Sustainable governance

Climate risks and TCFD

Why does it matter?

We recognise that climate change is a pressing global issue and as a company we are committed to promoting a sustainable environment and providing updates on our progress in doing so. To that end, we are pleased to issue our report in response to the Task Force on Climate-related Financial Disclosures ('TCFD') recommendations.

What have we achieved in 2024?

The TCFD recommendations require companies to disclose information on their financial and physical risks and opportunities due to climate change, and how they are being managed. During 2024, we continued to develop our approach to assessing the impact of climate change on our business operations, strategy, and financial planning. We are compliant with the recommended disclosures, apart from partial compliance with Metrics and Targets. See page 61 for further details.

How do we ensure good governance?

The Board views oversight and effective management of environmental, social and governance-related risks as essential to the Group's ability to execute its strategy and achieve long-term sustainable growth. The Board receives six-monthly updates on progress around sustainability focus areas including climate-related risks and opportunities. In addition, the annual budget process includes consideration of operating company level carbon reduction plans, and during 2024 similar focus was introduced into the strategic planning process which covers a five-year timeframe. The evaluation of potential acquisitions also includes an assessment of the impact on our greenhouse gas emissions reduction targets. The Audit Committee is responsible for overseeing the management of climate-related risks and opportunities and associated metrics and targets. In addition, the Risk Committee is responsible for identifying and assessing climate-related risks and opportunities with an established approach to support this assessment.

PLC Board

- Responsible for approving and overseeing the Group's sustainability targets
- Receives six-monthly updates on sustainability progress from the Sustainability Committee
- Has oversight of TCFD reporting and disclosures (through the Audit Committee and Risk Committee)

Sustainability Committee

- Responsible for defining and delivering the Group's sustainability approach and long-term goals
- Formed in 2021, meeting quarterly to review and oversee progress against sustainability targets
- Use of third party specialists to provide additional insight and training (including climate change issues)
- Members include: Group CEO, Group CFO, Group Presidents, Group Head of Sustainability and other senior management

Risk Committee

- Responsible for the methodology to identify and assess climate-related risks and opportunities
- Agrees TCFD metrics and targets with the Sustainability Committee
- Reports significant climate-related risks and opportunities and corresponding mitigation plans to the Audit Committee for consideration
- Further details about the Risk Committee can be found on page 67

What is the impact of climate-related risks and opportunities on our strategy?

To understand the impact that climate could have on our business, we performed a high-level assessment based on a range of climate change scenarios. The selected scenarios represent a range of government policy intervention from very low (resulting in a 4˚C temperature increase), to significant (2˚C), to aggressive (1.5˚C). The timeframes were selected after consideration of the likely timing of transition risks, such as carbon pricing, and when significant physical climate changes are expected to materialise:

Scenario	"Global Net Zero by 2050"	Announced pledges	Higher warming
Overview	Global warming is limited to 1.5˚C as the world reaches global net-zero emissions by 2050. Transition risks more prevalent.	Forecasts to what extent announced ambitions and targets are on path to deliver global net zero.	High-emissions scenario, consistent with a future with no policy changes to reduce emissions. Physical risks more prevalent.
Temperature increase	~1.5˚C	~2˚C	~4˚C
Timeframes	2030 & 2040		2040

During the year, the Risk Committee completed an assessment of climate-related risks and opportunities (building on an initial risk assessment completed in 2021 with PwC) to determine which risks could have a material impact after considering both potential financial impact and likelihood. During 2024, we completed physical climate vulnerability analysis for new sites acquired in the year, building on the original 2021 analysis, which remains valid given there has been no change in the underlying climate analysis tool data since then. The assessment of transitional risk considered emerging regulatory requirements, such as carbon pricing.

