level, with the strategy embedded into the core Business strategies of Steam Thermal Solutions, Electric Thermal Solutions and Watson-Marlow. Each Business and operating company is responsible for implementing the **One Planet Sustainability Strategy** through its own Business strategy; ensuring that all colleagues have the opportunity to get involved; meeting and, where possible, exceeding minimum expectations; delivering timely and accurate data; and collaborating to share learning across the Group.

## Sustainability organisation chart

**Group Chief Executive Officer**

**Board of Directors**

**Group Executive Committee**

**Group Director of Sustainability**

**One Planet Steering Committee**
During 2023, Committee members included: Group Chief Executive Officer; Group Chief Financial Officer; Group Director of Sustainability; and One Planet Strategic Initiative and Strategic Project Executive Sponsors.

**Group Sustainability Management Committee**
During 2023, Committee members included: Group Director of Sustainability; Business Heads of Sustainability; One Planet Strategic Initiative and Strategic Project Leads; Group Sustainability Reporting Manager; Group Head of Diversity, Equity and Wellbeing; and Investor Relations Executive.

**Business Heads of Sustainability**

**Divisional Directors, Regional and General Managers**

**Sustainability Strategy project leaders and teams**

**Colleagues and organised colleague groups**

## Focus for 2024

- Complete deployment of Group Essentials training to desk-free colleagues

## Sustainability Report continued

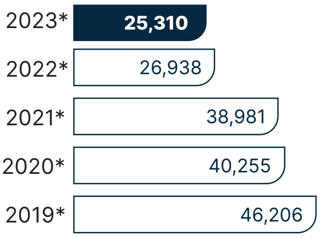
# One Planet at a glance

We have been making strong progress against our key strategic targets as part of our **One Planet Sustainability Strategy.**

All data here excludes 2022 acquisitions, Vulcanic and Durex Industries, to accurately reflect the progress achieved on a like-for-like basis since the strategy was launched in 2021.

**Group GHG emissions (scope 1 and 2)**
tonnes $CO_2e$ (market-based) (excluding acquisitions)

**25,310 tonnes**



* Historic data restated in line with our methodology statement

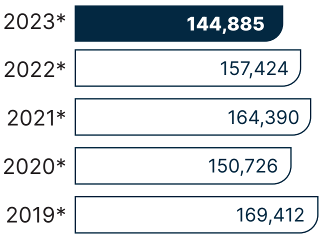
### Description

Scope 1 greenhouse gas (GHG) emissions arise directly from company-owned or -controlled sources, such as company vehicles or fuel combustion. Scope 2 GHG emissions are indirect emissions, primarily from the generation of purchased electricity. Market-based emissions take into account contractual and supplier-specific GHG emissions factors.

### Link to strategic initiatives

**Group energy consumption**
MWh (excluding acquisitions)

**144,885 MWh**



* Historic data restated in line with our methodology statement

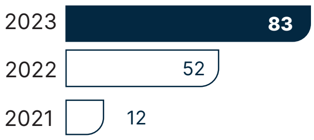
### Description

Energy consumed directly at all sites across the Group, including fuel combustion, company vehicles and electricity use.

### Link to strategic initiatives

**Operating companies that have delivered a biodiversity initiative** cumulative % (excluding acquisitions)

**83%**



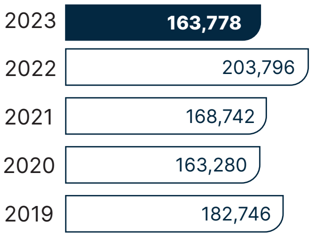
### Description

Percentage of operating companies that have completed a biodiversity initiative since the strategy launch in 2021 (cumulative).

### Link to strategic initiatives

**Total water use**
$m^3$ (excluding acquisitions)

**163,778 $m^3$**



### Description

Water consumed at our sites across the Group.

### Link to strategic initiatives

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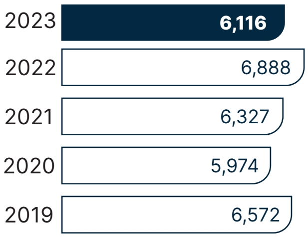
Strategic initiatives:

- Net zero carbon
- Biodiversity net gain
- Environment improvements
- Sustainable products
- Sustainable supply chain
- Supporting our communities

Read more about how we delivered on our strategic initiatives in 2023 on pages 72 to 81

**Total waste generation** tonnes (excluding acquisitions)

**6,116 tonnes**



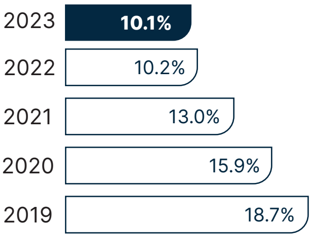
**Description**

Waste generated and disposed of at our sites across the Group.

**Link to strategic initiatives**

**Waste to landfill** % (excluding acquisitions)

**10.1%**



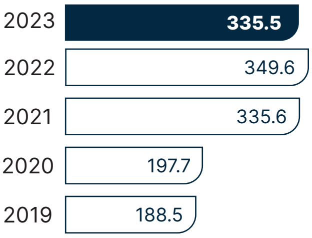
**Description**

Proportion of waste that is sent to landfill versus waste that was reused, recycled or used to generate electricity.

**Link to strategic initiatives**

**Operating company cash/ in-kind donations** £'000 (excluding acquisitions)

**£335.5**



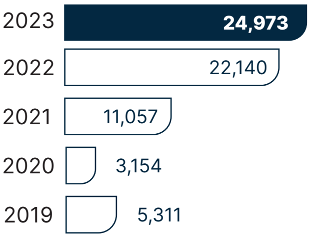
**Description**

Cash and in-kind donations made to charitable causes from our Group operating companies.

**Link to strategic initiatives**

**Volunteering** (hours) (excluding acquisitions)

**24,973* hours**



* 58,170 cumulative 2021 – 2023

**Description**

Hours spent volunteering by our colleagues across the Group.

**Link to strategic initiatives**

## Sustainability Report: Strategic initiatives

# Net zero GHG emissions

### Key strategic targets

- Net zero scope 1 and 2 emissions by 2030, with an interim target of a 50% reduction (compared to 2019) by 2025
- 20% reduction in Group energy use from plant, equipment and building assets (compared to 2019) by 2025

### Approved SBTi targets

- Reduce absolute scope 1, 2 and 3 greenhouse gas (GHG) emissions by 50.4% by 2032 compared to 2021 baseline
- Net zero GHG emissions across the value chain by 2050

### Our progress in 2023*

**6%**

Decrease in scope 1 and 2 emissions (market-based) since 2022

**52%**

Electricity from renewable sources in 2023

**8%**

Reduction in Group energy use since 2022

* Includes recent acquisitions

**Energy saving initiative**

At our Steam Thermal Solutions site in Blythewood (USA) we use steam to test equipment and carry out heating processes. By using our metering service to analyse energy consumption against the operating schedules of each process, we were able to identify inefficiencies. We reduced boiler pressure and closed valves that feed the equipment when not in use, We expect these improvements to reduce natural gas usage by 44% and save 322 tonnes $CO_2$e per year.

In 2023 we continued to make good progress against our carbon reduction commitments and succeeded in having our ambitious net zero targets validated by the Science Based Targets initiative (SBTi).

As set out on page 61, the SBTi drives ambitious climate action in the private sector by enabling organisations to set emissions reduction targets in line with the latest climate science. It's based on a partnership between the United Nations Global Compact (UNGC), the World Resources Institute (WRI), the Carbon Disclosure Project (CDP) and the Worldwide Fund for Nature (WWF). The verification and approval received from the SBTi for our targets provides a clearly defined pathway for Spirax Group to reduce greenhouse gas (GHG) emissions.

### Alignment with UN SDGs

7 AFFORDABLE AND CLEAN ENERGY
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION

### Progress

We have continued to increase the proportion of green electricity in our operations, with additional solar arrays now operational on our sites in Nuevo Laredo (Mexico), Barcelona (Spain) and Devens (USA). Additional green energy contracts mean that 61% (2022: 57%) of electricity at our legacy sites now comes from renewable sources, 52% including recent acquisitions. As part of our responsible green energy sourcing strategy, we are putting power purchase agreements (PPAs) in place in several of our sites, including at our Steam Thermal Solutions (STS) site in Monterrey (Mexico), where we have invested in a solar array. This agreement secures renewable electricity for our needs for the medium term at this site, while also ensuring we are investing in infrastructure required to increase renewable capacity in this area.

Electric Vehicles (EV) are now expected as standard for all new company vehicles, unless electric charging infrastructure is insufficient. Exemptions to this EV first policy are monitored and investigated on a case-by-case basis. At the end of February 2024, 7% of our vehicle fleet had transitioned to electric vehicles. We are assessing countries where infrastructure limitations can affect the take-up of this transition and prioritising those where the infrastructure better supports the transition.

The installation of digital metering and monitoring at 20 of our manufacturing sites has meant that we have started to monitor energy use across our sites in real time. We can use this data to identify areas of improvement to reduce our energy consumption and GHG emissions. At our Steam Thermal Solutions (Spirax Sarco) manufacturing site at Runnings Road (UK) we were able to improve our energy management to reduce boiler losses there, contributing to a reduction in energy consumption at this site by over 20% in 2023 compared to 2022.

## Greenhouse gas (GHG) emissions performance

In 2022 we acquired Vulcanic and Durex Industries. Following the completion of their first full year as part of Spirax Group, we are now including their data and are restating our emissions and energy consumption back to our 2019 baseline, in line with the GHG Protocol. These Divisions of ETS will be aligning with our **One Planet Sustainability Strategy** and our net zero commitments, but the focus to 2025 will primarily be our legacy operating companies, while these new Divisions further integrate into the Group and work to meet our standards.

The Group GHG footprint was verified in accordance with DIN EN ISO 14064-3:2020 regarding its correctness and completeness. This verification did not include 2022 acquisitions, as this was the first year of those Divisions collecting data and integrating into Group standards. For our legacy operating companies, verification was received as follows:

"Acting as an independent Certification Body TÜV NORD CERT GmbH has verified the carbon footprint, scope 1 and scope 2 (market-based), of the organisation for the reporting period 01.01.2023–31.12.2023 (inclusive) to be 25,310 tonnes $CO_2$e."

TÜV NORD CERT GmbH, February 2024

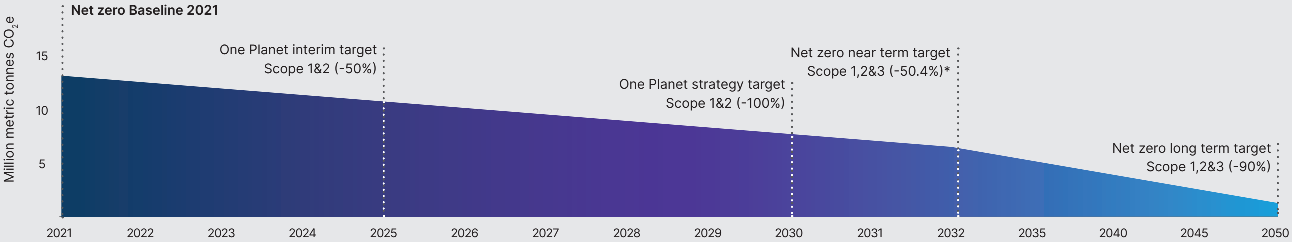
In 2023, on a market basis, excluding 2022 acquisitions, absolute Group $CO_2$e emissions fell six percent to 25,310 tonnes, compared to 2022 and were 45% lower than 2019. At 15.0 tonnes per million pounds of reported revenue, on an intensity basis, our Group emissions fell by ten percent compared with the prior year and were 59.6% lower than 2019.

Some of the reasons for these reductions include the effect of 2022 site consolidations in Electric Thermal Solutions and Watson-Marlow, in France and the UK respectively, the impact of efficiency improvements at Spirax Sarco's site at Runnings Road (UK) due to Project ClearSky, the impact of renewable electricity sourcing and emission reduction initiatives across the Group.

On a market basis excluding 2022 acquisitions, the UK accounted for 14% of our GHG emissions in 2023, with 4,382 tonnes being generated in total and an intensity of 38.3 tonnes per million pounds of reported revenue. These emissions are comprised of 4,333 tonnes of scope 1 and 37 tonnes of scope 2 calculated using market-based emission factors. Our emissions in the UK decreased by 23% compared to 2023, largely due to energy efficiency improvements due to Project ClearSky and the resulting change from natural gas to renewable electricity at this site (see page 93).

+ For progress against our **One Planet: Engineering with Purpose** Sustainability Strategy targets, see pages 72-81.

## 2050 net zero roadmap



* Agreed SBTi target provides an allowance to reduce this to 33.3% in the near-term, with a requirement to catch up in the long-term commitment, given the reliance on grid greening, which may be weighted in the longer-term

## Activities in direct operations

- Substitute fossil fuels in i) steam generation using **TargetZero** products, ii) switch high temperature industrial processes for low carbon alternatives, iii) progressively replace fossil-fuel consuming building assets to low carbon alternatives and climate-friendly refrigerants
- Source energy using onsite renewables, PPAs and green tariffs aligned with the GHG Protocol (80% of electricity by 2025 and 100% by 2030)
- Transition vehicle fleet and travel practices to low carbon alternatives
- Improve energy management and monitoring practices across all energy intensive facilities, supported by an internal absolute energy reduction target
- Engage with partners in a long-term carbon credit investment plan across scope 1, 2 and 3, making provision by 2030 for our **One Planet Sustainability Strategy** using credits for any remaining emissions (maximum of 10% baseline scope 1 and 2 emissions)

## Activities across our value chain

- Continue to track the progress of grid-greening in reducing emissions from our products 'in-use' phase. 96% of our scope 3 emissions are derived from electricity consumption by our products in-use
- Optimise third-party logistics and transfer the shipping of products to low carbon suppliers, implement a long-term low emission logistics network across all modes of transport
- Work with suppliers to decarbonise critical scope 3 supply chains, or seek alternative innovative low carbon products
- Using life cycle analysis, address carbon intensive hot spots in our products and minimise life cycle emissions. Develop additional products supporting our customers' net zero journey

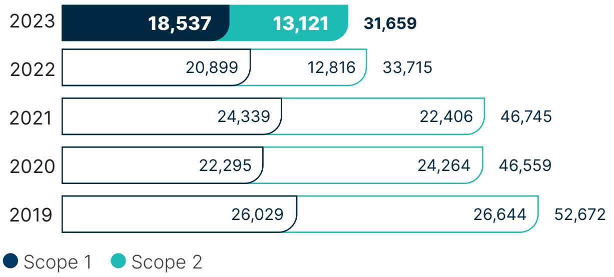
# Sustainability Report: Strategic initiatives continued

## Net zero GHG emissions continued

### Greenhouse gas (GHG) emissions performance continued

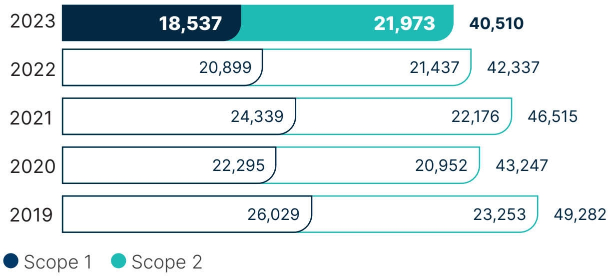
**Group GHG emissions (scope 1 and 2)**
tonnes $CO_2e$ (market-based) (including acquisitions)

**31,659 tonnes**



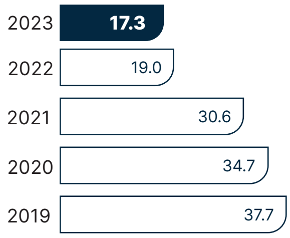
**Group GHG emissions (scope 1 and 2)**
tonnes $CO_2e$ (location-based) (including acquisitions)

**40,510 tonnes**



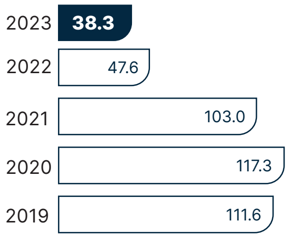
**Group GHG intensity**
tonnes $CO_2e$ per £m reported revenue (market-based) (including acquisitions)

**17.3 tonnes/£m**



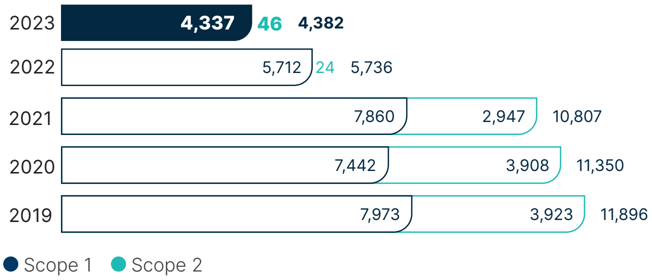
**UK GHG intensity**
tonnes $CO_2e$ per £m reported revenue (market-based) (including acquisitions)

**38.3 tonnes/£m**



**UK GHG emissions (scope 1 and 2)**
tonnes $CO_2e$ (market based) (including acquisitions)

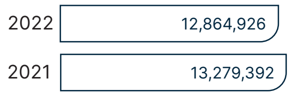
**4,382 tonnes**



**Group GHG emissions (partial scope 3)**
tonnes $CO_2e$ (well-to-tank and transition and distribution) (excluding acquisitions)

**9,924 tonnes**

**Group GHG emissions (full scope 3)**
tonnes $CO_2e$
(excluding acquisitions)



### Greenhouse gas (GHG) emissions performance continued

In line with the GHG Protocol, we are restating historic greenhouse gas and energy data in order to include data consistent with the change in company structure. As accurate data is not available for historic years for Vulcanic and Durex Industries, 2023 data have been extrapolated for historic years in line with their annual revenues. For more information, see our methodology statement on page 75 and at spiraxgroup.com/sustainability-downloads.

Including Vulcanic and Durex Industries, our GHG scope 1 and 2, market-based emissions were 31,659 (2022: 33,715) and have reduced 40% since 2019.

### Scope 3 emissions

As part of our ongoing work to assess and improve the accuracy of our scope 3 emissions, we worked in 2023 to quantify our 2022 emissions across our value chain. Working with our external partners we have improved accuracy of our assumptions and estimations, for example changing to weight data for some purchased goods and services, rather than relying purely on assumptions based on spend. During this process, we discovered that an error had been made in the original baseline calculations. Correction of this error means that we are now restating our 2021 scope 3 emissions to be 13.3m tonnes and are also disclosing 2022 to be 12.9m tonnes. In 2024 we will recalculate our scope 3 emissions to include 2022 acquisitions, Vulcanic and Durex Industries and submit our new baseline to the SBTi for approval. We are looking at ways we can influence reduction in our scope 3 emissions, including logistics in our value chain and purchased goods and services, but scope 3 emission reductions will largely be dependent on grid-greening.

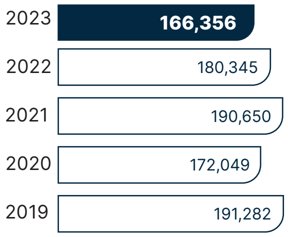
### Emission reduction initiatives

We completed a wide range of emission reduction initiatives across the Group in 2023. For example, our Chromalox manufacturing site in Ogden, Utah (USA), recently completed a multi-year effort to upgrade and optimise its air compressor system, reducing energy consumption and emissions, while ensuring less downtime and maintenance and increased production throughput and quality. This has led to a 55% improvement in operating efficiency and a saving of approximately three percent of GHG emissions annually at this site as well as future-proofing for factory growth.

### Group energy consumption

MWh
(including acquisitions)

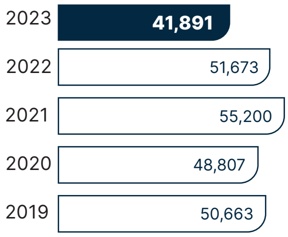
**166,356 MWh**



### UK energy consumption

MWh
(including acquisitions)

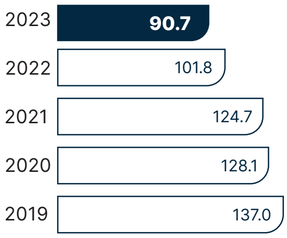
**41,891 MWh**



### Group energy intensity

MWh per £m of reported revenue
(including acquisitions)

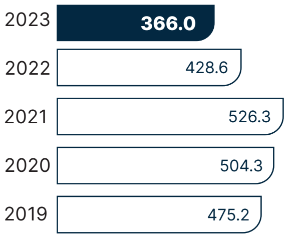
**90.7 MWh/£m**



### UK energy intensity

MWh per £m of reported revenue
(including acquisitions)

**366.0 MWh/£m**



### Methodology statement

We employ an 'operational control' definition to outline our carbon footprint boundary. Included within that boundary are manufacturing facilities, administrative and sales offices where we have authority to implement our operating policies. For all entities we have measured and reported on our relevant scope 1, scope 2 and partial scope 3 emissions for 2023.

We have used the GHG Protocol Corporate Accounting and Reporting Standard and emission factors from the UK Government's GHG Conversion Factors for Company Reporting (2019, 2020, 2021, 2022 and 2023), data from the International Energy Agency (2019, 2020, 2021, 2022 and 2023), ISO 140064-1 and regionally specific Environmental Reporting Guidelines to calculate our total $CO_2e$ emissions figures on a location-basis.

To report under the market-based method we have used the GHG Protocol data hierarchy, striving for the highest precision possible. For sites with green energy contracts, we have obtained emissions factors for the relevant tariff and/or supplier in the first instance, using the residual mix where supplier-specific emissions factors (SSEFs) are not available. For sites without green energy contracts, we follow the data hierarchy and apply location-based factors only where SSEFs or residual mix are not available. When entering new green contracts, we apply SSEFs (where available) from the start of the year and do not restate prior years with SSEFs. No certified green energy contracts are included in our market-based figures for 2019 or 2020.

+ For more information please see our methodology statement on our website: spiraxgroup.com/sustainability-downloads

### Energy performance

In 2023, total Group energy use excluding 2022 acquisitions decreased by eight percent against 2022 to 166,356MWh and decreased by 11% on an intensity basis to 90.7MWh per million pounds of revenue (2023: 101.8).

Energy use in the UK accounted for 25% of the Group's total usage in 2023, at 41,849MWh and decreased by 19% compared with 2022. On an intensity basis, UK energy use decreased 15% year-on-year, to 365.6MWh per million pounds of reported revenue. Energy intensity for the UK is high compared to that of the Group as a whole, as we manufacture in the UK for sales overseas into global markets.

Including Vulcanic and Durex Industries, total Group energy use reduced 8% in 2023 to 166,356MWh (2022: 180,345) and has reduced 13% since 2019. In the UK, energy use including acquisitions was 41,891MWh.

### Energy management

An example of an energy management project undertaken in 2023 is at our Watson-Marlow manufacturing site in Falmouth (UK). From assessing our energy consumption using data from our digital monitoring system, we were able to identify that air compressors at this site were losing compressed air at the weekends, despite none of the systems running at the weekend requiring compressed air. This knowledge allowed us to identify leaks in the system that we were able to fix and fit timers to automatically shut down these compressors between Friday PM and Monday AM when they are not needed. These changes are saving approximately 49,700kWh per annum of electricity at this site.

## Focus for 2024

- Implement a power purchase agreement for a material proportion of our UK electricity consumption
- Progress electrification of our Spirax Sarco site at Runnings Road (UK)
- Embed access to data via our digital monitoring system and install digital meters at 2022 acquisition sites
- Further deploy energy management standards
- Resubmit targets to the SBTi to include recent acquisitions

## Sustainability Report: Strategic initiatives continued

# Biodiversity net gain

### Key strategic targets

- Deliver a biodiversity offset equivalent to five times our global operational footprint by 2025
- Deliver biodiversity net gain* of +10% for all new manufacturing sites and facilities
- Deliver at least one biodiversity initiative per operating company, on site or in the local community by 2025

* Quantification of net gain will be focused on large development projects, where locally specific net gain methodologies will be applied, similar in approach to the UK's DEFRA methodology

### Our progress since 2021 (cumulative)*

**1,656 acres**

Land protected in Argentina

**76%**

Operating companies have delivered at least one biodiversity initiative since the launch of the **One Planet Sustainability Strategy** in 2021

* Includes recent acquisitions

**Biodiversity initiative**

In cooperation with LandCare and Creating Canopies, five colleagues from Spirax Sarco Australia attended our third planting day at Carnarvon Golf Course. On this day they were able to plant 200 native trees to grow the golf course canopy and also maintain plants that were planted the previous year. Volunteering work at this site has contributed to the return of bird life to this space, with Birding Australia recording 34 wild bird species at this site, including Pacific Black Ducks and a pair of Tawny Frogmouths.

Biodiversity is our ally in the battle to counter the effects of climate change. Healthy ecosystems can help to limit global temperature rises. Whilst we are becoming more and more aware of the impact of climate change on our environment and its inhabitants, we are also conscious of the effects our business activities have and the complex network of interactions between plants, animals and micro-organisms. Protecting this delicate balance is an important objective for our **One Planet Sustainability Strategy** and one that helps us to engage our colleagues, our communities and our value chain.

### Alignment with UN SDGs

11 Sustainable cities and communities
12 Responsible consumption and production
14 Life below water
15 Life on land

### Progress

We have continued to invest in our partnership with the World Land Trust, funding the protection of a further 572 acres of land on the Somuncurá Plateau in Argentinian Patagonia, equivalent to our operating footprint, including that of our recent acquisitions, Cotopaxi, Vulcanic and Durex Industries. Now in its third year, this long-term partnership is helping to protect this unique environment and the species that thrive there.

As part of our commitment to biodiversity net gain, we are developing landscaping planting schemes to improve the biodiversity as part of all major construction projects. At our newly rebuilt Spirax Group Headquarters in Cheltenham (UK), we have had our planting scheme approved by the local authority and will implement this in 2024 to deliver a biodiversity net gain of more than 10%. External assessment of proposed plans at our Watson-Marlow site in Devens (USA), will also deliver over 10% net gain in biodiversity and will start in spring 2024. Further schemes are being developed at our Gestra site in Bremen (Germany) and at Chromalox in Ogden, Utah (USA).

We are delivering excellent progress against our target for all Group operating companies to complete at least one biodiversity initiative on site or in the local community by 2025, with 83% of legacy operating companies (76% including acquisitions) already having delivered a biodiversity initiative to date. An example of an initiative delivered in 2023 is our Gestra manufacturing site contributing to reforestation of an area in North Rhine (Germany), where a 12 hectare area has been affected by damage due to a bark beetle infestation. Another example is in India where Watson-Marlow colleagues planted 1,000 trees of eight different species at Tulapur village in Pune.

### Focus for 2024

- Progress biodiversity net gain for all major construction projects
- Increase biodiversity initiatives in 2022 acquisitions
- Continue to make progress against our target for all legacy operating companies to complete a biodiversity initiative by 2025

# Environmental improvements

## Key strategic targets

- Reduce water consumption by 15% (compared to 2019)
- Achieve zero waste to landfill
- Reduce waste generated by our sites by 10% (compared to 2019)
- Eliminate the use of solvent-based paint on our sites by the end of 2025*
- All manufacturing sites certified to ISO 14001 standard or equivalent by the end of 2025

* Unless mandated by customer requirements and with Group Executive Committee approval

## Our progress in 2023*

**13%**

Reduction in water consumption since 2022

**2%**

Decrease in waste production since 2022

**14%**

Waste to landfill in 2023

* Includes recent acquisitions

**Waste reduction initiative**

Wooden pallets and boxes from incoming shipments which are in good condition are reused wherever possible at our Spirax Sarco site in Wuhan, China. However, we identified that, as a proportion of total waste, wood had increased sharply from 10% in 2019 to 30% in 2022, due to increased production output. In an effort to reduce wood waste at this site, we began reconditioning used pallets instead of recycling them. Slightly damaged pallets are now repaired and severely damaged pallets are dismantled to be used as materials for the repairs of others. Since starting this project in March 2023, wood waste fell by 37% in the first half of 2023 compared with 2022, indirectly saving approximately 1,170kg of $CO_2e$ per year.

The way we manage resources in our own operations is one of the most direct ways through which we can lessen our impact on the environment. By ensuring that we are operating efficiently we can preserve resources, reduce our carbon footprint and minimise pollution of the natural world.

Our focus on water efficiency, waste reduction and elimination of solvent-based paints ensures that we are controlling how we use resources and dispose of waste responsibly to protect the environments where we live and work.

### Alignment with UN SDGs

6 CLEAN WATER AND SANITATION
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
11 SUSTAINABLE CITIES AND COMMUNITIES
12 RESPONSIBLE CONSUMPTION AND PRODUCTION

### Progress

Following on from the rollout of waste and water action plan templates in 2022 and the resulting reduction plans, we have begun to see the positive impact of the work we have completed since launching our **One Planet Sustainability Strategy** in 2021. This has been aided by the implementation of monitoring and metering at all but one of our Group legacy manufacturing sites in 2023, excluding 2022 acquisitions.

During 2023 we focused on our top five consumers of water and producers of waste internally in each Business, ensuring that we are improving practices and efficiency at these sites to have the largest impact on our Group as a whole. We will utilise our learning from these locations to disseminate across the rest of the Group as part of internal best-practice sharing.

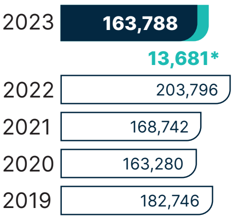
Of our 26 legacy manufacturing sites, excluding the recent acquisitions of Cotopaxi, Vulcanic and Durex Industries, 22 are currently certified to ISO 14001. In 2023, our Hiter manufacturing site in Brazil gained ISO 14001 certification and we have plans in place for 2024 and 2025 for the remaining outstanding locations. None of the 11 new manufacturing sites acquired at the end of 2022 currently have ISO 14001. Achieving certification at these sites will be a priority in 2024 onwards, but is not expected to be completed by 2025.

# Sustainability Report: Strategic initiatives continued

## Environmental improvements continued

**Total water use**
$m^3$
(including acquisitions)

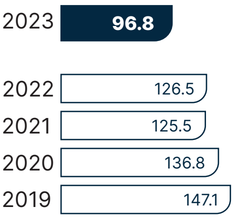
**177,469 $m^3$**



* 2022 acquisitions, Cotopaxi, Vulcanic and Durex Industries included from 2023

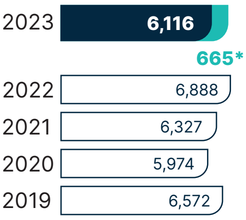
**Water intensity**
$m^3$ of water per £m of reported revenue
(including acquisitions)

**96.8 $m^3$/£m**



**Total waste generation**
$m^3$
(including acquisitions)

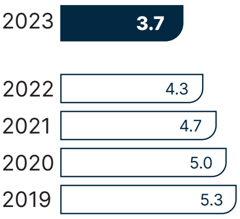
**6,781 $m^3$**



* 2022 acquisitions, Cotopaxi, Vulcanic and Durex Industries included from 2023

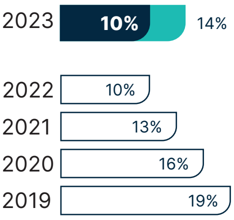
**Waste intensity**
$m^3$ of waste per £m of reported revenue
(including acquisitions)

**3.7 $m^3$/£m**



**Waste to landfill**
%
(including acquisitions)

**14%**



* Total Group (including 2022 acquisitions, Vulcanic and Durex Industries, from 2023)

### Water

The Group water usage was verified by TÜV NORD CERT GmbH in accordance with International Standard on Assurance Engagements 3000 Assurance Engagements Other than Audits or Review of Historical Financial Information (ISAE 3000), regarding its correctness and completeness. This audit did not include 2022 acquisitions, as this was their first year of collecting data and integrating into Group standards, but a thorough internal review was completed on their data. For our legacy operating companies, assurance was received as follows:

Acting as an independent Certification Body TÜV NORD CERT GmbH has verified the water usage of the organisation, for the reporting period 01.01.2023–31.12.2023 (inclusive), to be 163,777,712 litres.

TÜV NORD CERT GmbH, February 2024.

In 2023, excluding 2022 acquisitions, our water consumption decreased by 20% compared to 2022 to 163,778$m^3$. This has been due to the cumulative effects of the work we have been doing since 2021 to improve efficiencies in our processes and on sites. The installation of monitoring and metering has meant that we have been able to find and fix leaks that would otherwise have gone undetected, for example at our Watson-Marlow site in Falmouth, UK. It is estimated that fixing a previously unknown leak accounted for a 37% reduction in this site's water use compared to 2022.

Against our 2019 baseline, absolute water use excluding acquisitions decreased by ten percent. On an intensity basis, water use decreased by 23% compared with 2022, with an overall reduction in intensity of 34% compared to our 2019 baseline.

+ For progress against our **One Planet: Engineering with Purpose** Sustainability Strategy targets, see pages 70-71.

Including Vulcanic and Durex Industries for the first time in 2023, water use in 2023 was 177,469$m^3$ (2022: 203,796$m^3$) and has reduced 13% since 2022 and 3% since 2019.

### Waste

Excluding Vulcanic and Durex Industries, our global operations generated 6,116 tonnes of waste in 2023, which is a decrease of 11% from the previous year. On an intensity basis, we saw a 15% decrease in waste generated at 3.6 tonnes per million pounds of reported revenue.

As part of our data quality and continual improvement processes, we have made adjustments to reported waste since 2019, ensuring that we are capturing all waste streams at all sites possible. This means we are restating our historic waste data, in line with our restatement threshold of two percent, but are not rebaselining to include proportional waste for 2022 acquisition companies.

The proportion of waste that is diverted from landfill globally in our legacy sites has remained static, with 90% of our waste recovered, recycled or used to generate electricity in 2023 (2022: 90%). Including acquisitions, 86% of waste was diverted from landfill in 2023.

Including Vulcanic and Durex Industries for the first time in 2023, waste production in 2023 was 6,781 tonnes (2022: 6,888 tonnes) and has increased 3% since 2019.

### Solvent-based paint

Our internal cross-Business working group continues to evolve and has recently developed transition roadmaps for each Business that details our working plans to transition away from solvent-based paints. This group has also started to develop an internal standard which defines the allowable percentage of volatile organic compounds (VOCs) we use in our paints.

The roadmaps are periodically reviewed by senior leadership to ensure full alignment and proper planning. Each of the Businesses has partnered with its primary paint suppliers for additional technical support in this journey and to ensure we are updated on the most current technology.

An exercise has been started to understand which of our recently acquired sites are using solvent-based paints and the associated volumes. Roadmaps will be developed to drive the elimination of these paints and a successful transition to aqueous-based paints, although this is not expected to be started before 2025 for these new businesses.

### Focus for 2024

- Implement planned water improvement projects
- Install digital monitoring and metering at the largest of our recently acquired sites, as well as sub-metering and finding improvements from this data
- Complete end-to-end sustainability reviews of Vulcanic sites
- Strengthen internal community of practice, empowering, educating and developing leaders within the sustainability space

# Sustainable products

## Key strategic targets

- Quantify the sustainability benefits and whole life cycle carbon footprint of some existing product groups and all new products
- Grow sales of products with quantifiable sustainability benefits to customers
- Eliminate all single-use plastic (SUP) and non-recyclable packaging by 2025, unless specified by customer requirements such as sterile applications

We have been working on understanding the environmental attributes of our products across their whole life cycle. We are also implementing systems to embed eco-design improvements into our processes. Our goal is to design new products and, where appropriate, refresh existing products, in order to reduce our own environmental impacts as well as that of our customers and suppliers.

### Alignment with UN SDGs

6 CLEAN WATER AND SANITATION
7 AFFORDABLE AND CLEAN ENERGY
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION
17 PARTNERSHIPS FOR THE GOALS

### Progress

In 2023 we started developing sustainability product passports in Watson-Marlow that identify all the sustainability metrics of our products to provide clarity for our customers. The passports will be adapted to adopt new metrics in line with customer questions highlighted in our Voice of the Customer programmes.

Across the Group, we conducted eight life cycle assessments (LCAs) in 2023. LCAs support new product development by giving our engineers key metrics to set targets for improvements. A recent LCA conducted on one of our soon-to-be-released BioPure products has proven to show significant reductions. The assessment, covering all stages of the life cycle, revealed an estimated 22% reduction in $CO_2e$ emissions, with expected significant reductions in manufacturing and upstream emissions, benchmarked against a previous LCA conducted in 2021.

Our digital monitoring capabilities are helping customers to optimise industrial processes and energy use worldwide, reducing energy consumption and operational spend. For example, Cotopaxi and Spirax Sarco worked with a multinational food company in 2023 to deliver real time analysis of water, air, gas, energy and steam (WAGES) through our monitoring system. They identified evaporation and heat losses and then implemented a heat recovery system.

Spirax Sarco, part of STS, has introduced the Customer Sustainability Journey (CSJ). The programme provides optimisation of customers' steam systems measured against energy, $CO_2e$, water and financial savings. These can then be managed via a new digital platform. A CSJ for a customer from the dairy industry focusing on recovery of energy from the surface blowdown in the steam system yielded a saving of 6,529GJ of energy, 2,482 m³ of water and 366 tonnes $CO_2e$ per year.

## Our progress in 2023

**8**

Life cycle assessments completed

Decarbonising our customers' industrial processes is a major part of Spirax Group's offering. Working with staff at a university campus, Chromalox's DirectConnect Medium Voltage electric steam generators were installed to replace gas powered heating and distribution systems. The steam generators are highly efficient and have low installation costs and quick response times compared to traditional low voltage steam generators.

## Customer environment benefits

| Annual estimated customer $CO_2$ energy and water savings from a select range of 20 product categories sold in 2023. | To put these savings into context, that is the equivalent of: |
|---|---|
| **16.6m** tonnes of $CO_2$ per year | **675m** mature trees absorbing $CO_2$ |
| **226m** GJ per year of energy | **2.08m** people's annual average energy consumption (UK) |
| **87.1m** m³ per year of water | **34,900m** Olympic-sized swimming pools of water |

## Focus for 2024

- Develop and implement a purpose-built eco-design tool that will standardise environmental assessment across the Group
- Further develop product sustainability passports for some of our product families highlighting materials, due diligence, responsible production, efficient design, circularity and responsible packaging

## Sustainability Report: Strategic initiatives continued

# Sustainable supply chains

### Key strategic target

- 80% of strategic and high risk suppliers assessed and meeting or exceeding our sustainability standards by 2025

### Our progress in 2023 (cumulative)

**931**
Suppliers in the Supplier Sustainability Portal

**76%**
Suppliers signed the Supplier Sustainability Code

**Castings project**
As part of our scope 3 quantification, we identified that metal castings are the single largest commodity for greenhouse gas (GHG) emissions in our supply chain. In 2023, we launched a project to work with casting suppliers and investigate opportunities to reduce GHG emissions from these products, including recycled materials, circular economy opportunities and investment in induction furnaces. The partnerships from this project will mean stronger working relationships as we collaborate to reduce our impact on the environment.

As a responsible manufacturer, we understand the importance of our supply chain in meeting our sustainability goals for people and the planet. We actively develop and educate our suppliers, to further raise standards and build long-term partnerships that are mutually beneficial.

By encouraging our suppliers to reduce their environmental footprint, as well as requiring them to meet our expectations relating to human rights, we are ensuring that we meet both our own high standards and the growing expectations of our stakeholders. This increased monitoring combined with continuous improvement methodologies will deliver a robust, high performing supply chain capable of meeting our future needs, which also delivers for the needs of the planet.

Following on from the launch of our Supplier Sustainability Portal (Portal) in 2022, we have now successfully onboarded 931 suppliers, in line with our rollout plan. These strategic or higher risk suppliers have been providing qualitative and quantitative data and evidence regarding a wide range of sustainability topics, including resource use, climate impact and human rights. In these suppliers we are seeing a month-on-month improvement in response rates against all topics, with response rates up to 59% of respondees for a questionnaire on product stewardship by the end of February 2024. As the newer suppliers continue to engage and phase one suppliers, who were part of the initial rollout, further embed, we expect to see these results continue to improve. We are on track to meet our 80% target by 2025. Suppliers of our 2022 acquisitions are not included in these targets yet.

As well as direct monitoring of these strategic and higher risk suppliers, the Portal also allows for indirect monitoring of a larger range of suppliers, such as monitoring alerts on potential compliance issues or areas of concern in news articles, media outlets and other sources of communication. We are now monitoring 1,973 additional suppliers indirectly in this way, with all potential flags being reviewed and assessed internally. In 2023, we had 308 flags from this system, however, many of these are duplicates or related to historic issues. None of these flags have required immediate intervention. Reviewing these flags is being incorporated into our supplier management risk-assessment process.

### Signing the Code

In 2022, we reported an expected drop in the percentage of suppliers having signed the Supplier Sustainability Code (Code) as we transitioned to a new system of the Code being signed through the Portal. By the end of 2023, this percentage had increased to 76% (2022: 30%), demonstrating that our suppliers are familiarised with the new process. Our in-house monitoring systems are enabling us to focus on and effectively target unsigned Codes.

In 2023, we analysed our supply chain and exited some suppliers, particularly those who were unwilling to sign the Code or where standards fell short of those required, as part of this larger review across the Group.

### Alignment with UN SDGs

8 DECENT WORK AND ECONOMIC GROWTH
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
12 RESPONSIBLE CONSUMPTION AND PRODUCTION
17 PARTNERSHIPS FOR THE GOALS

### Focus for 2024

- Incorporate the next phase of suppliers into our Supplier Sustainability Portal
- Work with suppliers to improve response rates and begin to assess results

# Supporting our communities

## Key strategic targets

- Deliver 150,000+ hours (cumulative) of colleague volunteering globally by 2025
- £2 million of cash or in-kind donations (cumulative) made by our Group Companies by 2025
- Establish the Group Education Fund and donate up to £15 million by 2030

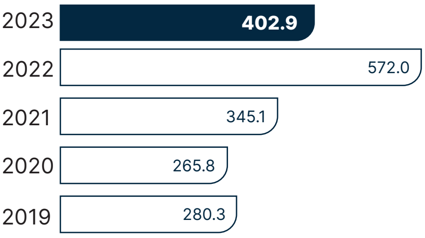
## Our progress in 2023*

| | |
|---|---|
| **25,697**<br>Volunteering hours delivered | **£1,158,284**<br>Donated by the Spirax Group Education Fund |

* Includes recent acquisitions

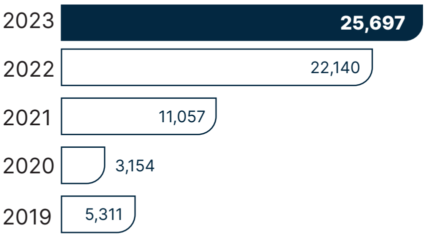
**Group Charitable Fund donations**
£'000

**£402,900**



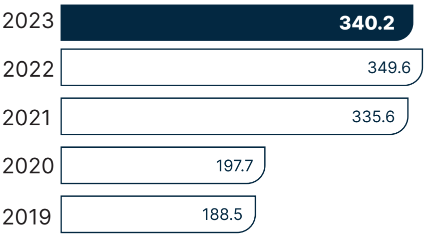
**Volunteering hours**
hours
(including acquisitions)

**25,697 hours**



**Operating company cash/in-kind donations** £'000
(including acquisitions)

**£340,200**



As a Group, we have committed to increasing the wellbeing of people in our communities, while addressing global sustainability challenges such as access to education, climate change and biodiversity loss.

In the 66 countries in which we operate globally, we want to make life better for the people in our communities. Through charitable donations and colleague volunteering we share our resources and expertise to meet local needs, improve access to education and support longer-term economic wellbeing so that our communities are stronger and more resilient now as well as in the future.

### Alignment with UN SDGs

### Progress

### Spirax Group Education Fund

In 2023, we continued to invest in local educational needs as identified by our operating companies in the communities in which they operate. Since inception, the Spirax Group Education Fund has approved a total of 100 projects in 38 countries, paying out over £2 million to date. Some of the projects approved across the Group in 2023 include the funding of educational resources for hospitalised children in France; the funding of academic scholarships for underprivileged young people in children's homes and young people with disabilities in Taiwan; and funding university tuition fees for five students from an orphanage in Vietnam.

In 2022, we commenced funding towards the construction of a new school in Egypt with further funds donated in 2023. This school was completed and opened in October 2023, providing initial places for 96 young students who previously had no access to education in their local area and either had to walk long distances to school or did not attend.

### Group charitable donations

The Spirax Group Charitable Fund donated over £409,200 to charitable causes. Some of these donations include: £8,000 to Young Lives vs Cancer, £30,000 to National Star College and £40,000 to WaterAid.

Colleague volunteering hours increased by 16% in 2023 compared to 2022, totalling 25,697 hours of Company time spent volunteering, with 58,894 hours cumulatively since 2021. Our operating companies donated £340,200 to charitable causes, in cash or in-kind (non-cash) donations during 2023.

For our International Day of Charity in September, we supported Sustainable Development Goal 2 – 'Zero Hunger'. Against this objective, 27 activities were reported by 19 operating companies, delivering 382 volunteering hours.

### Matched-giving

A number of earthquakes with devastating effects occurred in 2023. In February, we launched a match-giving appeal resulting in over £100,000 donated by colleagues and the Spirax Group Charitable Fund to help those affected by the earthquake in Turkey and Syria. In addition, in September the Group made a £25,000 donation to support the British Red Cross Morocco Earthquake Appeal.

## Focus for 2024

- Support SDG 15 - 'Life on Land' for the International Day of Charity in September
- Continue to develop and refine impact measurements for the Spirax Group Education Fund
- Embed community engagement culture in recently acquired companies
- Ensure we continue to have a diverse range of applicants for the Spirax Group Education Fund, from a wide geographical and operating company spread

## Our communities

# Enabling future generations

## Building the foundations for a brighter future

The Spirax Group Education Fund (the Fund) is our commitment to supporting the future of engineering at a grass roots level. It was established at the end of 2021 to improve access to education, tackle poverty through education, remove barriers and inequality, and improve diversity in engineering. The Spirax Group Education Fund is a central source of funding that our operating companies can apply to, to request money to meet a locally identified educational need and build a brighter future together.

By the end of 2023 the Fund has paid out more than £2 million to over 100 projects, with a further £600,000 committed for payment in future years. What's special about the Fund is that each project supported has been nominated by a colleague to improve the lives of people in their local communities. Each grant awarded is managed by a local operating company which means that right across our Group, we're working together to provide help where it is needed most in our local communities.

We are also particularly proud of projects that can become self-sustaining as a result of our support, such as the creation of a digital learning hub at an elementary school serving a remote and under-privileged community, in Quezon, Philippines.

Joel Flores is Process Industries Leader for Watson-Marlow based in Southeast Asia. He explains why he applied for a grant from the Spirax Group Education Fund.

Number of projects supported by the Spirax Group Education Fund so far

**100+**

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Total amount paid or committed since launch

**£2.8 million**

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Funds to be donated by 2030

**£15 million**

> The impact of this investment in the early education and digital skills of future generations of engineers will be seen in years to come, as they embark on their careers. By equipping and inspiring young people in the province of Quezon, we are enabling them to find their role in delivering a more efficient, safer and sustainable world in the future."

**Joel Flores**
Process Industries Leader,
Watson-Marlow Fluid Technology Solutions

## Digital skills powering sustainable futures

Dunong Cacawayan Elementary School is located in Infanta Quezon – an under-privileged area in the province of Quezon, Philippines, with a population of around 600 people. The school is several miles from the town, via challenging roads, and despite being established in 1972 only recently secured an electricity supply. As the school just has two functional classrooms, the Rotary Club of Infanta was looking for support in constructing a Learning Hub for the students.

"I applied to the Spirax Group Education Fund for £12,500 to cover the construction costs of the project and was delighted when I found out my application had been successful," said Joel Flores, Process Industries Leader.

The Learning Hub features a mini library and computer bank. It is designed to inspire its 83 students and spark an interest in engineering, but it also gives them access to online information and digital educational resources they wouldn't have had previously, to help improve their reading, IT and science-based learning skills.

Digital technology and skills have revolutionised nearly every part of our daily lives, and will continue to have a major role to play in our future, so giving this community the skills they will need to be a part of this future is vital.

Longer term, the initiative, along with the wider curriculum of the school, aims to provide free access to education regardless of background, helping to tackle poverty in the community and improve access to education now and for years to come.

After receiving the funds in August 2023, clearing of the site began in September and construction of the 30m$^3$ Dunong Cacawayan Learning Hub began in January 2024 and will complete by the end of March. The local government will provide ongoing funding to the facility and it will be monitored by a community representative from the Department of Education and the Rotary Club of Infanta Quezon.

## TCFD and Climate-related Financial Disclosure (CFD)

# Task Force on Climate-related Financial Disclosures (TCFD)

**In accordance with Listing Rule 9.8.6R(8) we confirm that the following table contains disclosures consistent with the Task Force on Climate-related Financial Disclosures' recommendations and recommended disclosures.**

Our approach is fully aligned with ten of the 11 TCFD recommendations and partially aligned with one, which is: Metrics and targets b) disclose scope 1, scope 2 and, if appropriate, scope 3 greenhouse gas (GHG) emissions and the related risks. Throughout 2022, we used a third-party carbon accounting specialist to help us establish our scope 3 emissions for a baseline year of 2021. In 2023, we calculated our scope 3 emissions for the 2022 financial year and improved our methodology to increase accuracy of these data. Scope 3 emissions for 2021 and 2022 can be found on page 74. Scope 3 is highly complex and requires significant levels of estimations where data are not available. As we are still developing our data collection processes for scope 3, reliant on external support, it was not possible to calculate full scope 3 emissions for 2023 ahead of the reporting deadline. We have disclosed a partial scope 3 figure (category 3, B and C) for 2023, which can be found on page 74 and full scope 3 emissions for 2022. In 2024, we will be working to increase the speed of these calculations, with a view to publishing a full scope 3 analysis in the coming years.

We will review our disclosures against the recommendations of TCFD on an annual basis.

## Governance

### Describe the Board's oversight of climate-related risks and opportunities

The Board is responsible for the overall stewardship of strategic risk management and internal control. The Audit Committee is also directly involved in the detailed review of risks, including those detailed in these disclosures, and reports back to the Board on its findings. During 2023, the Audit Committee received four risk management updates from the Risk Management Committee's Chair, and also reviewed the Principal Risks, as well as the position of climate change on the Group Risk Register.

Our **One Planet: Engineering with Purpose** Sustainability Strategy is an important mechanism by which we seek to mitigate climate-related risks and maximise climate-related opportunities. The Board received six updates and the Audit Committee received two updates from Group Director of Sustainability during 2023. This included updates on the Group's progress against **One Planet Sustainability Strategy** targets, TCFD, upcoming changes to regulatory reporting requirements and information about scope 3 data calculations.

Supporting customers on their decarbonisation journey is an important element of both our Steam Thermal Solutions (STS) and Electric Thermal Solutions (ETS) Business strategies. The Board also provides strategic oversight of these Business strategies, ensuring that we are mitigating any market-based risks that could arise as a result of climate change.

Where sustainability, including carbon reduction investments, is part of a large Capex proposal, these investments are directly approved by the Board. Climate impact is considered as one of the factors when making Capex decisions and in mergers, acquisitions and other business plans.

### Describe management's role in assessing and managing climate-related risks and opportunities

The Risk Management Committee has responsibility for managing climate-related risks. Sarah Peers, Group Director of Sustainability, had specific delegated responsibility for overseeing climate-related risks and mitigation activities in 2023. Through her role as a member of the Group Executive Committee she ensures that climate-related risks and opportunities are appropriately considered in management's day-to-day operational practices.

During 2023, we reviewed the Group's exposure to risk using a bottom-up approach, where the Committee sought views of the Group operating companies on the risks that they considered may affect their activities to ensure new or emerging risks are not missed. Following this process, the Committee reviewed and confirmed the robustness of the countermeasures that Group operating companies have in place to mitigate the Principal Risks in the Group Risk Register.

During 2023, management of the Group's climate change mitigation activities was overseen by the Board, the Group Executive Committee and the Group Sustainability Management Committee (GSMC) utilising the management structure outlined on page 69. The GSMC comprises the Group Director of Sustainability, the Business Heads of Sustainability, Strategic Initiative and Strategic Project Leads and other relevant individuals. Governance structures for risk management can be found on page 100.

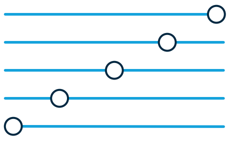
Management oversight of climate-related risks and opportunities is embedded within the **One Planet Sustainability Strategy** and within our core Business strategies. Through those strategies, the Group Executive Committee and Business Executive Committees consider climate-related risks, opportunities, strategic implementation and progress against targets.

## Strategy – Acute physical risks

Acute physical risks are event driven, specific episodes that have the potential to inflict significant physical damage

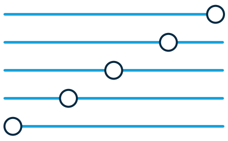
| Risk/opportunity | Description | How we manage and mitigate this risk | Estimated financial impact | Link to metrics and targets |
|---|---|---|---|---|
| **Flooding – river and flash flooding from precipitation** | 17% of the Group's operations by total insured value (TIV), 42 of 239 locations, are currently exposed to risk of river flooding, with 28 sites (13% of TIV value) having 1% likelihood of river flooding in a year. TIV at risk is expected to increase to 19% by 2030, and then remain stable at 19% to 2050 under a high (4°C) warming scenario. The Group has some exposure to heavy rainfall and potential flash floods with 43% of the TIV today located in areas exposed to high levels of precipitation, which is forecast to increase slightly to 44% by 2050 under a high warming scenario. The Steam Thermal Solutions site in Shanghai, China, is the highest value asset at the highest level of risk.<br>Although a number of sites have exposure to this flooding, the risk and potential impact are still insignificant, with likelihood of flooding tending towards a 1-in-100-year-type event under high-warming scenario, RCP8.5 (see page 90).<br>Under RCP 8.5, it is predicted that by 2050, 5% of the operations have a 10% likelihood of flooding in a given decade. | These risks are managed through our Principal Risks 5 (loss of manufacturing output at any Group factory) and 7 (loss of a critical supplier). To mitigate risk, annual risk assessments are conducted by our insurance partner and we have appropriate insurance cover. Business continuity planning and capacity planning are in place to ensure we have spare capacity at alternative sites and stock is held locally in sales companies. For key commodities, where possible, we seek to maintain dual sourcing to negate the risk from the loss of a critical supplier.<br>In 2024, findings of the climate risk assessment will be circulated, particularly with manufacturing facilities, so that adequate mitigation measures can be considered and embedded in their business continuity plans at a site level. | **Low carbon economy**<br>(RCP 2.6 – 2030)<br>**Hazard exposure**<br><br>**Residual risk profit impact**<br><br>**Hothouse world**<br>(RCP 8.5 – 2050)<br>**Hazard exposure**<br><br>**Residual risk impact**<br> | Minor residual risk impact means that the we have not identified this as a risk that requires a specific metric or target. The Risk Management Committee reviews risks on an annual basis so a future change in the residual risk impact could lead to the implementation of a specific metric or target. |
| **Windstorm** | 91 locations (mostly in Europe) are in regions exposed to strong winds (accounting for 51% of TIV), with a 1% annual chance of having severe wind gusts of over 121km/h, with 4 sites having a risk of winds of 161–200km/h. The highest value asset currently at risk from windstorm is Watson-Marlow's site in Falmouth (UK). TIV at risk from windstorms is expected to remain stable to 2050 under a high warming scenario, but the frequency of windstorms is likely to increase over time.<br>Even under a hothouse world scenario, the average annual modelled impact may increase slightly; however, it would still be in the insignificant range as per the Group Enterprise Risk Management (ERM) scale. | This risk is managed through our Principal Risks 5 (loss of manufacturing output at any Group factory) and 7 (loss of a critical supplier). To mitigate risk, annual risk assessments are conducted by our insurance partner and we have appropriate insurance cover. Business continuity planning and capacity planning are in place to ensure we have spare capacity at alternative sites and stock is held locally in sales companies. For key commodities, where possible, we seek to maintain dual sourcing to negate the risk from the loss of a critical supplier.<br>In 2024, findings of the climate risk assessment will be circulated, particularly with manufacturing facilities, so that adequate mitigation measures can be considered and embedded in business continuity plans at a site level. | **Low carbon economy**<br>(RCP 2.6 – 2030)<br>**Hazard exposure**<br><br>**Residual risk profit impact**<br><br>**Hothouse world**<br>(RCP 8.5 – 2050)<br>**Hazard exposure**<br><br>**Residual risk impact**<br> | Minor residual risk impact means that the we have not identified this as a risk that requires a specific metric or target. The Risk Management Committee reviews risks on an annual basis so a future change in the residual risk impact could lead to the implementation of a specific metric or target. |

**Hazard exposure**



| | |
|---|---|
| **5** | Very High |
| **4** | High |
| **3** | Medium |
| **2** | Low |
| **1** | Very Low |

**Residual risk impact (annual profit)**



| | | |
|---|---|---|
| **5** | Catastrophic | >£100m |
| **4** | Major | £50m - £100m |
| **3** | Moderate | £25m - £50m |
| **2** | Minor | £10m - £25m |
| **1** | Insignificant | <£10m |

# TCFD and CFD continued

## Strategy – Acute physical risks continued

| Risk/opportunity | Description | How we manage and mitigate this risk | Estimated financial impact | Link to metrics and targets |
|---|---|---|---|---|
| **Fire** | 12% of the Group's TIV is today exposed to at least 20 days per year of fire weather, with Chromalox's Ogden, Utah (USA), site the highest value asset with some level of risk, and Chromalox's Nuevo Laredo, Mexico, site having the highest level of risk but a lower TIV.<br>As global temperatures increase, the likelihood of fire risk is expected to increase with 19% of TIV at risk by 2050 under a high-warming scenario. | This risk is managed through our principal risks 5 (loss of manufacturing output at any Group factory) and 7 (loss of a critical supplier). To mitigate risk, annual risk assessments are conducted by our insurance partner and we have appropriate insurance cover. We also conduct occasional inspections by local fire officers.<br>Business continuity planning and capacity planning are in place to ensure we have spare capacity at alternative sites and stock is held locally in sales companies. For key commodities, where possible, we seek to maintain dual sourcing to negate the risk from the loss of a critical supplier. | **Low carbon economy**<br>(RCP 2.6 – 2030)<br>**Hazard exposure**<br><br>**Residual risk impact**<br><br>**Hothouse world**<br>(RCP 8.5 – 2050)<br>**Hazard exposure**<br><br>**Residual risk impact**<br> | Minor residual risk impact means that the we have not identified this as a risk that requires a specific metric or target. The Risk Management Committee reviews risks on an annual basis so a future change in the residual risk impact could lead to the implementation of a specific metric or target. |

Under current conditions, the likelihood of an acute physical risk impacting the Group's direct operations in a given year is deemed Unlikely, and the residual impact (post-mitigation) has been assessed as Insignificant (<£10 million).

To mitigate risk, annual risk assessments are conducted by our insurance partner and we have appropriate insurance cover. Business continuity planning and capacity planning are in place to ensure we have spare capacity at alternative sites and stock is held locally in sales companies. For key commodities, where possible, we seek to maintain dual sourcing to negate the risk from the loss of a critical supplier.

In 2024, findings of the climate risk assessment will be circulated, particularly to manufacturing facilities, so that adequate mitigation measures can be considered and embedded in their business continuity plans at a site level.

+ For more information about the management of these Principal Risks, see pages 101 to 105

## Strategy – Chronic physical risks

Chronic risks arise from longer-term changes in climate pattern, notably drought, heat stress and sea level rise.

| Risk/opportunity | Description | How we manage and mitigate this risk | Estimated financial impact | Link to metrics and targets |
|---|---|---|---|---|
| **Heat stress** | Currently 45% of the TIV of the Group's operations (112 locations) is exposed to heat stress, seeing an average of >20 heatwave days in a given year with temperatures in excess of 30°C. This is expected to increase to 55% of TIV at risk from heat stress by 2050, under a high warming scenario. Examples of high TIV sites currently at risk from heat stress include Chromalox Nuevo Laredo, Mexico; Steam Thermal Solutions Mexico; and Chromalox Tennessee (USA). Risks from heat stress include increased costs of running HVAC equipment and potential decrease in productivity of employees. | Many of the operations currently exposed to heat stress are in locations where this environment is expected and well adapted for. Changing weather location patterns mean that more sites may move into areas of heat stress that are not currently and these sites may be less prepared.<br>Operations of Electric Thermal Solutions, Steam Thermal Solutions and Watson-Marlow are exposed. This trend could mean that increased cooling of buildings and machinery might be required to reduce the risk of operational disruption and also to improve working conditions for colleagues.<br>As part of continual asset management, energy audit and facilities update processes, systems will be assessed and upgraded where necessary. | **Low carbon economy**<br>(RCP 2.6 – 2030)<br>**Hazard exposure**<br><br>**Residual risk impact**<br><br>**Hothouse world**<br>(RCP 8.5 – 2050)<br>**Hazard exposure**<br><br>**Residual risk impact**<br> | Minor residual risk impact means that the we have not identified this as a risk that requires a specific metric or target. The Risk Committee reviews risks on an annual basis so a future change in the residual risk impact could lead to the implementation of a specific metric or target. |

| Risk/opportunity | Description | How we manage and mitigate this risk | Estimated financial impact | Link to metrics and targets |
|---|---|---|---|---|
| **Drought** | Currently 12% of the TIV of the Group's operations (54 locations) is exposed to drought stress with three or more drought months per year. This is expected to increase under a high warming scenario, reaching 31% by 2050. An example of a high value asset with a high exposure to drought risk today is Chromalox Nuevo Laredo, Mexico. Drought may impact the availability and quality of water, which could impact manufacturing processes including product testing.<br>Drought has the potential to impact the supply of raw materials where inland waterways are used for transportation, impact electricity availability in locations with a higher reliance on hydropower and increase the risk of wildfires. | The operations of the Group are not generally considered water intensive and therefore the potential impacts may be addressed through adaptation and risk management.<br>Supply of raw materials and electricity are managed through Principal Risk 7, loss of a critical supplier. Mitigation activities under this risk include dual sourcing, managing stock levels for high-risk commodities and in-sourcing production where appropriate. | **Low carbon economy**<br>(RCP 2.6 – 2030)<br>**Hazard exposure**<br>─○───<br>**Residual risk impact**<br>○────<br>**Hothouse world**<br>(RCP 8.5 – 2050)<br>**Hazard exposure**<br>──○──<br>**Residual risk impact**<br>─○─── | Minor residual risk impact means that the we have not identified this as a risk that requires a specific metric or target. The Risk Committee reviews risks on an annual basis so a future change in the residual risk impact could lead to the implementation of a specific metric or target. |
| **Sea level rise** | Risk of exposure from sea level rise is 10% of assets by value, with no change expected to 2050. The Steam Thermal Solutions site in Shanghai, China, is the highest value asset at risk. | Our exposure under this risk is no expected to change under a hothouse world scenario. This risk is managed under Principal Risk 5, loss if a manufacturing output at any Group facility.<br>To mitigate risk, annual risk assessments are conducted by our insurance partner and we have appropriate insurance cover.<br>In 2024, findings of the climate risk assessment will be circulated, particularly with manufacturing facilities, so that adequate mitigation measures can be considered and embedded in their business continuity plans at a site level. | **Low carbon economy**<br>(RCP 2.6 – 2030)<br>**Hazard exposure**<br>○────<br>**Residual risk impact**<br>○────<br>**Hothouse world**<br>(RCP 8.5 – 2050)<br>**Hazard exposure**<br>○────<br>**Residual risk impact**<br>○──── | Minor residual risk impact means that the we have not identified this as a risk that requires a specific metric or target. The Risk Committee reviews risks on an annual basis so a future change in the residual risk impact could lead to the implementation of a specific metric or target. |

The impacts of chronic risks are likely to differ by location, with some countries already experiencing and managing high levels of heat stress or drought, with the ability to adapt to those conditions. For other locations, historically less used to drought or heat stress, the impacts could potentially be more disruptive. However, as we are not a highly intensive user of water and chronic risks can largely be mitigated or adapted, the residual impact (post-mitigation) of chronic physical risks has been assessed as Insignificant (<£10 million).

**Hazard exposure**

| | | |
|---|---|---|
| **5** | ────○ | Very High |
| **4** | ───○─ | High |
| **3** | ──○── | Medium |
| **2** | ─○─── | Low |
| **1** | ○──── | Very Low |

**Residual risk impact (annual profit)**

| | | | |
|---|---|---|---|
| **5** | ────○ | Catastrophic | >£100m |
| **4** | ───○─ | Major | £50m - £100m |
| **3** | ──○── | Moderate | £25m - £50m |
| **2** | ─○─── | Minor | £10m - £25m |
| **1** | ○──── | Insignificant | <£10m |

# TCFD and CFD continued

## Transition risks/opportunities

Transition risks arise from changes required to facilitate a low carbon economy.

| Risk/opportunity | Description | How we manage and mitigate this risk | Estimated financial impact | Link to metrics and targets |
|---|---|---|---|---|
| **Market transition** | Increasing availability of green energy could enable electric heating solutions to replace fossil fuel-derived steam generation where carbon emission concerns override cost differences in the medium to long term (5+ years). This will provide opportunities across all geographical regions and most customer sectors for our Electric Thermal Solutions and Steam Thermal Solutions Businesses as these Businesses combine to electrify the generation of steam.<br>Increased cost of electricity provision and raw materials provides some risk, as the introduction of carbon taxes could be passed on in raw material spend. | As market leaders in the provision of thermal energy solutions, mitigating this risk and maximising the opportunity is deeply embedded in the core business strategies of both our Steam Thermal Solutions and Electric Thermal Solutions Businesses. This risk is mitigated through Principal Risk 6 (inability to identify and respond to changes in customer needs). Mitigation includes regular voice of customer research and research and development/new product innovation to lead the way in providing innovative solutions to customers. For more information about the management of this Principal Risk, see page 104. | **Risk**<br>**2025**<br>○────<br>**2030**<br>─○───<br>**Opportunity**<br>**2025**<br>──○──<br>**2030**<br>───○─ | Net zero carbon<br>Sustainable products |
| **Technology transition** | Costs of upgrading and installing infrastructure to support an electric vehicle fleet, or costs to transition away from fossil fuel dependent production equipment. | The transition to low carbon technology across our operations is embedded in our net zero roadmaps developed by all manufacturing sites and at a Group level. Fossil fuel-dependent systems and processes have been identified and investment plans developed, through annual and medium-term financial planning cycles, to phase the cost of decarbonisation activities over time, reducing risk. | **Risk**<br>**2025**<br>○────<br>**2030**<br>─○───<br>**Opportunity**<br>**2025** N/A<br>**2030** N/A | Net zero carbon<br>Environment improvements |
| **Reputation** | Risk of reputational loss of Spirax Group as a top performing, environmentally sustainable business due to association with fossil fuel-reliant systems over the medium to long term (5+ years). | This very low risk is mitigated by our strong reputation, our innovative product developments, the introduction of our Natural Technology marketing strategy, which correctly positions steam as a sustainable technology and our own leading net zero commitments and progress against them. | **Risk**<br>**2025**<br>○────<br>**2030**<br>─○───<br>**Opportunity**<br>**2025**<br>○────<br>**2030**<br>─○─── | Net zero carbon<br>Sustainable products |

**Estimated financial impact (annual profit)**

| | | | |
|---|---|---|---|
| **5** | ────○ | Significant | >£100m |
| **4** | ───○─ | Major | £100m - £50m |
| **3** | ──○── | Moderate | £50m - £25m |
| **2** | ─○─── | Minor | £25m - £10m |
| **1** | ○──── | Insignificant | <£10m |

| Risk/opportunity | Description | How we manage and mitigate this risk | Estimated financial impact | Link to metrics and targets |
|---|---|---|---|---|
| **Policy and legal transition** | Carbon taxation: In country or at borders, could lead to increased operational costs. For example, the EU's Carbon Border Adjustment Mechanism (CBAM) became effective in October 2023, with a two-year transition period now in operation before carbon taxation commences on high carbon imports (such as steel, iron or aluminium) into the EU.<br>Building code regulations: Policy makers may promote a switch to low carbon buildings, for new builds or retrofitting old buildings, which could lead to increased costs, such as implementing Minimum Energy Efficiency Standards.<br>Climate change litigation: Risk arising from the increasing activism of shareholders or the public against companies for failure to adapt to climate change, greenwashing by overstating positive environmental impacts, or understating risks or insufficient disclosure around material financial risks. (Risk is deemed very low for our Group).<br>Waste-related laws and regulation: Driven by an aim to increase circularity of the economy, new regulations could impact how we manage waste on our own sites and, potentially, impact end of life treatment of products we sell. | This risk is mitigated through our **One Planet Sustainability Strategy**, which includes net zero targets, energy reduction commitments, major decarbonisation projects and conversion to an electric vehicle fleet.<br>We manage and monitor existing and upcoming legislation from a range of sources to ensure that we are able to pro-actively respond to upcoming legislating risks.<br>Climate change litigation risk is mitigated by our innovative product developments, the introduction of our Natural Technology marketing strategy, which correctly positions steam as a sustainable technology and our own leading net zero commitments and progress against them. | **Risk**<br>**2025**<br>○────────<br>**2030**<br>──○──────<br>**Opportunity**<br>**2025** N/A<br>**2030** N/A | Net zero carbon<br>Environment improvements<br>Sustainable products<br>Sustainable supply chain |

**Estimated financial impact (annual profit)**

| | | | |
|---|---|---|---|
| **5** | ────────○ | Significant | >£100m |
| **4** | ──────○── | Major | £100m - £50m |
| **3** | ────○──── | Moderate | £50m - £25m |
| **2** | ──○────── | Minor | £25m - £10m |
| **1** | ○──────── | Insignificant | <£10m |

# TCFD and CFD continued

### Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning

Growing awareness of climate change and customer sustainability targets will continue to provide an impetus for business growth as we provide products, services and solutions that increase efficiency and reduce customers' energy use and carbon emissions. To mitigate the risks outlined above, our **One Planet Sustainability Strategy** underpins our Business strategies, which in conjugation with the voice of the customer and understanding customer needs, allows us to develop products and services that help our customers achieve their own carbon reduction targets. This, in turn, helps us to manage reputational risk by ensuring we're driving down our own emissions, in line with our commitments to the Science Based Targets initiative (SBTi) and the UN Global Compact.

Each of our three Businesses incorporate sustainability in their Business strategy, Customer first[2], Engineering Premium Solutions and Strategy25. This has resulted in the creation of TargetZero solutions to decarbonise the raising of steam, which was a collaboration between Steam Thermal Solutions and Electric Thermal Solutions.

As part of our financial planning process, we have an annual financial plan for sustainability. When considering sustainability investments, we prioritise initiatives that deliver the best value of £/tCO$_2$e saved. In 2022, we developed and commenced implementation of net zero roadmaps across our manufacturing sites. For more information about our net zero roadmap, see page 73.

### Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario

With customers in almost all industries worldwide and across 164 countries, steam remains the world's most efficient heat transfer medium for a wide range of applications, with multiple onsite uses from the production of foods, beverages and medicines, to the generation of power. Our Steam Thermal Solutions are complemented by our Electric Thermal Solutions product and service offering. We thus have a highly resilient business that will remain relevant across different climate-related scenarios.

As part of our annual viability assessment, we annually undertake scenario risk modelling focusing on stress testing the Income Statement and cash flow projections to determine the resulting impact on the Group's debt covenants and liquidity headroom, to ascertain the potential revenue or adjusted operating profit impacts that could arise from one, or a combination, of the Group's Principal Risks. The key risks associated with climate change would be mitigated by management processes for three of our Principal Risks (5, 6 and 7). Modelling completed as part of our viability assessment suggests that our Principal Risks do not pose a significant threat to the viability of our Group; therefore, management believes that this also applies to climate risk. For more information see pages 42 to 43, 144 and 154.

As well as these ongoing risk management and Principal Risk Management processes, during 2023 we worked with Willis Towers Watson to complete quantified scenario analysis for a range of warming scenarios (a below 2°C scenario (1.5°C scenario), a 2–3°C scenario and a 4°C scenario), over multiple timeframes. Physical risks were assessed under current conditions and projected impact in the medium term (2030) and long term (2050). These timeframes align with our **One Planet Sustainability Strategy** targets and SBTi approved net zero targets.

The chosen scenarios were in line with the Intergovernmental Panel on Climate Change (IPCC) representative concentration and shared social economic pathways (RCPs mapped to SSPs) RCP 2.6 (SSP1), RCP 4.5 (SSP2) and RCP 8.5 (SSP5) respectively. The two extreme scenarios were chosen in order to 'stress-test' the impact to the Group under cases of maximum physical risk impact and maximum transition risk impact. RCP 4.5 was assessed as a middle scenario.

Physical risks were identified through asset 'exposure diagnostic' analysis for 239 operating locations (comprising sales and manufacturing companies and sites). The climate risks were derived from a number of data sources including Willis Towers Watson's Global Peril Diagnostic and Climate Diagnostic tools, data from Munich Re hazard databases and research in line with the IPCC reports. The findings were then validated in workshops.

Transition risks were identified and assessed through multiple workshops, drawing on relevant expertise from colleagues from across the Group. For this assessment, one scenario of RCP 2.6 (1.5°C scenario) was considered, as it is under these conditions that transition risks would be most relevant. Transition risk exposure was assessed on a short-term horizon of 2025 and a medium-term time horizon of 2030 with impacts being assessed as an annualised amount. Transition risks were not quantified in the longer term due to the difficulty in building assumptions around the direction of policy out to 2050 or beyond; physical risks are anticipated to be more relevant on those timeframes.

In addition, physical risk exposure diagnostic analysis was completed for 45 of the Group's suppliers (selected on the basis of spend, strategic importance, geographic location o business coverage).

## Risk management

### Describe the organisation's processes for identifying and assessing climate-related risks

The Risk Management Committee holds annual top-down or bottom-up reviews that provide information and evaluations that the Committee uses alongside our risk impact, likelihood, appetite and velocity ratings to create an effective system for assessing materiality, monitoring, planning and developing our Group-wide approach and culture regarding risk.

The Risk Management Committee performs a scoring exercise each year against all our documented risks, assessing impact, likelihood, control, velocity and appetite for each risk. Each member of the Committee scores each risk and the scores are reviewed, discussed and assessed compared to the other risks. This process is used to assign the Principal Risks and position of each risk on the Register. Existing and emerging regulatory requirements related to climate change are considered as part of this review.

Risk velocity was deliberated and approved as a further measure in our Group risk management framework in 2022. Risk velocity ratings were assigned and validated for all Principal Risks in 2023, as set out on pages 101 to 105, and other risks on the Risk Register, including climate change.

### Describe the organisation's processes for managing climate-related risks

Materiality for climate change risks is based on the enterprise risk management scales used to determine materiality across all of our risk management processes. Climate change-related risks are currently deemed to be low for the Group (based on assessment of likelihood, velocity, impact and control) and climate change is not identified as a Principal Risk on the Group's Risk Register. However, a number of the key risks associated with climate change, e.g. physical risks – notably the impact of a climate-related event on our direct operations, specifically the loss of a manufacturing site, or on a critical supplier – and transition risks, such as failure to meet changing market needs, are already managed through other Principal Risks on the Group Risk Register. We therefore believe that our risk management processes are adequate and appropriate for the level of risk as applicable to our Group.

+ For more information about how we manage risk, see the Risk Management Committee Report on pages 150 to 154

### Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management

During 2023, we reviewed the Group's exposure to risk using a bottom-up approach, where the Committee sought views of the Group operating companies on the risks that they considered may affect their activities to ensure new or emerging risks are not missed. Following this process, the Committee reviewed and confirmed the robustness of the countermeasures that Group operating companies have in place to mitigate the Principal Risks in the Group Risk Register.

Climate change is a risk factor that influences other risks, so control of climate risk is embedded in and managed through other Principal Risks, particularly risk 5 (loss of manufacturing output at any Group facility), risk 6 (inability to identify and respond to changes in customer needs) and risk 7 (loss of a critical supplier).

Climate change has risen in position in the Risk Register over the last few years to position 10. It is considered a serious, emerging risk though not currently one of the Group's Principal Risks.

See the following pages for targets related to:

- + Net zero carbon and energy use – 72
- + Environmental improvements in our own operations – 77
- + Sustainable products – 79
- + Sustainable supply chain – 80

## Metrics and targets

### Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process

We have disclosed cross-industry TCFD metrics used to manage our climate-related risks and opportunities. Managing our GHG emissions to meet our net zero targets and helping our customers to do the same mitigates climate risk by working towards realising a low carbon future.

