

The IMI logo consists of the letters 'IMI' in a bold, white, sans-serif font, set against a blue square background.

ENGINEERING
ADVANTAGE

A bright, circular spotlight is positioned on the left side of the page, casting a wide, soft beam of light that tapers towards the right. The background is a dark, gradient blue, and the light from the spotlight creates a large, glowing area that encompasses the text.

RESPONSIBLE
BUSINESS REPORT 2012

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CCI employees decorate a school in Bangalore, India.



Cornelius volunteers pack school supplies for 1st and 2nd graders based at the 15 elementary schools within the Marquardt School District Illinois US.

FOREWORD BY MARTIN LAMB

This is our 2012 Responsible Business report in which we describe what responsible business means to us, what our responsible business priorities and targets are and importantly, how we go about delivering them. The report is not only our opportunity to highlight our progress over the last 12 months; including examples of our work that we are really proud of, but also the areas where we plan to accomplish much more.

First and foremost, we provide an introduction to The IMI Way, our code of responsible business. This sets out our core values and standards and is part of our road map to becoming the most admired and innovative engineering solutions business of our size anywhere in the world.

The IMI Way is the foundation of our approach to business; it guides us to pursue excellence, to strive for innovation and deliver results and above all else, to act with integrity. At IMI, we want to be admired, not just for our great products and services but also, for the way we do business.

“ We believe we have a duty to behave responsibly towards all our stakeholders including our employees, our customers and suppliers, and the communities we operate in. We also believe that sound ethical principles and high standards of responsibility impact positively on profitability, returns to shareholders, reputation and growth. ”

that it is very much a journey and we will discover new and smarter ways of doing business as we work towards our strategic goals.

We welcome all comments and suggestions about our responsible business work, both to our email address; responsible.business@imiplc.com and via our corporate website www.imiplc.com

Thank you



Martin Lamb
Chief Executive

The report also sets out our four group-wide responsible business priorities which are: health and safety; supporting our customers' priorities; supply chain risk management; and energy efficiency & carbon management.

Our businesses align their local responsible business objectives to Group priorities, set by the Board, as part of their rolling three-year strategic plans.

We are very proud of our achievements to date, however, like other organisations with a responsible business agenda, we recognise

THE IMI WAY



Code of Responsible Business

Our commitment to responsible business starts with the IMI Way, our code of conduct which sets out our core values and standards; providing guidance in decision making and helping us to do business in the right way. Importantly, this means we are focused on not only what we want to achieve, but also on how we go about it.

The IMI Way sets a tone and a spirit for us to live by and helps our people engage in honest dialogue and interactions with colleagues, customers, suppliers, investors and community groups, so that you can be sure that whenever you meet an IMI person you will find someone who:

- pursues excellence and delivers results;
- innovates and provides value to our customers;
- acts with integrity.

The concepts enshrined within The IMI Way are so important to us that each year we dedicate a whole working day to developing our understanding of The IMI Way.

This global shut down day incorporates four hours of face-to-face training on ethics and compliance together with further time designated for employee team building and our community projects.

IMI is a global business with a local presence in many different regions. As an extension of the principles of The IMI Way and our desire to be admired not just for what we do but how we do it, we encourage our people to volunteer and raise money for community organisations. This is our way of giving back to the communities we share with local people and businesses.

Our way is The IMI Way and is something of which we are rightly proud.



Jackie Hu, Jo Morgan and Charles Fernald all receive 2012 CEO Special Awards, Jo's is awarded 'in recognition of her exemplary leadership of The IMI Way'.

Examples of our community work

Award: 'Reach Out' Initiative
IMI Company: CCI Bangalore

In 2012, our CCI business in Bangalore launched a new responsible business action group for employees called 'Reach Out'. The initiative focused on fundraising for and volunteering at local schools with poor infrastructure.

As part of the 'Reach Out' initiative, a team of 25 employees from CCI volunteered to paint and decorate a school which educates students with acute learning difficulties and physical disabilities as well as children who may have suffered neglect or abuse.

In addition, CCI employees raised money to provide basic materials such as sitting mats,

shoes, clothes, toys and stationery for every student. The 'Reach Out' initiative has proved popular with employees and those involved hope to continue their work in education, and aim to promote the importance of educating girls in a region where it is not deemed a priority.