The output of this assessment has enabled us to identify the material impacts on our business arising from each of these selected scenarios. The impacts were assessed without considering any actions that we might take to mitigate or adapt to these future climate change scenarios. The main impacts of the scenarios being:

Transition risk (TCFD, 2017)

Transitioning to a lower-carbon economy may entail extensive policy, legal, technology and market changes to address mitigation and adaptation requirements related to climate change. Depending on the nature, speed and focus of these changes, transition risks may pose varying levels of financial and reputational risk to organisations.

Physical risk (TCFD, 2017)

Physical risks resulting from climate change can be event driven (acute) or longer-term shifts (chronic) in climate patterns. Physical risks may have financial implications for organisations, such as direct damage to assets and indirect impacts from supply chain disruption.

Global warming scenario: 1.5°C and 2°C

As the global economy transitions to a low-carbon state, we have identified several potential short to medium term risks and opportunities for the Group:

- The availability of greener technology to adapt to lower emissions
- Increased demand for renewable energy leads to reduced supply or an increase in the cost of purchasing renewable energy
- The introduction of carbon pricing across our key geographies increases both our manufacturing costs and the costs of raw materials
- Potential opportunities for the Group given the existing focus on sustainable infrastructure products, for example galvanizing and certain composite applications. Further innovation in new products and services, in line with our purpose, will present further growth opportunities. See case studies on page 62.

Other risks identified, but not considered material at this stage, include reputational damage to the Group's brand due to climate inaction or negative climate impact from production/supply chain.

The EU Carbon Border Adjustment Mechanism '(CBAM') reporting requirements only apply to one of our operating companies, which has registered with the scheme and reports on imported steel as required. Quantities imported by this company are minimal and predominantly from the UK, so should not attract significant additional taxes once the transitional period ends.

UK CBAM will affect the majority of our UK operating companies, both in terms of reporting requirements and potential additional taxes on steel imported from outside of the EU (either directly, or passed on by distributors). We are monitoring developments of this scheme and briefing our businesses to ensure they are prepared; several have already started discussions with their suppliers to obtain the information that will be needed when UK CBAM comes into force in 2026.

Our UK operating companies with European customers are being asked for embodied carbon data to inform their reporting and we are providing this as and when requested.

Impact analysis

Under both scenarios, operating costs, particularly relating to carbon pricing, could increase if they are not proactively mitigated. We have therefore assessed the potential financial impact of carbon pricing relating to our current scope 1 and scope 2 emissions. The Group is committed to reducing greenhouse gas emissions as demonstrated by our 2040 net-zero ambition (see our costed plan on page 50) which will substantially mitigate the gross risk exposure to carbon pricing. The financial impact of carbon pricing has been considered as part of the costed plan. The impact of a potential increase in the cost of renewable energy is not considered material based on the Group's current renewable energy consumption. As the Group's adoption of renewable energy increases, future exposure to renewable energy pricing will partly be offset by self-generated energy.

Carbon Pricing* Gross Risk Impact (scope 1 and 2)

Annual impact by 2030	1.5˚C	2˚C
Average annual operating cost increase assuming no proactive carbon reduction plans are undertaken based on 2024 exit run rate emissions. Figures as at end of 2023 in brackets	£4.9m (£4.9m) Based on $130 per tonne*	£4.5m (£4.5m) Based on $120 per tonne*
Annual impact by 2040	**1.5˚C**	**2˚C**
Average annual operating cost increase assuming no proactive carbon reduction plans are undertaken based on 2024 exit run rate emissions. Figures as at end of 2023 in brackets	£7.7m (£7.7m) Based on $205 per tonne*	£6.4m (£6.4m) Based on $170 per tonne*

* Carbon pricing assumptions based on PwC estimates for advanced economies in 1.5˚C and 2˚C scenarios from 2021.

Global warming scenario – 4˚C

Under this scenario, we expect to see an increase in the frequency and magnitude of extreme weather events across our global operations. This could present multiple challenges for the Group including:

- Damage to operations from extreme weather events
- Operational downtime due to severe weather conditions
- Difficult working conditions e.g., extreme temperature could have the potential to lead to reduced working hours or to an increase in absenteeism
- Potential for an increase in the number of injuries or accidents when conducting operations.

