

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 2025?

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. We are compliant with the recommended disclosures, apart from partial compliance with Metrics and Targets. See page 55 for further details. During 2025, we continued to develop our approach to assessing the impact of climate change on our business operations, strategy, and financial planning. We engaged with PwC to complete updated analysis on physical and transitional climate risk and opportunity. Climate related targets were added to the remuneration of our Executive Committee and operating company Managing Directors (see Remuneration Committee Report 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 its sustainability focus areas including climate-related risks and opportunities. The annual budget process includes consideration of operating company level carbon reduction plans, with a similar focus on the strategic planning process which covers a five-year timeframe. The evaluation of potential acquisitions 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.

TCFD Definitions

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.

TCFD governance and responsibilities

PLC Board

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

Risk Committee

- Responsible for the methodology to identify and assess climate-related risks and opportunities
- Agrees TCFD metrics and targets with the Decarbonisation 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

Decarbonisation Committee

- Responsible for defining and delivering the Group's decarbonisation approach and long-term goals
- Formed in 2025, as an evolution from the previous Sustainability Committee, meeting quarterly to review and oversee progress against decarbonisation targets
- Members include: Group Head of Sustainability, representatives from operating companies, and other senior management

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.

Our approach to sustainability *continued*

Our approach

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. We engaged PwC to help perform this assessment for both transition and physical climate risk, building upon the work first completed for us in 2021. Timeframes were selected in line with our near and long-term climate goals and after consideration of the likely timing of transition risks, such as carbon pricing, and when significant physical climate changes are expected to materialise.

Physical climate vulnerability analysis for operational sites across the Group was completed using PwC's climate modelling software. This analysis was an enhancement on the original 2021 modelling due to the addition of higher resolution hazard data, improved scenario-specific outputs, and new modules to estimate the financial impact of hazards. The assessment of transitional risk was also enhanced with the development of a carbon pricing risk model using updated market data and regulatory requirements (such as the EU Carbon Border Adjustment Mechanism ('CBAM'), the EU Emissions Trading Scheme ('ETS'), UK CBAM, and UK ETS).

The output of the transition and physical risk assessments have enabled us to identify the material impacts on our business arising from each of the selected scenarios. The impacts were assessed without considering any actions that we might take to mitigate or adapt to these future climate change scenarios.



Climate related risks and opportunities

The existing TCFD risk register as maintained by the Risk Committee was used as a starting point to determine which risks could have a material impact after considering both potential financial impact and likelihood. PwC benchmarked this against our sector and peers to identify additional risks and opportunities. The risks and opportunities deemed more significant at an unmitigated level are shown below.

Risk category	Risk	Additional considerations
Transition Market	Increased demand for renewable energy may lead to reduced supply of renewable energy or an increase in the cost of purchasing renewable energy. Short to medium term time horizon.	The acceptability of Renewable Energy Certificates/Guarantees of Origin (RECs/REGOs), green tariffs, and on-site generation is being reviewed by regulatory and standard bodies. Updates to guidance from the GHG Protocol for scope 2 emissions are expected in late 2027.
Transition Technology	Sourcing new greener technology which may be unavailable/require high capital investment and the risk of stranded high carbon assets e.g. alternative heat source for galvanizing. Medium term time horizon.	Work is continuing to identify the technology to deliver our carbon emissions reduction plan. The risk of stranded high carbon assets is currently deemed low due to their useful economic lives in relation to anticipated carbon pricing timelines.
Transition Policy & Legal	Increasing operational and supplier costs due to government legislation designed to reduce emissions. Short to medium term time horizon.	Introduction/expansion of CBAM increases costs for emissions-intensive imports and can affect exports. Work is underway to consider how this could impact us.
Physical Acute	Disruption or damage to building and contents at manufacturing and operational sites due to extreme weather, causing production delays and potential damage/loss of products/materials. Medium term time horizon.	Climate-driven events damaging or disrupting upstream activities such as external utilities (power, telecoms) are also relevant. There is also a risk of insurance cost escalation and coverage restrictions in response to acute physical risks.
Physical Chronic	1. Rising average temperatures increase cooling energy needs and shorten HVAC/electrical equipment life. 2. Extreme heat reduces worker productivity and raises health/safety risks. Medium term time horizon.	Existing measures in place to deal with extreme heat include shifting work times to avoid peak temperatures, increasing rest breaks, and providing ice vests and electrolyte drinks. Further mitigations are being considered by our operating companies.
Opportunities Products and services	1. Innovation in new products & services could provide a competitive advantage and extend product range into premium markets e.g. floodproofing/windproofing. 2. Reduce embodied carbon in final products to be ahead of future regulation and enhance market reputation. Short to medium term time horizon.	There are opportunities for the Group given our 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 55 for our existing products that mitigate against extreme climate.