Young student at school in Bangalore, India.



Amy Greer, 2012 CEO Award winner.

Award: 2012 CEO Awards
Individual winner: Amy Greer

Amy is passionate about workplace wellbeing and as part of the IMI Way Day organised various workshops aimed at encouraging employees to be healthier. Activities included hand and back massages, fitness seminars, blood pressure and cholesterol tests.

Amy has also encouraged colleagues to support a very special community, her son's US army regiment, serving in Kuwait. Cornelius employees rallied and provided care packages to the troops which helped to boost the morale of the men and women serving their country.

Amy Greer is the HR Manager in our Cornelius business in Monmouth, Illinois and acts as the single point of contact for employee training which includes assuming the role of facilitator at the global IMI Way Day event.

IMI'S RESPONSIBLE BUSINESS APPROACH

It is our desire to become the most admired and innovative engineering solutions business of our size anywhere in the world. We want to be admired for what we do - creating market leading products and solutions and for the way we do it - being a responsible business.

In the running of our businesses we have a duty to behave responsibly to all our stakeholders, including our employees, our customers, our suppliers and the communities and the environments we operate within.

As a reflection of the values and standards that underpin The IMI Way, we have chosen four of these core values to prioritise in relation to our work as a responsible business:

“ Our continued inclusion in both the FTSE4Good and Dow Jones Sustainability Europe indices is strong evidence of our responsible business progress and continued commitment to the responsible business agenda. ”



FTSE4Good



Dow Jones
Sustainability Indexes
Member 2011/12

Health and safety promotes the importance of a safe culture which protects our people, the environment and adjacent communities. Over the last five years we have continued to improve our key lost time accident measures. This year we launched our 'From Compliance to Competitive Advantage' campaign with the objective of reaching world class health, safety and environmental (HS&E) status by the end of 2015.

Supply chain risk management provides an opportunity to work in partnership with our suppliers to share best practice and drive improvement. In 2012 we added a new process to our supplier risk management systems which is designed to ensure that our suppliers remove 'conflict minerals' from our supply chain.

Customer engagement and supporting our customers' responsible business priorities is essential if we are to continue to occupy leadership positions in global niche markets. We are committed to helping our customers meet their own responsible business objectives just as they value the high ethical standards set out in The IMI Way.

Energy efficiency and carbon management support our growth drivers of climate change, resource scarcity and urbanisation; all of which are central to delivering responsible solutions. Integral to this is managing our own facilities and we have various programmes in place to reduce energy consumption and normalised CO₂ emissions across our locations around the world.



Local businesses are tasked with setting their own local responsible business agendas and aligning them to Group priorities.

Evolving the responsible business agenda

All IMI businesses align their management plans to the four priorities and set responsible business objectives which are tailored to the issues most relevant to their operation and their local community.

Typical local objectives may include minimising waste, increasing recycling volumes or putting steps in place to gain relevant health, safety and environmental quality accreditation in particular facilities. In all cases, our businesses are required to identify any possible future risks and opportunities as well as to provide regular updates on performance against objectives to ensure consistent reporting across the organisation.

The responsible business priorities are reviewed annually to ensure we remain focused on the most relevant and important areas given issues such as evolving global trends, the views of our stakeholders and accelerating Group performance in certain areas. During 2013, we will be undertaking a materiality assessment of our responsible business focus and priorities. This is a process which captures company and stakeholder views which are most important or material to the organisation. This will be an opportunity to consult with key stakeholders using interviews and surveys to gauge their views on our priorities moving forward.

HEALTH AND SAFETY

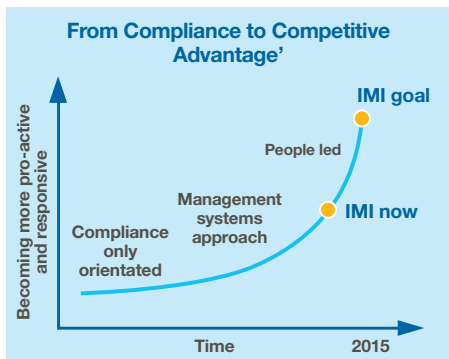
Improving our performance in health and safety is an important area of focus for IMI and is an area in which we have made great improvement, particularly in terms of identifying risk and accident avoidance.