- Scope 1, 2 and 3 GHG emissions – 74
- Energy use – 75
- Proportion of company vehicles that are EV – 72
- Waste and water – 78
- Climate-related executive management remuneration – 35
- Customer environmental benefits – 79

Group greenhouse gas emissions (scope 1 and 2) are monitored as a Group key performance indicator (KPI) to measure successful progress against our strategy. See pages 34 to 35 for more information on our KPIs. Given the strong engagement with, and investments in, net zero initiatives across the Group, an internal carbon price is not needed. In addition, internally we monitor a number of opportunity metrics, for example the customer decarbonisation opportunities pipeline in the Electric Thermal Solutions Business and metrics related to the launch of our **TargetZero** solutions. These metrics are not disclosed externally as they are commercially sensitive.

In December 2023, we received approval from the SBTi for our near-term and long-term targets, and net zero target for 2050 in line with a 1.5°C trajectory.

### Disclose scope 1, scope 2 and, if appropriate, scope 3 greenhouse gas (GHG) emissions and the related risks

+ Scope 1, scope 2 and scope 3 disclosures can be found on pages 73 to 74

During 2022, we used a third-party to help us quantify a full scope 3 baseline figure for 2021. This figure was calculated using GHG Protocol-aligned scope 3 methodologies, but is heavily reliant on estimates and assumptions. In 2023 we further calculated our scope 3 emissions for the 2022 financial year and improved our methodology to increase accuracy of this data, restating 2021 as data availability and accuracy improved.

+ For more information about the methodology we use to calculate our scope 1, 2 and 3 emissions and customer savings metrics, see page 75 and a more detailed methodology statement on our website: spiraxgroup.com/sustainability-downloads

### Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets

Reflecting the central importance of the Group-wide **One Planet Sustainability Strategy** to all of our forward-looking plans, the measures for the 2022 Performance Share Plan (PSP) changed to include a sustainability measure accounting for 20% of the PSP opportunity, dependent on reduction of greenhouse gas emissions (scope 1 and 2) over three-year periods. For more detail see page 160.

## Our environment

# The future of sustainable steam

How our **TargetZero** solutions will play an essential role in enabling industrial decarbonisation for the raising of steam.

The decarbonisation of steam generation is one of the main challenges facing all industries. Our customers are looking for solutions to maintain their critical steam systems while still achieving their stated sustainability goals. That's why we are excited about the potential of our **TargetZero** solutions, which decarbonise the use of steam through electrification of the heating source, removing the need to burn fossil fuels.

As a Group, we are committed to eliminating our scope 1 and 2 greenhouse gas (GHG) emissions by 2030 and achieving net zero (scope 1, 2 and 3) by 2050 as part of our **One Planet Sustainability Strategy**.

'Project ClearSky' is our initiative to decarbonise the generation of steam through the elimination of fossil fuels at our UK manufacturing facility for Spirax Sarco, part of Spirax Group's Steam Thermal Solutions Business. The 60,000sqm facility consumes around 37GW of energy every hour. And, when the decarbonisation project is complete, the annual GHGs emitted from the raising of steam at this facility will reduce from 6,000 tonnes of CO$_2$ (reducing Spirax Group's global emissions by over 15%).

**Zero**

GHG emissions from the raising of steam at the site upon completion

Emissions saved at the site equivalent to driving an average internal combustion engine car

**138 million miles**

**15%+**

Reduction in Spirax Group's CO$_2$e

> Our goal is to quite literally ‘clear the skies’ of the emissions associated with steam generation and other industrial heat applications creating a better world for future generations by facilitating the switch to a greener technology.”

**Allison Lappe**
Associate Manager, Research & Development Engineering,
Chromalox, Electric Thermal Solutions

> Project ClearSky is a transformational project that marks a step change in how we understand our customers’ decarbonisation challenges and support them in future proofing their operations.”

**Mark Sadler**
Head of Strategic Projects, Spirax Sarco,
Steam Thermal Solutions

## Project ClearSky

There are many processes and operations across industry which rely on steam. To demonstrate how customers can maintain their steam systems and meet their net zero goals, the technology implemented at our manufacturing site in Cheltenham (UK) demonstrates what is possible in the decarbonisation of steam generation.

The practical insights gained throughout this project put us in a unique position to not only understand the challenges our customers face as they strive for net zero emissions, but also present them with a robust, tried and tested solution so they can understand how this technology will help future proof their own sites.

This project is also a good example of collaboration across the Group. Firstly, most of the products that make up this solution are our own innovations, developed from proprietary technologies we have in the Group. Secondly, the delivery of the project has meant synchronising with numerous functions including Health and Safety, Supply Chain and Legal.

We began the project in May 2022 by decommissioning our Combined Heat and Power unit, halving the site’s GHG emissions. We then installed a 9MW power supply in preparation for the installation of a new 9MW electrical substation and associated infrastructure. This will power the Medium Voltage (MV) heating technology from Chromalox (part of Electric Thermal Solutions), which forms the basis of our **TargetZero** portfolio of solutions for decarbonising the raising of steam and sits at the heart of the site’s new steam generation capabilities.

The first of our three **TargetZero** solutions to be powered up will be the **SteamBattery**, a thermal energy storage system capable of generating steam from renewable or off-peak electricity. Following this, our second solution, **SteamVolt** a first-fit boiler solution that uses electric heat and control technology, will go online. It is at this point that we will have decarbonised the generation of steam at our site. However, we will also be deploying our third solution, **ElectroFit**, a retrofit boiler solution that converts fossil fuel fired boilers to electric. This solution will become our back up boiler.

This holistic approach means we are able to achieve the emissions reduction fundamental to our targets as outlined by our **One Planet Sustainability Strategy** and demonstrate the impact of our solutions for customers.

# Non-financial and sustainability information statement 2023

This Annual Report and in particular the Sustainability Report, contains the information required to comply with the Companies, Partnerships and Groups (and Non-Financial Reporting) Regulations 2016, as contained in Sections 414CA and 414CB of the Companies Act 2006. The table below provides key references to information that, in conjunction with the Sustainability Report, comprises the Non-Financial and Sustainability Information Statement for 2023.*

| Reporting requirement | Group policies that guide our approach | Information and risk management, with page references |
|---|---|---|
| **Environmental matters** | Group Sustainability Policy<br>Group Environmental and Energy Policy<br>Group Management Code<br>Supplier Sustainability Code | Sustainability Report, pages 70-80<br>Principal Risks, pages 104-105<br>TCFD and CFD Disclosures, pages 84-91<br>Our business model, pages 18-19<br>Section 172 Statement, pages 121-123<br>Company Purpose, page 107 |
| **Employees** | Group Diversity and Inclusion Policy<br>Group Management Code<br>Group Human Rights Policy<br>Group Sustainability Policy<br>Group Health and Safety Policy – Statement of Intent | Sustainability Report, pages 62-68<br>Our business model, pages 18-19<br>Colleague Engagement Committee Report, pages 128-131<br>Section 172 Statement, pages 121-123<br>Company Purpose, page 107 |
| **Social matters** | Group Human Rights Policy<br>Group Charitable Donations Policy<br>Group Employee Volunteering Policy<br>Supplier Sustainability Code<br>Group Sustainability Policy | Sustainability Report, pages 63-69, 81-83<br>Our business model, pages 18-19<br>Section 172 Statement, pages 121-123<br>Company Purpose, page 107 |
| **Respect for human rights** | Group Human Rights Policy<br>Modern Slavery Statement<br>Supplier Sustainability Code | Sustainability Report, pages 80<br>Principal Risks, page 105<br>Risk Management Committee Report, page 152 |
| **Anti-corruption and anti-bribery matters** | Group Anti-Bribery and Corruption Policy<br>Group Gifts, Entertainment and Hospitality Policy<br>Group Competition Law Compliance Policy<br>Group Whistle-Blowing Policy<br>Supplier Sustainability Code | Sustainability Report, pages 69<br>Principal Risks, page 105<br>Risk Management Committee Report, page 105 |
| **Description of the business model** | | Our business model, pages 18-19 |
| **Description of the Principal Risks** in relation to the above matters, including business relationships, products and services likely to affect those areas of risk, and how the Company manages the risks | | Risk Management, pages 101-105<br>Risk Management Committee Report, page 151-154<br>TCFD and CFD Disclosures, page 84-91 |
| **Non-financial key performance indicators** | | Sustainability Report, pages 62, 67-68, 70-81<br>Key Performance Indicators, pages 34-35 |

* The policies listed above can be found on our website: spiraxgroup.com/governance-documents. Compliance with our policies is monitored through the implementation of our Sustainability Strategy, through our Internal Audit function and, locally, by our General Managers.

We have disclosed, to the fullest extent possible, against the requirements of the Industrial Machinery & Goods Standard of the Sustainability Accounting Standards Board (SASB), in respect of 2023, which can be found on our website spiraxgroup.com/sustainability-downloads.

In line with the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022, we have disclosed fully against these requirements, which can be found in our TCFD report on pages 84-91.

# Our policies

| **Group Governance Policies** | |
|---|---|
| **Group Management Code** | This Code sets out the Group's policy on the operation of its Businesses and the procedures, controls and senior manager certification that provide the means to achieve compliance with the Code throughout the Group and to achieve continuous improvement in the Group's performance. |
| **Anti-Bribery and Corruption Policy** | It is Group policy to conduct its business free of any bribery or corruption. The Group will not enter into contractual relationships with third parties that are known to engage in corrupt practices and will not engage in the giving or receiving of bribes or favours that create a conflict of interest. Anti-bribery and corruption training forms part of our Group Essentials Training and must be completed by all new employees and annually thereafter. |
| **Group Whistle-blowing Policy** | We are committed to conducting our business with honesty and integrity and we expect all colleagues to maintain high standards in accordance with our Group Management Code and our core Values. A culture of openness and accountability is essential to prevent any situations occurring and to address them when they do occur. This policy aims to encourage colleagues to report suspected wrongdoing as soon as possible, in the knowledge that their concerns will be taken seriously and investigated as appropriate and that their confidentiality will be respected. |
| **Competition Law Compliance Policy** | It is Group policy to conduct business in accordance with the competition laws of all the countries in which we operate. This policy outlines standards of conduct and integrity we expect from all colleagues and the potential consequences of breaching competition laws. |
| **Gifts, Hospitality and Entertainment Policy** | This policy sets out the Group's position on the giving and receiving of gifts, hospitality and entertainment, and our colleagues' responsibilities under this policy. |
| **Charitable Donations Policy** | This policy sets out the principles to be adopted in relation to charitable donations, both cash and in-kind, and applies to all charitable donations and community engagement activities across the Group. |
| **Environmental Policies** | |
| **Group Sustainability Policy** | This policy outlines the standards and commitments by which we guide operations at our Group Functions, operating companies and colleagues of Spirax Group in a socially and environmentally responsible manner. While these standards and commitments guide our own operations, we also encourage suppliers and partners to abide by the standards outlined in this Policy. |
| **Group Environmental and Energy Policy** | This policy underlines the commitments made in our **One Planet: Engineering with Purpose** Sustainability Strategy with regard to protection of the environment, climate change and the efficient use of resources, including water, waste management and biodiversity enhancement. |
| **Supplier Sustainability Code** | The Code represents the minimum standards that we ask our suppliers and their sub-tier suppliers to adhere to when conducting business with Spirax Group. It covers expectations relating to human rights, health and safety, quality management, environmental sustainability and ethics. |
| **Colleague and Human Rights Policies** | |
| **Employee Volunteering Policy** | All Group colleagues are entitled to up to three days of volunteering leave per year. This policy is intended to help and support colleagues wishing to volunteer and provides a framework for good practice. |
| **Group Health and Safety Policy – Statement of Intent** | This statement outlines the commitments of intent that our Group Functions and operating companies must adhere to, in order to ensure that Health and Safety remains a core Value and our first consideration. |

## Our suppliers

# Embedding sustainability into our future

## Working together to achieve a more sustainable future

We only work with suppliers who align with our Values and agree to comply with our Supplier Sustainability Code (the Code). This ensures we are always working with suppliers who want to go beyond our minimum standards, doing all that we can together to ensure our supply chain operates ethically and upholds the standards we believe in.

In 2022, as part of a wider initiative to use digital enhancement to deliver resilient business operations, we launched our Supplier Sustainability Portal (the Portal). This has several key benefits:

- It enables us to assess supplier sustainability performance and risk
- It provides direct suppliers with a platform through which they can sign and commit to the Code
- It is an online resource centre designed to help develop their knowledge around sustainability

Overall, we plan to onboard 1,600 direct suppliers into the Portal, through a strategic phased approach, and we have achieved over 50% of that target to date.

Suppliers are required to complete a series of surveys including climate impact, human rights, human trafficking and slavery and a Spirax Group bespoke survey covering biodiversity, community engagement and inclusion, as well as diversity in the supply chain. In addition, the data gathered through the climate impacts survey in particular helps us develop a clearer picture of our scope 3 greenhouse gas emissions and understand where our suppliers are on their sustainability journey to identify improvements.

Through the Portal, suppliers have quick access to definitions of terms in eight languages, as well as links to more information should they need it. They can participate in training modules and tutorials through the Portal's virtual library and live webinars on how to use the Portal, the surveys and regulatory updates.

It is not just our suppliers who have access to training materials in our Portal. Our buyers also have access to over 40 training modules to enable them to develop a better understanding of where sustainability improvements can be made within our supply chain. Educating our purchasing teams not only helps them to make more sustainable decisions but also equips them to advise and guide our suppliers when they need it.

Our commitment to make a positive contribution for a better world is enshrined in our **One Planet Sustainability Strategy** and our supply chain collaboration is one of the key ways in which we can unite across industry to leave a lasting legacy for future generations.

**1,841**

direct suppliers signed the Supplier Sustainability Code

# Risk Management

> Effective risk management remains fundamental to the resilience of our Group."
>
> **Nimesh Patel**
> Group Chief Executive Officer

## Our approach and appetite for risk

During 2023, the Risk Management Committee was chaired by Nick Anderson, prior to his retirement. The Risk Management Committee monitors our operational risks, in particular those identified as Principal Risks, on an ongoing basis, while the Board is responsible for the overall stewardship of strategic risk management and internal control. The Audit Committee is also involved in the detailed review of risks reporting to the Board on its findings.

We hold annual reviews, alternating each year between top-down or bottom-up, that provide information and evaluations that the Committee uses alongside the Risk Appetite and Risk Velocity ratings for our Principal Risks to create an effective system for monitoring, planning and developing our Group-wide approach and culture regarding risk.

The senior managers of our operating companies are involved in the risk assessment process. The evaluations of the Committee, including setting the appropriate levels of risk, are then communicated to all Group operating companies.

This ongoing monitoring and engagement contribute to the Group's Risk Register and the way we manage our risks. As they are dynamic and fluid, both our Risk Register and Principal Risks reflect the current conditions across the Group, together with the external macroeconomic environment, and guide our ongoing monitoring and mitigation activities.

### Key risk management actions

The following key actions were undertaken by the Group during 2023 in addition to the regular monitoring of risks:

- Bottom-up risk review: the Committee received input from its Group operating companies resulting in the identification of a new risk in our Risk Register: Ineffective IT Systems
- Risk Register: the bottom-up risk review informed the annual review, validation and update of the Risk Register
- Digital Services: the risk of failing to respond to changes in our customer's Digital requirements was identified as requiring dedicated focus and our Principal Risks were realigned accordingly with the inclusion of a new sub-risk: Inability to Identify and Respond to Changes in Customer Needs – Digital
- In light of the current geopolitical and macroeconomic forces impacting a number of countries in which the Group operates, the Group has considered and adapted its strategies in response to evolving risks
- Enterprise Risk Management: the recommendations of our Enterprise Risk Management review undertaken in 2022 were agreed and a blueprint created for implementation
- Risk Appetite Statement: the Risk Management Committee confirmed the statement, which can be found on pages 153-154

### Further reading

+ Our Principal Risks See pages 101 to 105

+ The Committee's analysis of the Principal Risks affecting the Group, before mitigation, is set out on pages 101 to 105.

## Governance and Compliance

Recognising the growing geopolitical tensions and corresponding effects on world trade, continued acceleration for demand of digitalised products and solutions together with relatively high levels of inflation and increases in cost of living, we decided in 2023 to reinforce our focus on governance and compliance which sits at the heart of our risk management framework. This focus has culminated in a number of key steps taken in 2023, including a refresh of our Group Sanctions Policy, the creation of a new position with the Group Head of Product Compliance and a refresh of our Treasury and Tax policies (including the prevention of Criminal Evasion of Tax). Our IT teams have also embedded stronger internal governance and controls in the field of information security. We will continue to assess the robustness of our governance and compliance programmes and controls in the context of prevailing economic, political and social forces and respond in the manner which enables our Group to mitigate the challenges presented by such dynamic risks.

## Risk Register review

Following the annual review of the Risk Register, Principal Risks and the responses from the bottom-up risk review, as compared to 2022, Failure to Realise Acquisition Objectives and Inability to Identify and Respond to Changes in Customer Needs (Digital/Non-Digital) were elevated as Principal Risks on recommendation of the risk owners. Subsequently, Loss of Manufacturing Output at any Group Factory, Loss of Critical Supplier and Breach of Legal & Regulatory Requirements (including ABC Laws) were lowered in ranking. Ineffective IT Systems was also introduced as a new risk in the Risk Register, although not a Principal Risk.

The year-on-year trend for each Principal Risk was assessed and updated; Risk Appetite and Risk Velocity ratings were also validated for each of the Principal Risks. Ineffective IT Systems was assigned a Risk Velocity and Risk Appetite rating given its addition to the Risk Register in 2023.

## Climate Change

Climate Change risk is broken down into two categories: physical risks (such as increased frequency and severity of extreme weather events), and the impacts of such events and climatic changes on the Group's operations (including supply chains); and transition risks (arising from political, economic and societal shifts to a low-carbon economy).

Climate change is accelerating. The most recently published Report by the Intergovernmental Panel on Climate Change noted that global surface temperatures were 1.1˚C higher in 2011-2020 than 1850-1900 (with land surface temperatures an average of 1.6˚C higher). In 2023 we worked with our global insurance broker, Willis Towers Watson, to assess the likely impact of extreme weather events on our Group operating companies. The results of the assessment revealed that, under current conditions, the residual impact of such risks for our Group is insignificant.

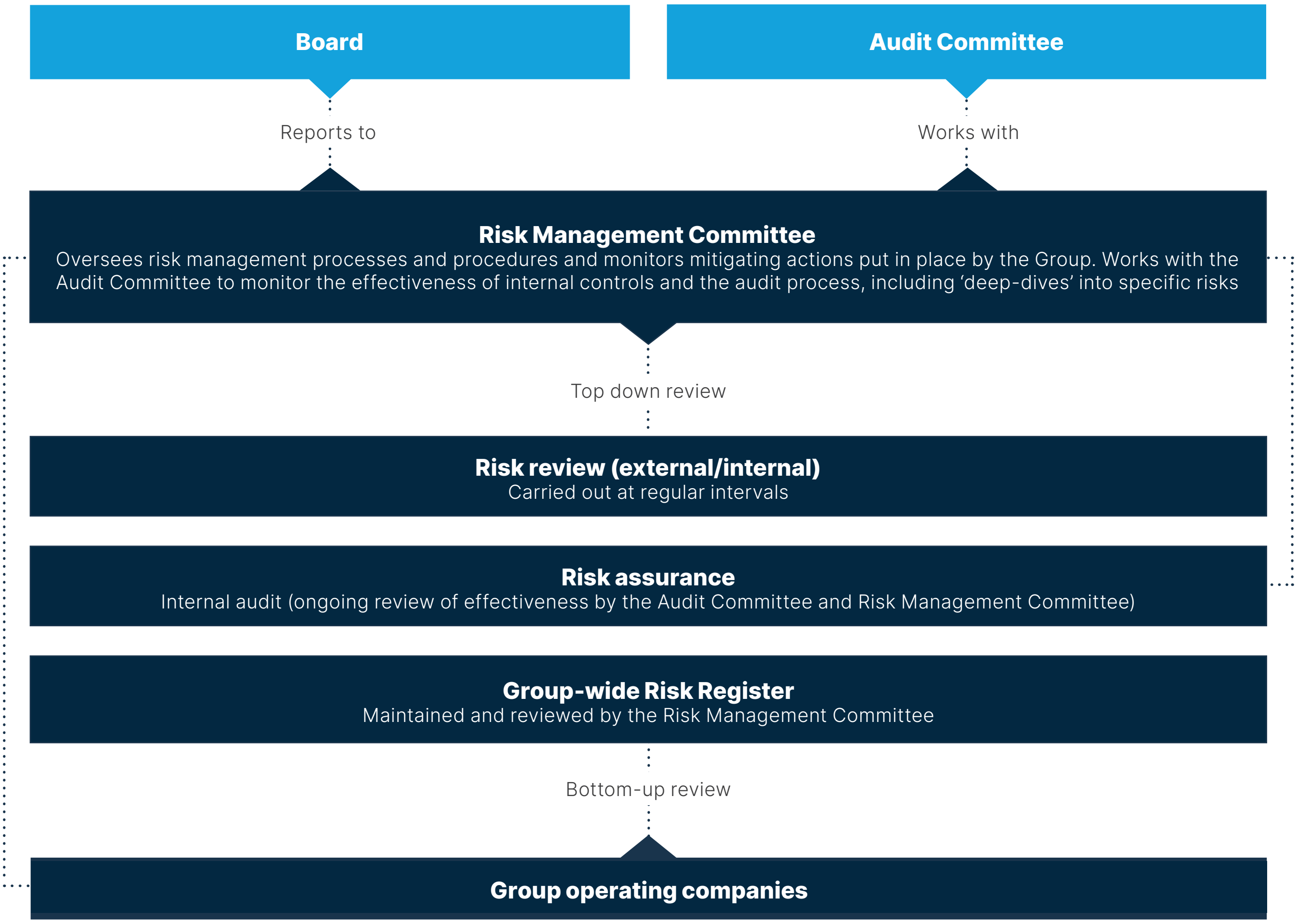
However, Climate Change continues to be an emerging risk that we will closely monitor in light of national and global developments and features as a risk on our Risk Register. Our climate risk is managed holistically by the Committee with regular updates to the Group Executive Committee and the Board. We also continue to follow the framework set by the Task Force on Climate-related Financial Disclosures (TCFD) to enable the transition to a low-carbon economy. Our TCFD disclosures are set out on pages 84 to 91 of the Sustainability Report.

## Emerging risks

The Risk Management Committee and the Board are actively involved in assessing emerging and over-the-horizon risks and opportunities. In 2023, an example of this was highlighted in the Group's decision to purchase a 15% stake in the Norwegian thermal battery company, Kyoto Group. The transaction enables the Group to work closely with Kyoto and enter into agreements to accelerate the decarbonisation of industrial process heat using the technology in Kyoto's **Heatcube**, a molten salt thermal energy storage solution. This is an example of our appetite for new-to-world decarbonisation solutions to serve our customers' evolving industrial needs.

# Risk Management continued

## Managing risks



**Board**

Reports to

**Audit Committee**

Works with

**Risk Management Committee**
Oversees risk management processes and procedures and monitors mitigating actions put in place by the Group. Works with the Audit Committee to monitor the effectiveness of internal controls and the audit process, including 'deep-dives' into specific risks

Top down review

**Risk review (external/internal)**
Carried out at regular intervals

**Risk assurance**
Internal audit (ongoing review of effectiveness by the Audit Committee and Risk Management Committee)

**Group-wide Risk Register**
Maintained and reviewed by the Risk Management Committee

Bottom-up review

**Group operating companies**

### Further reading

- Risk Management Committee Report See pages 150 to 154
- Our Viability Statement See pages 42 to 43
- Our Going Concern Statement See page 41
- TCFD Disclosures See pages 84 to 91

# Principal Risks

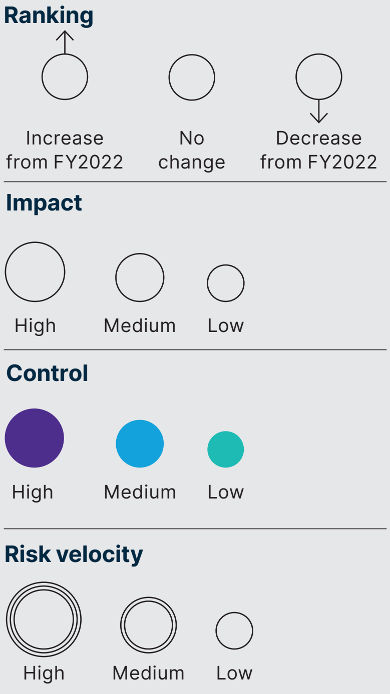
The following pages set out the Group's Principal Risks, as validated by the Risk Management Committee and describes the links to strategy, the mitigation measures, the velocity of each risk and the appetite for each risk. The risk trend shown is the risk before mitigation measures have been implemented. The risk appetite and risk velocity ratings are after mitigation has been taken into account.

## Principal Risks

1. Economic and political instability
2. Significant exchange rate movement
3. Cybersecurity
4. Failure to realise acquisition objectives
5. Loss of manufacturing output at any Group factory
6. Inability to identify and respond to changes in customer needs: Digital/Non-Digital
7. Loss of critical supplier
8. Breach of legal and regulatory requirements (including ABC laws)

## Strategic priorities

- Increase direct sales effectiveness through market sector focus.
- Develop the knowledge and skills of our expert sales and service teams.
- Broaden our global presence.
- Leverage our R&D investments.
- Optimise our supply chain effectiveness.
- Operate sustainably and help improve our customers' sustainability.



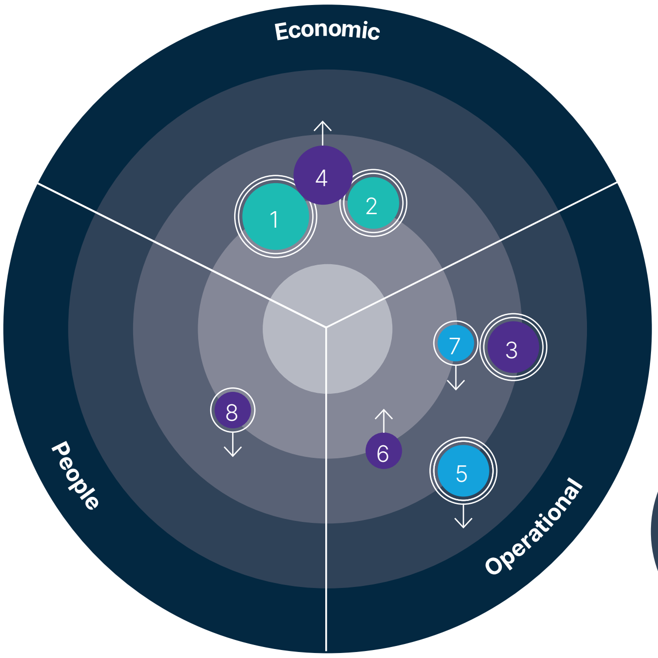
## Risk appetite ratings defined:

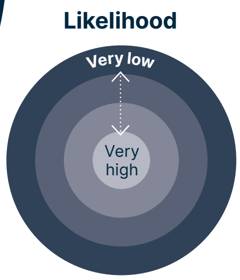
| Velocity | Description |
|---|---|
| Very low | Following a marginal-risk, marginal-reward approach that represents the safest strategic route available. |
| Low | Seeking to integrate sufficient control and mitigation methods in order to accommodate a low level of risk, though this will also limit reward potential. |
| Balanced | An approach which brings a high chance for success, considering the risks, along with reasonable rewards, economic and otherwise. |
| High | Willing to consider bolder opportunities with higher levels of risk in exchange for increased business payoffs. |
| Very high | Pursuing high-risk, sometimes unproven options that carry with them the potential for high-level rewards. |

## Risk velocity ratings defined:

| Velocity | Description | Timeframe |
|---|---|---|
| Very low | Very slow impact, response time adequate to mitigate effects | Felt after 12 months |
| Low | Slow impact, robust response to strategy may mitigate effects | Felt within 12 months |
| Medium | Moderate time to impact, swift and robust response may mitigate effects | Felt within 6 months |
| High | Fast impact, immediate response may mitigate effects | Felt within a month |
| Very high | Very rapid impact with little or no warning. Limited time to respond and mitigate effects | Felt within a week |

## Risk likelihood, control and impact





# Risk Management continued

## Principal Risks continued

### 1. Economic and political instability

| Principal Risk and why it is relevant | Trend | Risk velocity | Key mitigation, sponsor and explanation of change | Risk appetite rating | Rationale for rating |
|---|---|---|---|---|---|
| The Group operates worldwide and maintains operations in territories that have historically experienced economic or political instability, including regime changes. In addition to the potential impact on our local operations, this instability also increases credit, liquidity and currency risks. | → | Very high<br>**High**<br>Medium<br>Low<br>Very low | • Strong internal controls, including internal audit and appropriate insurance<br>• Operating in line with the Group Treasury Policy, including currency exchange hedging and cash pooling arrangements<br>• Externally-facilitated scenario planning exercises<br>• Resilient business model, strengthened by regular strategic business reviews<br>• Well spread business by geography and sector<br>• Increased liquidity through more headroom on Group debt facilities<br>**Executive sponsor:**<br>Group Chief Executive Officer<br>**Change:**<br>No change. | Very high<br>**High**<br>Balanced<br>Low<br>Very low | We have the track record and local insight to successfully manage unique challenges in economically and politically volatile territories. We are willing to accept these challenges where opportunities for growth exceed the impact of this risk. |

**Link to strategic priority:** 🌐 📦

### 2. Significant exchange rate movement

| Principal Risk and why it is relevant | Trend | Risk velocity | Key mitigation, sponsor and explanation of change | Risk appetite rating | Rationale for rating |
|---|---|---|---|---|---|
| The Group reports its results and pays dividends in sterling. Sales and manufacturing companies trade in local currency. With our local presence in markets across the globe, the nature of our business necessarily results in exposure to exchange rate volatility. | ↑ | **Very high**<br>High<br>Medium<br>Low<br>Very low | • Maintain the spread of manufacturing across currency areas<br>• Consideration of exchange rate exposures in the manufacturing strategy<br>• Forward cover where appropriate and in line with the Group Treasury Policy on hedging currency exchange movements<br>• Focus on reducing manufacturing cost, including sourcing materials from cheaper markets, and purchasing in the UK in foreign currency<br>• Deployment of price management tools<br>**Executive sponsor:**<br>Chief Financial Officer<br>**Change:**<br>This risk has increased to reflect the increasing volatility of foreign exchange rates across both developed and developing economies that we have witnessed over the past year. | Very high<br>High<br>**Balanced**<br>Low<br>Very low | We take a balanced view of this risk which arises as a direct result of our global presence, but our geographic spread means we are not wholly dependent on any one currency. |

**Link to strategic priority:** 🌐 📦

### Link to strategic priorities

🎯 Increase direct sales effectiveness through market sector focus.

★ Develop the knowledge and skills of our expert sales and service teams.

🌐 Broaden our global presence.

💡 Leverage our R&D investments.

📦 Optimise supply chain effectiveness.

🍃 Operate sustainably and help improve our customers' sustainability.

● Direct link

🔵 Indirect link

### Trend

↑ Risk increased.

→ No change to risk.

↓ Risk decreased.

| Principal Risk and why it is relevant | Trend | Risk velocity | Key mitigation, sponsor and explanation of change | Risk appetite rating | Rationale for rating |
|---|---|---|---|---|---|
| **3. Cybersecurity** | | | | | |
| Cybersecurity risks include theft of information, malware, ransomware and compliance with evolving statutory and legislative requirements. Risks may manifest through a direct attack on our business or through our supply chain. | → | **Very high**<br>High<br>Medium<br>Low<br>Very low | • Global assessment of our IT environment against UK cyber essentials framework and prioritising actions for improvement<br>• Deploying security tools to limit the impact and spread of ransomware<br>• System access rights regularly reviewed<br>• Further strengthening of security for centrally-managed systems for heightened protection and consistency<br>• Mandatory cyber awareness training is delivered to all staff electronically each year<br>**Executive sponsor:**<br>Group IT Director<br>**Change:**<br>No change. | Very high<br>High<br>Balanced<br>Low<br>**Very low** | Concerns of potential impact on the business, in addition to the important considerations surrounding protection of personal data, reinforce our commitment to implement and maintain robust security measures across the Group. |

**Link to strategic priority:** 🌐 🧰

| | | | | | |
|---|---|---|---|---|---|
| **4. Failure to realise acquisition objectives** | | | | | |
| The Group mitigates this risk in various ways, including through comprehensive due diligence, professional advisers, contractual protections and comprehensive integration planning.<br>However, there are some variables that are difficult to control, such as adverse economic conditions, or the loss of key employees, which could impact acquisition objectives. | ↑ | Very high<br>High<br>Medium<br>Low<br>**Very low** | • Regular review of acquisition criteria in line with strategic plan<br>• Board approval of integration plans for major acquisitions<br>• Scrutiny of targets and implementation plans by external advisers and internal key players<br>• Use of retainer/escrow to provide protection against warranty claims<br>• Use of insurance as protection against seller breach and non-disclosure<br>• Ensuring valuation models show a healthy return on investment<br>• Regular monitoring of performance by the Board against the approved investment case<br>**Executive sponsor:**<br>Group Chief Executive Officer<br>**Change:**<br>The risk has increased due to the combined size of the two acquisitions undertaken in 2022 (Vulcanic and Durex Industries) and reflecting the impact should the Group fail to realise its acquisition objectives. | Very high<br>High<br>Balanced<br>**Low**<br>Very low | Thorough planning and proper due diligence can mitigate many of the potentially risky aspects of an acquisition. Implementation plans must be well-developed and carefully pursued to achieve the full strategic and financial benefits. |

**Link to strategic priority:** 🌐 💡 🧰

# Risk Management continued

## Principal Risks continued

| Principal Risk and why it is relevant | Trend | Risk velocity | Key mitigation, sponsor and explanation of change | Risk appetite rating | Rationale for rating |
|---|---|---|---|---|---|
| **5. Loss of manufacturing output at any group factory** | | | | | |
| The risk includes loss of output as a result of natural disasters, industrial action, accidents or other causes. Loss of manufacturing output from our larger plants risks serious disruption to Group sales. | ↓ | Very high<br>**High**<br>Medium<br>Low<br>Very low | • New facility for Watson-Marlow Fluid Technology Solutions in North America<br>• Expansion of capacity planned for Thermocoax in France and BioPure in the UK<br>• Capacity planning and holding stock in sales companies<br>• Conducting audits/inspections<br>• Annual risk assessments and business continuity planning<br>• Reviewing and maintaining appropriate insurance cover<br>• Continuing commitment to employee policies, ensuring satisfactory benefits and regular communication with all employees<br>• Comprehensive manufacturing footprint project undertaken<br>• Investment in new sites to open alternative lines of supply<br>**Executive sponsors:**<br>Managing Directors of Steam Thermal Solutions, Electric Thermal Solutions and Watson-Marlow Fluid Technology Solutions<br>**Change:**<br>This risk has decreased as the risk is lower than in the Covid Pandemic. Risk of labour and materials shortage is also lower than the previous year. | Very high<br>High<br>Balanced<br>**Low**<br>Very low | While we have mitigated this risk through a geographic spread of factories, calculated replication of capacity and management of stock, we have a low appetite for this risk due to the potential negative consequences to the Group and its customers. |
| **Link to strategic priority:** | | | | | |
| **6. Inability to identify and respond to changes in customer needs: digital/non-digital** | | | | | |
| This risk could lead to a reduction in demand from a failure to respond to changes in the needs of customers or technology shifts. | → | Very high<br>High<br>Medium<br>**Low**<br>Very low | • Stronger presence of sales engineers, compared with competitors, in the marketplace<br>• Acquisition of Durex Industries and the Vulcanic Group to better position the Group in meeting customer demand in the transition to more sustainable industries<br>• New product ideas generated by market development managers from close alignment with sales engineers and customers<br>• Sales and competitor analyses undertaken to identify any trends or technology shifts<br>• Digital strategies for each Business are either underway or under preparation with longer term implications on investment, resource levels, new skills and need to develop external partnerships<br>• A Group Digital Director leading the Group Digital Strategy<br>• Acquisition of Cotopaxi to further accelerate the Group digital learning curve<br>**Executive sponsors:**<br>Managing Director, Steam Thermal Solutions and Group Digital Director<br>**Change:**<br>No change. | Very high<br>High<br>**Balanced**<br>Low<br>Very low | The Group continues to focus on its market awareness, invests in technical and sales knowledge via the Spirax Sarco Academy and, through Customer first sectorisation, seeks to be more closely attuned to its customers. There is a good level of control effectiveness, but a low appetite for this risk. |
| **Link to strategic priority:** | | | | | |

| Principal Risk and why it is relevant | Trend | Risk velocity | Key mitigation, sponsor and explanation of change | Risk appetite rating | Rationale for rating |
|---|---|---|---|---|---|
| **7. Loss of critical supplier** | | | | | |
| This risk relates to the loss of a critical supplier that could result in manufacturing constraints and delayed deliveries to customers. | ↓ | Very high<br>High<br>**Medium**<br>Low<br>Very low | • Improved supplier risk assessments and actions to create supply chain alternatives<br>• Supplier selection processes have been improved with increased importance placed on product quality, product delivery, financial stability and supplier sustainability<br>• Supplier development and supplier management resources have been strengthened<br>• As part of our procurement strategy, we are securing more robust sources of supply<br>• Dual sourcing strategies for critical suppliers and critical parts give us greater flexibility in our supply chain<br>• Continued with global market assessment exercises to establish correct price points and mitigate<br>• Price increases<br>**Executive sponsors:**<br>Business Supply Heads<br>**Change:**<br>This risk has decreased as turbulence in our upstream supply chain has abated as markets have grown to accept a new normal which includes a greater level of turbulence than in historical times and inflation on commodities has eased. | Very high<br>**High**<br>Balanced<br>Low<br>Very low | Our expenditure with suppliers is not heavily concentrated in any one supplier or group of suppliers. |
| **Link to strategic priority:** | | | | | |
| **8. Breach of legal & regulatory requirements (including ABC laws)** | | | | | |
| We operate globally and must ensure compliance with laws and regulations wherever we do business. As we grow into new markets and territories we continually review and update our operating procedures and ensure our colleagues are fully informed and educated in all applicable legal requirements, such as with respect to anti-bribery and corruption (ABC) legislation.<br>Breaching any of these laws or regulations could have serious consequences for the Group. | → | Very high<br>High<br>**Medium**<br>Low<br>Very low | • Ongoing global monitoring of commercial arrangements and agreements, with appropriate professional advice<br>• Established procedures to maintain accreditations<br>• Annual Group-wide ABC training improved with a new programme<br>• Multi-lingual, multi-national secure whistle-blowing hotline<br>• Group Litigation Report and ongoing monitoring of cases<br>• Regular updates on Corporate Governance and Stock Exchange rules<br>• General Data Protection Regulation compliance plan in place<br>• Conducting supplier audits<br>• Engaging suppliers to commit to compliance with the principles of the Supplier Sustainability Code<br>**Executive sponsor:**<br>Group General Counsel<br>**Change:**<br>No change. | Very high<br>High<br>Balanced<br>Low<br>**Very low** | We abide by the laws, rules and regulations of the jurisdictions in which we operate and given the serious consequences for breaching these laws, rules and regulations, we have a very low appetite for this risk. |
| **Link to strategic priority:** | | | | | |

# Our Governance

## Leading effective governance to ensure the successful management of the Group across its diverse Businesses

Welcome to our 2023 Governance Report. In this Report you can see the composition of our Board and our Group Executive Committee and find out how our governance framework for planning, implementation and monitoring of Spirax Group's performance ensures we are well placed to respond and adapt to the changing environment.

The Disclosure Guidance and Transparency Rules (DTR) require a company to include in its Directors' Report a governance statement containing certain information. However, as allowed by DTR 7.2.9, we have chosen to set out the information in this governance section of the Annual Report. The Group's risk management and internal control framework and the Principal Risks and uncertainties, described on pages 98 to 105, the Directors' Report on pages 179 to 182 and the various Committee Reports on pages 128 to 160 also contained required information and are incorporated into this statement by reference.

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## In this section

# Board leadership and Company Purpose

## Chair's introduction

> We continue to be directly involved with ESG as it is at the heart of our Group's core activities and given its importance to shareholders and wider stakeholders."
>
> **Jamie Pike**
> Chair

### Our Purpose

Our Purpose, to create sustainable value for all our stakeholders as we engineer a more efficient, safer and sustainable future, helps our Group Businesses to stay relevant in a fast-changing world. It drives our direction and priorities and connects us with the communities of which we are part. Our Purpose also provides our colleagues with the clarity needed to respond quickly and with agility as part of Spirax Group.

### Board Composition

In August we announced that Nicholas (Nick) Anderson would be standing down as Group Chief Executive after ten years in the position. Nick has led the Group with distinction and meaningfully improved on the Group's long record of consistent and quality growth. More than half of this growth was organic, with the balance coming from successful acquisitions that strengthened and enhanced the Steam Thermal Solutions and Watson-Marlow Fluid Technology Solutions Businesses, as well as establishing our Electric Thermal Solutions Business. Nick also leaves our Group with firmly embedded sustainability strategies, inclusion and equity programmes, as well as successful leadership and talent development programmes that contributed to the selection of a strong internal successor.

In August, we were delighted to announce Nimesh Patel's appointment as Group Chief Executive Officer and he took up the position on 16th January 2024. Nimesh joined the Group in 2020 as Chief Financial Officer and his appointment as Group Chief Executive Officer follows a rigorous succession process, more details of which can be found in the Nomination Committee Report on pages 134 and 135. As announced in December 2023, Louisa Burdett will join the Group in July 2024 as the Chief Financial Officer. Louisa is a highly experienced CFO having led finance functions in several large companies including UK-listed Croda, Meggitt and Victrex. She currently serves as a Non-Executive Director and Audit Committee Chair of RS Group plc. The recruitment of Louisa as successor in the role of CFO followed our usual rigorous succession process. Director of Group Finance, Phil Scott, will act as Interim Chief Financial Officer until that point, although will not be a statutory director of the Company.

We also indicated last year I would be stepping down in 2024 following my reappointment for a further three years in 2021. The Board considered that the reappointment would be compliant with Provision 19 of the UK Corporate Governance Code 2018 (the Code), which allows for an extension beyond nine years' service as, although I have been a Non-Executive Director since 2014, I was only appointed as Chair five years ago, in 2018. The Nomination Committee is currently engaged in the search and appointment for the Chair succession and further information on this can be found in the Nomination Committee and Directors Reports on pages 132 and 179.

Following the resignation of Olivia Qiu in January 2023 the Nomination Committee began the process of finding a new Non-Executive Director. We announced the appointment of Constance Baroudel on 2nd August 2023. Constance brings to the Group strong sustainability, financial, strategic and non-executive experience as well as her knowledge of large, global organisations, to support the ongoing sustainable growth and success of our Group.

As illustrated in the Board biographies on pages 112 and 113 and the Board at a glance (as at 31st December 2023) on page 115, we continue to ensure that our Board is diverse ethnically, culturally and in terms of gender. In order to create more transparency around this matter, the Financial Conduct Authority (FCA) introduced new listing rules, effective for accounting periods starting on or after 1st April 2022 (which we have disclosed voluntarily in previous years), this can be found in the Directors Report on page 179.

# Board leadership and Company Purpose continued

## Chair's introduction continued

### Embedding Environmental, Social and Governance (ESG) oversight

The Board is directly responsible for ESG matters and is responsible for the overall stewardship of strategic risk management and internal control. The Board as a whole continues to have direct and comprehensive oversight of ESG matters, which are essential to the execution of our Group and Business Strategies. The Board received six updates from Sarah Peers, Group Director of Sustainability, during 2023. This included updates on progress against metrics and targets and enabled the Board to be directly involved in ESG matters. More information on the Group's approach to Sustainability can be found in the Sustainability Report on pages 60 to 97.

The Audit Committee is also directly involved in the detailed review of risks, which includes climate-related risks, and it reports back to the Board on its findings. The Risk Management Committee has responsibility for managing climate-related risks. Sarah Peers has specific delegated responsibility for overseeing climate-related risks and mitigation activities, as well as for ensuring that climate-related risks and opportunities are appropriately considered in management's day-to-day operational practices. This is carried out through the Group Sustainability Management Committee (GSMC). The GSMC comprises the Group Director of Sustainability, Heads of Sustainability from each respective Business, Strategic Initiative and Strategic Project leads and other key individuals as required.

Sustainability and Health and Safety updates are always the first two operational matters addressed by the GEC and Board at each meeting.

We have a quarterly Steering Committee meeting, attended by the Executive Sponsors of **One Planet Sustainability Strategy**, the strategic initiative/strategic project leads and the Group Sustainability Reporting Manager. These meetings consist of updates on current strategic initiatives and projects, and other general **One Planet Sustainability Strategy** updates and decisions.

During 2023, there were three meetings of the Colleague Engagement Committee (CEC). The CEC's principal remit is to ensure that the voice of the workforce is considered in all aspects of the Board's thinking and to understand and support colleague engagement activities across the Group. The CEC also has a clear programme and agenda for meeting self-selected groups across the business, without management present, in order to understand better their roles and gain their feedback and their experience working for the Company. Full information of the CEC's activities in this regard can be found in the CEC Report on pages 128 to 131.

### Board Performance

The Chair confirms that, following a formal performance evaluation, each Director's performance continues to be effective and each Director demonstrates commitment to the role. The Senior Independent Director conducted a review of the performance of the Chair as required by the Code and the review concluded that the Chair's performance was good. More information on the Board Effectiveness review for 2023 can be found in the Nomination Committee Report on pages 132 to 137.

### Section 172 Statement

The long-term success of our business is dependent on the way we work with all our stakeholders and continues to require effective engagement, constructive working practices and recognition of stakeholder views in order to create and sustain value for all.

In accordance with the Companies (Miscellaneous Reporting) Regulations 2018, the Directors have prepared a statement describing how they have had regard to the matters set out in Section 172 when performing their duty to promote the success of the Company. This can be found on pages 121 to 123.

### Outcome of 2023

The Board and Management were vigilant in staying informed of current events impacting the business. We continue to deal with uncertainty in the Pharmaceutical & Biotechnology and Semiconductor sectors, due to customer destocking. Against this backdrop, the Group's financial performance in 2023 was in line with the expectations we set out in our November 2023 trading update. More information on the 2023 Group performance can be found in the Strategic Report on pages 4 to 105.

### Fair, balanced and understandable

In accordance with the Code, the Directors confirm that they consider the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's financial position, performance, business model and strategy.

### Statement by the Directors on compliance with the Code

The UK Corporate Governance Code 2018 applied to the Group for the financial year ended 31st December 2023, a copy of which can be found on the FRC website, www.frc.org.uk.

With effect from 1st January 2023 the Board considers that it has complied, in full, with the principles and provisions of the Code, following the final step change bringing the previous Group Chief Executive's pension contributions in line with the wider UK colleague maximum contributions of 10%. The current Group CEO's pension contributions were already at 10% when he joined as Chief Financial Officer. We detail our compliance, on a Code provision-by-provision basis, in the Corporate Governance section on our website, spiraxgroup.com/governance-documents.

### Proxy advisory firms

The Company engages with a number of proxy advisory firms ahead of publication of its Notice of AGM and publication of their proxy reports in order to, where possible, align proposed resolutions with investor expectations.

### Annual General Meeting

The Annual General Meeting (AGM) is scheduled to take place on Wednesday, 15th May 2024 and an explanation of the resolutions sought, is set out in the Circular posted on our website and sent to shareholders in the format selected by them. As required by the Code, the resolutions regarding each Director's appointment or reappointment will be accompanied by information on why their contribution is, and continues to be, important to the Company's long-term sustainable success.

In 2024, we will be proposing a number of resolutions in addition to the regular business. The first of which is the proposal to change the Company name from Spirax-Sarco Engineering plc to Spirax Group plc. This is in support of our decision to refresh the branding of the Group to help stakeholders better understand our evolution to a larger Group that now includes three strong and aligned Businesses. The brand refresh is also an exercise in simplification: we are often referred to as 'Spirax' and our stock market ticker is 'SPX', therefore, in this way we are moving more intentionally into a space we already occupy. It is also an exercise in impact with 'Spirax Group' replacing the longer Spirax-Sarco Engineering. One of the main aims of the brand refresh and Company name change is to eliminate the confusion that exists in differentiating the Group from the Spirax Sarco Division of Steam Thermal Solutions (previously Steam Specialties). The Group is often mistaken for the Spirax Sarco Division and, therefore, external stakeholders sometimes see us purely as a 'steam engineering company'. In supporting our change to Spirax Group plc, shareholders are enabling full alignment to our brand refresh, giving more visibility to all three Businesses and removing the confusion with Spirax Sarco. This is important in helping Spirax Group clearly communicate our full capabilities, including our ability to support our customers to achieve their operating, sustainability and decarbonisation goals.

Also, and in line with our commitment to our shareholders, retail and investment, we are proposing a minor administrative amendment to our Articles of Association in order to better identify and manage 'lost' shareholders in order to reunite or reclaim assets.

This year we are delighted to invite you to the AGM at our refurbished Group Headquarters at Charlton House, in Cheltenham, UK, see page 76 for details on the work done to transform the building into a modern and sustainable working space that will serve the Group for decades to come.

I look forward to meeting shareholders at the AGM on Wednesday, 15th May 2024.

**Jamie Pike**
Chair
6th March 2024

### Board focus for 2024

- Continue to support the Group Executive Committee and the three Businesses with their growth plans through the implementation of their medium term plans
- Key management presentations and discussions are planned in 2024 across all of our Businesses
- Consolidate our position through both organic and inorganic growth
- Focus on ESG and climate change
- Board Chair succession planning

### Further reading

The Notice of Annual General Meeting and all governance-related policies and procedures are available to view and download: spiraxgroup.com/agm-notices

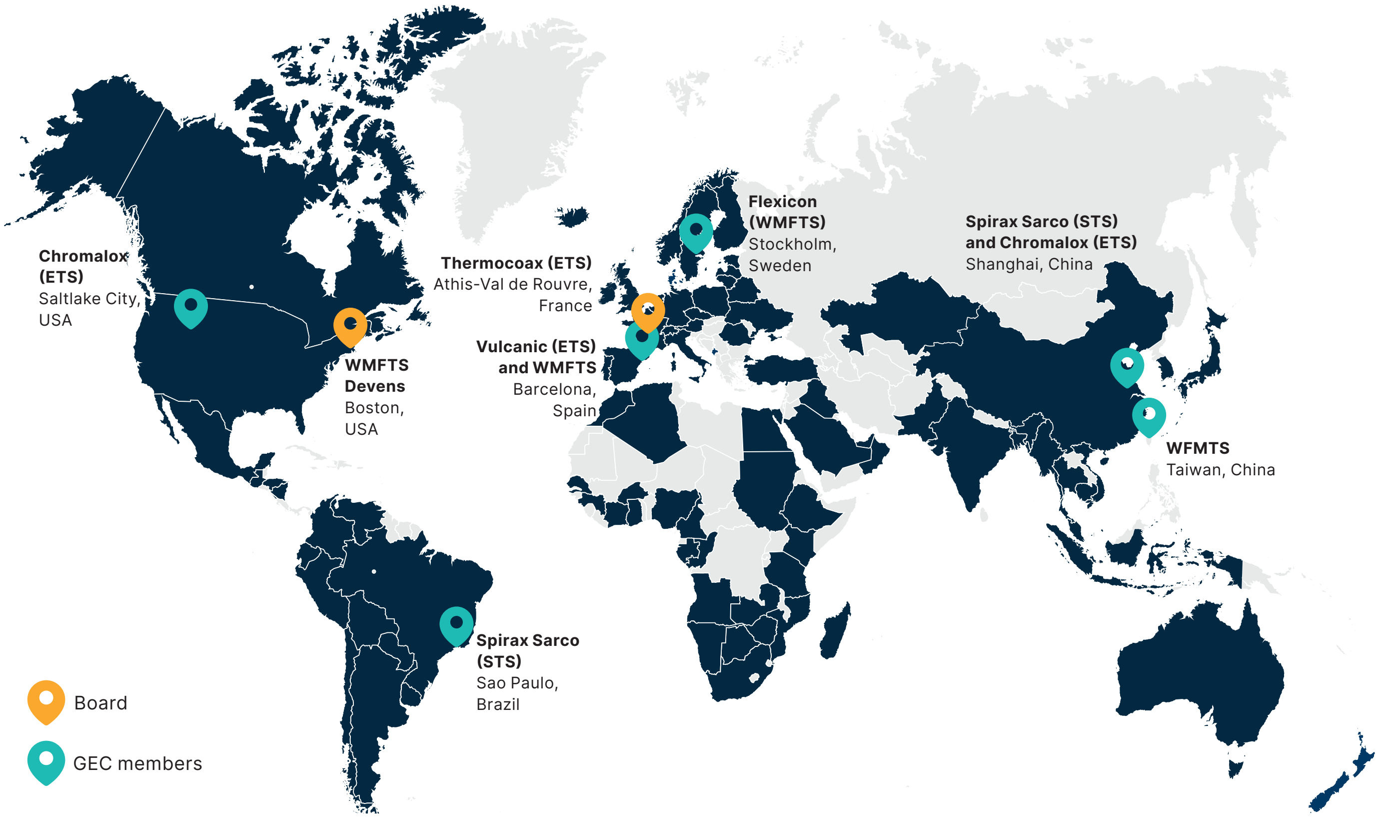
# Board leadership and Company Purpose continued

## Governance at a glance

At year end 2023

## Highlights from 2023

### Understanding our business



The Board and GEC regularly visit our sites all over the world, connecting with colleagues and the Businesses first hand in order to better understand the operating environment and challenges they face.

## Listening to colleagues

**90%**

Colleague engagement with 'pulse survey'

**10**

The Colleague Engagement Committee held 10 in person forums directly with colleagues

**100+**

Colleague voices were heard during the sessions

See further information in the Colleague Engagement Committee Report on pages 128 to 131

## Major board decisions

**February**
- 2023 strategic and financial plan approved

**March**
- Approval of the final dividend of 114.0 pence per share
- Authorisation of further investment of £47m (US$ 58.2m) for the expansion of the Chromalox Ogden plant

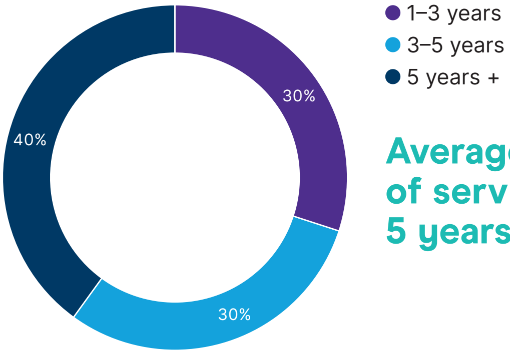
**May**
- Adoption of Audit related policies
- Agreement of Group Branding refresh
- Authorisation of 2023 ESOP invitation

**June**
- Approval of the investment in Kyoto Heatcube (see page 122)

**August**
- Approval of 2023 Interim Results announcement
- Approval of the interim dividend of 46.0 pence per share
- Appointment of new Non-Executive Director, Constance Baroudel
- Announcement of the successor to the role of Group Chief Executive

**December**
- Review and Approval of the 2024 Group Plan
- Initiation of the Group Strategic Framework

## Board tenure



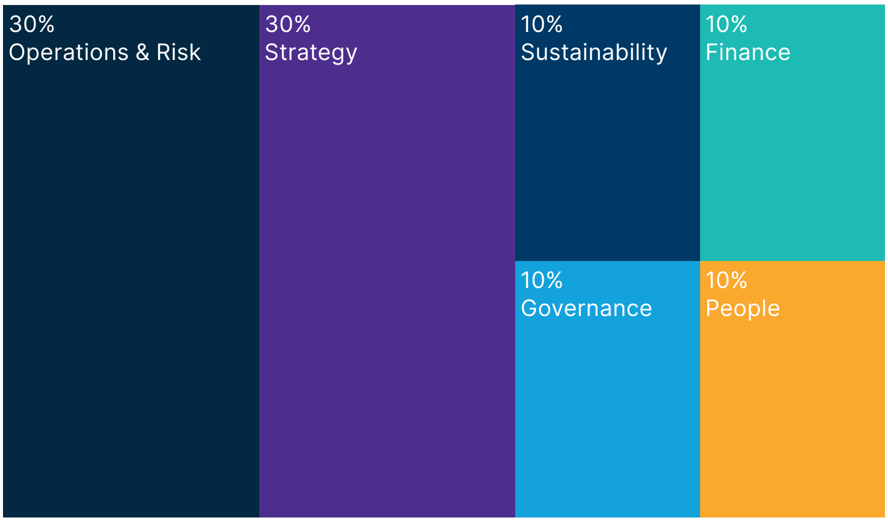
**Average length of service 5 years 4 months**

## UK Corporate Governance Code compliance

**100%**

We have complied in full with the principles and provisions of the UK Corporate Governance Code 2018.

## How the Board spent its time



# **Board leadership and Company Purpose** continued

## Board of Directors

**Jamie Pike** MBA, MA, MIMechE
**Chair**

### Appointed to the Board
May 2014, Chair from 2018.

### Areas of experience
Engineering, international business, senior management, M&A, strategy.

### Background
Jamie Pike joined Burmah Castrol in 1991 and was Chief Executive of Burmah Castrol Chemicals before leading the Foseco buyout in 2001 and its subsequent flotation in 2005.

Prior to joining Burmah, he was a partner at Bain & Company. Jamie was educated at Oxford, holds an MBA from INSEAD and is a Member of the Institute of Mechanical Engineers.

### External appointments
Chair and Non-Executive Director of XP Power Limited.

Chair of IMI plc with effect from 1st January 2025.

**Nimesh Patel** BSc
**Group Chief Executive Officer**

### Appointed to the Board
September 2020, Group Chief Executive Officer from January 2024 (having previously served as Chief Financial Officer).

### Areas of experience
International business, senior management, M&A, finance and accounting, industrial, pensions, tax and treasury.

### Background
Before joining the Group in 2020, Nimesh Patel was Chief Financial Officer of the De Beers Group. Prior to that he was Group Head of Corporate Finance at Anglo American plc, leading a team based in London and Johannesburg. Previously, Nimesh spent 14 years in investment banking at both JP Morgan and as a Managing Director at UBS.

### External appointments
Co-Chair of the FTSE Women Leaders Review and Trustee of Barts Charity.

**Phil Scott** BA, ACMA, FCT
**Interim Chief Financial Officer**

### Attends Board meetings
January 2024.

Not appointed as a statutory director.

### Areas of experience
International business, senior management, M&A, finance and accounting, pensions, tax and treasury.

### Background
Before joining the Group in 2021 as Director of Group Finance, Phil led a number of the Group Finance functions at Ferguson plc. Prior to that Phil spent 15 years at Vodafone Group plc. Phil is a member of the Chartered Institute of Management Accountants and Fellow of the Association of Corporate Treasurers.

### External appointments
Director of Wolseley Pension Trustees Limited which provides trustee services to the Wolseley Group defined benefit pension scheme.

**Angela Archon** MSc SE, BSc CEng
**Independent Non-Executive Director**

### Appointed to the Board
December 2020.

### Areas of experience
Engineering, operational, strategy, international, M&A, manufacturing, senior management.

### Background
Angela Archon held various senior executive, global positions in Business Development, Engineering, Operations, and Strategy, throughout her 30-year career at IBM Corporation. She also represented IBM for eight years as Board Liaison for the National Action Council for Minorities in Engineering. Angela is a member of the Engineering Honour Society and earned a Professional Engineer's license. Until December 2022, she was a non-executive director of Switch Inc., listed on the New York Stock Exchange.

### External appointments
Non-Executive Director of DT Midstream Inc., Trustee at CommonSpirit Health.

**Constance Baroudel** Msc, BA
**Independent Non-Executive Director**

### Appointed to the Board
August 2023.

### Areas of experience
Strategy, sustainability, operational, international business, R&D, international relations.

### Background
Constance is Sector Chief Executive, Environmental & Analysis and Chief Sustainability Officer at Halma plc, having previously held a range of executive positions within Halma plc, as well as with First Group plc, De La Rue and Strategic Decisions Group International. With more than 20 years' experience, Constance has significant knowledge of working in large, global organisations. Constance previously served as Non-Executive Director for both Kier Group and Synergy Health plc.

### External appointments
Sector Chief Executive, Environmental & Analysis and Chief Sustainability Officer at Halma plc.

**Peter France**
**Independent Non-Executive Director**

### Appointed to the Board
March 2018.

### Areas of experience
Engineering, international, senior management, M&A, operational, strategy, sales and marketing, industrial, manufacturing.

### Background
Peter France was Chief Executive Officer of Rotork plc from 2008 to 2017. He also gained wide experience in a number of key roles at Rotork plc from 1989 to 2008 including acting as Chief Operating Officer and Director of Rotork South East Asia based in Singapore.

Peter is a Chartered Director of the Institute of Directors.

### External appointments
Chief Executive Officer of TT Electronics.

**Richard Gillingwater** MA
### Independent Non-Executive Director and Senior Independent Director

**Appointed to the Board**
March 2021.

**Areas of experience**
International business, investment, finance and non-executive experience.

**Background**
Until December 2022, Richard Gillingwater was Chair of Janus Henderson Group plc. He has also held a range of executive positions within global investment banks including Kleinwort Benson, Credit Suisse and Barclays de Zoete Wedd. Richard holds an MBA from the International Institute for Management Development, a BA Law from Oxford University and is qualified as a solicitor.

**External appointments**
Senior Independent Director of Whitbread plc and Governor of the Wellcome Trust.

**Caroline Johnstone** BA, CA
### Independent Non-Executive Director

**Appointed to the Board**
March 2019.

**Areas of experience**
International, M&A, finance, people.

**Background**
Caroline Johnstone has 40 years' experience working with large global organisations on mergers and acquisitions, culture change and cost optimisation. She was a partner in PricewaterhouseCoopers (PwC) and sat on the UK Assurance Board as people partner. Caroline is a member of the Institute of Chartered Accountants of Scotland.

**External appointments**
Chair of Synthomer plc, Non-Executive Director, Senior Independent Director and Audit Committee Chair of Shepherd Group Ltd, a private company which owns Portakabin Limited and sits on the Governing Board of the University of Manchester.

**Jane Kingston** BA
### Independent Non-Executive Director

**Appointed to the Board**
September 2016.

**Areas of experience**
Engineering, international business, senior management, operational, people, remuneration.

**Background**
From 2006 until her retirement in December 2015, Jane Kingston served as Group Human Resources Director for Compass Group PLC. Prior to this, she served as Group Human Resources Director for BPB plc. Jane has worked in a variety of sectors, including roles with Blue Circle Industries plc, Enodis plc and Coats Viyella plc and has significant international experience.

**External appointments**
Non-Executive Director and Remuneration Committee Chair of Inchcape plc (until 9th May 2024).

**Kevin Thompson** BSc, FCA
### Independent Non-Executive Director

**Appointed to the Board**
May 2019.

**Areas of experience**
Engineering, international, senior management, M&A, strategy, finance, pensions, tax and treasury.

**Background**
Kevin Thompson was Group Finance Director of Halma plc from 1998 to 2018, having joined Halma as Group Financial Controller in 1987. Kevin qualified as a Chartered Accountant with PricewaterhouseCoopers (PwC) and is a Fellow of the Institute of Chartered Accountants in England and Wales.

**External appointments**
Deputy Chair and Trustee of the Great Ormond Street Hospital Children's Charity.

**Andy Robson** LLB Law Barrister
### Group General Counsel and Company Secretary

**Appointed as Group General Counsel and Company Secretary**
June 2012.

**Areas of experience**
International law, corporate governance, international business development including M&A, business restructuring, information technology, contract negotiation.

**Background**
Before joining the Group in 2012, Andy Robson was General Counsel and Company Secretary of RM plc, a role he held for 14 years. Prior to this, Andy was European General Counsel with Cendant Corporation headquartered in Baltimore, USA and worked in the USA for Blackstone Trust. He was also Deputy General Counsel at BAE Systems plc.

**Key**
- (A) Audit Committee
- (N) Nomination Committee
- (C) Colleague Engagement Committee
- (R) Remuneration Committee
- (RK) Risk Management Committee
- ● Denotes Committee Chair
- ■ Executive
- 🟪 Non-Executive
- 🟦 Group Executive Committee
- ▨ Company Secretary

**Further reading**
⊕ Read about our Board diversity, composition, succession and evaluation. See pages 126 to 127

# Board leadership and Company Purpose continued

## Our Group Executive Committee

**Nimesh Patel** BSc

**Group Chief Executive Officer**

+ See Biography on Board of Directors on pages 112 to 113

**Phil Scott** BA, ACMA, FCT

**Interim Chief Financial Officer**

+ See Biography on Board of Directors on pages 112 to 113

**Andy Robson** LLB Law Barrister

**Group General Counsel and Company Secretary**

+ See Biography on Board of Directors on pages 112 to 113

**Maurizio Preziosa**

**Managing Director, Steam Thermal Solutions**

Appointed to the Group Executive Committee

January 2021.

Background

Maurizio joined Spirax Group in 2011 as Managing Director of Spirax Sarco Italy and developed his career in the Group by assuming the role of Regional General Manager Southern Europe, Global Divisional Director Gestra, up to the appointment at Group Managing Director Steam Thermal Solutions in 2021. Prior to joining Spirax Group Maurizio worked in ABB Group with different sales management and general management roles.

**Armando R. Pazos**

**President, Electric Thermal Solutions**

Appointed to the Group Executive Committee

December 2021.

Background

Armando joined the Group in March 2020 as the Vice President of Global Sales and joined the GEC in December 2021 following his promotion to President and Managing Director of the Electric Thermal Solutions Business. Prior to this, Armando was at Ingersoll Rand, an industrial global manufacturer of tools, pumps, and air compressors, for 24 years.

**Andrew Mines**

**Managing Director, Watson-Marlow Fluid Technology Solutions**

Appointed to the Group Executive Committee

November 2019.

Background

Prior to joining the Group, Andrew held the position of Executive Vice President, Global Construction Products of Illinois Tool Works Inc. (ITW) and was a member of the Group Executive Leadership Team. Andrew had a 23-year career with ITW comprising engineering, sales, manufacturing and senior roles in global Automotive and Construction sectors.

**Sarah Peers**

**Group Director of Sustainability**

Appointed to the Group Executive Committee

October 2022.

Background

Sarah joined the Group in 2013 as Group Head of Corporate Communications and was appointed Group Head of Sustainability in July 2020 and is now Group Director of Sustainability. Prior to joining the Group, Sarah worked as a qualified teacher. Sarah holds a Doctorate in Historical Geography (specialising in early industrial labour history) from the University of Oxford.

**Jim Devine**

**Group HR Director**

Appointed to the Group Executive Committee

February 2016.

Background

Before joining the Group in 2016, Jim was Group HR Director at Chemring plc and prior to that held a range of senior HR roles at Centrica plc, Ford Motor Company and BAE systems.

**Maria Wilson**

**Group Digital Director**

Appointed to the Group Executive Committee

September 2023.

Background

Prior to joining Spirax in early 2023, Maria was the Global Leader for Data Driven Advantage with Howden, leading the vision definition and execution of a global digital program focused on delivering business growth enabled by digital technologies. She has also completed a PhD in Fluid Mechanics from the University of Erlangen-Nuremberg, Germany.

# The Board at a glance

At year end 2023

## Expertise and experience

### Core expertise

International business
👤👤👤👤👤👤👤👤👤👤

Senior management
👤👤👤👤👤👤👤

M&A
👤👤👤👤👤👤👤

Engineering
👤👤👤👤👤👤

Strategy
👤👤👤👤👤👤

Operational
👤👤👤👤👤

Finance & accounting
👤👤👤👤

Industrial
👤👤👤

People
👤👤

Pensions
👤👤

Tax & treasury
👤👤

Sales & marketing
👤👤

Manufacturing
👤👤

Sustainability
👤

Investment
👤

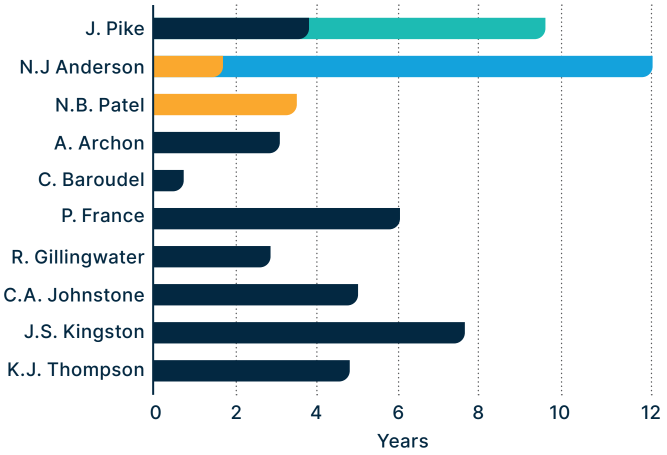
Non-Executive experience
👤

R&D
👤

Remuneration
👤

## Length of service

### Board tenure



● Executive Director ● Group Chief Executive
● Non-Executive Director ● Chair

Average length of service

**5 years 4 months**

## Board and Committee attendance

| | Board | Audit | Remuneration | Nomination | Colleague Engagement | Risk Management[1] |
|---|---|---|---|---|---|---|
| **Jamie Pike** | 7/7 | | | 4/4 | | |
| **Nicholas Anderson** | 7/7 | | | | | 4/4 |
| **Nimesh Patel** | 7/7 | | | | | 3/4 |
| **Angela Archon** | 7/7 | | 5/5 | 4/5 | 3/3 | |
| **Constance Baroudel** | 3/3 | | | 3/3 | | |
| **Peter France** | 7/7 | 5/5 | | 5/5 | 3/3 | |
| **Richard Gillingwater** | 7/7 | 5/5 | 5/5 | 5/5 | | |
| **Caroline Johnstone** | 7/7 | 5/5 | | 4/5 | 3/3 | |
| **Jane Kingston** | 7/7 | | 5/5 | 5/5 | 3/3 | |
| **Kevin Thompson** | 7/7 | 5/5 | 5/5 | 5/5 | | |

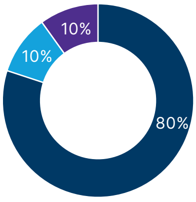
[1] The Risk Management Committee consists of the Executive Directors, members of the Group Executive Committee (GEC) and other key individuals, full details can be found on page 150

## Board changes

- Olivia Qiu stepped down as an Independent Non-Executive Director on 31st January 2023
- Constance Baroudel joined as an Independent Non-Executive Director on 2nd August 2023
- Nicholas Anderson retired as Group Chief Executive on 16th January 2024
- Nimesh Patel was appointed as Group Chief Executive Officer on 16th January 2024

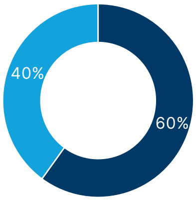
## Board makeup

### Ethnicity



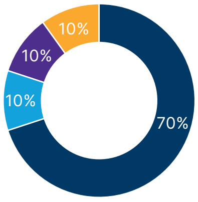
● Black
● Indian
● White

### Gender Diversity



● Female
● Male

### Nationality



● British
● British/American
● British/Irish
● French

## Our shareholders

# Engineering our future, together

## Consistent controls for a more resilient future

Today, companies like ours are operating in increasingly complex environments and the regulatory landscape for governance is changing, with significant legislation changes under debate by governments around the world.

Good governance is good for business and by implementing consistent and robust financial controls across the Group, we're setting ourselves up for a more resilient future.

Launching our Group Governance Guidelines (G3) programme just over 18 months ago was a significant step on this journey. The aims of G3 are to strengthen our financial resilience through working collaboratively and in partnership to build a stronger Spirax Group that is focused on achieving excellence in line with our Values.

G3 is a risk-based approach to improving financial controls. By supporting teams across our Group to adopt the right approach to processes and controls for each individual operating company, we help protect against risks such as fraud, financial misstatement and other forms of financial misconduct, as well as ensuring compliance with our own internal policy requirements.

To ensure a consistent approach, the Group Internal Controls team is developing the policies and expected controls centrally, it then partners with our Businesses to implement and embed the G3 programme locally. The G3 programme is supported by a library of training materials and a global online platform to track and monitor progress and milestones across the Group.

A strong control and governance framework is critical because it safeguards the integrity of our reporting, supports the prevention of fraud and enables our Businesses to operate more effectively through having enhanced data and a better understanding of the drivers of our success.

**5,000+**

controls across our Group since 2022

> Our finance teams have been implementing and assessing controls in line with our G3 financial control timetable and as a result we have now assessed over 5,000 controls across our Group!"

**Kristy Wright**
Regional Internal Controls Champion,
Spirax Group

> The Group Internal Controls team is intentionally spread geographically across the Group, to be closer to our operating companies, from Asia Pacific to the Americas, and supporting all the Businesses. The team is readily on hand to guide the implementation, and partner with the local Finance teams, supporting implementation needs, monitoring for ongoing compliance and championing wider opportunities to improve the effectiveness and efficiency of our control environment."

**Chris Fitzsimmons**
Group Head of Internal Controls,
Spirax Group

> Implementing effective controls is important for reducing financial and fraud risks as well as ensuring compliance, but it also improves our operational efficiency through the adoption of more standardised and streamlined processes, freeing up our finance teams to work on other value-add tasks."

**Kristen Jensen**
Financial Controller,
Durex Industries, part of Electric Thermal Solutions

# Board leadership and Company Purpose continued

## Board activities

### Board and Committee meetings during the year

Ordinarily the Board meets seven times a year and then on an ad hoc basis as required. In the year ending 31st December 2023, there were seven scheduled meetings of the Board. Attendance at scheduled Board and Committee meetings is set out in the table on page 115. Other senior Executives and Non-Executive Directors (where they are not formal Committee members) attended by invitation.

All Directors are expected to attend all Board meetings and relevant Committee meetings unless prevented by prior commitments, illness or a conflict of interest. Directors unable to attend specific Board or Committee meetings are sent the relevant papers and asked to provide comments in advance of the meeting to the Chair of the Board or Committee.

In addition, all Board and Committee members receive the minutes of meetings as a matter of course.

### Board activities

The Board is collectively responsible for the long-term success of the Company, its strategy, governance and internal controls and is accountable for its activities. The Board ensures good governance practices are embedded throughout the Group as they are an integral part of running a successful business. This specifically includes a focus on Environmental Social and Governance (ESG) matters as there is not a separate Board Committee for this.

To support this, the Board considers reports on the key activities of the Group and reports from the Chairs of the Audit, Nomination, Remuneration and Colleague Engagement Committees as appropriate at each scheduled Board meeting. It also receives information on important forthcoming events, reports on environmental, sustainability and health and safety matters, on strategy, investor relations and legal affairs.

The Chair, with assistance from the Group General Counsel and Company Secretary, is responsible for the governance arrangements. This includes meeting agendas, timely information flows and facilitating dialogue between Executive and Non-Executive Directors, to encourage an open and supportive culture.

Board agendas are carefully planned to ensure focus on the Group's strategic priorities and key monitoring activities, as well as reviews of significant issues.

The General Counsel and Company Secretary is responsible for maintaining forward agendas for the Board and its Committees, ensuring that items are evenly distributed and scheduled at the appropriate times of the year for timely consideration. Agenda timings are proactively managed to enable sufficient time for consideration of items.

The Board regularly receives papers and presentations from senior management, giving the Board the opportunity to meet colleagues below GEC level. This helps to embed a positive attitude to good governance in the Company's culture and ensures that processes and procedures are adhered to by demonstrating the Board's desire to ensure they have robust information on which to make sound decisions and carry out their statutory duties.

As per best practice, our Non-Executive Directors meet with Deloitte (external auditor) and Korn Ferry (independent remuneration consultants) separately from our Executive Directors after every Board or Committee meeting they attend. The Board confirms that neither it, nor any of its Directors, have any connection with Korn Ferry or Deloitte.

The Colleague Engagement Committee meets with groups of colleagues separately from management. More information about these meetings can be found on pages 128 to 131.

Annually the Board combines a scheduled Board meeting with further meetings focusing on strategic development and to review the Group's longer term outlook. At this meeting members of the Group Executive Committee present strategy papers for their business areas including financial, technology, organic and inorganic growth and stakeholder engagement. On ESG matters, the Group Director of Sustainability presents updates on progress with the implementation of the **One Planet Sustainability Strategy** at every Board meeting and the Group Head of Health and Safety attends Board meetings periodically. In addition, the Board has been actively involved in the setting of goals and targets relating to ESG matters and their translation into performance-related metrics.

