

Bodycote plc

2023 ESG Supplement

About this document

This document provides supplementary sustainability and ESG disclosures for the year 2023 (1 January–31 December 2023) for Bodycote plc. It should be read in conjunction with Bodycote’s 2023 Annual Report, which includes a sustainability report on pages 35 to 42 and a Task Force on Climate-related Financial Disclosures (TCFD) report on pages 43 to 52.

Sustainability and ESG disclosures have been augmented for 2023 to provide additional details about the Group’s performance, in alignment with frameworks such as the Global Reporting Initiative (GRI) Index, SASB and other ESG ratings. Bodycote will continue to build on these disclosures going forward, to meet investors’ and other stakeholders’ expectations on transparency for key ESG issues, and in preparation for forthcoming reporting requirements.

Our approach

- Sustainability is integral to our corporate strategy and has long been part of our purpose through the contribution that our services make in reducing industry’s environmental impact. The Group’s ability to provide sustainable, lower-carbon services that increase the lifespan of customer components is among its greatest opportunities to create shared value. Bodycote’s thermal processing services can reduce emissions by up to 60% per component, compared with customers’ in-house processes.
- In addition to strengthening customer sustainability performance, the Group is committed to playing its part in decarbonising industry, by reducing its Scope 1 and 2 emissions by 28% by 2030. The Group’s continued progress in managing its own environmental impact also delivers significant benefits to the company itself, in lowering energy consumption, operating costs and exposure to financial risks.
- Bodycote’s approach to sustainability targets the areas where we have the greatest potential to create value for our stakeholders, and is underpinned by our emphasis on responsible and ethical business conduct. We prioritise the following areas:
 - **Our people:** we are focused on fostering a safe, healthy environment in which colleagues can thrive and support in the delivery of our strategic priorities.
 - **Our customers:** Bodycote offers some of the most energy-efficient processes available on the market. By using our services, customers can achieve significant carbon reductions.
 - **Our environment:** effective management of climate and environment-related issues is key to our operational performance. We have set a science-based carbon reduction target for 2030.
 - **Ethical business:** we are committed to upholding strong governance standards, aligning our approach to key sustainability frameworks and standards, and meeting our legal obligations.

- Group policies, activity and metrics are in place to drive progress in each of these areas. In delivering against our sustainability objectives, the Group contributes to six key United Nation Sustainable Development Goals (SDGs): 13, Climate action; 12, Responsible consumption and production; 5, Gender equality; 9, Industry, innovation and infrastructure; 10 Reduced inequalities; and 8, Decent work and economic growth.

Sustainability governance framework

- The Group has established a clear governance structure to deliver its sustainability priorities. The Group’s Executive Committee, led by the Group CEO, is ultimately responsible for the execution of the Group’s sustainability activity. Sustainability and EHS topics are discussed at every Committee meeting. During the year, the Group appointed a dedicated Chief Sustainability Officer to the Committee, who has functional responsibility for supporting the definition, execution and communication of the Group’s sustainability agenda. The Group CEO, and the Chief Sustainability Officer, provide regular updates to the Board on sustainability matters, including through dedicated sessions held with the Board at least twice a year.
- The Group’s Risk and Sustainability Committee, chaired by the Chief Sustainability Officer, supports the Executive Committee in coordinating the delivery of sustainability goals. Members comprise representatives from EHS, Technical Services, Legal, Operations, Finance and Risk, as well as other members of the Executive Committee. It meets at least three times a year.
- The delivery of sustainability-related projects is enabled by specialist technical and engineering roles and associated budgets across the Group. Bodycote is currently delivering a significant, multi-year programme of climate-related investments for our decarbonisation agenda.
- Bodycote recognises the benefit of incorporating ESG measures in executive compensation. ESG metrics are included in the annual bonus scheme. See pages 78 and 79 of the 2023 Annual Report for more information.