There are also potential growth opportunities relating to Group products and services which provide solutions for extreme weather. See case studies on page 62.

Impact analysis

This scenario may include costs relating to the repair of assets, increased volatility, business discontinuity and needed resiliency investments for addressing more severe and frequent natural disasters that would occur under a warming of 4˚C. Working alongside PwC, we have analysed the Group's exposure to climate hazards at 58 operational sites (2023: 55 sites).

At the end of 2024, the Group had 15 sites at higher risk of one or more climate hazards with heat being the most significant threat (9 sites, 16%). The total number of higher risk sites has increased compared to 2023 (14 sites) due to acquisitions during 2024. In 2040, heat is predicted to remain the most significant threat to the Group (11 sites, 19%). Overall, 34% of sites have been identified to be at higher risk from one or more climate hazards by 2040, which represents c. 26% of 2024 Group revenue; however, the revenue at risk is much lower as the complete loss of annual revenue from a site following a climate hazard event is highly unlikely, as the sites have mitigations in place as well as the necessary insurance cover. During 2025, we will begin to assess and test business continuity plans at our sites most exposed to climate-related physical hazards.

The results of this analysis indicate the importance of taking action to reduce greenhouse gas emissions to minimise transition-related risks. It also suggests that, while physical climate change risks to our future business operations are relatively low, they may present opportunities for the Group. Given our focus on sustainable infrastructure, some of our operating companies already provide products and solutions to address extreme weather conditions, and we see this as an opportunity for future growth.

	Sites at higher risk*			
Hazard	2024 no of sites**	2024 % total sites	2040 no of sites	2040 % total sites
Flood	**4 (3)**	**7%**	6	10%
Wind	**4 (3)**	**7%**	5	9%
Precipitation	**8 (7)**	**14%**	9	16%
Heat	**9 (8)**	**16%**	11	19%
Hail/thunderstorms	**6 (5)**	**10%**	6	10%
Drought	**1 (2)**	**2%**	2	3%
Wildfire	**3 (4)**	**5%**	3	5%
Total unique sites with one or more high risk hazards	**15 (14)**	**26%**	20	34%

* PwC's climate analysis tool assigned each site, for each hazard, an absolute hazard score from 1 to 100. Sites with hazard scores greater than 70 were deemed higher risk.
** 2023 figures in brackets.

How do we manage risk?

The Risk Committee is responsible for identifying, assessing and managing climate-related risks and opportunities and reporting significant risks to the Board. This includes consideration of emerging regulatory requirements, such as carbon pricing. The impact assessment has identified that some of our operating companies may be more severely impacted by future climate change scenarios. The Risk Committee is responsible for actively working with our operating companies to ensure that appropriate mitigation strategies are in place using our established Risk Management Framework (refer to pages 66 to 68 for further details). Based on the scenario analysis and impact assessment outlined above, the Board deems climate change to be a Principal Risk to the Group (see page 70).

How will we measure progress?

The Group has set the following metrics and targets to assess and manage climate-related risks and opportunities:

- We are committed to reducing our scope 1 and 2 greenhouse gas emissions to achieve our net zero target by 2040.
  In the near term, we are measuring progress through reduction in our CO_2e intensity ratio. Refer to page 49 for further details of progress to date
- Having established our baseline scope 3 greenhouse gas emissions, we submitted our proposed near and long-term targets to SBTi in July 2023 and these were approved in December 2023
- While we have metrics for climate-related risks, during 2025 we will continue to develop cross-sector metrics for climate-related opportunities, capital deployment, internal carbon pricing, and remuneration
- In addition, we currently measure water usage and waste production and continue to look at ways to minimise our environmental impact.

