



PROTECTING THE WORLD



GREENHOUSE GAS EMISSIONS AND ENERGY EFFICIENCY

Why does it matter?

We recognise that greenhouse gases ('GHG') are a major contributor to global warming and with CO₂ being the most significant of these. We are committed to managing and reducing the Group's carbon emissions to support the Paris Agreement and wider world objective to limit global warming.

What have we done?

In 2021, we committed to the Science Based Targets initiative (SBTi) to limit global warming to 1.5 degrees Celsius.

The Group has been monitoring its energy usage and Scope 1 and 2 CO₂ emissions since 2008, and first reported its consumption data in 2013. From a Scope 3 perspective, the Group measures its water consumption and monitors the disposal of its waste products (refer to data table on pages 52 to 53 for more details).

At the end of 2020, we took steps to reduce our carbon emissions by entering into a two-year contract to buy all the Group's UK electricity requirements from renewable sources. As a result, in 2021 the Group's total Scope 1 emissions were 53,712 tonnes (2020: 52,066 tonnes) and Scope 2 emissions, on a market-based basis, were 10,885 tonnes (2020: 15,335 tonnes). A further breakdown of the Group's emissions is set out opposite:

Scope 1 % Total CO ₂ emissions	Scope 2 % Total CO ₂ emissions (Market-based)
83%	17%
Scope 1 by fuel type	Scope 2 by geography
Natural Gas: 75%	UK: 3%
Diesel: 15%	US: 81%
Gas Oil, LPG and Petrol: 10%	Other: 16%

Consumption of natural gas for use in heating in the galvanizing process contributes to 82% of the Group's Scope 1 emissions and therefore this has been a key focus area for the carbon reduction plan that we have developed in 2021. The carbon reduction plan includes clear steps that we will take to achieve net zero carbon, including conversion of galvanizing natural gas burners to an alternative technology and transition from the use of diesel vehicles. Alongside this, we have developed a detailed costed plan which includes an assessment of the incremental capital, energy, carbon taxes and other operating costs to support our carbon reduction plan. The result of this has provided us with the confidence to commit to

achieving a carbon net zero target for Scope 1 and 2 by 2040. Our current expectations are that the financial impact of achieving this is not expected to have a material impact on the growth prospects for the Group, with modest levels of incremental capex required.

Our carbon reduction ambition is also supported by our Carbon Reduction forum that organises local energy savings projects on a site-by-site basis, based on the findings of the UK Energy Savings Opportunities Scheme phase 3 initiative.

In addition, during the year we engaged an independent third party, Trident Utilities, to verify our emissions data using BEIS conversion factors. The validated Scope 1 and Scope 2 emissions data has been used to prepare our carbon reduction plan. We have also conducted a limited audit of our supply chain of the products considered in the Sustainable Products section of this report on page 38 to identify a Scope 3 start point.

What will we achieve?

Based on our 2020 CO₂ emissions, we have committed to achieving net zero by 2040 and this means removing an average of c.3,500 tonnes per year from our manufacturing processes. The high-level steps we will take to achieve this commitment are outlined opposite.



TARGETS

INTENSITY RATIO (MARKET-BASED)

2022

0.09

2025

0.08

2030

0.06

NO. OF TONNES OF CO₂ REMOVED (VS. 2020 – THE BASE YEAR)

2022

4,000

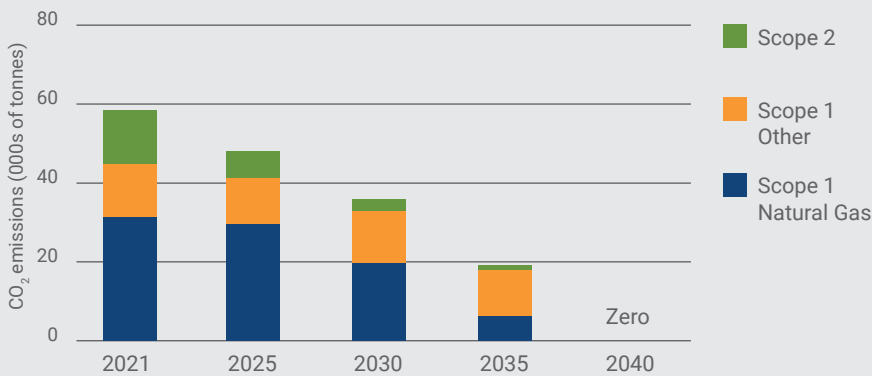
2025

11,000

2030

30,000

Net Zero scope 1 and 2 emissions by 2040



2020-2025

5 galvanizing plants to alternative technology
 Replace forklift truck fuel with renewables
 UK to renewable electricity

