



# PROTECTING THE WORLD

## GREENHOUSE GAS EMISSIONS AND ENERGY EFFICIENCY

### Alignment with UN SDGs



### Why does it matter?

We recognise that greenhouse gases are a major contributor to the climate crisis and are committed to managing and reducing the Group's emissions to support the Paris Agreement goals.

### What have we done?

#### Science Based Targets

Hill & Smith's near-term, long-term and overarching net-zero emission reduction targets were approved by the SBTi in December 2023, using a financial year running from 1 January to 31 December. Our approved science-based targets are as follows:

#### Overall Net-Zero Target

Hill & Smith PLC commits to reach net-zero greenhouse gas emissions across the value chain by 2050.

#### Near-Term Targets

By 2032, Hill & Smith PLC commits to reduce absolute scope 1 and 2 greenhouse gas emissions by 55% from a 2020 base year. Hill & Smith PLC also commits to reduce scope 3 greenhouse gas emissions by 60% per GBP value added by 2032 from a 2022 base year.

#### Long-Term Targets

Hill & Smith PLC commits to reduce absolute scope 1 and 2 greenhouse gas emissions by 90% by 2040 from a 2020 base year and maintain 90% absolute reduction through 2050 from 2040. Hill & Smith PLC also commits to reduce

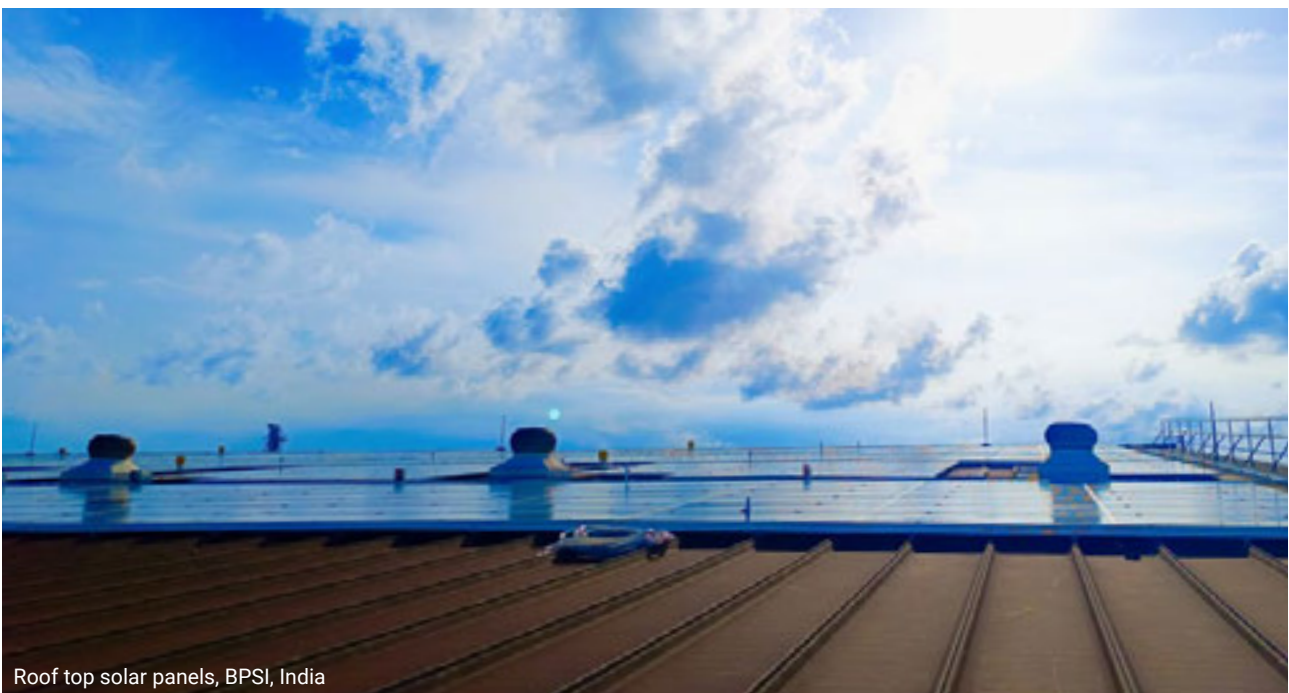
scope 3 greenhouse gas emissions by 97% per GBP value added by 2050 from a 2022 base year.

For scope 1 and 2, a market-based and absolute contraction approach was chosen. For scope 3, an economic intensity approach was selected due to the changing nature of our portfolio through organic developments and value enhancing acquisitions.

In addition to our approved science-based targets, we also have an internal target to achieve net-zero for scope 1 and 2 by 2040 and we are measuring our near-term progress through reduction in our carbon intensity ratio (defined as tCO<sub>2</sub>e per £million revenue). We are pleased to report that we have seen an improvement in our carbon intensity ratio in 2023 with details set out below.

