

# Protecting the world

## Greenhouse gas emissions and energy efficiency



### Why does it matter?

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

### Our commitments

#### Science-based targets

Hill & Smith's near-term, long-term and overarching net zero emission reduction targets were approved by the Science Based Targets initiative ('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 commits to reach net zero greenhouse gas emissions across the value chain by 2050.

#### Near-term targets

By 2032, Hill & Smith commits to reduce absolute scope 1 and 2 greenhouse gas emissions by 55% from a 2020 base year. Hill & Smith 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 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 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.

### Intensity ratio targets

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). Our intensity ratio for 2025 has reduced to 0.05, achieving our 2025 target.

### Our targets

Target	2025 actual	2024 actual	2025 target	2030 target
Intensity Ratio (market-based) (tCO <sub>2</sub> e per £000's revenue)	<b>0.05</b>	0.06	<b>0.05</b>	<b>0.03</b>

## What have we achieved in 2025?

### Actions towards meeting greenhouse gas emissions reduction targets

A range of emissions reduction and energy efficiency initiatives have been undertaken by our operating companies during 2025, including the implementation of energy reduction measures at our galvanizing facilities, switching forklift trucks to electric versions, installation of more energy-efficient equipment, and the use of roller shutter doors and insulation to retain heat. Several of our UK and US sites have also switched to Hydrotreated Vegetable Oil ('HVO') in place of diesel.

Consumption of natural gas for heating in the galvanizing process contributes 85% of the Group's total natural gas consumption, and the use of energy in the galvanizing process continues to be a key focus area for the Group's emissions reduction plan. In 2025, we continued to implement energy efficiency measures in both our UK and US galvanizing operations including waste heat recovery systems, smart burners, and kettle covers. A specific project was also undertaken to understand potential future alternatives to the use of gas fired zinc baths at our galvanizing sites, with a watching brief to ensure we are ready to take advantage of opportunities as they arise.

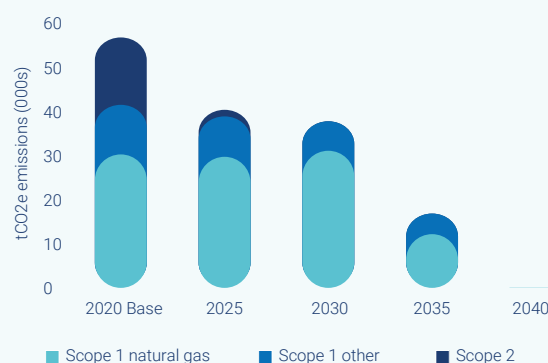
As a Partner of the US Department of Energy's Better Plants programme, we have continued to make use of the range of free tools and resources available to us, with a second 'Energy Treasure Hunt' held at our Creative Composites Group site in Pennsylvania, which identified the potential for 9% energy savings through a range of energy efficiency measures.

91% of our electricity globally was sourced through renewable energy agreements in 2025 (99% of UK & India electricity requirements and 87% of our US electricity requirements). In addition, we generated 1,173,522 kWh of renewable energy from our own solar PV sources on several sites across the Group.

Work has continued on improving the accuracy of data used for our scope 3 emissions reporting and over half of our key purchased materials across the Group are now being reported using an activity-based (weight-based) approach rather than spend-based. This change in methodology has resulted in an increase in our reported scope 3 emissions for 2025, especially as the Defra spend-based emission factors have been updated resulting in lower emissions for historic years than previously reported. For example, the activity-based emission factor for zinc is around ten times the equivalent spend-based emission factor (as the spend-based factor is very generic and applies to a wide range of metal types).

### Carbon emissions reduction plan

Net zero scope 1 and 2 emissions by 2040



#### 2026–2030

- Ongoing galvanizing energy efficiency measures
- Trial alternative galvanizing burner technologies
- Remaining forklift fuel replaced with renewables

#### 2031–2035

- Galvanizing plants to alternative burner technology
- Commence replacing diesel in commercial vehicles with renewables

#### 2036–2040

- Remaining galvanizing plants to alternative burner technology
- Replace diesel in commercial vehicles with renewables
- Offsetting for remaining unavoidable emissions

It is widely recognised that the spend-based approach to carbon accounting, although useful for providing an understanding of an organization's most significant scope 3 emissions, lacks the accuracy and transparency needed to inform decarbonisation efforts. Like many other organisations, we are transitioning to using an activity-based approach for purchased goods, which will allow us greater opportunity to influence emissions going forward, for example by specifying more sustainable options such as recycled content or 'green steel'.