TCFD elements	TCFD recommended disclosures	Compliant
Governance	a. Board oversight	✓
	b. Management's role	✓
Strategy	c. Climate-related risks and opportunities	✓
	d. Impact of climate-related risks and opportunities	✓
	e. Resilience of the organisation's strategy in climate scenarios	✓
Risk management	f. Risk identification and assessment	✓
	g. Managing climate-related risks	✓
	h. Integration into overall risk management process	✓
Metrics and targets	i. Metrics for climate-related risks and opportunities	x
	j. Scope 1, 2 and 3 greenhouse gas emission metrics	✓
	k. Climate-related targets – scope 1, 2 and 3	✓

Case study

Products enhancing resilience to extreme weather

'StormStrong' products
Creative Composites Group, US

StormStrong products include utility poles, utility crossarms, lighting poles, waterfront sheet piles, waterfront pipe piles and fibre reinforced polymer ('FRP') cooling towers. They provide resilience, durability and corrosion resistance in both grid and shoreline applications to ensure structural integrity in extreme weather conditions such as hurricane-force winds, blizzards and deep freezes. Creative Composites Group also manufactures 'FireStrong' fire resistant utility poles that can protect the grid from the excessive heat generated by brush/grass fires.

Rail track flood resilience
Asset International Structures, UK

The "Asset BaFix" track ballast shoulder retention system adds stability to rail tracks and provides flood resilience to ensure remote areas of rail networks are not cut off during flooding and extreme weather.

HVAC Vibration Isolation Systems
Novia, US

Novia's vibration isolation roof curbs are designed to withstand significant weather events, such as hurricanes, to protect Heating Ventilation and Air Conditioning ('HVAC') systems and ensure life and safety critical facilities remain open and operational. Such facilities include hospitals, police and fire stations, data centres and educational centres.

Asset BaFix product

Ethical conduct

Why does it matter?

As an international group, we recognise that acting ethically underpins our commitment to doing business in a responsible manner:

- Protecting ourselves and our employees
- Creating a sense of pride in our employees that we 'do the right thing'
- Ensuring transparency when dealing with customers and suppliers
- Supporting the communities in which we work with fair and equitable employment policies and opportunities
- Ensuring that terms of business with our suppliers supports our commitment to ethical conduct and doing business responsibly
- Maintaining our reputation with all our stakeholders

The Group is committed to treating all people, whether employed directly by the Group or its operating companies or employed in its supply chain, fairly and equitably and we are committed to upholding their human rights. The Group recognises all individuals' basic human rights and is committed to respecting the Universal Declaration for Human Rights. The Group respects the human rights of all those working for or with us and of the people in the communities where we operate. We will not knowingly do business with companies, organisations or individuals that we believe are not working to basic human rights standards.

Our Group companies comply with all applicable wage and working-time laws and other laws or regulations affecting the employer/employee relationship and the workplace. We oppose the exploitation of all workers, children and young people; we will not tolerate forced labour, or labour which involves physical, verbal or psychological harassment or intimidation of any kind; and we will not employ child labour in any of our operations.

Nor will we permit the exploitation of, or discrimination against, any vulnerable group. We have a zero tolerance approach to the fundamental violation of an individual's basic human rights that slavery and human trafficking represents. We aim to make a positive impact on society from our operations. The Group's business activities incur a substantial amount of different taxes, and the Group is committed to complying with tax laws in the geographies in which it operates and works closely with tax authorities in those countries. The Group does not operate in countries considered as partially compliant or non-compliant, according to the OECD Tax Transparency report and blacklisted or grey-listed by the EU.

What have we done in 2024?

The Group is committed to conducting its business activities responsibly and ethically and in accordance with the laws and regulations applicable to the jurisdictions in which we operate, and we have a series of policies that support this objective. These are supported by training and educational programmes for employees, together with a Group Code of Business Conduct ('CoBC') which underpins all our activities. The CoBC presides over areas such as health and safety, ethical business practice, gifts and entertainment, conducting international business, protection of individuals, resources and assets, and outlines the Group's legal and compliance responsibilities in areas such as anti-bribery and corruption, export laws and regulations, and international fair and open competition.