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Our people

Key metrics:

- Leading health and safety indicators: near miss incidents and opportunities for improvement
- Lagging health and safety indicators: total reportable incident rate (TRIR) and lost time injury rate (LTIR)
- Gender ratio of employees in management positions

Health & safety

- The Group monitors leading and lagging health and safety metrics to track performance and generate insights for improvement. We target continuous improvement across these indicators; and encourage the reporting of all incidents to foster a culture of transparency among employees. Performance reports are reviewed by management and the Board on a rolling basis, and include all incidents that result in injury, as well as incidents that are considered to have had the potential to cause a serious impact but where no one has been injured.
- The Group uses a global incident reporting and EHS management tool in every facility to support incident reporting and tracking. Health and safety performance is monitored at least monthly as a standing agenda item at Board and Executive Committee meetings. It is also the first agenda item for monthly Operations performance reviews, chaired by our CEO.
- In 2023, the Group recorded a TRIR of 2.8 (2022: 2.5). The lost time injury rate (LTIR) was 1.5 for 2023, compared to 1.2 in 2022. There was an increase in the number of incidents relating to the manual handling of parts, slips, trips and falls, and lifting operations, particularly following holiday periods. Delivering targeted and timely employee engagement activities remains a key area of focus to tackle the occurrence of these sorts of incidents. The Group also continued to make investments in manual handling and material handling improvements, such as providing new equipment and personal protective equipment in 2023. TRIR and LTIR rates are calculated in line with OSHA (Occupational Safety and Health Administration) standards.
- We launched new leading indicators of safety performance in 2023, which provide a granular view of health and safety activity, engagement and adherence to standards. These include our updated ‘safety involvement index’ measuring colleague engagement in EHS meetings, Toolbox Talks and KPIs around the timely completion of corrective actions and incident investigations. Key leading indicators include near misses and opportunities for improvement. There were 356 near misses reported in 2023 (2022: 362). Colleagues also identified 2,454 opportunities for improvement in 2023 (2022: 1,871), showing an encouraging trend in the rate of awareness and reporting.
- Bodycote’s EHS management system defines the Group’s approach to hazard identification, risk assessment and incident investigation. It is aligned with the ISO 45001 standard for occupational health and safety. Bodycote’s Health and Safety policy is available on our website at the following address: www.bodycote.com/investors/governance/our-policies/.

- Health and safety management is overseen by a central EHS team within the Group’s Sustainability function. The central team is supported by a network of approximately 40 dedicated EHS professionals who partner with Divisional leadership and facility managers to support EHS management at sites, implement control measures, and conduct audits. We established new processes and platforms in 2023 for cross-divisional and inter-regional collaboration to enable EHS professionals and other colleagues to share the steps they are taking to mitigate near misses and accidents, and lessons learnt from incidents.
- Employees working in our facilities participate in “Toolbox Talks” at least twice a month, covering a wide range of health and safety topics. These are supported by Toolbox Talks briefing documents available in 16 languages. The library of documents was refreshed during the year. Employee involvement in Toolbox Talks is monitored by the Executive Committee.
- We encourage employees to complete “T Cards” in our facilities if they spot a potential health and safety risk or have a suggestion to improve safety. We also hold regular safety awareness events as part of our colleague engagement activities.
- The Group’s commitment to ensuring the safety of everyone who works with Bodycote applies equally to contractors who are engaged by the Group. Contractors are required to participate in our safety induction before they start work in our facilities. They may also be required to participate in an additional risk assessment if undertaking a higher risk task.
- The Group also has a range of initiatives in place to support employees’ wellbeing, including through Company-wide fitness initiatives. An example is our annual “Walktober” campaign, which encourages employees to compete in teams to achieve the highest number of steps through the month of October. In 2023, Bodycote employees walked a total of 185 million steps as part of the initiative. The Group also promotes wellbeing through regular internal communications on topics such as managing stress and mental wellbeing.
- The Group engages occupational health service providers across all locations. These vary by region but typically provide health checks; monitoring for employees who may be exposed to risks such as noise or hazardous materials; and employee assistance programmes (EAPs).