Our approach to sustainability *continued*

Impact analysis – Physical risk

The analysis completed by PwC considered the risk level across three Intergovernmental Panel of Climate Change (‘IPCC’) scenarios; global warming of <2°C, 2-3°C, and >4°C by 2100 from a 1900 baseline. The IPCC scenarios are recommended as a key public source of data by the TCFD. This allowed for the relationship between risk and temperature rises to be assessed for each site. The analysis presented here is focused on the >4°C scenario to demonstrate the worst-case scenario across 60 operational sites. Risk scores were modelled out to 2050 (our long-term SBTi target). This scenario may include costs relating to the repair of assets, increased volatility, business discontinuity, and investment in resilience measures for addressing more severe and frequent natural disasters.

At the end of 2025, the Group had 15 sites at higher risk of one or more climate hazards with extreme precipitation and hail/thunder being the most significant threats with eight sites deemed higher risk. By 2050, heat is predicted to be the most significant threat to the Group with nine sites deemed higher risk. 15 sites have been identified to be at higher risk from one or more climate hazards by 2050, which represents c. 20% of 2025 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 2026 we will share the climate risk assessments from PwC’s 2025 review with operating companies such that business continuity plans, mitigations, and strategic plans can be updated as necessary.

Physical risk hazards under the >4°C 2050 scenario

Hazard	Sites at higher risk*			
	2025 no of sites	2025 % total sites	2050 no of sites	2050 % total sites
Flood	3	5%	3	5%
Wind	1	2%	4	7%
Rainfall	8	13%	8	13%
Heat	5	8%	9	15%
Hail/thunderstorms	8	13%	5	8%
Drought	6	10%	8	13%
Wildfire	0	0%	0	0%
Total unique sites with one or more high risk hazards	15	25%	15	25%

* 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.

Climate scenarios	< 2°C SSP 1 – RCP 2.6	2-3°C SSP 2 – RCP 4.5	>4°C SSP 5 – RCP 8.5
End of century temperature rise	1.6°C (0.9–2.4°C)	2.8°C (1.8–4.1°C)	4.5°C (2.9–6.1°C)
Source	Jupiter™ Intelligence data based on IPCC’s 6 th Coupled Model Intercomparison Project (“CMIP – 6”)		

The following time frames for assessment were chosen to align them with Group sustainability targets.

- Short term (3 years) – 2030 aligns with our short term carbon reduction target (2032)
- Medium term (10 years) – 2040
- Long term (20-30 years) – 2050 Aligns with our net zero target

Impact analysis – Transition risk

The impact of carbon pricing on our operations was modelled across three International Energy Agency ('IEA') scenarios, as set out below, over two emission trajectories ('steady state emissions' whereby our emissions remain stable and 'Net zero flight path' whereby our emissions reduction targets are delivered). The analysis here focuses on scope 1 and scope 2 emissions. Due to the uncertainty surrounding potential passthrough costs for scope 3, it has not been included in the analysis. As carbon pricing regulation develops, taxation may impact passthrough costs on our products and services in our supply chain; equally the costs of carbon taxation could be passed on in part to customers. We will continue to complete analysis to understand how this will be applied to our products and customers in the future to more accurately quantify transition risk relating to carbon pricing.

Operating costs relating to carbon pricing could increase if they are not proactively mitigated. Under the higher carbon cost NZE scenario the Group could be subject to an annual cost of £11.7m by 2050 for scope 1 and 2 emissions (see the Carbon pricing impact table on page 53). This cost would drop to £1.5m if our net zero targets were achieved (see the carbon pricing impact table on page 53 for further details). The Group is committed to reducing greenhouse gas emissions as demonstrated by our 2040 net zero ambition (see our carbon emissions reduction plan on page 41) which will substantially mitigate our gross risk exposure to carbon pricing. Future exposure to renewable energy pricing will partly be offset by self-generated energy.

IEA scenarios

Lower warming

Higher warming



Carbon pricing impact* – Scope 1 & 2 under NZE, APS, & STEPS

Annual impact by 2032	NZE	APS	STEPS
Average annual operating cost – Steady state emissions**	£7.3m	£6.7m	£2.0m
Average annual operating cost – Net zero flight path***	£4.2m	£3.9m	£1.2m
Annual impact by 2040			
Average annual operating cost – Steady state emissions**	£9.6m	£8.1m	£2.1m
Average annual operating cost – Net zero flight path***	£1.2m	£1.1m	£0.3m
Annual impact by 2050			
Average annual operating cost – Steady state emissions**	£11.7m	£9.4m	£2.3m
Average annual operating cost – Net zero flight path***	£1.5m	£1.2m	£0.3m

*Based on PwC's carbon pricing modelling of our operations

**Further proactive carbon reduction measures are not undertaken by the Group

***Our publicly stated net zero commitments are achieved

Our approach to sustainability *continued*

CBAM

The EU Carbon Border Adjustment Mechanism ('CBAM') reporting requirements directly apply to only 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. 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.