The responsible behaviour of our people lies at the heart of that success which has been ably supported by clear and consistent communication across the organisation. For instance, 'Tool Box Talks' are fifteen minute meetings held at the start of shifts and are becoming a more common tool to cascade health and safety messages to every employee at our manufacturing facilities.

Improving the visual boards displayed around our workplaces are helping to reinforce key messages, showcase data and provide feedback to our people alongside our on-going programme of training sessions. In 2012, some 14,400 days of health and safety training were facilitated across the Group.

Importantly, when accidents do happen, we manage the outcomes and learn from the experience. For example, we share lessons learned from accidents around the Group by

“ Since 2007 the incidence of >3 day lost time accident rates per 100,000 hours worked has improved by 78%. This performance demonstrates our commitment to providing a safe working environment throughout the entire Group. ”



sending a Safety Alert to all Health Safety & Environment (HS&E) managers following each lost time accident.

From Compliance to Competitive Advantage

In 2012, we launched an internal campaign called 'From Compliance to Competitive Advantage' with the objective of becoming a world class HS&E operation by 2015. Our goal is to promote exceptional behaviours and to move from a top-down management approach to a culture where our people not only look out for themselves but also watch out for their colleagues.

As part of the campaign, we launched a standardised HS&E management framework and a set of group-wide targets. We also enhanced our HS&E web-based reporting tool to include simple dashboard data and increased resource across the organisation from 50 health and safety professionals in 2011 to over 60 in 2012.



The high standard and consistency of HS&E reporting and feedback is driving considerable performance improvement.

For instance, all of our businesses are now required to track and report on hazards and near misses which has resulted in the increase in reporting of such incidents from 9,500 in 2011 to 14,800 in 2012.

In 2012, the campaign allowed us to focus on key safety initiatives but as we move towards our end target date of 2015, we will focus on other important health related initiatives such as workplace well being.

The wellbeing of our employees is our primary concern in health and safety management but our financial performance also benefits from our investment in health and safety. By reducing the number of lost time days from 2,400 in 2010 to 850 in 2012 (a 65% improvement over two years), we conservatively

“ As we move into 2013, we are changing our reporting indicators from >3 day lost time accidents to >1 day lost time. >3 day accidents are now at such low levels that it is no longer a useful indicator on its own if we are to continue to make improvements. ”

estimate that we have saved approximately £600,000 over the last 12 months.

Some of our locations are also subject to a risk-based ‘tax’ that can be much reduced by the demonstration of good health and safety performance. We calculate that we have made savings in excess of £1m per annum by demonstrating our excellent safety record and commitment to continued improvement to local regulators.

Project: Safety training programme

IMI Company: Norgren Mexico

Norgren’s manufacturing facility in Querétaro, Mexico runs an annual programme of health and safety training for employees with the aim of improving HS&E performance across the organisation.

The Safety Actions and Risk Assessments programme is run by managers at the start of June and offers a variety of courses including first aid workshops with CPR (Cardiopulmonary Resuscitation) training as well as instruction in the use of a defibrillator. There are also fun activities such as team soccer and safety and security themed crosswords to promote health and wellbeing in the workplace.

Importantly, the programme has given managers greater ownership of budgets to



Norgren employees practice CPR as part of the annual health and safety training programme.

better support the specific needs of their workers.

Accidents have fallen by 35% and incidents have decreased by 56% compared to 2011 as a result of the campaign.

Reporting of hazards and near misses has proportionately risen by 60%.

CUSTOMER ENGAGEMENT AND SUPPORTING OUR CUSTOMERS

We place significant emphasis on helping our customers meet their own responsible business commitments, which we believe builds both long-term value and customer loyalty.

Long-term global trends including climate change, urbanisation and resource scarcity, together with related legislation, are driving customer demand for our products and services, many of which are focused on achieving an energy efficient operation. Our customers

also value the high standard of ethical business practices set out in The IMI Way, which is particularly relevant in emerging markets where responsible business risks can be higher.

IMI's Group Key Account Management process (KAM) is an important way for us to engage with our customers. Understanding the drivers of our customers' business and getting to grips with market trends is a fundamental part of our approach in gaining important insight into our customers' needs.