We have reviewed and updated our carbon emissions reduction plan and remain confident in our commitment to achieving our internal net zero target for scope 1 and 2 by 2040. Our current expectation is that the incremental capital investment, energy costs, carbon taxes, and operational costs to achieve this will not have a material impact on the growth prospects for the Group.

## Our approach to sustainability *continued*

### Progress against science-based targets

Our progress against our science-based targets is set out below. For further information on how we plan to achieve our targets, see our carbon emissions reduction plan on page 41. 100% of our scope 1, 2 and 3 emissions are included in our science-based targets.

Reporting item	2025	Base year value (2020)	2025 % change (from 2020)
Scope 1 (tCO <sub>2</sub> e)	<b>38,322</b>	40,942	-6%
Scope 2 (market-based) (tCO <sub>2</sub> e)	<b>1,488</b>	15,255	-90%
Total scope 1+2 (market-based) (tCO <sub>2</sub> e)	<b>39,810</b>	56,197	-29%

Reporting item	2025	Base year value (2022)	2025 % change (from 2022)
Scope 3, category 1: Purchased goods & services (tCO <sub>2</sub> e)	<b>1,105,071</b>	362,766	205%
Scope 3, category 2: Capital goods (tCO <sub>2</sub> e)	<b>8,075</b>	4,689	72%
Scope 3, category 3: Fuel and energy-related activities (tCO <sub>2</sub> e)	<b>7,449</b>	6,239	19%
Scope 3, category 4: Upstream transportation (tCO <sub>2</sub> e)	<b>30,678</b>	28,569	7%
Scope 3, category 5: Waste (tCO <sub>2</sub> e)	<b>2,399</b>	3,811	-37%
Scope 3, category 6: Business travel (tCO <sub>2</sub> e)	<b>1,458</b>	1,500	-3%
Scope 3, category 7: Employee commuting (tCO <sub>2</sub> e)	<b>4,812</b>	5,469	-12%
Scope 3, category 9: Downstream transportation (tCO <sub>2</sub> e)	<b>5,197</b>	8,415	-38%
Scope 3, category 10: Processing of sold products (tCO <sub>2</sub> e)	<b>15,565</b>	9,261	68%
Scope 3, category 11: Use of sold products (tCO <sub>2</sub> e)	<b>494,520</b>	550,091	-10%
Scope 3, category 12: End-of-life treatment (tCO <sub>2</sub> e)	<b>618</b>	2,757	-78%
Scope 3, category 13: Downstream leased assets (tCO <sub>2</sub> e)	<b>302</b>	163	86%
Total scope 3 (all categories) (tCO <sub>2</sub> e)	<b>1,676,146</b>	983,729	70%
Overall scope 3 emissions intensity (tCO <sub>2</sub> e/£ value added)	<b>9,144</b>	7,743	18%

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, in our Basis of Reporting 2025 (available at [hsgroup.com/who-we-are/governance/our-policies/](https://hsgroup.com/who-we-are/governance/our-policies/)) and the GHG Protocol, our 2020-2024 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 in the years since. 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 in 2025, historic emissions for 2022-2024 have been recalculated using the updated emission factors, resulting in lower emissions.

Scope 3 emissions intensity uses operating profit in £m for value added.

### Our 2026 focus areas

In 2026, we will continue to develop and implement the local emissions reduction plans produced by our operating companies, considering both energy efficiency and switching to alternative fuels and/or technologies. We will also continue to improve the accuracy of our scope 3 reporting methodologies, particularly regarding an activity-based, rather than spend-based, approach to purchased materials. We will also continue to research feasible alternatives to natural gas use in the galvanizing process, working with wider industry partners and research groups.

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.

### 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.

### Base 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 2025. 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 all applicable scope 3 categories.

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 2025' document, which can be found on our website, [www.hsgroup.com](http://www.hsgroup.com).

### 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 2025' document on our website. Our Greenhouse Gas Emissions Recalculation process (included in the 'Basis of Reporting' document) 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.