Target	2023 Actual	2022 Actual	2025 Target	2030 Target
Intensity Ratio (market-based) (tCO <sub>2</sub> e per £000's revenue)	0.06	0.07	0.08	0.06

Note: In accordance with our Greenhouse gas emissions Recalculation Policy (available at <https://hsgroup.com/who-we-are/governance/our-policies/>) and the GHG Protocol, our 2020-2022 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.



Roof top solar panels, BPSI, India

## Progress against science-based targets

Our progress against our science-based targets is set out below. Excluding acquisitions our scope 1 and 2 emissions for 2023 have remained at similar levels to 2022 and the intensity ratio, which includes acquisitions made in the year, has reduced. For further information on how we plan to achieve our targets, see our costed plan on page on 40. 100% of our scope 1, 2 and 3 emissions are included in our science-based targets.

Reporting item	2023	2022	Base year value (2020)	2023 % change (from 2020)
Scope 1 (tCO <sub>2</sub> e)	36,664	33,276	37,931	-3%
Scope 2 (market-based) (tCO <sub>2</sub> e)	10,000	8,742	12,908	-23%
Total scope 1+2 (market-based) (tCO <sub>2</sub> e)	46,664	42,018	50,839	-8%

Reporting item	2023	Base year value (2022)	2023 % change (from 2022)
Scope 3, category 1: Purchased goods & services (tCO <sub>2</sub> e)	310,617	614,224	-49%
Scope 3, category 2: Capital goods (tCO <sub>2</sub> e)	5,746	12,320	-53%
Scope 3, category 3: Fuel- and energy-related activities (tCO <sub>2</sub> e)	8,617	7,881	+9%
Scope 3, category 4: Upstream transportation (tCO <sub>2</sub> e)	28,869	36,615	-21%
Scope 3, category 5: Waste (tCO <sub>2</sub> e)	2,184	3,320	-34%
Scope 3, category 6: Business travel (tCO <sub>2</sub> e)	2,253	2,252	0%
Scope 3, category 7: Employee commuting (tCO <sub>2</sub> e)	4,245	4,541	-7%
Scope 3, category 9: Downstream transportation (tCO <sub>2</sub> e)	7,235	7,087	+2%
Scope 3, category 10: Processing of sold products (tCO <sub>2</sub> e)	10,932	13,528	-19%
Scope 3, category 11: Use of sold products (tCO <sub>2</sub> e)	446,837	560,063	-20%
Scope 3, category 12: End-of-life treatment (tCO <sub>2</sub> e)	2,736	2,516	+9%
Scope 3, category 13: Downstream leased assets (tCO <sub>2</sub> e)	461	163	+183%
Total scope 3 (all categories) (tCO <sub>2</sub> e)	830,732	1,264,512	-34%
Overall scope 3 emissions intensity (tCO <sub>2</sub> e/£ value added)	5,490	10,947	-50%

Note: 2023 data includes partial year data for Korns Galvanizing and Enduro Composites, which were acquired during 2023 and so are not yet included in previous years' recalculated figures.

Scope 3 categories 8 (upstream leased assets), 14 (franchises) and 15 (investments) have been assessed and deemed not to be relevant to the Group's activities.

In accordance with our Greenhouse Gas Emissions Recalculation Policy (available at <https://hsigroup.com/who-we-are/governance/our-policies/>) and the GHG Protocol, our 2020-2022 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. All re-stated emissions for historic years are available in our Basis of Reporting document on our website.

The DEFRA spend-based emission factors were updated between the 2022 baseline and the 2023 calculations, resulting in several significantly lower emission factors being applied to 2023 inputs.

### Base year recalculation policy and threshold

We have recalculated and restated our base year and historic year emissions across all scopes to reflect the effects of acquisitions and divestments. Details of these changes can be found in our 'Basis of Reporting 2023' document. Our Greenhouse Gas Emissions Recalculation Policy defines a significant change as a cumulative change of 5% or larger in our total base year emissions. We have assessed the implications of these restatements on our science-based targets and have not identified a need

to update the targets. Refer to the Governance section of the Group website for further information.

### Actions towards meeting greenhouse gas emission reduction targets

A range of emissions reduction and energy efficiency initiatives have been undertaken by our operating companies during 2023, including the continued installation of solar panels, purchase of more energy efficient welding sets, installation of energy monitoring systems to track individual equipment

consumption, and switching forklift trucks to electric. Two of our UK sites have now made the switch to Hydrotreated Vegetable Oil ('HVO') in place of diesel and more are investigating this opportunity.