Project: Energy Insights launch
IMI Company: TA Hydronics
Growth driver: Climate change

In 2012, TA Hydronics launched an 'Energy Insights' campaign which was developed to increase the awareness of the benefits of hydronic optimisation and the part it plays in decreasing energy consumption and prices in the construction industry.

- Up to 40% of the world's energy consumption occurs in buildings, 50% of which is utilised in Heating Ventilation and Air Conditioning (HVAC) systems
- HVAC systems therefore represent up to 20% of the world's energy consumption
- Hydronic optimising can reduce the total energy consumption of a building's HVAC system by an average of 30%

'Energy Insights' is a joint venture which brings together the Marketing and Hydronic College teams. The campaign addresses the needs of our two main target groups; firstly the customers involved in large scale construction projects and secondly, smaller installation companies typically working on domestic houses.

Key elements of the campaign include the fact book which incorporates 20 separate



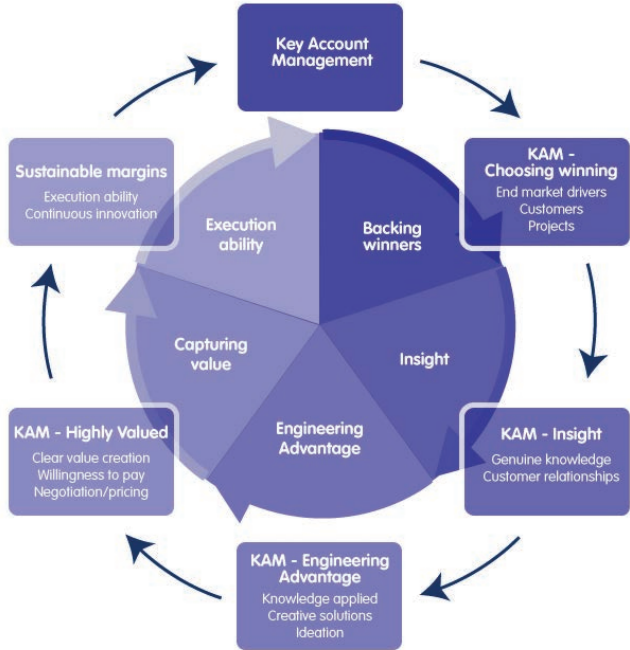
Marketing collateral is developed as part of the Energy Insights initiative.

hydronic energy facts (each explaining how much energy can be saved through the implication of particular specifications in a system) and are supported by evidence from real case studies and independent studies. In addition, there is a three hour bespoke seminar with additional literature to support the global sales teams in talking the customer through the possible energy saving features.

'Energy Insights' allows TA Hydronics to build customer awareness of the products available to cut energy consumption in buildings and enable sales teams to enhance TA Hydronics' reputation as the number one system solution provider in the field of hydronic distribution.

KAM Wheel

The KAM wheel captures the five key stages of the process; from the initial customer selection, through to building appropriate solutions and ensuring the value that is identified is actually delivered.



1. Backing the winners

Our businesses use IMI customer filters and apply them to existing and prospective customers to ensure we are operating in the right market niches and working with those customers which meet the identified criteria. Account Development Plans are written with the aim of delivering a long-term sustainable leadership position.

2. Insight

The commercial teams meet with the customer to develop the insights and relationships necessary to thoroughly understand the issues they face in order to build a long-term relationship with them.

3. Engineering Advantage

We use our advanced technical and application knowledge to create highly differentiated and innovative products and services to meet the unique needs of our customers and create

competitive advantage for them, something we call 'Engineering Advantage'

4. Capturing the value

To ensure that we have delivered the expected value and have met the demands of the customer, recommended solutions are critiqued and measured to capture the value to both IMI and the customer.

5. Execution ability

Delivering on time and meeting the expectations of our customers is critical to our long-term success. Therefore, we actively source feedback from the customer using tools such as the Net Promoter Score to ensure that we are continually striving for improvement.

The Group KAM programme brings together highly talented and customer-focused people from across our global business with one vision; to build long-term value for our customers.

SUPPLIER RISK MANAGEMENT

At IMI we want to be admired for what we do *and* for the way we do it. Being a responsible business is important to us and we want it to be important to our extended supply chain too.