For employees who wish to raise concerns without fear of reprisal or victimisation, we provide an external confidential, independent whistleblowing hotline and email facility, available in local languages. Employees can also contact senior managers within their business, the Group Company Secretary, or the Chair of the Audit Committee, without fear of reproach. 44 such issues were reported and investigated in 2024 (2023: 10). During 2024, we issued updated whistleblowing training to our employees and ensured that this was communicated at all levels within the organisation. We believe this heightened awareness resulted in the increase in whistleblowing reports and this is seen as a positive reflection of the awareness across the Group.

Specific policies have been developed and the following are available on the Group website www.hsgroup.com:

- Supply Chain Policy
- Code of Business Conduct
- Anti-bribery & Corruption Policy
- Modern Slavery Policy
- Whistleblowing Policy

Our 2025 focus areas

We regularly review operating companies' standard terms and conditions of purchase, and standard long term supply agreements across the Group. The terms and agreements must include requirements concerning ethical operations, including provisions addressing a supplier's obligation to comply with the UK Modern Slavery Act or similar local legal obligations. We will conduct annual audits to ensure that we fulfil our obligations under the UK Modern Slavery Act.

We will act in accordance with our CoBC, upholding our zero-tolerance approach to bribery and corruption. We will monitor and investigate all whistleblowing reports as well as learning the lessons from such incidents in order to manage such reports to an acceptable level. Additionally, we are rolling out more detailed training across the Group on undertaking best practice whistleblowing investigations.

We will continue to conduct our dealings with tax authorities with honesty, integrity, respect and fairness and in a spirit of co-operative compliance.

How do we ensure we are compliant?

- Annual Modern Slavery audits
- Board oversight of all whistleblowing reports
- Annual approval of all ethical policies by the Board or Executive Committee
- Maintain online training to ensure compliance with relevant legislation
- Annual certification by Group operating subsidiaries that they have complied with policies issued by the Group, and in particular with the CoBC.

Sustainability data

	2024	2023	2022	2021	2020
Product research & development					
Spend on R&D	**£3.4m**	£3.3m	£2.8m	£1.9m	£2.0m
Percentage of revenue	**0.4%**	0.4%	0.4%	0.3%	0.3%
Environmental					
Environmental penalties	**£nil**	£nil	£nil	£nil	£nil
Carbon Disclosure Project ('CDP') Rating	**C**	B	B	D	C
Group water usage (m^3)	**98,825**	92,963	84,667	104,795	95,093
Solid waste to landfill (tonnes)	**6,338**	4,769	5,138	3,600	5,165
Recycled waste (tonnes)	**21,644**	22,385	20,761	13,755	19,145
Percentage of recycled waste	**77%**	82%	80%	79%	79%
Greenhouse gas emissions					
Emissions (tCO_2e) – Scope 1: UK [(1)]	**16,041**	17,060	17,518	18,362	17,689
Emissions (tCO_2e) – Scope 1: Rest of World [(1)]	**22,560**	21,640	20,902	21,611	23,068
Location-based emissions (tCO_2e) – Scope 2: UK [(1)]	**3,063**	3,201	3,072	3,896	3,849
Location-based emissions (tCO_2e) – Scope 2: Rest of World [(1)]	**10,995**	10,705	10,234	10,668	10,486
Market-based emissions (tCO_2e) – Scope 2: UK [(1)]	**82**	164	428	1,094	4,477
Market-based emissions (tCO_2e) – Scope 2: Rest of World [(1)]	**9,450**	10,528	10,477	10,787	10,585
Intensity ratio	**0.06**	0.06	0.07	0.09	0.10
Scope 3 (tCO_2e) – Group [(1)]	**1,016,734**	862,259	1,007,641	n/a	n/a
Other greenhouse gas emissions – CH4 (tCO_2e)	**67**	64	61	66	63
Other greenhouse gas emissions – N2O (tCO_2e)	**137**	155	156	165	157
Energy consumption					
Energy consumption UK (kWh)	**95,875,309**	100,338,137	103,246,843	110,355,033	104,827,829
Energy consumption rest of world (kWh)	**150,792,407**	144,927,420	142,328,304	147,407,078	154,029,308
Energy consumption total (kWh)	**246,667,716**	245,265,557	245,575,147	257,762,111	258,857,137
Health and safety					
No. of workplace fatalities	**0**	0	0	0	0
No. of lost time injuries	**30**	35	85	142	109
LTIR	**0.33**	0.43	1.1	1.7	1.5
No. of near miss reports	**990**	1,969	2,217	2,126	955
Ethical conduct					
Charitable donations	**£119,618**	£98,985	£62,000	£39,000	£21,000
Whistleblowing reports made by employees	**44**	10	12	2	3
Modern slavery audits carried out	**Yes**	Yes	Yes	Yes	Yes
Talent and employment practices					
No. of Group employees (as at 31 Dec)	**4,559**	4,336	3,817	4,402	4,398
Voluntary (regrettable) attrition rate	**18%**	9%	14%	14%	6%
Percentage of employees with access to a recognised Trade Union	**3%**	5%	11%	18%	18%
UK Gender Pay (Median Pay Gap)	**-1.0%**	-0.1%	2.8%	-4.5%	0.1%
Training spend	**£0.8m**	£0.9m	£0.8m	£0.6m	£0.4m
Total no. of days training	**5,285**	5,799	5,626	4,119	4,000
UK apprenticeships	**66**	60	55	49	34
Percentage of UK sites utilising the Apprenticeship Levy	**89%**	83%	89%	57%	49%
Employees participating in training & development	**2,506**	3,527	2,386	156	111
Percentage of employees participating in training & development that are female	**8%**	9%	10%	17%	10%