Consumption of natural gas for use in heating in the galvanizing process contributes 88% of the Group's total natural gas consumption and therefore the use of energy in the galvanizing process is a key focus area for the Group's emissions reduction plan. In 2023, we continued to implement energy efficiency measures in both our UK and US galvanizing operations including heat recovery systems, kettle covers and variable frequency drives,



# PROTECTING THE WORLD continued

which will contribute to our emissions reduction plan. We also continued to investigate the viability of hydrogen as an alternative fuel, maintaining our involvement in the Cadent and National Gas Transmission Hydrogen Valley project.

97% of our UK electricity requirements were sourced through renewable energy

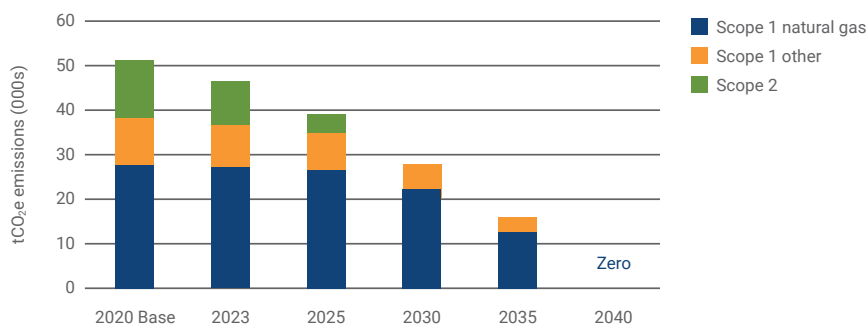
certificates in 2023 and we are currently working with our US businesses on plans to move towards renewable electricity supply within the next two years (where available).

Work has also started on identifying opportunities to influence our scope 3 emissions, including contacting suppliers to obtain more product-specific

information (such as recycled content and production methods for steel), using weight-based rather than spend-based data and emission factors to improve data quality, and investigating opportunities for lower embodied carbon concrete.

## Costed plan

### Net-zero scope 1 and 2 emissions by 2040



#### 2020-2025

Implementation of galvanizing energy efficiency measures

Trial alternative galvanizing burner technologies

Replace forklift fuel with renewables

UK to renewable electricity

US start to move to renewable electricity

#### 2026-2030

Ongoing galvanizing energy efficiency measures

Galvanizing plants to alternative burner technology

Remaining forklift fuel replaced with renewables

US and RoW moved to renewable electricity

#### 2031-2035

Galvanizing plants to alternative burner technology

#### 2036-2040

Remaining galvanizing plants to alternative burner technology

Replace diesel in commercial vehicles with renewables

We have continued to refine our 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 continue our commitment to achieving our internal net-zero target for scope 1 and 2 by 2040. Our current expectations are that the financial impact of achieving this will not have a material impact on the growth prospects for the Group, with modest levels of incremental capital investment required. The planned investment is outlined above in our costed plan.

## Verification and assurance of greenhouse gas emissions

We engaged Bureau Veritas to conduct a verification review of our corporate greenhouse gas emissions inventory for the period 1 January to 31 December 2023. The review was performed to a limited level of assurance in accordance with the requirements of the International Standard on Assurance Engagements ('ISAE') 3000.

The remit of the review included scope 1, scope 2, and scope 3 categories 1 (purchased goods and services), 2 (capital goods), 3 (fuel and energy related activities), 4 (upstream transportation), 5 (waste generated in operations), 6 (business travel), 7 (employee commuting), 9 (downstream

transportation), 10 (processing of sold products), 11 (use of sold products), 12 (end-of-life treatment) and 13 (downstream leased assets).

Bureau Veritas has found no evidence that the above reported data is not materially correct, with a limited level of assurance. The results of the assessment can be found on our website, [www.hsgroup.com](http://www.hsgroup.com).

Further information on our annual greenhouse gas inventory, scope 1, 2 and 3 reporting methodologies and data sources, exclusions, assumptions and estimations, plus the historic emission recalculations carried out this year, is available in our 'Basis of Reporting 2023' document, which can be found on our website, [www.hsgroup.com](http://www.hsgroup.com).

### What will we achieve?

In 2024 we will focus on further developing local emissions reduction plans for each of our operating companies, to include scope 1, 2 and 3. We will look to partner with external organisations where appropriate to assist with feasibility studies and the installation of energy efficiency technology appropriate to each site.

We intend to further develop these plans into a high level Climate Transition Plan for the Group in line with the Transition Plan Taskforce Disclosure Framework published in 2023.

### How will we measure progress?

We have invested in a sustainability software solution to record our greenhouse gas emissions. This provides greater visibility of our emissions and allows us to measure performance against our targets at both a Group and individual operating company level.



