

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 tCO₂e per £million revenue). Our intensity ratio for 2024 has remained stable at 0.06 and we have reduced our targets for 2025 and 2030 to 0.05 and 0.03 respectively (previously 0.08 and 0.06).

Target	2024 actual	2023 actual	2025 target	2030 target
Intensity Ratio (market-based) (tCO ₂ e per £000's revenue)	0.06	0.06	0.05	0.03

What have we achieved in 2024?

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 2024, 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 and two of our US 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 heating in the galvanizing process contributes 87% 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 2024, we continued to implement energy efficiency measures in both our UK and US galvanizing operations including waste heat recovery systems, kettle covers, and variable frequency drives, which will contribute to our emissions reduction plan.

In the UK, we trialled the use of a 'smart burner' system at one of our galvanizing sites, which has reduced natural gas consumption by around 15-20%. This technology is now being rolled out to the other facilities where it is feasible with existing systems.

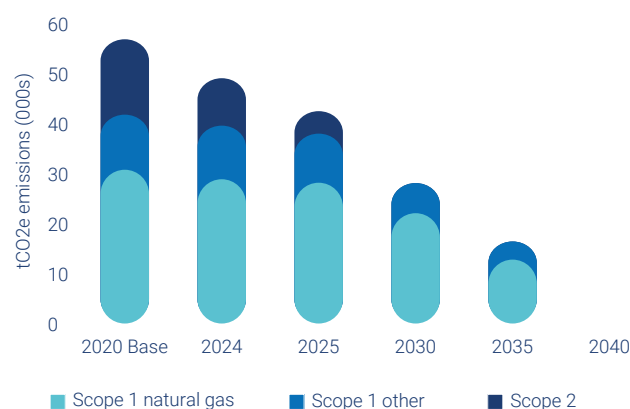
We became a Partner of the US Department of Energy's Better Climate Challenge program in February 2024, providing our operating companies with access to a wide range of free tools and resources including energy audits, use of diagnostic equipment and training on sustainability topics. As part of this program, we held our first 'Energy Treasure Hunt' at our New York galvanizing facility which identified the potential for 20% emissions reductions through a range of energy efficiency measures. These initiatives are now being considered at other galvanizing sites across the Group.

99% of our UK electricity requirements and 19% of our US electricity requirements were sourced through renewable energy certificates in 2024 and we are continuing to work with our US businesses on moving towards further renewable electricity supply over the next year. In addition, we generated 788,013 kWh of renewable energy from our own solar PV sources on several sites across the Group.

Work has continued 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
- Replace forklift fuel with renewables
- UK to renewable electricity. US start to move to renewable electricity

2026–2030

- Ongoing galvanizing energy efficiency measures
- Trial alternative galvanizing burner technologies
- Remaining forklift fuel replaced with renewables
- 100% of Group move to renewable electricity

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

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 included above in our costed plan.

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 costed plan on page 50. 100% of our scope 1, 2 and 3 emissions are included in our science-based targets.

Reporting item	2024	Base year value (2020)	2024 % change (from 2020)
Scope 1 (tCO ₂ e)	38,601	40,756	-5%
Scope 2 (market-based) (tCO ₂ e)	9,532	15,062	-37%
Total scope 1+2 (market-based) (tCO ₂ e)	48,133	55,818	-14%

Reporting item	2024	Base year value (2022)	2024 % change (from 2022)
Scope 3, category 1: Purchased goods & services (tCO ₂ e)	393,713	373,714	5%
Scope 3, category 2: Capital goods (tCO ₂ e)	7,188	4,530	59%
Scope 3, category 3: Fuel and energy-related activities (tCO ₂ e)	9,230	9,223	0%
Scope 3, category 4: Upstream transportation (tCO ₂ e)	25,216	29,904	-16%
Scope 3, category 5: Waste (tCO ₂ e)	2,200	3,779	-42%
Scope 3, category 6: Business travel (tCO ₂ e)	2,132	1,508	41%
Scope 3, category 7: Employee commuting (tCO ₂ e)	4,915	5,371	-8%
Scope 3, category 9: Downstream transportation (tCO ₂ e)	8,153	8,415	-3%
Scope 3, category 10: Processing of sold products (tCO ₂ e)	13,387	8,330	61%
Scope 3, category 11: Use of sold products (tCO ₂ e)	549,269	560,032	-2%
Scope 3, category 12: End-of-life treatment (tCO ₂ e)	794	2,672	-70%
Scope 3, category 13: Downstream leased assets (tCO ₂ e)	536	163	229%
Total scope 3 (all categories) (tCO ₂ e)	1,016,734	1,007,641	1%
Overall scope 3 emissions intensity (tCO ₂ e/£ value added)	5,912	8,297	-29%

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 2024 (available at [hsgroup.com/who-we-are/governance/our-policies/](https://www.hsgroup.com/who-we-are/governance/our-policies/)) and the GHG Protocol, our 2020-2023 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 after the 2022 baseline was established; this baseline has been recalculated during 2024 using the updated emission factors to make it comparable with 2023 and 2024 emission calculations, resulting in significantly lower emissions than previously reported.

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

Our 2025 focus areas

In 2025, we will focus on further developing local emissions reduction plans for each of our operating companies, considering both energy efficiency and switching to alternative fuels and/or technologies, to include scope 1, 2 and 3 emissions. 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.

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 2024. 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.

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 2024' document, which can be found on our website, 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 2024' document. 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.

Sustainable products



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 achieved in 2024?

Life Cycle Assessments

During 2024, a number of our operating companies undertook Life Cycle Assessments ('LCA') for individual products, with five of these being verified by a third party and published as Environmental Product Declarations ('EPD'). We expect this to continue 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 types (such as steel). The galvanizing sites generate hazardous waste such as waste acid and degreaser. We take appropriate actions to ensure that these materials are disposed of in line with environmental regulations and recycled where locally possible.

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.

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

Measure	2024	2023	2022	2021	2020
Water consumption (m ³)	98,825	92,963	84,667	104,795	95,093
Water intensity (m ³ / £000 revenue)	0.12	0.11	0.12	0.17	0.16
Waste generated (tonnes)*	27,982	27,154	25,899	17,355	24,310
• Hazardous	9,961	9,792	9,471	n/a	n/a
• Non-hazardous	18,021	17,362	16,428	n/a	n/a
Waste intensity (tonnes / £000 revenue)	0.033	0.033	0.035	0.028	0.041
Waste recycled (%)	77	82	80	79	79

* The split between hazardous and non-hazardous waste is not available prior to 2022.

Our 2025 focus areas

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

During 2025 we will increase our monitoring of water consumption and reduction efforts, particularly on those sites in areas of high water stress. We will also work to reduce the impacts of the packaging materials we use.

How will we measure progress?

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.