Next steps

- Roll-out our new ‘Bodycote Safety Critical Rules’, which set out 12 key rules for our workers to define our expected standards of behaviour and reduce common health and safety risks. The rules have been designed to tackle the occurrence of preventable accidents specific to Bodycote’s operations in a simple and engaging way.
- Evolve governance and training processes underpinning health and safety management, including launching a new EHS portal on our intranet to provide a one-stop-shop access to all EHS information, standards, KPIs and learning.

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Our people continued

People management

- Bodycote seeks to be a fair employer and promote opportunity and equality for all in our efforts to attract, develop and retain a diverse range of talented people. We are committed to fostering an inclusive and open culture, in which colleagues can thrive and support the delivering of our strategic objectives.
- Bodycote employs a good balance of both longer-serving and newer employees in our management population, providing a mix of experience. We estimate that 40% of our employees have worked for Bodycote for more than 10 years, while 40% have been with the company for less than five years. We hired almost 600 new employees during the year.
- The Group follows a regular, formal internal communications programme to ensure employees are kept abreast of important topics. We use several channels to support communications, including newsletters, our intranet, and email. The Group also conducts employee feedback sessions with colleagues, hosted by our designated Non-Executive Director for workforce engagement. In 2023, around 100 colleagues were engaged in these sessions, representing different levels of seniority, functions and locations around the world, providing an opportunity for them to engage directly with a member of the Board to provide their feedback and ideas. Insights from these sessions are used by the leadership to inform future management plans.
- Bodycote provides performance management tools to enhance skills, competency and achievements throughout our management population. The Group strives to continuously raise its management capability by setting clear and stretching objectives and managing performance against these.
- Employee training is delivered through a variety of means, including through interactive online training modules, face-to-face workshops, and hands-on training in facilities. Occasionally we also engage subject matter experts to provide specialist training to provide colleagues with a fresh external view of current best practices. As an example, during the year we engaged an expert in the '6S' method to deliver the first in a series of two-day workshops to improve efficiency and safety in our facilities.

- Colleagues joining the business in office-based Group functions and plant-based managerial functions typically undertake at least 5 hours of induction training, including on a core set of mandatory compliance topics. Other colleagues are required to undertake refresher training in mandatory topics such as compliance and security and cyber awareness, for example. Training completion rates are reported to the Executive Committee, with appropriate escalation for any training not completed on time.
- The Group recognises the importance of supporting employees in maintaining a good work-life balance, as part of our talent management strategy. In 2022 the Group introduced a Remote Working Policy. All eligible office-based employees can work from the office three days a week, and from home for the remainder of the week. The Group also provides support through our special leave policies, which enable employees to take additional time off work to deal with difficult or unexpected events in their personal lives.

Case study:

UK Operations Safety Day

In 2023, our UK operations introduced a new "Safety Day" for general managers and the senior leadership team. The full-day workshop marked a new approach to cross-divisional collaboration, bringing together 25 attendees from the Classical Heat Treatment and Specialist Technologies divisions at both senior and operational levels.

As well as reviewing safety performance in UK facilities, attendees discussed trends in staff engagement in safety topics and ways to increase safety information sharing within sites and across divisions. It also marked the launch of a new bi-monthly competition for the best, usable sustainability suggestion submitted via our T Card system. As part of the terms of the competition, the winning entry must also be implemented at the relevant site. The day will now be held annually as part of our continued drive to foster an open, positive and collaborative safety culture.



