



SUSTAINABLE GOVERNANCE

We recognise that to play a positive role in society, we need to act responsibly. Not just to our employees, customers, suppliers and other stakeholders but also to the environment and wider society.

Hostile vehicle mitigation barriers, London

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 to provide 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 done?

The TCFD recommendations encourage companies to disclose information on their financial risks and opportunities due to climate change, and how they are being managed. During 2022 we further developed our approach to assessing the impact of climate change on our business operations, strategy, and financial planning.

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 quarterly updates on progress around ESG focus areas including climate related risks and opportunities. In addition, the annual budget process now includes consideration of operating company level carbon reduction plans, and we will be introducing a similar focus into the 2023 strategic planning process which covers a five year timeframe. The evaluation of potential acquisitions also includes assessment of the impact on our carbon 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 and during the year we developed and implemented an approach to support this assessment.

PLC Board

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

ESG Committee

- Responsible for defining and delivering the Group's ESG approach and 2040 goals
- Formed in 2021, meeting every six weeks to review and oversee progress against ESG targets
- Use of third party specialists to provide additional insight and training (including climate change issues)
- Members include: Group CEO / Executive Chair, Group CFO, Head of Talent, Group Company Secretary, 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 ESG 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 61.



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 (4°C) 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	2025 and 2030		2030 and 2040

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.

During 2021 a risk assessment workshop was held with PwC to determine which risks could have a material impact after considering both potential financial impact and likelihood. The assessment of climate-related transition risks and opportunities was completed on a sub-divisional and geographic basis, with physical climate risk vulnerability analysis completed for our operational sites. In 2022, we completed physical climate vulnerability analysis for all new sites acquired during the year. The 2021 climate vulnerability analysis run for existing sites remains valid given there has been no change in the underlying climate analysis tool data since last year. 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:

Global warming scenario: 1.5°C and 2°C

Risk

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

- The availability of greener technology to adapt to lower emissions
- Increased demand for renewable energy may lead to reduced supply or an increase in the cost of purchase
- 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 53.

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

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.

Carbon Pricing* Gross Risk Impact (Scope 1 & 2)

Annual Impact by 2025	1.5°C	2.0°C
Average annual operating cost increase assuming no proactive carbon reduction plans are undertaken based on 2022 exit run rate emissions. Figure as at end of 2021 in brackets.	£4.7m (£6.1m) Based on \$130 per tonne	£4.3m (£5.6m) Based on \$120 per tonne
Annual Impact by 2030	1.5°C	2.0°C
Average annual operating cost increase assuming no proactive carbon reduction plans are undertaken based on 2022 exit run rate emissions. Figure as at end of 2021 in brackets.	£7.4m (£9.6m) Based on \$205 per tonne	£6.1m (£8.0m) Based on \$170 per tonne

* Carbon pricing assumptions based on PwC's estimates for advanced economies in 1.5°C and 2°C scenarios.

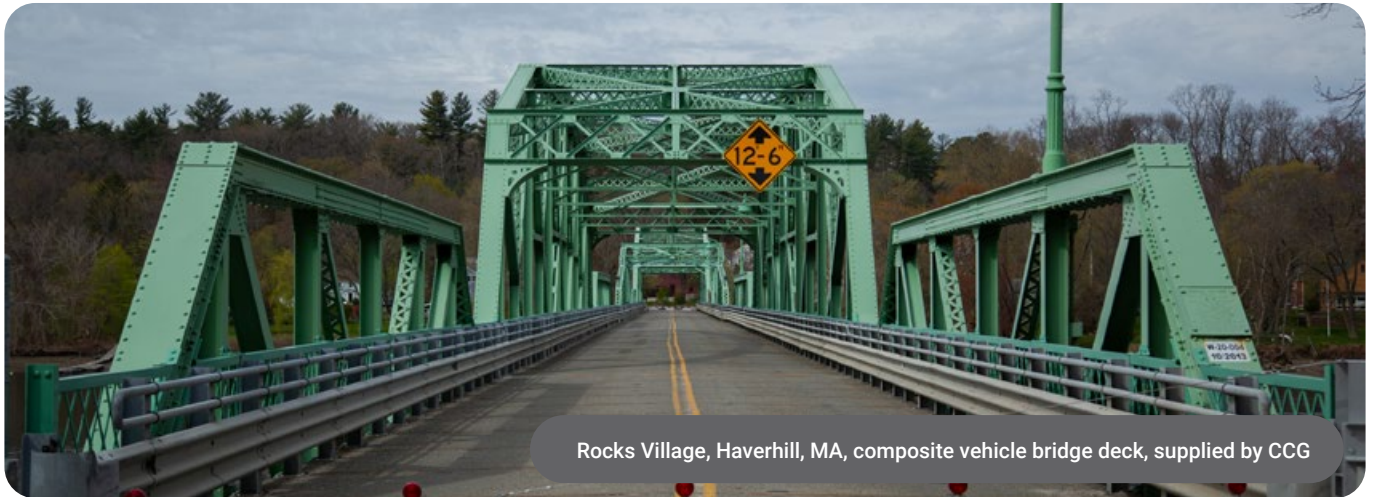
The Group is committed to reducing greenhouse gases as demonstrated by our 2040 net zero ambition, which will substantially mitigate the gross risk exposure to carbon pricing. The financial impact of carbon pricing has been considered as part of the costed plan relating to our net zero ambition. The 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.