The Group's Whistle-blowing Policy and independently facilitated whistle-blowing platform enable colleagues to report any concerns related to unethical or illegal conduct within the business, anonymously if preferred. The Board receives reports from the Group General Counsel if any concerns have been raised via the Policy.

### Culture and Values

To achieve our Purpose, we rely on our widely understood and established business model and most importantly, a strong and supportive culture. Our culture comes from colleagues living our Values (see page 8) which guide their decision making and the ways in which they make their difference for our Group and our stakeholders.

Our Values also guide Board decision-making. We prioritise **Safety** and, through our engagement with each other and our Group colleagues, we help improve **Collaboration** and **Respect**. We support **Excellence** and **Customer Focus** through an ongoing programme of investment, our decision-making is supported by site visits and management presentations. We promote and support **Integrity** through our transparent approach, as well as ensuring the Group has appropriate processes and controls which underpin strong corporate governance.

The Board was pleased to approve and oversee the implementation of the Group's Inclusion Plan in 2022, noting the impact it is already having across the Group. To further strengthen our focus on inclusion and equity leading to greater diversity in our Group, we approved a set of refreshed Diversity goals at our December 2023 meeting, which can be found on page 68.

More information on specific Colleague Engagement, including topics raised by Colleagues and how we have responded can be found in the Colleague Engagement Committee Report on pages 128 to 131.

## Key Board activities

### Strategy
- Group Strategy Framework.
- Reviewed and assessed medium- term plans for all three Businesses
- Reviewed Corporate Strategy
- Reviewed **One Planet Sustainability Strategy**
- Two-day Strategy presentations
- Group China Strategy

### Audit and risk
- Annual Risk Review
- Reviewed external financing facilities
- Mandatory Contract Practices
- Deep-dive on Principal Risks 'Loss of Critical Supplier', Loss of Manufacturing Output and Breach of Legal and Regulatory Requirements

### Performance
- Monthly, quarterly, biannual and annual trading, as appropriate*
- Company share performance and shareholder/analyst feedback*
- Business reviews and senior management presentations
- Thermocoax (France) and WMFTS (Massachusetts) performance and management review by Board during visits to operations

### Culture and People
- Rising Talent presentations
- Group Talent update
- Full organisational and succession review across all senior management (to GEC-3)
- Colleague focus groups facilitated by Colleague Engagement Committee, which includes a number of NEDs
- Reviewed and approved the 2023 Diversity and inclusion goals including setting a new ethnicity goal
- Board Visits to Thermocoax (France) and WMFTS (Massachusetts)

### ESG and Health and Safety
- Health and safety and sustainability strategy updates*
- Setting goals and targets for forthcoming year
- Reviewed and supervised the full year results for sustainability KPIs and progress against targets
- Received a sustainability recruitment update
- Received an update and reviewed the Group's TCFD disclosures
- Approved introduction of new Electric Company Vehicle Scheme
- Thermocoax (France), WMFTS (Massachusetts) and Spirax Sarco Supply (UK) review during Board visits

### Governance
- Received updates by Committee Chairs*
- Received updates on all material legal and Governance matters*
- Compliance programmes update*
- Reviewed Bid Defence process
- Refreshed Sanctions Policy
- Reviewed Whistle-blowing cases

* Standing items at every scheduled Board meeting

The Board monitors and assesses culture using the following mechanisms:

| Approach | How it links to culture |
|---|---|
| **Colleague Engagement Committee** | Insight (in form of business and HR leads presenting) from different business areas to understand what is happening locally as drivers to improve engagement and colleague experience. This enables discussion and visibility of how our Values are being lived through organisation and how aligned local culture is to the current and future strategic objectives. |
| **Colleague survey** | Gives global insight into colleague engagement and enablement that informs where focus/action needs to be placed to support the organisation's culture and the Group's strategic goals. |
| **Committee Focus Groups** | Monthly touchpoints with groups of colleagues from different business areas globally to listen to the colleague voice, open dialogue and gain feedback on what it's like to work at the Group and build assurance that the desired culture is being embedded within the organisation. This involves presenting key themes to the management teams to support any local/Group activity that is required. During each of the operational visits detailed in Board activities (Thermocoax (France), WMFTS (Massachusetts) and Spirax Sarco Supply (UK)) a Colleague Focus Group took place with feedback presented to management and the CEC. |
| **Internal Audit reports** | Information from the internal audit team on the impact of policies and processes. |
| **Inclusion and Diversity** | Review and supervision of Diversity goals on gender and ethnicity. |
| **Other** | Whistle-blowing cases, grievance as well as 'speak-up' data, health and safety data (including near misses), promptness of payments to suppliers, approach to regulators. |

# Board leadership and Company Purpose continued

## Leading with purpose

### Supporting framework

Good governance adds value. It is well-ordered, transparent and ethical, and is focused on tackling operational challenges in ways that complement the Group Strategic Priorities. Good governance enables us to build a better and more sustainable future for all.

It's the duty of Board members to remain focused on broad, strategic goals while tackling day-to-day issues and meeting their responsibilities, so it is incumbent on them to work with certain governance ideals in mind.

In order to do this the Board has developed and approved various policies to enable and empower our colleagues to achieve our goals. We have a comprehensive Code of Conduct and supporting policies, including Whistle-blowing, Anti-Bribery and Corruption, and Human Rights Policies, which set standards for ensuring that our business activities are conducted in a responsible manner for the benefit of our shareholders, customers, colleagues and suppliers. Spirax Group has zero tolerance to any form of bribery and corruption, both within our Group and in any dealings with our customers, suppliers and other third parties.

All colleagues and Board members are expected to demonstrate and promote high standards of ethical business conduct and to know and follow our Code of Conduct with pride.

Our Whistle-Blowing Policy and secure whistle-blowing facility, enable colleagues to make reports if they suspect or experience any misconduct or wrongdoing in our business. The facility, hosted by Safecall, an independent provider, enables colleagues to report concerns via a web portal or by telephone, anonymously if preferred.

We have a number of Group policies which are designed to help our colleagues balance their work and personal lives effectively, including flexible working.

### Further reading

Our Anti-Bribery and Corruption Policy and Modern Slavery Statement can be found on our website, spiraxgroup.com/governance-documents

## Section 172 Statement

### The long-term success of our Group is dependent on the way we work with all our stakeholders and continues to require recognition of all stakeholder views, constructive working practices and, when appropriate, effective engagement in order to create and sustain value for all.

This section, from pages 121 to 123, forms our Section 172 statement. It describes how the Directors have performed their duty, in good faith, to promote the success of the Company, for the benefit of our shareholders, including how they have considered and engaged with wider stakeholders, and how they have taken account of the matters set out in Section 172(1)(a) to (f) of the Companies Act 2006.

Considering these broad interests is an important part of the way the Board makes decisions and, at times, the Board has to balance the competing interests of different stakeholders and other factors in delivering the Company's Strategy. The Board has delegated responsibility for the day to day running of the Businesses to the GEC and, as a result, many of the decisions and activities undertaken have approval from the Board by virtue of these delegated responsibilities. An overview of the guiding principles for these delegated responsibilities is set out on page 123. The Board receives regular updates on key initiatives undertaken by the Group that affect stakeholders so that they can understand and challenge, where necessary, decisions made by management.

Some examples of key Section 172 decisions that the Board has taken in 2023, and how it has taken into account the views and needs of wider stakeholders in making those decisions, are described in the following pages.

### **Board decision:** Expansion to Chromalox's Ogden Manufacturing plant

In March 2023 the Board approved a US$58.2m (£47.0m) investment in the expansion of the Chromalox Ogden (Utah, USA) facility, increasing its footprint by over 50%. This will deliver a state-of-the-art manufacturing unit by the end of 2024, dedicated to Medium Voltage (MV) electric heating systems. Since Chromalox became a part of Spirax Group in 2017, we have been investing in plant processes, aimed at improving throughout, as well as improving colleague working environments through the installation of a zero-emission air conditioning solution, which is also in line with our sustainability commitments. The investment in the new facility will accelerate our ability meet the high levels of demand for bespoke solutions that deliver decarbonisation benefits, as well as make a major contribution to employment in the local vicinity.

Chromalox's mission is to provide highly efficient, modular, and scalable electric heating solutions for the decarbonisation of process heating, hot water and steam generation systems. Chromalox's reputation in electric heating combined with its focus and commitment to sustainability, means it is well positioned, as part of ETS, to help customers to reach carbon footprint reduction goals without sacrificing performance or reliability.

Odgen in Utah (USA) has been Chromalox's centre of excellence for industrial heaters and systems since 1976. In 2010, Ogden developed the technology and became the global centre of expertise for our patented Medium Voltage heating solutions, which are now the leading driver of sales growth for ETS supporting decarbonisation of industrial processes.

**Customers:** demonstrates our commitment to investment and innovation; improves supply continuity; reduces lead times and improves service levels; and supports our customers in their decarbonisation efforts.

**Colleagues:** leads commitment to health, safety, and wellbeing; creates career opportunities; and builds strong colleague engagement, regionally and globally.

**Community and environment:** creates employment opportunities for the local community; increases engagement with local authorities and community groups; helps our transition towards net zero greenhouse gas emissions with a sustainable building and site and showcases our commitment to sustainability by delivering biodiversity net gain of +10% on the project.

**Shareholders:** supports growth as we accelerate our capacity expansion to meet demand; improves business continuity on critical high growth products; reinforces Spirax Group's sustainability objectives through design, construction, and operation.

**Link to strategy:** in addition to unlocking future growth from the high demand we see for decarbonisation solutions, this project will utilise the latest technology equipment which better serves our customers.

# Board leadership and Company Purpose continued

## Section 172 Statement continued

**Board decision:** Investment in Kyoto Heatcube

In June 2023, the Board approved a partnership agreement with the Kyoto Group to acquire a 15% ownership position through an investment of £3.0m, positioning the Group in a significant growth market. Supporting the decarbonisation of critical industrial processes is central to our Group's Purpose to engineer a more efficient, safer and sustainable world. We have been actively investing in new-to-world decarbonisation solutions through product development since 2020. As we already provide some of the technology that sits behind **Heatcube** through Vulcanic in ETS, getting actively involved in supporting Kyoto through direct investment and partnering is a natural extension of our activity in this area.

Kyoto, publicly held on the Oslo stock exchange (KYOTO.OL), is a start-up company founded in 2016 on the same principles as the Spirax Group: to maximise efficient and productive use of industrial process heating. Spirax Group is focused on the application of thermal energy, steam and electric heating, directly in our customer processes. Kyoto focuses on the storage and management of energy as heat upstream of those processes.

Kyoto's solution to the market's need is the **Heatcube** technology, a modular molten salt thermal energy storage system designed for both utilities and industry. **Heatcube** enables the disassociation of energy production and energy usage to provide a profitable mechanism for energy producers and users to leverage increasing energy market fluctuations and excess power from wind and solar. The **Heatcube** offers reliable and efficient storage of energy, and a seamless delivery of heat to industrial customers, when it is needed. There are several core components that are critical to **Heatcube**. The most critical is the electric process heating system, which Vulcanic provides. Without our technology, Kyoto's **Heatcube** could not convert excess and low-cost electricity from the grid into stored, usable thermal energy.

**Customers:** one of the focus areas of the Sustainable Energy Sector and our own Sustainability and Energy Efficiency Customer Value Proposition (CVP) is energy storage. This investment will provide guaranteed access to this thermal energy storage market giving customers further options for heat storage whilst introducing Kyoto customers to our products such as the Steam Battery (for the storage of steam as thermal energy), which can complement the **Heatcube**.

**Environment:** the EU power market is rapidly evolving into solar surplus. Without a synchronous expansion in storage and flexibility capacities, solar deployment will stall, meaning that the reliance on fossil fuels will continue. The EU's ambitious renewable energy targets will require expansions in capacities capable of harvesting and refining solar and wind energy surpluses.

**Shareholders: Heatcube** systems, leveraging our technology, will produce significant revenue and profit for Vulcanic within ETS.

**Link to strategy:** as part of our Engineering Premium Solutions (EPS) growth strategy we are targeting an increase in our revenue in Energy Storage. This investment will assist in achieving this target.

### 2023 Shareholder Engagement

**January**
- Bank of America C-Suite SMID Cap Conference 2023
- Investor site visit to Cheltenham
- Peel Hunt Industrials Dinner

**March**
- Full Year Results Announcement and shareholder roadshow meetings
- Investor site visits to Cheltenham

**May**
- Trading Update
- Investor site visit to Cheltenham

**June**
- JP Morgan European Capital Goods Conference
- Steam Thermal Solutions Investor Seminar

**August**
- Half Year Results Announcement and shareholder roadshow meetings

**September**
- Investor site visit to Cheltenham
- Morgan Stanley Industrial CEOs
- Unplugged 2023 Conference
- UBS Quo Vadis Industrials Tour
- Investor Roadshow – USA

**October**
- Investor site visit to Cheltenham
- Numis Private Clients Fireside chat

**November**
- Trading Update
- Baird Global Industrials Conference
- Investor Roadshow – Canada
- Numis Industrials CEO Dinner
- WHEB Annual Investor Conference
- Investor site visit and dinner

**December**
- Bank of America CFO Fireside chat

## Guiding principles – Section 172(1)

a

### the likely consequences of any decision in the long-term

The Board always strives to act in the long-term interests of its key stakeholders to achieve our Purpose of creating sustainable value for all of our stakeholders by engineering a more efficient, safer and sustainable world.

Our strategy is designed to help us do better what we already do. The individual Business strategies drive the organic growth of the Group, whilst our corporate strategy drives inorganic revenue growth. Our **One Planet Sustainability Strategy**, drives our Environmental, social and governance performance.

b

### the interests of our colleagues

Through the Colleague Engagement Committee (CEC), the Board receives feedback from colleagues about various topics, which the Board refers to when making strategic and business decisions.

+ More information can be found in our CEC Report on pages 128 to 131

c

### the need to foster business relationships with suppliers, customers and others

The Board understands the importance of fostering business relationships with our suppliers and customers. Both of these stakeholders are considered in all our decisions especially around investing in our Group to serve customers better and solve their problems, as well as working with suppliers as partners in those solutions, and helping them develop as part of a sustainable supply ecosystem.

+ For more information see pages 80 and 96-97 in our Sustainability Report

d

### the impact of Spirax Group's operations on the community and the environment

Through the **One Planet Sustainability Strategy** steering committee, which the CEO and CFO are both members of, the impact of the Group's operations is monitored, mitigated and initiatives approved.

+ For more information see pages 61 to 77 in our Sustainability Report

e

### the desirability of maintaining a reputation for high standards of business conduct

We have a comprehensive Management Code of Conduct, which in 2023 has been refreshed and supporting policies, including Whistleblowing, Anti-Bribery and Corruption, and Human Rights Policies, which set standards for ensuring that our business activities are conducted in a responsible manner for the benefit of our shareholders, customers, colleagues and suppliers. The Spirax Group has zero tolerance to any form of bribery and corruption, both within our Group and in any dealings with our customers, suppliers and other third parties we may deal with.

All colleagues and Board members are expected to demonstrate and promote high standards of ethical business conduct and to know and follow our Management Code of Conduct with pride. We provide a whistleblowing facility, which is underpinned by our Whistleblowing Policy, enabling colleagues to make reports if they suspect anything inappropriate or experience any serious misconduct or wrongdoing in our business. For more information see page 69 in our Sustainability Report.

f

### the need to act fairly as between our shareholders

The Board recognises our shareholders and investors as an important stakeholder group. Through monthly calls with shareholders and analysts, and by providing regular forums for meeting and communicating with shareholders, their advisers and the investment community, we ensure that we understand the views and opinions of our investors and are kept informed of any concerns that may arise. We are also able to give updates on our results and developments within our Businesses.

We undertook 242 investor meetings during the year, the calendar on page 122 shows shareholder events attended throughout 2023.

The AGM is an opportunity for shareholders and investors to meet with the Directors and put questions to the Board. The Company proactively encourages its shareholders to vote, by way of a poll, at general meetings by providing electronic proxy voting for those who wish to vote online, and personalised proxy cards to those electing to receive them.

# Board leadership and Company Purpose continued

## Division of responsibilities

**The Board has a collective responsibility for providing leadership, preserving long-term value by anticipating business risks, monitoring performance and promoting the Company's culture and Values.**

The governance structure of the Group ensures the Board, together with the Board Committees and Group Executive Committee, has sufficient controls and oversight of the business, with a balanced approach to risk that is aligned with the Spirax Group's culture. The structure assists the Board in fulfilling its responsibilities and is designed to ensure that the Board focuses on strategy, monitoring the performance of the Group and governance, as well as risk and control issues.

The Board is responsible for the stewardship of the Group's strategic risk management and internal control environment. The Board is supported by the work of both the Audit Committee and the Risk Committee in this area. The Board remains satisfied with the identification and monitoring of overall risk management and internal controls around the Group and is supportive of the continuous improvement in these areas.

An overview of the division of responsibilities, as set out in the Code, is provided in the diagram opposite and we comply with all the relevant Principles and Provisions. The responsibilities of the Chair, Group Chief Executive Officer, Senior Independent Director, Board and Committees are set out in writing and agreed by the Board. A clear division is made between the leadership of the Board and Executive leadership.

### The Role of the Board

The Board is collectively responsible for the long-term success of the Company. The business of the Company is managed by the Board who may exercise all the powers of the Company. The Board has a formal schedule of matters reserved for the Board's decision-making which is available on the Group's website. Although the Board retains overall responsibility, it delegates certain matters to the Board Committees and the detailed implementation of matters approved by the Board and the day-to-day operational aspects of the business to the Group Executive Committee (GEC).

### Board Committees

Board Committees provide an opportunity for Directors to focus on specific areas of the Group. This allows for greater scrutiny in key areas such as Remuneration, Audit and Risk Management, Colleague Engagement and Board succession planning and Talent development. The Board Committees consist of Non-Executive Directors and each Committee Chair reports to the Board on matters discussed at Committee meetings and highlights any significant issues that require Board attention. The terms of reference for each Board Committee are reviewed annually and are available on the Group website. The annual Reports by each Board Committee Chair are given in this Annual Report.

### Group General Counsel and Company Secretary

The Group General Counsel and Company Secretary, together with the Group Legal team including the Group Assistant Company Secretary, support the Chair and the Committee Chairs in making sure members are equipped for informed decision-making and that they appropriately allocate their time to subjects. All Directors have access to the advice of the Group General Counsel and Company Secretary as well as the Group Legal team, who are responsible for advising the Board on all governance matters. Both the appointment and removal of the Group General Counsel and Company Secretary is a matter for the whole Board.

### Group Executive Committee

There is a clear division of responsibilities between the leadership of the Board and our Executive leadership. The Board relies on the GEC to run the business, holding them accountable against targets and standards, while always embracing the values of collaboration, integrity and respect to achieve our goals. The GEC, led by our Group Chief Executive Officer, is responsible for the management of the Group's short, medium and long-term performance; stewardship of capital, technical and human resources; corporate and business strategy; internal risk management controls and organisational structure.

### Delegation of Authority

An internal Delegated Authority matrix is operated ensuring that decisions are taken at the right level within the Group by those best placed to take them, whilst simultaneously allowing the business to function efficiently. The matrix is reviewed annually to accommodate any adjustments required to ensure practical compliance.

# Governance framework

## Board of Directors

- Responsible for setting the Group's strategy and ensuring strategic objectives are met
- Direct involvement in all ESG matters.
- Assesses culture and promotes the long-term success of the Company
- Approves the Company's financial statements and performance expectations
- Responsible for overall Risk Management
- Ensures maintenance of a framework of prudent and effective controls
- Ensures effective engagement with shareholders and all our stakeholders, including the workforce
- Approves matters relating to the composition of the Board and Committees

### Chair

- Responsible for the leadership and effectiveness of the Board
- Promotes a culture of openness and debate
- Facilitates constructive Board relations
- Holds meetings with Non-Executive Directors, without Executive Directors present
- Ensures that the Board listens to the views of shareholders, the workforce, customers and other key stakeholders
- Responsible for all Environmental, Sustainability and Governance matters
- Responsible for ensuring that the Board considers all Strategic Risks

### Senior Independent Director

- Provides a sounding board to the Chair
- Serves as an intermediary for the other Directors and shareholders
- Leads an annual meeting of Non-Executive Directors to appraise the Chair's performance

### Group Chief Executive Officer

- Responsible for the day-to-day running of the Group's business and performance and the implementation of strategy
- Leads the Group Executive Committee
- Represents management on the Board

### Designated workforce engagement NED

- Chair of the Colleague Engagement Committee
- Responsible for colleague engagement
- Facilitating two-way dialogue between the Board and its Committees and the Workforce, flagging issues and feedback to the Board

### Non-Executive Directors

- Provide constructive challenge, strategic guidance and offer specialist advice
- Hold a prime role in appointing and removing Executive Directors
- Scrutinise and hold to account the performance of management and individual Executive Directors against agreed performance objectives

### Group General Counsel and Company Secretary

- Advises the Board on all governance matters
- Supports the Board to ensure that it has the policies, processes, information, time and resources it needs for the Board to function effectively and efficiently
- Advises the Board on important legal and regulatory matters

### Audit Committee

The overall purpose of this Committee is one of oversight and monitoring of the entire financial reporting and control process, to ensure the integrity of the Group's Financial Statements and assurance over them.

### Nomination Committee

The main role of this Committee is to recommend changes to the Board and consider succession planning for the future.

### Remuneration Committee

This Committee determines the philosophy, principles and policy of Executive Director and senior manager remuneration having regard to the latest legislation, corporate governance, best practices and the FCA Listing Rules.

### Colleague Engagement Committee

The principal remit of this Committee is to ensure that the voice of the workforce is considered in all aspects of the Board's thinking.

### Group Executive Committee

The Board relies on the Group Executive Committee to implement the strategy and run the business by empowering our colleagues to do their part in the strategy execution. The emphasis is on growth and on an entrepreneurial approach with a strong governance culture. The Board holds this team accountable against targets and standards and ensures that it has strong and effective leadership in place to execute the strategic plan.

### Risk Management Committee

This Committee oversees the management and control of significant operational risks affecting the Group. The Committee ensures that the Group has risk management policies and procedures, including those covering project governance, sanctions and embargoes, crisis management, human rights, business continuity and business management.

# Board leadership and Company Purpose continued

## Board composition, succession and evaluation

### We make sure that the Board is actively involved in all important Group matters and it is effective in fulfilling its role as a balanced Board.

During 2023, in compliance with the Code, the number of Non-Executive Directors was always more than the number of Executive Directors (excluding the Chair). At the time of publication, our Board comprises one Executive Director, a Non-Executive Chair and a further seven Non-Executive Directors. Ordinarily there are two Executive Directors, however Phil Scott has not been appointed as a statutory director. When Louisa Burdett joins in July 2024 she will be appointed as a statutory director bringing the total back up to two. This ensures that no one person or group of individuals dominates the Board's decision-making. All our Non-Executive Directors, including the Chair, are considered independent.

### Board succession and tenure

The Nomination Committee continuously reviews succession plans in light of strategy, business requirements, tenure and diversity. For more information on succession planning please see the Nomination Committee Report on pages 132 to 137.

With regard to the appointment and replacement of Directors, the Company is governed by its Articles of Association (Articles), the UK Corporate Governance Code (the Code), the Companies Act 2006 (the Act) and related legislation. The Articles themselves may be amended by special resolution of the shareholders. The Articles provide that Directors may be appointed by an ordinary resolution of the Company's members or by a resolution of the Directors.

With the exception of Nick Anderson who stood down in January 2024, all other Directors including the Chair who will, in any event, be stepping down during 2024 as required by the Code, will stand for election or re-election as required by the Code. The Board's recommendations concerning appointment or reappointment are contained in the Nomination Committee Report on page 132.

The Executive Directors have service contracts that can be terminated on twelve months' notice. The appointments of the Non-Executive Directors can be terminated on one months' notice. The Chair's appointment can be terminated on three months' notice. Details of the Directors' service contracts can be found in the Directors' Remuneration Report on page 162.

### External listed company appointments

The Board believes that Directors should be able to accept other appointments where no significant actual or potential conflicts of interest arise and provided that the Director is able to maintain sufficient time available to discharge their duties effectively. These other appointments enable Directors to develop further skills and experience from which the Company benefits, provided that such commitments do not impinge on their duties to the Company.

Existing commitments of Directors are carefully reviewed prior to appointment and on an ongoing basis to ensure they can continue to deal appropriately with the affairs of the Group. If a Board member wishes to accept an additional position this must be reviewed and approved by the Chair. Significant changes in a Director's outside commitments are discussed with the Chair prior to a Director accepting further appointments.

At each Board meeting and also on an annual basis, each Director confirms their external appointments and commitments to the Board as part of the conflicts of interest check. Nick Anderson was also a non-executive director of BAE Systems plc, a FTSE 100 company, which is acceptable under the Code.

The number of external appointments held by our Non-Executive Directors and full-time Executive Directors, as at 31st December 2023, are provided in the table below, details can be found in the Director's biographies on pages 112 and 113. Only positions in listed companies or equivalents in other jurisdictions are counted in accordance with the provisions of the guidelines published by Institutional Shareholder Services and other proxy advisers.

| Listed Plc Directorships | No. of other Non-Executive/ Chair roles | No. of other Executive roles | Total no. of mandates (in accordance with ISS guidelines) including the Spirax Group |
|---|---|---|---|
| **Independent Non-Executive Directors** | | | |
| Jamie Pike (Chair) | 1 | — | 3 |
| Angela Archon | 1 | — | 2 |
| Peter France | — | 1 | 4 |
| Richard Gillingwater | 1 | — | 2 |
| Caroline Johnstone | 1 | — | 3 |
| Jane Kingston | 1 | — | 2 |
| **Full-time Executive Directors** | | | |
| Nicholas Anderson | 1 | — | 4 |

## Register of conflicts

The Board formally considers any potential conflicts between a Director and the Company. Any situational conflicts must be notified to the Board for authorisation as and when they arise, notwithstanding a Director's general duty to avoid such conflicts. Transactional conflicts must be notified to the Board in person or in writing at the next meeting, where the Board can decide, in the absence of the Director concerned, whether or not to authorise such conflict and how to manage the conflict if authorised.

## Induction, development and information flows

New Directors receive formal induction training, including, when possible, site visits and meetings with the Company's advisers, brokers, auditor and where appropriate, major shareholders. Ongoing training is encouraged and provided upon request and as appropriate. This training is customised for each Director and varies depending upon their skills, experience and background. Governance training is undertaken annually by the Board and the Audit Committee also arranges ESG, financial and related training each year.

Directors also receive regular updates on changes and developments in the business, legislative and regulatory environments. A copy of the Directors' statutory duties is available at every Board meeting. Directors are encouraged to discuss with the Chair any further training requirements which they feel are needed. This is included in the discussions held during the annual performance evaluation.

Good information flows between the Board and management are essential for effective governance. The Board, together with senior management, ensures:

- the agendas are appropriate for the business and are forward looking as well as providing historical and current results data
- papers are of an appropriate length and content for the Non-Executive Directors to be able to understand and review
- sufficient time is given for Directors to read and review the papers prior to meetings

## Board diversity policy

Spirax Group is diverse in many ways. We encourage differences in ethnicity, gender, language, age, sexual orientation, religion, socio-economic status, physical and mental ability, thinking styles, experience and education. We believe that the wide array of perspectives that results from such diversity promotes innovation and business success. Managing diversity makes us more creative, flexible, productive and competitive. Information on Diversity and Inclusion in the wider Group can be found on pages 67 to 68 of the Sustainability Report and on our website spiraxgroup.com/inclusion.

The purpose of our Board Diversity Policy is to ensure an inclusive and diverse membership of the Board of Directors resulting in optimal decision-making and assisting in the development and execution of a strategy which promotes the success of Spirax Group for the benefit of its shareholders as a whole, having regard to the interests of other stakeholders. This policy applies to the Board of Directors, Board Committees and the Group Executive Committee and a copy of the Policy can be found on our website spiraxgroup.com/governance-documents.

+ Further information on Board and Committee diversity and succession planning can be found on pages 132 to 137, The Board at a glance, and in the Nomination Committee Report on pages 132 to 137

## Board Effectiveness and Evaluation Process

The Code requires a company to evaluate its performance annually with an independent external evaluation conducted at least every three years. In the intervening years the Board conducts a self-evaluation. In addition to this, each Non-Executive Director, the Group Chief Executive and the Chief Financial Officer met with the Chair individually to discuss their personal performance. The Directors provided input to the Senior Independent Director (SID) on the performance of the Chair. On the basis of that feedback the SID reviews the performance of the Chair, including leadership of the Board and ensuring effectiveness.

Following the external and independently facilitated Board evaluation by Egon Zehnder in 2021, the Board conducted, with administrative assistance from Egon Zehnder, an internal Board evaluation in 2022 and again in 2023.

+ Full details of the evaluation process and outcomes can be found in Nomination Committee Report on page 134 to 136

# Board leadership and Company Purpose continued

## Colleague Engagement Committee Report

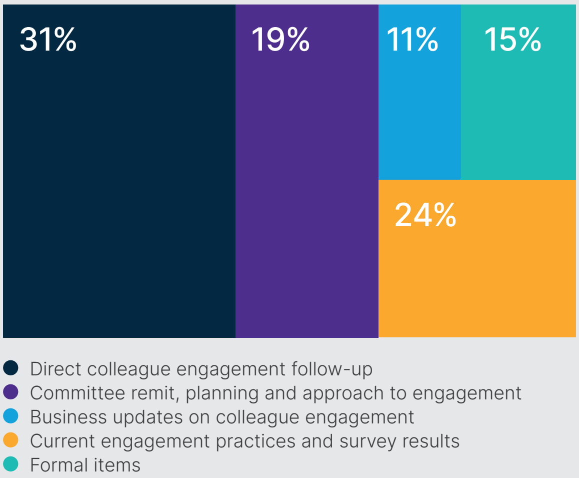
> 2023 was a more challenging backdrop than recent years, with a weaker macroeconomic environment and customer destocking in the Semicond and Biopharm sectors, so having a well established form of direct engagement with colleagues across the Group was invaluable.”

**Caroline Johnstone**
Chair of Colleague Engagement Committee

| **Members** |
|---|
| **Caroline Johnstone (Chair)** |
| Angela Archon |
| Constance Baroudel* |
| Peter France |
| Jane Kingston |
| Jamie Pike |

* Appointed to the Committee 1st January 2024

### How the Committee spent its time %



### Committee role and responsibilities

The Colleague Engagement Committee (the Committee) marked its fifth year as a standing Committee of the Board, meeting Provision 5 of the UK Corporate Governance Code 2018 and working to ensure our Colleagues’ voice is heard and fully considered in decisions of the Board. Each year, the Committee develops a unique agenda to reach out and listen to colleagues across the Group worldwide, in order to receive feedback and insights from all levels of the Company, provide oversight and make recommendations to the Board on all aspects of colleague engagement. Our annual programme of activities are prioritised based on feedback from Colleague Engagement Surveys, recent initiatives in the business, or other activities that the Board may want to better understand. We believe this tailored approach allows the Committee to keep our engagement mechanisms relevant and effective, in line with the requirements of the Code.

The Committee’s activities create both a formal and regular, two-way, direct dialogue between the Board and colleagues, as well as an opportunity for informal, one-on-one interactions. The Committee Chair reports back to the full Board after each Committee meeting with key findings and actions arising. The main duties of the Committee include:

- A programme of engagement activities to enable the Board (and Non-Executive Directors in particular) to have regular dialogue with colleagues
- Overseeing the approach to, the results and the action-plans of each biennial global colleague engagement survey, more details of which can be found on page 130
- Regular engagement with senior management across the Group to understand ongoing and developing engagement practices
- Supporting the Audit Committee and the Board in ensuring that procedures are in place for colleagues to raise concerns anonymously and in confidence, are accessible and well-publicised

### Reviewing the effectiveness of our approach to workforce (colleague) engagement

The Board continues to review its mechanism for workforce engagement as required by the Code. In 2019, we established a separate Committee of the Board to focus on matters of workforce engagement and Caroline Johnstone was appointed as Chair of the Committee and the designated Non-Executive Director for colleague engagement, based on her previous people leadership roles in PwC and other businesses.

The Board concluded that the Committee and the colleague engagement programme adds significant value and insight both to the Board and to executive management, and the Board regularly reflects on colleague views during Board deliberations. The Board continues to believe that a Board-level Committee with responsibility for colleague engagement is appropriate given the size, scale and business model of the Group. It affords dedicated time to colleague engagement and culture generally across the Group. We have also had feedback that colleagues feel the direct engagement with a Board member promotes open and inclusive discussions and valuable feedback.

### Committee meetings and operation

The Committee held three meetings in 2023 (details of attendance can be found on page 115). In addition to Committee Members, our Group Chief Executive Officer and Chief Financial Officer also attend some part of all Committee meetings – they bring further insight to colleague engagement across the Group but are also keen to understand and reflect on colleague feedback. Other Non-Executive Directors also regularly join these meetings and participate in many of the engagement activities throughout the year.

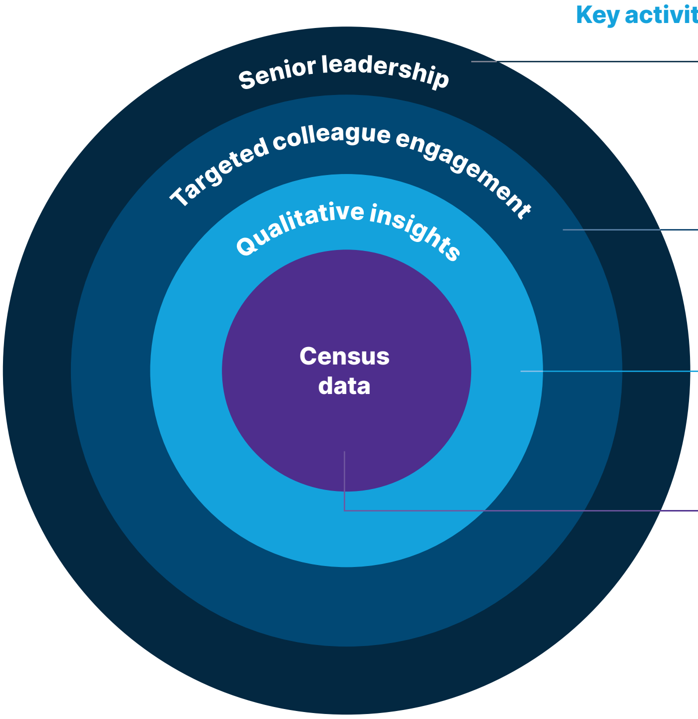
In February, the Committee amended its name, replacing "Employee" with "Colleague" to bring the Committee in line with the language used across Spirax Group. This name change was also reflected in an amendment to our Terms of Reference, which can be found on our website, spiraxgroup.com/governance-documents.

Amanda Janulis, Group Divisional Counsel, is the secretary to the Committee. During 2023, the Committee has continued to work with Amanda and Jim Devine, Group HR Director. Sarah Petherick, Group Head of Colleague Experience, joined the team in 2023, bringing fresh perspective and insights to the work of the Committee, as we continue to develop and implement a very rich programme.

### Chair's review of 2023

In 2023, with a weaker macroeconomic environment and customer destocking in the Semiconductor and Biopharm sectors, it was a more challenging backdrop than recent years, so having a well-established form of direct engagement with colleagues across the Group was invaluable. We were able to hear the views of colleagues in all parts of the Group, and there are common themes (discussed below) which align with feedback from our colleague survey. The discussion and feedback meetings continue to allow us to test our understanding of the Group culture and add value to the Board discussions. For more discussion on the Group's culture and Values, see page 8, as well as the Sustainability Report on page 60. As Chair, I am always struck by the open nature of the discussions and opportunities to recognise both the strengths of the organisation and also the opportunities for continuous improvement.

### Key activities undertaken and Committee approach



- Business unit presentations at Colleague engagement committee meetings
- Management reporting updates post focus groups
- Global Leadership conference – attended by approximate 80 colleagues from all parts of the Group

- Overseeing the Group response and approach to the Race Equity initiative in the US
- Engaging with Graduates during their annual conference

- Ten structured focus groups involving over 100 colleagues from different areas of the Group
- NED virtual 'coffee talks' with randomly selected colleague, run quarterly

- Biennial colleague engagement survey – quantitative data with demographic filters and approximately 13,000 verbatim comments

# Board leadership and Company Purpose continued

## Colleague Engagement Committee Report continued

### Themes from discussions with colleagues

The majority of the time in the discussion group is spent asking colleagues for their views on a handful of topics. In 2023, our typical areas included understanding colleagues perception of and engagement in our business, sustainability and inclusion strategies and a particular focus was around the challenging economic environment and the cost-of-living challenges across our many different locations. We have also continued to explore how well we live our Values (and Safety in particular). But, we also leave plenty of space to hear what's on our colleagues' minds.

Over the course of our 2023 discussion and feedback group sessions, we have identified some common themes with respect to what makes the Group a great place to work and what we could do better. These themes align well with the results of the colleague engagement survey and we get additional rich feedback on these areas from the discussion groups.

Many of our colleagues consistently highlight four strengths, which they value highly:

- A safety mindset 'first and foremost' – this is particularly reinforced by colleagues new to the Group
- A strong Values-based culture – colleagues regularly share examples of living our Values in the real world, which deliver better customer service, grow the business and improve colleague experience
- A sense of belonging within supportive teams – most colleagues we speak to feel part of a 'local' business, where they have a sense of being involved, listened to and permission to be entrepreneurial
- The introduction of inclusive policies, such as gender-neutral policies for parental leave and carers leave, is seen as being best-in-class

The feedback on these strengths and the survey results show significant shifts in positively shaping culture. The Committee particularly noted the best-in-class response rate to the engagement survey.

We also heard consistently that colleagues appreciate both being part of a resilient and strong Company and the Group's approach to supporting them through the cost-of-living challenges of 2023.

There are also consistent themes as to where the Group might be able to improve, in essence they suggest that we could make doing business easier for our people:

- Making collaboration easier: our highly successful business model provides a focus for our operating companies and there is more to be done to make it easier to collaborate between sales, supply and business development teams
- Making our systems more efficient: the Group is making significant investment in our systems but this isn't yet felt in many areas of the Company
- Enhancing and streamlining our internal communication: colleagues (particularly those in our smallest operating companies) can feel the pressures of dealing with and responding to the reporting needs of a global, publicly listed Company as well as numerous initiatives that the Group is investing in. There is huge positivity about the initiatives (including sustainability, digitisation and inclusion), but some colleagues feel they need more streamlined and focused communications and a way to prioritise demands
- 2023 has presented different challenges for colleagues. Some colleagues have felt more pressures this year, as the economic environment deteriorated throughout 2023. Some have asked for more thought and engagement around target setting in these difficult times

The Group commenced important race equity work this year, supported and overseen by the Committee. Driven by the desire to more deeply understand 2021 Colleague Engagement Survey scores in the USA, this work started by commissioning a third-party race equity specialist to design and run roundtables for Black and African American colleagues as well as a roundtable for colleagues who expressed an interest in taking part as allies.

Four common themes emerged from the round tables, including that colleagues feel disempowered in career development, held to higher work standards and lack support. They also shared that they had low expectations that anything would change following the sessions.
A member of the Committee, Angela Archon, attended some of the roundtables and follow up discussions and has provided valuable insight and challenge from her own considerable experience.

Action planning based on these discussions is now underway. A wider Group focus on race equity has complemented this, including global anti-racism webinars and launching a new Multicultural Global Network for colleagues. It was agreed that race equity would be a key focus for management and the Board going forward. The Committee noted progress achieved when other aspects of diversity had seen management focus, although members recognise that it will take time to truly embed change that is meaningful and permanent. Plans (at local, regional and Group level) are being developed to address the feedback which will be reviewed by the Committee in early 2024. It is also intended to run similar roundtables for colleagues in other geographies.

## Management actions arising from our colleague engagement

We share and discuss the general themes from each meeting with local and divisional management and we ask them to share with the Committee any actions that arise from the feedback. This has proved to be very effective and we set out just a few examples of action taken:

| Discussion Group Feedback: | Management Action: |
|---|---|
| A sales team requested greater autonomy to support customers with faults or replacement parts and questioned layers of approval required. | Local managers met with Divisional Sales Managers to understand their concerns. As part of the Group Finance G3 governance project, the Delegation of Authority (DoA) was updated to empower within the context of G3 and to ensure clarity for managers on the approval process. |
| Challenges in understanding and implementing the business strategy in day-to-day roles. We heard the message: “show me the strategy, don’t tell me; I want to understand my role in these strategies.” | One of our Businesses created ’stand up’ meetings in supply sites; these were shorter learning sessions on topics such as the strategy goals and implementation. ‘Purpose workshops’ were developed for managers to focus on personal contribution to Company strategy. |
| Colleagues requested greater clarity on pay structure/progression and rewards. | The Company took a series of steps, including setting up a working group, making use of an app for colleagues to communicate directly with the payroll team and introducing HR surgeries/ clinics for colleagues to drop in with queries and concerns. |
| Remote roles such as Sales and Service Engineers are working more independently than before, and there is limited downtime and no opportunity to speak whilst driving etc. | The Group refreshed and reinvigorated its focus on National Sales Manager monthly ‘check ins’ with all field-based Sales Teams as well as a quarterly collaboration event among Service the teams. |

## Other Committee activities in 2023

**Business unit discussions –** While this year’s activities focused more heavily on the Colleague Engagement Survey and the Group-specific feedback and discussion meetings, we again invited leaders to present to the Committee, in order to share their approach to colleague engagement, as well as their engagement successes and challenges. This year, the Committee heard from leaders representing the Steam Thermal Solutions Supply site in the UK. Colleague engagement is also part of Board updates from each Business during the year.

**Board site visits –** The Committee takes the opportunity to connect with colleagues and local management when Board meetings are held at various manufacturing sites across the globe. In 2023, this included the Thermocoax facility in Normandy (France), as well as the new Watson-Marlow site at Devens, Massachusetts (USA). During these site visits, Board members heard directly from colleagues about the day-to-day workings of their site, the challenges they face and the upcoming initiatives for their Businesses.

**Informal engagement –** All Non-Executive Directors participate in ‘coffee talks’, an informal arrangement where colleagues are randomly paired with another for a virtual coffee. This gives the Directors an opportunity to speak to colleagues at all levels of the Group one-on-one, to both understand their role and gain their feedback on the organisation and their experience working within it. Board members also attended sessions at both the Global Leadership Team annual business meeting and the Graduate annual development programme where they were able to talk in depth to a wide cross section of colleagues from across the Group.

**Benchmarking –** Each year, the Committee undertakes an evaluation of its effectiveness and at least one benchmarking activity to ensure our activities reflect best practices and are in line with the regulatory requirements. Additionally, we use this as an opportunity to review what other opportunities for colleague engagement might be feasible and effective for our Group. This year, the Committee reviewed the colleague engagement approaches implemented by a selection of peer businesses within the FTSE 100 and considered whether some of those approaches might be beneficial for our own Committee agenda. In general, the Committee believes that it is working well and that it is adding value to the Board and this is supported by feedback from the Board, the executive and the wider organisation. Committee members are keen to interact with even more colleagues when undertaking site visits in 2024.

## Looking forward

We set out below our three key priorities as a Committee for 2024. Committee members will participate in areas of our work, including race equity and ensuring we hold colleague discussions in local language, where practical. For instance, our new member, Constance Baroudel will hold discussions with our growing number of French speaking colleagues.

Finally, I want to say my personal thanks to Nick Anderson. He has been a true advocate of colleague engagement, was instrumental in establishing the Committee and then encouraging and supporting the development of the Committee’s work.

I am happy to answer any questions or take any feedback on our Committee activities, at our Annual General Meeting in May or at any time.

**Caroline Johnstone**
Chair of Colleague Engagement Committee
6th March 2024

### Committee focus for 2024

- Overseeing response to the 2023 Group-wide engagement survey and the feedback themes
- Colleague discussion and feedback meetings, including with colleagues in businesses recently acquired by the Group
- Overseeing actions to address the feedback from our Black and African American colleagues across our US operations to advance our race equity focus, with a view to potentially expand our race equity work to other areas of the Group

# Composition, succession and evaluation

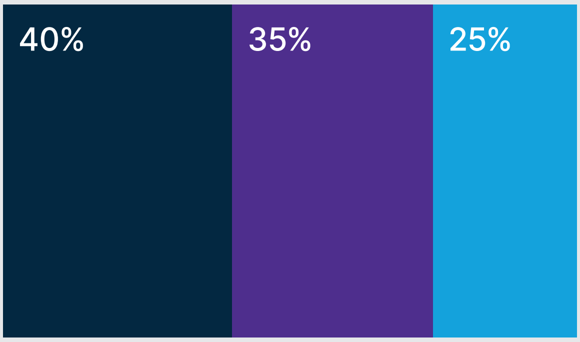
## Nomination Committee Report

> We have implemented our succession policy with the appointment of Nimesh Patel as our Group Chief Executive Officer. Louisa Burdett joins as Chief Financial Officer (CFO) in July with Phil Scott stepping up as Interim CFO until her arrival. Constance Baroudel is making a valuable contribution as a Non-Executive Director.”
>
> **Jamie Pike**
> Chair of Nomination Committee

**Members**

**Jamie Pike (Chair)**
Angela Archon
Constance Baroudel
Peter France
Richard Gillingwater
Caroline Johnstone
Jane Kingston
Kevin Thompson

### How the Committee spent its time %



● CEO succession planning
● Chair succession planning
● CFO succession planning

### Committee role and responsibilities

The main role of the Nomination Committee is to optimise Board performance, consider succession planning and recommend changes to the Board to match the skills, knowledge and expertise of individuals to those needed to support the strategy and business requirements of the Company.

The Committee’s responsibilities include:

- Making appropriate recommendations to the Board for the appointment, reappointment or replacement of Directors
- Reviewing the structure and composition of the Board with regard to the overall balance of skills, knowledge and experience against current and perceived future requirements of the Group
- Considering succession planning arrangements for the Executive Directors and more generally, senior executives
- Overseeing the annual evaluation of the Board and individual Directors, taking into account its composition, diversity and effectiveness

The full Committee terms of reference can be found on our website, spiraxgroup.com/governance-documents.

### Key activities undertaken

The Nomination Committee met five times in 2023, details of attendance can be found on page 115. The Group Chief Executive and Group Chief Financial Officer were invited to meetings where appropriate. A summary of the Committee’s activities throughout the year is set out on the following page.

### Chair’s review of 2023

Our focus during the year was on the appointment of a new Group Chief Executive Officer and Chief Financial Officer. We also started the process for the appointment of a new Chair and completed the appointment of Constance Baroudel as a Non-Executive Director.

**June**
- Start of the formal process for the appointment of a new Group Chief Executive Officer
- Executive succession planning for all senior management levels
- Group Executive Committee (GEC) leadership development

**August**
- Appointment of Constance Baroudel as a Non-Executive Director
- Conclusion of succession planning for the appointment of a new Group Chief Executive Officer and planning for the appointment of a new Chief Financial Officer

**October**
- Chair succession process initiated

**November**
- Conclusion of succession planning for the appointment of a new Chief Financial Officer

**December**
- Continuation of Chair succession planning
- Reappointment of Angela Archon for a further three-year tenure
- GEC and GEC+1 succession planning

## Board and Group Executive Committee composition

On 16th January 2024 Nick Anderson, the Group Chief Executive (CEO), stepped down following his 10th anniversary in the role. The Committee, in conjunction with Nick, had been developing the Group's leadership and talent development programmes with a view to ensuring the internal succession pipeline was strong. In 2023, the Committee began its formal search for a successor to Nick, considering both internal and external candidates from a diverse range of backgrounds with the assistance of Egon Zehnder, recruitment consultants, resulting in the internal appointment of Nimesh Patel to the role with effect from 16th January 2024. Details of the appointment process undertaken can be found page 135.

The appointment of Nimesh Patel, who was Chief Financial Officer from July 2020, was unanimously determined by the Committee. Nimesh's appointment as Group Chief Executive Officer marks the completion of the Board's long-term planning for Nick's succession. During his three-year tenure as CFO and a member of the Board, Nimesh has played a significant role in shaping our strategy, working with colleagues to enhance our unique culture and business model to fulfil our Purpose. The Board has observed Nimesh's natural leadership style and proven ability to engage at all levels throughout the organisation and with external stakeholders. His strategic approach and deep understanding of our Businesses, together with his global and financial experience all underpin the Board's confidence in the future leadership of our Group. The Board believes Nimesh provides both continuity as well as progression in our journey towards creating sustainable value for our all our stakeholders and is already working closely with Nimesh, supporting him on this journey.

We announced in December 2023 that Louisa Burdett will join the Group in July 2024 as Chief Financial Officer (CFO). Louisa is a highly experienced CFO having led finance functions in several large companies including UK-listed Croda, Meggitt and Victrex. She currently serves as a Non-Executive Director and Audit Committee Chair of RS Group plc. The recruitment of Louisa Burdett as successor in the role of CFO followed our usual rigorous succession process. Director of Group Finance, Phil Scott, will act as Interim CFO until after Louisa joins and a smooth handover has been completed. The rigorous recruitment process drew on candidates identified by Spirax Group's internal leadership and talent programmes, as well as external candidates with the assistance of Egon Zehnder.

In January 2023, Olivia Qiu stepped down from the Board of Directors for personal reasons. A search for a new Non-Executive Director was initiated and the Board was delighted to announce the appointment of Constance Baroudel in August 2023. Constance has related board experience, currently serving as Sector Chief Executive, Environmental & Analysis and Chief Sustainability Officer at Halma plc. Previously she has held non-executive director positions at both Kier Group and Synergy Health and has a broad range of knowledge and qualifications, including an MSc in International Accounting & Finance from the London School of Economics, an MSc in Corporate Finance & Strategy and a BA in International Relations, both from the Institut d'Etudes Politiques de Paris (Sciences Po Paris). In this role, she will combine her strong financial, strategic and non-executive experience with her knowledge of large, global organisations, to support the ongoing sustainable growth and success of Spirax Group.

The appointments of Nimesh Patel as Group Chief Executive Officer, Constance Baroudel as a Non-Executive Director and Louisa Burdett as CFO, followed Code-compliant, rigorous and independent procedures in making these appointments, supported by our external advisers.

We also spent time looking at the composition of the Group Executive Committee (GEC). Digital is a pivotal cornerstone to enhance our business model and ensure we deliver value to our customers by building digital connections with products and services, as well as improving our internal efficiencies across our operational, innovation and people management processes. Maria Wilson, who joined the business in March 2023, has joined the GEC to lead and accelerate the delivery of the digital strategy across the Group.

Jane Kingston's tenure as a Non-Executive Director will be drawing to a close in 2025 and during 2024 the Committee will begin succession planning for the position of Remuneration Chair to ensure an orderly handover.

+ Details of the respective skills and experience of all Board and GEC members are set out on pages 112 to 114.

# **Composition, succession and evaluation** continued

## Nomination Committee Report continued

### Chair of the Board tenure

As reported last year, Jamie Pike was reappointed as Chair of the Company with effect from May 2021 for a further three years despite this taking him beyond nine years since appointed to the Board. The Committee considered that the reappointment would be compliant with Provision 19 of the UK Corporate Governance Code 2018 (the Code), which allows for an extension beyond nine years' service, as although Jamie Pike has been a Non-Executive Director since 2014, he was only appointed as Chair five years ago, in 2018.

In order to ensure a successful handover of Group CEO responsibilities from Nick Anderson to Nimesh Patel, the Board agreed that Jamie will serve as Chair until no later than the end of 2024, and, therefore, Jamie will stand for re-election as a Non-Executive Director at the AGM in May 2024. This will allow Jamie to provide valuable mentorship to Nimesh in his new role of Group CEO and an appropriate hand over period to a new incoming Chair. Jamie continues to provide strong and effective leadership of the Board. The Committee implemented the process for the Chair succession and further information on this can be on page 135.

### Succession planning and attracting talent

Egon Zehnder acts as external advisers to the Nomination Committee, helping the Committee and the Board to make sure we are well positioned and have proper succession in place for all senior level appointments across the Group. This ongoing search for the best people includes both internal and external candidates, in line with our Diversity and Inclusion Policy, to ensure that we attract and retain the best talent. The Board confirms that neither it, nor any of its Directors, have any connection with Egon Zehnder.

The search for a new Chair, which commenced in Q4 of 2023, is being led by the Nomination Committee, which is made up entirely of independent Non-Executive Directors and chaired by the Senior Independent Non-Executive Director, Richard Gillingwater. The current Chair, Jamie Pike, and any candidate who is a current member of the Board have been, and will remain, excluded from the process in accordance with the Code. The Committee, working with Egon Zehnder, has developed a job specification, which candidates will be evaluated against, and a shortlist has been developed. The appointment will be approved by the full Board following interviews with all Directors.

As previously indicated, the Committee confirms that Jamie will stand down as Chair and Non-Executive Director in 2024 allowing also for a handover period with the incoming Chair, who will be announced following their appointment. In accordance with our Board succession plans, we will follow a Code-compliant, rigorous and independent procedure to determine Jamie's successor, supported by our external advisers.

+ Further information on how appointments to the Board are made can be found in the Governance statement on page 126

### Board and Committee evaluation

In 2022, we followed up on the prior year recommendations of Egon Zehnder and the Board carried out an internal additional evaluation of the performance of the Board and the Board Committees, in accordance with the provisions of the Code.

The 2022 review emphasised the following strengths:

- Strong sense of team identity and collaboration with high levels of engagement. Trusted and respectful relationships
- The Board felt guided by a clearly defined vision and strategy for the Company
- The Board fulfils its role in keeping sustainability objectives top of mind for the Company
- The Committees are clearly defined and serve a distinct purpose

The 2022 review helped the Committee to consider the following areas for improvement and these continued to be addressed in 2023:

- Sufficient time for keeping abreast of industry trends, competitor activity and where future threats may emerge
- An opportunity to allow for more strategic discussion and debate

For 2023, the Chair supervised and Egon Zehnder facilitated the use of an equivalent survey from 2022 to distribute to each of the Board members. They were asked to respond to questions on both a quantitative and qualitative basis. The review considered the strengths of the Board, the Colleague Engagement Committee, the Remuneration Committee, the Audit Committee and the Nomination Committee by looking at individual capabilities and contributions, what the Board does and the way in which the Board members work together. By comparing the results between 2022 and 2023, we were then able to evaluate areas where the Board has improved, as well as areas that still require development. The survey was a comprehensive questionnaire covering all issues related to the effective running of the Board and the functioning of the Committees. The responses were consolidated and anonymised, with common themes identified for the Board to determine key actions and next steps for improving Board and Committee effectiveness and performance. We were pleased to see that the conclusions of the 2023 review were positive, suggesting an overall improvement from the prior year across all the key dimensions.

## Board succession planning

In light of the Committee's most recent activities, we have taken the opportunity to provide an insight into our approach to succession and induction of our new Group CEO and the timeline for the recruitment of our new Chair. All processes are designed to ensure the appointment of our directors is strategic, orderly and comprehensive and are conducted with the assistance of Egon Zehnder, our Executive Search consultants.

## CEO succession process

As a result of the process Nimesh Patel, the serving CFO, was selected resulting in a second search being initiated to identify his replacement which followed a similar process. Louisa Burdett has since been appointed and will start with the Group in July 2024. Since Nimesh has been a part of the business for a number of years, his induction is primarily focused on providing a robust understanding of his new responsibilities. Nick Anderson will remain as a colleague until the end of March 2024 to assist with the transition and handover.

### Succession planning

The talent pipeline for all senior roles is prepared, identifying the emergency cover, medium-term (1-3 years) and longer-term (3-5 years) candidates who meet current business needs. This includes consideration of whether a role can be filled internally, or whether external search is required.

### Identify and develop

The candidates in the pipeline are mentored by members of the Committee. In particular, those identified for medium or longer-term plans are provided with training and support to aid the Company's ability to promote internal candidates, in line with the Board Diversity Policy.

### Review

Review of the succession plans for the most senior roles takes place periodically. Immediately following notification of an incumbent director's upcoming departure, plans are considered and scrutinised in-depth by the Committee and an executive search firm, taking into account the prospective Group CEO's expertise, leadership style, and the current composition of the Board. This includes both an assessment of interpersonal dynamics of internal and external candidates and a skills matrix. In this case it was decided that there was no need to continue a search externally as the internal candidates were all strong.

The shortlisted candidates presented their proposed future plans for the Group to the Board.

### Appoint

Having considered the requirements of the business, it was agreed that Nimesh Patel would be recommended for appointment to the Board as Group CEO.

### Transition and Handover

Through retaining Nick Anderson within the Group until the end of March 2024, the Board has ensured that appropriate time for an orderly handover of the business to the new Group CEO has been allowed for.

## Our Chair appointment process

1

### October 2023

Search criteria was developed for Jamie Pike's successor, which included:

- Recent and relevant chief executive and chair experience
- Additional knowledge in areas including data and digital
- Executive search firm engaged – Egon Zehnder

### Search Criteria

The SID, working with the Board (excluding the incumbent Chair) the Group Human Resources Director, the Group General Counsel and Company Secretary, determines the search criteria using a skills matrix considering the long-term strategic priorities of the Group. This is provided to an executive search firm, who is asked to ensure the search includes a diverse range of candidates from various backgrounds and industries.

2

### December 2023

Committee received a long list of candidates who were contacted to establish their interest in the role.

### Review and Identify

The executive search firms review the specification and produce a long list of candidates for the Committee to review. The SID identifies a shortlist of candidates, following feedback from the Non-Executive Directors. These candidates are contacted to establish interest.

3

### January-February 2024

Interviews and meetings.

### Assess

Candidates are interviewed by the SID and assessed in line with the candidate specification. Informal meetings with other Board members and the Group CEO are also conducted with preferred candidates to determine chemistry and interpersonal dynamics and assess whether their skills and experience would be additive to the Board as a whole.

4

### March-April 2024

Committee meeting will discuss the proposal to appoint preferred candidate, with subsequent recommendation to the Board and approval of their appointment.

### Appoint

The Committee reconvenes to consider and discuss feedback received. Once a decision has been made, the successful candidate is recommended for appointment to the Board and the Group General Counsel and Company Secretary is tasked with the formalities.

5

### March 2024 onwards

Once a new Chair has been appointed a full induction programme will be initiated. This will include visits to key sites, meetings with senior management to bring them closer to decision makers and those tasked with running the day-to-day management of the business.

### Induction

The final step is to provide our new Chair with a robust induction, tailored to suit their individual needs. This is an invaluable step to not only support directors in meeting their statutory duties, but also give them a comprehensive introduction to the business and its strategic priorities.

# Composition, succession and evaluation continued

## Nomination Committee Report continued

### Board and Committee evaluation continued

In respect of 2022 areas of improvement, the 2023 review indicated that both areas had improved, with the management team having responded to the Board's request for deeper discussions around competitor activity, industry trends and horizon scanning. The Board acknowledge that there is always room for improvement but that there is a balance to be struck between key short-term priorities and strategic discussion and debate.

It also emphasised the following strengths:

- Strong sense of clarity on the Vision, Values and Strategy for the Group which creates an aligned and collaborative culture across the Board
- Continues to improve its effectiveness as it adopts and implements previous review recommendations
- Good balance of support and challenge to executive management

The review helped us to consider the following areas for improvement and these will continue to be addressed in the coming year:

- Consistent timely distribution of information to allow for improved discussion and debate
- External input on specific topics such as horizon scanning to inspire debate

In 2024 a full, externally managed, Board evaluation will be undertaken in compliance with the Code.

### Re-election of Directors

The Board has concluded that the performance of each of the Directors standing for re-election continues to be effective and that these Directors demonstrate commitment to their role, including commitment of time for the Board and Committee meetings and any other duties. Constance Baroudel will stand for election following her appointment during the year. With the exception of Nick Anderson who stood down in January 2024, all other Directors including the Chair who will, in any event, be stepping down during 2024 after serving 10 years as required by the Code, will stand for re-election at the 2024 Annual General Meeting and the explanation of how they contribute to the success of the Company can be found in the Notice of AGM. Louisa Burdett's appointment as Chief Financial Officer and Executive Director takes effect after the 2024 AGM in July 2024. She will therefore stand for election at the first AGM after her appointment takes effect, namely, May 2025.

### Inclusion, equity and wellbeing

We believe that the Board's perspective and approach is greatly enhanced by gender, age and cultural diversity and we consider overall Board balance and diversity when appointing new Directors. We also undertake reviews each year of the bench strength of all senior executives and make sure that diversity is considered in our succession planning across senior roles.

The Company captures gender and diversity data of colleagues through voluntary disclosure via the internal HR portal where possible or direct contact where not. For the Board of Directors, we seek individual permission to share this data on an annual basis. We do not prescribe set gender or ethnicity categories, but ask for directors to self-describe this. The information required by LR 9.8.6R(10) can be found in the Directors' report on page 179 and further information on diversity and inclusion within the Group can be found in our Sustainability Report on pages 67 to 68.

We have a strong focus on inclusion and are committed to improving diversity across our Group. As at 31st December 2023, the Company has met or exceeded two of the three diversity and inclusion targets set out in LR9.8.6R(9), namely that it has met the 40% female representation target on the Board and two Board members are from a minority ethnic background exceeding the target of at least one individual.

The third target requires that at least one of the senior Board positions (Chair, CEO, CFO or SID) is held by a woman, a target endorsed by the FTSE Women Leaders review that would like to see a woman in at least one of these roles by 2025. As at 31st December 2023, the Company has not met this target, however once Louisa joins the Board as the CFO in July 2024 this target will have been achieved.

We would also like to highlight that two of our Board Committees, the Remuneration and Colleague Engagement Committees, are currently chaired by women, namely Jane Kingston and Caroline Johnstone respectively.

In 2023, following a rigorous recruitment process during which both male and female candidates were considered, Constance Baroudel was appointed as a Non-Executive director to replace Olivia Qiu who resigned in January 2023. Diversity and inclusion is always a key consideration in the Board recruitment process and is at the forefront of the Committee's mind when making nominations to the Board. In line with a new Parker review target, in support of our commitment and in addition to our gender diversity targets, the Board has set a further target of 25% of senior leadership, made up of our Group Executive Committee (GEC) and direct reports, to be from under-represented ethnic groups by December 2027, currently this is 18.3%.

In 2023, Maria Wilson was appointed to our GEC. Our GEC is now 22.2% women (2022: 12.5%, 2021: 0%) and we continue to aim for 40% women on the GEC by December 2025 in line with our Group Diversity Goals. Gender diversity of GEC direct reports dropped slightly from 35.3% at the end of 2022 to 33.3% at the end of October 2023 (the data point for the FTSE Women Leaders Review). This meant that gender diversity of our senior leadership also dropped slightly from 34.5% women to 31.7% in October 2023. We remain committed to achieving a minimum of 40% women in our senior leadership by December 2025, a goal already achieved at Board level. Our Global Graduate Development Programme exceeded its goal of 50% female intake for the year, achieving 56%. We also achieved some progress on increasing the number of women in commercial leadership roles, taking this up to 11% by October 2023 with the aspiration of reaching 20% by December 2025.

In support of our gender equity journey, we continued our Women's Executive Mentoring Programme and our partnerships with Women in Science and Engineering (WISE) and the Women's Engineering Society (WES). Our global Women's Network also continued to connect and support women and allies across the Group. This included marking International Women's Day with a global webinar on 'embracing equity', menopause awareness training and activity covering wide-ranging topics such as endometriosis and menstrual health, psychological safety and career development, as well as allyship across genders.

As part of our wider commitment to gender equity, during his tenure, Nick Anderson, served as an Ambassador for the 25×25 campaign which is seeking to achieve 25 female CEOs in the FTSE 100 by 2025. Nimesh Patel, Group Chief Executive Officer, continues his role as Co-Chair of the FTSE Women Leaders Review which seeks to increase the representation of women in senior leadership roles in the FTSE 350 and top 50 private companies in the UK.

In 2023, we built on the 2022 launch of our global Inclusion Plan (Everyone is Included) and our Group Inclusion Commitments. This included:

- Formally launching our Group Diversity goals at our Global Leadership Conference in March 2023 – setting out our ambitions to continue to build our gender and ethnic diversity
- Further developing our inclusion maturity framework and piloting self-assessment against this in our Steam Thermal Solutions (formally Steam Specialties) Business
- Starting a focus on race equity in the USA through roundtables with our Black and African American colleagues and action planning with colleagues, leaders and HR practitioners
- Embedding inclusion, equity, diversity and wellbeing in global supplier selection and monitoring in collaboration with Group Sustainability, as well as embedding inclusion and wellbeing in our new Group Health and Safety Excellence Framework
- Expanding our global LGBTQ+ Pride focus with attendance at four UK Prides (Cheltenham, Gloucester, Falmouth, Truro); three global Pride webinars; Pride activity in Steam Thermal Solutions, Brazil, and in the USA, including support for South Carolina Black Pride and the Trevor Project
- Embedding inclusion, equity and wellbeing content into our new Group-wide education platform, Spark, including learning on global anti-racism, menopause, mental health, allyship, equity and more
- Continuing to grow our colleague networks with three new global networks: Disability and Difference, LGBTQ+ and Friends, and a Multicultural network

The Board was delighted to see that the progress made on inclusion was recognised by colleagues around the world in the 2023 Colleague Engagement Survey. Group-wide (excluding colleagues who joined us through the acquisitions of Durex Industries and Vulcanic), the survey's Inclusion Index increased 5 points to 73% positive (+1 vs industry benchmark). In particular, the scores for "the Company values and supports colleague diversity" jumped +9 points to 78% and "I feel comfortable to be myself at work" increased 3 points to 79%. Our collective focus on inclusion, equity and wellbeing continue to be a Group-wide priority.

## Diversity and Inclusion Policy

Our Board and Committees fully comply with and support the principles of our **Everyone is Included** Inclusion Plan, our Group Inclusion Commitments and the Group Diversity and Inclusion Policy, which was updated in 2023 to better align with and reflect the Group's focus on Diversity and Inclusion. We also approved the Group's ambitious new Diversity goals. The Board believes that diverse teams bring a great variety of thought, skills, experience and perspectives to our Group. That diversity means we're more innovative and more creative and it helps ensure our continued business success. It means we continue to grow and it creates more opportunities for everyone – in short, our difference is our strength.

We firmly believe that we have furthered our strategic plans through our Succession and Inclusion Policies and our Diversity goals.

We remain committed to developing a strong and diverse Board and we have made progress in developing our internal talent at the executive senior leadership level. A copy of the Board Diversity Policy and the Group Diversity and Inclusion Policy can be found on our website spiraxgroup.com/governance-documents.

**Jamie Pike**
Chair of Nomination Committee
6th March 2024

## Committee focus for 2024

- Chair Succession
- Preparations for Remuneration Committee Chair succession in 2025
- Executive succession at all senior levels
- Implementation of the Group Inclusion Plan within Vulcanic and Durex Industries

## Further reading

Our new Group Inclusion Plan and Commitments can be found on our website: spiraxgroup.com/inclusion

# Audit, risk and internal control

## Audit Committee Report

> The Committee continues to support management in building on the strong foundations of controls, governance and reporting which underpin Group operations.”

**Kevin Thompson**
Chair of Audit Committee

**Members**

**Kevin Thompson (Chair)**
Peter France
Richard Gillingwater
Caroline Johnstone

### How the Committee spent its time %

### Committee role and responsibilities

The overall purpose of the Audit Committee is to oversee and monitor the entire financial reporting and control process, to ensure the integrity of the Group’s published financial information and assurance over it.

The Committee’s published Terms of Reference are reviewed annually and were last amended in October 2023. A full copy can be found on the Group’s website, spiraxgroup.com/governance-documents.

Within the Terms of Reference the Committee’s responsibilities are separated into six main areas:

- Financial Reporting
- Internal Controls
- Whistle-blowing
- Risk Management
- Internal Audit
- External Audit

The Committee meeting agendas are tailored to ensure all the identified areas are covered, while also allowing for emerging topics to be included and permitting time for sufficient discussion and review. A summary of the Committee’s activities across each area during 2023 is detailed on the following pages.

The Committee is comprised entirely of independent Non-Executive Directors. Except for Olivia Qiu, who stepped down from the Committee in January 2023, all other members of the Committee served throughout 2023. All members of the Committee have a depth of financial and commercial experience in various industries, as well as the industrial engineering sector in which the Group operates. The Committee expertise, together with their independence, enables them to provide robust challenge to management, as well as to the internal and external auditors to ensure their duties under the Terms of Reference are fulfilled. For the purposes of the UK Corporate Governance Code 2018 (the Code) the Board is satisfied that Kevin Thompson (Chair), Richard Gillingwater and Caroline Johnstone have recent, extensive and relevant financial experience and the required competence in accounting.

⊕ A more detailed summary of the qualifications, skills and experience of each Committee member can be found on pages 112 and 113.

## Meetings in 2023

The Committee held five scheduled meetings during 2023. Outside of formal meetings a number of the Committee members engaged in working sessions with management during the year in order to support audit and assurance activities around the Group.

As with prior years, relevant members of the Group's senior management attended Committee meetings, including the Group Chief Executive, the Chief Financial Officer, the Head of Internal Audit and the Director of Group Finance. Continuing the practice started in 2020, each of the Group's three Business Finance Directors were invited to attend and present to the Committee during the year.

During 2023, the Committee received reports from Internal and External Auditors on the major findings of their work and the progress of management follow-up by way of management reports. As a safeguard, the Committee holds separate meetings with the Internal and External Auditors without management present to discuss the respective areas and any issues arising from their audit work.

During the year, tailored update sessions are delivered by external providers to the Committee members in order to provide detailed insight into current areas of Committee focus, and these included a number of updates on proposed Corporate Governance changes in the UK. A cyber security focused session, including case studies of cyber-attacks on public organisations, is already planned for early 2024.

### Committee focus for 2024

- The Group's G3 internal controls improvement project
- Our ongoing assurance journey with a particular focus on sustainability reporting
- The ongoing, multi-year projects to upgrade the ERP systems in each Business
- Progressing the integration of the Vulcanic and Durex Industries acquisitions
- Continuing to monitor and prepare for the future changes to the UK Corporate Governance Code requirements

## Chair's review of 2023

I am pleased to present the Audit Committee's report for the year ended 31st December 2023. The report is intended to describe how the Committee discharged its core responsibilities in overseeing and monitoring the Group's financial reporting and control processes to ensure the integrity of the published financial information. I would also like to highlight a number of important activities which the Committee has undertaken during the last year in order to meet the evolving requirements of the Group's stakeholders.

During the year we have closely monitored the proposed changes to the UK Corporate Governance Code, particularly those which have been clarified in the FRC guidance released in January 2024. We have worked closely with management to support the Group's internal controls improvement 'G3' Project that aims to systematically improve and standardise controls across the Group using a risk-based framework. This workstream has been supported with additional investment into our Governance teams and supporting infrastructure, with team members being geographically located close to the Group's key operations in order to partner with the operating businesses to support implementation and provide best practice guidance. The Group also undertook a detailed assurance mapping exercise which was segmented into the key areas of external reporting and disclosure. Following this exercise, the Committee engaged with the Group Sustainability team to conduct a deep dive into the current, upcoming and potential regulatory reporting requirements in order to develop a risk-based roadmap identifying specific focus areas and those where increased levels of assurance will be targeted over time.

The Group acquired Vulcanic and Durex Industries during the second half of 2022 and during the year the Committee has continued to monitor and support the integration of both businesses into the Group. This has involved engagement with management responsible for the integration, as well as both the Internal and External Audit teams, and has covered a wide scope of underlying activities, including Health and Safety standards, financial reporting, internal controls and sustainability. All key sites within both Vulcanic and Durex Industries have been visited by the Internal and External Audit teams with a series of action plans agreed for implementation during 2024.

# Audit, risk and internal control continued

## Audit Committee Report continued

### Chair's review of 2023 continued

Following the 2022 external audit tender and the subsequent reappointment of Deloitte as the Group's external auditor, the Committee has been pleased with the quality and effectiveness of Deloitte's external audit. The rigour, level of challenge, clear communication and understanding of the key drivers of our business have delivered high-quality audit insight, as well as facilitating a productive relationship and valuable debate between management, the Committee and the External Auditor. This assessment of audit quality was supported by the results of both (i) the agreed audit quality indicator metrics which Deloitte report to the Committee and (ii) the feedback scores received from the Group's key businesses appraising the external audit process. As targeted during the audit tender, the use of data analytics has continued to progress during the year. Andrew Bond has led the Deloitte audit relationship with the Group for the past five years and as we transition to a new lead audit partner the Committee would like to thank Andrew for the insight, diligence and guidance he has provided during his tenure. As agreed during the tender process, Dean Cook will replace Andrew from 2024 onwards. In order to facilitate an effective transition, Dean has spent time with management and attended a number of Committee meetings during the year. The Committee is also pleased with the continuing strengthening of relationships across the Group with other audit, assurance and professional services firms, including those outside the 'Big Four'. These have facilitated a broader insight and debate into current market practice, issues and trends.

The Committee continues to work closely with the Group Internal Audit team and was pleased by the high standards the team continues to drive and the valuable insight which their work delivered. During the year, the team successfully re-introduced their guest auditor programme, which had been suspended since 2020 due to pandemic-related travel restrictions. This allows members of the global finance community to accompany the Internal Audit team on audit assignments, providing a valuable learning and development opportunity across the function as well as a varied perspective across the audits.

In addition to the workstreams detailed above, the Committee has requested additional items on its meeting agendas in response to stakeholder requirements and the constantly evolving environments in which the Group operates. Examples of such issues which we have responded to during the year include the FRC consultation of proposed UK Corporate Governance Reforms, monitoring the impact on the Group's defined benefit pension schemes in light of the continued market volatility in interest rates and inflation, and a continued review of cash flow performance, financial resilience and debt refinancing. The Committee also remains focused on supporting the journey to upgrade the ERP systems in each of the three Businesses challenging the alignment with strategy and progress of projects. These systems will provide a platform to deliver operational efficiencies and control automation opportunities. Against the backdrop of the corporate criminal liability legislation, the Committee continues to monitor and assess fraud risk with further progress made this year implementing the actions from the risk assessment workshops we held in 2022.

### Key activities undertaken

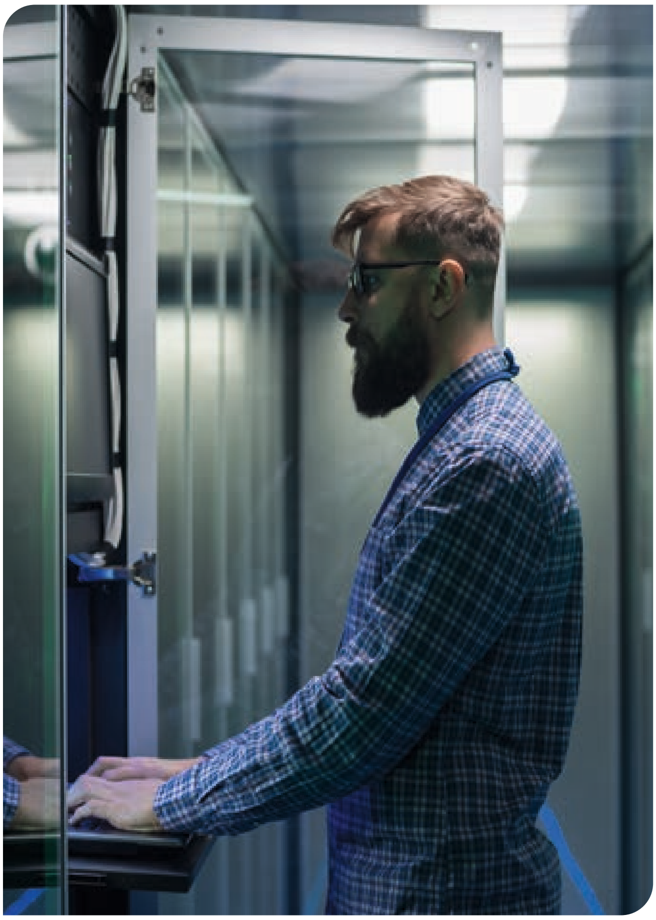
**March**
- Reviewed relevant sections of the 2022 Annual Report
- Reviewed external quality assessment of Internal Audit
- Reviewed External Auditor independence and effectiveness
- Update on compliance with UK Corporate Governance Code and Anti-Bribery & Corruption and Sanctions regulations
- Update on whistle-blowing calls made to the Group's Safecall service
- Update on the Group's sustainability reporting
- Confirmation of External Auditor reappointment for FY2023

**May**
- Update on planning for the Half Year review from External Auditor and management
- Update on the Internal Audit programme
- Annual approval of Auditor Engagement, Non-Audit Services and Employment of Audit Staff policies and the Adjusting Items policy
- Assessment of External Auditor Effectiveness, including Audit Quality Indicator (AQI) and Component Feedback
- Update from the Group's Tax and Treasury Committees
- Update on Acquisition Integration planning
- Update on the Finance Vision and Roadmap
- Update on the Audit and Assurance Policy
- Presentation from the Steam Thermal Solutions Business Finance Director

**August**
- Reviewed the Half Year results and external announcement
- Reviewed the interim report of the External Auditor
- Internal Audit update
- Reviewed Pension risk management transactions
- Reviewed Group Treasury's proposals for Debt Refinancing
- Update on the Audit and Assurance Policy
- Assessed the requirements of the Financial Reporting Council's Minimum Standards for Audit Committees
- Completed Committee self-assessment and performance evaluation
- Reviewed Group Principal Risk – Loss of critical supplier
- Update on Sanctions and Whistleblowing

The Committee also spent time during the year assessing the Group's cyber security preparedness, including understanding the key learnings arising from a ransomware simulation exercise which was delivered by a third-party specialist to the Group Executive Committee during the year.