UK CBAM will affect most of our UK operating companies, both in terms of reporting requirements and potential additional taxes on steel and aluminium 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; many have already started discussions with their suppliers to obtain the information that will be needed when UK CBAM comes into force in 2027. Should the emissions allowance cap remain at its current and forecast levels, we are unlikely to face tax obligations from CBAM, although there remains some uncertainty here. Reducing our Scope 3 emissions as well as shifting towards alternative suppliers for steel and aluminium may help to reduce any potential tax obligations.

Conclusion

The results of our impact analysis highlight 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.

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 60 to 62 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 64).

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 40 for further details of progress to date.
- We have near term, long term and net zero targets for scope 1, scope 2 and all relevant scope 3 emissions approved by the SBTi and report on progress against these on an annual basis (refer to pages 40 to 43 for further details).
- In addition, we currently measure water usage, waste production, and the number of EPDs and continue to look at ways to minimise our environmental impact.

TCFD compliance

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 and business model 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	Partial
	j. Scope 1, 2 and 3 greenhouse gas emission metrics	✓
	k. Climate-related targets – scope 1, 2 and 3	✓

Our TCFD disclosure is aligned with the requirements of UK Listing Rule 6.6.6(8) by including climate-related financial disclosures consistent with the 11 TCFD recommendations. While we have metrics for climate-related risks, during 2026 we will continue to develop cross-sector metrics for climate-related opportunities, capital deployment, and internal carbon pricing.

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.



Novia's vibration isolation roof curb

Our approach to sustainability *continued*

Ethical conduct



Why does it matter?

As an international group, we recognise our responsibility to act in an ethical manner, not only to meet regulatory obligations, but more importantly to be a good corporate citizen and ensure our positive impact on employees, suppliers, customers and the communities in which we operate.

Our ethical policies help to support our Group and operating company reputations in the markets in which we operate through:

- Protecting our employees and creating a sense of pride that we 'do the right thing'
- Promoting transparency with customers and suppliers
- Supporting the communities in which we work with fair and equitable employment policies and opportunities
- Ensuring that our terms of business with our suppliers support our commitment to ethical conduct and doing business responsibly

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 at least basic human rights standards.

Our Group and operating 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 2025?

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 sets out expectations for everyone working for and on behalf of the Group and covers 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. 34 such issues were reported and investigated in 2025 (2024: 44). During 2025, and as part of our whistleblowing programme, we ensured that our employees received annual whistleblowing training and ensured that this was communicated at all levels within the organisation. Additionally, we have been refining the process for whistleblowing investigations to ensure there are no reprisals, in addition to ensuring confidentiality when investigations are ongoing. Additionally, we have rolled out in person or video conference training for anyone involved in whistleblowing investigations to support the effective and timely undertaking of those investigations.

We have also been focussed on updating our processes, policies and procedures for the implementation of the Economic Crime and Corporate Transparency Act 2023. We have undertaken our risk assessment and updated our policies and processes to ensure compliance.

Our 2026 focus areas

During 2026 we will be focussing on the following projects to support our ethical practices:

- reviewing our compliance and ethical online training to improve completion rates and ensure courses are allocated to the most appropriate members of staff
- roll-out our legal AI tool to support the inclusion of all appropriate ethical clauses, including ethical clauses within our contracts
- reviewing our Equal Opportunities and Diversity and Data Protection Policies to ensure they are appropriate throughout the jurisdictions in which we operate

Ongoing compliance

We regularly review operating companies' standard terms and conditions across the Group to ensure they demand the highest standards of ethical behaviour. Each agreement includes ethical requirements, including a supplier's obligation to comply with the UK Modern Slavery Act or similar local legal obligations. We will be rolling out an additional legal AI tool to support our operating companies in reviewing contractual agreements. Under our Supply Chain Policy our operating companies undertake additional due diligence for key suppliers prior to commencing to trade and to obtain an annual compliance certificate which confirms that they comply with our ethical policies and CoBC.

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 to manage such reports to an acceptable level.

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

Specific ethical policies have been developed and are available on the Group's website www.hsgroup.com, including:

- Supply Chain Policy
- Code of Business Conduct
- Anti-bribery & Corruption Policy
- Modern Slavery Policy
- Whistleblowing Policy
- Group Fraud & Economic Crime Policy

How do we ensure we are compliant?

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