We have completed the assessment of our Scope 3 emissions during 2022 with a view to disclosing them in our 2023 Annual Report in accordance with the SBTi target. Once more is known about likely carbon pricing regimes we will be in a better position to estimate the potential impact on our supply chain costs.



SUSTAINABLE GOVERNANCE

continued



Rocks Village, Haverhill, MA, composite vehicle bridge deck, supplied by CCG

CLIMATE RISKS AND TCFD continued

Global warming scenario: 4°C

Risk

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 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 53.

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 53 of the Group's sites (2021: 67 sites). A summary of the results is as follows:

Hazard	Sites at higher risk**				
	2021 No of sites	2022 No of sites	2022 % total sites	2040 No of sites	2040 % total sites
Flood	1	1	2%	3	6%
Wind	3	3	6%	3	6%
Rainfall	5	5	9%	6	11%
Heat	6	6	11%	9	17%
Hail/Thunderstorms	4	4	8%	4	8%
Drought	3	2	4%	4	8%
Wildfire	4	4	8%	4	8%
Total unique sites with one or more high risk hazards	13	12	23%	18	34%

* Carbon pricing assumptions based on PwC's estimates for advanced economies in 1.5°C and 2°C scenarios.

** 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.

Based on the above analysis, at the end of 2022, the Group had 12 sites at higher risk of one or more climate hazards with heat being the most significant threat (6 sites, 11%). The number of sites at higher risk of one or more climate hazards has reduced compared to 2021 (13 sites). In 2040 heat is predicted to remain the most significant threat to the Group (9 sites, 17%) with heat also seeing the most significant increase in risk from 2022 to 2040 (3 additional sites). Overall, 34% of sites have been identified to be at higher risk from one or more climate hazards by 2040. These sites represent c. 20% of 2022 Group revenues, 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 and the sites also have mitigations in place. During 2022 operating companies with sites identified as higher

risk progressed their business continuity measures. In 2023 we will work with them to further develop their business continuity measures and to ensure that the necessary insurance remains in place.

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 presents a relatively low risk to our future business operations, it 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.



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. Based on the scenario analysis and impact assessment outlined above, the Board does not currently consider the impact sufficiently material over the next five years to be deemed a Group Principal risk, however we are considering climate change as an emerging risk and will monitor accordingly.

The impact assessment has however 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 process (refer to page 60 for further details).

How will we measure progress? – Group metrics and targets

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 Scope 2 CO₂e emissions to achieve our net zero target by 2040. In the near term, we are measuring progress through reduction in our CO₂e intensity ratio. Refer to page 39 for further details of progress to date.
- During 2022, we undertook work to establish our baseline Scope 3 CO₂e emissions and we are on track to submit our SBTi targets ahead of the required August 2023 deadline.
- In addition, we currently measure water usage and waste management and continue to look at ways of minimising our environmental impact.

We note the guidance issued on cross industry climate related metric categories and this is an area we are planning to broaden going forward.

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	●
	j1. Scope 1 & 2 GHG metrics	●
	j2. Scope 3 GHG metrics	●
	k1. Climate related targets – Scope 1 & 2	●
	k2. Climate related targets – Scope 3	●

CASE STUDY

'StormStrong' Products – Creative Composites Group, US

StormStrong products include utility poles, utility crossarms, light poles, waterfront sheet piles, waterfront pipe piles and 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 manufacture 'FireStrong' fire resistant utility poles that can protect the grid from the excessive heat generated by brush/grass fires (see page 14 for further details).

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.