As I look back on the past year, I am pleased with the work undertaken by the Committee on behalf of all our stakeholders. The Committee continues to support management in building on the strong foundations of controls, governance and reporting which underpin Group operations. I hope that this report provides appropriate context and understanding around the work of the Committee through the year. We remain committed to responding to the expectations of all our stakeholders and, as always, we welcome any feedback and look forward to continued engagement during the coming year.



**October**

- External Audit planning for the Full Year results
- Reviewed schedule and preparations for the drafting of the 2023 Annual Report
- Carried out annual review of the Committee's Terms of Reference
- Update on sustainability reporting, including input from Deloitte on market background and peers
- Update on Group's Mandatory Contract Practices, including a case study on Watson-Marlow Fluid Technology Solutions
- Update from Chair of the Group's Risk Management Committee
- Reviewed Internal Audit function's self-assessment on effectiveness and external quality assessment update
- Approved the Internal Audit plan for 2024
- Presentation from the Watson-Marlow Fluid Technology Solutions Business Finance Director
- Update on, and review of management response to, a Safecall case

**December**

- Update from External Auditor
- Update on the G3 internal controls project
- Update on the proposed disclosure changes in the 2023 Annual Report
- Update from Chair of the Group's Risk Management Committee
- Update on defined benefit pension schemes
- Cyber security update from the Group IT Director
- Reviewed Group Principal Risk – Breach of Legal and Regulatory requirements
- Presentation from the Electric Thermal Solutions Business Finance Director

# Audit, risk and internal control continued

## Audit Committee Report continued

### 1. Financial Reporting

| Committee role: | Actions and reviews undertaken during 2023: |
|---|---|
| Monitor the integrity of the Group's published financial information and review and challenge the significant financial reporting issues and judgements made in connection with its preparation and presentation. | • Reviewed all externally published Financial reporting, along with the 2023 Annual Report and Accounts, prior to recommendation to the Board including fair, balanced and understandable assessment. Detailed papers prepared by management highlighting key issues, judgements and estimates contained within reported financials<br>• Detailed analysis of managements verification and internal review processes covering the content of the external reporting releases<br>• External Auditor reports and progress updates in relation to Interim results review and full year Group audit<br>• Detailed analysis of Going Concern and Viability reporting and underlying modelling assumptions, including assessment of suitability of time period covered, the addition of climate change considerations, and the scenario assumptions against the context of the Group's identified Principal Risks<br>• Pension accounting and strategy, including assessment of assumptions used to value the material schemes<br>• Ongoing assessments of the appropriateness of the Group's use of Alternative Performance Measures (APMs) including the approval of an updated Group Policy. |

### Financial reporting matters and accounting judgements

The Committee is responsible for assessing whether suitable accounting policies have been adopted and whether management has made appropriate judgements and estimates when applying these policies. During 2023, the Committee considered and addressed the significant matters listed below in relation to the Group's Financial Statements and disclosures. In particular, the Committee challenged the reporting of adjusting items within the APMs relating to the Group's Consolidated Income Statement and the review of any potential impairment of goodwill. The Committee received regular reports from management regarding these matters and they were the subject of detailed discussions by the Committee, management and the External Auditor. The Committee also received reports from the External Auditor covering the work undertaken and the conclusions reached in relation to each of these areas. As a result, the Committee reached the conclusion that the proposed accounting treatments and resultant financial reporting were appropriate.

### Revenue recognition

| Issue: | How this was addressed: |
|---|---|
| In view of the profile of revenue and profit recognition in the final quarter of the year (a period when, in some Group companies, a higher proportion of the annual external revenue is recognised compared to the rest of the year), the need to focus on any new significant contracts and revenue cut-off for certain Businesses was highlighted to ensure the appropriate recognition of revenue for the year ended 31st December 2023. | The Committee monitors the adequacy of the control environment for revenue recognition and this review is supported by the External Auditor. In particular, the Committee reviews adherence to the Group's policy to recognise revenue when performance obligations have been fulfilled which, in the majority of cases, is at time of dispatch or delivery to the customer. After considering the combined evidence, the Committee was able to conclude that revenue recognition was appropriate during 2023 and at the year end. |

### Pensions

| Issue: | How this was addressed: |
|---|---|
| The Group operates four main defined benefit pension schemes (three in the UK and one in the US). The aggregate assets of the four schemes totalled £328.9 million as at 31st December 2023 while the aggregate liabilities totalled £363.0 million resulting in a net liability of £34.1 million. All four schemes are now closed to future accrual.<br>There are judgements and estimates made in selecting appropriate assumptions in valuing the Group's defined benefit pension obligations, including discount rates, mortality and inflation (see note 22 on pages 225 to 230). These variables can have a material impact in calculating the quantum of the defined benefit pension liability. | The Committee considered reports by management and those from independent external specialists used to prepare pension valuations. Management's selection of assumptions was challenged, and key assumptions were examined against observable external benchmarks and market practices.<br>The Committee spent time during the year continuing to closely monitor the impact on the pensions schemes and the valuation assumptions resulting from the material market movements in interest rates and inflation.<br>Based on this review (including reports from the External Auditor) and consideration of the valuation methods applied, the Committee is comfortable that the key assumptions and accounting treatment are reasonable and appropriate. |

## **1. Financial Reporting** continued

### Management override of controls

| **Issue:** | **How this was addressed:** |
|---|---|
| Internal controls are the safeguards put in place by the Group to protect its financial resources against external and potential internal fraud alongside ensuring the accuracy of reported financial information. Management is responsible for ensuring the internal controls are followed across the Group. As such, intervention by management in the handling of financial information, especially in relation to one-off or judgmental transactions and making decisions contrary to the internal control policy is a significant, if unlikely, risk. | Oversight of the Group's risk management and internal control environment is provided by the Group Executive and Risk Management Committees, supported by a number of leadership and function committee meetings that occur regularly across the year. The effectiveness of the execution of operational processes and controls by the operating companies is periodically reviewed by the Group functions, and action plans put in place for any policy non-compliances identified.<br>The Committee discussed the mitigation of control risks, with a particular focus on the level of management reviews taking place within the Businesses, with both management and the Business Finance Directors in their regular Committee presentations. The Committee also noted the high quality of response by management to any deviations from Group policies.<br>Regular cycles of internal and external audits by independent parties are in place to review financial information. The audits are objective reviews on compliance with the Group's accounting and internal control policies.<br>Management has an ongoing, multi-year internal controls improvement programme in order to further review and enhance the internal financial control environment and the Committee receives regular updates on progress. To support the programme, the Group continued to invest in its Internal Controls function during 2023, including the addition of further team members as well as the launching a groupwide IT system to track control compliance and document remediation action plans.<br>In addition to the internal controls improvement programme, the ERP upgrade programmes provide a further important opportunity to standardise and automate controls and processes across the Group which will further enhance the overall control environment.<br>The Committee remains satisfied with the Group's monitoring of the effectiveness of the risk management and internal control systems and is supportive of the Group's continuous improvement journey in this area. |

### Acquisitions – goodwill and intangible assets valuation

| **Issue:** | **How this was addressed:** |
|---|---|
| There is a high level of judgement surrounding the valuation of goodwill and the risk of impairment in respect of major acquisitions.<br>As detailed in Note 14 to the Consolidated Financial Statements on page 218 the largest goodwill balance as at 31st December 2023 relates to the Electric Thermal Solutions Business of cash generating units (£494.7 million). | The Committee received detailed reports from management outlining their evaluation of goodwill and intangible assets for any potential impairments and the basis for key assumptions and judgements used within their valuation models. The Committee focused on the key assumptions and the associated disclosures around the valuation of goodwill and intangible assets for the Electric Thermal Solutions Business, namely:<br>• the move to using a cash flow forecast period of five years when estimating the value in use of the Electric Thermal Solutions Business, noting that this represents a shorter forecast period than that used in previous years reporting<br>• the forecast operational performance in the business plan, in particular, sales and earnings before interest and tax (EBIT) growth and EBIT margin forecasts as well as cash generation assumptions<br>• the discount rates applied to the cashflows resulting from the business plan, specifically the determination of the input variables used to calculate the discount rate<br>• the modelling outcomes when sensitivities were applied to represent reasonably possible changes to key assumptions<br>The Committee concluded it was comfortable that key assumptions and associated disclosures were reasonable and that the resulting value in use exceeded the reported carrying values which led to no impairment being required, including when sensitivities were applied. |

# Audit, risk and internal control continued

Audit Committee Report continued

## **1. Financial Reporting** continued

### Other significant financial reporting issues

### Going Concern, Viability Statement and financial resilience

During 2023 the Committee remained focused on monitoring the Group's financial resilience and overall liquidity position, especially given the debt-financed acquisitions of Vulcanic and Durex Industries which completed in the second half of 2022. The Committee approved all the external debt financing activities undertaken during the year, receives regular updates from the Treasury Committee and noted that the Group operated throughout 2023 comfortably within the leverage ratio covenants contained within its external financing arrangements.

The Group has continued its Viability Statement reporting in line with best practice by (i) including an assessment period of five years and (ii) providing sufficient detail around the underlying scenario modelling undertaken to ensure an explicit link between the scenarios and the Group's identified Principal Risks. Additionally, the Group has added further narrative in 2023 which references the potential impact on Group assets and operations resulting from a series of climate change scenarios. This scenario-based analysis was supported by a specialist, external consultancy. The Committee reviewed the 2023 Going Concern and Viability Statements and were satisfied that these represented accurate assessments of the Company's position at the date of the Financial Statements. For further detail on the Going Concern and Viability Statements and for additional information on the financial resilience of the Group, please refer to pages 41 to 43.

### Financial disclosures including Alternative Performance Measures (APMs)

In the year, the Committee reviewed the treatment of specific adjusting items. These included the treatment and presentation of costs related to:

- The right-sizing of operations within the Watson-Marlow Business
- The impairment of software assets relating to an ERP upgrade project in Steam Thermal Solutions
- Acquisition and disposal activity including (i) the disposal of an associate investment in Econotherm, and (ii) the movement in the fair value of deferred consideration payable by Vulcanic in relation to the acquisition of EML Manufacturing LLC in 2021

During 2023, the Group undertook certain transactions which were significant in nature and which management proposed be classified as adjusting items to provide all our stakeholders with additional useful information in order to assess the period-on-period trading performance of the Group. In the Group's 2023 financial reporting, the Committee supported a change in the presentation of such adjusting items. Historically the Group included an adjustments column within the Consolidated Income Statement together with an Alternative Performance Measures (APMs) note to the accounts. For 2023 reporting, the adjustments column and note to the accounts have been removed and replaced with a glossary within the Annual Report that contains full details and reconciliations of all adjusting items and APMs. The Committee also approved an updated Group policy covering such items during the year.

All adjusting items were closely monitored by the Committee with considerable time spent to understand, review and challenge management's classification. The Committee also took account of the views of the External Auditor and arrived at the conclusion that they supported the disclosures made by management and considered the classifications to be appropriate in each case.

The Committee continues to focus on the definitions and usage of APMs noting the ongoing regulatory scrutiny on such measures.

In addition, the Committee also reviewed the accounting treatment and disclosures relating to a number of specific transactions and situations that occurred within the year, these included:

- The associate investment Spirax Group has made in the Kyoto Group (Euronext ticker: KYOTO), see page 122 for more information on this investment
- The treatment and presentation of the financial results of the Group's operating companies located in Argentina

## 2. Internal controls

The Board has overall responsibility for the effectiveness of the Group's internal controls and risk management frameworks. Oversight of the Group's risk management procedures and the operation of controls is undertaken by the Risk Management Committee and the Group Executive Committee and further detail on these processes can be found on pages 98 to 105. The Committee supports the Board and the Risk Management Committee by monitoring and assessing the effectiveness of the Group's internal controls processes as follows:

| **Committee role:** | **Actions and reviews undertaken during 2023:** |
|---|---|
| Review the adequacy and effectiveness of the Group's internal financial control environment.<br>Receive reports from the Risk Management Committee on operational risks.<br>Review the Group's Tax and Treasury policies as well as debt financing facilities and the approach to management of foreign exchange risk. | • Review of all Internal and External Audit reports<br>• Update on Group-wide training programmes (including mandatory courses on Health and Safety, Anti-Bribery and Corruption and Cybersecurity)<br>• Annual reviews of the Group's Tax and Treasury policies with the Group Head of Tax and Group Treasurer attending the Committee meeting. Review by the Audit Committee Chair of the minutes and actions of the Tax and Treasury Committee meetings that took place during the year<br>• Review and approval of all new Group external debt financing facilities entered into during the year<br>• Review of anticipated impacts of the incoming Pillar 2 OECD minimum tax rate legislation<br>• Review of annual management papers on how the Group monitors the effectiveness of the Group's internal control processes<br>• Reports from the functional leaders with responsibility for managing cybersecurity risk<br>• Presentations from management detailing the progress achieved on the G3 internal controls programme<br>• In-depth presentations from the Group Sustainability team covering sustainability reporting requirements, data quality, processes and frameworks<br>• Detailed reviews with the respective internal risk owner for two of the Group's identified Principal Risks<br>• The Finance Director of each of the Group's three Businesses presented to the Committee. These updates included progress reports on the programmes to upgrade their core information systems. Progress was compared to a series of identified critical success factors |

During the year both management and the Committee continued to closely monitor the ongoing proposals by the UK Government and the Financial Reporting Council (FRC) to reform UK corporate governance and reporting. Following on from the work undertaken during the last two years, the Group has continued to invest significant time and resources in understanding and preparing the Group for the anticipated impact of the proposals. The Group submitted a response to the FRC consultation and is supportive of the announcements in late 2023 and January 2024 that refine the scope of the original proposals and provide further clarity around the implementation requirements and timeline.

The Group's Chief Financial Officer and his finance leadership team have continued the implementation of their Group Governance Guidelines (G3) programme which is designed to deliver a risk-based approach to improving the overall internal financial controls within the Group. To support the Group's Businesses to successfully embed the G3 programme, the Group has continued to invest in its internal controls team who partner with the Group's Businesses and provide a library of training materials and a global online platform to track and monitor progress across the Group.

The Group currently employs a localised operating model which results in a large number of individual IT systems which underpin business operations and the financial reporting processes. This strategy results in a disaggregated control environment which is supported by a series of manual control processes operated locally and additional monitoring activities at a Business and Group level. Through our control monitoring activities, opportunities to improve the control environment are identified, these include improving the formality of control operations, including better retention of evidence of a control's operation sufficient for testing purposes; and limitations in certain segregation of duty, user access and change management controls. Actions are put in place to respond to observations, which are reported to and monitored by the Audit Committee. In addition, the ongoing multi-year internal controls improvement programme together with the ERP upgrade programmes provide an important opportunity to standardise and automate controls and processes across the Group which will further enhance the overall control environment by creating a more centralised and standardised operating model, together with a more consolidated IT system landscape. The internal controls team are working alongside each of the Group's Businesses to support the ERP upgrade programmes to ensure that the Group effectively designs the systems and underlying processes to embed and automate control activities. Following the FRC release of guidance relating to the internal controls declaration effective for the December 2026 year end, we are evaluating our monitoring activities and also the timing of the control improvement and ERP roll-out programmes.

# Audit, risk and internal control continued

## Audit Committee Report continued

### 2. Internal controls continued

The Group has also continued to focus on mapping its current external reporting alongside the level of assurance it currently obtains over its external disclosures. Following on from the structured risk review of all the Group's external disclosures, together with a review of best market practice amongst the Group's FTSE 100 peer group (undertaken in 2022), the Group has identified sustainability reporting as a focus area going forward. The scope and breadth of reporting required by a range of different regulatory bodies, alongside the lack of established frameworks, creates challenges for all market participants. The Committee supports the Group's continuing investment in its Group Sustainability reporting team which will focus on further embedding data reporting processes and delivering the assurance journey to ensure continuing compliance with existing regulations whilst also preparing for future disclosure requirements.

More information on our risk management processes and the Key risks can be found in the Risk Management Committee report on pages 150 to 154 and Risk Management section on pages 98 to 105.

### 3. Whistle-blowing

The Group's Safecall facility, a confidential colleague whistle-blowing platform, continued to be used across the Group throughout 2023. The facility is actively advertised at all operating companies and allows any colleague to raise concerns, anonymously if needed, where they feel activity is being undertaken which conflicts with the Group Management Code or Values. Calls raised are investigated by the Group General Counsel and/or the Group Head of Internal Audit with the involvement of other senior colleagues as required.

| Committee role: | Actions and reviews undertaken during 2023: |
|---|---|
| Review the adequacy and security of the whistle-blowing arrangements that the Group has in place for colleagues.<br>Ensure appropriate processes are in place for the proportionate and independent investigation of any matters raised.<br>Receive reports of non-compliance with the Group's policies around fraud, bribery and unethical behaviour. | • The Committee reviewed summaries of calls to the Group's whistle-blowing helpline which have been received and investigated, or where investigation is in progress<br>• Reviewed the outcome of any identified cases where Group policies have been breached, together with details of the actions taken by management alongside consideration of any lessons learned |

As a result of the Committee review it was satisfied that all calls received via Safecall were dealt with appropriately by management. A limited number of breaches of the Group policies were identified during 2023. There was no material financial loss in any of these instances and the Committee was supportive of the lessons learned during the year and the follow-up actions taken by management to support and reinforce Group policies.

### 4. Risk management

| Committee role: | Actions and reviews undertaken during 2023: |
|---|---|
| Review the Group's procedures and controls relating to:<br>• Fraud<br>• Bribery and unethical behaviour<br>• Money laundering<br>• Compliance with legal and regulatory requirements<br>• Risk Management Committee on operational risk reporting and controls | • Reviewed current approach to fraud risk management and participated in follow-up to an internal cross-function workshop<br>• Received reports from management detailing any identified cases of fraud and the resulting actions being taken<br>• Received input from the External Auditor and from the Internal Audit function as to their observations and findings<br>• Received updates from the Group Legal team on the training materials used across the Group to educate colleagues on anti-bribery, money laundering and legal compliance. Additionally, a deep dive into the identified Group Principal Risk covering a breach of legal and regulatory requirements was undertaken in December 2023<br>• Received updates from the Group Legal team on the Group's mandatory contract practices, including: (i) an example of a specific online training tool developed by the Watson-Marlow team to support its customer facing teams; and (ii) enhanced and refreshed Group communications around sanctions compliance |

## 5. Internal Audit

### Fraud

In line with the Economic Crime & Corporate Transparency Act fraud prevention requirements, the Committee monitors the effectiveness of measures in place to prevent, detect and manage fraud. While it is not possible to completely eliminate fraud risk from the organisation, the Committee is satisfied that measures currently in place are effective at managing and reducing fraud risk to an acceptable level.

During the year, the existing top-down fraud risk assessment of the Group was reviewed. Improvements to fraud mitigation measures such as further strengthening of third-party due diligence processes were undertaken.

A bottom-up fraud risk assessment exercise has commenced whereby the fraud risks and controls within 25 of the Group's largest operating units will be assessed, and further enhancements implemented as needed. In addition, a cross-functional team has been established to refresh the Group's Code of Conduct for rollout to all employees in 2024.

The Committee is cognisant that the ongoing monitoring and review of the effectiveness of the Group's Internal Audit function is a key responsibility which all our stakeholders look to the Committee for. During the year the Committee undertook a number of actions in this area:

| Committee role: | Actions and reviews undertaken during 2023: |
|---|---|
| Monitor and review the effectiveness of the Internal Audit function.<br>Review, assess and approve the annual Internal Audit plan.<br>Review the Internal Audit reports and monitor the key issues arising. | • Assessed the independence and effectiveness of the Internal Audit function<br>• Reviewed the results of the annual self-assessment of the function in addition to noting the completion of a number of actions which resulted from the 2022 external review<br>• Monitored key performance indicators of the function against pre-agreed targets<br>• Monitored timely completion of internal audits against the 2023 audit plan and approved any changes to the plan<br>• Approved the internal audit activity plan and budget for 2024<br>• Reviewed reports submitted periodically by the Head of Internal Audit of activities undertaken, key audit findings and remediation actions and status reports on completion of agreed action plans<br>• Reviewed and approved the Internal Audit Charter<br>• Held meetings with the Group Head of Internal Audit without management present |

Throughout 2023, the Committee monitored the effectiveness of Internal Audit activity and the results of audits undertaken. This provided valuable input into the Committee's view on the effectiveness of the Group's risk management, control and governance framework.

During 2023, the Internal Audit team performed a total of 35 internal audits, which were all conducted through in-person visits. By visiting the Business sites and locations to conduct the audits it provides a valuable opportunity to build strong relationships with the local operating companies and to gather additional insights. The activity included audits of all the key sites within the Vulcanic and Durex Industries businesses which were acquired in 2022. The insights and identified actions within the acquired businesses form a key pillar of the integration journey as we improve the operational and reporting standards in order to align with the required standards of the Group.

The majority of the operating companies audited were found to have an effective control environment. Where issues were found, remediation actions were agreed that are tracked to completion and validated before being closed. To the extent that any Internal Audit action items become overdue, the Business Finance Directors are engaged to assist with ensuring they are closed as soon as possible. The Committee was satisfied that throughout 2023 management devoted significant resource to the resolution of action items. The Committee receives regular reports on closure rates and will continue to monitor outstanding actions. During the year, progress was made in reducing open and overdue high priority items.

The Internal Audit function has continued to develop its analytics capabilities and is ensuring it has the skills to support the Group's ERP upgrade programmes, as well as being able to take advantage of further automation opportunities which consistent finance IT platforms will provide. The target is for analytics to be fully embedded across the Internal Audit process including risk assessment, scoping, fieldwork testing and assessing the effectiveness of remediation actions implemented. The Committee is satisfied that the internal audit function has sufficient skills and resources to discharge its responsibilities effectively.

# Audit, risk and internal control continued

## Audit Committee Report continued

### 6. External Audit

| Committee role: | Actions and reviews undertaken during 2023: |
|---|---|
| Oversee the relationship with the Group's External Auditor.<br>Review the quality and effectiveness of the External Audit, including approval of the scope of the annual audit plan and associated fees, the underlying audit procedures and approach and the controls designed to ensure independence and govern the provision of non-audit services.<br>Make recommendations to the Board on the tendering of the External Audit, the appointment process, remuneration and engagement terms of the External Auditor. | • Deloitte's reports to the Committee covering its interim review and Full Year audit outcome and opinion<br>• Recommendation to reappoint Deloitte at the 2023 AGM<br>• Review, challenge and approval of Deloitte's 2023 audit plan and associated fees<br>• Tracking Deloitte's progress against audit plan journey – specific areas of focus included data analytics usage<br>• Tracking performance against the agreed External Audit quality indicators<br>• Approval of Non-Audit Services Policy alongside processes to govern auditor independence<br>• Regular dialogue with Deloitte through the year, in addition to Committee meeting time allocated with External Auditor without management present |

The Company confirms that it has complied with the provisions of the CMA's Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 for the financial year under review.

### External audit effectiveness and quality

A key responsibility of the Committee is overseeing the external audit process and assessing the audit quality. During the year the Committee engaged in a number of specific actions to ensure it continues to fulfil its obligations in this area. These included:

- **Review of the Audit Committee and the External Audit: Minimum Standard:** The Committee reviewed the guidance issued by the FRC in May 2023 and completed a mapping exercise whereby all requirements were mapped against existing Committee processes and responsibilities in order to confirm compliance.
- **External evaluation of FRC's Audit Quality Review (AQR):** The Committee reviewed the FRC's latest AQR report on audit quality as related to Deloitte. This review was followed up with a findings discussion with Deloitte at a Committee meeting. The Committee was satisfied with the outcome of this review.
- **Tracking of performance against Audit Quality Indicators (AQIs):** Following the Group's participation in the FRC's pilot review project on this area in 2022 the Committee agreed a set of AQIs against which Deloitte's External Audit would be measured. The criteria covered a variety of factors including: the experience of the audit team; the use of technology to automate the audit process; the level of input from technical specialists within Deloitte; and the overall communication process with the Committee. The Committee received a detailed breakdown of performance against the agreed criteria and was pleased to see strong performance continuing against the agreed metrics.
- **Audit plan and approach:** The Committee discussed Deloitte's detailed audit plan and proposed approach and the planned scope of the audit during the year, together with the proposed materiality and the identified significant audit risks. The number of Group operating companies included within the scope of the audit was increased for 2023, primarily due to the inclusion of a number of the largest Vulcanic and Durex Industries operating companies that were acquired in late 2022. Due to the increased size and scope of the Group the Committee worked with Deloitte to implement a business-by-business structured approach to the 2023 audit. This involved Deloitte having specifically designated audit teams and partners for each of the Group's three Businesses, with each working closely with the central Deloitte team in order to provide additional insight into the operations, controls and reporting within each Business.

  As part of this detailed audit plan review, the Committee reviewed and approved the proposed audit fees. In reviewing the audit fees, the Committee received a detailed breakdown of the proposed fees and was able to satisfy itself that the agreed amount represented fair value in order to deliver the quality and scale of audit sought.
- **Internal evaluation process:** The Committee considers it important to gather feedback from within the Group and specifically from the finance teams within the operating companies which interact with the various Deloitte teams as part of the audit process. Each local finance team is asked to provide feedback on the External Audit process by scoring a series of review questions and providing rationale for the scores given. The results are then aggregated and presented to the Committee and Deloitte for discussion with year-on-year movements in the results tracked and detailed. The feedback from last year led to a number of positively received changes being implemented in the audit process for 2023. The overall results and audit experience improved year-on-year and incremental opportunities to further improve the process have been identified and agreed with the Committee for 2024.

- **Interaction with the Auditor:** Throughout the year, the Committee worked closely with Deloitte and was able to gather a good insight into the overall quality of the audit process and the performance of key individuals within the Deloitte team. Throughout these interactions the Committee felt that Deloitte delivered a consistently high quality output and provided an appropriate challenge to management's assumptions, key judgements and estimates whilst ensuring its audit process focused on the key risk areas.

  Andrew Bond has led the Deloitte audit relationship with the Group for the past five years. As agreed during the 2022 tender process, Dean Cook will replace Andrew from 2024 onwards and in order to facilitate an effective transition Dean has spent time with management and attended a number of Committee meetings during the year.

Via the combination of the activities described above, the Committee was able to conclude that Deloitte has provided a high quality audit, appropriately questioned and challenged management and ensured that the Committee has received appropriate insight and feedback detailing the process and results. The Committee was also pleased to see: (i) a continuing expansion of the use of data analytics by Deloitte within the audit process this year in order to increase efficiency; and (ii) the continuing review and controls assessment work being undertaken by Deloitte in order to review and suggest improvements to each of the Group's Businesses as they continue on the journey to upgrade their respective ERP systems.

## Safeguarding Auditor independence and objectivity

The Committee recognises that the independence of the External Auditor is an essential part of the audit framework and has adopted a policy for determining whether it is appropriate to engage the Group's Auditor for non-audit services. The Auditor Engagement Policy was reviewed and updated during the year to align with the latest FRC Ethical Standards. A copy of the Auditor Engagement Policy can be found on the Group's website, spiraxgroup.com/governance-documents.

To safeguard independence and objectivity, the policy sets out that the maximum period of an audit engagement without an external tender process taking place is to be 10 years (calculated from the date of the first financial year covered by the audit engagement letter), with the statutory Audit provider to be rotated at least every 20 year. Further, and in line with the Ethical Standard, the policy details the non-audit services that the Auditor can undertake and which of those services are subject to the non-audit services cap.

On non-audit service caps and approvals, the policy states that any expenditure with the Group's Auditor on non-audit fees should not exceed 70% of the average audit fees charged in the last three-year period.

Furthermore: (i) where the fees for any individual engagement in relation to the non-audit services are in excess of £100,000, pre-approval is required from the Committee; and (ii) a cumulative annual cap of £300,000 is set in respect of non-audit services provided by the Auditor, above which all individual engagements must be pre-approved by the Committee.

In addition to the Group's policy, the Auditor performs its own independence and compliance checks, prior to accepting any engagement, to ensure that all non-audit work is compliant with the FRC's Ethical Standard in force and that there is no conflict of interest.

During the year, the Group spent £0.2 million on non-audit services provided by Deloitte LLP, which included work undertaken on the interim review. These non-audit fees equate to 9% of the average Group audit fees charged over the past three years. Further details can be found in Note 6 on page 211.

## Ensuring a fair, balanced and understandable Annual Report

The Board is required to provide its opinion that it considers the Annual Report and Accounts, as a whole, to be fair, balanced and understandable and therefore provides the required information for shareholders to assess the Group's position, performance, business model and strategy.

During 2023, the Committee considered many components of business performance to ensure it has a full understanding of the operations of the Group. Key matters considered by the Committee include:

- Reviewing, understanding and supporting the key judgements taken and estimates made
- Risk areas set out in the Risk Management Committee Report
- Ensuring an appropriate balance of GAAP and non-GAAP financial measures and disclosures
- Receipt of regular strategy reports from the Group Chief Executive and operational reports from the Business Managing Directors
- Briefing from the Group Head of Communications on key reporting themes
- Reviews of the budget and operational plan alongside the financial performance
- Recognising the internal co-ordination and review of the Group-wide input into the Annual Report which runs alongside the formal audit process undertaken by the External Auditor

Through all the above, alongside its monitoring of the effectiveness of the Company's controls, Internal Audit and risk management, the Committee maintains a good understanding of business performance, key areas of judgement and decision making processes within the Group.

As a result, the Committee advised the Board that it considers the Group's Annual Report to be fair, balanced and understandable.

**Kevin Thompson**
Chair of Audit Committee
6th March 2024

## Further reading

+ Resilience, Going Concern and Viability Statements on pages 41 to 43

# Audit, risk and internal control

Risk Management Committee Report

> Effective risk management remains fundamental to the resilience of our Group."
>
> **Nimesh Patel**
> Chair of Risk Management Committee

## Members

Our Risk Management Committee is comprised of the Group Executive Committee and Dan Harvey (Head of Internal Audit). Their attendance at the meetings during 2023 was as follows:

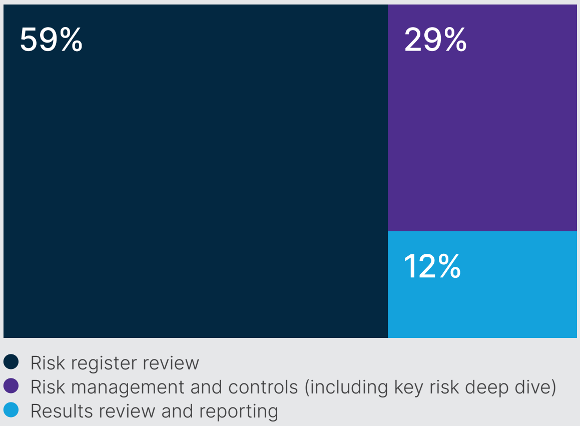
| **Membership** | |
|---|---|
| Nicholas Anderson (Chair until 16th January 2024) | 4/4* |
| Nimesh Patel (Chair from 16th January 2024) | 4/4 |
| Jim Devine | 4/4 |
| Dan Harvey (Head of Internal Audit) | 3/4** |
| Andrew Mines | 4/4 |
| Armando Pazos | 4/4 |
| Sarah Peers | 3/4** |
| Maurizio Preziosa | 4/4 |
| Andy Robson | 4/4 |
| Maria Wilson | 3/3*** |

* Nicholas Anderson stepped down in January 2024

** Absent due to business commitments with contribution provided outside of the meeting

*** Maria Wilson joined the Committee with effect from 1st September 2023

## How the Committee spent its time %



## Committee roles and responsibilities

The purpose of the Committee is to oversee the management and control of significant risks affecting the Group. The Committee ensures that the Group has robust risk management policies and procedures in place, covering all key areas of risk, such as governance, sanctions and embargoes, crisis management, human rights, business continuity and business management.

The Committee's responsibilities include:

- Using top-down and bottom-up reviews to understand the risks facing the Group, including all workforce-related risks
- Determining the Group's appetite for risk
- Assessing the velocity of each risk
- Monitoring any emerging risks on the horizon
- Accepting and managing within the Businesses those risks which our colleagues have the skills and expertise to understand and leverage
- Identifying appropriate risk mitigation techniques and countermeasures

### Key activities

The Committee met four times in 2023, details of attendance at meetings can be found on page 115.
A summary of the Committee's activities throughout the year is set out below:

**August**

- Given the high inflationary environment and evolving geopolitical events, an ad hoc assessment of Principal Risks was undertaken with the result that the risks were consistent during the first half of 2023 as compared to last year

**September**

- The results from the bottom-up risk review were considered
- Ineffective IT Systems was added as a risk to the Risk Register
- Deep dive on 'Loss of Manufacturing output at any Group Factory' Risk
- Pursuant to the Enterprise Risk Management review, in-scope supply sites (factories) were revised and a blueprint agreed for the application of the framework to other Principal Risks in 2024 and beyond

**October**

- All operational risks were scored, including for Risk Velocity and Risk Appetite
- Inability to Identify and Respond to Changes in Customer Needs – (Digital/Non-Digital) identified and agreed as a separate subset of the existing risk of Inability to Identify and Respond to Changes in Customer Needs
- Certain risks resolved to be rescored according to the scoring criteria before December 2023 meeting

**December**

- Final approval of 2023 Risk Register and Principal Risks
- Risk Appetite and Risk Velocity ratings validated for all risks

### Chair's review of 2023

### Summary of key focus areas

The deteriorating macroeconomic climate in 2023 has warranted very close oversight of the risks facing our Group. A key addition has been made to our Risk Register in the form of the risk Ineffective IT Systems. The Committee determined that the risk could have a material impact on our Group given the greater reliance from our Businesses and functions on our IT Systems. Whilst the risk has historically been low, increasingly complex solutions sought by our customers mean we could be faced with limited scalability and a competitive disadvantage in the absence of significant investments. In recognition of this, the Group has embarked on a medium to long-term programme of substantial investment in its IT and data infrastructure over the next five to seven years and has also bolstered its governance in the area to support the roll out of these major transformational projects.

Another key assessment in this year's Committee deliberations has been the risk of failure to meet our customers' Digital requirements. A shift towards service business models is evolving in our relevant markets. Notably, however, these models are perceived as complementary to existing products and services as opposed to new revenue streams. We will proceed to make significant investments to ensure speed and clarity of execution in our prioritised areas of impact. Emerging technologies such as Generative AI are steeply accelerating the speed of change in this area. We therefore continue to build our capabilities including delivery of a vision-led AI Strategy and a robust Data Strategy as part of the roll out of our Group Digital Strategy that focuses on Digital for Customers and Digital for Colleagues.

The world order in 2023 spelled continued uncertainty; together with the war in Ukraine, the conflict in Palestine presents new global challenges from a political and economic perspective. As a consequence, we have undertaken scenario planning exercises to deep dive into specific areas of risk. In light of the new geopolitical and macroeconomic plans of the current political leadership in China, the Committee undertook an exercise to reassess the Group strategy in this territory. Following over 40 years of high economic growth which has positioned China as the world's second largest economy, China is seeking to re-evaluate its position on geopolitical affairs and modify foreign policy accordingly. We have therefore realigned our business strategy as an anticipatory response to any such geopolitical shifts.

In 2022, with the support of external consultants, we undertook an Enterprise Risk Management review to understand the robustness of our risk process. A number of recommendations were drawn from the report and in 2023, we put the actions on a secure footing including implementing more granular Risk Appetite definitions to clarify the level of risk which we deem acceptable. We also introduced Key Risk Indicator reporting so that the risk position can be better assessed, whilst agreeing for mitigation actions to be set so that they are tracked to completion of the action.

### Anti-Bribery and Corruption (ABC)

The Group has continued to reinforce the message of zero tolerance for bribery and corruption within its Businesses. Our ABC training, which is hosted by the Steam Thermal Solutions (formerly Steam Specialties) Academy as part of the Group Essentials training module is available in 16 key languages and, as at 31st December 2023, around 7,000 colleagues (including Directors) worldwide have now taken part in the training (2022: 6,300).

The Group uses an independent, third-party whistle-blowing facility to enable colleagues to anonymously report any suspected unethical, illegal or otherwise concerning conduct.

# Audit, risk and internal control continued

## Risk Management Committee Report continued

### Chair's review of 2023 continued

### Anti-Bribery and Corruption (ABC) continued

In line with our Gifts, Entertainment and Hospitality Policy, we also maintain an online Gifts Register, where colleagues are expected to record gifts, to ensure our conduct is in keeping with the highest ethical expectations and always within the law.

Further updates on whistle-blowing and ABC can be found in our Sustainability Report on page 69.

### Modern Slavery Statement

The Group's Modern Slavery Statement 2023 reflects the Group's Values and the interplay between those Values and our commitment to the mission behind the UK Modern Slavery Act. It explains how we operate to the highest ethical standards across our Group.

We respect and protect human rights and will not tolerate modern slavery or human trafficking in any of our operations, including through our supply chain. The Statement can be found on the Group's website, at spiraxgroup.com/corporate-governance.

### Identifying emerging and Principal Risks

We have a robust risk management process in place through which we identify, evaluate and manage the Principal Risks and emerging risks that could impact the Group's performance.

During 2023, we reviewed the Group's exposure to risk using a bottom-up approach, where the Committee sought views of the Group's operating companies on the risks that they considered may affect their activities to ensure new or emerging risks are not missed. Following this process, the Committee reviewed and confirmed the robustness of the countermeasures that Group operating companies have in place to mitigate the Principal Risks in the Group Risk Register, whilst adding Ineffective IT Systems as a new risk to the Risk Register. In addition, we continued to closely monitor certain changing emerging risks. An example of this is our inability to maintain the speed of digital advancements to maintain our competitive advantage. This was reflected through the creation of a new subset risk of Inability to Identify and Respond to Changes in Customer Needs – Digital so that we can monitor the risk independently of the associated broader non-digital risk.

Our Principal Risks and the results of the 2023 review are set out in the Strategic Report on pages 101 to 105.

### Monitoring effectiveness

### (i) Risk management systems

The Committee is responsible for reporting to the Board the risks facing the Group and the mitigation measures for those risks. To fulfil that responsibility, the Committee oversees the Group's risk management processes and procedures, with support from the Audit Committee, through the Internal Audit function, that monitors Group operating companies' compliance with those processes and procedures.

The Committee is also charged with the ongoing monitoring of sufficient and effective mitigation plans for relevant risks at each Business together with all the operating companies in each of those three Businesses. Each operating company is required to undertake a formal review, at least once a year, of the risks which impact, or have the potential to impact, its business. This takes the form of a top-down or bottom-up review and includes all risks related to that operating company's workforce. The reviews are consolidated into Group-wide risk reports which are maintained and reviewed by the Committee on a regular basis. Additionally, the risk management processes are monitored on an ongoing basis via internal and external audits of Group operating companies. Senior managers have full accountability for risk management within their businesses.

The governance structure provides three lines of defence in the Group's risk management, as illustrated below.

**First line of defence**

Each Business is responsible for the identification, control and management of its own risks

▼

**Second line of defence**

The Risk Management Committee, with the Audit Committee, ensures that the risk and compliance framework is effective, to facilitate the monitoring of risk management with ongoing challenge and review of the risk profile in the business

▼

**Third line of defence**

Internal audits provide independent testing and verification of compliance with policies and procedures and monitoring of follow-up actions where required

### (ii) Internal control framework

The Group's internal controls framework is structured as follows:

**Identify/prioritise risks**

▼

**Set risk appetite**

▼

**Set operating principles**

▼

**Produce and maintain detailed policies/procedures**

▼

**Validate and test compliance with policies**

▼

**Report on policy compliance**

▼

**Manage exceptions**

Oversight of the Group's risk management frameworks and operation of controls is undertaken by the Risk Management and Group Executive Committees.

The Risk Management Committee regularly reviews the Group's Principal Risks, including emerging risks and defines appropriate risk appetite. The Group Executive Committee is responsible for the operation of controls to mitigate both the Principal Risks and other operational risks. The Board is actively involved in reviewing all risks. The Audit Committee also undertakes 'deep dives' into the Principal Risk areas.

Underpinning the Group's control environment is our culture and the 'tone at the top' of the organisation, which sets the principles under which all Group business is conducted. These principles are captured in the six Values of the Group that have been communicated to all colleagues.

These principles are also documented and reinforced through the Group Management Code and through annual mandatory training via the online Group Essentials programme. Colleague engagement surveys are also undertaken to validate organisational alignment to our Values and in 2023, a Values-based awards programme, the **Spirit Awards**, held its first awards ceremony which was widely acclaimed internally as a resounding success.

The Group's documented policies and procedures, which are periodically reviewed and refreshed, set out our clear expectations of operating companies for the operation of controls. This includes the Group's Delegation of Authorities that has been approved by the Board and cascaded to our Business Executive teams and their respective operating companies.

Reviews over the effectiveness of the controls environment are performed through an annual Risk and Control Self-Assessment process and reviews of operating companies' activities are undertaken by Group functions, including Internal Audit. Where appropriate, such as when reviewing specialist functions, independent reviews are sought from third parties and various regulatory and certification audits are also undertaken across the Group each year. Findings identified from these processes and reviews give rise to documented action items, which are tracked to completion.

Oversight of the financial and operational performance of our operating companies is provided at Business and Group levels and includes detailed quarterly financial reviews, reviews of monthly management accounts and weekly flash reporting. Key business decisions are approved by the Group Executive Committee, which meets monthly to review financial performance and receives reports on activity to manage our Principal Risks. Senior leaders and the Board visit Group operations, and regional and Business leaders also present directly to the Board. Various Business and Functional conferences are held during the year to engage our global teams and help communicate Group expectations. This includes a Group Leadership Conference which brings together all the senior leadership teams of the three Businesses, together with leaders of Group functions.

Safecall, our established, independent whistle-blowing facility is managed by the Group General Counsel and is advertised at all operating company sites and was recently reinforced through a new Group-wide awareness campaign. Safecall helps us ensure that we are always acting with integrity and working in a way that is fair and honest and always doing the right thing. If colleagues are concerned about wrongful conduct at work, they can use Safecall to report concerns confidentially and anonymously if they become aware of any activity that is inconsistent with our principles. Concerns are investigated by the Group General Counsel or another senior manager as appropriate.

### (iii) Internal audit

The Group's standard policy regarding internal auditing is that each operating company is audited at least once every five years (most more frequently). Operating companies located in higher risk territories are audited more frequently, and businesses acquired by the Group are subject to internal audit within six months of acquisition.

The internal audit system is a crucial part of the risk management process. Internal audits are conducted by our Internal Audit team led by our Head of Internal Audit.

Internal audit reports are made to the Audit Committee and the Board as a whole. The Audit Committee has ensured compliance with centrally documented control procedures on such matters as capital expenditure, information and technology security and legal and regulatory compliance. The Audit Committee conducts 'deep dives' into Principal Risks.

## Risk Appetite Statement

Risk is an inherent part of business and in order to achieve our business aims, we must accept certain risks. We seek to implement a balanced approach to risk, ensuring that our resources are protected while still pursuing opportunities to accelerate and deliver growth.

The decision to take opportunity-based risks should, to the greatest extent possible, be deliberate and calculated.

- We aim to confirm that the level of risk is commensurate with the strategic and economic benefits the risk might bring
- We evaluate our ability to control the risk or mitigate its effects, should that risk materialise
- We always assess the potential ethical considerations arising from knowingly accepting some level of risk

An informed and well-considered process is crucial to any decision to accept risk. The Committee has undertaken a thorough evaluation process to determine an appropriate Risk Appetite and Risk Velocity rating for each Principal Risk. These are set out in detail in the Risk management section of the Strategic Report which starts on page 98. The Committee has also acted on the findings of the Enterprise Risk Management Review including a recommendation of granularising the definition of Risk Appetite to clarify the level of risk that is acceptable to the Group.

The Group has a very low appetite for risks that could lead to violations of health, safety and environmental legislation, breaches of legal and regulatory requirements and climate change that might affect its operations.

# Audit, risk and internal control continued

## Risk Management Committee Report continued

### Risk Appetite Statement continued

In contrast, the Group has a high-risk appetite in relation to economic and political instability. With decades of experience in successfully managing operations in volatile markets, we have the control procedures in place to handle the challenges that come with those risks and we appreciate that without taking risks in new, sometimes unstable, territories we would miss out on valuable opportunities for growth.

As an organisation we are risk aware, but not risk averse. We continually monitor and assess the risks facing the Group and evaluate our ability to control them and mitigate their effects. Focusing on our strategic objectives, we evaluate our Risk Appetite and decisions to accept risk in a way that will ensure the ongoing financial health of the Group.

### Board and Audit Committee oversight

The Board has overall responsibility for the effectiveness of the Group's internal controls and risk management frameworks. Oversight of the Group's risk management procedures and the operation of controls is undertaken by the Risk Management Committee and the Group Executive Committee. Further details on how the Board and Audit Committee manage this oversight can be found in the Audit Committee Report on pages 138 to 149.

### Changes to the Committee

Following the retirement of Nick Anderson in January 2024, Nimesh Patel took over as Chair of the Risk Management Committee. Once the new Group Chief Financial Officer (CFO) has joined they will also be a member of the Committee. In the meantime Phil Scott as Interim CFO will sit on the Committee.

### Viability Statement

In accordance with provision 31 of the UK Corporate Governance Code 2018, the Board has assessed the viability of the Group, taking into account the Group's current financial position, business strategy, the Board's risk appetite and the potential impacts of the Group's Principal Risks. We set out the eight Principal Risks we have identified, along with our mitigation measures, in our Risk Management section of the Strategic Report which begins on page 98.

Based on this assessment, the Board has confirmed that it has a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the five-year period to 31st December 2028.

The Viability Statement is set out in full in our Financial review on pages 41 to 43.

**Nimesh Patel**
Chair of Risk Management Committee
6th March 2024

### Focus for 2024

- Optimise and consolidate our portfolio of digital products and talent pool and execute against fewer but mission-critical priorities
- Continued implementation of the recommendation arising from the Enterprise Risk Management review, including adopting the blueprint of recommendations agreed and implemented in 2023 to all Principal Risks
- Undertake a top-down risk assessment exercise
- Annual review of the Risk Register
- Undertake a deep dive assessment of a designated Principal Risk
- Continue to assess and evaluate the impact of climate change in light of data collected and the corresponding risks and benefits to our Group
- Continue acceleration of the implementation of our net zero roadmap

### Further reading

+ Risk management and Principal Risks see pages 98 to 105

# Remuneration

## Remuneration Committee Report

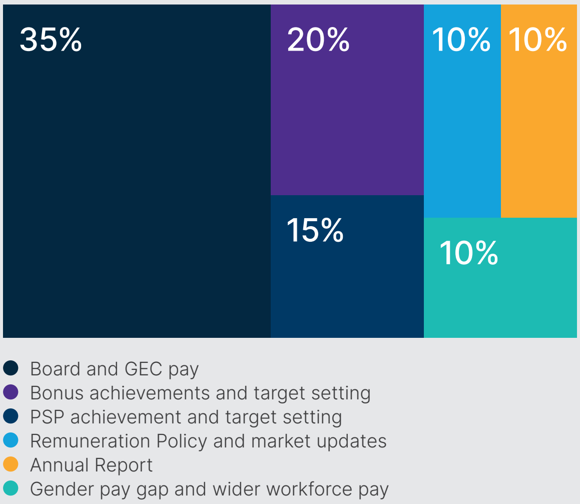
> The Committee is pleased the remuneration framework has worked as expected, acting in shareholders' best interests by providing appropriate flexibility to support Board changes while ensuring pay outcomes reflect business performance."

**Jane Kingston**
Chair of Remuneration Committee

**Members**

- **Jane Kingston (Chair)**
- Angela Archon
- Richard Gillingwater
- Kevin Thompson

### How the Committee spent its time %



### Committee role and responsibilities

The main role of the Committee is to determine Executive remuneration policies, how they are applied and set targets for the short and long-term incentive schemes. It also monitors compliance with the presiding Remuneration Policy. The Committee determines the philosophy, principles and policy of Executive and senior manager remuneration having regard to the latest legislation, corporate governance, best practice and the Financial Conduct Authority (FCA) Listing Rules.

The Committee takes account of wider colleague remuneration frameworks, related policies and the alignment of incentives and rewards with our Group culture.

### Key activities undertaken

The Remuneration Committee formally met six times in 2023; details of attendance can be found on page 115. A summary of the Committee's activities throughout the year is set out below:

**February and March**

- Shareholder engagement letter and consultation update
- Finalisation of 2023 Remuneration Policy
- Approval of Annual Incentive Plan (AIP) – 2022 outcomes and 2023 targets
- Approval of 2023 personal strategic objectives
- Approval of Performance Share Plan (PSP) – 2020 outcome and 2023 targets
- Approval of 2023 PSP rules and AGM circular to shareholders
- Review of 2022 gender pay gap and Group Chief Executive pay ratio
- Review of wider colleague pay and real living wage rates (UK)

**June**

- Review of Group Executive Committee remuneration (GEC) arrangements

**August**

- Approval of Group Chief Executive retirement arrangements
- Approval of Group CEO successor remuneration arrangements
- Approval of Interim Chief Financial Officer (CFO) remuneration arrangements

**November and December**

- Approval of CFO remuneration arrangements
- External market update
- Internal pay landscape update
- Approval of 2024 salary proposals for GEC members
- Approval of 2024 Board Chair fee level

# Remuneration continued

## Remuneration Committee Report continued

### Remuneration principles

Our remuneration principles are to maintain a competitive remuneration package that promotes the long-term success of the Group, avoids excessive or inappropriate risk-taking and aligns management's interests with those of shareholders.

Below is how remuneration is aligned with the principles of the Code.

| Clarity | Predictability | Simplicity |
|---|---|---|
| Our remuneration framework is structured to support the financial and strategic objectives of the Group, aligning the interests of our Executive Directors with those of our shareholders. We are committed to transparent communication with all our stakeholders, including our shareholders. | The long-term PSP has a range of reward and performance outcomes to align with our business model and strategy. | We operate a simple but effective remuneration framework which is applied on a consistent basis for all colleagues. The AIP rewards performance against key performance indicators, while the PSP provides long-term sustainable alignment with our shareholders. There is clear line of sight for management and shareholders. |
| **Risk** | **Proportionality** | **Alignment to culture** |
| Our incentives are structured to align with the Group's risk management framework. The AIP and PSP also incorporate malus and clawback provisions, and there is overarching Committee discretion to adjust formulaic outcomes in certain circumstances. | There is clear alignment between the performance of the Group, the business strategy, and the reward paid to Executive Directors. We endeavour to ensure that our target total compensation levels are set competitively compared to other companies of similar size and complexity to ensure we can attract and retain the executives needed to deliver the business strategy. | When considering performance, the Committee takes account of Group Values, strategies and the views of wider stakeholders including shareholders and colleagues.<br>Having no release of PSP awards until five years from the date of award creates long-term alignment, as do our in- and post-employment shareholding requirements. |

### Introduction

On behalf of the Board, I am pleased to present the 2023 Directors' Remuneration Report for the year ended 31st December 2023.

The Remuneration Report provides a full overview of the structure and scale of our remuneration framework, the decisions made by the Committee as a result of business performance this year and the intended arrangements for 2024, including the appointment of Nimesh Patel as Group Chief Executive Officer (Group CEO) following Nick Anderson's retirement announcement. In addition, the report this year also provides greater detail on the alignment of the remuneration framework with the business strategy.

During the year the Committee was pleased to receive overwhelming 91% shareholder support for the 2023 Remuneration Policy, together with 96% support for the Annual Report on Remuneration 2022.

### Board changes

#### Nicholas Anderson – retirement

On 8th August, we announced that after a successful 10 years in role, Nicholas (Nick) Anderson would be retiring as Group Chief Executive (CEO) on 16th January 2024. Nick will cease employment with the Company on 31st March 2024, providing any necessary support to Nimesh Patel in his new role until this date.

I would like to take this opportunity to extend my personal thanks to Nick for his transformative leadership of the business and his clear commitment to making a positive difference to our colleagues and customers, the communities in which we operate and the impact we have on the environment.

Under Nick's leadership the financial performance of the Group meaningfully improved. In addition, Nick leaves the Group with firmly embedded sustainability strategies and inclusion and equity programmes.

As we reported at the time of announcement, Nick's retirement arrangements are aligned with the terms provided within the Remuneration Policy. I am pleased the exit provisions within the Policy provide for appropriate recognition of Nick's outstanding service whilst also ensuring the interests of both shareholders and Executives continue to be aligned. Nick has been awarded 'good leaver' treatment under the Annual Incentive Plan (AIP) and Performance Share Plan (PSP). This means Nick is eligible to receive a payment under the AIP for the 2023 performance year and will receive pro-rated shares under his existing PSP grants. The payments under both the AIP and PSP will be made at the normal time to the extent the respective performance conditions are met. As per our Policy, the two-year post-vesting holding periods for PSP awards will continue to apply as will the post-leaving shareholding requirements.

#### Nimesh Patel – appointment to Group CEO

As a result of robust succession planning, we were delighted to announce in August that Nimesh Patel, our Chief Financial Officer (CFO), would succeed Nick Anderson as Group Chief Executive Officer on 16th January.

Upon appointment, Nimesh received an annual salary of £720,000 and is eligible to participate in the AIP and PSP on the same basis as the previous CEO, being 150% and 200% of salary respectively as outlined in our Remuneration Policy. Nimesh will continue to be entitled to pension arrangements on the same terms as all UK colleagues.

In setting Nimesh's initial salary level, the Committee carefully considered a number of factors, including the experience of the individual, the market level for this role and the salary of the previous incumbent. As was announced in August, the Committee determined it would be appropriate to set Nimesh's salary below that of the experienced retiring CEO with a clear intention to provide phased increases in base salary to the market level within two years of appointment (i.e. £750,000 plus annual

Executive Director salary increases) subject to personal and business performance. In the short term, this is likely to result in salary increases above those provided to the rest of the workforce. In line with the Company's approach of ensuring open and transparent dialogue with shareholders, any salary increases approved by the Remuneration Committee will be clearly reported and explained in the relevant Directors' Remuneration Report.

### Louisa Burdett – appointment to CFO

In December we were delighted to announce the appointment of Louisa Burdett as Chief Financial Officer. We were pleased to secure Louisa's employment under our normal pay framework for Executive Directors; full recruitment details are detailed on page 169 of this report. All payments to be made are within our shareholder-approved Recruitment Policy detailed on page 176.

### Context of business performance

As referenced earlier in this Annual Report, 2023 presented a number of macroeconomic challenges for the Group which worsened throughout the year. The continued destocking by customers in the Semicon and Biopharm sectors impacted demand in ETS and Watson-Marlow respectively, while a weaker Global IP, particularly in the second half of the year, impacted organic sales growth for STS. These factors adversely impacted Group financial performance.

The business worked hard to take steps to mitigate these external influences and the adverse impact of lower sales volumes on profitability. Investments in future growth through the development of new digitally-enabled products and services were balanced against overhead containment and appropriately right-sizing manufacturing capacity; business-readiness for a recovery in volumes in 2024 was maintained.

### Strategic alignment of pay

As demonstrated on page 34, and referenced throughout this Remuneration Report, there is a strong alignment between Spirax Group's key performance indicators and the measures and targets of Executive Directors' incentive schemes; this is shown in the diagram below.

This alignment ensures a clear linkage between business performance and pay outcomes, supporting the Committee's commitment to designing pay arrangements which drive long-term sustainable growth for the benefit of our shareholders.

As described later, payments under both the AIP and PSP were impacted by the difficult trading environment summarised above.

The Committee will continue to review thoroughly the pay structures and incentive arrangements for Executive Directors to ensure continued strong alignment between the delivery of business performance and associated remuneration arrangements.

| | | AIP | PSP |
|---|---|---|---|
| Group KPI (see page 34) | 1 Organic revenue growth | | |
| | 2 Adjusted operating profit | ● | |
| | 3 Adjusted operating profit margin | | |
| | 4 Adjusted earnings per share | | ● |
| | 5 Cash generation | ● | |
| | 6 Health and safety | ● | |
| | 7 Group greenhouse gas emissions | | ● |

### 2023 performance – key strategic highlights

Annual Incentive Plan

Group adjusted operating profit

**£349.1m**

(2022: £370.9m for AIP purposes)

Group adjusted operating profit growth outturn for the year of £349.1m was below the Threshold target of £394.3m required for payment under the profit element of the 2023 Annual Incentive Plan. Consequently, no bonus payment was made in respect of adjusted operating profit.

Performance Share Plan

Earnings Per Share Growth

**20.5%**

(2020 – 2022: +40.3%)

Earnings per share grew over the three-year performance period by 20.5% for PSP measurement purposes. As this was above the Threshold performance requirement set, 31.5% of the EPS element in the 2021 PSP will vest.

Annual Incentive Plan

Cash generation

**£281.7m**

(2022: £206.3m for AIP purposes)

The cash generation element of the 2023 Annual Incentive Plan was below the Threshold target required to begin payments under this element of the Annual Incentive Plan. No bonus payment was made in respect of cash generation for 2023.

# Remuneration continued

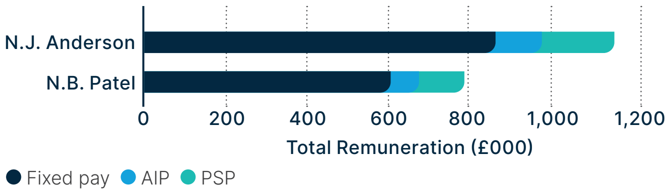
## Remuneration Committee Report continued

### Single figure table and incentive outcomes

Our Remuneration Policy is designed to ensure that a percentage of Executive Director pay is based on the achievement of demanding performance targets and is therefore at risk of not being paid. Performance targets are designed to be sufficiently stretching while still achievable; maximum payments are only possible for outstanding outperformance of financial and strategic plans. The Group's pay structures are deliberately designed to motivate Directors to focus on overall Group performance while allowing for modest payments for individual performance.

During the year, the business delivered lower than anticipated financial performance. As a consequence, and as shown in the single figure table on page 162, total remuneration for Executive Directors is lower than last year. This is due to lower achievement against both one-year and three-year performance targets in the Annual Incentive Plan and Performance Share Plan respectively.

### Single figure remuneration 2023



### Annual Incentive Plan (AIP) payment 2023

Executive Director bonus payments are based primarily on stretching Group financial performance targets which account for 90% of maximum AIP payments (70% Group adjusted operating profit and 20% Group cash generation). The required level of achievement for payment under the operating profit element was not achieved for 2023. Cash generation targets were missed, reflecting performance lower than expected against 2023 plans, driven largely by the challenging trading conditions and consequent decline in sales and profit. That said, strong progress has been made against the personal strategic objectives set by the Committee at the start of the year resulting in payment of 10% of salary for each Executive Director. Many of these objectives relate to longer term initiatives which are unrelated to the annual profit and cash performance of the business.

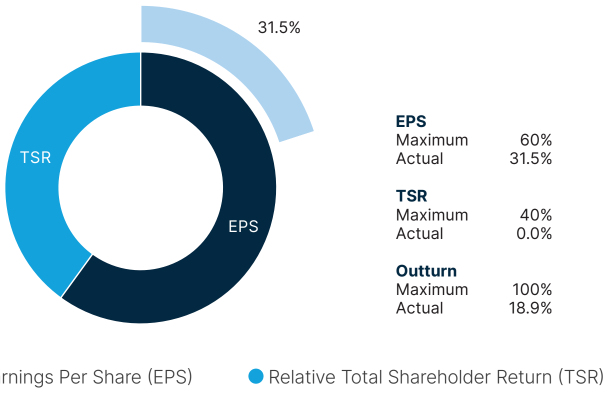
The Committee is satisfied that the personal strategic objectives set at the start of the year were sufficiently stretching and that payments reflect the overall shareholder experience over the year.

### Annual Incentive Plan outcomes in 2023

| | **Financial** | | **Non-financial** |
|---|---|---|---|
| | Group adjusted operating profit | Group cash generation | Personal strategic objectives |
| **% of AIP** | 70% | 20% | 10% |
| **CEO** | 0% | 0% | 10% |
| | **10% achieved** | | |
| **CFO** | 0% | 0% | 10% |
| | **10% achieved** | | |

### 2021 Performance Share Plan (PSP)

As shown in the chart below, as a result of below median relative TSR performance over the three-year performance period to 31st December 2023, no part of the TSR element of the 2021 PSP award will vest in March 2024. Achievement against the EPS element was above the threshold required for this part of the award to vest, resulting in a total of 18.9% vesting of the shares granted in 2021.



### Application of discretion

In determining the outcome of proposed payments under the AIP and PSP, the Committee carefully considered the achievement of financial and non-financial targets against each performance measure, the overall performance of the business during the year and the wider macroeconomic environment as well as the approach being taken for other colleagues. The Committee made a robust and full assessment of these factors in assessing both the incentive outcomes and the level of total remuneration received by each Executive Director for 2023, as illustrated on this page.

As in previous years, during 2023 the Committee did not apply any discretion to the variable pay outcomes of the AIP or PSP. The Committee agreed that the final vesting of the PSP was reflective of the last three years of performance and that the Policy operated as intended.

### Stakeholder engagement (with colleagues and shareholders)

We have a well-established record of active and thoughtful engagement with our key shareholders on the issue of executive pay. In recent years, Jamie Pike and I have spoken extensively with a number of our key shareholders ahead of the rebasing of our CEO base salary and our 2023 Remuneration Policy renewal. In building these open and transparent dialogues with shareholders, the Committee will actively engage with shareholders and shareholder representative bodies, seeking views which are openly discussed and considered when making any decisions about changes to the Remuneration Policy for Executive Directors.

As there are no significant changes to the pay framework for 2024, there have been no issues to discuss with shareholders since the AGM in May 2023. I outlined in our 2022 Annual Report some of the advice provided by our shareholders during earlier consultation sessions and I remain committed to discussing with our shareholders in advance of making any changes to the Executive Director remuneration package and clearly explaining the Committee's decisions.

### Wider colleague engagement

We welcome feedback from colleagues in one-to-one performance reviews, in Works Council meetings in countries where they operate as a collective voice, in engagement surveys, through line manager dialogue and up through the HR function to the Group Executive Committee and Remuneration Committee as part of our open culture. The Group HR Director provides updates to the Committee as appropriate on pay and people-related issues during the year to ensure we have visibility of the things which really matter to our colleagues. During 2023, the Committee received regular updates relating to the global pay arrangements of colleagues across the business to give the additional context needed to ensure Executive Director and senior leader pay arrangements are equitable across the Group. These included global salary review proposals for 2024, the alignment of UK colleague salaries against the Real Living Wage and the regional harmonisation of colleague benefits in various locations.

In addition, in my role as Committee Chair, I welcome the opportunity to speak with and receive direct feedback from colleagues from across the business via colleague focus group sessions. Colleagues taking part in these focus groups are drawn from different businesses, geographies, functions and job roles. During these sessions we typically discuss a wide variety of matters, including how our Executive Directors and senior leaders are recognised and rewarded and how the Board and Committee operates as well as the wider global frameworks on pay and benefits.

Sessions held during the year had a particular focus on the Board changes outlined earlier in this report and colleagues told us engaging with them on executive remuneration was valued. Colleagues were keen to understand how the Committee ensures Executive Director remuneration is fair and appropriate for these roles, taking into account a variety of factors including external market data and pay levels for other colleagues across the Group. Colleagues were reassured to understand that benchmarking is only one of many factors considered, with particular attention paid to internal parity. Other discussions comprised the visibility of commercially sensitive bonus targets and the balance between financial and individual performance within bonus schemes.

### Wider colleague pay arrangements

The Committee monitors and reviews the effectiveness of the Executive Directors' reward framework and its alignment with policies in the wider business to ensure the appropriateness of senior pay arrangements in this broader context. We have continued to consider the global cost-of-living challenges for colleagues in our discussions. As part of our approach to setting country-specific percentage increases, we were mindful of both forecast salary inflation data and the projected Consumer Price Index in each country together with business affordability in the continuing period of trading uncertainty and projected slight decline in the global macroceconomic outlook. As a consequence, the wider colleague pay review for 2023 in the UK was 7.1%.

# **Remuneration** continued

## Remuneration Committee Report continued

### Pay arrangements for 2024

The average pay increase in 2024 for UK colleagues, including GEC members and other senior leaders, was 3.1%. As a consequence of the Board changes described earlier in this report, there were no annual pay review increases for the Executive Directors effective from 1st January 2024. Salaries for the newly appointed Group CEO and CFO were set in 2023 inclusive of 2024 pay increases; these take effect upon their appointments in January and July 2024 respectively.

For the plc Chair, the fee has been increased by 13% to £350,000, reflecting a more appropriate position against benchmark data and time commitments for comparable companies. This fee became effective from 1st January 2024.

The Committee reviews each year the overall pay structures and performance metrics of the senior leader reward framework. Reflecting on the existing arrangements under the AIP and PSP and their operation during 2023, the Committee agreed the incentive schemes worked as intended. As a result, no significant changes have been proposed for the forthcoming year.

For 2024, the AIP will continue to be largely focused on the profitable performance of the Group with 70% of any payment being measured against Group operating profit targets. For 2024 the Committee has approved an amendment to the cash metric within the AIP from cash generation to cash conversion, still maintaining a 20% weighting within the plan. This change, reflecting cash generation as a percentage of profit, ensures a continued focus on strong cash management, incentivising sales to cash conversion independently of demand and profitability. Although our Remuneration Policy provides for a maximum opportunity of up to 200% of salary, the maximum payment available under the AIP in 2024 will remain at 150% of salary for the Group CEO and 125% of salary for the CFO.

The PSP will continue to be measured against three key performance metrics which together focus on driving long-term sustainable profit growth against our peers, ultimately seeking to drive shareholder value, namely earnings per share (EPS), relative total shareholder return (TSR) and a reduction in scope 1 and 2 greenhouse gas (GHG) emissions. The Committee reviewed the targets against the long-term financial plans and determined no changes were required under the EPS and TSR elements for the 2024 award. Targets for the reduction in GHG emissions have been updated reflecting the continued progress required for the period to 2026. For 2024 PSP awards onwards, the baseline for comparison has been adjusted to include the acquisitions of Vulcanic and Durex Industries. Reduction targets will be based on this revised baseline, which by 2026 will require a total 50% reduction in GHG across the whole Group, including these acquisitions. This ensures further progress is made over and above the 2023 PSP targets, which, as a reminder, still requires a 50% reduction across Group businesses (excluding acquisitions). Further details of the performance targets associated with the 2024 grant are detailed on page 173.

### Looking forward

Looking to the future, the Committee intends to continue to review Spirax Group's pay policies, ensuring that Executive Director pay arrangements support and drive the business strategy while remaining appropriate when considered within the overall workforce remuneration frameworks and the external regulatory environment.

### Committee focus for 2024

- Continue to review the incentive arrangements to ensure an appropriate balance of stretching but achievable targets
- Support the appointment of a new Board Chair
- Continue to evolve colleague engagement on remuneration issues

I would like to thank our shareholders for their continued support during the year. I will be available at the Company's Annual General Meeting on 15th May 2024 to answer any questions in relation to this Remuneration Report.

**Jane Kingston**
Chair of Remuneration Committee
6th March 2024

# At a glance summary: Executive Directors' remuneration

## Executive Directors' remuneration framework

**Fixed pay**
To enable the Group to attract, retain and motivate high performing Executive Directors of the calibre required to meet the Group's strategic objectives.

**Annual Incentive Plan (AIP)**
To incentivise and reward for performance against the short-term delivery of key metrics linked to the business strategy.

**Performance Share Plan (PSP)**
To incentivise, reward and retain Executive Directors for delivery against long-term Group performance, driving sustainable Group performance aligned with shareholders' interests.

## Pay outcomes for 2023

**Fixed pay**

**5.3% inflationary increase in January 2023 in line with other UK senior leaders**

- Base salary
- Benefits
- Pension

+

**AIP**

**Payments made were 10% of maximum bonus opportunity**

- Maximum opportunity: 150% of salary (CEO) and 125% of salary (CFO)
- Measured against Group operating profit (70%), cash generation (20%) and personal strategic objectives (10%)

+

**PSP**

**18.9% of 2021 PSP award vested**

- Maximum grant: 200% of salary (CEO) and 175% of salary (CFO)
- Measured against EPS outperformance of Global IP (60%) and relative TSR (40%)

=

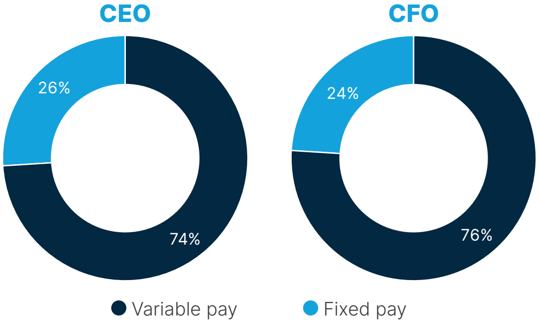
**Total pay**

**Total payments for 2023 were 33% - 36% of maximum potential**

- Sum total of pay elements

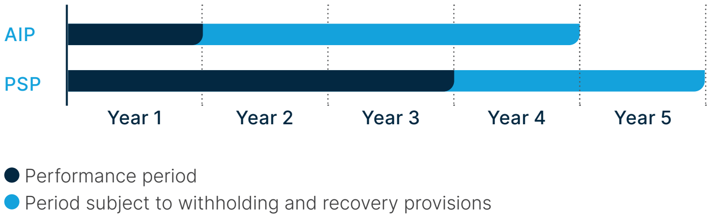
## Pay subject to performance

A significant proportion (c.75%) of an Executive Director's potential remuneration is only payable to the extent the stretching performance conditions have been achieved.



## Pay at risk

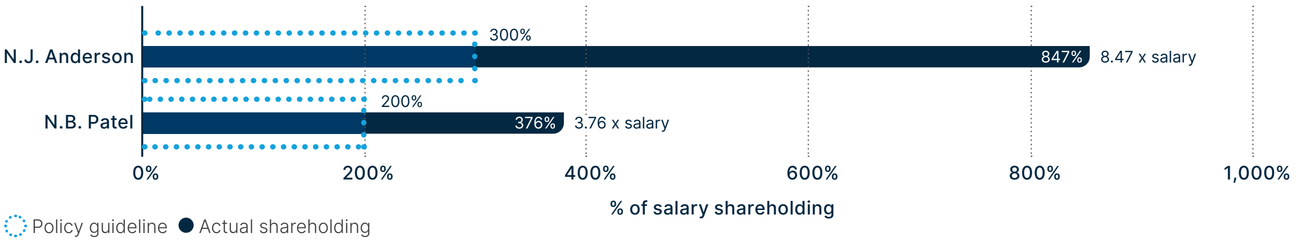
After payment, there are further mechanisms in place to ensure decisions made at the most senior levels are aligned with shareholders' and colleagues' interests over a long-term period.



## Share ownership

Executive Directors are required to build a substantial shareholding in the Company to ensure alignment with shareholders' interests. This shareholding continues to apply for two years after leaving the Company.

### Actual shareholding – achievement against guideline



# Remuneration continued

## Annual Report on Remuneration

## Annual remuneration report

### Governance

Details of the Committee membership can be found in the Committee Chair's report on page 115 and full biographies of the Committee members can be found on pages 112 and 113. Each Committee member is an Independent Non-Executive Director and brings independence to all aspects of Board remuneration and the application of professional advice to matters relating to remuneration. The General Counsel and Company Secretary acted as Secretary to the Committee with support from the Assistant Company Secretary. The Committee met six times during the year ended 31st December 2023. Details of meeting attendance can be found in the Corporate Governance Statement on page 115.

No conflicts of interest with respect to the work of the Committee have arisen during the period and none of the members of the Committee have any personal financial interest in the matters discussed, other than as shareholders. The fees of the Non-Executive Directors are determined by the Board on the joint recommendation of the Chair and the CEO. The fees of the plc Chair are determined by the Committee.

The Committee is formally constituted and operates on written Terms of Reference, which are modelled on the Code and are available on our website, spiraxgroup.com/governance-documents.

### Advice to the Committee

The Committee takes account of information from both internal and independent sources. During the year it received external advice from Korn Ferry, which was appointed by the Committee in 2019. Korn Ferry advises on all aspects of the Company's Remuneration Policy and reviews our remuneration structures against corporate governance best practice. Korn Ferry also provides support to the Company and management more generally with the monitoring of TSR performance for the PSP, Executive remuneration levels and structure, non-Board benchmarking and salary surveys. The Committee confirms that neither it nor any of its Directors has any connection with Korn Ferry, who is a member of the Remuneration Consultants Group and complies with its Code of Conduct, which sets out guidelines to ensure that its advice is independent and objective. The Committee reviews the performance and independence of its adviser on an annual basis. During the period, Spirax Group incurred fees of £90,535 (plus VAT) from Korn Ferry on a time and materials basis.

The Group's HR Director provides updates to the Committee, as required, to ensure that the Committee is fully informed about pay and performance issues throughout the Group. The Committee takes these factors into account when determining the remuneration of the Executive Directors and senior executives. The CEO also attends at the Committee's request but does not participate in discussions regarding their own individual remuneration. The Committee also ran two focus groups during the year, as part of the review of the Remuneration Policy; see page 159 for more details on these.

## Audited information

The information that follows is subject to audit until otherwise indicated.

### Single total figure of remuneration (£)

| | **N.J. Anderson** | | **N.B. Patel** | |
|---|---|---|---|---|
| **Executive Directors** | **2023** | 2022 | **2023** | 2022 |
| Basic salary[(a)] | **750,000** | 630,500 | **529,448** | 502,800 |
| Taxable benefits[(b)] | **30,107** | 28,119 | **19,173** | 17,911 |
| Pension[(c)] | **75,000** | 150,500 | **52,945** | 50,280 |
| **Total fixed pay** | **855,107** | 809,119 | **601,566** | 570,991 |
| Annual bonus[(d)] | **112,500** | 560,531 | **66,181** | 388,413 |
| PSP[(e)] | **179,971** | 1,727,816 | **125,542** | 1,195,133 |
| ESOP[(f)] | **1,788** | 1,837 | **1,883** | 1,729 |
| **Total variable pay** | **294,259** | 2,290,184 | **193,606** | 1,585,275 |
| **Total pay** | **1,149,366** | 3,099,303 | **795,172** | 2,156,266 |

| | J. Pike | | R. Gillingwater | | J.S. Kingston | | K.J. Thompson | | C.A. Johnstone | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Non-Executive Directors – Board Chair, SID and Committee Chairs** | **2023** | 2022 | **2023** | 2022 | **2023** | 2022 | **2023** | 2022 | **2023** | 2022 |
| Fees | **309,000** | 300,000 | **76,800** | 75,000 | **76,800** | 75,000 | **76,800** | 75,000 | **76,800** | 75,000 |
| Other | **—** | — | **—** | — | **—** | — | **—** | — | **—** | — |
| **Total** | **309,000** | 300,000 | **76,800** | 75,000 | **76,800** | 75,000 | **76,800** | 75,000 | **76,800** | 75,000 |

| | P. France | | A. Archon(g) | | O. Qui<br>(to 31st January 2023) | | C. Baroudel<br>(from 3rd August 2023) | |
|---|---|---|---|---|---|---|---|---|
| **Non-Executive Directors – Committee members** | **2023** | 2022 | **2023** | 2022 | **2023** | 2022 | **2023** | 2022 |
| Fees | **61,800** | 60,000 | **70,800** | 60,000 | **5,150** | 60,000 | **25,750** | — |
| Other | **—** | — | **50,379** | 31,292 | **0** | 8,599 | **—** | — |
| **Total** | **61,800** | 60,000 | **121,179** | 91,292 | **5,150** | 68,599 | **25,750** | — |

### Notes to the remuneration table

(a) This is the amount earned in respect of the financial period.