2025-2030

10 galvanizing plants to alternative technology
 Replace forklift truck fuel with renewables
 Non-UK businesses start to move to renewable electricity

2030-2035

10 galvanizing plants to alternative technology
 Businesses to renewable electricity

2035-2040

Remaining galvanizing plants to alternative technology
 Replace diesel in commercial vehicles with renewables

During 2022, we will also undertake a more detailed audit of our Group supply chain Scope 3 emissions and we shall use this data and the data from our carbon reduction plan to determine SBTi targets by August 2023.

How will we measure progress?

While our longer term commitment is to achieve net zero by 2040, we will measure our near term progress through both reduction in our carbon intensity ratio and the number of tonnes of CO₂ removed. Our near term targets are set out opposite:



PROTECTING THE WORLD

CONTINUED



SUSTAINABLE PRODUCTS

Why does it matter?

Our products and services help infrastructure become more sustainable and protect people as they travel or work in the transport industries. We have an important role to play in sustainability. We are focused on ensuring that we maximise our value to society through our activities.

What have we done?

At the end of 2020, we reset our portfolio management criteria to ensure that our decision making is guided by our purpose. We formed a working group from across our operating companies and, supported by a third party, Route 2, we have assessed the sustainability and value to society of three of the Group's products and services. We used a Six Capitals framework to assess Hill & Smith's value to society within our supplier base, in our own manufacturing plants and finally, downstream when our products are in use. The Six Capitals are financial, human, intellectual, manufactured, natural and social and are used to understand how we create value for customers, investors, employees and other stakeholders. The three products and services selected for the initial study were UK Galvanizing Services, Zoneguard temporary road safety barrier and fire-retardant composite poles.

What will we achieve?

During 2022, we will verify the outcomes of our initial study and roll out the assessment across more of our products and services.

We will develop our key Sustainable Products metric and develop an action plan to drive improvement of the metric. This metric will be an input into future capital allocation decisions, including acquisitions.



CASE STUDY

GALVANIZING – REDUCING CARBON THROUGH THE AVOIDANCE OF MAINTENANCE

Galvanizing’s ability to optimise the durability of steel structures and components has important environmental, economic and social advantages.

There are high economic and environmental costs associated with the repeated painting of steel structures. These burdens can be significantly reduced by an initial investment in long-term protection. The long-term durability provided by galvanizing is achieved with a low environmental burden, especially when compared to the energy value of the steel it is protecting, meaning that galvanizing reduces the embodied carbon of construction.

A recent environmental lifetime study highlighted marked differences between two established corrosion prevention systems for

steel structures. The hot dip galvanizing system had a lower environmental impact for a steel structure with a long service life, than a traditional paint system. Long service life and freedom from maintenance, the well known advantages of hot dip galvanizing, are the basis for these environmental benefits. In this example, as shown in the table, a saving of 57,100 tonnes of CO₂ was achieved over the 60-year life of the car park.

Service Life (years)	Hot Dip Galvanized Steel Structure (kg CO ₂ equivalent)	Painted Steel Structure (kg CO ₂ equivalent)	Saving by hot dip galvanizing (kg CO ₂ equivalent)
60	41,500	98,600	57,100
40	41,500	71,600	30,100
20	41,500	60,500	19,000

Extracted from Galvanized Steel and Sustainable Construction: Solutions for a Circular Economy, publ. EGGA (2021) and reproduced with permission of EGGA Galvanizers Association. For further information: www.galvanizing.org.uk/circular-economy