



Hill & Smith PLC (“the Group”) expects to grow its operations through acquisitions and divestments over time. Consequently, total greenhouse gas (“GHG”) emissions are likely to change.

Basis

To be able to meaningfully compare current emissions with base year and historic year emissions, recalculations of historic data will be needed. This policy sets out the circumstances and thresholds at which a recalculation of the Group’s historic emissions will occur and the methodology for carrying out the recalculation.

Adoption

This Policy has been adopted by the Group and will be updated or modified as appropriate.

Implementation

The Policy will be implemented by the Head of Sustainability, who will be responsible for the detailed oversight of the operation of the Policy and reporting to the Group’s Board as and when appropriate.

Principles

The Group has set GHG emission base years to enable comparison of emissions and track performance, using a “fixed base year” approach, as follows:

- Scopes 1 and 2: 2020
- Scope 3: 2022

Our Commitment

The Group is committed to ensuring that any future targets remain in line with climate science and will obtain SBTi validation for any new targets set.

General Rules

Organic growth or decline does not trigger any base year recalculation. Organic growth is defined as per the GHG Protocol as “increases or decreases in production output, changes in product mix, and closures and openings of operating units that are owned or controlled by the company”.

Base year adjustments will occur at the end of each financial year (1 January to 31 December) if we identify any changes described in this policy which require us to recalculate historic emissions data.

All recalculations and adjustments shall be documented and transparently reported.

Recalculation circumstances

The following circumstances could trigger the recalculation of base year and historic year emissions:

1. Structural changes to organizational boundaries
2. Methodology changes
3. Data errors or other changes

1. Structural changes

Structural changes that significantly impact our base year GHG emissions and may trigger the adjustment of historic emissions include acquisitions, divestments and mergers. Recalculations will be carried out as follows:

Divestments: Following a “same year, all year” approach, the year that an Operating Unit is divested it will not be included in the GHG inventory for that year and, if applicable, will be removed from the base year and other historic years

Example: An Operating Unit is divested in September 2022. The 2022 inventory does not include any of that Operating Unit’s data for 2022 and their data is removed from the GHG inventory for all previous years



Acquisitions / mergers: Following a “year after, all year” approach, acquired Operating Units will only be included in the historic GHG inventory after they have been owned, and emission data is available for, one full financial year. In the first year a new Operating Unit is under the Group’s operational control (and only partial year data exists) base year and historic year emissions will not be recalculated to reflect the partial year. An explanation will be provided in the GHG inventory report to account for the difference between the current and historic emissions.

Where an Operating Unit is acquired during the fourth quarter of a year (October to December inclusive), their partial GHG emissions will not be included within that year; instead, they will be recorded from the start of the following year with the recalculation policy outlined above applied at the end of the following year.

Example: An Operating Unit is acquired in July 2022. The 2022 GHG emissions data will include the partial year’s data for July to December, but base year and other historic emissions will not be recalculated to include this partial year. Instead, the base year will be recalculated at the end of the 2023 year once a full year of operational data is available for the Operating Unit.

Structural changes will be considered in aggregate for any given year, using the approach outlined above. For example, at the end of 2023, divestments made in 2023 will be considered alongside acquisitions made in 2022 to assess whether their combined impact leads to an increase/decrease in base year emissions of greater than 5%.

For economic intensity targets against ‘value added’, the operating profit will also be recalculated in accordance with the above methodology to enable a consistent metric. This is in line with the GHG Protocol and Science Based Targets Initiative (‘SBTi’) methodology.

2. Methodology Changes

Methodology changes include updated emission factors, improved data access or updated calculation methods or protocols.

3. Data Errors or Other Changes

In addition to structural and methodology changes, the Group could potentially recalculate emissions and re-set targets for:

- Discovery of a significant error, or a number of cumulative errors that together are significant.
- Significant changes in our organizational or operational boundaries.

Summary

The Group will recalculate base year and historic emissions in the event of any recalculation circumstances described above, that drive an increase/decrease in base year emissions of greater than 5%.

The Group may also choose to recalculate the base year and/or one or more of its GHG emission reduction targets for changes less than 5%, especially when structural changes occur. The 5% variation is considered as a materiality threshold by the GHG Protocol as well as by the Science Based Targets initiative (SBTi) criteria.

Associated Documents

- Group Energy Policy
- Group Environmental Policy
- Group Product Responsibility Policy
- Code of Business Conduct

Helpful Documents

- GHG Protocol Corporate Accounting and Reporting Standard: Appendix E - Base year recalculation methodologies for structural changes.



Other Contacts

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Approved by the Board of Directors of Hill & Smith PLC

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