(b) This is the taxable value of benefits paid or payable in respect of the financial period. These benefits typically relate to car allowance and medical insurance.

(c) UK tax legislation imposes penalty taxes on annual pension contributions where prescribed maximum amounts are exceeded. The Committee has previously determined that impacted Executive Directors would receive pension benefits limited to the prescribed maximum amounts and an additional taxable supplementary cash payment equal to the cost to the Group of the pension benefit forgone.

(d) This is the total bonus earned under the Annual Incentive Plan in respect of the financial year.

(e) The amount shown relates to the market value of PSP awards whose performance period ended during the relevant financial year. Refer to pages 167 and 168 for details of PSP awards made during 2023.

Over the 2021 PSP vesting period the share price decreased from £117.70 at grant (4th May 2021) for N J Anderson and N B Patel, to £91.17, which was the average share price over October, November and December 2023, a decrease in value of the vesting shares of around £26.53 per share. The amount attributable to share price appreciation included above is therefore nil. As the award will not vest before the publication of the 2023 annual results and therefore the value at vesting will not be known, the value will be restated next year in the single figure table when the share price at vesting is known.

(f) The benefit of the ESOP awards is calculated as the number of shares awarded multiplied by the share price on the date of the award.

(g) Fee includes long-haul intercontinental travel allowance effective from 1st April 2023.

## Additional requirements in respect of the single total figure table of remuneration

### Performance-related pay earned in the year to 31st December 2023

### Annual Incentive Plan (AIP)

Executive Directors participate in the AIP, which rewards them for financial and non-financial performance of the Group. Metrics are reviewed annually to ensure continuing alignment with strategy and are agreed at the start of the year. Resulting awards are determined following the end of the financial year by the Committee, based on performance against these targets.

For the CEO, achievement of target performance results in a bonus of 90% of salary, increasing to 150% of salary for maximum performance. For the CFO, achievement of target performance results in a bonus of 75% of salary, increasing to 125% of salary for maximum performance.

### For the 2023 AIP Executive Directors were measured against the following financial and non-financial objectives:

**Financial**

| | |
|---|---|
| Group operating profit | 70% |
| Group cash generation | 20% |

**Non-financial**

| | |
|---|---|
| Personal strategic objectives | 10% |

# Remuneration continued

Annual Report on Remuneration continued

## Additional requirements in respect of the single total figure table of remuneration continued

### Performance related pay earned in the year to 31st December 2023 continued

The performance measure is adjusted to reflect certain items including the amortisation of acquisition-related intangible assets and exceptional reorganisational costs and to exclude any profit contribution and other impacts such as major acquisitions or disposals during the period as these were not included within the targets when set by the Committee. The Committee assessed the metrics as follows:

### Financial metrics

The table below summarises the achieved performance in 2023 in respect of each of the financial measures used in the determination of the AIP, together with an indication of actual performance relative to target.

| 2023 measures | Actual performance | Achieved (% of Target) | Threshold | Target | Maximum |
|---|---|---|---|---|---|
| Group operating profit (70% weighting) | £349.1m | 84.1% | £394.3m | £415.1m | £435.9m |
| % of metric achieved | 0.0% | | 15% | 60% | 100% |
| Group cash generation (20% weighting) | £281.7m | 87.6% | £305.6m | £321.7m | £337.8m |
| **% of metric achieved** | **0.0%** | | 15% | 60% | 100% |
| **% of total financial metrics achieved (90%)** | **0.0%** | | | | |

### Non-financial metrics – personal objectives

The Executive Directors were each obliged to complete a self-assessed appraisal of their performance against each of their personal strategic objectives. The Group Chief Executive reviewed this self-assessment with the Chief Financial Officer and made his own assessment. In the case of the Group Chief Executive, the Chair of the Board conducted the assessment. A report was submitted to the Committee at its February 2024 meeting; the Committee reviewed the recommendations and approved the achievements detailed below.

### Nicholas Anderson

| Personal strategic objectives 2023 | Description | Commentary |
|---|---|---|
| Health, Safety and Sustainability (HS&S)<br>• Achieved | Progress the Group's new Health & Safety framework while embedding the Group's H&S standards in Vulcanic and Durex Industries. | Excellent progress implementing the new H&S Excellence Framework across the Group during 2023, exceeding plans in both legacy and recently acquired companies. Nearly all (99%) of legacy Group companies achieving Foundation status (vs 95% target) and over half (58% and 64% respectively) of companies in Vulcanic and Durex Industries achieving Spirax Group Foundation status (vs 50% target). |
| Sustainability<br>• Achieved | Improve the Group's Sustainability performance | Strong progress made against a scorecard of sustainability metrics during the year, including the deployment of the Cotopaxi STRATA platform to all Group manufacturing plans to improve monthly management of the Group's sustainability performance. In addition, strong progress made on sustainability investments in communities through an increase in volunteering hours, charitable donations and Spirax Group Education Fund grants for 2023. In particular, Spirax Group Education Fund grants totalled c. £1.2m for 2023, bringing the total number of approved grants to 100 and worth c. £2.6m by 66 different operating companies. |
| Inclusion, equity and wellbeing<br>• Achieved | Implement the Group's Inclusion, Equity and Wellbeing plan. | Continued progress on embedding and developing the Group global inclusion plan 'Everyone Is Included' to incorporate Gender and Ethnicity criteria during succession planning processes. On track to achieve the 2025 gender representation targets of 30% women in global colleague population and 40% representation across the Senior Leadership team with c. 26% and 31.7% representation respectively in 2023. The most recent assessment of ethnic diversity in the Senior Leadership team delivered a ratio of 17.6%, well ahead of published benchmarks of other UK industrial peers. |

**Result: Based on the above assessments, 100% of this metric was achieved.**

## Nimesh Patel

| **Personal strategic objectives 2023** | **Description** | **Commentary** |
|---|---|---|
| Health and Safety<br>• Achieved | Support the implementation of the Group's Health & Safety Framework, strengthening the H&S awareness and culture. | Active support provided to drive continued focus on safety and compliance standards. Supporting the implementation of the new H&S Excellence Framework by championing Safety reflections in Finance Leadership meetings and Global Finance Forum; "Visible Felt Leadership" in operations visits and engaging colleagues in safety conversations. |
| Sustainability<br>• Achieved | Support the implementation of the Group's **One Planet Sustainability Strategy**, with special emphasis on your personal leadership of Strategic Initiative #1 – net zero – on a Group-wide basis. | Significant progress made in 2023 towards achieving net zero target, including (i) the reduction of scope 1 and 2 GHG emissions by 50% in 2025 (currently 46%) through the identification and prioritisation of new initiatives; (ii) development of scope 3 emission reduction strategy and (iii) on track for 20% reduction in energy usage by 2025 (currently 13%). |
| Inclusion, equity and wellbeing<br>• Achieved | Support the implementation of the Group's Everyone is Included Plan, with special emphasis on achieving further gender and ethnicity diversity. | Championed Inclusivity, Equity and Wellbeing both internally and externally. Actively worked to raise Spirax Group's profile as an employer of choice through partnering with bodies such as the Change the Race Ratio and co-Chairing the FTSE Women Leaders programme. Strong colleague engagement and enablement results for the global finance function. |
| Improvement in governance and control environment<br>• Achieved | Lead the implementation of the G3 Project on a Group-wide basis, with special emphasis on improvement of governance and control structures, embedding changes in the policy framework and control processes, as well as development of Fraud prevention frameworks. | Continued the implementation of G3 programme, rolling-out revised policy, processes and training, supported by launch of new digital tool. In addition, established an Internal Controls team to review and improve critical control processes in existing and acquired businesses to ensure Group standards are achieved. Improvements made in open audit item closures. |
| Information technology and systems<br>• Achieved | Advance the Group's global Cyber security infrastructure, processes and responsiveness. Support the development of global ERPs, CRM & BI across our three Businesses and the implementation of our Digital Strategy. | Strong progress made during the year to develop the global IT function and systems through the successful recruitment of key senior leaders across the function, consolidation of IT services group-wide and the development of a cyber security roadmap. In addition, supported the ERP design and implementation across the Group together with the launch of a single platform to drive Group-wide collaboration. |

**Result: Based on the above assessments, 100% of this metric was achieved.**

# Remuneration continued

## Annual Report on Remuneration continued

## Additional requirements in respect of the single total figure table of remuneration continued

### Non-financial metrics – personal objectives continued

| | Performance targets | | | |
|---|---|---|---|---|
| | **Fully achieved** | **Partly achieved** | **Not achieved** | **% of maximum bonus (10%) achieved** |
| N.J. Anderson | 3 | 0 | 0 | 10% |
| N.B. Patel | 5 | 0 | 0 | 10% |

The Committee is of the view that these outcomes accurately reflect the performance of the Executive Directors and the Company, consequently no discretion was exercised by the Committee.

As a result of this performance in 2023, the following bonuses were earned:

| **Executive Directors** | **Bonus achieved (£)** | **Actual % of maximum** | **Maximum bonus opportunity** | **Bonus (% of salary)** |
|---|---|---|---|---|
| N.J. Anderson | £112,500 | 10% | 150% | 15.0% |
| N.B. Patel | £66,181 | 10% | 125% | 12.5% |

Under the 2023 Remuneration Policy, if an Executive Director has not reached the level of 1.5 times their shareholding requirement, then they must use the net of tax amount of 25% of their bonus opportunity to purchase shares in the Company. These shares must be held for a further two years. As both Nicholas Anderson and Nimesh Patel have met their respective shareholding guidelines, no portion of the 2023 bonus will be deferred into shares.

### Performance Share Plan (PSP) – scheme interests vested during the period

### 2021 PSP award vesting over 2021–2023

In May 2021 the Executive Directors received share awards under the PSP, with vesting subject to EPS growth and relative TSR performance. The following tables set out details of the performance measures and targets that applied, along with the actual performance during the period 1st January 2021 to 31st December 2023.

### Relative TSR performance (40% of PSP award)

Over the three-year period to 31st December 2023, the Company delivered a TSR of -17.1%. This ranked below the required threshold performance level for any part of this element to vest. The comparator group, comprising 45 companies, for the purpose of measuring relative TSR performance, was the FTSE 350 Industrial Goods and Services Supersector constituents at the start and end of the performance period.

| | Target | **TSR** | **Vesting** |
|---|---|---|---|
| Threshold requirement | Median TSR | 14.7% | 18.0% |
| Maximum requirement | Upper quartile TSR or above | 32.4% | 100.0% |
| **Actual achievement** | **Below median** | **-17.1%** | **0.0%** |

### EPS growth (60% of PSP award)

Over the three-year performance period to 31st December 2023, the Company delivered adjusted EPS growth of 20.5%. Over the three years, adjusted EPS (in line with scheme rules) equates to a compound annual growth of 6.4% per annum. EPS is derived from the audited Annual Report for the relevant financial year but adjusted to exclude the items shown separately on the face of the Consolidated Income Statement. EPS was adjusted for the acquisition of the Vulcanic Group and the disposal of the Russian business.

| | **EPS** | **Vesting** |
|---|---|---|
| Threshold requirement | 17.0% | 18.0% |
| Maximum requirement | 38.2% | 100.0% |
| **Actual achievement** | **20.5%** | **31.5%** |

As a result of the TSR and EPS performance outcomes for the three-year period to 31st December 2023, 18.9% of the shares granted under the 2021 PSP will vest in March 2024. The Committee considers this achievement and consequent payment is a fair reflection of business performance throughout the performance period and in line with shareholders' experience.

| Executive Directors | No. of shares granted[1] | Price at grant | Value at grant | No. of shares vesting | Vesting price[2] | Vesting value | Amount attributable to growth in share price |
|---|---|---|---|---|---|---|---|
| N.J. Anderson | 10,433 | £117.70 | £1,227,964 | 1,974 | £91.17 | £179.971 | -£52,369 |
| N.B. Patel | 7,279 | £117.70 | £856,738 | 1,377 | £91.17 | £125,542 | -£36,531 |

[1] The 2021 PSP awards were granted on 4th May 2021.

[2] Based on share price of £91.17, which was the average share price over October, November and December 2023. As the award vests after the publication of the 2023 annual results, figures will be restated for the actual vesting value in next year's Annual Report.

## Scheme interests awarded during the period

### 2023 PSP award vesting over 2023–2025

The Committee makes an annual conditional award of shares to each Executive Director under the PSP. Prior to award, the Committee reviews the performance targets for each measure to ensure they remain sufficiently stretching. For EPS this includes a review of analysts' forecasts.

The awards were granted under the PSP as a contingent right to receive shares, with the face value calculated as a percentage (200% for the Group CEO and 175% for the CFO of base salary), using the share price at date of award. Awards were made on 13th March 2023.

For awards made in 2023, vesting is based on three performance conditions as illustrated below measured over a three-year period. These performance measures have been chosen as they are considered to be an appropriate balance of the key performance indicators most aligned with our Strategy. In addition to the three-year performance period, a two-year holding period applies. The 2023 PSP performance metrics are detailed below and explained further on page 168.

### Financial

| | |
|---|---|
| Earnings per share growth | 50% |
| Relative total shareholder return | 30% |

### Non-financial

| | |
|---|---|
| Reduction in greenhouse gas emissions | 20% |

| Executive Directors | PSP shares granted | Face value of award on grant[1] | Last day of the performance period | Vesting at threshold performance |
|---|---|---|---|---|
| N.J. Anderson | 13,786 | £1,499,917 | 31.12.2025 | 18% |
| N.B. Patel | 8,515 | £926,432 | 31.12.2025 | 18% |

[1] Based on the share price on the date of award of £108.80.

| Performance measure | Weight | Threshold requirement | Maximum requirement |
|---|---|---|---|
| EPS growth | 50% | Global IP +2% pa[1] | Global IP +7% pa |
| Relative TSR[2] | 30% | Median TSR | Upper quartile TSR |
| Greenhouse gas emissions 2025 | 20% | 24,273 tonnes | 21,962 tonnes |

[1] The Global Industrial Production Growth (IP) data source is the CHR Metals Global IP Index, providing data that incorporates over 90% of global industrial output.

[2] Vesting is calculated based on Spirax Group's TSR relative to the median and upper quartile TSR of the peer group.

# Remuneration continued

## Annual Report on Remuneration continued

## Additional requirements in respect of the single total figure table of remuneration continued

### 2023 PSP award vesting over 2023-2025 continued

For achievement of the threshold performance requirement, 18% of the award can be earned. Vesting will take place on a straight-line basis for performance between the threshold and maximum requirements. Performance below the threshold requirement for a performance measure will result in nil vesting for that part of the award. The Committee has discretion to adjust the formulaic outcome if it is not representative of the Company performance delivered.

The EPS element of the PSP is based on growth in excess of global industrial production growth rates, often referred to in our industry as 'Global IP'. Global IP is a measure the Board and management have used for some time as there is well documented evidence that it is the best predictor of the global and industrial markets within which the Group operates. For these reasons, Global IP was used in the formulation of the long-term strategic plan and targets for EPS growth approved by the Board. Adjustments are made to reflect material businesses which are acquired and sold.

The TSR element of the PSP assesses performance relative to a comparator group of companies. As was reported last year, for the grant awarded in 2023, the TSR peer group comprises the constituents of the FTSE 100, less companies in the Mining, Oil & Gas and Financial Services sectors, at the start of the performance period. This is the same sector classification as Spirax Group and was selected as it objectively provides a sufficiently robust number of companies to compare performance against, which also operate in the industrial goods and services arena. While the exact number of companies varies from year to year, the comparator group for the 2023 award was 70 companies.

The environmental element of the PSP assesses the extent to which we are meeting our sustainability goals. We have targeted management through the PSP to reduce greenhouse gas emissions to 24,273 tonnes or below by the end of 2025 for this part of the award to vest. The award will be calculated on a straight-line basis, with the maximum payout achieved for emissions at or below 21,962 tonnes.

### Employee Share Ownership Plan (ESOP)

Executive Directors are eligible to participate in an HMRC-approved Share Incentive Plan known as the ESOP.

During the year ended 31st December 2023, Nicholas Anderson purchased 19 partnership shares and was awarded 19 matching shares. Nimesh Patel purchased 20 partnership shares and was awarded 20 matching shares. Further information is set out in the table on page 170.

The maximum annual investment in shares is £1,800 (the HMRC limit) for Executive Directors (and eligible UK colleagues). This can be matched by the Company on a one-for-one basis for each share that is purchased. Dividends paid can be reinvested as shares. Any surplus contributions from the previous year are carried over and added to the money contributed to purchase shares in the year.

Shares acquired under the ESOP are not subject to performance measures as the aim of the ESOP is to encourage increased shareholding in the Company by all eligible UK colleagues. In 2023, around 62% of eligible UK colleagues purchased partnership shares and were awarded matching shares under the ESOP.

### Benefits (excluding pension)

| Benefits | N.J. Anderson | N.B. Patel |
|---|---|---|
| Company car and associated running costs or cash alternative allowance | £29,694 | £18,760 |
| Private health insurance | £413 | £413 |

### Pension

With effect from 1st January 2023 all Executive Director pensions were aligned with the wider workforce. During the year, Nicholas Anderson and Nimesh Patel received 10% of their basic salary in cash which, in the year ended 31st December 2023, amounted to £75,000 and £52,945 respectively.

## Directors to be appointed to the Board

Louisa Burdett will join the Board in July 2024 as Chief Financial Officer. Her basic annual salary will be £550,000. Louisa is eligible to receive a car cash allowance on appointment of £19,500 p.a. and a pension cash allowance of 10% of salary, consistent with that provided to all other eligible UK colleagues. In line with the Company's Recruitment Policy, Louisa will receive compensation for lost incentive arrangements from her previous employer. These comprise a replacement award under the 2023 Performance Share Plan with a face value of £735,000, being the equivalent value lost as a consequence of resigning to join Spirax Group. Louisa will also be considered for compensation for lost bonus payments of equivalent value to those forfeit. Replacement awards follow as closely as practicable the structure and time horizons of the original awards. All other incentive arrangements for Louisa are aligned with those outlined earlier in this report and are consistent with our Policy.

## Payments to past Directors

There were no payments made to past Directors during the year ended 31st December 2023.

## Payments for loss of office

There were no payments made to Directors for loss of office during the year ended 31st December 2023.

## External directorships

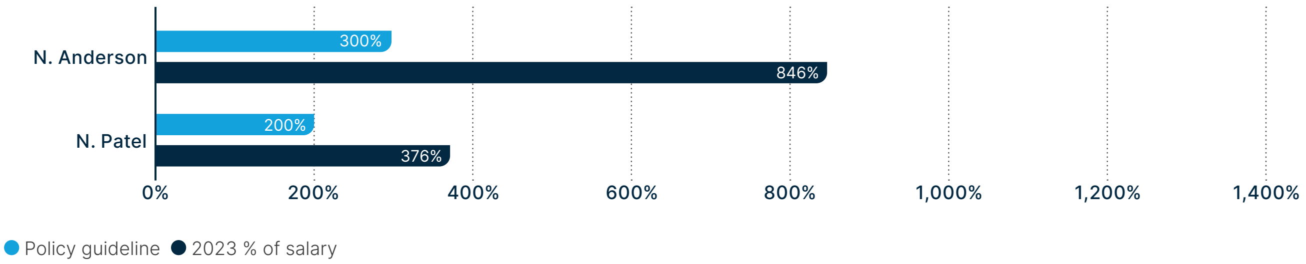
Nicholas Anderson served as a Non-Executive Director at BAE Systems plc during 2023, for which he received and retained total fees of £110,050.

## Statement of Directors' shareholding and share interests

### Share ownership guidelines

The Executive Directors' share ownership guidelines are 300% of base salary for the Group Chief Executive and 200% of base salary for other Executive Directors.

The share ownership guidelines have been exceeded by both the CEO and the CFO. The value of the shareholding is taken at 31st December 2023 as a percentage of 2023 base salary. The closing share price on 29th December 2023 (being the last trading date of 2023) was £105.05.



## Outstanding share interests

The following table summarises the total interests of the Directors in shares of the Company as at 31st December 2023. These cover beneficial and conditional interests. No Director had any dealing in the shares of the Company between 31st December 2023 and 29th February 2024 (being the latest practicable date prior to publication).

| | **Beneficial**[1] | **PSP awards**[2] | **ESOP shares** | **Total 31.12.23** | **Total 29.02.24**[3] |
|---|---|---|---|---|---|
| J. Pike | 11,061 | — | — | 11,061 | 11,061 |
| N.J. Anderson | 68,817 | 37,453 | 835 | 107,105 | 107,105 |
| N.B. Patel | 21,744 | 23,181 | 105 | 45,030 | 45,030 |
| R. Gillingwater | 600 | — | — | 600 | 600 |
| J.S. Kingston | 6,370 | — | — | 6,370 | 6,370 |
| K.J. Thompson | 4,900 | — | — | 4,900 | 4,900 |
| C.A. Johnstone | 451 | — | — | 451 | 451 |
| P. France | 980 | — | — | 980 | 980 |
| A. Archon | 255 | — | — | 255 | 255 |
| C. Baroudel | 300 | — | — | 300 | 300 |

[1] Includes any shares owned by connected persons.

[2] Unvested shares remaining subject to performance measures.

[3] Last practicable date before publication.

# **Remuneration** continued

## Annual Report on Remuneration continued

## **Additional requirements in respect of the single total figure table of remuneration** continued

### **Unvested share awards (included in the previous table)**

| | PSP shares subject to performance conditions | | | Shares not subject to performance conditions |
|---|---|---|---|---|
| | 2021 | 2022 | **2023** | **2023 ESOP awards** |
| N.J. Anderson | 10,433 | 13,234 | **13,786** | **38** |
| N.B. Patel | 7,279 | 7,387 | **8,515** | **40** |

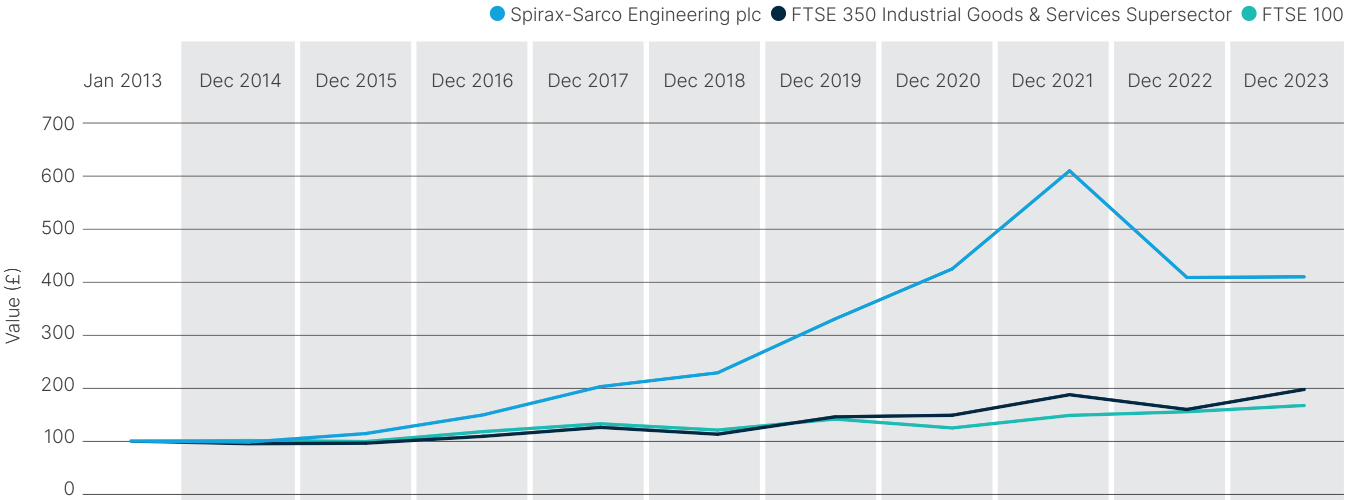
## Unaudited information

### **TSR performance graph**

In 2023, the Committee altered the constituent group for the measurement of the TSR to the FTSE 100, less companies in the Mining, Oil & Gas and Financial Services sectors, from the FTSE 350 Industrial Goods and Services Supersector as it was felt it was a more accurate reflection of the Group's performance as an established FTSE 100 Company. The graph below demonstrates the growth in value of a £100 investment in the Group compared to the FTSE 100, less companies in the Mining, Oil & Gas and Financial Services sectors, from January 2023 to December 2023. The graph also includes a comparison to the FTSE 350 Industrial Goods and Services Supersector as this still applies to PSP awards granted in 2022, and how the Group Chief Executive's total pay compares over the period.

### **Aligning pay with performance**

The table below shows the historical levels of the CEO's pay (single figure of total remuneration) and annual variable and PSP awards as a percentage of maximum.



| | Jan 2013 | Dec 2014 | Dec 2015 | Dec 2016 | Dec 2017 | Dec 2018 | Dec 2019 | Dec 2020 | Dec 2021 | Dec 2022 | Dec 2023 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| CEO single figure (£000) | | £1,000 | £1,191 | £1,611 | £2,173 | £2,323 | £2,788 | £2,220 | £3,325 | £3,099 | **£1,149** |
| AIP payment (% of maximum) | | 55.8% | 61.4% | 99.2% | 100.0% | 92.5% | 82.6% | 30.0% | 98.0% | 59.3% | **10.0%** |
| PSP vesting (% of maximum) | | 33.1% | 80.3% | 40.0% | 100.0% | 100.0% | 100.0% | 73.9% | 100.0% | 100.0% | **18.9%** |

## Percentage change in remuneration of the Directors and employees

The following table provides a summary of the increases in base salary, benefits and bonus for the Directors compared to the average increase for colleagues in the same period, for the last four years. The regulations require disclosure of the change in remuneration of the employees of the Parent Company. As Spirax-Sarco Engineering plc only employs the Executive Directors (whose individual information is already included below), the general UK colleague population comparator group has been used to give a more meaningful comparison.

| | % change on prior year for 2020 | | | % change on prior year for 2021 | | | % change on prior year for 2022 | | | **% change on prior year for 2023** | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Salary/ fees | Benefits | Bonus | Salary/ fees | Benefits | Bonus | Salary/ fees | Benefits | Bonus | **Salary/ fees** | **Benefits** | **Bonus** |
| UK colleagues | 2.9% | 2.9% | -32.1% | 2.0% | 2.0% | 120.7% | 2.7% | 2.7% | -26.2% | **7.1%** | **7.1%** | **-70.5%** |
| N.J. Anderson | 2.9% | 2.9% | -62.6% | 2.0% | 2.0% | 233.2% | 2.7% | 2.6% | -37.9% | **19.0%** | **7.1%** | **-79.9%** |
| N.B. Patel | N/A | N/A | N/A | 2.0% | 2.0% | 240.0% | 2.7% | -33.4% | -36.5% | **5.3%** | **7.1%** | **-83.0%** |
| J. Pike | 2.9% | N/A | N/A | 2.0% | N/A | N/A | 32.3% | N/A | N/A | **3.0%** | **N/A** | **N/A** |
| J.S. Kingston | 2.9% | N/A | N/A | 2.0% | N/A | N/A | 16.6% | N/A | N/A | **2.4%** | **N/A** | **N/A** |
| K.J. Thompson | 2.9% | N/A | N/A | 2.0% | N/A | N/A | 16.6% | N/A | N/A | **2.4%** | **N/A** | **N/A** |
| C.A. Johnstone | 2.9% | N/A | N/A | 2.0% | N/A | N/A | 16.6% | N/A | N/A | **2.4%** | **N/A** | **N/A** |
| P. France | 2.9% | N/A | N/A | 2.0% | N/A | N/A | 10.4% | N/A | N/A | **3.0%** | **N/A** | **N/A** |
| A. Archon[1] | N/A | N/A | N/A | 2.0% | N/A | N/A | 10.4% | 45.7% | N/A | **18.0%** | **61.0%** | **N/A** |
| O. Qiu (to 31st January 2023) | N/A | N/A | N/A | 2.0% | N/A | N/A | 10.4% | -63.2% | N/A | **3.0%** | **-100.0%** | **N/A** |
| R. Gillingwater | N/A | N/A | N/A | N/A | N/A | N/A | 16.6% | N/A | N/A | **2.4%** | **N/A** | **N/A** |
| C. Baroudel (from 3 August 2023) | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | **N/A** | **N/A** | **N/A** |

[1] Change for 2023 fees reflects a 3.0% increase in base fee and the introduction of a long-haul intercontinental travel allowance from 1st April 2023.

## Group Chief Executive pay ratio

The table below details the ratio of the CEO's single figure of total remuneration to the median, 25th and 75th percentile total remuneration of the Group's full-time equivalent UK colleagues. As in previous years, Option B has been chosen for these calculations as the data used is consistent with that collected to inform the Group's UK gender pay gap. To ensure the individuals identified at the three quartiles are representative of the UK workforce, the total pay and benefits for a small number of colleagues centred around each quartile were also considered to confirm there were no anomalies. The individuals identified were deemed appropriately representative.

| **Financial year** | **Methodology** | **25th percentile** | **50th percentile** | **75th percentile** |
|---|---|---|---|---|
| **2023** | **Option B** | **33:1** | **28:1** | **18:1** |
| 2022 | Option B | 91:1 | 65:1 | 51:1 |
| 2021 | Option B | 111:1 | 83:1 | 62:1 |
| 2020 | Option B | 76:1 | 66:1 | 45:1 |
| 2019 | Option B | 110:1 | 74:1 | 46:1 |

## Single figure total remuneration

| | **CEO** | **25th percentile** | **50th percentile** | **75th percentile** |
|---|---|---|---|---|
| Salary | £750,000 | £30,535 | £39,937 | £52,530 |
| Benefits | £30,107 | £413 | £413 | £413 |
| Bonus | £112,500 | £770 | £125 | £5,518 |
| PSP | £179,971 | — | — | — |
| Pension | 75,000 | £2,748 | £0 | £4,644 |
| ESOP | £1,788 | £847 | £1,035 | £1,506 |
| **Total pay** | **£1,149,366** | **£35,313** | **£41,510** | **£64,611** |

## Year-on-year commentary

As shown earlier in this report, a sizeable proportion of the CEO's total potential remuneration is linked to performance outcomes significantly impacting the annual CEO pay ratio calculation. Variable pay for the CEO was lower in 2020 than 2019 and 2021, impacted by the challenging world events of the Covid-19 pandemic. In 2022, a lower bonus was paid due to profit and cash generation achievement against targets, reducing the ratio. For 2023, the ratio reduced more significantly due to the incentive outcomes for both the AIP and PSP vesting as described earlier in this report. The CEO's total variable pay for 2023 was £294,260 (comprising 26% of total remuneration) compared with £2,290,185 (74% of total remuneration) in 2022.

# **Remuneration** continued

## Annual Report on Remuneration continued

## **Unaudited information** continued

### Relative importance of spend on pay

The table below demonstrates the relative importance of total pay spend relative to total colleague numbers, profit before tax (selected as the best measure of efficiency) and dividends payable in respect of the year.

| | **2023** | 2022 | Change |
|---|---|---|---|
| Total employee pay spend | **£634.2m** | £572.3m | 10.8% |
| Group average headcount | **10,122** | 9,368 | 8.0% |
| Adjusted profit before tax | **£309.2m** | £370.6m | -16.6% |
| Dividends payable | **£117.8m** | £112.0m | 5.2% |

### Statement of voting at the Annual General Meeting

At the AGM in 2023, shareholders approved the Remuneration Policy 2023 (mandatory) and the Annual Report on Remuneration 2022 (advisory). The following table shows the results which required a simple majority (i.e. 50%) of the votes cast to be in favour for the resolutions to be passed.

| | Votes for | % | Votes against | % | Votes withheld[1] |
|---|---|---|---|---|---|
| Remuneration Policy 2023 (2023 AGM) | 54,257,130 | 91.09 | 5,303,941 | 8.91 | 290,647 |
| Annual Report on Remuneration 2022 (2023 AGM) | 57,289,505 | 96.19 | 2,272,148 | 3.81 | 290,065 |

1 A vote withheld does not constitute a vote in law and therefore has not been included when calculating the percentages above.

## Operation of Policy for 2024

The table below summarises how we will implement each element of remuneration under the 2023 Remuneration Policy adopted by shareholders at the AGM on 10th May 2023.

| Element of remuneration | How we will implement the Policy in 2024 |
|---|---|
| **Salary** | Salaries will be as follows from the respective date of appointment:<br>• Group CEO: £720,000 (effective 16th January 2024)<br>• CFO: £550,000 (effective from July 2024) |
| **Pension** | Pension contributions for the Executive Directors will be 10% of salary. |
| **Annual Incentive Plan (AIP)** | The maximum annual bonus opportunity for the Executive Directors will be 150% of base salary (Group CEO) and 125% of base salary (CFO).<br>The plan structure for 2024 will be largely unchanged from 2023. Cash conversion replaces cash generation as the cash metric (still retaining a 20% weighting): |

| Performance measure | Weighting (% of bonus) |
|---|---|
| Group adjusted operating profit | 70% |
| Cash conversion | 20% |
| Personal strategic objectives | 10% |

| Element of remuneration | How we will implement the Policy in 2024 |
|---|---|
| **Annual Incentive Plan (AIP)** (continued) | The targets for the AIP are considered to be commercially sensitive and therefore will be disclosed in next year's Directors' Remuneration Report.<br>The Committee has discretion to adjust the formulaic outcome if it is not representative of the performance delivered.<br>Executive Directors will be required to use 25% of any bonus received to purchase shares in the Company which must be held for a further two years. The exception to this rule is if a Director's shareholding is already at least 150% of their shareholding requirement, no deferral into shares will be required. |
| **Performance Share Plan (PSP)** | PSP award levels will be 200% of base salary (Group CEO) and 175% of base salary (CFO).<br>There are no changes to the performance measures or weightings as summarised below:<br>• The EPS performance range for the 2024 PSP grant will start at IP +2% p.a. for threshold vesting rising to IP +7% p.a. for maximum vesting<br>• The TSR comparator group remains a subset of the FTSE 100, excluding Mining, Oil & Gas and Financial Services as per the 2023 award<br>• The GHG measure will now include Vulcanic and Durex Industries. As a result, the baseline for measurement has increased. The midpoint of the range set for 2026 is to halve GHG emissions in absolute terms from this expanded baseline |

| Performance measure | Weight | Threshold requirement (18% vests) | Maximum requirement (100% vests) |
|---|---|---|---|
| EPS growth | 50% | Global IP +2% p.a. | Global IP +7% p.a. |
| Relative TSR | 30% | Median TSR | Upper quartile TSR |
| Greenhouse gas emissions 2026 | 20% | 27,449 tonnes | 24,834 tonnes |

| Element of remuneration | How we will implement the Policy in 2024 |
|---|---|
| **Performance Share Plan (PSP)** (continued) | The Committee has discretion to adjust the formulaic outcome if it is not representative of the Company performance delivered. A two-year post-vesting holding period will apply to the awards. |
| **Non-Executive Director fees** | As a result of benchmarking, and an assessment of time commitment, a market adjustment to the plc Chair and Non-Executive Director fees was implemented. Effective from 1st January 2024, the fee is £350,000 (was £309,000) and the base fee for the Non-Executive Directors is £70,000 (was £61,800).<br>Additional fees for Committee Chair and Senior Independent Director responsibilities were also increased to £20,000 p.a. (was £15,000).<br>In addition, an annual long-haul intercontinental travel allowance fee of £12,000 has been introduced for Directors based outside of the UK to reflect the significant additional time requirement in attending Board and Committee meetings in the UK. |

# **Remuneration** continued

Annual Report on Remuneration continued

## **Unaudited information** continued

### Directors' service agreements and letters of appointment

| | Original appointment date | Current agreement/ appointment/ reappointment letter | Expiry date | Notice period | No. of years service as at 31st December 2023 |
|---|---|---|---|---|---|
| **Executive Directors** | | | | | |
| N.J. Anderson | 15/03/2012 | 13/12/2013 | N/A | 12 months | 11 years, 9 months |
| N.B. Patel | 27/07/2020 | 01/04/2020 | N/A | 12 months | 3 years, 5 months |
| **Chair and Non-Executive Directors** | | | | | |
| J. Pike | 01/05/2014 | 12/05/2021 | 11/05/2024 | 3 month | 9 years, 7 months |
| A. Archon | 01/12/2020 | 01/12/2023 | 30/11/2026 | 1 month | 3 years, 0 months |
| C. Baroudel | 01/08/2023 | 01/08/2023 | 31/07/2026 | 1 month | 0 years, 4 months |
| P. France | 06/03/2018 | 06/03/2021 | 05/03/2024 | 1 month | 5 years, 9 months |
| R. Gillingwater | 10/03/2021 | 10/03/2021 | 09/03/2024 | 1 month | 2 years, 9 months |
| C.A. Johnstone | 05/03/2019 | 04/03/2022 | 04/03/2025 | 1 month | 4 years, 9 months |
| J.S. Kingston | 01/09/2016 | 01/09/2022 | 31/08/2025 | 1 month | 7 years, 3 months |
| K.J. Thompson | 15/05/2019 | 15/05/2022 | 14/05/2025 | 1 month | 4 years, 7 months |

### Chair and Non-Executive Directors

The Chair and Non-Executive Directors have letters of appointment with the Company for a period of three years, subject to annual re-election at the AGM. Appointments may be terminated by the Company or individual with three month's notice for the Chair and one month's notice for all other Non-Executive Directors. The appointment letters for the Chair and Non-Executive Directors provide that no compensation is payable on termination, other than accrued fees and expenses.

### Remuneration Policy

The 2023 Remuneration Policy, which applies to this year's Directors' Remuneration Report, was approved on 10th May 2023 and can be found in full in our 2022 Annual Report on pages 160 to 168 and on our website, spiraxgroup.com. A summary of the 2023 Remuneration Policy follows this report on pages 175 to 178.

This Annual Report on Remuneration 2023 has been approved by the Board of Directors and signed on its behalf by:

**Jane Kingston**
Chair of Remuneration Committee
6th March 2024

## Summary Remuneration Policy

This report sets out a summary of Spirax-Sarco Engineering plc's Remuneration Policy for Executive and Non-Executive Directors. The full Policy was approved by shareholders at the AGM on 10th May 2023 and can be found on our website at spiraxgroup.com/governance-documents. The Policy took effect from this date and is designed to attract, retain and motivate our leaders within a framework designed to promote the long-term success of Spirax Group and aligned with our shareholders' interests.

### Executive Directors' 2023 Summary Remuneration Policy

The table below summarises the Remuneration Policy which took effect on 10th May 2023.

| Element | Operation | Maximum potential value |
|---|---|---|
| **Base salary** | Salaries are typically reviewed annually by the Committee considering a number of factors, including the scale and complexity of the role, experience of the individual, wider workforce comparison, external market data and the impact of any increase on the total remuneration package. | Ordinarily, salary increases will not exceed the average increase awarded to other Group colleagues from the same country/region. |
| **Pension** | For UK nationals, the Company provides a defined contribution pension arrangement and/or contributions to a private pension and/or a cash allowance. | The maximum pension contribution for Executive Directors will be the same as is available to the majority of colleagues in the market in which the Executive Director is based. |
| **Common benefits** | The Company provides common benefits including:<br>• Company car and associated running costs or cash alternative allowance<br>• Private health insurance and telecommunications and computer equipment<br>• Life assurance<br>• Long-term disability insurance | The aggregate maximum cash cost of providing all common benefits will not exceed 20% of base salary. |
| **Mobility-related benefits** | The Company will pay all reasonable expenses and applicable tax due for the Executive Director and their family to relocate on appointment and for repatriation to the original home country at the end of their assignment and/or employment in line with our mobility policies.<br>Executive Directors are not entitled to tax equalisation. | Based on individual circumstances and subject to written agreement.<br>Maximum values will not exceed the normal market practice of companies of a similar size and nature at the time of relocation. |
| **Annual Incentive Plan (AIP)** | Measures, targets and their relative weightings are reviewed regularly by the Committee to ensure continuing alignment with strategic objectives and will be detailed in the relevant Annual Report on Remuneration. Bonus is delivered in cash. If an Executive Director has not reached the level of 1.5 times their shareholding requirement, then they must use the net of tax amount of 25% of their bonus opportunity to increase the level of shareholding they have and to hold these shares for two years.<br>Any measure can be incorporated at the Committee's discretion provided it is aligned to the Group's strategic objectives; however, at least 70% of the bonus opportunity will be governed by financial performance measures.<br>Bonus payments are subject to clawback and/or malus for up to three years following payment. Circumstances include financial misstatement, erroneous calculations determining bonus payments, gross misconduct, corporate failure and reputational damage.<br>The Committee can adjust some performance targets to reflect certain non-operating items and retains the ability to adjust the amount of a bonus if the formulaic outcome is not reflective of the individual or business performance or the broader shareholder experience. | Maximum potential award of 200% of salary.<br>Currently the maximum award level is 150% of salary. Any increase beyond this level will only take place following consultation with leading shareholders. |

# Remuneration continued

## Summary Remuneration Policy continued

### Executive Directors' 2023 Summary Remuneration Policy continued

| Element | Operation | Maximum potential value |
|---|---|---|
| **Performance Share Plan (PSP)** | The Committee makes conditional awards of rights over shares to Executive Directors. Performance is measured over a three-year period, normally starting at the beginning of the financial year in which awards are granted. An additional two-year post-vesting holding period will apply.<br>Annual participation is subject to Committee approval. Measures, targets and their relative weightings are reviewed regularly by the Committee to ensure continuing alignment with strategic objectives and will be detailed in the relevant Annual Report on Remuneration. At least 50% of the award will be based on financial and/or share price related metrics.<br>The Committee retains the ability to adjust awards if the formulaic outcome is not reflective of the individual or business performance or broader shareholder experience.<br>Share awards are subject to clawback and/or malus for up to five years following initial award. Circumstances include financial misstatement, erroneous calculations determining bonus payments, gross misconduct, corporate failure and reputational damage. | Maximum potential award of 250% of the annual rate of salary at the time of grant.<br>Currently the maximum award level is 200% of salary. Any increase beyond this level will only take place following consultation with leading shareholders. |
| **Employee Share Ownership Plan (ESOP)** | Eligible UK Executive Directors are entitled to participate in an HMRC-approved Share Incentive Plan known as the ESOP. | Executive Directors will be subject to the same limitations as all other participants. |
| **Shareholding requirement** | Directors are required to build and hold shares equivalent in value to a minimum percentage of their salary.<br>On ceasing to be an Executive Director, the required shareholding (or level of holding achieved by the date of ceasing) normally has to be retained for two years. | For the Group Chief Executive this is 300% of salary. For all other Executive Directors the requirement is 200% of their annual salary. |

### Recruitment Policy and service contracts

The table below summarises the Company's policy on the recruitment of new Executive Directors. Similar considerations may also apply where a Director is promoted to the Board. In addition, the Committee has discretion to include any other remuneration component or award which it feels is appropriate, considering the specific circumstances of the individual, subject to the limit on variable remuneration set out below. The rationale for any such component would be appropriately disclosed.

| Element | Approach |
|---|---|
| **Service contract** | Executive Directors have service agreements that are terminable by either the Company or the Executive Director on 12 months' notice.<br>Service agreements also set out any non-compete restrictions in the 12 months following the cessation of employment. |
| **Base salary** | Base salary will be set on appointment taking into account the factors set out in the Policy table. Depending on an individual's prior experience, the Committee may set salary below market norms, with the intention that it is realigned over time, typically two to three years, subject to performance in the role. |
| **Pension** | Pension benefits will not exceed the rate applicable to the relevant country's workforce, as determined by the Committee; Executive Directors who have transferred internally from overseas may continue to participate in home country pension arrangements and/or receive a cash allowance in line with the relevant country's workforce. |
| **Common benefits** | As per the Remuneration Policy table. |

| Element | Approach |
|---|---|
| **Mobility-related benefits** | Mobility-related benefits may include the payment of some or all of an individual's tax on relocation expenses incurred within 12 months of joining. |
| **Annual Incentive Plan (AIP)** | Ongoing annual incentive pay opportunity will not exceed the maximums stated in the Policy table; different annual bonus conditions may be made by the Committee to ensure an immediate alignment of individual interests. |
| **Performance Share Plan (PSP)** | In the year of appointment an off-cycle award under the PSP may be made but will not exceed the maximums stated in the Policy table. |
| **Employee Share Ownership Plan (ESOP)** | As per the Remuneration Policy table. |
| **Buy-out awards** | The Committee reserves the right to buy out remuneration that the individual has forgone by accepting the appointment, if appropriate. The terms of such awards would be informed by the amounts being forfeited and the associated terms (for example the extent to which the outstanding awards were subject to performance, the vehicles and the associated time horizons). Awards would be made either through the existing share plans or in accordance with the relevant provisions contained within the Listing Rules. |

## Termination Policy

The Company may choose to terminate the contract of any Executive Director in line with the terms of their service agreement, either by means of a payment in lieu of notice or through a series of phased payments subject to mitigation. Service agreements may be terminated without notice and, in certain circumstances such as gross misconduct, without payments.

The table below summarises our Termination Policy for Executive Directors under their service agreements and the incentive plan rules.

| Element | Approach |
|---|---|
| **Base salary, pension and common benefits** | Payment made up to the termination date in line with contractual notice periods. |
| **Mobility-related benefits** | The Company will pay all reasonable expenses and applicable tax due for the Executive Director and their family for repatriation to the original home country at the end of their assignment and/or employment. |
| **Annual Incentive Plan (AIP)** | Whilst it is not an entitlement, it is expected that where an Executive Director is a 'good leaver' (i.e. where the cessation of employment is due to death, disability, redundancy, retirement or the Company business in which they work being disposed of or where the ending of employment is instigated by the Company and is not for cause), payments will be made to the extent performance targets are met subject to the Plan rules and the Policy. If the Executive Director is not a 'good leaver' it is expected no payment would be made. |
| **Performance Share Plan (PSP)** | The treatment of outstanding shares under the PSP is determined in accordance with the shareholder approved PSP rules. In the case of a 'good leaver' the award will normally vest on the normal vesting date to the extent the performance conditions are met, with the number of shares pro-rated to reflect the period employed within the performance period.<br>If the Director is not a 'good leaver' then all awards will normally lapse in full no later than last day of employment with the Company. |
| **Employee Share Ownership Plan (ESOP)** | In relation to the ESOP, as an HMRC-approved plan, where an Executive Director leaves the treatment will be in line with the approved plan rules and HMRC guidance. |

The full Policy sets out further detail on the treatment of the Executive Directors' pay arrangements, including the treatment of share schemes in the event of a change of control or winding up of the Company.

# **Remuneration** continued

## Summary Remuneration Policy continued

### Non-Executive Directors' 2023 Summary Remuneration Policy

| Element | Operation and opportunity |
|---|---|
| **Chair's fee** | • Fees are reviewed annually by the Remuneration Committee<br>• The Chair is paid a single fee for all responsibilities<br>• The fees paid to the Chair and Non-Executive Directors will not exceed the amount set out in the Articles of Association |
| **Non-Executive Directors' basic fee** | • Fees are reviewed annually by the Board<br>• The fees paid to the Chair and Non-Executive Directors will not exceed the amount set out in the Articles of Association |
| **Additional fees** | Additional fees may be paid for additional responsibilities and time commitments e.g.:<br>• Board Chair<br>• Senior Independent Director<br>• Committee Chair<br>• Long-haul intercontinental travel |
| **Benefits** | • The Chair and Non-Executive Directors do not participate in any annual bonus, incentive plan, pension scheme or healthcare benefit provided by the Company<br>• The Chair and Non-Executive Directors are not prohibited from participating in other benefit arrangements available to the majority of UK colleagues as long as there is no additional cost to the Company<br>• The Company repays the reasonable expenses incurred by the Chair and Non-Executive Directors in carrying out their duties and may settle any tax incurred in relation to these |

### Remuneration framework for other colleagues

The Company's approach to annual salary reviews is consistent across the Group, with consideration given to the scope of the role, level of experience, responsibility, individual performance and market pay levels. The most senior managers in the business (approximately 350 people globally) participate in bonus arrangements with similar targets, measures and relative weightings to that of the Executive Directors.

Target and maximum potential values are lower and determined by the grade of the manager's role. Performance targets are based on an appropriate combination of Group, Business and local operating company financial measures, in addition to personal strategic objectives.

Contractual terms and benefits for the wider workforce are subject to local employment legislation and best practice.

# Regulatory disclosures

> Good governance is at the heart of our business helping us to manage and progress our objectives."

**Andy Robson**
Group General Counsel and Company Secretary

**The Directors present their report and the audited Financial Statements of the Group for the year ended 31st December 2023. The following regulatory disclosures are made in compliance with the Companies Act 2006 (the Act), the Listing Rules (LR), the Disclosure Guidance and Transparency Rules (DTR) and the 2018 UK Corporate Governance Code (the Code).**

The Board has taken advantage of Section 414C (11) of the Act to include disclosures in the Strategic Report on those items indicated in the table at the end of this report. These, together with this report, comprise the Directors' Report (the Report).

## Scope of the reporting in this Annual Report

The Board has prepared a Strategic Report (including the Chair's Statement, the Chief Executive Officer's Review, the Financial Review and the Operating Review) which provides an overview of the development and performance of the Group's business in the year ended 31st December 2023 and its position at the end of that year, which covers likely future developments in the business of the Company and the Group. The Strategic Report can be found on pages 4 to 105.

For the purposes of compliance with DTR 4.1.5R (2) and DTR 4.1.8R, the required content of the management report can be found in the Strategic Report and these regulatory disclosures, including the sections of the Annual Report incorporated by reference. For the purposes of LR 9.8.4CR, the information required to be disclosed by LR 9.8.4R, which is not covered in this Report, is set out in the table at the end of this Report.

DTR 7.2 requires certain information to be included in a corporate governance statement in the Directors' Report. Information that fulfils these requirements can be found in the Corporate Governance Statement on pages 106 to 178 and is incorporated into this Report by reference.

## Directors

The Directors who served during the year were Jamie Pike, Richard Gillingwater, Angela Archon, Constance Baroudel (appointed 2nd August 2023), Peter France, Caroline Johnstone, Jane Kingston, Olivia Qiu (stepped down 31st January 2023), Kevin Thompson, Nicholas Anderson and Nimesh Patel.

We have met or exceeded the Board composition requirements of the Parker Review on ethnic diversity and the FTSE Women Leaders Review on gender diversity on the Board.

+ Biographies of the Directors and details of the gender and ethnic diversity of the Board can be found on pages 112 to 115

# **Regulatory disclosures** continued

## Results

The Group's results for the year have been prepared in accordance with the International Financial Reporting Standards. They are set out in the Consolidated Income Statement, which appears on page 196.

## Dividend

As at 31st December 2023, the Company has distributable reserves of £593.5 million (see the Company Statement of Financial Position on page 249). The Directors are proposing the payment of a final dividend of 114.0 pence (2022: 109.5 pence) which, together with the interim dividend of 46.0 pence (2022: 42.5 pence), makes a total distribution for the year of 160.0 pence (2022: 152.0 pence). If approved at the Annual General Meeting (AGM), the final dividend will be paid on 24th May 2024 to shareholders on the register at the close of business on 26th April 2024.

## Directors' and Officers' Insurance

The Company provides Directors' and Officers' Insurance for Board members, Directors of the Group's operating companies and senior officers.

The Company has also provided each Director with an indemnity to the extent permitted by law in respect of the liabilities incurred as a result of their holding office as a Director of the Company.

## Appointment, replacement and powers of Directors

Subject to the provisions of the Articles of Association, the Directors may exercise all the powers of the Company.

The appointment and replacement of Directors is governed by the Company's Articles of Association, the Code, the Companies Act 2006 and related legislation.

The Directors stand for election or re-election on an annual basis at each AGM, in accordance with the Code.

All current Directors will seek election or re-election at the AGM, with the exception of Nicholas Anderson who stepped down on 16th January 2024 after ten years in the role, and including the Chair who will, in any event, be stepping down during 2024 after serving 10 years, as required by the Code. The Board considers that all Directors standing for election or re-election continue to perform effectively and demonstrate commitment to their roles. In addition, the Board considers that all Directors have the necessary skills and experience, as set out in their biographies on pages 112 and 113.

## Conflicts of interest

Under the Companies Act 2006 and the provisions of the Company's Articles of Association, the Board is required to consider potential conflicts of interest. The Company has established formal procedures for the disclosure and review of any conflicts and potential conflicts of interest which the Directors may have and for the authorisation of such matters of conflict by the Board.

To this end the Board considers and, if appropriate, authorises any conflicts, or potential conflicts of interest as they arise and reviews any such authorisation annually.

New Directors are required to declare any conflicts and/or potential conflicts of interest to the Board at the first Board meeting after their appointment. The Board believes that the procedures established to deal with conflicts of interest are operating effectively.

## Capital structure

As at 31st December 2023, the Company's share capital was made up of ordinary shares which each carry one vote at general meetings of the Company. Except as set out in the Articles of Association or in applicable legislation, there are no restrictions on the transfer of shares in the Company and there are no restrictions on the voting rights in the Company's shares.

As at 29th February 2024, there were no treasury shares held by the Company. Movements in the Company's issued share capital, listed on the London Stock Exchange, during the year are set out in Note 20 on page 223.

The Directors have been authorised to issue and allot ordinary shares, pursuant to the Articles. These powers are referred to shareholders at each AGM for renewal.

The total number of ordinary shares in issue as at 31st December 2023 was 73,776,048.

## Share capital – special rights and restrictions

Pursuant to the general provisions of the Articles and prevailing legislation, there are no specific restrictions on the size of a shareholding or on voting rights of holders of ordinary shares. The Directors are not aware of any restrictions on the transfer of ordinary shares in the Company other than certain restrictions which may from time to time be imposed by law and regulations, e.g. insider trading laws, and pursuant to the Listing Rules of the Financial Conduct Authority (FCA) whereby certain employees of the Company require the prior approval from the Company to deal in the Company's securities.

The Company is not aware of any agreements entered into between any shareholders which restrict the transfer of shares or the exercise of any voting rights attached to the shares. No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

## Articles of Association

The Company's Articles of Association are available from Companies House in the UK. They are also available on the Company's website. Amendments to the Articles of Association can only be made by means of a special resolution at a general meeting of the shareholders of the Company.

## Change of control

The Group's principal borrowing facilities include change of control provisions that could result in repayment and cancellation of any amounts drawn.

There are provisions in the Executive Directors' service agreements which state that following a takeover or change of control, if the Executive Director's employment is terminated then both salary/benefits and a sum in respect of lost future bonus opportunity become payable as a lump sum.

## Substantial shareholdings

The voting rights in the table below have been determined in accordance with the requirements of the UK Listing Authority's Disclosure and Transparency Rules DTR 5 and represent 3% or more of the voting rights attached to issued shares in the Company as at 29th February 2024 (being the latest practicable date prior to publication) and 31st December 2023. There are no controlling founder shareholders.

| | As at 31st December 2023 | | As at 29th February 2024 | |
|---|---|---|---|---|
| **Substantial shareholdings** | **Number of ordinary shares** | **% of issued share capital** | **Number of ordinary shares** | **% of issued share capital** |
| BlackRock, Inc. | 10,833,491 | 14.7% | 10,765,407 | 14.6% |
| Impax Asset Management Group plc | 3,474,789 | 4.7% | 3,361,599 | 4.6% |
| The Vanguard Group Inc | 3,356,167 | 4.6% | 3,405,055 | 4.6% |
| APG Groep N.V. | 3,314,805 | 4.5% | 3,343,730 | 4.5% |
| Fiera Groep N.V. | 3,178,414 | 4.3% | 3,012,499 | 4.1% |

## Purchase of own shares

A shareholder's authority for the purchase by the Company of a maximum of 10% of its own shares was in existence during the year. However, the Company did not purchase any of its shares during that time. This authority expires at the forthcoming AGM and it is proposed that a similar authority be approved.

## Employee Benefit Trust (EBT)

The number of shares held in the EBT at 31st December 2023 was 139,907 for the purpose of satisfying the vesting of awards and options granted to employees under the various Company schemes. Dividends on shares in the EBT are waived.

## Auditor

The Company's Auditor throughout the period of this Annual Report was Deloitte LLP, having been initially appointed on 20th May 2014 and, following an audit tender in 2022, reappointed at the 2023 AGM.

A resolution to reappoint Deloitte LLP will be proposed at the forthcoming AGM.

## Disclosure of information to the Auditor

As at the date of the approval of this Annual Report, as far as each Director is aware, there is no relevant audit information of which the Company's Auditor is unaware. Each Director has taken all such steps as 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.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

## Research and development (R&D)

The Group continues to devote significant resources to the research, development, updating and expansion of its range of products and solutions to remain at the forefront of its world markets.

The R&D functions in Steam Thermal Solutions (formerly Steam Specialties): Spirax Sarco, Cheltenham (UK) and Gestra, Bremen (Germany); Electric Thermal Solutions: Vulcanic, Neuilly-sur-Marne (France) and Thermocoax, Normandy (France); and Watson-Marlow: Falmouth (UK) and Aflex Hose, Huddersfield (UK); and the Product Development functions in Chromalox, Pittsburgh (USA) and Durex Industries, Cary (USA) are tasked with improving the Group's pipeline of new products, accelerating the time to launch, expanding the Group's addressable market and realising additional sales.

Further information on the expenditure on R&D is contained in Note 6 on page 211. The amount of R&D expenditure capitalised, and the amount amortised, in the year, are given in Note 14 on page 218.

## Treasury and foreign exchange

The Group has in place appropriate treasury policies and procedures, which are approved by the Board. The Treasury function manages interest rates for both borrowings and cash deposits for the Group. It is also responsible for ensuring there is sufficient headroom against any banking covenants contained within its credit facilities and for ensuring there are appropriate facilities available to meet the Group's strategic plans. The Group's Treasury Policy was reviewed, updated and approved in May 2022 by the Audit Committee and the Board.

To mitigate and manage exchange rate risk, the Group routinely enters into forward contracts and continues to monitor exchange rate risk in respect of foreign currency exposures.

All these treasury policies and procedures are regularly monitored and reviewed. It is the Group's policy not to undertake speculative transactions which create additional exposures over and above those arising from normal trading activity.

## Political donations

The Group has a policy of not making political donations and no political donations were made during the year (2022: nil).

# **Regulatory disclosures** continued

## Diversity and inclusion

The Company captures gender and diversity data of colleagues through voluntary disclosure via the internal HR portal where possible or direct contact where not. For the Board of Directors, we seek individual permission to share this data on an annual basis. We do not prescribe set gender or ethnicity categories, but ask for directors to self-describe this. Further information on how we have complied or explained our non-compliance with Financial Conduct Authority's Listing Rules 9.8.6R(9) can be found in the Nomination Committee report on pages 132 to 137. In accordance with the Listing Rules 9.8.6R(10) the following information is also provided:

### Table 1: Reporting table on gender representation

| | Number of Board members | Percentage of Board | Number of senior positions on the Board | Number in executive management | Percentage of executive management |
|---|---|---|---|---|---|
| Men | 6 | 60% | 4 | 7 | 77.8% |
| Women | 4 | 40% | — | 2 | 22.2% |
| Not specified/prefer not to say | — | — | — | — | — |

### Table 2: Reporting table on ethnicity representation

| | Number of Board members | Percentage of Board | Number of senior positions on the Board* | Number in executive management | Percentage of executive management |
|---|---|---|---|---|---|
| White British or other White (including minority White groups) | 8 | 80.0% | 3 | 8 | 88.9% |
| Mixed/multiple ethnic groups | — | — | — | — | — |
| Asian/Asian British | 1 | 10.0% | 1 | 1 | 11.1% |
| Black/African/Caribbean/Black British | 1 | 10.0% | — | — | — |
| Other ethnic group, including Arab | — | — | — | — | — |
| Not specified/prefer not to say | — | — | — | — | — |

* Group CEO, CFO, SID and Chair

## Annual General Meeting

The Notice of Meeting convening the AGM, to be held on Wednesday 15th May 2024, and an explanation of the resolutions sought, is set out in the Circular posted on our website and sent to shareholders in the format selected by them.

This year we are pleased to be able to hold a physical meeting and welcome our shareholders to the AGM in person. The meeting will be held at our newly refurbished Group Headquarters at Charlton House, Cheltenham, UK.

While we are always delighted to meet with our shareholders at our AGM; all shareholders are still able to vote by submitting a Form of Proxy, in line with the instructions set out in the Circular.

In 2023, 91.9% of the proxy votes received were lodged electronically through the CREST system.

The results of the votes will be announced to the London Stock Exchange and posted on the Group's website, spiraxgroup.com, shortly after the conclusion of the meeting.

For up-to-date information, please refer to our website: spiraxgroup.com/agm-notices

The Strategic Report and this Directors' Report were approved by the Board on 6th March 2024. Pages 179 to 182 form the Directors' Report for the purposes of the Companies Act 2006.

By order of the Board

**Andy Robson**
Group General Counsel and Company Secretary
6th March 2024

Spirax-Sarco Engineering plc Registered no. 596337

## Additional information

| Disclosure | Page(s) | Location in Annual Report |
|---|---|---|
| Asset values | 195 | Consolidated Statement of Financial Position[1] |
| Charitable donations | 81 | Strategic Report: Sustainability Report[1] |
| Risk management and Principal Risks | 98-105 | Strategic Report[1] |
| Financial instruments and financial risk management | 234 | Note 27, Financial Statements[1] |
| Future developments of the Group's business | 48, 52, 56 | Strategic Report[1] |
| Employee culture and engagement (includes employee investment and reward) | 63-66, 128-131 | Strategic Report: Sustainability Report[1] and Colleague Engagement Report |
| Employee share schemes (includes Long-Term Incentive Plans) | 167-168, 230 | Directors' Remuneration Report and Note 22, Financial Statements[2] |
| Health and safety and employee-related policies including diversity and disability | 62, 95 | Strategic Report: Sustainability Report[1] |
| Movements in share capital | 198 | Consolidated Statement of Changes in Equity |
| Greenhouse gas emissions | 70-74 | Strategic Report: Sustainability Report[1] |
| Going concern statement | 41 | Strategic Report: Financial Review |
| Directors' responsibility statement | 184 | Statement of Directors' Responsibilities |
| Directors' interests | 169 | Directors' Remuneration Report |
| Stakeholder consideration and engagement | 121-123 | Corporate Governance Report: Section 172 Statement[1] |

[1] The Board has taken advantage of Section 414C(11) of the Act to include disclosures in the Strategic Report on these items.

[2] Information required to be disclosed by LR 9.8.4R.

# Statement of Directors’ Responsibilities

> The Group navigated a challenging trading environment in 2023 and is well positioned for a return to growth in 2024.”
>
> **Nimesh Patel**
> Group Chief Executive Officer

## Board of Directors

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable laws and regulations.

Company law requires the Directors to prepare consolidated Group Financial Statements for each financial year in accordance with IFRS as adopted by the UK. Parent Company Financial Statements are prepared under FRS 101.

In addition, by 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 Group and Parent Company and of their profit or loss for that period. In preparing these Financial Statements, the Directors are required to:

- Properly select and apply accounting policies
- Present information, including accounting policies, in a manner which is relevant, reliable, comparable and understandable
- Provide additional disclosures when compliance with the specific requirements in IFRS 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
- 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 its 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 Group’s website, spiraxgroup.com.

Legislation in the UK governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

## Cautionary statement

All statements other than statements of historical fact included in this document, including those regarding the financial condition, results, operations and Businesses of Spirax-Sarco Engineering plc (its strategy, plans and objectives), are forward-looking statements.

These forward-looking statements reflect management’s assumptions made based on information available at this time. They involve known and unknown risks, uncertainties and other important factors which could cause the actual results, performance or achievements of Spirax-Sarco Engineering plc to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Spirax-Sarco Engineering plc and its Directors accept no liability to third parties in respect of this Report save as would arise under English law.

Any liability to a person who has demonstrated reliance on any untrue or misleading statement or omission shall be determined in accordance with schedule 10A of the Financial Services and Markets Act 2000. Schedule 10A contains limits on the liability of the Directors of Spirax-Sarco Engineering plc and their liability is solely to Spirax-Sarco Engineering plc.

## Responsibility statement

We confirm that to the best of our knowledge:

- The Financial Statements, prepared in accordance with IFRS as adopted by the UK, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole
- The Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the Principal Risks and uncertainties that they face
- The Annual Report 2023 taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company’s financial position, performance, business model and strategy

This responsibility statement was approved by the Board of Directors on 6th March 2024 and is signed on its behalf by:

**Nimesh Patel**
Group Chief Executive Officer
6th March 2024

# Financial Statements

## In this section

# Independent Auditor's Report
# To the members of Spirax-Sarco Engineering plc

## Report on the audit of the Financial Statements

### 1. Opinion

In our opinion:

- the Financial Statements of Spirax-Sarco Engineering plc (the 'Parent Company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2023 and of the Group's profit for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);
- 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 and Parent Company Statements of Financial Position;
- the Consolidated Income Statement;
- the Consolidated Statement of Comprehensive Income;
- the Consolidated and Parent Company Statements of Changes in Equity;
- the Consolidated Statement of Cash Flows;
- the related notes 1 to 27 to the Consolidated Financial Statements and 1 to 11 for the Parent Company Financial Statements.

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 and IFRSs as issued by the IASB. The financial reporting framework that has been applied in the preparation of the Parent Company Financial Statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

### 2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the Financial Statements section of our report.

We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the Group and Parent Company for the year are disclosed in note 6 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:<br>• goodwill valuation for the Electric Thermal Solutions (ETS) group cash generating units (CGU);<br>• defined benefit pension liability valuation for certain schemes; and<br>• revenue recognition in relation to cut off for certain components. |
| **Materiality** | The materiality that we used in the current year was £16.0m (2022: £17.8m) which was determined on the basis of 5% of forecast adjusted profit before tax. |
| **Scoping** | We completed full scope audit work on 24 reporting entities and specified audit procedures were performed on 16 reporting entities. Our full scope and specified audit procedures covered 72% of total Group revenue and 81% of adjusted profit before tax. |
| **Significant changes in our approach** | In the prior year, we identified the purchase price accounting for the acquisition of Vulcanic as a key audit matter but this has been removed given there have been no significant acquisitions for the Group during 2023. |

## 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:

- evaluated the financing facilities available to the Group including nature of facilities, repayment terms and covenants;
- considered the business model and principal risks and uncertainties;
- challenged the assumptions used in the forecasts by reference to historical performance, trading run rate, and other supporting evidence, such as the current macroeconomic environment;
- recalculated and assessed the amount of headroom in the forecasts (cash and covenants);
- performed a sensitivity analysis to consider specific scenarios including a reverse stress test; and
- assessed the appropriateness of the going concern disclosures in 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. Goodwill valuation for the Electrical Thermal Solutions (ETS) group of CGU

| | |
|---|---|
| **Key audit matter description** | The Group holds £680.5m (2022: £703.3m) of goodwill. The value of goodwill for the ETS group of CGU as at the balance sheet date was £494.7m (2022: £514.9m). Management performs an impairment review of the carrying value of each CGU on an annual basis in line with the requirements of IAS 36. The impairment assessment involves judgement in considering whether the carrying value of the CGU is recoverable.<br>There is a high level of judgement surrounding the valuation of goodwill due to the significant growth anticipated in management forecasts. Key judgements include assumptions in estimating future revenue and earnings before interest and tax (EBIT) margins in the short term (2024-2028), alongside setting an appropriate discount rate. We have identified a key audit due to sensitivity of these assumptions.<br>The Audit Committee Report on page 138 refers to impairment of goodwill and other intangibles as an area considered by the Audit Committee. Note 1 to the Consolidated Financial Statements sets out the Group's accounting policy for testing of goodwill for impairment. The basis for the impairment reviews is outlined in Note 14 to the Consolidated Financial Statements, including details of the discount rates and growth rates used. Note 14 to the Consolidated Financial Statements also includes details of the extent to which the CGU to which the goodwill and other intangible assets are allocated are sensitive to changes in the key inputs. |

# Independent Auditor's Report continued

| | |
|---|---|
| **How the scope of our audit responded to the key audit matter** | In response to the key audit matter identified, we performed the following procedures:<br>• obtained an understanding and assessed relevant controls relating to the goodwill impairment review process;<br>• assessed the integrity of management's impairment model through testing of the mechanical accuracy and evaluating the application of the input assumptions;<br>• assessed the revenue and EBIT growth assumptions, held meetings with finance and commercial management and visited two facilities within the ETS Business (Ogden and Durex Industries) to challenge and understand the growth assumptions within the impairment model;<br>• considered external evidence, such as forecast IP and GDP growth, market reports and order intake, to assess accuracy and reasonableness of management's forecasts;<br>• compared the change in model assumptions from 2022 and understood the driver of any variances;<br>• evaluated historical forecasting accuracy by comparing prior year plans to actual results achieved;<br>• with the involvement from our internal valuations specialist, we assessed the discount rate used utilising their knowledge and expertise;<br>• performed a sensitivity analysis on the assumptions used within the model;<br>• completed a stand back review by evaluating the reasonableness of the assumptions in aggregate, by comparing the EBIT multiple of ETS to the EBIT multiple of the Group and enterprise value to the value in use; and<br>• assessed the appropriateness of the related disclosures. |
| **Key observations** | From the work performed above we are satisfied that the value in use used in the goodwill impairment review for the ETS Group of CGUs supports the carrying value. This was on the basis that the key assumptions, applied, when taken in aggregate, are within our acceptable range. We consider the related disclosures to be appropriate. |

## 5.2. Defined benefit pension liability valuation for certain schemes

| | |
|---|---|
| **Key audit matter description** | At 31st December 2023 the gross retirement benefit liability recognised in the Consolidated Statement of Financial Position was £388.9m (2022: £393.7m). There is a risk of material misstatement relating to the judgements made by management in valuing the defined benefit pension liabilities including the use of key model input assumptions specifically the discount rates, mortality assumptions and inflation rates over the four main schemes (three in the UK and one in the USA). These variables can have a material impact in calculating the quantum of the retirement benefit liability. Management involved third party actuaries to complete valuations of the pension liabilities.<br>Refer to Note 1 for the Group's policy on defined benefit plans and post-retirement benefit key sources of estimation uncertainty, Note 22 for the financial disclosure including the key estimates and assumptions used in the defined benefit pension plan valuation and the significant issues section of the Audit Committee Report on page 144. |
| **How the scope of our audit responded to the key audit matter** | We have obtained an understanding and assessed relevant controls relating to the pensions cycle.<br>We involved our internal actuarial specialists to assess key assumptions applied in determining the pension obligations for the four main pension schemes, and determined whether the key assumptions are reasonable. Testing covered 93.6% (2022: 93.9%) of defined benefit pension liabilities and is explained in more detail below.<br>For each of the four schemes, we challenged management's key assumptions by reference to illustrative benchmark rates, sensitising any difference between management's rates and the illustrative benchmark rates. Additionally, we benchmarked the key assumptions against other listed companies to check for any outliers in the data used.<br>We also evaluated the management expert's competence, capabilities and objectivity and assessed their reports considering compliance with IAS 19 and IFRIC 14 and have considered the appropriateness of the related disclosures. |
| **Key observations** | From the work performed, we are satisfied that the valuation of the defined benefit pension liability is appropriate and the key assumptions applied in respect of the valuation of the schemes' liabilities are reasonable. |

## **5. Key audit matters** continued

### 5.3. Revenue recognition in relation to cut off for certain components

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|---|---|
| **Key audit matter description** | The Group policy is to recognise revenue when performance obligations have been fulfilled which, in the majority of cases, is at time of dispatch ('ex works') or at time of delivery ('FOB'). We have identified a key audit matter relating to a risk of material misstatement due to fraud in relation to cut off for revenue recognition.<br>In particular, we have identified a risk on revenue in components where external revenue recognised in December 2023 is both above the component's materiality and contributes a higher proportion (10% or more) of annual external revenue compared to the rest of the year. The risk for these components focuses on the recognition of revenue by reference to the contracted shipping terms and meeting the performance obligations for product despatches and deliveries spanning year end.<br>Refer to Note 1 for the Group's revenue recognition policy and the significant issues section of the Audit Committee Report on page 144. |
| **How the scope of our audit responded to the key audit matter** | Our audit response at the relevant components consisted of several procedures including:<br>• obtained an understanding and assessed relevant controls relating to the revenue cycle;<br>• evaluated the product despatch cycle and revenue recognition profile across the year-end period;<br>• evaluated a sample of items by assessing whether the performance obligation was met in line with the revenue recognition date in accordance with the terms of trade with customers; and<br>• assessed the appropriateness of the related disclosures. |
| **Key observations** | From the procedures performed above, we consider that revenue across the Group has been appropriately recognised and that the year-end cut off is materially accurate. |

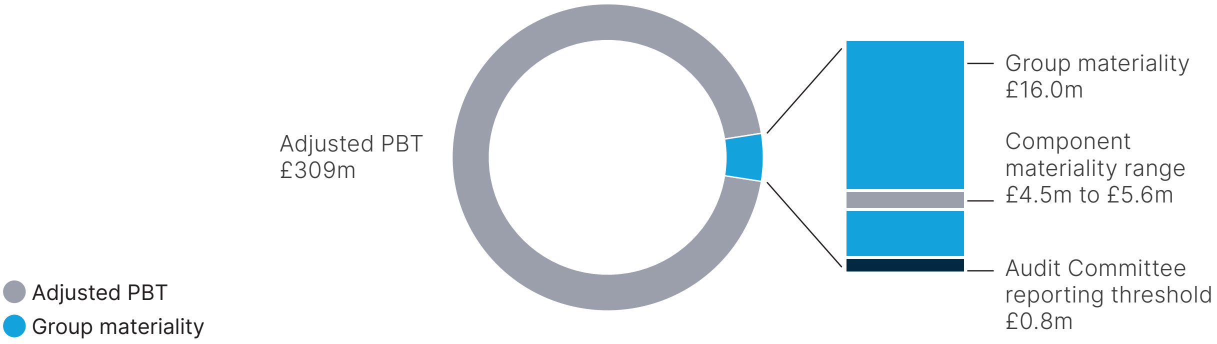
## 6. Our application of materiality

### 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** | £16.0m (2022: £17.8m) | £5.6m (2022: £6.2m) |
| **Basis for determining materiality** | We determined materiality on the basis of 5% of forecasted adjusted profit before tax (2022: 5% of forecast adjusted profit before tax), this represents 5.2% of final adjusted profit before tax, as defined in the Alternative Performance Measures appendix. | Parent Company materiality is set at 3% of net assets (2022: 3% of net assets), which is capped at 50% of the Group performance materiality. This is consistent with prior year. |
| **Rationale for the benchmark applied** | We have used adjusted profit before tax for determining materiality. This is considered to be a key benchmark as this metric is important to the users of the Financial Statements (investors and analysts being the key users for a listed entity) because it portrays the performance of the business and hence its ability to pay a return on investment to the investors. | We have considered net assets as the appropriate measure given the Parent Company is primarily a holding Company for the Group. |



# Independent Auditor's Report continued

### 6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the Financial Statements as a whole.

| | Group Financial Statements | Parent Company Financial Statements |
|---|---|---|
| **Performance materiality** | 70% (2022: 70%) of Group materiality | 70% (2022: 70%) of Parent Company materiality |
| **Basis and rationale for determining performance materiality** | In determining performance materiality, we considered our risk assessment, including our assessment of the Group's overall control environment and the level of corrected and uncorrected misstatements identified in previous audits. We have also considered changes in key management personnel of the Group. | |

### 6.3. Error reporting threshold

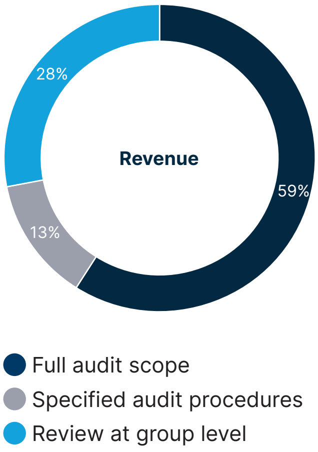
We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £800,000 (2022: £890,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the Financial Statements.