We source components, materials and services for our manufacturing and sales operations from all over the world and procure only from suppliers that meet or exceed a minimum set of standards. If our suppliers do not currently meet those requirements, then they must demonstrate progression towards them over an agreed timescale.

Suppliers are subject to rigorous and on-going audits by our Group Supply Chain teams as part of the Supplier Evaluation Process. Each year we set clear targets for the number of supplier audits to be performed. This is an important way for us to identify risk and improvement opportunities as well as to challenge our suppliers on a range of issues including labour standards, ethics, health and safety and the environment.

“ IMI continues to be a signatory to the UN Global Compact, which establishes standards for human rights, labour practices and anti-corruption. We also continue to hold the Investing in Integrity (‘IiI’) charter mark. ”



In 2012, a total of 165 suppliers were audited against an annual target of 128. Our very best suppliers are benefiting from longer-term contracts and are sharing improvement ideas via value engineering programmes, across the entire supply chain. Education is important to our strategy and in 2012 we trained over 100 people from our emerging regions of China, India, Mexico, Brazil and Eastern Europe, who we felt needed additional support. The programme focuses on skills in the areas of health and safety, environment, auditing and conflict minerals.

Moving forward, we plan to work with our supply chain to develop their approach to sustainability to ensure our suppliers are as committed to reducing their carbon footprint, as we are.

Last year, we extended our programme of work with our supply chain to incorporate a focus on the trace minerals used in products, known as ‘conflict minerals’. These are minerals known to originate from illegal mines in the Democratic Republic of the Congo (DRC), where the continuing conflict and the escalating humanitarian disaster is part financed by the trade in the ores from which tin, tantalum, tungsten, and gold (‘3TG’) are derived. Minerals known to originate in mines that are not operated or taxed by the warring factions, meanwhile, may be called ‘conflict-free’.

With long and complex international relationships, it is difficult to ascertain whether our extended supply chain is conflict free. We have started to work with our suppliers to identify and remove any conflict minerals from our supply chain referencing the US Dodd-Frank Act. Although IMI is not subject to the US laws on conflict minerals, the source of our trace minerals is important to us, so by the end of last year we had identified 19 conflict-free supply chains across a pilot of 47.

To further address this concern, we asked all of our suppliers to identify and remove any conflict mineral traces. To date no conflict minerals have been found in any part of our supply chain but we are sharing new legislation and information with our suppliers and helping

them put in place their own audit procedures to ensure their own supply chains are conflict free. It is also our intention that IMI will evaluate our sourcing decisions based on our suppliers' willingness to cooperate in this programme.

CASE STUDY

IMI Company: Severe Service

Supplier: Accutech Enterprises

Accutech Enterprises, based in Bangalore, India, provides CNC (Computer Numerically Controlled) turned and machined components. Whilst the organisation already holds the ISO 9001 quality standard, it is their investment in on-going improvement which is most impressive.

Over the last couple of years, Accutech has significantly improved health and safety in the workshop and have impressed auditors with a conscientious employee welfare programme which helps Accutech attract and retain people in a very competitive region.



Employees at Accutech Enterprises benefit from a conscientious employee welfare programme.

Accutech has a competitive wage structure and annual bonus scheme which combined with performance based rewards and benefits such as free medical facilities and subsidised food and transportation, are important motivating factors for people making decisions about where they would like to work.

Auditors also praised Accutech's investment in training and development, especially those which focused on technical skills and team building.



Accutech Enterprise employees work in a clean and safe environment.

ENERGY EFFICIENCY AND CARBON MANAGEMENT

In 2010 we set a target to achieve a CO₂ normalised (kWh/Labour Hour) improvement target of 10% by the end of 2012 (relative to 2009 baseline). In order to achieve that target we asked our businesses to implement energy improvement and alternative low-carbon energy measures to reduce energy consumption.

In 2012, we exceeded this reduction target and also reduced gross Group CO₂ emissions by 2,000 tonnes compared to 2011.

Energy use is a significant cost to the business (circa £20m in 2012) and it is our aim to reduce that cost as far as possible and further capitalise on the £700k savings made to gross costs in 2012.

