



SUSTAINABLE GOVERNANCE

CLIMATE RISKS AND TCFD

Alignment with UN SDGs



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 require companies to disclose information on their financial and physical risks and opportunities due to climate change, and how they are being managed. During 2023

we continued to develop our approach to assessing the impact of climate change on our business operations, strategy, and financial planning. We are fully compliant with the recommended disclosures, apart from partial compliance with Metrics and Targets. See page 51 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 2023 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 every two months 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; Executive Chair, 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 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 57

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 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 and 2023, we completed physical climate vulnerability analysis for new sites acquired since the original 2021 analysis. The 2021 climate vulnerability analysis 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:

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 51

Other risks identified, but not considered material at this stage, include reputational damage to the Group's brand due to

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.

climate inaction or negative climate impact from production / supply chain.

The EU Carbon Border Adjustment Mechanism (CBAM) has not impacted the Group. The proposed UK CBAM would place a carbon price on emissions intensive industrial goods imported to the UK (such as steel and aluminium) by the Group. At this stage UK CBAM carbon prices have not been included in our costed plan, although it has been assumed that the associated increase in the cost of raw materials could be absorbed in sales price increases.

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

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 40, 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.

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 2023 exit run rate emissions. Figures as at end of 2022 in brackets	£4.9m (£4.4m)	£4.5m (£4.1m)
	Based on \$130 per tonne*	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 2023 exit run rate emissions. Figures as at end of 2022 in brackets	£7.7m (£6.9m)	£6.4m (£5.8m)
	Based on \$205 per tonne*	Based on \$170 per tonne*

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



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 51.

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 the Group’s 55 operational sites (2022: 53 sites). A summary of the results is as follows:



Managing Director, Jeetinder Chopra presents an award to Nagaraju Murugiah, BPSI, India

Based on the below analysis, at the end of 2023, the Group had 14 sites at higher risk of one or more climate hazards with heat being the most significant threat (8 sites, 15%). The total number of higher risk sites have increased compared to 2022 (12 sites) due to acquisitions during 2023. In 2040 heat is predicted to remain the most significant threat to the Group (10 sites, 18%). Overall, 35% of sites have been identified to be at higher risk from one or more climate hazards by 2040, which represents c. 25% of 2023 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 have mitigations in place as well as the necessary insurance cover.

During 2023 business continuity plans were updated and enhanced across all our operational sites. In 2024 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, 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.

Hazard	Sites at higher risk*			
	2023 No of sites**	2023 % Total sites	2040 No of sites	2040 % Total sites
Flood	3 (1)	5%	5	9%
Wind	3 (3)	5%	4	7%
Precipitation	7 (5)	13%	8	15%
Heat	8 (6)	15%	10	18%
Hail/Thunderstorms	5 (4)	9%	5	9%
Drought	2 (2)	4%	3	5%
Wildfire	4 (4)	7%	4	7%
Total unique sites with one or more high risk hazards	14 (12)	25%	19	35%

* 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 high risk.

** 2022 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 page 51) 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 pages 60 to 65).

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 CO₂e intensity ratio. Refer to page 41 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 2024 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	✗
	j. Scope 1, 2 and 3 greenhouse gas emission metrics	✓
	k. Climate related targets - scope 1, 2 and 3	✓



CASE STUDY



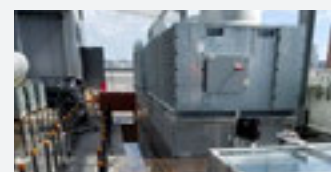
‘StormStrong’ Products – Creative Composites Group, US

StormStrong products include utility poles, utility crossarms, lighting 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.



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.