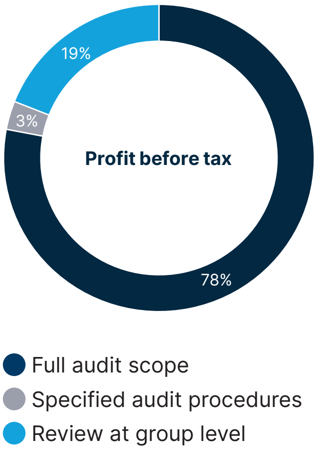
## 7. An overview of the scope of our audit

### 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 the Group level. Based on that assessment, we focused our Group audit scope primarily on the audit work at 40 components (2022: 34 components). 24 (2022: 24) of these were subject to a full audit, whilst the remaining 16 components (2022: 10 components) were subject to specified audit procedures where the extent of our testing was based on our assessment of the risks of material misstatement and of the materiality of the Group's operations at those components. These components represent the principal business units and account for 72% (2022: 73%) of the Group's revenue and 81% (2022: 85%) of the adjusted profit before tax. They were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. Our Group audit scoping remained consistent with prior year, except for changes made to reflect the material contribution from the Vulcanic and Durex Industries acquisitions which ensured that we maintained our overall coverage, particularly within the ETS division. The Parent Company is located in the UK and is audited directly by the Group audit team. Our work on the components, including the Parent Company, was executed at levels of materiality applicable to each individual component, which were lower than Group materiality and ranged from £4.5m to £5.6m (2022: £5.0m to £6.2m).

At the Parent Company level, we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or audit of specified account balances.





## 7. An overview of the scope of our audit continued

### 7.2. Our consideration of the control environment

The Group operates a range of IT systems which underpin the financial reporting processes. This can vary by geography and/or reporting entity. For certain components subject to full scope audits, we identified relevant IT systems for the purpose of our audit work. These were typically the principal Enterprise Resource Planning (ERP) systems for each relevant component that govern the general ledger and transaction accounting balances and also included the Group's consolidation system. Our approach was principally designed to inform our risk assessment and, as such, with the involvement of our IT specialists we obtained an understanding of relevant IT controls and tested the general IT controls for some operating entities.

In the current year we did not plan to rely on the operating effectiveness of controls (automated or otherwise). This strategy reflected our historical knowledge of the: disaggregated nature of the control environment, which brings inherent segregation of duty challenges in certain smaller businesses; limited formality of the control environment specifically around retention of evidence of a control's operation sufficient for testing purposes; and our understanding of the Group's business transformation programme to upgrade legacy systems, including gaps in associated user access and change management controls. This understanding was reconfirmed in the current year and was factored into our planned audit approach and risk assessment.

The Group-wide G3 programme seeks to enhance the internal control framework and has both IT and business control aspects that span multi-years. Therefore, in addition to the audit work on IT controls described above, additional audit work on controls was limited to obtaining an understanding of the relevant controls in key financial reporting process cycles to inform our risk assessment.

The Group continues to invest time in responding to and addressing our observations on IT and entity level controls. Management determines their response to these observations and continues to monitor their resolution with reporting to and oversight from the Audit Committee as explained in the Audit Committee report on page 138, which includes consideration of developments in control in the context of the recent FRC guidance and changes to the Combined Code. As management develops and completes the business transformation project, we expect our audit approach to evolve in future years alongside these developments in the internal control environment.

### 7.3. Our consideration of climate-related risks

In planning our audit, we have considered the potential impact of climate change on the Group's business and its Financial Statements.

The Group has assessed the risk and opportunities relevant to climate change which has been included as an emerging risk across the Group. This risk has also been considered and embedded into the businesses as explained in the Strategic Report on page 99.

As a part of our audit procedures, we have obtained management's risk register and held discussions with those charged with governance to understand the process of identifying climate-related risks, the determination of mitigating actions and the impact on the Group's Financial Statements. While management has acknowledged that the transition and physical risks posed by climate change have the potential to impact the medium to long term success of the business, they have assessed that there is no material impact arising from climate change on the judgements and estimates determining the valuations within the Financial Statements as at 31 December 2023 as explained in Note 1.

We performed our own qualitative risk assessment of the potential impact of climate change on the Group's account balances and classes of transaction, and did not identify any additional risks of material misstatement. We have also evaluated the appropriateness of disclosures included in the Financial Statements and read climate-related disclosures included in the Strategic Report to consider whether they are materially consistent with the disclosures made in Financial Statements and our knowledge obtained in the audit.

### 7.4. Working with other auditors

The Group audit was conducted exclusively by a global network of Deloitte member firms under the direction and supervision of the UK Group audit team. Dedicated members of the Group audit team were assigned to each component to facilitate an effective and consistent approach to component oversight. We reviewed the work performed by component teams and discussed the results with them. We maintained regular communication between the Group and component teams and remote access to relevant documents was provided.

## 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.

# Independent Auditor’s Report continued

## 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 and 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.

### 11.1. 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;
- Group’s own assessment of the risks that irregularities may occur either as a result of fraud or error that was approved by the board on 6 March 2024;
- results of our enquiries of management, internal audit, the Directors and the Audit Committee about their own identification and assessment of the risks of irregularities, including those that are specific to the Group’s sector;
- any matters we identified having obtained and reviewed the Group’s documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team including significant component audit teams and relevant internal specialists, including tax, valuations, pensions and IT 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 following areas: revenue recognition in relation to cut-off for certain components. 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 Companies Act, Listing Rules, pensions legislation and tax legislation.

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.

### 11. Extent to which the audit was considered capable of detecting irregularities, including fraud continued

### 11.2. Audit response to risks identified

As a result of performing the above, we identified revenue recognition in relation to cut-off for certain components as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the Financial Statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the Financial Statements;
- enquiring of management, the audit committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialist 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 41;
- 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 42;
- the directors' statement on fair, balanced and understandable set out on page 108;
- the Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 152;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on pages 152 and 153; and
- the section describing the work of the Audit Committee set out on page 138.

# Independent Auditor’s Report continued

## 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 Directors and subsequently at the Annual General Meeting on 11 May 2014 to audit the Financial Statements for the year ending 31 December 2014 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 10 years, covering the years ending 31 December 2014 to 31 December 2023.

### 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) 4.1.15R – DTR 4.1.18R, these Financial Statements will form part of the Electronic Format Annual Financial Report filed on the National Storage Mechanism of the FCA in accordance with DTR 4.1.15R – DTR 4.1.18R. This auditor’s report provides no assurance over whether the Electronic Format Annual Financial Report has been prepared in compliance with DTR 4.1.15R – DTR 4.1.18R.

**Andrew Bond, FCA**
(Senior statutory auditor)

For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

6 March 2024

# Consolidated Statement of Financial Position

## at 31st December 2023

| | Notes | **2023**<br>**£m** | 2022<br>£m |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 12 | **415.1** | 384.5 |
| Right-of-use assets | 13 | **98.4** | 67.2 |
| Goodwill | 14 | **680.5** | 703.3 |
| Other intangible assets | 14 | **448.8** | 500.3 |
| Prepayments | | **1.9** | 2.0 |
| Investment in Associate | 11 | **3.0** | — |
| Taxation recoverable | | **4.9** | 5.1 |
| Deferred tax assets | 15 | **31.0** | 69.0 |
| | | **1,683.6** | 1,731.4 |
| **Current assets** | | | |
| Inventories | 16 | **285.2** | 290.0 |
| Trade receivables | 27 | **299.8** | 341.1 |
| Other current assets | 17 | **71.4** | 79.6 |
| Taxation recoverable | | **8.7** | 13.9 |
| Cash and cash equivalents | 23 | **359.7** | 328.9 |
| | | **1,024.8** | 1,053.5 |
| **Total assets** | | **2,708.4** | 2,784.9 |
| **Equity and liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 18 | **251.2** | 283.0 |
| Provisions | 19 | **9.5** | 12.0 |
| Bank overdrafts | 23 | **146.9** | 85.1 |
| Current portion of long-term borrowings | 23 | **3.6** | 202.9 |
| Short-term lease liabilities | 23 | **14.5** | 14.1 |
| Current tax payable | | **28.3** | 40.4 |
| | | **454.0** | 637.5 |
| **Net current assets** | | **570.8** | 416.0 |
| **Non-current liabilities** | | | |
| Long-term borrowings | 23 | **875.9** | 731.3 |
| Long-term lease liabilities | 23 | **82.2** | 51.1 |
| Deferred tax liabilities | 15 | **68.2** | 128.1 |
| Post-retirement benefits | 22 | **51.4** | 52.1 |
| Provisions | 19 | **7.6** | 6.2 |
| Long-term payables | | **11.4** | 8.8 |
| | | **1,096.7** | 977.6 |
| **Total liabilities** | | **1,550.7** | 1,615.1 |
| **Net assets** | 2 | **1,157.7** | 1,169.8 |
| **Equity** | | | |
| Share capital | 20 | **19.8** | 19.8 |
| Share premium account | | **90.1** | 88.1 |
| Translation reserve | 20 | **(60.4)** | 17.5 |
| Other reserves | 20 | **(12.9)** | (23.4) |
| Retained earnings | | **1,120.3** | 1,067.0 |
| Equity shareholders' funds | | **1,156.9** | 1,169.0 |
| Non-controlling interest | | **0.8** | 0.8 |
| **Total equity** | | **1,157.7** | 1,169.8 |
| **Total equity and liabilities** | | **2,708.4** | 2,784.9 |

These Financial Statements of Spirax-Sarco Engineering plc, company number 00596337, were approved by the Board of Directors and authorised for issue on 6th March 2024 and signed on its behalf by:

**N.B. Patel**
Director

# Consolidated Income Statement

for the year ended 31st December 2023

| | Notes | **2023**<br>**£m** | 2022<br>£m |
|---|---|---|---|
| **Revenue** | 2 | **1,682.6** | 1,610.6 |
| Operating costs | 3 | **(1,398.2)** | (1,291.8) |
| **Operating profit** | 2 | **284.4** | 318.8 |
| Financial expenses | | **(51.2)** | (16.3) |
| Financial income | | **11.3** | 5.6 |
| Net financing expense | 2, 5 | **(39.9)** | (10.7) |
| Share of profit/(loss) of Associate | 11 | **—** | — |
| **Profit before taxation** | 6 | **244.5** | 308.1 |
| Taxation | 8 | **(60.5)** | (83.1) |
| **Profit for the year** | | **184.0** | 225.0 |
| Attributable to: | | | |
| Equity shareholders | | **183.6** | 224.7 |
| Non-controlling interest | | **0.4** | 0.3 |
| **Profit for the year** | | **184.0** | 225.0 |
| **Earnings per share** | 9 | | |
| Basic earnings per share | | **249.5p** | 305.1p |
| Diluted earnings per share | | **248.9p** | 304.4p |
| **Dividends** | 10 | | |
| Dividends per share | | **160.0p** | 152.0p |
| Dividends paid during the year (per share) | | **155.5p** | 140.0p |

The Notes on pages 200 to 239 form an integral part of the Financial Statements.

# Consolidated Statement of Comprehensive Income

for the year ended 31st December 2023

| | Notes | 2023<br>£m | 2022<br>£m |
|---|---|---|---|
| **Profit for the year** | | **184.0** | 225.0 |
| Items that will not be reclassified to profit or loss: | | | |
| Remeasurement loss on post-retirement benefits | 22 | **(3.8)** | (8.3) |
| Deferred tax on remeasurement loss on post-retirement benefits | 22 | **1.1** | 1.8 |
| | | **(2.7)** | (6.5) |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Foreign exchange translation and net investment hedges (loss)/gain | 20 | **(77.9)** | 54.8 |
| Transfer to Consolidated Income Statement of cumulative translation differences on disposal of subsidiaries | 26 | **—** | 3.2 |
| Gain/(loss) on cash flow hedges net of tax | 20, 27 | **5.0** | (3.5) |
| | | **(72.9)** | 54.5 |
| **Total comprehensive income for the year** | | **108.4** | 273.0 |
| Attributable to: | | | |
| Equity shareholders | | **108.0** | 272.7 |
| Non-controlling interest | | **0.4** | 0.3 |
| **Total comprehensive income for the year** | | **108.4** | 273.0 |

# Consolidated Statement of Changes in Equity

for the year ended 31st December 2023

| | Notes | Share capital £m | Share premium account £m | Translation reserve £m | Other reserves £m | Retained earnings £m | Equity shareholders' funds £m | Non-controlling interest £m | Total equity £m |
|---|---|---|---|---|---|---|---|---|---|
| **Balance at 1st January 2023** | | 19.8 | 88.1 | 17.5 | (23.4) | 1,067.0 | 1,169.0 | 0.8 | 1,169.8 |
| **Profit for the year** | | — | — | — | — | 183.6 | 183.6 | 0.4 | 184.0 |
| Other comprehensive (expense)/ income: | | | | | | | | | |
| Foreign exchange translation and net investment hedges loss* | 20 | — | — | (77.9) | — | — | (77.9) | — | (77.9) |
| Remeasurement loss on post-retirement benefits | 22 | — | — | — | — | (3.8) | (3.8) | — | (3.8) |
| Deferred tax on remeasurement loss on post-retirement benefits | 15, 22 | — | — | — | — | 1.1 | 1.1 | — | 1.1 |
| Gain on cash flow hedges net of tax* | 20, 27 | — | — | — | 5.0 | — | 5.0 | — | 5.0 |
| **Total other comprehensive (expense)/ income for the year** | | — | — | (77.9) | 5.0 | (2.7) | (75.6) | — | (75.6) |
| **Total comprehensive (expense)/ income for the year** | | — | — | (77.9) | 5.0 | 180.9 | 108.0 | 0.4 | 108.4 |
| Contributions by and distributions to owners of the Company: | | | | | | | | | |
| Dividends paid | 10 | — | — | — | — | (114.5) | (114.5) | (0.4) | (114.9) |
| Equity settled share plans net of tax | | — | — | — | — | (13.1) | (13.1) | — | (13.1) |
| Issue of share capital | 20 | — | 2.0 | — | — | — | 2.0 | — | 2.0 |
| Employee Benefit Trust shares | 20 | — | — | — | 5.5 | — | 5.5 | — | 5.5 |
| **Balance at 31st December 2023** | | 19.8 | 90.1 | (60.4) | (12.9) | 1,120.3 | 1,156.9 | 0.8 | 1,157.7 |

* During the year, there has been a reclassification in relation to prior year deferred tax on cash flow hedges of £0.9m

Other reserves represent the Group's cash flow hedges, capital redemption and Employee Benefit Trust reserves (see Note 20). The non-controlling interest is a 2.5% share of Spirax Sarco Korea Ltd.

# Consolidated Statement of Changes in Equity

for the year ended 31st December 2022

| | Notes | Share capital £m | Share premium account £m | Translation reserve £m | Other reserves £m | Retained earnings £m | Equity shareholders' funds £m | Non-controlling interest £m | Total equity £m |
|---|---|---|---|---|---|---|---|---|---|
| **Balance at 1st January 2022** | | 19.8 | 86.3 | (40.5) | (17.7) | 961.1 | 1,009.0 | 1.0 | 1,010.0 |
| **Profit for the year** | | — | — | — | — | 224.7 | 224.7 | 0.3 | 225.0 |
| Other comprehensive income/(expense): | | | | | | | | | |
| Foreign exchange translation and net investment hedges gain | 20 | — | — | 54.8 | — | — | 54.8 | — | 54.8 |
| Transfer to Consolidated Income Statement of cumulative translation differences on disposal of subsidiaries | 20,26 | — | — | 3.2 | — | — | 3.2 | — | 3.2 |
| Remeasurement loss on post-retirement benefits | 22 | — | — | — | — | (8.3) | (8.3) | — | (8.3) |
| Deferred tax on remeasurement loss on post-retirement benefits | 15,22 | — | — | — | — | 1.8 | 1.8 | — | 1.8 |
| Loss on cash flow hedges net of tax | 20,27 | — | — | — | (3.5) | — | (3.5) | — | (3.5) |
| **Total other comprehensive income/(expense) for the year** | | — | — | 58.0 | (3.5) | (6.5) | 48.0 | — | 48.0 |
| **Total comprehensive income/(expense) for the year** | | — | — | 58.0 | (3.5) | 218.2 | 272.7 | 0.3 | 273.0 |
| Contributions by and distributions to owners of the Company: | | | | | | | | | |
| Dividends paid | 10 | — | — | — | — | (103.1) | (103.1) | (0.5) | (103.6) |
| Equity settled share plans net of tax | | — | — | — | — | (9.2) | (9.2) | — | (9.2) |
| Issue of share capital | 20 | — | 1.8 | — | — | — | 1.8 | — | 1.8 |
| Employee Benefit Trust shares | 20 | — | — | — | (2.2) | — | (2.2) | — | (2.2) |
| **Balance at 31st December 2022** | | 19.8 | 88.1 | 17.5 | (23.4) | 1,067.0 | 1,169.0 | 0.8 | 1,169.8 |

# Consolidated Statement of Cash Flows

for the year ended 31st December 2023

| | Notes | **2023<br>£m** | 2022<br>£m |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit before taxation | | **244.5** | 308.1 |
| Depreciation, amortisation and impairment | 2,3 | **112.7** | 81.0 |
| Loss/(profit) on disposal of property, plant and equipment | 6 | **0.1** | (1.4) |
| Cash payments to the pension schemes greater than the charge to operating profit | 22 | **(5.7)** | (5.3) |
| (Profit)/loss on disposal of businesses | | **(0.4)** | 7.0 |
| Acquisition-related costs | | **4.3** | 3.8 |
| Restructuring-related provisions and current asset impairments | | **(3.0)** | 10.2 |
| Equity settled share plans | 22 | **6.1** | 8.9 |
| Net financing expense | 5 | **39.9** | 10.7 |
| **Operating cash flow before changes in working capital and provisions** | | **398.5** | 423.0 |
| Decrease/(increase) in trade and other receivables | | **12.6** | (56.3) |
| (Increase)/decrease in inventories | | **(13.1)** | (58.3) |
| Increase/(decrease) in provisions | | **2.9** | (0.8) |
| (Decrease)/increase in trade and other payables | | **(11.6)** | 23.5 |
| **Cash generated from operations** | | **389.3** | 331.1 |
| Income taxes paid | | **(90.7)** | (90.0) |
| **Net cash from operating activities** | | **298.6** | 241.1 |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | 12 | **(84.0)** | (104.3) |
| Proceeds from sale of non-current assets | | **3.1** | 4.0 |
| Purchase of software and other intangibles | 14 | **(14.2)** | (8.9) |
| Development expenditure capitalised | 14 | **(7.2)** | (4.3) |
| Disposal of businesses | | **0.5** | (2.8) |
| Acquisition of businesses net of cash acquired | 25 | **(5.2)** | (460.3) |
| Interest received | 5 | **11.3** | 5.6 |
| **Net cash used in investing activities** | | **(95.7)** | (571.0) |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of share capital | 20 | **2.0** | 1.8 |
| Employee Benefit Trust share purchase | | **(12.8)** | (20.8) |
| Repaid borrowings | 23 | **(221.1)** | (511.1) |
| New borrowings | 23 | **192.8** | 1,008.8 |
| Interest paid and interest on lease liabilities | 5 | **(49.1)** | (15.5) |
| Repayment of lease liabilities | 23 | **(16.1)** | (12.9) |
| Dividends paid (including minorities) | | **(114.9)** | (103.6) |
| **Net cash used in financing activities** | | **(219.2)** | 346.7 |
| **Net change in cash and cash equivalents** | 23 | **(16.3)** | 16.8 |
| Net cash and cash equivalents at beginning of the year | 23 | **243.8** | 219.0 |
| Exchange movement | 23 | **(14.7)** | 8.0 |
| **Net cash and cash equivalents at end of the year** | 23 | **212.8** | 243.8 |
| Borrowings | 23 | **(879.5)** | (934.2) |
| **Net debt at end of the year** | 23 | **(666.7)** | (690.4) |
| **Lease liabilities** | 23 | **(96.7)** | (65.2) |
| **Net debt including lease liabilities at end of the year** | 23 | **(763.4)** | (755.6) |

# Notes to the Consolidated Financial Statements

## 1 Accounting policies

### Basis of preparation

The Consolidated Financial Statements have been prepared on a historical cost basis except for items that are required by International Financial Reporting Standards (IFRS) to be measured at fair value, principally certain financial instruments. The Consolidated Financial Statements have been prepared in accordance with IFRS which includes the standards and interpretations issued by the International Accounting Standards Board (IASB) that have been adopted by the United Kingdom (UK).

The preparation of Financial Statements in conformity with IFRS requires the Directors to apply IAS 1 and make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not apparent from other sources. The estimates and associated assumptions are based on historical experiences and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### Critical judgements in applying the Group's accounting policies

The Directors have concluded that no critical judgements, apart from those involving estimations (which are dealt with separately below) have been made in the process of applying the Group's accounting policies.

### Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty in the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are outlined below.

#### (i) Post-retirement benefits

The Group's defined benefit obligation is assessed by selecting key assumptions. The selection of mortality rates and inflation are key sources of estimation uncertainty which could lead to material adjustment in the defined benefit obligation within the next financial year. These assumptions are set with close reference to market conditions.

The Group's defined benefit obligation is discounted at a rate set by reference to market yields at the end of the reporting period on high quality corporate bonds. The most significant criteria considered for the selection of bonds include the issue size of the corporate bonds, the quality of the bonds and the identification of outliers which are excluded.

The assumptions selected and associated sensitivity analysis are disclosed in Note 22.

### Climate change

Climate change is a global challenge and an emerging risk to businesses, people and the environment across the world. We have a role to play in limiting global warming by improving our energy management, reducing our carbon emissions and helping our customers do the same. Growing awareness of climate change and customer sustainability targets will provide impetus for business growth as we provide products, services and solutions that increase efficiency and reduce customers' energy use and carbon emissions.

In preparing the Consolidated Financial Statements, the Directors have considered the impact of climate change, particularly in the context of risk identified in the TCFD disclosures on pages 84-91. There has been no material impact identified on the financial reporting judgments and estimates. In particular, the Directors have considered the impact of climate change in respect of the following areas:

- Assessment of impairment of goodwill, other intangibles and tangible assets
- Going Concern and viability statements
- Impact on useful economic lives on assets
- Preparation of budgets and cash flow forecasts

Given no material risks have been identified as per the assessment outlined in the TCFD report, no climate change related impact was identified. The Directors are, however, aware of the changing nature of risks associated with climate change and will regularly assess these risks against judgements and estimates made in the preparation of the Group's Financial Statements.

# 1 Accounting policies continued

## Basis of preparation continued

The Group has considerable financial resources together with a diverse range of products and customers across wide geographic areas and industries. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully.

Further information on the Group's business activities, performance and position, together with the financial position of the Group, its capital structure and cash flow are included in the Strategic Report from the inside front cover to page 105. In addition, Note 27 to the Financial Statements discloses details of the Group's financial risk management and credit facilities.

The Consolidated Financial Statements are presented in pounds sterling, which is the Company's functional currency, rounded to the nearest one hundred thousand.

## New standards and interpretations applied in the current year

During the current year, the Group has applied the following amendments to IFRS Standards and Interpretations issued by the International Accounting Standards Board (IASB) effective for annual periods that begin on or after 1st January 2023. Adoption has not had a material impact on the disclosures or on the amounts reported in these Financial Statements:

- IFRS 17 Insurance Contracts
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements: Disclosure of Accounting Policies
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (see Note 15 for further details)
- Amendments to IAS 12 Income Taxes: International Tax Reform – Pillar Two Model Rules
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates

The economies in Argentina and Turkey are subject to high inflation. IAS 29 (Financial Reporting in Hyperinflationary Economies) requires the following application:

- Adjustment of historical cost non-monetary assets and liabilities for the change in purchasing power caused by inflation from the date of initial recognition to the balance sheet date;
- Adjustment of the Consolidated Income Statement for inflation during the period; and
- Translation of the Consolidated Income Statement at the period-end foreign exchange rate instead of an average rate.

At 31st December 2023 the Group have performed a review of the impact of the application of IAS 29 and concluded that the adoption of IAS 29 is not required as its impact on the Consolidated Financial Statements is not material. The Group will continue to monitor and assess this position going forward.

## New standards and interpretations not yet applied

At the date of authorisation of these Financial Statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to IAS 1: Classification of Liabilities as Current or Non-current
- Amendments to IAS 1: Non-current Liabilities with Covenants
- Amendments to IAS 7 and IFRS 7: Supplier Finance Arrangements
- Amendments to IFRS 16: Lease Liability in a Sale and Leaseback

The Directors do not expect that the adoption of the Standards listed above will have a material impact on the Financial Statements of the Group in future periods.

## Basis of accounting

### (i) Subsidiaries

The Group Consolidated Financial Statements include the results of the Company and all its subsidiary undertakings. Subsidiaries are entities controlled by the Group. Control is achieved when the Group has power over an entity, is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to use its power to affect those returns. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The Financial Statements of subsidiaries are included in the Consolidated Financial Statements from the date that control commences until the date that control ceases.

### (ii) Associates

Associates are those entities for which the Group has significant influence, but not control, over the financial and operating policies. The Financial Statements include the Group's share of the total recognised income and expense of Associates on an equity accounted basis, from the date that significant influence commenced until the date that significant influence ceases.

# Notes to the Consolidated Financial Statements continued

## 1 Accounting policies continued

### Basis of accounting continued

#### (iii) Transactions eliminated on consolidation

Intra-Group balances, and any unrealised gains and losses or income and expenses arising from intra-Group transactions, are eliminated in preparing the Group Consolidated Financial Statements. Unrealised gains arising from transactions with Associates are eliminated to the extent of the Group's interest in the entity.

### Foreign currency

#### (i) On consolidation

The assets and liabilities of foreign operations are translated into sterling at exchange rates ruling at the date of the Consolidated Statement of Financial Position (closing rate). The revenues, expenses and cash flows of foreign operations are translated into sterling at average rates of exchange ruling during the year. Where the Notes to the Group Consolidated Financial Statements include tables reconciling movements between opening and closing balances, opening and closing assets and liabilities are translated at closing rates and revenue, expenses and all other movements are translated at average rates, with the exchange differences arising being disclosed separately.

Exchange differences arising from the translation of the assets and liabilities of foreign operations are taken to a separate translation reserve within equity. They are recycled and recognised in the Consolidated Income Statement upon disposal of the operation. Any differences that have arisen before 1st January 2004, the date of transition to IFRS, are not presented as a separate component of equity.

#### (ii) Foreign currency transactions

Transactions in foreign currencies are translated to the respective currencies of the Group entities at the foreign exchange rate at the date of the transaction. Monetary assets and liabilities at the date of the Statement of Financial Position denominated in a currency other than the functional currency of the entity are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the Consolidated 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 at foreign exchange rates ruling at the dates fair value was determined.

### Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a highly probable forecasted transaction, the effective part of any gain or loss on the derivative financial instrument is recognised in other comprehensive income and presented in the cash flow hedges reserve. The associated gain or loss is removed from equity and recognised in the Consolidated Income Statement in the period in which the transaction to which it relates occurs.

### Net investment hedge accounting

The Group uses foreign currency denominated borrowings as a hedge against translation exposure on the Group's net investment in overseas companies. Where the hedge is fully effective at hedging, the variability in the net assets of such companies caused by changes in exchange rates and the changes in value of the borrowings are recognised in the Consolidated Statement of Comprehensive Income and accumulated in the net investment hedge reserve. The ineffective part of any changes in value caused by changes in exchange rates is recognised in the Consolidated Income Statement.

### Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at the fair value of consideration received, less directly attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are measured at amortised cost with any difference between cost and redemption value being recognised in the Consolidated Income Statement over the period of the borrowings on an effective interest basis.

### Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective interest basis. The effective interest method is a method of calculating the amortised cost of the financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

The Group has not participated in any supplier financing arrangements during the current or prior year.

## 1 Accounting policies continued

### Property, plant and equipment

Items of property, plant and equipment are stated at cost or deemed cost, less accumulated depreciation. Depreciation is charged to the Consolidated Income Statement on a straight-line basis at rates which write down the value of assets to their residual values over their estimated useful lives. Land is not depreciated.

The annual principal rates are as follows:

| | |
|---|---|
| Freehold buildings | 1.5–4.0% |
| Leasehold buildings | Over life of lease |
| Plant and machinery | 6.66–10% |
| Office furniture and fittings | 10% |
| Office equipment | 12.5–33.3% |
| Motor vehicles | 20% |
| Tooling and patterns | 10% |

The depreciation rates are reassessed annually.

### Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method of accounting. Identified assets acquired and liabilities assumed are measured at their respective acquisition date fair values. The excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired is recorded as goodwill. Acquisition-related costs are expensed as incurred. The operating results of the acquired business are reflected in the Group's Consolidated Financial Statements after the date of acquisition.

The cost of the acquisition is measured as the cash paid and also includes the fair value of any asset or liability resulting from a contingent consideration arrangement at the acquisition date.

### Intangible assets

#### (i) Goodwill

Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired. Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment (see Note 14 for more detail). Annual impairment tests are performed on goodwill by comparing the carrying value with the recoverable amount, being the higher of the fair value less cost to sell and value in use, discounted at an appropriate discount rate, of future cash flows in respect of goodwill for the relevant cash-generating unit.

#### (ii) Research and development

Expenditure on R&D is charged to the Consolidated Income Statement in the period in which it is incurred except when development expenditure is capitalised where the development costs meet certain distinct criteria for capitalisation. These criteria include demonstration of the technical feasibility, intent of completing a new intangible asset that is separable, the ability to measure reliably the expenditure attributable to the intangible asset during its development phase and that the asset will generate probable future economic benefits. The expenditure capitalised includes staff costs and related expenses. Capitalised development expenditure is stated at cost less accumulated amortisation (see below) and any impairment losses.

#### (iii) Other intangible assets

Intangible assets other than goodwill that are acquired by the Group are stated at cost less accumulated amortisation (see below) and any impairment losses.

Where computer software is cloud based and the Group does not have control of the software, the configuration and customisation costs are expensed over either:

- The period the services are received, where costs are distinct from the underlying software
- The period of the SaaS arrangement, where costs are not distinct from the underlying software

# Notes to the Consolidated Financial Statements continued

## 1 Accounting policies continued

### Intangible assets continued

### (iv) Amortisation

Amortisation is charged to the Consolidated Income Statement on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date they are available for use. The annual principal amortisation rates are as follows:

| | |
|---|---|
| Capitalised development costs | 20% |
| ERP systems and software | 12–33% |
| Brand names and trademarks | 5–33% |
| Manufacturing designs and core technology | 6–50% |
| Non-compete undertakings and other | 20–100% |
| Customer relationships | 6–33% |

### Inventories

Inventories are measured at the lower of cost and net realisable value. Inventory cost is calculated on both first in, first out and weighted average methodologies depending on which is deemed most appropriate. The cost of inventories includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

### Trade receivables and other receivables

Trade receivables are carried at original invoice amount (which is considered a reasonable proxy for fair value) and are subsequently held at amortised cost less a loss allowance. Other receivables are initially measured at fair value. The loss allowance of trade receivables is based on lifetime expected credit losses. Lifetime expected credit losses are calculated by assessing historic credit loss experience, adjusted for factors specific to the receivable and operating company. The movement in the provision is recognised in the Consolidated Income Statement.

### Trade and other payables

Trade and other payables are recognised at fair value and subsequently held at amortised cost.

### Provisions and contingent liabilities

A provision is recognised in the Consolidated Statement of Financial Position when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources, which can be reliably measured, will be required to settle the obligation. If the obligation is expected to be settled within 12 months of the reporting date, the provision is included within current liabilities and if expected to be settled after 12 months, it is included in non-current liabilities.

In respect of product warranties, a provision is recognised when the underlying products or services are sold. Obligations arising from restructuring plans are recognised when detailed formal plans have been established and there is a valid expectation that such a plan will be carried out. Provisions are recognised at an amount equal to the best estimate of the expenditure required to settle the Group's liability. If the likelihood of having to settle the obligation is less than probable but more than remote, or the amount of the obligation cannot be measured reliably, then a contingent liability is disclosed.

### Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less, and are held at amortised cost. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows.

### Going concern

The Group's principal objective when managing liquidity is to safeguard the ability to continue as a going concern for at least 12 months from the date of signing the 2023 Annual Report. The Group retains sufficient resources to remain in compliance with all the required terms and conditions within its borrowing facilities with material headroom and no material uncertainties have been identified. The Group continues to conduct ongoing risk assessments on its business operations and liquidity. Consideration has also been given to reverse stress tests, which seek to identify factors that might cause the Group to require additional liquidity and form a view as to the probability of these occurring.

The Group's financial position remains robust, with the next maturity of our committed debt facilities being $150 million of Bank Term loan which matures in October 2025 and which are accounted for within the cash flow forecast model. The Group's debt facilities contain a leverage covenant of up to 3.5x. Certain debt facilities also contain an interest cover covenant of a minimum of 3.0x. The Group regularly monitors its financial position to ensure that it remains within the terms of these debt covenants. At 31st December 2023 leverage (net debt excluding lease liabilities divided by adjusted earnings before interest, tax, depreciation and amortisation) was 1.7x (2022: 1.7x), Interest cover (adjusted earnings before interest, tax, depreciation and amortisation divided by net bank interest) was 10x (2022: 58x).

# 1 Accounting policies continued

## Going concern continued

Reverse 'stress testing' was also performed to assess the level of business under performance would be required for a breach of the financial covenants to occur, the results of which evidenced that no reasonably possible change in future forecast cash flows would cause a breach of these covenants. In addition, the reverse stress test cash flow modelling does not take into account any mitigating actions which the Group would implement in the event of a severe and extended revenue and profitability decline. Such actions would serve to further increase covenant headroom.

Having assessed the relevant business risks as discussed in our principal risks on pages 101-105 and having considered the potential impact of any climate change related risks as outlined within the Task Force on Climate-related Financial Disclosures section on pages 84-91, and in the context of the liquidity and covenant headroom available under several alternative scenarios as set out in the viability assessment on pages 42-43, the Directors consider it appropriate to continue to adopt the going concern basis in preparing the financial statements.

## Alternative performance measures

The Group reports under International Financial Reporting Standards (IFRS) and also uses alternative performance measures where the Board believes that they help to effectively monitor the performance of the Group and users of the Financial Statements might find them informative. Certain alternative performance measures also form a meaningful element of Executive Directors' variable remuneration. A definition of the alternative performance measures included in the Annual Report and a reconciliation to the closest IFRS equivalent are disclosed in the Appendix. Adjusted performance measures are not considered to be a substitute for, or superior to, IFRS measures.

## Employee benefits

### (i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in the Consolidated Income Statement as incurred.

### (ii) Defined benefit plans

The costs of providing pensions under defined benefit schemes are calculated in accordance with the advice of qualified actuaries and spread over the period during which benefit is expected to be derived from the employees' services. The Group's net obligation or surplus in respect of defined benefit pensions is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. Past service costs are recognised straight away.

That benefit is discounted at rates reflecting the yields on AA credit rated corporate bonds that have maturity dates approximating the terms of the Group's obligations to determine its present value. Pension scheme assets are measured at fair value at the Statement of Financial Position date. Actuarial gains and losses, differences between the expected and actual returns, and the effect of changes in actuarial assumptions are recognised in the Statement of Comprehensive Income in the year they arise. Any scheme surplus (to the extent it is considered recoverable under the provisions of IFRIC 14) or deficit is recognised in full in the Statement of Financial Position.

The costs of other post-employment liabilities are calculated in a similar way to defined benefit pension schemes and are spread over the relevant period, in accordance with the advice of qualified actuaries.

### (iii) Employee share plans

Incentives in the form of shares are provided to employees under share award schemes. The fair value of these awards at their date of grant is charged to the Consolidated Income Statement over the relevant vesting periods with a corresponding increase in equity. The value of the charge is adjusted to reflect share awards vesting.

### (iv) Long-term share incentive plans

The fair value of awards is measured at the date of grant and the cost spread over the vesting period. The amount recognised as an expense is not adjusted to reflect market-based performance conditions, but is adjusted for non-market-based performance conditions. Awards can vest in the form of shares, a nil-cost option or, exceptionally, cash.

## Revenue

The Group applies the following five-step framework when recognising revenue:

Step 1: Identify the contracts with customers.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the performance obligations in the contract.

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

The criteria the Group uses to identify the performance obligations within a contract are:

- The customer must be able to benefit from the goods or services either on its own or in combination with other resources available to the customer and
- The entity's promise to transfer the good or service to the customer is separable from other promises in the contract

# Notes to the Consolidated Financial Statements continued

## 1 Accounting policies continued

### Revenue continued

The transaction price is the value that the Group expects to be entitled to from the customer and includes discounts, rebates, credits, price concessions, incentives, performance bonuses, penalties and liquidated damages, but is not reduced for bad debts. It is net of any value-added tax (VAT) and other sales-related taxes. Variable consideration that is dependent on certain events is estimated, and then constrained to the extent that it is highly probable.

Revenue is recognised over time as the product is being manufactured or a service is being provided if any of the following criteria are met:

- The Group is creating a bespoke item which does not have an alternative use to the Group (i.e. we would incur a significant loss to rework and/or sell to another customer) and the entity has a right to payment for work completed to date including a reasonable profit
- The customer controls the asset that is being created or enhanced during the manufacturing process, i.e. the customer has the right to significantly modify and dictate how the product is built during construction
- As customers receive services provided by the Group, they simultaneously consume the benefit of such services

Judgement is made when determining if a product is bespoke and the value of revenue to recognise over time as products are being manufactured. However, due to the low value of orders for bespoke items in progress at the 31st December 2023 where we have a right to payment of costs plus a reasonable profit, this is not considered a critical judgement.

The value of revenue to be recognised over time for goods being manufactured is calculated using a cost-based input approach. This is considered a faithful depiction of the transfer of the goods as the costs incurred, total costs expected to be incurred and order value are known. Each month progress on manufacturing contracts is reviewed and a contract asset or liability recognised for any work performed to date. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. If an interim payment exceeds the revenue recognised to date under the cost-based input method then the Group recognises a contract liability for the difference.

The value of revenue to be recognised over time for services being provided is calculated based on the stage of completion. This is assessed by reference to the contractual performance obligations with each separate customer and the costs incurred on the contract to date in comparison to the total forecast costs of the contract. Payment for such services is not due from the customer until they are complete and therefore a contract asset is recognised over the period in which the services are performed representing the entity's right to consideration for the services performed to date.

If the criteria to recognise revenue over time are not met then revenue is recognised at a point in time when the customer obtains control of the asset and the performance obligation is satisfied. The customer obtains control of the asset when the customer can direct the use of the asset and obtain the benefits from the asset.

Factors the Group considers when determining the point in time when control of the asset has passed to the customer and revenue recognised include:

- The Group has a right to payment
- Legal title is transferred to the customer
- Physical possession of the asset has been transferred to the customer
- The customer has the significant risks and rewards of ownership
- The customer has accepted the asset

Control normally passes and revenue is recognised when the goods are either dispatched or delivered to the customer (in accordance with the terms and conditions of the sale) or the installation and testing are completed. Until this point, no revenue is recognised on point in time sales. Due to this, a contract liability may be recognised at the time of the initial sales transaction if a payment in advance, or deposit is received.

A large proportion of the Group's revenue qualifies for recognition on dispatch or delivery of the goods to the customer as this is when the performance obligation is satisfied. This is normally the trigger point for raising an invoice per the terms and conditions of the order. Therefore invoicing for a large proportion of the Group's revenue occurs at the same time as when the performance obligation is satisfied. Contract assets at 31st December 2023 were £17.0m (1.0% of total revenue) (2022: £11.7m (0.7% of total revenue)).

All revenue recognised by the Group is generated through contracts with customers.

When the unavoidable costs of fulfilling the contract exceed the revenue to be recognised the contract is loss making and the expected loss is recognised in the Consolidated Consolidated Income Statement immediately.

Warranties that give assurance that a product meets agreed-upon specifications are accounted for as a cost provision and do not impact the timing and value of revenue. The Group does not have any material warranties that promise more than just providing assurance that a product meets agreed-upon specifications.

Costs of obtaining a contract, which are only incurred because the contract was obtained, are capitalised and expensed at a later date. At 31st December 2023 no costs of obtaining a contract were capitalised. All other assets recognised to fulfil a contract are within the scope of other accounting standards and policies.

## 1 Accounting policies continued

### Leases

The Group assesses whether a contract is or contains a lease at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (assets with a value of less than £5,000). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

For new leases entered into, the lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the incremental borrowing rate for the related geographical location unless the rate implicit in the lease is readily determinable. The incremental borrowing rate is calculated at the rate of interest at which the company would have been able to borrow for a similar term and with a similar security the funds necessary to obtain a similar asset in a similar market.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in substance fixed payments), less any lease incentives receivable
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date
- The amount expected to be payable by the Company under residual value guarantees
- The exercise price of purchase options, if the Company is reasonably certain to exercise the options
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option
- The lease payments change due to changes in an index or rate or a change in expected payment under a residual guarantee value

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset.

Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs.

Judgement is required when determining whether to include or exclude optional extension periods within the lease term, and estimation is required when calculating the incremental borrowing rate used to discount the future lease cash flows. These are not considered critical judgements or a key source of estimation uncertainty.

### Taxation

The tax charge comprises current and deferred tax. Income tax expense is recognised in the Consolidated Income Statement unless it relates to items recognised directly in equity or in other comprehensive income, when it is also recognised in equity or other comprehensive income respectively. Current tax is the expected tax payable on the profit for the year and any adjustments in respect of previous years using tax rates enacted or substantively enacted at the reporting date. Tax positions are reviewed to assess whether a provision should be made on prevailing circumstances. Tax provisions are included within current taxation payable. Deferred tax is provided on temporary differences arising between the tax base of assets and liabilities, and their carrying amounts in the Financial Statements. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax is provided using rates of tax that have been enacted or substantively enacted at the date of the Statement of Financial Position or the date that the temporary differences are expected to reverse. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

### Share capital and repurchased shares

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares or placed in an Employee Benefit Trust and are presented as a deduction from total equity.

# Notes to the Consolidated Financial Statements continued

## 2 Segmental reporting

As required by IFRS 8 Operating Segments, the segmental structure reflects the current internal reporting provided to the Chief Operating Decision Maker (considered to be the Board) on a regular basis to assist in making decisions on resource allocation to each segment and to assess performance.

The Group is organised into 3 segments with the following core product expertise:

- Steam Thermal Solutions - Industrial and commercial steam systems
- Electric Thermal Solutions - Electrical process heating and temperature management solutions
- Watson-Marlow - Peristaltic and niche pumps and associated fluid path technologies

No changes to the structure of operating segments have been made during the current period.

### Analysis by operating segment

### 2023

| | **Revenue £m** | **Total operating profit £m** | **Operating margin %** |
|---|---|---|---|
| Steam Thermal Solutions | **910.1** | **205.2** | **22.5%** |
| Electric Thermal Solutions | **378.5** | **25.8** | **6.8%** |
| Watson-Marlow | **394.0** | **81.2** | **20.6%** |
| Corporate | **—** | **(27.8)** | |
| **Total** | **1,682.6** | **284.4** | **16.9%** |
| | | | |
| Net financing expense | | **(39.9)** | |
| Share of (loss)/profit of Associate | | **—** | |
| **Profit before tax** | | **244.5** | |

### 2022

| | Revenue £m | Total operating profit £m | Operating margin % |
|---|---|---|---|
| Steam Thermal Solutions | 866.0 | 196.2 | 22.7% |
| Electric Thermal Solutions | 256.1 | 7.3 | 2.9% |
| Watson-Marlow | 488.5 | 154.4 | 31.6% |
| Corporate | — | (39.1) | |
| **Total** | 1,610.6 | 318.8 | 19.8% |
| | | | |
| Net financing expense | | (10.7) | |
| Share of (loss)/profit of Associate | | — | |
| **Profit before tax** | | 308.1 | |

The following table details the split of revenue by geography for the combined Group:

| | **2023 £m** | 2022 £m |
|---|---|---|
| Europe, Middle East and Africa | **718.7** | 649.6 |
| Asia Pacific | **357.4** | 384.3 |
| Americas | **606.5** | 576.7 |
| **Total revenue** | **1,682.6** | 1,610.6 |

Revenue generated by Group companies based in the USA is £454.2m (2022: £433.0m), in China is £177.8m (2022: £213.2m), in Germany is £153.2m (2022: £134.3m), in the UK is £110.0m (2022: £115.7m) and in the rest of the world is £787.4m (2022: £714.4m).

## 2 Segmental reporting continued

### Net financing income and expense

| | 2023 Income £m | 2023 Expense £m | 2023 Net £m | 2022 Income £m | 2022 Expense £m | 2022 Net £m |
|---|---|---|---|---|---|---|
| Steam Thermal Solutions | 4.1 | (3.3) | 0.8 | 3.6 | (1.8) | 1.8 |
| Electric Thermal Solutions | 0.8 | (1.6) | (0.8) | 0.3 | (0.5) | (0.2) |
| Watson-Marlow | 0.9 | (1.2) | (0.3) | 0.3 | (0.6) | (0.3) |
| Corporate | 5.5 | (45.1) | (39.6) | 1.4 | (13.4) | (12.0) |
| **Total net financing expense** | 11.3 | (51.2) | (39.9) | 5.6 | (16.3) | (10.7) |

### Net assets

| | 2023 Assets £m | 2023 Liabilities £m | 2022 Assets £m | 2022 Liabilities £m |
|---|---|---|---|---|
| Steam Thermal Solutions | 714.1 | (203.7) | 756.8 | (219.2) |
| Electric Thermal Solutions | 1,128.8 | (82.7) | 1,171.9 | (80.2) |
| Watson-Marlow | 429.3 | (43.6) | 423.8 | (55.3) |
| Corporate* | 31.9 | (1.1) | 15.5 | (7.4) |
| | 2,304.1 | (331.1) | 2,368.0 | (362.1) |
| Liabilities | (331.1) | | (362.1) | |
| Net deferred tax | (37.2) | | (59.1) | |
| Net tax payable | (14.7) | | (21.4) | |
| Net debt including lease liabilities | (763.4) | | (755.6) | |
| **Net assets** | 1,157.7 | | 1,169.8 | |

* In order to align with how we manage net assets across the Group, we have reallocated specific assets and liabilities to the corporate operating segment in both the current period and the comparative periods. In the prior year, for assets, £9.6m has been allocated out of Steam Thermal Solutions with the remaining balance split between Electric Thermal Solutions and Watson-Marlow. For liabilities, £7.6m has been allocated out of Steam Thermal Solutions with the remaining adjustment split between Electric Thermal Solutions and Watson-Marlow.

Non-current assets in the USA were £689.1m (2022: £686.8m), in France were £388.7m (2022: £403.1m), in the UK were £251.1m (2022: £284.1m), in Germany were £161.0m (2022: £165.6m) and in the rest of the world were £193.7m (2022: £191.8m).

### Capital additions, depreciation, amortisation and impairment

| | 2023 Capital additions £m | 2023 Depreciation, amortisation and impairment £m | 2022 Capital additions £m | 2022 Depreciation, amortisation and impairment £m |
|---|---|---|---|---|
| Steam Thermal Solutions | 48.2 | 47.9 | 43.8 | 32.9 |
| Electric Thermal Solutions | 32.2 | 40.3 | 285.4 | 24.7 |
| Watson-Marlow | 66.6 | 24.5 | 76.4 | 19.0 |
| Corporate* | 14.1 | — | 3.3 | 4.4 |
| **Group total** | 161.1 | 112.7 | 408.9 | 81.0 |

* In order to align with how we manage net assets across the Group, we have reallocated specific capital additions, depreciation, amortisation and impairment to the corporate operating segment in both the current period and the comparative periods. In the prior year, both capital additions and depreciation, amortisation and impairment have been allocated out of Steam Thermal Solutions.

Capital additions include property, plant and equipment of £84.0m (2022: £135.0m) and intangible assets of £25.0m (2022: £258.3m). Right-of-use asset additions of £52.1m (2022: £15.6m) occurred during the 12-month period to 31st December 2023. Capital additions split between the USA, UK and rest of the world are USA £68.7m (2022: £186.4m), UK £43.6m (2022: £51.8m) and rest of the world £48.8m (2022: £170.7m).

# Notes to the Consolidated Financial Statements continued

## 3 Operating costs

| | 2023<br>£m | 2022<br>£m |
|---|---|---|
| Cost of inventories recognised as an expense | **402.5** | 385.1 |
| Staff costs (Note 4) | **630.4** | 570.3 |
| Depreciation, amortisation and impairment | **112.7** | 81.0 |
| Other operating charges | **252.6** | 255.4 |
| **Total operating costs** | **1,398.2** | 1,291.8 |

Total staff costs includes a credit of £3.8m (2022: £2.0m) relating to amounts capitalised during the year. Excluding this credit, total staff costs were £634.2m (2022: £572.3m).

## 4 Staff costs and numbers

The aggregate payroll costs of persons employed by the Group were as follows:

| | 2023<br>£m | 2022<br>£m |
|---|---|---|
| Wages and salaries | **523.1** | 463.2 |
| Social security costs | **82.0** | 79.9 |
| Pension costs | **29.1** | 29.2 |
| **Total payroll costs** | **634.2** | 572.3 |

The average number of persons employed by the Group (including Directors) during the year was as follows:

| | 2023 | 2022 |
|---|---|---|
| United Kingdom | **2,608** | 2,699 |
| Rest of the world | **7,514** | 6,670 |
| **Group average** | **10,122** | 9,369 |

## 5 Net financing income and expense

| | 2023<br>£m | 2022<br>£m |
|---|---|---|
| **Financial expenses** | | |
| Bank and other borrowing interest payable | **(46.9)** | (14.0) |
| Interest expense on lease liabilities | **(2.2)** | (1.5) |
| Net interest on pension scheme liabilities | **(2.1)** | (0.8) |
| | **(51.2)** | (16.3) |
| **Financial income** | | |
| Bank interest receivable | **11.3** | 5.6 |
| **Net financing expense** | **(39.9)** | (10.7) |
| | | |
| Net bank interest | **(35.6)** | (8.4) |
| Interest expense on lease liabilities | **(2.2)** | (1.5) |
| Net interest on pension scheme liabilities | **(2.1)** | (0.8) |
| **Net financing expense** | **(39.9)** | (10.7) |

## 6 Profit before taxation

Profit before taxation is shown after charging:

| | **2023**<br>**£m** | 2022<br>£m |
|---|---|---|
| Depreciation of property, plant and equipment | **(35.5)** | (33.2) |
| Depreciation of right-of-use assets | **(16.2)** | (13.5) |
| Amortisation of acquired intangibles | **(37.2)** | (23.7) |
| Amortisation of other intangibles | **(8.1)** | (8.1) |
| Non-current asset impairment | **(15.7)** | (2.5) |
| Leases exempt from IFRS 16 (short-term, low value or variable lease payments) | **(3.1)** | (2.5) |
| Exchange difference gains | **1.8** | 5.1 |
| (Loss)/profit on disposal of non-current assets | **(0.1)** | 1.4 |
| Research and development | **(16.8)** | (15.8) |

| **Auditor's remuneration** | **2023**<br>**£m** | 2022<br>£m |
|---|---|---|
| Audit of these Financial Statements | **0.7** | 0.4 |
| Amounts receivable by the Company's Auditor and its Associates in respect of: | | |
| Audit of Financial Statements of subsidiaries of the Company | **1.9** | 1.9 |
| **Total audit fees** | **2.6** | 2.3 |
| Audit-related assurance services | **0.2** | 0.1 |
| **Total non-audit fees** | **0.2** | 0.1 |
| **Total Auditor's remuneration** | **2.8** | 2.4 |

## 7 Directors' emoluments

Directors represent the key management personnel of the Group under the terms of IAS 24 Related Party Disclosures. Total remuneration is shown below.

Further details of salaries and short-term benefits, post-retirement benefits, share plans and long-term share incentive plans are shown in the Annual Report on Remuneration 2023 on pages 162 to 174. The share-based payments charge comprises a charge in relation to the Performance Share Plan and the Employee Share Ownership Plan (as described in Note 22).

| | **2023**<br>**£m** | 2022<br>£m |
|---|---|---|
| Salaries and short-term benefits | **2.4** | 2.9 |
| Post-retirement benefits | **0.1** | 0.2 |
| Share-based payments | **0.3** | 2.0 |
| **Total Directors' remuneration** | **2.8** | 5.1 |

# Notes to the Consolidated Financial Statements continued

## 8 Taxation

| | 2023<br>£m | 2022<br>£m |
|---|---|---|
| **Analysis of charge in the year** | | |
| UK corporation tax: | | |
| Current tax on income for the year | **9.4** | 7.1 |
| Adjustments in respect of prior years | **(0.1)** | (0.7) |
| | **9.3** | 6.4 |
| Foreign tax: | | |
| Current tax on income for the year | **75.3** | 88.6 |
| Adjustments in respect of prior years | **(0.7)** | (1.3) |
| | **74.6** | 87.3 |
| Total current tax charge/(credit) | **83.9** | 93.7 |
| UK deferred tax: | | |
| Origination and reversal of timing differences | **(11.4)** | (0.4) |
| Adjustment in respect of prior years | **0.7** | (0.7) |
| | **(10.7)** | (1.1) |
| Foreign deferred tax: | | |
| Origination and reversal of timing differences | **(8.6)** | (11.9) |
| Adjustment in respect of prior years | **(4.1)** | 2.4 |
| | **(12.7)** | (9.5) |
| Total deferred tax (credit)/charge | **(23.4)** | (10.6) |
| **Tax on profit on ordinary activities** | **60.5** | 83.1 |

### Reconciliation of effective tax rate

| | 2023<br>£m | 2022<br>£m |
|---|---|---|
| **Profit before tax and share of profit/(loss) of Associate** | **244.5** | 308.1 |
| Expected tax at blended rate of 26.6% (2022 : 25.5%) | **65.0** | 78.7 |
| Increased withholding tax on overseas dividends | **7.6** | 6.2 |
| Non-deductible expenditure | **0.8** | 3.6 |
| Overprovided in prior years | **(4.2)** | (0.3) |
| Other reconciling items | **(8.7)** | (5.1) |
| **Total tax in Consolidated Income Statement** | **60.5** | 83.1 |
| **Effective tax rate** | **24.7%** | 27.0% |

The Group's tax charge in future years will be affected by the proportion of profits arising and the effective tax rates in the various countries in which the Group operates. The rate may also be affected by the impact of any acquisitions.

The Group is subject to a tax adjustment in Argentina that seeks to offset the impact of inflation upon taxable profits. Given the current high levels of inflation in Argentina, this has a meaningful impact on the group's tax charge. The adjustment gave a reduction in the Group's effective tax rate in the year of 260 bps being £6.4m on a statutory basis (2022 : 180 bps being £5.5m), included within 'Other reconciling items' in the reconciliation above. Whilst we include the expected impact of this adjustment in our guidance for the effective tax rate, this is difficult to accurately forecast given the current volatility of Argentinian inflation.

The Group monitors income tax developments in the territories in which it operates.

On 14th July 2023, the government of the United Kingdom, where the parent company is incorporated, enacted the Pillar Two income taxes legislation effective from 1st January 2024. Under the legislation, the parent company will be required to pay top-up tax on profits of its subsidiaries that are taxed at an effective tax rate of less than 15 per cent. The main jurisdiction where this initiative may impact is Argentina. As noted above, given the volatility of Argentinian inflation it is difficult to accurately forecast the impact that this Base Erosion and Profit Shifting (BEPS) initiative will have on the Group's tax charge. The Group is continuing to assess the impact of the Pillar Two income taxes legislation on its future financial performance.

## 8 Taxation continued

The Group has applied the temporary exception issued by the IASB in May 2023 from the accounting requirements for deferred taxes in IAS 12. Accordingly, the Group neither recognises nor discloses information about deferred tax assets and liabilities related to Pillar Two income taxes.

In October 2017, the European Commission (EC) opened a State Aid investigation into the UK's Controlled Foreign Company (CFC) regime. In April 2019, the EC published its final decision that the UK CFC Finance Company Exemption (FCE) constituted State Aid in certain circumstances, following which the UK Government appealed the decision to the EU General Court. In June 2022, the EU General Court dismissed the UK Government's appeal following which the UK Government lodged a further appeal to the European Court of Justice. The UK Government's appeal has been heard but no decision has been released. Like other UK Groups, the Group submitted its own appeal against the EC's decision.

The Group's benefit from the FCE in the period from 1st January 2013 to 31st December 2023 is approximately £8.9m, including compound interest. To date, the Group has received, paid, and appealed Charging Notices totalling £4.9m, assessed for the period from 1st January 2017 to 31st December 2018. The Group expects to recover this in the event of a successful appeal and has recognised a receivable for the full amount at the year end balance sheet date as a non-current asset. The Group has not recognised a receivable for any repayment interest, estimated at £0.2m, on the amount of £4.9m. The Group has not received a Charging Notice for the period prior to 1st January 2017, the benefit for this period being £2.9m. HMRC has enquired into the benefit received during 2019, which the Group estimates to be £1.1m. No provisions have been recognised at the year end balance sheet date for either the Charging Notice amounts or for the estimates for the other periods.

No tax (after double tax relief for underlying tax) is expected to be payable on the future remittance of retained earnings of overseas subsidiaries.

The expected tax at blended rate is the product of accounting profit arising in each country multiplied by the statutory tax rates in each country.

The effective tax rate is calculated as a percentage of profit before tax and share of profit/(loss) of Associates.

## 9 Earnings per share

| | **2023** | 2022 |
|---|---|---|
| Profit attributable to equity shareholders (£m) | **183.6** | 224.7 |
| Weighted average shares (million) | **73.6** | 73.6 |
| Dilution (million) | **0.2** | 0.2 |
| Diluted weighted average shares (million) | **73.8** | 73.8 |
| **Basic earnings per share** | **249.5p** | 305.1p |
| **Diluted earnings per share** | **248.9p** | 304.4p |

Basic and diluted earnings per share calculated on an adjusted profit basis are included in the Appendix.

The dilution is in respect of the Performance Share Plan.

## 10 Dividends

| | **2023 £m** | 2022 £m |
|---|---|---|
| Amounts paid in the year: | | |
| Final dividend for the year ended 31st December 2022 of 109.5p (2021: 97.5p) per share | **80.7** | 71.9 |
| Interim dividend for the year ended 31st December 2023 of 46.0p (2022: 42.5p) per share | **33.8** | 31.2 |
| **Total dividends paid** | **114.5** | 103.1 |
| Amounts arising in respect of the year: | | |
| Interim dividend for the year ended 31st December 2023 of 46.0p (2022: 42.5p) per share | **33.8** | 31.2 |
| Proposed final dividend for the year ended 31st December 2023 of 114.0p (2022: 109.5p) per share | **84.0** | 80.8 |
| **Total dividends arising** | **117.8** | 112.0 |

The proposed dividend is subject to approval in 2024. It is therefore not included as a liability in these Financial Statements. No scrip alternative to the cash dividend is being offered in respect of the proposed final dividend for the year ended 31st December 2023.

# Notes to the Consolidated Financial Statements continued

## 11 Investment in Associate

On 4th July, the Group invested in Kyoto Group AS (Kyoto) for total consideration of 41.1m NOK (£3.0m). Kyoto has specialised skills within thermal energy storage solutions and provides a thermal energy storage solution named the Kyoto **Heatcube**, which enables storage of heat from different power and heat sources for later use and thereby contributing to low cost and low $CO_2$ emissions. As a result of the rights and powers attached to the Group's shareholding, the Group has concluded that it has significant influence and, as a result, will equity account for its share of Kyoto's results, as an investment in Associate. This investment in Associate is not considered individually material to the Group. As Kyoto is listed on the Oslo Stock Exchange, the Group will report the share of profit/(loss) for the year on a 6 month time lag, this does not have a material impact on the Group's results.

Summarised financial information in respect of the Group's individually immaterial Associate is set out below.

| | **Associate 2023 £m** | Associate 2022 £m |
|---|---|---|
| Cost of investment | **3.0** | 1.4 |
| Share of equity | **—** | (1.4) |
| **Total investment in Associate** | **3.0** | — |
| Profit for the year | **—** | 0.1 |

Details of the Group's Associate at 31st December 2023 are as follows:

| **Name of Associate** | **Country of incorporation and operation** | **Proportion of ownership interest and voting power held** | **Principal activity** |
|---|---|---|---|
| Kyoto Group AS | Norway | 15.0% | Manufacturing and selling |

Details of the Group's Associate at 31st December 2022 are as follows:

| Name of Associate | Country of incorporation and operation | Proportion of ownership interest and voting power held | Principal activity |
|---|---|---|---|
| Econotherm (UK) Ltd | UK | 14.7% | Manufacturing and selling |

On 4th July, the Group disposed of our investments in Econotherm (UK) Ltd (Econotherm) for £0.4m. At the date of the sale, the investment value of Econotherm was £nil with cumulative unrecognised losses of £0.3m. As such, a profit on disposal of £0.4m is recognised within Group operating profit.

## 12 Property, plant and equipment

### 2023

| | Freehold land and buildings £m | Leasehold land and buildings £m | Plant and machinery £m | Fixtures, fittings, tools and equipment £m | Assets under construction £m | Total £m |
|---|---|---|---|---|---|---|
| Cost: | | | | | | |
| At 1st January 2023 | **165.1** | **53.6** | **244.4** | **121.5** | **58.2** | **642.8** |
| Exchange adjustments | **(4.4)** | **(3.3)** | **(6.6)** | **(4.5)** | **(2.0)** | **(20.8)** |
| | **160.7** | **50.3** | **237.8** | **117.0** | **56.2** | **622.0** |
| Additions | **3.4** | **1.3** | **27.9** | **10.6** | **40.8** | **84.0** |
| Transfers | **35.9** | **—** | **3.1** | **5.5** | **(45.8)** | **(1.3)** |
| Disposals | **(2.4)** | **(1.4)** | **(14.9)** | **(7.8)** | **(0.4)** | **(26.9)** |
| **At 31st December 2023** | **197.6** | **50.2** | **253.9** | **125.3** | **50.8** | **677.8** |
| Depreciation: | | | | | | |
| At 1st January 2023 | **38.5** | **12.9** | **139.2** | **67.7** | **—** | **258.3** |
| Exchange adjustments | **(1.1)** | **(0.8)** | **(3.7)** | **(2.2)** | **—** | **(7.8)** |
| | **37.4** | **12.1** | **135.5** | **65.5** | **—** | **250.5** |
| Charged in year | **4.8** | **2.1** | **17.2** | **11.4** | **—** | **35.5** |
| Impairment | **—** | **—** | **1.8** | **—** | **—** | **1.8** |
| Transfers | **—** | **—** | **(0.2)** | **0.3** | **—** | **0.1** |
| Disposals | **(2.4)** | **(1.4)** | **(13.6)** | **(7.8)** | **—** | **(25.2)** |
| **At 31st December 2023** | **39.8** | **12.8** | **140.7** | **69.4** | **—** | **262.7** |
| Net book value: | | | | | | |
| **At 31st December 2023** | **157.8** | **37.4** | **113.2** | **55.9** | **50.8** | **415.1** |

### 2022

| | Freehold land and buildings £m | Leasehold land and buildings £m | Plant and machinery £m | Fixtures, fittings, tools and equipment £m | Assets under construction £m | Total £m |
|---|---|---|---|---|---|---|
| Cost: | | | | | | |
| At 1st January 2022 | 157.7 | 40.8 | 204.2 | 89.4 | 22.3 | 514.4 |
| Exchange adjustments | 6.1 | 1.7 | 9.0 | 3.1 | 1.8 | 21.7 |
| | 163.8 | 42.5 | 213.2 | 92.5 | 24.1 | 536.1 |
| Acquisitions | 7.3 | 9.4 | 11.2 | 2.1 | 0.7 | 30.7 |
| Additions | 2.8 | 1.4 | 23.1 | 17.1 | 59.9 | 104.3 |
| Transfers | — | 0.7 | 7.9 | 17.5 | (26.4) | (0.3) |
| Disposal of subsidiaries | — | (0.3) | (0.6) | (0.3) | — | (1.2) |
| Disposals | (8.8) | (0.1) | (10.4) | (7.4) | (0.1) | (26.8) |
| **At 31st December 2022** | 165.1 | 53.6 | 244.4 | 121.5 | 58.2 | 642.8 |
| Depreciation: | | | | | | |
| At 1st January 2022 | 36.9 | 10.9 | 127.4 | 61.8 | — | 237.0 |
| Exchange adjustments | 1.8 | 0.5 | 5.9 | 2.7 | — | 10.9 |
| | 38.7 | 11.4 | 133.3 | 64.5 | — | 247.9 |
| Charged in year | 6.4 | 1.8 | 15.5 | 9.5 | — | 33.2 |
| Impairment | 2.1 | — | 0.4 | — | — | 2.5 |
| Transfers | — | — | — | — | — | — |
| Disposals of subsidiaries | — | (0.3) | (0.4) | (0.2) | — | (0.9) |
| Disposals | (8.7) | — | (9.6) | (6.1) | — | (24.4) |
| **At 31st December 2022** | 38.5 | 12.9 | 139.2 | 67.7 | — | 258.3 |
| Net book value: | | | | | | |
| **At 31st December 2022** | 126.6 | 40.7 | 105.2 | 53.8 | 58.2 | 384.5 |

# Notes to the Consolidated Financial Statements continued

## 12 Property, plant and equipment continued

All impaired assets have been impaired down to a recoverable amount of £nil. In 2023, the Group identified indicators of impairment as a result of the restructure of the Watson- Marlow Business. A total of £1.8m was recognised within Group operating profit. In the prior year, £2.5m was recognised in relation to the Chromalox manufacturing operations in Soissons (France).

The total amount of transfers relates to property, plant and equipment transferred to other intangible assets (see Note 14).

## 13 Leases

### Right-of-use assets
### 2023

| | Leased land and buildings £m | Leased plant and machinery £m | Leased fixtures, fittings, tools and equipment £m | Total right-of-use assets £m |
|---|---|---|---|---|
| Cost: | | | | |
| At 1st January 2023 | **86.2** | **21.6** | **3.1** | **110.9** |
| Exchange adjustments | **(3.1)** | **(0.6)** | **(0.2)** | **(3.9)** |
| | **83.1** | **21.0** | **2.9** | **107.0** |
| Additions | **44.4** | **7.4** | **0.3** | **52.1** |
| Disposals | **(7.4)** | **(4.0)** | **(0.6)** | **(12.0)** |
| **At 31st December 2023** | **120.1** | **24.4** | **2.6** | **147.1** |
| Depreciation: | | | | |
| At 1st January 2023 | **28.2** | **13.3** | **2.2** | **43.7** |
| Exchange adjustments | **(0.9)** | **(0.4)** | **(0.1)** | **(1.4)** |
| | **27.3** | **12.9** | **2.1** | **42.3** |
| Charged in the year | **11.5** | **4.5** | **0.2** | **16.2** |
| Disposals | **(5.9)** | **(3.3)** | **(0.6)** | **(9.8)** |
| **At 31st December 2023** | **32.9** | **14.1** | **1.7** | **48.7** |
| Net book value: | | | | |
| **At 31st December 2023** | **87.2** | **10.3** | **0.9** | **98.4** |

The vast majority of the right-of-use asset value relates to leased property where the Group leases a number of office and warehouse sites in a number of geographical locations. The remaining leases are largely made up of leased motor vehicles, where the Group makes use of leasing cars for sales and service engineers at a number of operating company locations. The average lease term is 4.3 years (2022: 4.4 years).

# 13 Leases continued

## **Right-of-use assets** continued

## 2022

| | Leased land and buildings £m | Leased plant and machinery £m | Leased fixtures, fittings, tools and equipment £m | Total right-of-use assets £m |
|---|---|---|---|---|
| Cost: | | | | |
| At 1st January 2022 | 73.9 | 17.2 | 2.4 | 93.5 |
| Exchange adjustments | 3.9 | 1.0 | 0.2 | 5.1 |
| | 77.8 | 18.2 | 2.6 | 98.6 |
| Acquisitions | 3.8 | 0.1 | 0.2 | 4.1 |
| Additions | 6.5 | 4.7 | 0.3 | 11.5 |
| Disposals | (1.9) | (1.4) | — | (3.3) |
| **At 31st December 2022** | 86.2 | 21.6 | 3.1 | 110.9 |
| Depreciation: | | | | |
| At 1st January 2022 | 19.0 | 9.8 | 1.8 | 30.6 |
| Exchange adjustments | 1.6 | 0.6 | 0.1 | 2.3 |
| | 20.6 | 10.4 | 1.9 | 32.9 |
| Charged in the year | 9.1 | 4.1 | 0.3 | 13.5 |
| Disposals | (1.5) | (1.2) | — | (2.7) |
| **At 31st December 2022** | 28.2 | 13.3 | 2.2 | 43.7 |
| Net book value: | | | | |
| **At 31st December 2022** | 58.0 | 8.3 | 0.9 | 67.2 |

The maturity analysis of lease liabilities is presented in Note 27.

## Amounts recognised in Consolidated Income Statement

| | **31st December 2023 £m** | 31st December 2022 £m |
|---|---|---|
| Depreciation expense on right-of-use assets | **16.2** | 13.5 |
| Interest expense on lease liabilities | **2.2** | 1.5 |
| Expense relating to short-term leases | **1.9** | 1.9 |
| Expense relating to leases of low value assets | **0.9** | 0.4 |
| Expense relating to variable lease payments not included in the measurement of the lease liability | **0.3** | 0.2 |
| Income from sublease right-of-use assets | **(0.1)** | (0.2) |
| **Total impact on profit before tax** | **21.4** | 17.3 |

The total cash outflow for leases during 2023 was £21.4m (2022: £16.9m).

The following cash outflows (undiscounted) are those that the Group is potentially exposed to in future periods but are currently not reflected in the measurement of lease liabilities:

- £0.1m relating to variable lease payments not based on an index or rate (2022: £0.1m)
- £10.6m relating to optional extension periods that are not reasonably certain to be exercised as at 31st December 2023 (2022: £1.1m)
- £3.0m relating to leases that the Group is committed to, but have not commenced as at 31st December 2023 (2022: £28.1m)

# Notes to the Consolidated Financial Statements continued

## 14 Goodwill and other intangible assets

### 2023

| | Acquired intangibles £m | Development costs £m | Computer software £m | Total other intangibles £m | Goodwill £m |
|---|---|---|---|---|---|
| Cost: | | | | | |
| At 1st January 2023 | **632.6** | **34.9** | **88.6** | **756.1** | **710.8** |
| Exchange and other adjustments | **(19.8)** | **(0.2)** | **(2.9)** | **(22.9)** | **(22.6)** |
| | **612.8** | **34.7** | **85.7** | **733.2** | **688.2** |
| Additions | **3.6** | **7.2** | **14.2** | **25.0** | **—** |
| Transfers from property, plant and equipment | **—** | **1.7** | **(0.4)** | **1.3** | **—** |
| Disposals | **—** | **(7.1)** | **(1.7)** | **(8.8)** | **—** |
| **At 31st December 2023** | **616.4** | **36.5** | **97.8** | **750.7** | **688.2** |
| Amortisation: | | | | | |
| At 1st January 2023 | **176.8** | **22.0** | **57.0** | **255.8** | **7.5** |
| Exchange adjustments | **(4.1)** | **(0.1)** | **(1.5)** | **(5.7)** | **0.2** |
| | **172.7** | **21.9** | **55.5** | **250.1** | **7.7** |
| Charged in the year | **37.2** | **3.0** | **5.1** | **45.3** | **—** |
| Impairment | **—** | **—** | **13.9** | **13.9** | **—** |
| Transfers from property, plant and equipment | **—** | **—** | **(0.1)** | **(0.1)** | **—** |
| Disposals | **—** | **(5.6)** | **(1.7)** | **(7.3)** | **—** |
| **At 31st December 2023** | **209.9** | **19.3** | **72.7** | **301.9** | **7.7** |
| Net book value: | | | | | |
| **At 31st December 2023** | **406.5** | **17.2** | **25.1** | **448.8** | **680.5** |

Since 2018, Steam Thermal Solutions has been engaged in a project to upgrade its ERP systems. Over time the scope of the project has expanded substantially to include a wider range of business applications and the external technology market has developed. Additionally, the Group has taken the decision to implement consistent ERP solutions across all three Businesses this has resulted in a £13.9m impairment recognised in computer software.

### 2022

| | Acquired intangibles £m | Development costs £m | Computer software £m | Total other intangibles £m | Goodwill £m |
|---|---|---|---|---|---|
| Cost: | | | | | |
| At 1st January 2022 | 359.2 | 30.2 | 78.0 | 467.4 | 418.4 |
| Exchange and other adjustments | 28.8 | 0.3 | 1.7 | 30.8 | 33.1 |
| | 388.0 | 30.5 | 79.7 | 498.2 | 451.5 |
| Acquisitions | 244.6 | 0.1 | 0.4 | 245.1 | 259.3 |
| Additions | — | 4.3 | 8.9 | 13.2 | — |
| Transfers from property, plant and equipment | — | — | 0.3 | 0.3 | — |
| Disposal of subsidiary | — | — | (0.3) | (0.3) | — |
| Disposals | — | — | (0.4) | (0.4) | — |
| **At 31st December 2022** | 632.6 | 34.9 | 88.6 | 756.1 | 710.8 |
| Amortisation: | | | | | |
| At 1st January 2022 | 142.4 | 19.5 | 49.8 | 211.7 | 7.2 |
| Exchange adjustments | 10.7 | 0.2 | 2.0 | 12.9 | 0.3 |
| | 153.1 | 19.7 | 51.8 | 224.6 | 7.5 |
| Charged in the year | 23.7 | 2.3 | 5.8 | 31.8 | — |
| Disposal of subsidiary | — | — | (0.3) | (0.3) | — |
| Disposals | — | — | (0.3) | (0.3) | — |
| **At 31st December 2022** | 176.8 | 22.0 | 57.0 | 255.8 | 7.5 |
| Net book value: | | | | | |
| **At 31st December 2022** | 455.8 | 12.9 | 31.6 | 500.3 | 703.3 |

## 14 Goodwill and other intangible assets continued

### Acquired intangibles

The disclosure by class of acquired intangible assets is shown in the tables below.

### 2023

| | **Customer relationships £m** | **Brand names and trademarks £m** | **Manufacturing designs and core technology £m** | **Non-compete undertakings and other £m** | **Total acquired intangibles £m** |
|---|---|---|---|---|---|
| Cost: | | | | | |
| At 1st January 2023 | **181.9** | **338.1** | **84.2** | **28.4** | **632.6** |
| Exchange and other adjustments | **(5.9)** | **(11.4)** | **(2.3)** | **(0.2)** | **(19.8)** |
| | **176.0** | **326.7** | **81.9** | **28.2** | **612.8** |
| Additions | **3.6** | **—** | **—** | **—** | **3.6** |
| **At 31st December 2023** | **179.6** | **326.7** | **81.9** | **28.2** | **616.4** |
| Amortisation and impairment: | | | | | |
| At 1st January 2023 | **51.9** | **67.0** | **34.8** | **23.1** | **176.8** |
| Exchange adjustments | **(1.0)** | **(2.4)** | **(0.5)** | **(0.2)** | **(4.1)** |
| | **50.9** | **64.6** | **34.3** | **22.9** | **172.7** |
| Amortisation and impairment | **11.9** | **17.1** | **4.6** | **3.6** | **37.2** |
| **At 31st December 2023** | **62.8** | **81.7** | **38.9** | **26.5** | **209.9** |
| Net book value: | | | | | |
| **At 31st December 2023** | **116.8** | **245.0** | **43.0** | **1.7** | **406.5** |

Customer relationships are amortised over their useful economic lives in line with the accounting policies disclosed in Note 1. Within this balance the individually material balances relate to Durex Industries £73.6m (2022: £83.3m) and Thermocoax £24.0m (2022: £26.9m). The remaining amortisation periods are 13.9 years and 10.4 years respectively. Brand names and trademark assets are amortised over their useful economic lives in line with the accounting policies disclosed in Note 1. Within this balance individually material balances relate to Vulcanic £99.4m (2022: £106.1m), Durex Industries £19.1m (2022: £21.2m), Chromalox £91.6m (2022: £103.5m) and Gestra £19.6m (2022: £22.4m). The remaining amortisation periods are 18.8 years, 18.9 years, 13.5 years and 8.3 years respectively.