Climate change is a key driver for energy management as it influences our internal energy use as well as our product and service innovation. As a result, IMI has an on-going commitment to reduce its CO₂ emissions and become more energy efficient in both the manufacture of our products and the processes we use to engineer them.



TA Heimeier has saved some 400 tonnes of CO₂ and reduced site overheads by approximately £90k per annum simply by replacing existing lighting in the large facility with LED lighting which has also improved the quality of the light.

IMI's key areas of control are:

- energy use and emissions within our buildings and processes;
- energy use by some IMI products during their operational life;
- IMI products and services that influence energy use and emissions while not using energy themselves.

“As we have achieved our 2012 target we are moving onwards and have set our business an extremely challenging target of a further 7.5% reduction by end of 2015.”

Project 20:20

We launched our umbrella site-based energy initiative 'Project 20:20' in 2011; a programme that continues to deliver valuable results.

The aim of the project is to focus on our 20 largest energy-using sites, which account for more than 70% of our energy consumption, identify 20 best practice projects to implement across IMI and to push for significant reduction in normalised CO₂ emissions at these key locations.

As a result of this drive we have achieved the following results:

- a 10% reduction in our Group carbon KPI to 3.1 CO₂ tonnes¹ per 1,000 hours worked (against a 2012 target of 3.2)
- a total investment in energy efficiency projects of £2m across Project 20:20 sites
- implemented energy efficiency projects saving 5,000 tonnes of CO₂ per annum
- certification to ISO 50001 for energy management systems for two sites (TA Heimeier in Germany and TA in Poland)

¹ In GHG Protocol terms, our reported emissions comprise our Scope 1 and 2 emissions; at present, we do not include Scope 3. However, we are investigating Scope 3 emissions.

PERFORMANCE SUMMARY

Each year, our businesses report against Key Performance Indicators (KPIs) so that our group-wide performance is reviewed and future plans for the organisation updated. Some of the headline data is published below.

KPI	2010	2011	2012
Total CO ₂ tonnes	97,000	92,000	90,000
CO ₂ normalised	3.6	3.3	3.1
Scope 1 (tonnes)	28,000	25,000	25,000
Scope 2 (tonnes)	69,000	67,000	65,000
MWh total - electricity	161,000	157,000	152,000
MWh total - gas	83,000	77,000	75,000
Water used (tonnes)	537,000	545,000	540,000
Water used (tonnes per 1000 hours worked)	19.9	19.0	18.1
Waste landfilled (tonnes)	5,300	6,800	6,700
Waste recycled (%)	78	77	78
>3 day LTAs – gross number	68	52	33
>3 day LTA – rate*	0.25	0.18	0.11
>1 day LTAs – gross number ¹			71
>1 day LTA – rate ^{1*}			0.24
H&SE training ¹			14,000 days

¹ In 2012 we identified and introduced a number of new KPIs that we will continue to report against annually.

* LTA rate refers to the number of lost time accidents per 100,000 hours.

We have Group targets for normalised CO₂ and LTAs. The other KPIs are tracked for information only at this stage. Data excludes new subsidiaries acquired after the target baseline years so as to allow for tracking against 2012 targets. Future reports will include those subsidiaries along with the 2013-2015 targets. Including these new subsidiaries, our gross and normalised CO₂ figures for 2012 are 95,000 tonnes and 3.1 respectively and the >3 day LTA rate is 0.16.



BUREAU
VERITAS

Verification statement from Bureau Veritas UK Ltd

"Bureau Veritas UK has been commissioned by IMI plc (IMI) to verify the methodology and calculations used to determine IMI's 2012 scope 1 and 2 Greenhouse Gas (GHG) emissions and Lost Time Accident Rate (LTA greater than 3 days) covering the global operating entities of the IMI group. Based on the scope of work agreed and subject to the limitations defined, Bureau Veritas concludes that there is no evidence to suggest that the carbon dioxide equivalent emission (CO₂e) and LTA (>3 days) assertions stated on page 11 of IMI's 2012 Annual Report are not reliable or free from material error, mis-statement or bias."

The full verification statement including methodology, limitations and exclusions can be found on IMI's website (www.imiplc.com/responsible-business).

The IMI logo consists of the letters 'IMI' in a bold, white, sans-serif font, centered within a blue square.

ENGINEERING
ADVANTAGE

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