1.In accordance with our Greenhouse Gas Emissions Recalculation Policy, in our Basis of Reporting 2024 (available at hsgroup.com/who-we-are/governance/our-policies/) and the GHG Protocol, our 2020-2023 scope 1, 2 and 3 data has been revised to remove the emissions relating to any operating companies that have been divested and to include estimates for the emissions from companies that we have acquired during those years. This may result in stated emissions for previous years differing from those reported previously, but allows a meaningful comparison of current emissions with base year and historic year emissions.

	2024		2023		2022		2021		2020	
Engagement										
Engagement survey participation		**83%**		80%		80%		62%		n/a
Engagement score		**56%**		56%		61%		55%		n/a
Inclusion engagement score		**73%**		73%		69%		63%		n/a
Gender diversity										
	M	**F**	M	F	M	F	M	F	M	F
PLC Directors	**5**	**3**	5	2	5	3	5	3	5	2
Executive Committee	**4**	**2**	3	2	4	2	4	2	n/a	n/a
No. of subsidiary directors	**40**	**9**	46	10	39	7	49	3	66	5
No. of senior leaders	**100**	**28**	109	26	78	20	201	38	174	39
Percentage of PLC Directors	**62%**	**38%**	71%	29%	62%	38%	62%	38%	71%	29%
Percentage of Executive Committee	**67%**	**33%**	60%	40%	67%	33%	67%	33%	n/a	n/a
Percentage of subsidiary directors	**82%**	**18%**	82%	18%	85%	15%	94%	6%	93%	7%
Percentage of senior leaders	**78%**	**22%**	81%	19%	80%	20%	84%	16%	82%	18%
Total percentage of Group employees	**89%**	**11%**	89%	11%	90%	10%	90%	10%	90%	10%

Sustainability Policies

The Group has several policies that support its Sustainability Plan. These are listed below, and can be found at https://hsgroup.com/

- Product Responsibility Policy
- Conflicts Mineral Policy
- Supply Chain Policy
- Environment Policy
- Health & Safety Policy
- Equal Opportunities & Diversity Policy
- Tax Strategy