Manufacturing designs and core technology are amortised over their useful economic lives in line with the accounting policies disclosed in Note 1. There are no individually material items within this balance. Non-compete undertakings are amortised over their useful economic lives in line with the accounting policies disclosed in Note 1.

### 2022

| | Customer relationships £m | Brand names and trademarks £m | Manufacturing designs and core technology £m | Non-compete undertakings and other £m | Total acquired intangibles £m |
|---|---|---|---|---|---|
| Cost: | | | | | |
| At 1st January 2022 | 87.1 | 190.2 | 60.2 | 21.7 | 359.2 |
| Exchange and other adjustments | 5.0 | 19.0 | 3.9 | 0.9 | 28.8 |
| | 92.1 | 209.2 | 64.1 | 22.6 | 388.0 |
| Acquisitions | 89.8 | 128.9 | 20.1 | 5.8 | 244.6 |
| **At 31st December 2022** | 181.9 | 338.1 | 84.2 | 28.4 | 632.6 |
| Amortisation and impairment: | | | | | |
| At 1st January 2022 | 42.2 | 49.9 | 28.6 | 21.7 | 142.4 |
| Exchange adjustments | 2.9 | 5.0 | 1.8 | 1.0 | 10.7 |
| | 45.1 | 54.9 | 30.4 | 22.7 | 153.1 |
| Amortisation and impairment | 6.8 | 12.1 | 4.4 | 0.4 | 23.7 |
| **At 31st December 2022** | 51.9 | 67.0 | 34.8 | 23.1 | 176.8 |
| Net book value: | | | | | |
| **At 31st December 2022** | 130.0 | 271.1 | 49.4 | 5.3 | 455.8 |

# Notes to the Consolidated Financial Statements continued

## 14 Goodwill and other intangible assets continued

### Impairment

In accordance with the requirements of IAS 36 Impairment of Assets, goodwill is allocated to the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the business combination that gave rise to the goodwill.

Goodwill impairment is considered based on groups of CGUs that represent the lowest level to which goodwill is monitored for internal management purposes, being each operating segment as disclosed in Note 2. The breakdown of the goodwill value at 31st December across these is shown below:

| | **2023 Goodwill £m** | 2022 Goodwill £m |
|---|---|---|
| Steam Thermal Solutions | **125.8** | 127.4 |
| Electric Thermal Solutions | **494.7** | 514.9 |
| Watson-Marlow | **60.0** | 61.0 |
| Total goodwill | **680.5** | 703.3 |

The goodwill balance has been tested for annual impairment on the following basis:

The carrying values of goodwill have been assessed by reference to value in use. These have been estimated using cash flows based on forecast information for the next financial year which have been approved by the Board and then extended by a further four years based on the most recent forecasts prepared by management. In 2023 the forecast period assumption has been reduced to five years across all segments to ensure consistency across the Group and to reflect increased volatility in the macroenvironment in recent years leading to forecasting uncertainty.

The key assumptions on which the impairment tests are based are the discount rates and forecast cash flows which are driven by growth rates and EBIT margins:

- Pre-tax discount rates are based on estimations of the assumptions that market participants operating in similar sectors to the Group would make, using the Group's economic profile as a starting point and adjusting appropriately, taking into account the size of the business along with specific geographical and industry risk factors. Discount rates are not adjusted for estimated impacts of inflation, which is consistent with the calculation of the future operating cash flows to which they are applied
- Short to medium-term growth rates are based on external market growth rates (where available) and historical experience within each group of CGUs. The short to medium term is defined as not more than five years
- Long-term growth rates are set using the weighted average GDP growth rates (IMF and Oxford Economics) of the group of CGUs' end markets
- EBIT margins are based on historical performance, operational gearing from higher sales and expected improvements from operational efficiency initiatives.

The principal value in use assumptions were as follows:

| Operating segment | **2023 Discount rate** | **2023 Short to medium-term growth rate** | **2023 Long-term growth rate** | **Period of annual cashflow forecast (years)** | 2022 Discount rate | 2022 Short to medium-term growth rate | 2022 Long-term growth rate | Period of annual cashflow forecast (years) |
|---|---|---|---|---|---|---|---|---|
| Steam Thermal Solutions | **13.7%** | **5.0% – 6.3%** | **3.8%** | **5** | 14.1% | 5.5%–10.5% | 3.1% | 5 |
| Electric Thermal Solutions | **11.3%** | **6.3% – 17.1%** | **3.2%** | **5** | 11.3% | 5.9%–10.1% | 2.4% | 8 |
| Watson-Marlow | **12.6%** | **11.0% – 11.4%** | **3.5%** | **5** | 12.0% | (1.0)%–12.4% | 2.7% | 5 |

The results of the Group's impairment tests are dependent upon estimates, particularly in relation to the key assumptions described above. Sensitivity analysis of potential changes in the key assumptions has been undertaken based on the following reasonably possible change sensitivities in isolation for Steam Thermal Solutions and Watson-Marlow:

- A 50 bps increase in the discount rate applied to each group of CGUs
- A 100 bps reduction in the short to medium-term growth rates in Steam Thermal Solutions driven by further possible downward revisions to IP growth forecasts
- A range of 0 to 1,000 bps reduction in short to medium term growth rates to reflect the possible delay in Biopharm recovery within Watson-Marlow
- A 100 bps reduction in the EBIT margin used in the cash flow projections

## 14 Goodwill and other intangible assets continued

### **Impairment** continued

For Electric Thermal Solutions, the following combination of sensitivities was applied:

- A 50 bps increase in the discount rate, in addition to 15 bps increase to long-term growth rate
- A range of 0 bps – 660 bps reduction in the short to medium-term growth rates driven by delayed completion of operational improvement initiatives alongside slower recovery of demand within the semiconductor sector
- A range of 0 bps to 130 bps reduction in the EBIT margin used in the cash flow projections, resulting from the short to medium-term growth rate sensitivities

For each group of CGUs, the Directors do not consider that there are any reasonably possible change sensitivities for the business that could arise in the next 12 months that would result in an impairment charge being recognised.

## 15 Deferred tax assets and liabilities

### Movement in deferred tax during the year 2023

| | **1st January 2023 £m** | **Recognised in income £m** | **Recognised in OCI £m** | **Recognised in equity £m** | **Acquisitions £m** | **31st December 2023 £m** |
|---|---|---|---|---|---|---|
| Accelerated capital allowances | **(22.8)** | **1.4** | **—** | **0.4** | **—** | **(21.0)** |
| Provisions | **11.8** | **(0.7)** | **—** | **(0.7)** | **—** | **10.4** |
| Losses | **16.2** | **11.3** | **—** | **—** | **—** | **27.5** |
| Inventory | **7.3** | **(0.9)** | **—** | **(0.1)** | **—** | **6.3** |
| Pensions | **13.2** | **(0.7)** | **1.1** | **(0.3)** | **—** | **13.3** |
| Acquired intangibles | **(91.0)** | **9.2** | **—** | **2.3** | **(0.8)** | **(80.3)** |
| Leases - right of use assets* | **(14.4)** | **(7.3)** | **—** | **0.6** | **—** | **(21.1)** |
| Leases - liabilities* | **15.1** | **7.1** | **—** | **(0.6)** | **—** | **21.6** |
| Other temporary differences | **5.5** | **4.0** | **(2.1)** | **(1.3)** | **—** | **6.1** |
| **Group total** | **(59.1)** | **23.4** | **(1.0)** | **0.3** | **(0.8)** | **(37.2)** |

### Movement in deferred tax during the year 2022

| | 1st January 2022 £m | Recognised in income £m | Recognised in OCI £m | Recognised in equity £m | Acquisitions £m | 31st December 2022 £m |
|---|---|---|---|---|---|---|
| Accelerated capital allowances | (12.3) | (9.9) | — | (0.4) | (0.2) | (22.8) |
| Provisions | 8.1 | 3.4 | (0.4) | 0.5 | 0.2 | 11.8 |
| Losses | 5.6 | 9.5 | — | 0.1 | 1.0 | 16.2 |
| Inventory | 5.0 | 2.3 | — | — | — | 7.3 |
| Pensions | 12.0 | (1.5) | 1.7 | 0.7 | 0.3 | 13.2 |
| Acquired intangibles | (55.0) | 4.1 | (2.3) | (5.6) | (32.2) | (91.0) |
| Leases - right of use assets* | (13.5) | 0.8 | — | (0.6) | (1.1) | (14.4) |
| Leases - liabilities* | 14.1 | (0.7) | — | 0.6 | 1.1 | 15.1 |
| Other temporary differences | 0.3 | 2.6 | 2.8 | (0.4) | 0.2 | 5.5 |
| **Group total** | (35.7) | 10.6 | 1.8 | (5.1) | (30.7) | (59.1) |

* The Group applied “Deferred Tax related to Assets and Liabilities arising from a Single Transaction” (Amendments to IAS 12) from 1 January 2023. Following the amendments, the Group has recognised a separate deferred tax asset in relation to its lease liabilities and a deferred tax liability in relation to its right-of-use assets.

Deferred tax assets and liabilities arising in the same tax jurisdiction have been offset where the taxable entity has a legally enforceable right to set off current tax assets and liabilities, and the deferred tax assets and liabilities relate to taxes levied by the same taxation authority. Below is the analysis of the deferred tax balances after the offset for 2023. No restatement has been performed for the prior year but this would have reduced both balance by £52.7m:

| | **2023 £m** | 2022 £m |
|---|---|---|
| Deferred tax asset | **31.0** | 69.0 |
| Deferred tax liability | **(68.2)** | (128.1) |
| **Net deferred tax liability** | **(37.2)** | (59.1) |

# Notes to the Consolidated Financial Statements continued

## 15 Deferred tax assets and liabilities continued

At the Balance Sheet date, the Group has deductible temporary differences, unused tax losses and unused tax credits with a tax value of £113.5m (2022: £98.4m) available for offset against future profits. A deferred tax asset has been recognised in respect of £99.7m (2022: £84.6m). No deferred tax asset has been recognised in respect of the remaining £13.8m (2022: £13.8m) as it is not considered probable that there will be future taxable profits available against which the relevant deduction can be offset.

Excluding the losses in Argentina and India, which expire if unused within five years and eight years respectively, the losses may be carried forward indefinitely. The associated unrecognised deferred tax asset in Argentina and India is £8.3m (2022: £3.6m).

A deferred tax credit of £1.1m (2022: £1.8m credit) recognised in the Consolidated Statement of Comprehensive Income (page 197) associated with the measurement of defined benefit obligations.

UK tax is not expected to arise upon the remittance of earnings of overseas subsidiaries. However, a tax liability may arise due to dividend withholding taxes levied by overseas tax authorities. This tax liability is not expected to exceed £8.1m (2022: £6.7m). As the Group controls the timing of these dividends and it is not expected the tax will arise in the foreseeable future, no associated deferred tax liability has been recognised.

## 16 Inventories

| | **2023 £m** | 2022 £m |
|---|---|---|
| Raw materials, consumables and components | **130.4** | 136.1 |
| Work in progress | **40.2** | 39.5 |
| Finished goods and goods for resale | **114.6** | 114.4 |
| **Total inventories** | **285.2** | 290.0 |

The write-down of inventories recognised as an expense during the year was £15.2m (2022: £9.0m). This comprises a cost of £15.6m (2022: £10.5m) to write down inventory to net realisable value reduced by £0.4m (2022: £1.5m) for reversal of previous write-down reassessed as a result of customer demand.

The value of inventories expected to be recovered after more than 12 months is £15.1m (2022: £12.6m).

There is no material difference between the Statement of Financial Position value of inventories and their replacement cost. None of the inventory has been pledged as security.

## 17 Other current assets

| | **2023 £m** | 2022 £m |
|---|---|---|
| Contract assets | **17.0** | 11.7 |
| Prepayments | **24.9** | 25.5 |
| Other receivables | **29.5** | 42.4 |
| **Total other current assets** | **71.4** | 79.6 |

Contract assets relate to revenue recognised that has not yet been invoiced to the customer.

Other receivables comprise various assets across the Group including £13.4m of other tax related receivables, £3.7m of advanced payments to suppliers, £2.9m of other deposits made, £1.8m of derivative assets and £7.7m of other receivables.

## 18 Trade and other payables

| | **2023 £m** | 2022 £m |
|---|---|---|
| Trade payables | **79.2** | 89.9 |
| Contract liabilities | **32.9** | 20.6 |
| Social security | **9.5** | 9.4 |
| Accruals | **95.2** | 113.2 |
| Other payables | **34.4** | 49.9 |
| **Total trade and other payables** | **251.2** | 283.0 |

Contract liabilities relate to advance payments received from customers that have not yet been recognised as revenue. £6.8m of the contract liabilities at 31st December 2022 was recognised as revenue during 2023 (2022: £15.7m).

Other payables comprise various balances across the Group including £14.2m of other tax related payables, £3.0m pension creditors, £4.9m in relation to the fair value of deferred consideration held by Vulcanic and £12.3 other payables.

## 19 Provisions

| 2023 | Product warranty £m | Legal, contractual and other £m | Total £m |
|---|---|---|---|
| At 1st January 2023 | 2.7 | 15.5 | 18.2 |
| Additional provision in the year | 0.4 | 9.3 | 9.7 |
| Utilised or released during the year | (0.5) | (8.5) | (9.0) |
| Exchange adjustments | (0.6) | (1.2) | (1.8) |
| **At 31st December 2023** | 2.0 | 15.1 | 17.1 |

| 2022 | Product warranty £m | Legal, contractual and other £m | Total £m |
|---|---|---|---|
| At 1st January 2022 | 2.1 | 4.6 | 6.7 |
| Additional provision in the year | 0.6 | 7.9 | 8.5 |
| Utilised or released during the year | (0.9) | (2.5) | (3.4) |
| Acquisition of subsidiary | 0.8 | 5.2 | 6.0 |
| Exchange adjustments | 0.1 | 0.3 | 0.4 |
| **At 31st December 2022** | 2.7 | 15.5 | 18.2 |

| | 2023 £m | 2022 £m |
|---|---|---|
| Current provisions | 9.5 | 12.0 |
| Non-current provisions | 7.6 | 6.2 |
| **Total provisions** | 17.1 | 18.2 |

### Product warranty

Product warranty provisions reflect commitments made to customers on the sale of goods in the ordinary course of business. These are expected to be incurred in the next three years.

### Legal, contractual and other

Legal, contractual and other provisions mainly comprise amounts provided against open legal and contractual disputes arising from trade and employment. These costs are based on past experience of similar items and other known factors and represent management's best estimate of the likely outcome. The Group has taken action to enforce its rights and protect its intellectual property rights around the world.

Reflecting the inherent uncertainty within many legal proceedings, the timing and amount of the outflows could differ significantly from the amount provided. Management does not expect that the outcome of such proceedings, either individually or in aggregate, will have a material adverse effect on the Group's financial condition or results of operations. Of the total legal, contractual and other provisions at 31st December 2023 £8.0m (2022: £9.8m) has been included within current and £7.1m (2022: £5.7m) within non-current provisions.

## 20 Called-up share capital and reserves

| | 2023 £m | 2022 £m |
|---|---|---|
| Ordinary shares of 26 12/13p (2022: 26 12/13p) each: | | |
| Authorised 111,428,571 (2022: 111,428,571) | 30.0 | 30.0 |
| Allotted, called up and fully paid 73,776,048 (2022: 73,776,048) | 19.8 | 19.8 |

35,794 (2022: 28,262) shares with a nominal value of £9,637 (2022: £7,609) were issued in connection with the Group's Employee Share Ownership Plan with external consideration of £2.0m (2022: £1.8m) received by the Group. In 2023, all shares were provided to employees through the Employee Benefit Trust and not through the issue of share capital.

At 31st December 2023, 139,907 shares were held in an Employee Benefit Trust and available for use in connection with the Group's Employee Share Schemes. 138 senior employees of the Group have been granted options on Ordinary shares under the Performance Share Plan (details in Note 22).

# Notes to the Consolidated Financial Statements continued

## 20 Called-up share capital and reserves continued

Translation reserve in the Consolidated Statement of Changes in Equity on pages 197-198 is made up as follows:

| | **1st January 2023 £m** | **Change in year £m** | **31st December 2023 £m** |
|---|---|---|---|
| Net investment hedge reserve | **(2.7)** | **8.3** | **5.6** |
| Translation reserve | **20.2** | **(86.2)** | **(66.0)** |
| **Total translation reserve** | **17.5** | **(77.9)** | **(60.4)** |

| | 1st January 2022 £m | Change in year £m | 31st December 2022 £m |
|---|---|---|---|
| Net investment hedge reserve | 12.7 | (15.4) | (2.7) |
| Translation reserve | (53.2) | 73.4 | 20.2 |
| **Total translation reserve** | (40.5) | 58.0 | 17.5 |

### Net investment hedge reserve

The reserve records the cumulative gain or loss on hedging instruments designated in net investment hedges. Together with the translation reserve, these are the foreign currency translation reserves of the Group.

Other reserves in the Consolidated Statement of Changes in Equity on pages 197-198 are made up as follows:

| | **1st January 2023 £m** | **Change in year £m** | **31st December 2023 £m** |
|---|---|---|---|
| Cash flow hedges reserve | **(3.7)** | **5.0** | **1.3** |
| Capital redemption reserve | **1.8** | **—** | **1.8** |
| Employee Benefit Trust reserve | **(21.5)** | **5.5** | **(16.0)** |
| **Total other reserves** | **(23.4)** | **10.5** | **(12.9)** |

| | 1st January 2022 £m | Change in year £m | 31st December 2022 £m |
|---|---|---|---|
| Cash flow hedges reserve | (0.2) | (3.5) | (3.7) |
| Capital redemption reserve | 1.8 | — | 1.8 |
| Employee Benefit Trust reserve | (19.3) | (2.2) | (21.5) |
| **Total other reserves** | (17.7) | (5.7) | (23.4) |

### Cash flow hedges reserve

The reserve records the cumulative net change in the fair value of forward exchange contracts where they are designated as effective cash flow hedge relationships.

### Capital redemption reserve

This reserve records the historical repurchase of the Group's own shares.

### Employee Benefit Trust reserve

The Group has an Employee Benefit Trust which is used to purchase, hold and issue shares in connection with the Group's Employee Share Schemes. The shares held in Trust are recorded in this separate reserve.

## 21 Capital commitments and contingent liabilities

| | **2023 £m** | 2022 £m |
|---|---|---|
| **Capital expenditure contracted for but not provided** | **14.5** | 67.0 |

All capital commitments are related to property, plant and equipment and computer software. The Group has no material contingent liabilities at 31st December 2023 (no material contingent liabilities existed at 31st December 2022), but does have a non-material contingent liability in relation to tax estimated at approximately £4.0m (2022: £3.8m). See Note 8 for further details.

# 22 Employee benefits

## Retirement benefit obligations

The Group operates a wide range of retirement benefit arrangements, which are established in accordance with local conditions and practices within the countries concerned. These include funded defined contribution and funded and unfunded defined benefit schemes.

## Defined contribution arrangements

The majority of the retirement benefit arrangements operated by the Group are of a defined contribution structure, where the employer contribution and resulting Consolidated Income Statement charge are fixed at a set level or are a set percentage of employees' pay. Contributions made to defined contribution schemes and charged to the Consolidated Income Statement totalled £26.7m (2022: £27.0m). In Germany, following the closure of the defined benefit schemes to new entrants in 2021, the main scheme for new employees is a defined contribution scheme.

## Defined benefit arrangements

The Group operates several funded defined benefit retirement schemes where the benefits are based on employees' length of service. Whilst the Group's primary schemes are in the UK, it also operates other material benefit schemes in the USA as well as less material schemes elsewhere. In funded arrangements, the assets of defined benefit schemes are held in separate trustee-administered funds or similar structures in the countries concerned.

## UK defined benefit arrangements

The defined benefit schemes in the UK account for 55% (2022: 47%) of the Group's net liability for defined retirement benefit schemes. Spirax Group operates three UK schemes: the Spirax-Sarco Employees' Pension Fund, the Spirax-Sarco Executives' Retirement Benefits Scheme and the Watson-Marlow Pension Fund. These are all final salary pension schemes and are closed to new members. There is a mix of different inflation-dependent pension increases (in payment and deferment) which vary from member to member according to their membership history and which scheme they are a member of.

All three schemes have been set up under UK law and are governed by a Trustee committee, which is responsible for the scheme's investments, administration and management. A funding valuation is carried out for the Trustees of each scheme every three years by an independent firm of actuaries. Depending on the outcome of that valuation a schedule of future contributions is negotiated with Spirax Group. Further information on the contribution commitments is shown in the Financial Review on pages 36 to 43.

## US defined benefit schemes

The Group operates a pension scheme in the USA, which is closed to new entrants and frozen to future accrual. The pension scheme defines the pension in terms of the highest average pensionable pay for any five consecutive years prior to retirement. No pension increases (in payment and deferment) are offered by this scheme. It also operates a post-retirement medical plan in the USA, which is unfunded, as is typical for these plans.

## Other matters

In June 2023, the High Court judged that amendments made to the Virgin Media scheme were invalid because the scheme's actuary did not provide the associated S37 certificate necessary. This may have a potential impact to the Group but the impact is not yet known and continues to be assessed.

In October 2023, the Company agreed to a buy-out of the Spirax-Sarco Inc Pension Plan covering approximately 230 pension plan participants. The Plan paid the insurance premium on 31 October 2023 and the insurance company has taken over benefit obligations effective 1 January 2024. This has been allowed for as a settlement and resulted in a charge to the profit and loss.

## Principal Risks

The pension schemes create a number of risk exposures. Annual increases in benefits are, to a varying extent from scheme to scheme, dependent on inflation so the main uncertainties affecting the level of benefits payable are future inflation levels and the actual longevity of the membership. Benefits payable will also be influenced by a range of other factors including member decisions on matters such as when to retire and the possibility to draw benefits in different forms. A key risk is that additional contributions are required if the investment returns fall short of those anticipated when setting the contributions to the pension schemes. All pension schemes are regulated by the relevant jurisdictions. These include extensive legislation and regulatory mechanisms that are subject to change and may impact on the Group's pension schemes. The IAS 19 liability measurement known as defined benefit obligation (DBO) and the service cost are sensitive to the actuarial assumptions made on a range of demographic and financial matters that are used to project the expected benefit payments, the most important of these assumptions being the future inflation levels and the assumptions made about life expectation. The DBO and service cost are also very sensitive to the IAS 19 discount rate, which determines the discounted value of the projected benefit payments. The discount rate depends on market yields on high quality corporate bonds. Investment strategies are set with funding rather than IAS 19 considerations in mind and do not seek to provide a specific hedge against the IAS 19 measurement of DBO. As a result the difference between the market value of the assets and the IAS 19 DBO may be volatile. Further information on the investment strategy for the UK schemes can be found in the Financial Review on pages 36 to 43.

Sensitivity analysis to changes in discount rate and inflation are included on page 229.

# Notes to the Consolidated Financial Statements continued

## 22 Employee benefits continued

### Principal Risks continued

The financial assumptions used at 31st December were:

| | Assumptions weighted by value of liabilities % per annum | | | |
|---|---|---|---|---|
| | UK pensions | | Overseas pensions and medical | |
| | **2023 %** | 2022 % | **2023 %** | 2022 % |
| Rate of increase in salaries | **n/a** | n/a | **2.7** | 2.9 |
| Rate of increase in pensions | **2.9** | 2.9 | **2.3** | 2.6 |
| Rate of price inflation | **3.0** | 3.2 | **2.2** | 2.4 |
| Discount rate | **4.5** | 4.7 | **4.4** | 4.7 |
| Medical trend rate | **n/a** | n/a | **7.5** | 7.5 |

The UK pensions are closed to future accrual; therefore, the rate of increase in salaries is not applicable.

The weighted average duration of the defined benefit obligation at 31st December 2023 was approximately 13 years (2022: 15 years) for the Spirax-Sarco Employees' Pension Fund, 8 years (2022: 10 years) for the Spirax-Sarco Executives' Retirement Benefits Scheme and 18 years (2022: 16 years) for the Watson-Marlow Pension Fund.

The mortality assumptions for the material defined benefit schemes at 31st December 2023 and 31st December 2022 were:

| | |
|---|---|
| **Spirax-Sarco Employees' Pension Fund** | At 31st December 2023: 100% of the SAPS 3 normal tables, CMI 2021 future improvements, 1.25% long term trend, smoothing factor of 7, 0.25% initial addition and a w parameter of 10%.<br>At 31st December 2022: 100% of SAPS 3, with CMI 2021 projections with a long-term trend of 1.25% pa and an initial addition parameter of 0.25% and w2020 parameter of 10%. |
| **Spirax-Sarco Executives' Retirement Benefits Scheme** | At 31st December 2023: 84%/87% (male/female) of SAPS S3 light normal, CMI 2021 future improvements, 1.25% long term trend, smoothing factor of 7, 0.25% initial addition and a w parameter of 10%.<br>At 31st December 2022: 84%/87% (male/female) of SAPS S3 light normal, CMI 2021 projections with a long-term trend of 1.25% pa and an initial additional parameter of 0.25% and w2020 parameter of 10%. |
| **Watson-Marlow Pension Fund** | At 31st December 2023: 102% of the SAPS 3 pensioner tables, CMI 2021 future improvements, 1.25% long term trend, smoothing factor of 7, 0.25% initial addition and a w parameter of 10%.<br>At 31st December 2022: 102% of SAPS S3, CMI 2021 projections with a long-term trend of 1.25% pa and an initial additional parameter of 0.25% and w2020 parameter of 10%. |
| **US Pension Scheme** | At 31st December 2023: SOA Pri-2012 Amount-Weighted Blue Collar Mortality Tables projected generationally with MP2021<br>At 31st December 2022: SOA Pri-2012 Amount-Weighted Blue Collar Mortality Tables with Mortality Improvement Scale MP2021. |

By way of example the mortality tables indicate the following life expectancy across the UK schemes:

| | **2023 life expectancy at 65** | | 2022 life expectancy at 65 | |
|---|---|---|---|---|
| **Current age** | **Male** | **Female** | Male | Female |
| 65 | **21.9** | **24.5** | 22.1 | 24.6 |
| 50 | **22.8** | **25.5** | 23.0 | 25.6 |

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

# 22 Employee benefits continued

## **Principal Risks** continued

The amounts recognised in the Consolidated Statement of Financial Position are determined as follows:

| | UK pensions | | Overseas pensions and medical | | Total | |
|---|---|---|---|---|---|---|
| | **2023 £m** | 2022 £m | **2023 £m** | 2022 £m | **2023 £m** | 2022 £m |
| Fair value of schemes' assets | **285.8** | 284.6 | **51.7** | 57.0 | **337.5** | 341.6 |
| Present value of funded schemes' liabilities | **(313.6)** | (309.2) | **(56.9)** | (65.5) | **(370.5)** | (374.7) |
| Deficit in the funded schemes | **(27.8)** | (24.6) | **(5.2)** | (8.5) | **(33.0)** | (33.1) |
| Present value of unfunded schemes' liabilities | **—** | — | **(18.4)** | (19.0) | **(18.4)** | (19.0) |
| Retirement benefit liability recognised in the Consolidated Statement of Financial Position | **(27.8)** | (24.6) | **(23.6)** | (27.5) | **(51.4)** | (52.1) |
| Related deferred tax asset | **6.9** | 6.2 | **6.4** | 7.0 | **13.3** | 13.2 |
| **Net pension liability** | **(20.9)** | (18.4) | **(17.2)** | (20.5) | **(38.1)** | (38.9) |

## Fair value of scheme assets

| | UK pensions | | Overseas pensions and medical | | Total | |
|---|---|---|---|---|---|---|
| | **2023 £m** | 2022 £m | **2023 £m** | 2022 £m | **2023 £m** | 2022 £m |
| Quoted equities | **44.6** | 46.9 | **29.7** | 30.1 | **74.3** | 77.0 |
| Quoted bonds | **109.0** | 132.5 | **15.4** | 13.1 | **124.4** | 145.6 |
| Other | **45.0** | 54.4 | **0.5** | 7.4 | **45.5** | 61.8 |
| **Total with quoted market price** | **198.6** | 233.8 | **45.6** | 50.6 | **244.2** | 284.4 |
| Cash and cash equivalents | **43.8** | 45.9 | **0.7** | 0.6 | **44.5** | 46.5 |
| Unquoted equities | **2.7** | 2.8 | **—** | — | **2.7** | 2.8 |
| Unquoted bonds | **0.7** | — | **—** | — | **0.7** | — |
| Real estate | **14.4** | 0.3 | **—** | — | **14.4** | 0.3 |
| Derivatives | **12.2** | — | **—** | — | **12.2** | — |
| Other | **13.4** | 1.8 | **5.4** | 5.8 | **18.8** | 7.6 |
| **Total other securities** | **87.2** | 50.8 | **6.1** | 6.4 | **93.3** | 57.2 |
| **Total market value in aggregate** | **285.8** | 284.6 | **51.7** | 57.0 | **337.5** | 341.6 |

The actual return on plan assets was an increase of £20.8m (2022: a decrease of £211.6m).

The UK pensions assets include investments in Liability Driven Investment (LDI) funds. LDI funds allow the schemes to hedge a larger proportion of the underlying interest rate exposure that exists within the schemes liabilities. As a result of the structure of LDI funds the schemes may be required to provide additional cash collateral to the LDI funds in order to maintain the current level of hedging should market interest rates increase materially. The LDI funds of £71.5m (2022: £83.4m) are included within the quoted bonds in the table above.

The movements in the defined benefit obligation recognised in the Consolidated Statement of Financial Position during the year were:

| | UK pensions | | Overseas pensions and medical | | Total | |
|---|---|---|---|---|---|---|
| | **2023 £m** | 2022 £m | **2023 £m** | 2022 £m | **2023 £m** | 2022 £m |
| Defined benefit obligation at beginning of year | **(309.2)** | (507.5) | **(84.5)** | (97.9) | **(393.7)** | (605.4) |
| Acquisitions | **—** | — | **—** | (1.5) | **—** | (1.5) |
| Current service cost | **—** | — | **(0.1)** | (0.7) | **(0.1)** | (0.7) |
| Interest cost | **(14.1)** | (9.1) | **(3.8)** | (2.5) | **(17.9)** | (11.6) |
| Administration costs | **—** | — | **(0.6)** | (0.7) | **(0.6)** | (0.7) |
| Remeasurement gain/(loss) | **2.7** | 207.0 | **(1.5)** | 23.0 | **1.2** | 230.0 |
| Actual benefit payments | **17.4** | 15.9 | **5.3** | 5.3 | **22.7** | 21.2 |
| Experience (loss)/gain | **(10.4)** | (15.5) | **0.4** | (0.5) | **(10.0)** | (16.0) |
| Settlements | **—** | — | **5.9** | — | **5.9** | — |
| Currency gain/(loss) | **—** | — | **3.6** | (9.0) | **3.6** | (9.0) |
| **Defined benefit obligation at end of year** | **(313.6)** | (309.2) | **(75.3)** | (84.5) | **(388.9)** | (393.7) |

# Notes to the Consolidated Financial Statements continued

## 22 Employee benefits continued

### **Fair value of scheme assets** continued

The movements in the fair value of plan assets during the year were:

| | UK pensions | | Overseas pensions and medical | | Total | |
|---|---|---|---|---|---|---|
| | **2023 £m** | 2022 £m | **2023 £m** | 2022 £m | **2023 £m** | 2022 £m |
| Value of assets at beginning of year | **284.6** | 497.5 | **57.0** | 63.2 | **341.6** | 560.7 |
| Acquisitions | **—** | — | **—** | 0.4 | **—** | 0.4 |
| Expected return on assets | **13.1** | 9.0 | **2.7** | 1.8 | **15.8** | 10.8 |
| Remeasurement gain/(loss) | **1.0** | (210.9) | **4.0** | (11.5) | **5.0** | (222.4) |
| Contributions paid by employer | **5.3** | 5.4 | **2.0** | 1.8 | **7.3** | 7.2 |
| Actual benefit payments | **(17.3)** | (15.9) | **(5.4)** | (5.3) | **(22.7)** | (21.2) |
| Administration costs | **(0.9)** | (0.5) | **(6.0)** | — | **(6.9)** | (0.5) |
| Currency (loss)/gain | **—** | — | **(2.6)** | 6.6 | **(2.6)** | 6.6 |
| **Value of assets at end of year** | **285.8** | 284.6 | **51.7** | 57.0 | **337.5** | 341.6 |

The estimated employer contributions to be made in 2024 are £6.9m.

The history of experience adjustments is as follows:

| | **2023 £m** | 2022 £m | 2021 £m | 2020 £m | 2019 £m |
|---|---|---|---|---|---|
| Defined benefit obligation at end of year | **(388.9)** | (393.7) | (605.4) | (630.3) | (559.1) |
| Fair value of schemes' assets | **337.5** | 341.6 | 560.7 | 531.7 | 487.8 |
| Retirement benefit liability recognised in the Statement of Financial Position | **(51.4)** | (52.1) | (44.7) | (98.6) | (71.3) |
| Experience adjustment on schemes' liabilities | **(10.0)** | (16.0) | (2.9) | 11.4 | — |
| As a percentage of schemes' liabilities | **2.6%** | 4.1% | 0.5% | 1.8% | 0.0% |
| Experience adjustment on schemes' assets | **5.0** | (222.4) | 35.7 | 46.5 | 49.0 |
| As a percentage of schemes' assets | **1.5%** | 65.1% | 6.4% | 8.7% | 10.0% |

The expense recognised in the Consolidated Income Statement was as follows:

| | UK pensions | | Overseas pensions and medical | | Total | |
|---|---|---|---|---|---|---|
| | **2023 £m** | 2022 £m | **2023 £m** | 2022 £m | **2023 £m** | 2022 £m |
| Current service cost | **—** | — | **(0.1)** | (0.7) | **(0.1)** | (0.7) |
| Administration costs | **(0.9)** | (0.5) | **(0.6)** | (0.7) | **(1.5)** | (1.2) |
| Net interest on schemes' liabilities | **(1.1)** | — | **(1.0)** | (0.8) | **(2.1)** | (0.8) |
| **Total expense recognised in Consolidated Income Statement** | **(2.0)** | (0.5) | **(1.7)** | (2.2) | **(3.7)** | (2.7) |

The expense is recognised in the following line items in the Consolidated Income Statement:

| | **2023 £m** | 2022 £m |
|---|---|---|
| Operating costs | **(1.6)** | (1.9) |
| Net financing expense | **(2.1)** | (0.8) |
| **Total expense recognised in Consolidated Income Statement** | **(3.7)** | (2.7) |

## 22 Employee benefits continued

### Fair value of scheme assets continued

The gain or loss recognised in the Statement of Comprehensive Income (OCI) was as follows:

| | UK pensions | | Overseas pensions and medical | | Total | |
|---|---|---|---|---|---|---|
| | **2023 £m** | 2022 £m | **2023 £m** | 2022 £m | **2023 £m** | 2022 £m |
| Remeasurement effects recognised in OCI: | | | | | | |
| Due to experience on DBO | **(10.4)** | (15.5) | **0.4** | (0.5) | **(10.0)** | (16.0) |
| Due to demographic assumption changes in DBO | **10.2** | 4.3 | **—** | — | **10.2** | 4.3 |
| Due to financial assumption changes in DBO | **(7.5)** | 202.8 | **(1.5)** | 23.0 | **(9.0)** | 225.8 |
| Return on assets | **1.0** | (210.9) | **4.0** | (11.5) | **5.0** | (222.4) |
| Total remeasurement (loss)/gain recognised in OCI | **(6.7)** | (19.3) | **2.9** | 11.0 | **(3.8)** | (8.3) |
| Deferred tax on remeasurement (loss)/gain and change in rate recognised in OCI | **1.7** | 4.8 | **(0.6)** | (3.0) | **1.1** | 1.8 |
| Cumulative loss recognised in OCI at beginning of year | **(54.1)** | (39.6) | **(13.1)** | (21.1) | **(67.2)** | (60.7) |
| **Cumulative loss recognised in OCI at end of year** | **(59.1)** | (54.1) | **(10.8)** | (13.1) | **(69.9)** | (67.2) |

### Sensitivity analysis

The effect on the defined benefit obligation at 31st December 2023 of an increase or decrease in key assumptions is as follows:

| | UK pensions £m | Overseas pensions and medical £m | Total £m |
|---|---|---|---|
| (Decrease)/increase in pension deficit: | | | |
| Discount rate assumption being 1.0% higher | **(36.7)** | **(7.7)** | **(44.4)** |
| Discount rate assumption being 1.0% lower | **42.1** | **9.3** | **51.4** |
| Inflation assumption being 1.0% higher | **25.6** | **1.5** | **27.1** |
| Inflation assumption being 1.0% lower | **(23.9)** | **(1.3)** | **(25.2)** |
| Mortality assumption life expectancy at age 65 being one year higher | **11.1** | **(0.6)** | **10.5** |

The above sensitivities reflect reasonable possible changes in the assumptions and therefore have been selected on this basis.

The average age of active participants in the UK schemes at 31st December 2023 was 55 years (2022: 53 years) and in the overseas schemes 47 years (2022: 47 years).

### Cash payments to the pension scheme greater or less than the expense to operating profit

| | **2023 £m** | 2022 £m |
|---|---|---|
| Defined benefit arrangements | **(1.6)** | (1.9) |
| Defined contribution arrangements | **(26.7)** | (27.0) |
| **Total expense recognised in operating costs** | **(28.3)** | (28.9) |
| Defined benefit arrangements | **7.3** | 7.2 |
| Defined contribution arrangements | **26.7** | 27.0 |
| **Total contributions paid by employer** | **34.0** | 34.2 |
| **Cash payments to the pension scheme greater than the expense to operating profit** | **5.7** | 5.3 |

### Share-based payments

Disclosures of the share-based payments offered to employees are set out below. More detail on each scheme is given in the Annual Report on Remuneration 2023 on pages 162 to 174. The charge to the Consolidated Income Statement in respect of share-based payments is made up as follows:

| | **2023 £m** | 2022 £m |
|---|---|---|
| Performance Share Plan | **4.3** | 7.3 |
| Employee Share Ownership Plan | **1.8** | 1.6 |
| **Total expense recognised in Consolidated Income Statement** | **6.1** | 8.9 |

# Notes to the Consolidated Financial Statements continued

## 22 Employee benefits continued

### Performance Share Plan

Awards under the Performance Share Plan are made to Executive Directors and other senior managers and take the form of contingent rights to acquire shares, subject to the satisfaction of a performance target. To the extent that they vest, awards may be satisfied in cash, in shares or in an option over shares. For the 2022 grant onwards, the performance criteria is split into three separate parts.

30% of the award is based on a TSR measure where the performance target is based on the Company's total shareholder return (TSR) relative to the TSR of other companies included in the FTSE 350 Industrial Goods and Services Supersector over a three-year performance period where awards will vest on a sliding scale. All shares within an award will vest if the Company's TSR is at or above the upper quartile. 18% will vest if the TSR is at the median and the number of shares that will vest will be calculated pro rata on a straight-line basis between 18% and 100% if the Company's TSR falls between the median and the upper quartile. No shares will vest if the Company's TSR is below the median.

The second part, amounting to 50% of the award, is subject to achievement of a target based on aggregate EPS over a three-year performance period. 18% will vest if the compound growth in EPS is equal to the growth in global industrial production (IP) plus 2% as published by CHR Economics, and 100% will vest if the compound growth in EPS is equal to or exceeds the growth in global IP plus 8% (changing to IP plus 7% from the 2023 grant onwards); there is pro rata vesting for actual growth between these rates.

The final 20% of the award compares greenhouse gas intensity emission in the base year of the three-year performance period to the final year. Performance will be measured relative to £m of sales at base year prices to ensure that efficiency savings are not distorted by inflation. 18% will vest if there is 24% reduction in GHG intensity emission, and 100% will vest if there is a reduction in GHG intensity emissions equal to or exceeding 31%; there is pro rata vesting for actual reduction between these rates.

Shares awarded under the Performance Share Plan have been valued using the Monte Carlo simulation valuation methodology. The relevant disclosures in respect of the Performance Share Plan grants are set out below.

| | 2019 Grant | 2020 Grant | 2021 Grant | 2022 Grant | **2023 Grant** |
|---|---|---|---|---|---|
| Grant date | 15th May | 12th March | 4th May | 14th March | **13th March** |
| Mid-market share price at grant date | 8,161.0p | 7,775.0p | 11,770.0p | 11,910.0p | **10,880p** |
| Number of employees | 133 | 104 | 106 | 108 | **138** |
| Shares under scheme | 112,159 | 140,934 | 89,806 | 92,951 | **145,505** |
| Vesting period | 3 years | 3 years | 3 years | 3 years | **3 years** |
| Probability of vesting | 74.1% | 74.3% | 73.9% | 76.1% | **81.2%** |
| Fair value | 6,048.9p | 5,779.2p | 8,698.0p | 9,057.6p | **8,829.1p** |

### Employee Share Ownership Plan

UK employees are eligible to participate in the Employee Share Ownership Plan (ESOP). The aim of the ESOP is to encourage increased shareholding in the Company by all UK employees and so there are no performance conditions. Employees are invited to join the ESOP when an offer is made each year. Individuals save for 12 months during the accumulation period and subscribe for shares at the lower of the price at the beginning and the end of the accumulation period under HMRC rules. The Company provides a matching share for each share purchased by the individual.

Shares issued under the ESOP have been measured using the Present Economic Value (PEV) valuation methodology. The relevant disclosures in respect of the Employee Share Ownership Plans are set out below.

| | 2019 Grant | 2020 Grant | 2021 Grant | 2022 Grant | **2023 Grant** |
|---|---|---|---|---|---|
| Grant date | 1st October | 1st October | 1st October | 1st October | **1st October** |
| Exercise price | 7,835.0p | 11,102.0p | 15,043.3p | 10,348.3p | **9,413p** |
| Number of employees | 1,318 | 1,373 | 1,400 | 1,671 | **1,644** |
| Shares under scheme | 16,820 | 12,480 | 9,429 | 16,832 | **19,256** |
| Vesting period | 3 years | 3 years | 3 years | 3 years | **3 years** |
| Expected volatility | 21% | 25% | 26.5% | 28.7% | **26.5%** |
| Risk-free interest rate | 0.5% | 0.1% | 0.2% | 4.0% | **4.9%** |
| Expected dividend yield | 1.8% | 1.5% | 1.0% | 1.0% | **1.2%** |
| Fair value | 8,305.1p | 11,956.9p | 16,382.2p | 11,579.7p | **10,486.4p** |

The accumulation period for the 2023 ESOP ends in September 2024; therefore, some figures are projections.

## 23 Analysis of changes in net debt, including changes in liabilities arising from financing activities

### 2023

| | 1st January 2023 £m | Cash flow £m | Acquired debt* £m | Exchange movement £m | 31st December 2023 £m |
|---|---|---|---|---|---|
| Current portion of long-term borrowings | **(202.9)** | | | | **(3.6)** |
| Non-current portion of long-term borrowings | **(731.3)** | | | | **(875.9)** |
| **Total borrowings** | **(934.2)** | | | | **(879.5)** |
| Lease liabilities | **(65.2)** | **16.1** | **(49.9)** | **2.3** | **(96.7)** |
| Borrowings | **(934.2)** | **28.3** | **—** | **26.4** | **(879.5)** |
| **Changes in liabilities arising from financing** | **(999.4)** | **44.4** | **(49.9)** | **28.7** | **(976.2)** |
| Cash at bank | **328.9** | **46.5** | **—** | **(15.7)** | **359.7** |
| Bank overdrafts | **(85.1)** | **(62.8)** | **—** | **1.0** | **(146.9)** |
| **Net cash and cash equivalents** | **243.8** | **(16.3)** | **—** | **(14.7)** | **212.8** |
| **Net debt and lease liability** | **(755.6)** | **28.1** | **(49.9)** | **14.0** | **(763.4)** |
| **Net debt excluding lease liability** | **(690.4)** | **12.0** | **—** | **11.7** | **(666.7)** |

* Debt acquired includes both debt acquired due to acquisition, and debt recognised on the balance sheet due to entry into new leases and disposals of existing leases

The net cashflow from borrowings of £28.3m consists of £192.8m of new borrowings and £221.1m of repaid borrowings.

During the year £46.9m of interest on external borrowings (2022: £14.0m) was incurred and paid.

At 31st December 2023 total lease liabilities consist of £14.5m (2022: £14.1m) short-term and £82.2m (2022: £51.1m) long-term.

See Note 27 for further information on net debt and lease liabilities.

### 2022

| | 1st January 2022 £m | Cash flow £m | Acquired debt* £m | Disposal of subsidiaries £m | Exchange movement £m | 31st December 2022 £m |
|---|---|---|---|---|---|---|
| Current portion of long-term borrowings | (59.6) | | | | | (202.9) |
| Non-current portion of long-term borrowings | (289.9) | | | | | (731.3) |
| **Total borrowings** | (349.5) | | | | | (934.2) |
| Lease liabilities | (60.1) | 12.9 | (15.2) | — | (2.8) | (65.2) |
| Borrowings | (349.5) | (497.7) | (67.0) | — | (20.0) | (934.2) |
| **Changes in liabilities arising from financing** | (409.6) | (484.8) | (82.2) | — | (22.8) | (999.4) |
| Cash at bank | 274.6 | 46.3 | — | (2.8) | 10.8 | 328.9 |
| Bank overdrafts | (55.6) | (26.7) | — | — | (2.8) | (85.1) |
| **Net cash and cash equivalents** | 219.0 | 19.6 | — | (2.8) | 8.0 | 243.8 |
| **Net debt and lease liability** | (190.6) | (465.2) | (82.2) | (2.8) | (14.8) | (755.6) |
| **Net debt excluding lease liability** | (130.5) | (478.1) | (67.0) | (2.8) | (12.0) | (690.4) |

* Debt acquired includes both debt acquired due to acquisition, and debt recognised on the balance sheet due to entry into new leases

## 24 Related party transactions

Transactions with Directors are disclosed separately in Note 7 and are shown in the Annual Report on Remuneration 2023 on pages 162 to 174.

There were no other related party transactions in either 2022 or 2023.

# Notes to the Consolidated Financial Statements continued

## 25 Purchase of businesses

The provisional fair value accounting is shown below:

### 2023

During the period the Group acquired distributors resulting in a total cash outflow of £5.2m and creating acquired intangibles of £3.6m. No other subsidiaries were acquired during 2023.

Additionally, during the period the fair value of the assets acquired as part of the acquisition of Vulcanic (and its related companies) as well as Durex Industries were reassessed. The outcome of this reassessment was an immaterial decrease in goodwill for Durex Industries and an offsetting immaterial increase in goodwill for Vulcanic.

### 2022

| | Cotopaxi fair value £m | Vulcanic fair value £m | Durex Industries fair value £m | Total £m |
|---|---|---|---|---|
| Non-current assets: | | | | |
| Property, plant and equipment | — | 15.8 | 14.9 | 30.7 |
| Right-of-use assets | — | 4.1 | — | 4.1 |
| Acquired intangibles | 2.8 | 115.6 | 126.2 | 244.6 |
| Software and other intangibles | — | 0.5 | — | 0.5 |
| Deferred tax assets | — | 2.9 | 0.5 | 3.4 |
| | 2.8 | 138.9 | 141.6 | 283.3 |
| Current assets: | | | | |
| Inventories | — | 17.4 | 7.3 | 24.7 |
| Trade receivables | 0.8 | 24.5 | 9.5 | 34.8 |
| Other receivables | 0.4 | 3.5 | 1.2 | 5.1 |
| Cash and cash equivalents | 0.6 | 10.3 | 14.8 | 25.7 |
| | 1.8 | 55.7 | 32.8 | 90.3 |
| **Total assets** | 4.6 | 194.6 | 174.4 | 373.6 |
| Current liabilities: | | | | |
| Trade payables | 0.1 | 7.5 | 1.1 | 8.7 |
| Other payables, accruals and provisions | 0.6 | 15.9 | 7.0 | 23.5 |
| Short-term lease liabilities | — | 1.1 | — | 1.1 |
| | 0.7 | 24.5 | 8.1 | 33.3 |
| Non-current liabilities: | | | | |
| Long-term borrowings | — | 67.0 | — | 67.0 |
| Long-term payables | — | 3.7 | — | 3.7 |
| Long-term lease liabilities | — | 3.0 | — | 3.0 |
| Deferred tax liabilities | 0.6 | 33.4 | 0.1 | 34.1 |
| Non-current provisions | — | 4.6 | 0.1 | 4.7 |
| Post-retirement benefit plans | — | 1.1 | — | 1.1 |
| | 0.6 | 112.8 | 0.2 | 113.6 |
| **Total liabilities** | 1.3 | 137.3 | 8.3 | 146.9 |
| Total net assets | 3.3 | 57.3 | 166.1 | 226.7 |
| Goodwill | 10.0 | 119.2 | 130.1 | 259.3 |
| **Total** | 13.3 | 176.5 | 296.2 | 486.0 |
| **Satisfied by:** | | | | |
| Cash paid | 13.3 | 176.5 | 296.2 | 486.0 |
| **Total consideration** | 13.3 | 176.5 | 296.2 | 486.0 |
| Cash outflow for acquired businesses in the Statement of Cash Flows: | | | | |
| Cash paid for businesses acquired in the period and debt repaid | 13.3 | 243.5 | 296.2 | 553.0 |
| Debt repaid | — | (67.0) | — | (67.0) |
| Cash paid for businesses acquired in the period | 13.3 | 176.5 | 296.2 | 486.0 |
| Less cash acquired | (0.6) | (10.3) | (14.8) | (25.7) |
| **Net cash outflow** | 12.7 | 166.2 | 281.4 | 460.3 |

## 25 Purchase of businesses continued

### 2022 continued

1. On a debt-free cash-free basis the cash outflow for acquisitions was £535.5m consisting of £486.0m paid to the vendors, £67.0m of debt acquired and repaid and £8.2m of acquisition costs less cash acquired of £25.7m.
2. The acquisitions of 100% of Vulcanic (completed on 29th September 2022 for consideration of €200.8m or £176.5m), 100% of Durex Industries (completed on 30th November 2022 for consideration of US$357.1m or £296.2m) and 100% of Cotopaxi Limited (completed on 30th January 2022 for consideration of £13.3m) have all been accounted for under the acquisition method. The separately identified intangibles of all three acquisitions are recorded as part of the provisional fair value adjustment. The acquired intangibles relate to brand names and trademarks, manufacturing designs and core technology and customer relationships. The goodwill recognised represents the skilled workforce acquired and the opportunity to achieve synergies from being part of a larger Group.
3. Vulcanic is a European leader in industrial process heating solutions and is highly complementary to Chromalox within our ETS Business. As the lead brands within ETS for electric process heating, Chromalox and Vulcanic will support the effective deployment of our industry-leading decarbonisation solutions alongside Steam Thermal Solutions. Goodwill arising on the acquisition of Vulcanic is not expected to be tax deductible. Following completion of the acquisition, Vulcanic generated €34.8m (£29.7m) of revenue and €8.3m (£7.1m) of adjusted pre-tax profit. Had the acquisition been made on 1st January 2022, Vulcanic revenue and adjusted pre-tax profit would have been approximately €111.9m (£95.5m) and €21.1m (£18.0m) respectively.
4. Durex Industries, located in Illinois (USA), is a specialist in custom electric thermal solutions for ultra-high criticality industrial equipment and is highly complementary to Thermocoax within our ETS Business. Together, Thermocoax and Durex Industries are well positioned to capitalise on the growing demand for increasingly stringent thermal energy requirements in high technology equipment within market sectors with high barriers to entry. Goodwill arising on the acquisition of Durex Industries is expected to be tax deductible in the USA. Following completion of the acquisition, Durex Industries generated US$5.6m (£4.5m) of revenue and US$1.2m (£1.0m) of adjusted pre-tax profit. Had the acquisition been made on 1st January 2022, Durex Industries revenue and adjusted pre-tax profit would have been approximately US$81.3m (£65.5m) and US$26.4m (£21.3m) respectively.
5. Cotopaxi Limited is a UK-based digitally enabled global energy consulting and optimisation company, which will enable Steam Thermal Solutions to digitally enhance its customer bonding through the provision of physical and digital connections to customers' infrastructure and equipment. Goodwill arising on the acquisition of Cotopaxi is not expected to be tax deductible. Following completion of the acquisition, Cotopaxi generated £2.9m of revenue and £0.5m of pre-tax profit. Had the acquisition been made on 1st January 2022, Cotopaxi revenue and pre-tax profit would not have been materially different from the figure disclosed.

## 26 Disposal of subsidiary

### 2023

No subsidiaries were disposed of during 2023.

### 2022

The loss on disposal of subsidiaries relates wholly to the disposal of 100% of Spirax Sarco Russia and Watson-Marlow Russia on 6th July 2022.

The consideration amounted to £nil which resulted in a loss on disposal for Spirax Sarco Russia of £2.2m and for Watson-Marlow Russia of £1.7m, including £0.1m of legal fees, and cumulative currency translation losses recycled to the Consolidated Income Statement of £3.2m. £2.8m of cash and cash equivalents were disposed of as part of the transaction.

These disposals did not meet the definition of a discontinued operation given in IFRS 5 Non-current Assets Held for Sale and Discontinued Operations and, therefore, no disclosures in relation to discontinued operations have been made.

# Notes to the Consolidated Financial Statements continued

## 27 Derivatives and other financial instruments

The Group does not enter into significant derivative transactions. The Group's principal financial instruments comprise borrowings, cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations. It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are credit risk, interest rate risk, liquidity risk and foreign currency risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

### Credit risk

The Group sells products and services to customers around the world and its customer base is extremely varied in size and industry sector. The Group operates credit control policies to assess customers' credit ratings and provides for any debt that is identified as non-collectable.

### Interest rate risk

The Group's policy is to hold a mixture of fixed and floating rate debt. When new debt facilities are entered into, the Group assesses if this should be fixed or floating depending on the specific circumstances at the time. In addition the Group aims to achieve a spread of maturity dates in order to avoid the concentration of funding requirements at any one time. The ratio of fixed to floating rate debt and debt maturity profile is kept under review by the Chief Financial Officer in conjunction with the Board.

### Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of overdrafts, loans, facilities and leases as appropriate.

### Capital management

The Group's objective is to ensure support of the Group's operations and maximise shareholder value. The Group uses cash generated from operations to invest organically or to finance acquisitions. The capital structure comprises debt and borrowings (see Note 23), cash and cash equivalents (see Note 23) and equity as disclosed in the Consolidated Statement of Changes in Equity.

The Group is not subject to externally imposed capital requirements, other than financial covenant requirements on external borrowing.

### Foreign currency risk

The Group has operations around the world and therefore its Consolidated Statement of Financial Position can be affected significantly by movements in the rate of exchange between sterling and various other currencies particularly the US dollar and euro. The Group seeks to mitigate the effect of this structural currency exposure by borrowing in these currencies where appropriate while maintaining a low cost of debt. In addition the Group employs net investment hedge accounting where appropriate to mitigate these exposures, with such hedges being designated in both 2023 and 2022. The gain on net investment hedges during 2023 included in the Consolidated Statement of Comprehensive Income was £8.3m (2022: £15.4m loss). This is included within translation reserves in the Consolidated Statement of Changes in Equity (see Note 20).

The Group also has transactional currency exposures principally as a result of trading between Group companies. Such exposures arise from sales or purchases by an operating unit in currencies other than the unit's functional currency. The Group operates a programme to manage this risk on a Group-wide net basis, through the entering into of both forward contracts and non-deliverable forward contracts with a range of bank counterparties.

### Fair values of financial assets and financial liabilities

Fair values of financial assets and liabilities at 31st December 2023 are not materially different from book values due to their size or the fact that they were at short-term rates of interest. Fair values have been assessed as follows:

- **Derivatives**
  Forward exchange contracts are marked to market by discounting the future contracted cash flows using readily available market data.
- **Interest-bearing loans and borrowings**
  Fair value is calculated based on discounted expected future principal and interest cash flows.
- **Lease liabilities**
  The fair value is estimated as the present value of future cash flows, discounted at the incremental borrowing rate for the related geographical location unless the rate implicit in the lease is readily determinable.
- **Trade and other receivables/payables**
  For receivables/payables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value.

## 27 Derivatives and other financial instruments continued

### Fair values of financial assets and financial liabilities continued

The following table compares amounts and fair values of the Group's financial assets and liabilities:

| | **2023 Carrying value £m** | **2023 Fair value £m** | 2022 Carrying value £m | 2022 Fair value £m |
|---|---|---|---|---|
| Financial assets: | | | | |
| Cash and cash equivalents | **359.7** | **359.7** | 328.9 | 328.9 |
| Trade, other receivables and contract assets | **346.3** | **346.3** | 395.2 | 395.2 |
| **Total financial assets** | **706.0** | **706.0** | 724.1 | 724.1 |

| | **2023 Carrying value £m** | **2023 Fair value £m** | 2022 Carrying value £m | 2022 Fair value £m |
|---|---|---|---|---|
| Financial liabilities: | | | | |
| Borrowings | **879.5** | **888.5** | 934.2 | 918.1 |
| Lease liabilities | **96.7** | **96.7** | 65.2 | 65.2 |
| Bank overdrafts | **146.9** | **146.9** | 85.1 | 85.1 |
| Trade payables | **79.2** | **79.2** | 89.9 | 89.9 |
| Other payables and contract liabilities | **67.3** | **67.3** | 70.5 | 70.5 |
| Long-term payables | **11.4** | **11.4** | 8.8 | 8.8 |
| Accruals | **95.2** | **95.2** | 113.2 | 113.2 |
| **Total financial liabilities** | **1,376.2** | **1,385.2** | 1,366.9 | 1,350.8 |

There are no other assets or liabilities measured at fair value on a recurring or non-recurring basis for which fair value is disclosed.

Derivative financial instruments are measured at fair value. Fair value of derivative financial instruments is calculated based on discounted cash flow analysis using appropriate market information for the duration of the instruments.

### Financial instruments fair value disclosure

Fair value measurements are classified into three levels, depending on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices in active markets for identical assets and liabilities
- Level 2 fair value measurements are those derived from other observable inputs for the asset or liability
- Level 3 fair value measurements are those derived from valuation techniques using inputs that are not based on observable market data

With the exception of the Group's private placement borrowings, there were no significant differences between the carrying value and the fair value of the Group's financial assets and liabilities. The fair value of private placement borrowings is estimated by discounting the future contracted cash flows using readily available market data and represents a Level 2 measurement in the fair value hierarchy.

We consider that the derivative financial instruments also fall into Level 2.

### Interest rate risk profile of financial liabilities

The interest rate profile of the financial liabilities of the Group as at 31st December was as follows:

| **2023** | **Total £m** | **Fixed rate financial liabilities £m** | **Floating rate financial liabilities £m** | **Financial liabilities on which no interest is paid £m** |
|---|---|---|---|---|
| Euro | **758.8** | **628.8** | **66.7** | **63.3** |
| US dollar | **363.2** | **310.7** | **1.8** | **50.7** |
| Sterling | **149.0** | **20.7** | **90.1** | **38.2** |
| Renminbi | **39.5** | **5.1** | **—** | **34.4** |
| Other | **65.7** | **16.2** | **1.2** | **48.3** |
| **Group total** | **1,376.2** | **981.5** | **159.8** | **234.9** |

# Notes to the Consolidated Financial Statements continued

## 27 Derivatives and other financial instruments continued

### Interest rate risk profile of financial liabilities continued

| **2022** | Total £m | Fixed rate financial liabilities £m | Floating rate financial liabilities £m | Financial liabilities on which no interest is paid £m |
|---|---|---|---|---|
| Euro | 762.9 | 642.2 | 44.9 | 75.8 |
| US dollar | 341.9 | 283.6 | 3.0 | 55.3 |
| Sterling | 107.3 | 21.0 | 36.3 | 50.0 |
| Renminbi | 46.3 | 2.0 | — | 44.3 |
| Other | 108.5 | 18.3 | 36.1 | 54.1 |
| **Group total** | 1,366.9 | 967.1 | 120.3 | 279.5 |

### Terms and debt repayment schedule

The terms and conditions of outstanding borrowings were as follows:

| | Currency | Nominal interest rate | Year of maturity | **2023 Carrying value £m** | 2022 Carrying value £m |
|---|---|---|---|---|---|
| Unsecured private placement – €225.0m | € | 1.1% | 2023 | **—** | 202.0 |
| Unsecured private placement – $185.0m | $ | 5.3% | 2028 | **145.3** | 152.9 |
| Unsecured bank facility – $150.0m | $ | 6.8% | 2025 | **117.8** | 124.0 |
| Unsecured private placement – €140.0m | € | 3.9% | 2027 | **124.7** | 123.9 |
| Unsecured private placement – €125.0m | € | 4.2% | 2029 | **108.4** | 110.6 |
| Unsecured private placement – €120.0m | € | 2.4% | 2026 | **104.4** | 106.2 |
| Unsecured private placement – €110.0m | € | 4.4% | 2030 | **95.4** | — |
| Unsecured bank facility – €90.0m | € | 4.7% | 2026 | **78.0** | — |
| Unsecured bank facility | € | 4.6% | 2029 | **95.5** | 79.6 |
| Unsecured bank facility | £ | 5.6% | 2024 | **81.7** | 39.3 |
| Unsecured bank facility | € | 3.9% | 2024 | **64.4** | 38.5 |
| Unsecured bank facility | £ | 5.9% | 2029 | **10.0** | 35.0 |
| Unsecured bank facility | € | 0.0% | 2023 | **—** | 5.2 |
| Unsecured bank facility | € | 3.9% | 2024 | **0.5** | 2.0 |
| Unsecured bank facility | € | 3.9% | 2024 | **0.2** | 0.1 |
| Unsecured bank facility | $ | 5.2% | 2024 | **0.1** | — |
| **Total outstanding borrowings** | | | | **1,026.4** | 1,019.3 |

In 2023, the Group refinanced the €225m unsecured private placement, refinancing consisted of a bank term loan of €90m and a unsecured private placement of €110m. In 2022, New private placement borrowings of €265.0m (£234.6m) and US$185.0m (£149.8m) along with a term loan of US$150.0m (£124.4m) all relate to the funding of acquisitions made during the year.

The weighted average interest rate paid during the year was 4.6% (2022: 3.3%).

## 27 Derivatives and other financial instruments continued

### Interest rate risk profile of financial assets

The interest rate profile of the financial assets of the Group as at 31st December was as follows:

| **2023** | **Total £m** | **Fixed rate financial assets £m** | **Floating rate financial assets £m** | **Financial assets on which no interest is earned £m** |
|---|---|---|---|---|
| Euro | **211.6** | **7.9** | **76.5** | **127.2** |
| US dollar | **193.5** | **1.1** | **1.7** | **190.7** |
| Sterling | **41.8** | **0.1** | **16.4** | **25.3** |
| Renminbi | **67.6** | **2.8** | **23.4** | **41.4** |
| Other | **191.5** | **11.3** | **41.4** | **138.8** |
| **Group total** | **706.0** | **23.2** | **159.4** | **523.4** |

| **2022** | Total £m | Fixed rate financial assets £m | Floating rate financial assets £m | Financial assets on which no interest is earned £m |
|---|---|---|---|---|
| Euro | 205.8 | 0.2 | 62.2 | 143.4 |
| US dollar | 186.3 | 0.8 | 36.4 | 149.1 |
| Sterling | 49.5 | 0.1 | 19.6 | 29.8 |
| Renminbi | 92.4 | 6.4 | 41.1 | 44.9 |
| Other | 190.1 | 8.6 | 22.7 | 158.8 |
| Group total | 724.1 | 16.1 | 182.0 | 526.0 |

Financial assets on which no interest is earned comprise trade and other receivables and cash at bank. Floating and fixed rate financial assets comprise cash at bank or cash placed on deposit.

### Currency exposures

As explained on page 234, the Group's objectives in managing the currency exposures arising from its net investment overseas (in other words, its structural currency exposures) are to maintain a low cost of debt while partially hedging against currency depreciation. All gains and losses arising from these structural currency exposures are recognised in the Consolidated Statement of Comprehensive Income. In addition the Group employs net investment hedge accounting in order to mitigate these impacts where appropriate.

Transactional (or non-structural) exposures give rise to net currency gains and losses that are recognised in the Consolidated Income Statement. Such exposures include the monetary assets and monetary liabilities in the Consolidated Statement of Financial Position that are not denominated in the operating (or functional) currency of the operating unit involved. At 31st December 2023 the currency exposure in respect of the euro was a net monetary liability of £69.2m (2022: £280.8m net monetary liability) and in respect of the US dollar a net monetary liability of £254.2m (2022: £225.0m net monetary liability).

At 31st December 2023, the percentage of debt to net assets, excluding debt, was 56% (2022: 53%) for the euro and 8% (2022: 7%) for the US dollar.

### Maturity of financial liabilities

The Group's financial liabilities at 31st December mature in the following periods:

| **2023** | **Trade, other payables, accruals and contract liabilities £m** | **Overdrafts £m** | **Lease liabilities £m** | **Long-term borrowings** | **Total £m** |
|---|---|---|---|---|---|
| In six months or less, or on demand | **233.4** | **146.9** | **9.6** | **2.7** | **392.6** |
| In more than six months but no more than twelve | **9.0** | **—** | **9.1** | **1.2** | **19.3** |
| In more than one year but no more than two | **2.1** | **—** | **16.3** | **119.8** | **138.2** |
| In more than two years but no more than three | **6.2** | **—** | **13.8** | **183.4** | **203.4** |
| In more than three years but no more than four | **1.5** | **—** | **11.2** | **122.9** | **135.6** |
| In more than four years but no more than five | **0.2** | **—** | **7.9** | **145.3** | **153.4** |
| In more than five years | **0.7** | **—** | **56.4** | **310.0** | **367.1** |
| **Total contractual cash flows** | **253.1** | **146.9** | **124.3** | **885.3** | **1,409.6** |
| **Statement of Financial Position values** | **253.1** | **146.9** | **96.7** | **879.5** | **1,376.2** |

# Notes to the Consolidated Financial Statements continued

## 27 Derivatives and other financial instruments continued

### Maturity of financial liabilities continued

| 2022 | Trade, other payables and contract liabilities £m | Overdrafts £m | Lease liabilities £m | Long-term borrowings | Total £m |
|---|---|---|---|---|---|
| In six months or less, or on demand | 271.0 | 85.1 | 7.9 | 37.3 | 401.3 |
| In more than six months but no more than twelve | 6.8 | — | 7.0 | 201.4 | 215.2 |
| In more than one year but no more than two | 1.7 | — | 10.9 | 84.2 | 96.8 |
| In more than two years but no more than three | 1.3 | — | 7.7 | 147.0 | 156.0 |
| In more than three years but no more than four | 0.8 | — | 5.6 | 107.5 | 113.9 |
| In more than four years but no more than five | — | — | 4.2 | 341.5 | 345.7 |
| In more than five years | 0.8 | — | 28.1 | 142.6 | 171.5 |
| **Total contractual cash flows** | 282.4 | 85.1 | 71.4 | 1,061.5 | 1,500.4 |
| **Statement of Financial Position values** | 282.4 | 85.1 | 65.2 | 934.2 | 1,366.9 |

The Group did not employ any supply chain or similar forms of financing during 2023 or 2022.

### Cash flow hedges

The Group uses forward currency contracts to manage its exposure to movements in foreign exchange rates. The forward contracts are designated as hedging instruments in a cash flow hedging relationship. At 31st December 2023 the Group had contracts outstanding to economically hedge or to purchase £18.6m (2022: £38.9m) and €16.1m (2022: €12.9m) with US dollars, £67.6m (2022: £70.4m) with euros, £24m (2022: £20.3m) and €8.8m (2022: €8.4m) with Chinese renminbi, £8.5m (2022: £10.6m) and €3.4m (2022: €3.4m) with Korean won, £3.7m (2022: £2.5m) with Singapore dollars and DKK8.2m (2022: DKK54.2m) with euros. The fair values at the end of the reporting period were a asset of £1.8m (2022: £3.7m liability), included within trade and other payables on the Consolidated Statement of Financial Position. The fair value of cash flow hedges falls into the Level 2 category of the fair value hierarchy in accordance with IFRS 13. The fair value of derivative financial instruments is estimated by discounting the future contracted cash flow using readily available market data.

The contractual cash flows on forward currency contracts at the reporting date are shown below, classified by maturity. The cash flows shown are on a gross basis and are not discounted.

| 2023 | **Less than 6 months £m** | **6 to 12 months £m** | **More than 12 months £m** | **Total £m** |
|---|---|---|---|---|
| **Contracted cash in/(out):** | | | | |
| Sterling | **54.9** | **67.5** | **—** | **122.4** |
| Euro | **(20.5)** | **(22.3)** | **—** | **(42.8)** |
| US dollar | **(13.6)** | **(18.8)** | **—** | **(32.4)** |
| Other | **(19.6)** | **(24.9)** | **—** | **(44.5)** |
| **Total contractual cash flows** | **1.2** | **1.5** | **—** | **2.7** |

| 2022 | Less than 6 months £m | 6 to 12 months £m | More than 12 months £m | Total £m |
|---|---|---|---|---|
| **Contracted cash in/(out):** | | | | |
| Sterling | 72.8 | 70.0 | — | 142.8 |
| Euro | (30.4) | (26.2) | — | (56.6) |
| US dollar | (23.7) | (27.9) | — | (51.6) |
| Other | (22.8) | (20.8) | — | (43.6) |
| **Total contractual cash flows** | (4.1) | (4.9) | — | (9.0) |

It is anticipated that the cash flows will take place at the same time as the corresponding forward contract matures. At this time the amount deferred in equity will be reclassified to profit or loss.

All forecast transactions which have been subject to hedge accounting during the year have occurred or are still expected to occur.

A gain on derivative financial instruments of £5.0m (2022: £3.5m loss) was recognised in other comprehensive income during the period.

As at 31st December 2023 no ineffectiveness has been recognised in profit or loss arising from hedging foreign currency transactions.

## 27 Derivatives and other financial instruments continued

### Borrowing facilities

The Group has various borrowing facilities available to it. The undrawn committed facilities available at 31st December in respect of which all conditions precedent had been met at that date were as follows:

| | **2023<br>£m** | 2022<br>£m |
|---|---|---|
| Expiring in one year or less | **—** | — |
| Expiring in more than one year but no more than two years | **—** | — |
| Expiring in more than two years but no more than three years | **—** | — |
| Expiring in more than three years | **294.5** | 285.4 |
| **Total Group undrawn committed facilities** | **294.5** | 285.4 |

At 31st December 2023, the Group had available £294.5m (2022: £285.4m) of undrawn committed borrowing facilities in respect of its £400.0m (2022: £400.0m) pound sterling revolving credit facility, of which all conditions precedent had been met. This facility expires on 13th April 2029.

### Sensitivity analysis

In managing interest rate and currency risks, the Group aims to reduce the impact of short-term fluctuations on the Group's earnings. Over the longer term, however, permanent changes in foreign exchange and interest rates would have an impact on consolidated earnings. At the year end borrowings totalled £1,026.4m (2022: £1,019.3m). At 31st December 2023, it is estimated that a general increase of one percentage point in interest rates would decrease the Group's profit after tax and equity by approximately £2.3m (2022: £1.7m).

For the year ended 31st December 2023, it is estimated that a decrease of five percentage points in the value of sterling weighted in relation to the Group's profit and trading flows would have decreased the Group's profit before tax by approximately £18.5m (2022: increased by £17.0m). The effect can be very different between years due to the weighting of different currency movements. Forward exchange contracts have been included in this calculation.

### The credit risk profile of trade receivables

The ageing of trade receivables at the reporting date was:

| | **Gross<br>2023<br>£m** | **Impairment<br>2023<br>£m** | **Net<br>2023<br>£m** | Gross<br>2022<br>£m | Impairment<br>2022<br>£m | Net<br>2022<br>£m |
|---|---|---|---|---|---|---|
| Not past due date | **236.6** | **(1.0)** | **235.6** | 236.2 | (1.8) | 234.4 |
| 0–30 days past due date | **35.0** | **(0.2)** | **34.8** | 48.8 | (0.1) | 48.7 |
| 31–90 days past due date | **17.3** | **(0.1)** | **17.2** | 29.0 | (0.1) | 28.9 |
| 91 days to one year past due date | **13.9** | **(1.7)** | **12.2** | 26.9 | (1.3) | 25.6 |
| More than one year | **7.3** | **(7.3)** | **—** | 13.9 | (10.4) | 3.5 |
| **Group total** | **310.1** | **(10.3)** | **299.8** | 354.8 | (13.7) | 341.1 |

Other than those disclosed above no other impairment losses on receivables and contract assets arising from contracts with customers have been recognised. Other than trade receivables there are no financial assets that are past their due date at 31st December 2023.

Payment terms across the Group vary depending on the geographic location of each operating company. Payment is typically due between 20 and 90 days after the invoice is issued.

All contracts with customers do not contain a significant financing component.

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

| | **2023<br>£m** | 2022<br>£m |
|---|---|---|
| Balance at 1st January | **13.7** | 12.9 |
| Additional impairment | **3.0** | 1.0 |
| Amounts written off as uncollectable | **(0.4)** | (0.3) |
| Amounts recovered | **(0.4)** | (0.6) |
| Impairment losses reversed | **(5.1)** | (0.3) |
| Exchange differences | **(0.5)** | 1.0 |
| **Balance at 31st December** | **10.3** | 13.7 |

# Appendix

## In this section

# Appendix: Alternative performance measures

The Group reports under International Financial Reporting Standards (IFRS) and also uses alternative performance measures where the Board believes that they help to effectively monitor the performance of the Group and users of the Financial Statements might find them informative. Certain alternative performance measures also form a meaningful element of Executive Directors' variable remuneration. Please see the Annual Report on Remuneration 2023 on pages 162 to 174 for further detail. A definition of the alternative performance measures and a reconciliation to the closest IFRS equivalent are disclosed below. The term 'adjusted' is not defined under IFRS and may therefore not be comparable with similarly titled measures reported by other companies. Adjusted performance measures are not considered to be a substitute for, or superior to, IFRS measures.

## Adjusted operating profit

Adjusted operating profit excludes items that are considered to be significant in nature and/or quantum at either a Group or an operating segment level and where treatment as an adjusted item provides all our stakeholders with additional useful information to assess the period-on-period trading performance of the Group. The Group excludes such items including those defined as follows:

- Amortisation and impairment of acquisition-related intangible assets
- Costs associated with the acquisition or disposal of businesses
- Gain or loss on disposal of a subsidiary and/or disposal groups
- Reversal of acquisition-related fair value adjustments to inventory
- Changes in deferred and contingent consideration payable on acquisitions
- Costs associated with a material restructuring programme
- Material gains or losses on disposal of property
- Accelerated depreciation, impairment and other related costs on non-recurring, material property redevelopments
- Material non-recurring pension costs or credits
- Costs or credits arising from regulatory and litigation matters
- Other material items which are considered to be non-recurring in nature and/or are not a result of the underlying trading of the business
- Related tax effect on adjusting items above and other tax items which do not form part of the underlying tax rate

A reconciliation between operating profit as reported under IFRS and adjusted operating profit is given below.

| | **2023 £m** | 2022 £m |
|---|---|---|
| **Operating profit as reported under IFRS** | **284.4** | 318.8 |
| Amortisation of acquisition-related intangible assets | **37.2** | 23.7 |
| Significant software related impairment | **13.9** | — |
| Acquisition-related items | **5.7** | 9.1 |
| Restructuring costs | **5.2** | 15.5 |
| Asset related impairment | **1.8** | — |
| Reversal of acquisition-related fair value adjustments to inventory | **1.3** | 1.8 |
| Disposal of associate | **(0.4)** | — |
| Disposal of subsidiaries in Russia | **—** | 7.1 |
| Accelerated depreciation and other related costs on one-off property redevelopments | **—** | 4.2 |
| **Total adjusting items** | **64.7** | 61.4 |
| **Adjusted operating profit** | **349.1** | 380.2 |

# Appendix: Alternative performance measures continued

## Adjusted earnings per share

| | 2023 | 2022 |
|---|---|---|
| **Profit for the year attributable to equity holders as reported under IFRS (£m)** | **183.6** | 224.7 |
| Items excluded from adjusted profit (£m) | **64.7** | 62.5 |
| Tax effects on adjusted items (£m) | **(18.3)** | (9.4) |
| **Adjusted profit for the year attributable to equity holders (£m)** | **230.0** | 277.8 |
| Weighted average shares (million) | **73.6** | 73.6 |
| **Basic adjusted earnings per share** | **312.4p** | 377.2p |
| Diluted weighted average shares (million) | **73.8** | 73.8 |
| **Diluted adjusted earnings per share** | **311.8p** | 376.3p |

Basic adjusted earnings per share are defined as adjusted profit for the period attributable to equity holders divided by the weighted average number of shares. Diluted adjusted earnings per share are defined as adjusted profit for the period attributable to equity holders divided by the diluted weighted average number of shares. Basic and diluted EPS calculated on an IFRS profit basis are included in Note 9.