## LIONWELD KENNEDY

# CASE STUDY

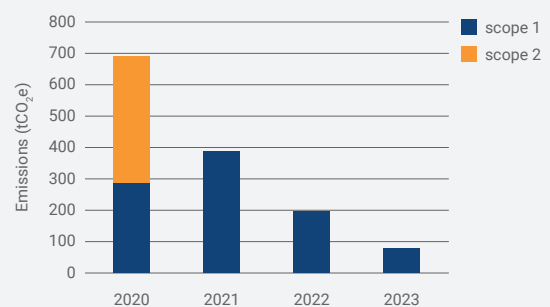


Since 2020, Lionweld Kennedy has seen a significant year-on-year reduction in its scope 1 and 2 greenhouse gas emissions. Initiatives that the company has undertaken include:

- Signing up to a 100% renewable electricity tariff (backed by Renewable Guarantee of Origin ('REGO') certificates)
- Transition of the entire fleet of forklift trucks from diesel to electric
- Transition from diesel to sustainably-sourced HVO fuel to heat the factory
- Implementation of a remote energy monitoring system to allow energy consumption to be reviewed at a more granular, equipment-specific level
- Installation of solar panels onto the factory roof

In addition, the business has been looking at the sustainability and embodied carbon of its products. Design changes to their Safegrid steel flooring panels have resulted in an estimated reduction of c. 185 tonnes of steel used in production, with an associated 6% reduction in electricity consumption. Rationalisation of the product range offered has also seen a c. 20% reduction in electricity due to lower processing requirements.

Lionweld Kennedy greenhouse gas emissions





# PROTECTING THE WORLD continued

## SUSTAINABLE PRODUCTS

Alignment with UN SDGs



### Why does it matter?

Delivering solutions that improve the sustainability of our customers' operations is central to our company purpose and strategy. We believe that our products and services can play an important role in addressing the challenges associated with increasing population and urbanisation, climate change and decarbonisation.

### What have we done?

In 2022, we assessed the value to society of c. 55% of the Group's products and services by revenue, using a Six Capitals framework and supported by a third party, Route 2. This demonstrated a positive impact on society from the products assessed (c. £2 of value to society for every £1 of revenue generated). In 2023, we have considered other options and frameworks to assess the sustainability of our products and we are in the process of

determining suitable metrics to use going forward.

During 2023, a number of our operating companies started to undertake Life Cycle Assessments ('LCA') for individual products, with several of these being verified by a third party and published as Environmental Product Declarations ('EPD'). We expect this to be an increasing focus area for our customers going forward.

### Waste management and water consumption

Waste generation varies significantly between operating companies. Some produce very little waste; some generate high proportions of recyclable waste streams (such as steel). The galvanizing sites generate the most significant quantities of hazardous waste streams such as waste acid and degreaser.

Water use by our operating companies is typically for offices (toilets, hand washing and cleaning) and for process activities (such as pre-treatment tanks in our galvanizing facilities). We monitor the consumption of water across the Group and encourage sites to reduce consumption where possible.

We have also worked to improve the accuracy of our waste and water reporting over the past two years, with its inclusion in our online software solution for greenhouse gas emissions reporting. In 2023, for the first time, we undertook internal audits across the Group to assess the accuracy of data reporting, including waste and water. As a result, some of the waste figures for 2022 were amended and have increased compared to previously reported figures.

Our water consumption and waste data for the past five years is set out below:

Measure	2023	2022	2021	2020	2019
Water consumption (m <sup>3</sup> )	92,963	84,667	104,795	95,093	91,152
Water intensity (m <sup>3</sup> / £000 revenue)	0.11	0.12	0.17	0.16	0.15
Waste generated (tonnes)*	27,154	25,899	17,355	24,310	27,192
– Hazardous	9,792	9,471	n/a	n/a	n/a
– Non-hazardous	17,362	16,428	n/a	n/a	n/a
Waste intensity (tonnes / £000 revenue)	0.033	0.035	0.028	0.041	0.044
Waste recycled (%)	82	78	79	79	83

\* The split between hazardous and non-hazardous waste is not available prior to 2022. The 2022 waste tonnage differs to that reported previously due to improvements made to the recording process.

### What will we achieve?

We will continue to undertake LCAs on key products, with the publication of EPDs as they are verified.

Innovation is key to developing our products so that we continue to address our customers' needs and provide them with sustainable solutions. In 2024, our Group Head of Sustainability will join our Innovation Forum, helping to strengthen the links between research & development ('R&D') and sustainability.

During 2024 we will work to develop a framework for the classification of our products and R&D activities as 'sustainable', to enable us to report on the proportions of our revenue and R&D spend related to products that have an environmental, economic or social benefit.

### How will we measure progress?

From 2024, we will report on the total number of products that have a verified EPD and aim to increase this number on an annual basis. We will continue to disclose work done to assess the sustainability of our products and the development of a framework to enable us to do so in line with published standards and guidance.