## Dividend cover

The Group monitors dividend cover to ensure this remains within the Group's expected range. Dividend cover is calculated as adjusted earnings per share divided by dividends per share.

## Adjusted cash flow

A reconciliation showing the items that bridge between net cash from operating activities as reported under IFRS to an adjusted basis is given below. Adjusted cash from operations is used by the Board to monitor the performance of the Group, with a focus on elements of cash flow, such as net capital expenditure, which are subject to day-to-day control by the business.

| | 2023 £m | 2022 £m |
|---|---|---|
| **Net cash from operating activities as reported under IFRS** | **298.6** | 241.1 |
| Restructuring and acquisition-related costs | **10.8** | 10.2 |
| Net capital expenditure excluding acquired intangibles from acquisitions | **(102.3)** | (113.5) |
| Income tax paid | **90.7** | 90.0 |
| Repayments of principal under lease liabilities | **(16.1)** | (12.9) |
| **Adjusted cash from operations** | **281.7** | 214.9 |

Adjusted cash conversion in 2023 is 81% (2022: 57%). Cash conversion is calculated as adjusted cash from operations divided by adjusted operating profit. The adjusted cash flow is included in the Financial Review on page 40. The impact of adjustments to operating profit as reported under IFRS of £64.7m (2022: £61.4m) on net change in cash and cash equivalents is a total outflow of £5.6m (2022: £13.5m). Included within cash generated from operations is acquisition-related items of £0.8m and restructuring costs of £5.2m. Included within net cash used in investing activities is profit on disposal of businesses of £0.4m.

## Cash generation

Cash generation is one of the Group's key performance indicators used by the Board to monitor the performance of the Group and measure the successful implementation of our strategy. It is one of two financial measures on which Executive Directors' variable remuneration is based.

Cash generation is calculated as adjusted operating profit after adding back depreciation and amortisation, less cash payments to pension schemes in excess of the charge to operating profit, equity settled share plans, net capital expenditure excluding acquired intangibles, working capital changes and repayment of principal under lease liabilities. Cash generation is equivalent to adjusted cash from operations, a reconciliation between this and net cash from operating activities as reported under IFRS is shown in the table above.

## Return on invested capital (ROIC) and return on capital employed (ROCE)

The Group distinguishes between invested capital and capital employed when calculating return on capital. Invested capital represents the total capital invested in the business and is equal to total equity plus net debt and therefore includes the impact of acquisitions and disposals. Capital employed is invested capital less certain non-current assets and non-current liabilities and therefore reflects capital that is more operational in nature. Both of these return metrics are used to ensure a full assessment of business performance.

## Return on invested capital (ROIC)

ROIC measures the post-tax return on the total capital invested in the Group. It is calculated as adjusted operating profit after tax divided by average invested capital. Average invested capital is defined as the average of the closing balance at the current and prior year end. Taxation is calculated as adjusted operating profit multiplied by the adjusted effective tax rate.

An analysis of the components is as follows:

| | **2023 £m** | 2022 £m |
|---|---|---|
| Total equity | **1,157.7** | 1,169.8 |
| Net debt including lease liabilities | **763.4** | 755.6 |
| **Total invested capital** | **1,921.1** | 1,925.4 |
| **Average invested capital** | **1,923.2** | 1,563.0 |
| **Average invested capital (excluding acquisitions, disposals and leases)** | **1,336.4** | 1,263.8 |
| Operating profit as reported under IFRS | **284.4** | 318.8 |
| Adjustments (see adjusted operating profit) | **64.7** | 61.4 |
| Adjusted operating profit | **349.1** | 380.2 |
| Taxation | **(89.0)** | (94.9) |
| **Adjusted operating profit after tax** | **260.1** | 285.3 |
| **Adjusted operating profit after tax (excluding acquisitions, disposals and leases)** | **236.7** | 277.6 |
| **Return on invested capital** | **13.5%** | 18.3% |
| **Return on invested capital (excluding acquisitions, disposals and leases)** | **17.7%** | 22.0% |

## Return on capital employed (ROCE)

ROCE measures effective management of fixed assets and working capital relative to the profitability of the Group. It is calculated as adjusted operating profit divided by average capital employed. Average capital employed is defined as the average of the closing balance at the current and prior year end. More information on ROCE can be found in the Capital Employed and ROCE sections of the Financial Review on pages 39 and 40.

An analysis of the components is as follows:

| | **2023 £m** | 2022 £m |
|---|---|---|
| Property, plant and equipment | **415.1** | 384.5 |
| Right-of-use assets | **98.4** | 67.2 |
| Software and development costs | **42.3** | 44.5 |
| Prepayments | **1.9** | 2.0 |
| Inventories | **285.2** | 290.0 |
| Trade receivables | **299.8** | 341.1 |
| Other current assets | **71.4** | 79.6 |
| Tax recoverable | **13.6** | 19.0 |
| Trade, other payables and current provisions | **(260.7)** | (295.0) |
| Current tax payable | **(28.3)** | (40.4) |
| **Capital employed** | **938.7** | 892.5 |
| **Average capital employed** | **915.6** | 775.9 |
| **Average capital employed (excluding acquisitions, disposals and leases)** | **772.4** | 677.5 |
| Operating profit | **284.4** | 318.8 |
| Adjustments (see adjusted operating profit on page 241) | **64.7** | 61.4 |
| **Adjusted operating profit** | **349.1** | 380.2 |
| **Adjusted operating profit (excluding acquisitions, disposals and leases)** | **317.7** | 369.9 |
| **Return on capital employed** | **38.1%** | 49.0% |
| **Return on capital employed (excluding acquisitions, disposals and leases)** | **41.1%** | 54.6% |

# Appendix: Alternative performance measures continued

## Return on capital employed (ROCE) continued

A reconciliation of capital employed to net assets as reported under IFRS and disclosed in the Consolidated Statement of Financial Position is given below.

| | 2023<br>£m | 2022<br>£m |
|---|---|---|
| **Capital employed** | **938.7** | 892.5 |
| Goodwill and acquired intangibles | **1,087.0** | 1,159.1 |
| Investment in associate | **3.0** | — |
| Post-retirement benefits | **(51.4)** | (52.1) |
| Net deferred tax | **(37.2)** | (59.1) |
| Non-current provisions and long-term payables | **(19.0)** | (15.0) |
| Lease liabilities | **(96.7)** | (65.2) |
| Net debt | **(666.7)** | (690.4) |
| **Net assets as reported under IFRS** | **1,157.7** | 1,169.8 |

## Net debt including lease liabilities

A reconciliation between net debt and net debt including lease liabilities is given below. A breakdown of the balances that are included within net debt is given within Note 23. Net debt excludes lease liabilities to be consistent with how net debt is defined for external debt covenant purposes, as well as to enable comparability with prior years.

| | 2023<br>£m | 2022<br>£m |
|---|---|---|
| **Net debt** | **666.7** | 690.4 |
| Lease liabilities | **96.7** | 65.2 |
| **Net debt and lease liabilities** | **763.4** | 755.6 |

## Net debt to earnings before interest, tax, depreciation and amortisation (EBITDA)

To assess the size of the net debt balance relative to the size of the earnings for the Group, we analyse net debt as a proportion of EBITDA. EBITDA is calculated by adding back depreciation and amortisation of owned property, plant and equipment, software and development and the 12 month proforma EBITDA impact of acquisitions and disposals to adjusted operating profit. Net debt is calculated as cash and cash equivalents less bank overdrafts and external borrowings (excluding lease liabilities). The net debt to EBITDA ratio is calculated as follows:

| | 2023<br>£m | 2022<br>£m |
|---|---|---|
| **Adjusted operating profit** | **349.1** | 380.2 |
| Depreciation and amortisation of property, plant and equipment, software and development | **44.2** | 37.4 |
| Acquisitions and disposals proforma basis (EBITDA) | **—** | 33.7 |
| **Earnings before interest, tax, depreciation and amortisation** | **393.3** | 451.3 |
| Net debt | **666.7** | 690.4 |
| **Net debt to EBITDA** | **1.7** | 1.5 |

The components of net debt are disclosed in Note 23.

## Organic measures

As we are a multi-national Group of companies, who trade in a large number of currencies and also acquire and sometimes dispose of companies, we also refer to organic performance measures throughout the Annual Report. These strip out the effects of the movement in exchange rates and of acquisitions and disposals. The Board believe that this allows users of the accounts to gain a further understanding of how the Group has performed. Exchange translation movements are assessed by re-translating prior period reported values to current period exchange rates. Exchange transaction impacts on operating profit are assessed on the basis of transactions being at constant currency between years.

The incremental impact of any acquisitions that occurred in either the current period or prior period is excluded from the organic results of the current period at current period exchange rates. For any disposals that occurred in the current or prior period, the current period organic results include the difference between the current and prior period financial results only for the like-for-like period of ownership.

The organic percentage movement is calculated as the organic movement divided by the prior period at current period exchange rates, excluding disposals for the non-like-for-like period of ownership. The organic bps change in adjusted operating margin is the difference between the current period margin, excluding the incremental impact of acquisitions, and the prior period margin excluding disposals for the non-like-for-like period of ownership at current period exchange rates.

## **Organic measures** continued

A reconciliation of the movement in revenue and adjusted operating profit compared to the prior period is given below.

| | 2022<br>£m | Exchange<br>£m | Organic<br>£m | Acquisitions and disposals[1]<br>£m | **2023**<br>**£m** | **Organic** | **Reported** |
|---|---|---|---|---|---|---|---|
| Revenue | 1,610.6 | (27.2) | (16.0) | 115.2 | **1,682.6** | **-1%** | **+4%** |
| Adjusted operating profit | 380.2 | (7.1) | (45.9) | 21.9 | **349.1** | **-12%** | **-8%** |
| Adjusted operating margin | 23.6% | | | | **20.7%** | **-270 bps** | **-290 bps** |

[1] Results include the impact of (i) the acquisition of Vulcanic and Durex Industries and (ii) the treatment of our Russian operating companies as disposals from the date at which the Group suspended all trading with and within Russia.

The term 'sales' is used interchangeably with 'revenue' when describing the financial performance of the business. Drop through is calculated as the organic increase in adjusted operating profit divided by the organic increase in revenue. The reconciliation for each segment is included in the Strategic Report.

## Proforma Revenue

Due to the disposal of our Russian operating companies and the acquisitions of Cotopaxi Limited, Vulcanic and Durex Industries, our reported financial results for 2022 only include the impact of these operations for the period of ownership by the Group. The table below reconciles between statutory revenue as reported within the Consolidated Income Statement, and the 2022 proforma revenue had all acquisition and disposal transactions occurred on 1st January 2022. This allows users of the accounts to compare 2023 revenue to 2022 revenue on a like-for-like basis.

| | Revenue (statutory)<br>£m | Proforma adjustments*<br>£m | Revenue (proforma)<br>£m | Proportion of Group |
|---|---|---|---|---|
| Steam Thermal Solutions | 866.0 | (1.2) | 864.8 | 50% |
| Electric Thermal Solutions | 256.1 | 126.8 | 382.9 | 22% |
| Watson-Marlow | 488.5 | (1.9) | 486.6 | 28% |
| **Total** | 1,610.6 | 123.7 | 1,734.3 | |

* Includes the 2022 pre-acquisition financial results of Cotopaxi Limited, Vulcanic and Durex Industries, and the removal of the 2022 statutory results of our Russian operating companies disposed

## Analysis by operating segment

### 2023

| | **Revenue**<br>**£m** | **Adjusted operating profit**<br>**£m** | **Adjusted operating margin**<br>**%** |
|---|---|---|---|
| Steam Thermal Solutions | **910.1** | **224.0** | **24.6%** |
| Electric Thermal Solutions | **378.5** | **59.2** | **15.6%** |
| Watson-Marlow | **394.0** | **93.7** | **23.8%** |
| Corporate | **—** | **(27.8)** | |
| **Total** | **1,682.6** | **349.1** | **20.7%** |
| Net financing expense | | **(39.9)** | |
| Share of (loss)/profit of Associate | | **—** | |
| **Profit before tax** | | **309.2** | |

### 2022

| | Revenue<br>£m | Adjusted operating profit<br>£m | Adjusted operating margin<br>% |
|---|---|---|---|
| Steam Thermal Solutions | 866.0 | 206.1 | 23.8% |
| Electric Thermal Solutions | 256.1 | 39.9 | 15.6% |
| Watson-Marlow | 488.5 | 160.0 | 32.8% |
| Corporate | — | (25.8) | |
| **Total** | 1,610.6 | 380.2 | 23.6% |
| Net financing expense | | (9.6) | |
| Share of (loss)/profit of Associate | | — | |
| **Profit before tax** | | 370.6 | |

# Appendix: Alternative performance measures continued

## Operating costs

| | 2023 Adjusted £m | 2023 Adjustments £m | 2023 Total £m | 2022 Adjusted £m | 2022 Adjustments £m | 2022 Total £m |
|---|---|---|---|---|---|---|
| Cost of inventories recognised as an expense | **401.2** | **1.3** | **402.5** | 381.2 | 3.9 | 385.1 |
| Staff costs (Note 4) | **630.4** | **—** | **630.4** | 570.3 | — | 570.3 |
| Depreciation, amortisation and impairment | **60.4** | **52.3** | **112.7** | 50.9 | 30.1 | 81.0 |
| Other operating charges | **241.5** | **11.1** | **252.6** | 228.0 | 27.4 | 255.4 |
| **Total operating costs** | **1,333.5** | **64.7** | **1,398.2** | 1,230.4 | 61.4 | 1,291.8 |

Total cost of inventories recognised as an expense includes the reversal of acquisition-related fair value adjustments to inventory £1.3m (2022: £1.8m) and in the previous period the write down of inventory resulting from the closure of Chromalox's manufacturing operations in Soissons (France) of £2.1m.

Total depreciation, amortisation and impairment includes amortisation of acquisition-related intangible assets of £37.2m (2022: £23.7m), an impairment of software related assets of £13.9m and an impairment of assets within Watson-Marlow as a result of the restructure in the business of £1.8m as well as profit on the sale of the Chromalox's manufacturing operations in Soissons of £0.6m which had been fully impaired in the prior year. In the previous period it included accelerated depreciation on one-off property redevelopments of £3.9m and impairment charges resulting from the closure of Chromalox's manufacturing operations in Soissons (France) of £2.5m.

Total other operating charges include restructuring costs of £7.5m in Watson-Marlow to right-size manufacturing capacity as well as a credit of £1.7m for the release of restructuring costs booked in the previous period for the closure of Chromalox's manufacturing operations in Soissons (France) (2022: £10.9m). Total operating charges also include acquisition-related items of £5.7m (2022: £9.1m) relating to the acquisition of Vulcanic and Gestra Malaysia and profits on the disposal of Econotherms (UK) Ltd, an associate investment, of £0.4m. In the previous period, other operating charges included cost of £7.1m relating to the disposal of subsidiaries in Russia and costs of £0.3m on one-off property redevelopments. Operating costs include exchange difference gains of £1.8m (2022: £5.1m).

The reconciliation for each operating segment for adjusting items is analysed below:

### 2023

| | Amortisation of acquisition-related intangible assets £m | Reversal of acquisition-related fair value adjustments to inventory £m | Restructuring costs £m | Acquisition related items £m | Disposal of associate £m | Impairments £m | Total £m |
|---|---|---|---|---|---|---|---|
| Steam Thermal Solutions | **(4.5)** | **—** | **—** | **(0.4)** | **—** | **(13.9)** | **(18.8)** |
| Electric Thermal Solutions | **(29.5)** | **(1.3)** | **2.3** | **(4.9)** | **—** | **—** | **(33.4)** |
| Watson-Marlow | **(3.2)** | **—** | **(7.5)** | **—** | **—** | **(1.8)** | **(12.5)** |
| Corporate | **—** | **—** | **—** | **(0.4)** | **0.4** | **—** | **—** |
| **Total** | **(37.2)** | **(1.3)** | **(5.2)** | **(5.7)** | **0.4** | **(15.7)** | **(64.7)** |

Electric Thermal Solutions restructuring costs credit of £2.3m is made up of a £1.7m release of restructuring costs booked in the previous period and £0.6m in relation to the sale of a previously fully impaired asset.

### 2022

| | Amortisation of acquisition-related intangible assets £m | Reversal of acquisition-related fair value adjustments to inventory £m | Disposal of subsidiaries in Russia £m | Restructuring costs £m | Acquisition-related items £m | Accelerated depreciation and other related costs on one-off property redevelopments £m | Total £m |
|---|---|---|---|---|---|---|---|
| Steam Thermal Solutions | (4.6) | — | (5.3) | — | — | — | (9.9) |
| Electric Thermal Solutions | (15.3) | (1.8) | — | (15.5) | — | — | (32.6) |
| Watson-Marlow | (3.8) | — | (1.8) | — | — | — | (5.6) |
| Corporate | — | — | — | — | (9.1) | (4.2) | (13.3) |
| **Total** | (23.7) | (1.8) | (7.1) | (15.5) | (9.1) | (4.2) | (61.4) |

## Tax on adjusting items

| | 2023 Adjusted £m | 2023 Adjustments £m | 2023 Total £m | 2022 Adjusted £m | 2022 Adjustments £m | 2022 Total £m |
|---|---|---|---|---|---|---|
| **Analysis of charge in year** | | | | | | |
| UK corporation tax: | | | | | | |
| Current tax on income for the year | **9.4** | **—** | **9.4** | 7.3 | (0.2) | 7.1 |
| Adjustments in respect of prior years | **(0.1)** | **—** | **(0.1)** | (0.7) | — | (0.7) |
| | **9.3** | **—** | **9.3** | 6.6 | (0.2) | 6.4 |
| Foreign tax: | | | | | | |
| Current tax on income for the year | **81.4** | **(6.1)** | **75.3** | 89.4 | (0.8) | 88.6 |
| Adjustments in respect of prior years | **(0.7)** | **—** | **(0.7)** | (1.3) | — | (1.3) |
| | **80.7** | **(6.1)** | **74.6** | 88.1 | (0.8) | 87.3 |
| Total current tax (credit)/charge | **90.0** | **(6.1)** | **83.9** | 94.7 | (1.0) | 93.7 |
| UK deferred tax: | | | | | | |
| Origination and reversal of timing differences | **(6.5)** | **(4.9)** | **(11.4)** | 0.3 | (0.7) | (0.4) |
| Adjustment in respect of prior years | **(0.4)** | **1.1** | **0.7** | (0.7) | — | (0.7) |
| | **(6.9)** | **(3.8)** | **(10.7)** | (0.4) | (0.7) | (1.1) |
| Foreign deferred tax: | | | | | | |
| Origination and reversal of timing differences | **(4.7)** | **(3.9)** | **(8.6)** | (2.2) | (9.7) | (11.9) |
| Adjustment in respect of prior years | **0.4** | **(4.5)** | **(4.1)** | 0.4 | 2.0 | 2.4 |
| | **(4.3)** | **(8.4)** | **(12.7)** | (1.8) | (7.7) | (9.5) |
| Total deferred tax (credit)/charge | **(11.2)** | **(12.2)** | **(23.4)** | (2.2) | (8.4) | (10.6) |
| **Tax on profit on ordinary activities** | **78.8** | **(18.3)** | **60.5** | 92.5 | (9.4) | 83.1 |

## Reconciliation of effective tax rate

| | 2023 Adjusted £m | 2023 Adjustments £m | 2023 Total £m | 2022 Adjusted £m | 2022 Adjustments £m | 2022 Total £m |
|---|---|---|---|---|---|---|
| **Profit before tax and share of profit/(loss) of Associate** | **309.2** | **(64.7)** | **244.5** | 370.6 | (62.5) | 308.1 |
| Expected tax at blended rate | **80.5** | **(15.5)** | **65.0** | 93.0 | (14.3) | 78.7 |
| Increased withholding tax on overseas dividends | **7.6** | **—** | **7.6** | 6.2 | — | 6.2 |
| Non-deductible expenditure | **0.2** | **0.6** | **0.8** | 0.6 | 3.0 | 3.6 |
| Over provided in prior years | **(0.8)** | **(3.4)** | **(4.2)** | (2.3) | 2.0 | (0.3) |
| Other reconciling items | **(8.7)** | **—** | **(8.7)** | (5.0) | (0.1) | (5.1) |
| **Total tax in Consolidated Income Statement** | **78.8** | **(18.3)** | **60.5** | 92.5 | (9.4) | 83.1 |
| **Effective tax rate** | **25.5%** | **28.3%** | **24.7%** | 25.0% | 15.0% | 27.0% |

# Company Financial Statements

## In this section

# Company Statement of Financial Position

## at 31st December 2023

| | Notes | 2023<br>£m | 2022<br>£m |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 11 | **20.7** | 5.9 |
| Loans to subsidiaries | 3,9 | **104.0** | 106.2 |
| Investment in subsidiaries | 2 | **758.8** | 756.6 |
| Investment in Associate | 2 | **3.0** | — |
| Deferred tax assets | 6 | **8.2** | 10.5 |
| Post-retirement benefits | 7 | **5.5** | 3.9 |
| | | **900.2** | 883.1 |
| **Current assets** | | | |
| Loans to subsidiaries | 3,9 | **0.4** | 200.2 |
| Due from subsidiaries* | 9 | **68.5** | 67.7 |
| Other current assets | 4 | **7.8** | 3.8 |
| Cash and cash equivalents* | | **39.2** | 31.4 |
| | | **115.9** | 303.1 |
| **Total assets** | | **1,016.1** | 1,186.2 |
| **Equity and liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 5 | **5.8** | 10.6 |
| Due to subsidiaries* | 9 | **90.4** | 98.7 |
| Current portion of long-term borrowings* | 10 | **0.3** | 200.1 |
| Short-term borrowings* | | **81.8** | 39.3 |
| | | **178.3** | 348.7 |
| **Net current (liabilities)/assets** | | **(62.4)** | (45.6) |
| **Non-current liabilities** | | | |
| Long-term borrowings* | 10 | **112.5** | 141.2 |
| Deferred tax liabilities | 6 | **0.2** | 1.4 |
| Due to subsidiaries* | 9 | **7.0** | 3.2 |
| | | **119.7** | 145.8 |
| **Total liabilities** | | **298.0** | 494.5 |
| **Net assets** | | **718.1** | 691.7 |
| **Equity** | | | |
| Share capital | 8 | **19.8** | 19.8 |
| Share premium account | | **90.1** | 88.1 |
| Other reserves | 8 | **14.7** | 2.0 |
| Retained earnings | | **593.5** | 581.8 |
| **Total equity** | | **718.1** | 691.7 |
| **Total equity and liabilities** | | **1,016.1** | 1,186.2 |

* The prior period comparatives have been adjusted to reflect a reclassification to meet the presentational requirements of FRS101, with further detail given within Note 1. This had no impact on the net assets of the Company.

The loss before dividends received was £28.4m (2022: £30.6m). Dividends from subsidiary undertakings of £169.1m (2022: £72.4m) are excluded from this amount. Total profit recognised during the year was £140.7m (2022: £41.8m).

These Financial Statements of Spirax-Sarco Engineering plc, company number 00596337, were approved by the Board of Directors and authorised for issue on 6th March 2024 and signed on its behalf by:

**N.B. Patel**
Director

# Company Statement of Changes in Equity

for the year ended 31st December 2023

| | Share capital £m | Share premium account £m | Other reserves £m | Retained earnings £m | Total equity £m |
|---|---|---|---|---|---|
| **Balance at 1st January 2023** | **19.8** | **88.1** | **2.0** | **581.8** | **691.7** |
| Profit for the year | **—** | **—** | **—** | **140.7** | **140.7** |
| Other comprehensive income: | | | | | |
| Cash flow hedges net of tax* | **—** | **—** | **5.0** | **(0.9)** | **4.1** |
| Remeasurement gain on post-retirement benefits | **—** | **—** | **—** | **1.6** | **1.6** |
| Deferred tax on remeasurement gain on post-retirement benefits | **—** | **—** | **—** | **(0.4)** | **(0.4)** |
| **Total other comprehensive income for the year** | **—** | **—** | **5.0** | **0.3** | **5.3** |
| **Total comprehensive income for the year** | **—** | **—** | **5.0** | **141.0** | **146.0** |
| Contributions by and distributions to owners of the Company: | | | | | |
| Dividends paid | **—** | **—** | **—** | **(114.5)** | **(114.5)** |
| Equity settled share plans net of tax | **—** | **—** | **—** | **(14.8)** | **(14.8)** |
| Issue of share capital | **—** | **2.0** | **—** | **—** | **2.0** |
| Employee Benefit Trust shares | **—** | **—** | **5.5** | **—** | **5.5** |
| Investment in subsidiaries in relation to share options granted | **—** | **—** | **2.2** | **—** | **2.2** |
| **Balance at 31st December 2023** | **19.8** | **90.1** | **14.7** | **593.5** | **718.1** |

* During the year, there has been a reclassification in relation to prior year deferred tax on cash flow hedges of £0.9m

## For the year ended 31st December 2022

| | Share capital £m | Share premium account £m | Other reserves £m | Retained earnings £m | Total equity £m |
|---|---|---|---|---|---|
| **Balance at 1st January 2022** | 19.8 | 86.3 | 4.5 | 657.4 | 768.0 |
| Profit for the year | — | — | — | 41.8 | 41.8 |
| Other comprehensive income: | | | | | |
| Cash flow hedges net of tax | — | — | (3.5) | — | (3.5) |
| Remeasurement loss on post-retirement benefits | — | — | — | (1.3) | (1.3) |
| Deferred tax on remeasurement loss on post-retirement benefits | — | — | — | 0.3 | 0.3 |
| **Total other comprehensive income for the year** | — | — | (3.5) | (1.0) | (4.5) |
| **Total comprehensive income for the year** | — | — | (3.5) | 40.8 | 37.3 |
| Contributions by and distributions to owners of the Company: | | | | | |
| Dividends paid | — | — | — | (103.1) | (103.1) |
| Equity settled share plans net of tax | — | — | — | (13.3) | (13.3) |
| Issue of share capital | — | 1.8 | — | — | 1.8 |
| Employee Benefit Trust shares | — | — | (2.2) | — | (2.2) |
| Investment in subsidiaries in relation to share options granted | — | — | 3.2 | — | 3.2 |
| **Balance at 31st December 2022** | 19.8 | 88.1 | 2.0 | 581.8 | 691.7 |

Other reserves represent the Company's share-based payments, capital redemption and Employee Benefit Trust reserves (see Note 8).

The Notes on pages 251 to 256 form an integral part of the Financial Statements.

# Notes to the Company Financial Statements

## 1 Accounting policies

The separate Financial Statements of the Company are presented as required by the Companies Act 2006. The Company meets the definition of a qualifying entity under FRS 100. Accordingly the Company has adopted FRS 101 Reduced Disclosure Framework. As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payments, financial instruments and the presentation of a Cash Flow Statement. Where relevant, equivalent disclosures have been given in the Consolidated Financial Statements.

Under Section 408 of the Companies Act 2006, the Company is exempt from the requirement to present its own Income Statement. As permitted by the audit fee disclosure regulations, disclosure of non-audit fees information is not included in respect of the Company.

The Company's accounting policies are the same as those set out in Note 1 of the Consolidated Financial Statements, except as noted below.

The Directors have concluded that no critical judgements or key sources of estimation uncertainty have been made in the process of applying the Company's accounting policies.

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment.

Loans to or from other Group undertakings and all other payables and receivables are initially recorded at fair value, which is generally the proceeds received. They are then subsequently carried at amortised cost.

### Reclassification of prior period balances

The Company participates in a number of Group cash pooling arrangements. Historically the sterling zero balance account pool, for which the Company holds the header account, has been incorrectly disclosed net within cash and cash equivalents and short-term borrowings in the Statement of Financial Position. The correct classification under FRS101 is to present the header account within cash and cash equivalents or short-term borrowings, with the accounts relating to subsidiaries being shown within amounts due to or from subsidiaries. As a result, for presentational purposes, amounts have been reclassified in the comparative year with the impact being an increase to cash & cash equivalents of £10.9m, a decrease in short-term borrowings of £10.5m, an increase in amounts due from subsidiaries of £50.3m and an increase in amounts due to subsidiaries of £71.7m.

Furthermore, a reclassification of £98.7m from non-current liabilities to current liabilities has been made to reflect that cash pool related liabilities are due within 12 months. The prior year Revolving Credit Facility (RCF) balance of £35.0m has also been reclassified from the current portion of long-term borrowings to the non-current portion of long-term borrowings.

These changes had no impact on the net assets of the Company.

## 2 Investments in subsidiaries and associates

### 2a Investment in subsidiaries

| | **2023**<br>**£m** | 2022<br>£m |
|---|---|---|
| Cost: | | |
| At 1st January | **756.6** | 748.8 |
| Share options issued to subsidiary company employees | **2.2** | 3.2 |
| Disposals | **—** | (0.2) |
| Additions | **—** | 4.8 |
| **At 31st December** | **758.8** | 756.6 |

Investments are stated at cost less provisions for any impairment in value.

Details relating to subsidiary undertakings are given on pages 258 to 263. Except where stated, all classes of shares were 100% owned by the Group at 31st December 2023. The country of incorporation of the principal Group companies is the same as the country of operation with the exception of companies operating in the United Kingdom which are incorporated in Great Britain. All operate in steam, electrical thermal energy solutions, fluid path technologies or peristaltic pumping markets except those companies identified as a holding company on pages 258 to 263.

### 2b Investment in associates

On 4th July 2023 the Company invested in 15.0% of Kyoto Group AS (Kyoto) for total consideration of 41.1m NOK (£3.0m). On the same date the Company disposed of its 14.7% investment in Econotherm (UK) Ltd for consideration of £0.4m.

# Notes to the Company Financial Statements continued

## 3 Loans to subsidiaries

| | **2023<br>£m** | 2022<br>£m |
|---|---|---|
| Cost: | | |
| At 1st January | **306.4** | 291.0 |
| Advances | **—** | — |
| Interest | **3.9** | 4.7 |
| Repayments | **(200.3)** | (4.7) |
| Exchange adjustment | **(5.6)** | 15.4 |
| **At 31st December** | **104.4** | 306.4 |

The terms and conditions of loans to subsidiaries at 31st December 2023 were as follows:

| | **Currency** | **Nominal interest rate** | **Year of maturity** | **2023<br>£m** | 2022<br>£m |
|---|---|---|---|---|---|
| Spirax-Sarco Overseas Limited | € | 1.10% | 2023 | **—** | 199.8 |
| Spirax-Sarco Overseas Limited | € | 2.36% | 2026 | **104.4** | 106.6 |
| Total loans to subsidiaries | | | | **104.4** | 306.4 |
| Due within one year | | | | **0.4** | 200.2 |
| Due after more than one year | | | | **104.0** | 106.2 |

## 4 Other current assets

| | **2023<br>£m** | 2022<br>£m |
|---|---|---|
| Prepayments and accrued income | **7.8** | 3.8 |
| **Total other current assets** | **7.8** | 3.8 |

## 5 Trade and other payables

| | **2023<br>£m** | 2022<br>£m |
|---|---|---|
| Accruals | **5.8** | 10.6 |
| **Total trade and other payables** | **5.8** | 10.6 |

Trade and other payables are due within one year.

## 6 Deferred tax assets and liabilities

### Movement in deferred tax during the year 2023

| | **1st January 2023<br>£m** | **Recognised in income<br>£m** | **Recognised in OCI<br>£m** | **Recognised in equity<br>£m** | **31st December 2023<br>£m** |
|---|---|---|---|---|---|
| Other temporary differences | **10.5** | **0.2** | **(1.4)** | **—** | **9.3** |
| Pensions liability | **(1.4)** | **0.5** | **(0.4)** | **—** | **(1.3)** |
| **Company total** | **9.1** | **0.7** | **(1.8)** | **—** | **8.0** |

### Movement in deferred tax during the year 2022

| | 1st January 2022<br>£m | Recognised in income<br>£m | Recognised in OCI<br>£m | Recognised in equity<br>£m | 31st December 2022<br>£m |
|---|---|---|---|---|---|
| Other temporary differences asset | 0.1 | 9.5 | 0.9 | — | 10.5 |
| Pensions liability | (1.3) | 0.3 | (0.4) | — | (1.4) |
| **Company total** | (1.2) | 9.8 | 0.5 | — | 9.1 |

# 7 Employee benefits

## Pension plans

The Company is accounting for pension costs in accordance with International Accounting Standard 19.

The disclosures shown here are in respect of the Company's defined benefit obligations. Other plans operated by the Company were defined contribution plans.

The total expense relating to the Company's defined contribution pension plans in the current year was £1.2m (2022: £0.9m).

At 31st December 2023 the post-retirement mortality assumptions in respect of the Company defined benefit scheme follows 84%/87% (male/female) of SAPS S3 light,CMI 2021 future improvements, 1.25% long term trend, smoothing factor of 7, 0.25% initial addition and a w parameter of 10%. At 31st December 2022 the post-retirement mortality assumptions in respect of the Company defined benefit scheme follows 84%/87% (male/female) of SAPS S3 light, CMI 2021 projections with a long-term trend of 1.25% pa, and an initial additional parameter of 0.25% and w2020 parameter of 10%. These assumptions are regularly reviewed in light of scheme-specific experience and more widely available statistics.

The financial assumptions used at 31st December were:

| | Weighted average assumptions used to define the benefit obligations | |
|---|---|---|
| | **2023<br>%** | 2022<br>% |
| Rate of increase in pensions | **2.9%** | 2.9 |
| Rate of price inflation | **3.0%** | 3.2 |
| Discount rate | **4.5%** | 4.7 |

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions, which due to the timescale covered, may not necessarily be borne out in practice.

Fair value of scheme assets:

| | **2023<br>£m** | 2022<br>£m |
|---|---|---|
| Equities | **6.3** | 5.2 |
| Bonds | **17.1** | 22.7 |
| Other | **19.3** | 14.6 |
| **Total market value in aggregate** | **42.7** | 42.5 |

£27.6m (2022: £32.5m) of scheme assets have a quoted market price in an active market.

The actual return on plan assets was a gain of £3.2m (2022: a loss of £15.0m).

The amounts recognised in the Company Statement of Financial Position are determined as follows:

| | **2023<br>£m** | 2022<br>£m |
|---|---|---|
| Fair value of scheme's assets | **42.7** | 42.5 |
| Present value of funded scheme's liabilities | **(37.2)** | (38.6) |
| Retirement benefit asset recognised in the Statement of Financial Position | **5.5** | 3.9 |
| Related deferred tax | **(1.3)** | (1.4) |
| **Net pension asset** | **4.2** | 2.5 |

The movements in the defined benefit obligation (DBO) recognised in the Statement of Financial Position during the year were:

| | **2023<br>£m** | 2022<br>£m |
|---|---|---|
| Defined benefit obligation at beginning of year | **(38.6)** | (55.2) |
| Interest cost | **(1.7)** | (1.0) |
| Remeasurement gain/(loss) | **0.3** | 14.9 |
| Actual benefit payments | **2.8** | 2.7 |
| **Defined benefit obligation at end of year** | **(37.2)** | (38.6) |

# Notes to the Company Financial Statements continued

## 7 Employee benefits continued

### **Pension plans** continued

The movements in the fair value of plan assets during the year were:

| | **2023**<br>**£m** | 2022<br>£m |
|---|---|---|
| Value of assets at beginning of year | **42.5** | 60.3 |
| Expected return on assets | **1.9** | 1.1 |
| Remeasurement gain/(loss) | **1.3** | (16.1) |
| Administration costs | **(0.2)** | (0.1) |
| Actual benefit payments | **(2.8)** | (2.7) |
| **Value of assets at end of year** | **42.7** | 42.5 |

The estimated employer contributions to be made in 2024 are £nil.

The history of experience adjustments is as follows:

| | **2023**<br>**£m** | 2022<br>£m | 2021<br>£m | 2020<br>£m | 2019<br>£m |
|---|---|---|---|---|---|
| Defined benefit obligation at end of year | **(37.2)** | (38.6) | (55.2) | (55.2) | (53.9) |
| Fair value of scheme's assets | **42.7** | 42.5 | 60.3 | 60.8 | 59.5 |
| Retirement benefit recognised in the Statement of Financial Position | **5.5** | 3.9 | 5.1 | 5.6 | 5.6 |
| Experience adjustment on scheme's liabilities | **0.1** | 0.9 | 3.5 | (5.0) | — |
| As a percentage of scheme's liabilities | **0.3%** | 2.3% | 6.3% | 9.1% | 0.0% |
| Experience adjustment on scheme's assets | **1.3** | (16.1) | 2.4 | 2.6 | 4.1 |
| As a percentage of scheme's assets | **3.0%** | 37.9% | 4.0% | 4.3% | 6.9% |

The expense recognised in the Company Income Statement was as follows:

| | **2023**<br>**£m** | 2022<br>£m |
|---|---|---|
| Current service and administration cost | **(0.2)** | (0.1) |
| Net interest on scheme's assets and liabilities | **0.2** | 0.1 |
| **Total expense recognised in Income Statement** | **—** | — |

Statement of Comprehensive Income (OCI):

| | **2023**<br>**£m** | 2022<br>£m |
|---|---|---|
| Remeasurement effects recognised in OCI: | | |
| Due to experience on DBO | **(0.1)** | (0.9) |
| Due to demographic assumption changes in DBO | **1.0** | 0.5 |
| Due to financial assumption changes in DBO | **(0.6)** | 15.3 |
| Return on assets | **1.3** | (16.1) |
| Total remeasurement gain/(loss) recognised in OCI | **1.6** | (1.2) |
| Deferred tax on remeasurement amount recognised in OCI | **(0.4)** | 0.3 |
| Cumulative loss recognised in OCI at beginning of year | **(11.5)** | (10.6) |
| **Cumulative loss recognised in OCI at end of year** | **(10.3)** | (11.5) |

### Sensitivity analysis

The effect on the defined benefit obligation at 31st December 2023 of an increase or decrease in key assumptions is as follows:

| **Increase/(decrease) in pension defined benefit obligation** | **£m** |
|---|---|
| Discount rate assumption being 1.00% higher | **(2.8)** |
| Discount rate assumption being 1.00% lower | **3.0** |
| Inflation assumption being 1.00% higher | **2.0** |
| Inflation assumption being 1.00% lower | **(1.9)** |
| Mortality assumption life expectancy at age 65 being one year higher | **1.1** |

### Share-based payments

Disclosures of the share-based payments offered to employees of the Company are set out below. The description and operation of each scheme is the same as outlined in the Group disclosure.

## 7 Employee benefits continued

### Performance Share Plan

The relevant disclosures in respect of the Performance Share Plan grants are set out below.

| | 2019 Grant | 2020 Grant | 2021 Grant | 2022 Grant | **2023 Grant** |
|---|---|---|---|---|---|
| Grant date | 15th May | 12th March | 4th May | 14th March | **13th March** |
| Mid-market share price at grant date | 8,161.0p | 7,775.0p | 11,770.0p | 11,910.0p | **10,880.0p** |
| Number of employees | 12 | 19 | 15 | 13 | **15** |
| Shares under scheme | 60,626 | 82,607 | 45,815 | 42,573 | **52,259** |
| Vesting period | 3 years | 3 years | 3 years | 3 years | **3 years** |
| Probability of vesting | 74.1% | 74.3% | 73.9% | 76.1% | **81.2%** |
| Fair value | 6,048.9p | 5,779.2p | 8,698.0p | 9,057.6p | **8,829.1p** |

## 8 Called-up share capital and reserves

| | **2023 £m** | 2022 £m |
|---|---|---|
| Ordinary shares of 26 12/13p (2022: 26 12/13p) each | | |
| Authorised 111,428,571 (2022: 111,428,571) | **30.0** | 30.0 |
| Allotted, called up and fully paid 73,776,048 (2022: 73,776,048) | **19.8** | 19.8 |

35,794 shares with a nominal value of £9,637 were issued in connection with the Group's Employee Share Schemes for a consideration of £2.0m received by the Company. In 2023 the Parent Company purchased 114,000 shares representing 0.15% of called-up share capital with a nominal value of £30,692 for a consideration of £12,749,424. The shares were placed in an Employee Benefit Trust (EBT) to be used in connection with the Group's Employee Share Scheme. At 31st December 2023 139,907 shares were held in an Employee Benefit Trust and available for use in connection with the Group's Employee Share Schemes. 15 senior employees of the Company have been granted options on ordinary shares under the Share Option Scheme and Performance Share Plan (details in Note 7).

Other reserves in the Company Statement of Changes in Equity on page 250 are made up as follows:

| | **1st January 2023 £m** | **Change in year £m** | **31st December 2023 £m** |
|---|---|---|---|
| Share-based payments reserve | **25.4** | **2.2** | **27.6** |
| Cash flow hedges reserve | **(3.7)** | **5.0** | **1.3** |
| Capital redemption reserve | **1.8** | **—** | **1.8** |
| Employee Benefit Trust reserve | **(21.5)** | **5.5** | **(16.0)** |
| **Total other reserves** | **2.0** | **12.7** | **14.7** |

### Share-based payments reserve

This reserve records the Company's share-based payment charge that is recognised in reserves.

### Cash flow hedges reserve

This reserve records the Company's cumulative net change in the fair value of forward exchange contracts where they are designated as effective cash flow hedge relationships

### Capital redemption reserve

This reserve records the historical repurchase of the Company's own shares.

# Notes to the Company Financial Statements continued

## 8 Called-up share capital and reserves continued

### Employee Benefit Trust reserve

The Company has an Employee Benefit Trust which is used to purchase, hold and issue shares in connection with the Group's Employee Share Schemes. The shares held in Trust are recorded in this separate reserve.

## 9 Related party transactions

| | **2023 £m** | 2022 £m |
|---|---|---|
| Dividends received from subsidiaries | **169.1** | 72.4 |
| Current loans due from subsidiaries at 31st December | **0.4** | 200.2 |
| Non-current loans due from subsidiaries at 31st December | **104.0** | 106.2 |
| Current amounts due from subsidiaries at 31st December | **68.5** | 67.7 |
| Current amounts due to subsidiaries at 31st December | **90.4** | 98.7 |
| Non-current amounts due to subsidiaries at 31st December | **7.0** | 3.2 |

## 10 Financial instruments

The terms and conditions of outstanding loans at 31st December 2023 are as follows:

| | **Currency** | **Nominal interest rate** | **Year of maturity** | **Carrying value £m** |
|---|---|---|---|---|
| Unsecured private placement – €120.0m | **€** | **2.4%** | **2026** | **104.3** |
| Revolving Credit Facility – Drawdown £10.0m | **£** | **5.9%** | **2028** | **8.5** |
| **Total outstanding loans** | | | | **112.8** |
| Current portion of long-term borrowings due before 31st December 2024 | | | | **0.3** |
| Long-term borrowings payable after 31st December 2024 | | | | **112.5** |
| **Total outstanding loans** | | | | **112.8** |

| | **Currency** | **Nominal interest rate** | **Year of maturity** | **Carrying value £m** |
|---|---|---|---|---|
| Unsecured private placement – €225.0m | € | **1.1%** | **2023** | **199.8** |
| Unsecured private placement – €120.0m | € | **2.4%** | **2026** | **106.5** |
| Revolving Credit Facility – Drawdown £35.0m | £ | **4.0%** | **2027** | **35.0** |
| **Total outstanding loans** | | | | **341.3** |
| Current portion of long-term borrowings due before 31st December 2023* | | | | **200.1** |
| Long-term borrowings payable after 31st December 2023* | | | | **141.2** |
| **Total outstanding loans** | | | | **341.3** |

* The prior period comparatives have been adjusted to reflect a reclassification, please see Note 1 for further details.

## 11 Other information

### Dividends

Dividends paid by the Company are disclosed in Note 10 of the Consolidated Financial Statements.

### Property, plant and equipment

The Company holds freehold property with a cost of £23.6m (2022: £7.1m), accumulated depreciation of £2.9m (2022: £1.2m) and a net book value of £20.7m (2022: £5.9m). Included within the net book value of £20.7m as at 31st December 2023 is an amount of £17.4m (2022: £3.9m) in relation to assets under construction for the Group Head Office building in Cheltenham (UK).

### Employees

The total number of employees of the Company at 31st December 2023 was 129 (2022: 117).

### Directors' remuneration

The remuneration of the Directors of the Company is shown in the Annual Report on Remuneration 2023 on pages 162 to 174.

### Auditor's remuneration

Auditor's remuneration in respect of the Company's annual audit has been disclosed on a consolidated basis in the Company's Consolidated Financial Statements as required by Section 494(4)(a) of the Companies Act 2006.

### Contingent liabilities and capital commitments

The Company has no contingent liabilities. Capital commitments of £3.9m exist at 31st December 2023 in respect of the completion of the Group Head Office building in Cheltenham (UK) (2022: £nil).

# Corporate Information

## In this section

# Our Global Operations

## Steam Thermal Solutions (formerly Steam Specialties) – EMEA

| Country/Territory | Company name | Registered office address |
|---|---|---|
| Belgium | Spirax Sarco NV | Industriepark 5, B-9052 Zwijnaarde, Belgium |
| Czech Republic | Spirax Sarco spol sro | Prazska 1455, 102 00 Praha, Hostivar, Czech Republic |
| Egypt | Spirax Sarco Egypt | 19 Farid Street, Heliopolis, Cairo, Egypt |
| | Spirax Sarco Energy Solutions LLC (H) | 19 Farid Street, Heliopolis, Cairo, Egypt |
| Finland | Spirax Oy | Niittytie 25 A 24, 01300 Vantaa, Helsinki, Finland |
| France | Spirax Sarco SAS | Zone Industrielle des Bruyères 8 Avenue le Verrier, 78190 Trappes, France |
| | Spirax-Sarco France HoldCo SAS (H) | 23 Route de Château-Thierry, 02200 Noyant-et-Aconin, Soissons, France |
| | Gestra France SAS | Zone Industrielle des Bruyères, 8 Avenue Le Verrier 78190 Trappes, France |
| | Spirax Sarco North & West Africa SAS | Zone Industrielle des Bruyères, 8 Avenue Le Verrier, 78190 Trappes, France |
| Germany | Spirax Sarco GmbH Regelapparate | Reichenaustr. 210, 78467 Konstanz, Germany |
| | Spirax-Sarco Germany Holdings GmbH (H) | Reichenaustr. 210, 78467, Konstanz, Germany |
| | Gestra AG | Muenchener Str. 77, 28215, Bremen, Germany |
| | Gestra HoldCo GmbH (H) | Muenchener Str. 77, 28215, Bremen, Germany |
| Hungary | Spirax-Sarco Kft | 1103 Budapest Koér utca 2/A, Hungary |
| Italy | Spirax Sarco Srl | Via Per Cinisello 18, 20834 Nova Milanese, Italy |
| | Italgestra Srl | Via Per Cinisello 18, 20834 Nova Milanese, Italy |
| Kenya | Spirax Sarco East Africa Limited | Clifton Park, Mombasa Road, Nairobi, Kenya |
| Morocco | Spirax Sarco Maghreb | Secteur 3, Lot 146, Rue Arfoud, Bureaux 5 et 6, commerce 2-12000 Temara, Morocco |
| Netherlands | Spirax-Sarco Netherlands BV | Industrieweg 130A, 3044 AT, Rotterdam, Netherlands |
| | Spirax-Sarco Engineering BV (H) | Industrieweg 130A, 3044 AT, Rotterdam, Netherlands |
| | Spirax-Sarco Investments BV (H) | Industrieweg 130A, 3044 AT, Rotterdam, Netherlands |
| | Spirax-Sarco Netherlands Holdings Coöperative WA (H) | Sluisstraat 7, 7491 GA Delden, Delden, Netherlands |
| Norway | Spirax Sarco AS | Vestvollveien 14A, N-2019 Skedsmokorset, Norway |
| Poland | Spirax Sarco Sp Zoo | Jutrzenki 98, 02-230, Warszawa, Poland |
| | Gestra Polonia Sp Zoo | ul Ku Ujściu 19, PL 80-172, Gdansk, Poland |
| Portugal | Spirax Sarco Equipamentos Ind Lda | Rua Quinta do Pinheiro, No 8 & 8A, 2794-058 Carnaxide, Portugal |
| | Gestra Portugal, Lda | Avenida Dr Antunes Guimaraes, Numero 1159, Porto 4100-082, Portugal |
| Romania | Spirax-Sarco SRL | 2-4 Traian Street, Cluj-Napoca Municipality, Cluj County, Romania |
| South Africa | Spirax Sarco Investments (Pty) Limited (H) | Corner Brine Avenue and Horn Street, Chloorkop Ext 23, Gauteng 1624, South Africa |
| | Spirax Sarco South Africa (Pty) Limited | Corner Brine Avenue and Horn Street, Chloorkop Ext 23, Gauteng 1624, South Africa |
| Spain | Spirax-Sarco SAU | C/ Sant Josep, 130 08980 Sant Feliu de Llobregat, Barcelona, Spain |
| | Spirax-Sarco Engineering SLU (H) | C/ Sant Josep, 130 08980 Sant Feliu de Llobregat, Barcelona, Spain |
| | Gestra Espanloa SA | Calle Luis Cabrera 86-88, 28002, Madrid, Spain |
| Sweden | Spirax Sarco AB | Evenemansgatan 40, 169 56 Solna, Sweden |
| Switzerland | Spirax Sarco AG | Gustav-Maurer-Strasse 9, 8702 Zollikon, Switzerland |
| Turkey | Spirax Sarco Valf Sanayi ve Ticaret A.S | Serifali Mevkii, Edep Sok No 27, 34775 Yukari Dudullu – Ümraniye, Istanbul, Turkey |
| United Arab Emirates | Spirax Sarco Trading LLC | 38-0, R338 Um Hurair Second, Dubai, United Arab Emirates |
| United Kingdom | Spirax-Sarco Limited* | Charlton House, Cirencester Road, Cheltenham, Gloucestershire GL53 8ER, United Kingdom |
| | Spirax-Sarco America Limited (H) | Charlton House, Cirencester Road, Cheltenham, Gloucestershire GL53 8ER, United Kingdom |
| | Spirax-Sarco America Investments Limited* (H) | Charlton House, Cirencester Road, Cheltenham, Gloucestershire GL53 8ER, United Kingdom |
| | Spirax-Sarco Investments Limited* (H) | Charlton House, Cirencester Road, Cheltenham, Gloucestershire GL53 8ER, United Kingdom |
| | Spirax-Sarco Overseas Limited* (H) | Charlton House, Cirencester Road, Cheltenham, Gloucestershire GL53 8ER, United Kingdom |
| | Gestra Holdings Limited* (H) | Charlton House, Cirencester Road, Cheltenham, Gloucestershire GL53 8ER, United Kingdom |
| | Gestra UK Limited | Charlton House, Cirencester Road, Cheltenham, Gloucestershire GL53 8ER, United Kingdom |
| | Cotopaxi Limited | Charlton House, Cirencester Road, Cheltenham, Gloucestershire GL53 8ER, United Kingdom |

## Steam Thermal Solutions – Asia Pacific

| Country/Territory | Company name | Registered office address |
|---|---|---|
| Australia | Spirax Sarco Pty Limited | 14 Forge St., Blacktown, NSW 2148, Australia |
| China | Cotopaxi Energy Technology Development (Beijing) Co. Ltd | Room 506, Unit 101 Floor 2-7, Building No. 1, 3 Chuangda Road, Chaoyang District, Beijing, China 100102 |
| | Spirax-Sarco Engineering (China) Limited | No 800 XinJun Ring Road, Pujiang Hi Tech Park, Shanghai, China |
| | Spirax Sarco Trading (Shanghai) Co Limited | No 800 XinJun Ring Road, Pujiang Hi Tech Park, Shanghai, China |
| | Gestra (Shanghai) Fluid Control Technology Co Limited | Room 333 3rd Floor of 4th Area Building 1, No.2001 North Yanggao Road China (Shanghai) Free Trade Pilot Zone, Shanghai, China |
| Hong Kong | Spirax Sarco Hong Kong Co Limited | Unit 1507, 15th Floor, Prosperity Center, 25 Chin Yip Street, Kwun Tong, Kowloon, Hong Kong |
| India | Spirax-Sarco India Private Limited | Plot No. 6, Central Avenue, Mahindra World City, Chengalpattu Taluk, Kancheepuram District 603004, India |
| Indonesia | PT Spirax Sarco Indonesia | Kawasan Infinia Park Blok C-99, Jl. Dr Sahardjo No. 45, Manggarai Tebet, Jakarta Selatan 12850, Indonesia |
| Japan | Spirax Sarco Godo Gaisha | 261-0025, 2-37 Hamada, Mihama-ku, Chiba, Japan |
| Malaysia | Gestra Steam Solutions Sdn Bhd | 18 Tidak Melebihi Baru Ditubuhkan, Malaysia |
| | Spirax Sarco Sdn Bhd | No 10, Temasya 18, Jalan Pelukis U1/46A, 40150 Shah Alam, Selangor, Malaysia |
| | Spirax Sarco Investment Limited (H) | 6th Floor, Akademi Etiqa, No23 Jalan Melaka, 50100 Kuala Lumpur, Malaysia |
| Myanmar | Spirax Sarco Limited | No.192, Kabar Aye Pagoda Road, Myanmar Centre – Tower 2, Unit.1218, Bahan Township, Yangon, Myanmar |
| New Zealand | Spirax Sarco Limited | 6 Nandina Avenue, East Tamaki, Auckland 2013, New Zealand |
| Philippines | Spirax-Sarco Philippines Inc | 2308 Natividad Building, Chino Roces Avenue Extension, Makati City, Philippines |
| Singapore | Spirax Sarco Pte Limited | 21 Changi South Avenue 2, #01-01 Singapore 486630, Singapore |
| | Spirax-Sarco APAC Investments Pte Limited | 21 Changi South Avenue 2, #01-01 Singapore 486630, Singapore |
| | Gestra Singapore Pte Limited | 21 Changi South Avenue 2, #01-01 Singapore 486630, Singapore |
| South Korea | Spirax Sarco Korea Limited | Steam People House, 99 Sadangro 30gil, Dongjak-gu, Seoul, Republic of Korea |
| Taiwan | Spirax Sarco Co Limited | 6F-3, No. 12, Lane 270, Sec. 3, Pei Shen Road, Shen Keng District, New Taipei City 22205, Taiwan |
| Thailand | Spirax Sarco (Thailand) Limited | 38 Krungthepkreeta Road, Khlong Song Ton Nun, Lat Krabang, Bangkok 10520, Thailand |
| Vietnam | Spirax Sarco Vietnam Co Limited | 4th Floor, 180 Nguyen Van Troi Street, Ward 8, Phu Nhuan District, Ho Chi Minh City, Vietnam |

## Steam Thermal Solutions – Americas

| Country/Territory | Company name | Registered office address |
|---|---|---|
| Argentina | Spirax Sarco SA | Av. del Libertador 498, 12th Floor, Buenos Aires C1001ABR, Argentina |
| Brazil | Spirax Sarco Ind e Com Limiteda | Avenida Manoel Lages do Chão, 268, Bairro Portão, Cotia, São Paulo, 06705-050, Brazil |
| | Hiter Controls Engenharia Limiteda | Avenida Manoel Lages do Chão, 268, Bairro Portão, Cotia, São Paulo, 06705-050, Brazil |
| Canada | Spirax Sarco Canada Limited | 383 Applewood Crescent, Concord, ON L4K 4J3, Canada |
| Chile | Spirax-Sarco Chile Limiteda | Las Garzas 930, Galpón E, Quilicura, Santiago de Chile, Chile |
| | Inversiones Spirax-Sarco Chile Limiteda (H) | Las Garzas 930, Galpón D, Quilicura, Santiago de Chile, Chile |
| Colombia | Spirax Sarco Colombia SAS | Carretera Panamericana No 3-150, Jamundi, Valle del Cauca, Cali, Colombia |
| Mexico | Spirax Sarco Mexicana, SAPI DE CV | Boulevard Alianza 30B, Parque Industrial CPA, Ciénega de Flores Nuevo León, CP 65550, Mexico |
| Peru | Spirax Sarco Peru SAC | Av. Guillermo Dansey 2124, Lima, Lima, Perú |
| United States | Spirax Sarco Inc | 1209 Orange Street, Wilmington, DE 19801, United States |
| | Sarco International Corp (H) | 1209 Orange Street, Wilmington, DE 19801, United States |
| | Spirax Sarco Investments, Inc (H) | 251 Little Falls Drive, Wilmington, DE 19808-1674, United States |
| | Gestra USA, Inc | 1209 Orange Street, Wilmington, DE 19801, United States |

# Our Global Operations continued

## Electric Thermal Solutions

| Country/Territory | Company name | Registered office address |
|---|---|---|
| Australia | Vulcanic TEE Pty Limited | 7 Buckman Cl, Toormina NSW 2452, Australia |
| Belgium | Vulcanic SA | Uitbreidingstraat 60-62, 2600 Berchem, Belgium |
| Brazil | Chromalox Engenharia Limiteda | Avenida Manoel Lages do Chão, 268, Bairro Portão, Cotia, São Paulo, 06705-050, Brazil |
| Canada | Canadian Heat Acquisition Corp (H) | 7051 68th Ave NW, Edmonton, Alberta, T6B 3E3, Canada |
| China | Chromalox Precision Heat Control (Shanghai) Co Limited | 88 Taigu Road, Suite A2, 4th Floor – Fenggu Building, Shanghai, 200131, China |
| | Chromalox Precision Heat Control (Suzhou) Co Limited | T02, No 1801, Pangjin Road, Pangjin Industrial Park, Wujiang, Suzhou, 215200, China |
| | Thermocoax (Chengdu) Co Limited | No.11 Fujiang Road, Shuangliu Park, Jiaelong Industry Port, Chengdu, Sichuan, China |
| France | Constructions Electro-Thermiques D'Alsace SAS | 42 Rue des Aviateurs, 67500 Haguenau, France |
| | Etirex SAS | 23 Route de Château Thierry, Noyant-et-Aconin, Soissons, Cedex, F 02203, France |
| | Loreme SAS | 12 Rue des Potiers d'Etain, 57070 Metz, France |
| | RS Isolec SAS | 45 Avenue des Acacias, 45120 Cepoy, France |
| | Thermocoax Developpement SAS | 40 Boulevard Henri Sellier, 92150 Suresnes, France |
| | Thermocoax SAS | Usine de Planquivon, Athis-de-l'Orne, 61430 Athis-Val de Rouvre, France |
| | Univers 32 SAS (H) | 41 Avenue de Friedland, 75008 Paris, France |
| | Vulcanic Assets SAS (H) | 48 Rue Louis Ampère, 93330 Neuilly-sur-Marne, France |
| | Vulcanic Management 1 SAS (H) | 48 Rue Louis Ampère, 93330 Neuilly-sur-Marne, France |
| | Vulcanic Management 2 SAS (H) | 48 Rue Louis Ampère, 93330 Neuilly-sur-Marne, France |
| | Vulcanic Group Holding SAS (H) | 48 Rue Louis Ampère, 93330 Neuilly-sur-Marne, France |
| | Vulcanic SAS | 48 Rue Louis Ampère, 93330 Neuilly-sur-Marne, France |
| Germany | Chromalox Isopad GmbH | Englerstraße 11, 69126 Heidelberg, Germany |
| | Vulcanic GmbH | Donaustraße 21, 63452 Hanau, Germany |
| | Vulcanic Triatherm GmbH | Flurstraße 9, 96515 Sonneberg, Germany |
| Hong Kong | Chromalox Hong Kong Holdings Limited (H) | 33/F, Shui On Centre, Nos 6-8 Harbour Road, Wanchai, Hong Kong |
| India | Chromalox India Precision Heat & Control Private Limited | 1st Floor, 6 Unicom House, A-3 Commercial Complex, New Delhi, Janakpuri, 110058, India |
| Mexico | ELW Industrial S. de R. L. de C.V. | Carretera Nacional, K.M. 8.5, Modulo Industrial de America, Lote #5, Nuevo Laredo, Tamaulipas, 88277, Mexico |
| Singapore | Chromalox Precision Heat and Control (Singapore) Pte Limited | No 11 Woodlands Close, #05-34, Singapore, 737854, Singapore |
| Spain | Vulcanic Termoelectrica SLU | Carretera de Viernoles no.32, 39300 Torrelavega, Cantabria, Spain |
| Thailand | Chromalox (Asia Pacific) Limited | 383/2, The Village Business Centre, Unit D16-A, Moo 12, Sukhumvit Road, Nongprue, Banglamung, Chon Buri, 20151, Thailand |
| United Arab Emirates | Chromalox Gulf DWC, LLC | PO Box 390012, Office No: E-2-0226, Business Park, Dubai Aviation City, United Arab Emirates |
| United Kingdom | Chromalox (UK) Limited | AMP House, 2nd Floor, Dingwall Road, Croydon, Surrey CR0 2LX, United Kingdom |
| | Thermocoax UK Limited | Tower House, Lucy Tower Street, Lincoln LN1 1XW, United Kingdom |
| | Vulcanic UK Limited | Windward Barn, Honningham Thorpe Business Park Norwich Road, Colton, Norwich NR9 5BZ, United Kingdom |
| United States | 190 Detroit Street, LLC | 2280 Hicks Rd., STE 500 Rolling Meadows, IL 60008, United States |
| | 305 Cary Point, LLC | 190 Detroit Street, Cary, IL 60013, United States |
| | 325 Cary Point, LLC | 190 Detroit Street, Cary, IL 60013, United States |
| | Cary Detroit, LLC | 190 Detroit Street, Cary, IL 60013, United States |
| | Chromalox, Inc. | 2711 Centerville Rd., Suite 400, Wilmington, DE 19808, United States |
| | Durex HoldCo Corp (H) | 1209 Orange Street, Wilmington, DE 19801, United States |
| | Durex International, LLC | 251 Little Falls Drive, Wilmington, DE 19808-1674, United States |
| | Heat Acquisition Corp (H) | 2711 Centerville Rd., Suite 400, Wilmington, DE 19808, United States |
| | Thermocoax, Inc | 1209 Orange Street, Wilmington, DE 19801, United States |
| | Vulcanic EML, LLC | 5907 Breen Drive, Houston, TX 77086, United States |
| | Vulcanic US, Inc (H) | Capitol Services, Inc., 108 Lakeland Ave., Dover, DE 19901, United States |

## Watson-Marlow Fluid Technology Solutions

| Country/Territory | Company name | Registered office address |
|---|---|---|
| Australia | Watson-Marlow Pty Limited | Unit 15, 19-26 Durian Place, Wetherill Park, NSW 2164, Australia |
| Austria | Watson-Marlow Austria GmbH | Rathaus Viertel 3/1 OG/TOP 311, Guntramsdorf A 2353, Wien, Austria |
| Belgium | Watson-Marlow NV | Industriepark 5, B-9052 Zwijnaarde, Belgium |
| Brazil | Watson-Marlow Bredel Ind e Com de Bombas Limiteda | Alameda Oceania, 63, Polo Empresarial Tamboré, Santana de Parnaiba, São Paulo, CEP 06543-308, Brazil |
| Canada | Watson-Marlow Canada Inc | 383 Applewood Crescent, Concord, ON L4K 4J3, Canada |
| Chile | Watson-Marlow Bombas Chile Limiteda | Las Garzas 930, Galpón E, Quilicura, Santiago de Chile, Chile |
| China | Shanghai Watson-Marlow Limited | No. 211, Wenjing Road, Shanghai Minhang District, China |
| Colombia | Watson-Marlow Colombia SAS | Carretera Panamericana No 3-150, Jamundi, Valle del Cauca, Cali, Colombia |
| Czech Republic | Watson-Marlow sro | Pražská 1455/18a, 102 00 Praha 10, Czech Republic |
| Denmark | Watson-Marlow Flexicon A/S | Frejasvej 2, 4100 Ringsted, Denmark |
| Finland | Watson-Marlow Finland Oy | Niittytie 25 A 24, 01300 Vantaa, Helsinki, Finland |
| France | Watson-Marlow SAS | 9 Route De Galluis, Zi Les Croix, 78940 La Queue Lez Yvelines, France |
| Germany | Watson-Marlow GmbH | Kurt-Alder-Str. 1, 41569 Rommerskirchen, Germany |
| Hungary | Watson-Marlow Kft | Lajos ucta 30, Budapest 1023, Hungary |
| India | Watson-Marlow India Private Limited | Mahalaxmi Icon, S. No. 132/2A-3A, Near Sai HP Petrol Pump, Pune-Mumbai Bypass Road, Tathawade, Pune, Maharashtra, 411 033, India |
| Ireland | Watson-Marlow Limited | Unit 1013, Gateway Business Park, New Mallow Rd., Cork, Ireland |
| Italy | Watson-Marlow Srl | Via Padana Superiore 74/D, 25080 Mazzano, Brescia, Italy |
| Japan | Watson-Marlow Co Limited | 4-23-21 Ukima Kita-ku, Tokyo 115-0051, Japan |
| Malaysia | Watson-Marlow SDN BHD | 6th Floor, Akademi Etiqa No. 23 Jalan Melaka, 50100 Kuala Lumpur W.P., Malaysia |
| Mexico | Watson-Marlow S de RL de CV | Boulevard Alianza 30B, Parque Industrial CPA, Ciénega de Flores Nuevo León, CP 65550, Mexico |
| Netherlands | Watson-Marlow BV | Oslo 9 – 11, 2993LD Barendrecht, Netherlands |
|  | Watson-Marlow Bredel BV | Sluisstraat 7, 7491 GA, Delden, Netherlands |
|  | Watson-Marlow Bredel Holdings BV (H) | Sluisstraat 7, 7491 GA, Delden, Netherlands |
|  | Watson-Marlow Bredel Holdings II BV (H) | Sluisstraat 7, 7491 GA, Delden, Netherlands |
| New Zealand | Watson-Marlow Limited | Unit F, 6 Polaris Place, East Tamaki, Auckland 2013, New Zealand |
| Norway | Watson-Marlow Norge AS | Vestvollveien 14A, 2019 Skedsmokorset, Norway |
| Philippines | Watson-Marlow Inc | 10th Floor EGI Rufino Plaza, Sen. Gil Puyat Avenue, Corner Taft Avenue, Barangay, 38 Pasay City, Fourth District, Philippines |
| Poland | Watson-Marlow Sp Zoo | Al. Jerzego Waszyngtona 146, 04-076 Warszawa, Poland |
| Singapore | Watson-Marlow Pte Limited | 421 Tagore Industrial Avenue, #01-13, Singapore 787805, Singapore |
| South Africa | Watson-Marlow Bredel SA (Pty) Limited | Unit 6 Cradleview Industrial Park, Cnr Beyers Naude Drive & Johan Street, Laser Park, South Africa |
| Spain | Watson-Marlow SLU | Tuset, 20 3 – 08006, Barcelona, Spain |
| Sweden | W-M Alitea AB | Hammarby Fabriksväg 29-31, SE-120 30 Stockholm, Sweden |
| Switzerland | Watson-Marlow AG | Gustav-Maurer-Strasse 9, 8702 Zollikon |
| Taiwan | Watson-Marlow Co Limited | No.9 Lane 270 Sec. Beishen Road, Shenkeng District, New Taipei City 222, Taiwan |
| United Arab Emirates | Watson Marlow FZCO | Office Number FZJOA2005, Jafza One, Jebel Ali Free Zone, Dubai, United Arab Emirates |
| United Kingdom | Aflex Hose Limited | Dyson Wood Way, Bradley, Huddersfield HD2 1GZ, United Kingdom |
|  | BioPure Technology Limited | Bickland Water Road, Falmouth, Cornwall TR11 4RU, United Kingdom |
|  | Watson-Marlow Limited* | Bickland Water Road, Falmouth, Cornwall TR11 4RU, United Kingdom |
| United States | ASEPCO | 1161 Cadillac Ct, Milpitas, CA 95035, United States |
|  | Watson-Marlow America Manufacturing Inc | 37 Upton Drive, Wilmington, MA 01887, United States |
|  | Watson Marlow Inc | 37 Upton Technology Park, Wilmington, MA 01887, United States |
|  | Watson-Marlow Flow Smart Inc | 1675 South State St., Suite B, Dover, DE 19901, United States |

# **Our Global Operations** continued

## Dormant companies

| Country/Territory | Company name | Registered office address |
|---|---|---|
| Canada | Canadian Heat Holding Corp | 6600-100 King Street W., 1 First Canadian Place, Toronto, Ontario M5X 1B6, Canada |
| France | Heat Holding France SAS | 23 Route de Château-Thierry, 02200 Noyant-et-Aconin, Soissons, France |
| Russia | Vulcanic (Representative Office) | Business Centre Grad, 1 Bld, 3A Solnechnaya Street, Moskovskoe Poselenie, 108811 Moscow, Russia |
| United Kingdom | Gervase Instruments Limited* | Charlton House, Cirencester Road, Cheltenham, Gloucestershire GL53 8ER, United Kingdom |
| | Heat Holding (UK) Limited | Lansdowne Building, 2 Lansdowne Road, Croydon CR9 2ER, United Kingdom |
| | SARCO Limited* | Charlton House, Cirencester Road, Cheltenham, Gloucestershire GL53 8ER, United Kingdom |
| | Sarco Thermostats Limited | Charlton House, Cirencester Road, Cheltenham, Gloucestershire GL53 8ER, United Kingdom |
| | Spirax Group Limited | Charlton House, Cirencester Road, Cheltenham, Gloucestershire GL53 8ER, United Kingdom |
| | Spirax Manufacturing Co Limited | Charlton House, Cirencester Road, Cheltenham, Gloucestershire GL53 8ER, United Kingdom |
| | Spirax-Sarco Europe Limited* | Charlton House, Cirencester Road, Cheltenham, Gloucestershire GL53 8ER, United Kingdom |
| United States | Spirax-Sarco International Limited* | Charlton House, Cirencester Road, Cheltenham, Gloucestershire GL53 8ER, United Kingdom |
| | Heat Acquisition Corp. | 251 Little Falls Drive, Wilmington, DE 19808-1674, United States |
| | Mexican Heat Holding Corp. | c/o RA PO Box 20380, Carson City, Nevada 89706, United States |
| | Mexican Heat Holding, LLC | 160 Greentree Dr., Suite 101, Dover, Delaware 19904, United States |
| | Ogden Manufacturing Co. | 2711 Centerville Rd., Suite 400, Wilmington, DE 19808, United States |

The global operations listed on pages 258 to 262 are registered companies.

In addition to these operations, we have a number of other operating units, including an Associate company; a company that is part owned with a third-party trust; branches of Spirax Sarco steam or Watson-Marlow companies; and several Watson-Marlow businesses that operate via Spirax Sarco steam business companies. The Spirax Group Education Fund, established in 2021, is not included in the consolidated financial statements as under IFRS 10 the Group does not have control of this fund.

Details of these operations can be found on page 263.

**Key**

* Direct subsidiary owned by Spirax-Sarco Engineering plc.

(H) Holding company.

## Notes

1. All subsidiaries in the tables on pages 258 to 262 are indirect subsidiaries of Spirax-Sarco Engineering plc, unless indicated*. All subsidiaries listed are ultimately 100% owned by the Group, except as follows:

| **Company** | **% owned by the Group** |
|---|---|
| Spirax Sarco Egypt | 98.867% |
| Spirax Sarco Energy Solutions LLC, Egypt | 98.992% |
| Spirax Sarco Korea Ltd | 97.5% |
| Spirax-Sarco Philippines Inc | 99.998% |
| Spirax Sarco Services | 48.51%. (51.49% is owned by a third-party trust, The Tomorrow Trust). The Group has control of the company and exposure, or rights, to variable returns from its investment in the investee. |
| Spirax Sarco (Thailand) Ltd | 99.995% |

2. In addition to the subsidiaries in the tables on pages 258 to 262, we have the following operations:

**Steam Technology Solutions:**

| **Country** | **Operating as a branch of** |
|---|---|
| Cambodia | Spirax Sarco Pte Limited, Singapore |
| Denmark | Spirax-Sarco Limited, UK |
| Ghana | Spirax-Sarco Limited, UK |
| Greece | Spirax-Sarco Limited, UK |
| Ireland | Spirax-Sarco Limited, UK |
| Japan | Spirax-Sarco Limited, UK |
| Pakistan | Spirax-Sarco Limited, UK |
| Saudi Arabia | Spirax-Sarco Limited, UK |
| Slovakia | Spirax Sarco Spol. s.r.o. |
| Sri Lanka | Spirax-Sarco India Private Limited, India |
| Tanzania | Spirax-Sarco Limited, UK |
| Uganda | Spirax-Sarco Limited, UK |
| Zambia | Spirax Sarco South Africa (Pty) Limited, South Africa |

**Watson-Marlow Fluid Technology Solutions:**

| **Country** | **Operating as a branch of** |
|---|---|
| Serbia | Watson-Marlow Austria GmbH |
| | **Operating via** |
| Argentina | Spirax Sarco SA, Argentina |
| China | Spirax-Sarco Engineering (China) Limited |
| Indonesia | PT Spirax-Sarco Indonesia |
| South Korea | Spirax Sarco Korea Limited |
| Thailand | Spirax Sarco (Thailand) Limited |
| Vietnam | Spirax Sarco Vietnam Co Limited |

This complete list of our global operations, including subsidiaries, forms part of the audited Financial Statements. For more information see Note 2 in the Company Financial Statements.

3. UK registered subsidiaries exempt from audit:

| **Company name** | **Company number** |
|---|---|
| BioPure Technology Limited | 03665190 |
| Chromalox (UK) Limited | 04325451 |
| Cotopaxi Limited | 07038605 |
| Gestra UK Limited | 10639879 |
| Spirax-Sarco America Limited | 07829847 |
| Spirax-Sarco Investments Limited | 00100995 |
| Spirax-Sarco Overseas Limited | 01472201 |
| Gestra Holdings Limited | 11612492 |
| Spirax-Sarco America Investments Limited | 11639451 |
| Heat Holding (UK) Limited | 04325456 |
| Aflex Hose Limited | 01088141 |
| Thermocoax U.K. Limited | 03504380 |
| Vulcanic UK Limited | 07194498 |

The companies listed above qualify to take the statutory audit exemption as set out within Section 479A of the Companies Act 2006 for the period ended 31st December 2023. Spirax-Sarco Engineering plc will guarantee the debts and liabilities of the companies claiming the statutory audit exemption at the balance sheet date in accordance with Section 479C of the Companies Act 2006.

# Officers and Advisers

### Secretary and registered office

A.J. Robson
Group General Counsel and Company Secretary
Spirax-Sarco Engineering plc
Charlton House
Cirencester Road
Cheltenham
Gloucestershire GL53 8ER

Tel: +44 (0)1242 535000

Email: group.legal@spiraxgroup.com

Web: spiraxgroup.com

### Auditor

Deloitte LLP

### Financial advisers

Rothschild

JPMorgan Securities plc (JPMorgan Cazenove)

### Financial PR

Teneo

### Bankers

Barclays Bank PLC HSBC Bank PLC

BNP Paribas Citibank, N.A.

Crédit Industriel et Commercial ING Bank, N.V.

UniCredit Bank AG Wells Fargo Bank, N.A.

### Corporate brokers

JPMorgan Securities plc (JPMorgan Cazenove)

Morgan Stanley & Co. International plc

### Registrars

The Company's Registrar is Equiniti Limited.

Equiniti provide a range of services to shareholders.

Extensive information including many answers to frequently asked questions can be found online.

Use the QR code to register for free at www.shareview.co.uk

Equiniti's registered address is:
Aspect House, Spencer Road, Lancing, West Sussex,
BN99 6DA.

### Solicitors

Baker & McKenzie LLP

### Important dates

| | |
|---|---|
| Annual General Meeting | 15th May 2024 |
| 2024 Half Year Results | 8th August 2024 |

### Final dividend**

| | |
|---|---|
| Ordinary shares quoted ex-dividend | 25th April 2024 |
| Record date for final dividend | 26th April 2024 |
| Final dividend payable | 24th May 2024 |

** Subject to shareholder approval at the AGM

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