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Our people continued

Diversity, equity and inclusion

- Bodycote recognises the value of a diverse and skilled workforce and is committed to creating and maintaining an inclusive and collaborative workplace culture. We recognise that diversity and an inclusive workplace enrich our service levels and add value for our stakeholders.
- Our Equality, Diversity and Inclusion Policy (available at www.bodycote.com/investors/governance/our-policies/) and Recruitment Policy outline our stance on maintaining equal opportunities and giving full, fair and impartial consideration to all employment applicants.
- Our recruitment reflects the pool of qualified applicants in our industry, and we actively pursue diverse candidates. Our gender diversity split remains in line with similar industrial services companies. Our employment policies are non-discriminatory and comply with all current legislation to engender equal opportunity irrespective of age, race, gender, ethnic origin, nationality, religion, health, disability, marital status, sexual orientation, political or philosophical opinions or trade union membership as well as military and veteran status in North America.
- As at the end of October 2023, female representation on the Board was 37.5%, up from 33% in 2022, and 38.5% of the Group's executive management were female. Among the Group's population of senior managers, 31% are female (2022: 33%). Across the workforce, women represent 21% of employees (2022: 21%).
- The Group's 2022/23 Gender Pay Gap report showed that the UK mean gender pay gap is -8.6% in favour of women, while the median gender pay gap is also in favour of women (-6.5%). This compares to a UK national median gender pay gap of 14.3%.
- Bodycote meets the Parker Review target for all FTSE 250 boards to have at least one member from an ethnic minority, with two members who meet the ONS classification of Asian/British Asian and mixed/multiple ethnic groups, respectively. There is broad international representation on the Executive Committee, with 8% of members being from ethnically diverse backgrounds.

Employment practices

- Bodycote believes all colleagues should be appropriately rewarded for contributing to our success. Reward and benefits arrangements are benchmarked externally in every country in which operate. We review wage levels and employment practices against local standards and conduct a pay review process annually, providing a regular opportunity to consider awards of pay increases. Bodycote is committed to complying with all applicable local and national minimum wage regulations at a minimum. The Group's pension arrangements are also based on relevant local laws and practices.
- Our permanently employed staff are provided a range of benefits, including paid holiday and life insurance, normally immediately upon joining but in some cases after a certain time. We also offer tuition reimbursement schemes for colleagues participating in professional development courses. As at year end, 92% of our workers were permanently employed by the company, with the remainder employed on temporary contracts.

- Bodycote provides an annual bonus scheme for employees in leadership and key management roles. We link employees' performance to bonus payments, with higher appraisal scores resulting in a greater financial reward. All employees participate in an annual performance review to discuss achievement of objectives set for the year, competencies in key areas such as safety, people, and customer service, and achievement of goals relating to continuous personal development. Additionally, members of the senior management team are included in our Long Term Incentive Plan, which encourages sustained results over longer periods by providing an additional, personal financial stake in the Group's success.
- Bodycote upholds employees' freedom of association and recognises their right to collective bargaining. Around 36% of the Group's employees are represented by unions and works councils. Across the Group, 15 collective agreements are in place. Where agreements are in place, they cover topics such as holiday entitlement, working hours, paid and unpaid absence, grievances, and local workplace changes. The Group is not aware of any operations in which employees' rights to exercise freedom of association and collective bargaining could be at risk. Colleagues are free to establish new committees or works councils at any time in accordance with national labour laws. Management teams in relevant locations engage with works councils and their representatives on request and on a goodwill basis to discuss and agree key decisions related to employees.
- The Group typically puts a long lead time in place when making major operational changes, given the nature of our business; the equipment that we operate; and the types of agreements we have with customers, who rely on our critical services. We recognise that change can be difficult and, as a responsible employer, when we do make changes, we aim to do so in a way that is fair to our people. Depending on the type of change proposed, we may also provide support to employees through the transition. The minimum notice for operational changes varies and is defined by various factors, including union agreements, collective bargaining agreements, applicable laws in a country and contractual agreements. Where applicable, the Group conducts consultations to agree proposed changes with the relevant union or employee representatives.

Next steps

- Refresh several of the Group's people policies including around talent attraction and learning and development; and,
- Roll-out a new Groupwide learning management platform to support the provision of regular and targeted training across key topics, ranging from health and safety to business ethics

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Our customers

Bodycote has an opportunity, and responsibility, to help industry disconnect growth from carbon emissions through its services and expertise. With increasing pressure on companies to decarbonise their activities to meet emissions targets and align with emerging legislation, Bodycote plays a key role in helping customers to reduce emissions across the entire manufacturing process – from services that reduce their direct (Scope 1 & 2) emissions, indirect emissions (Scope 3) and solutions that avoid emissions entirely (Scope 4).

Bodycote's role in the low carbon transition

We are proud of the work we do to improve customer sustainability through our innovative range of metallurgy services across a multitude of markets and applications. Our services deliver a wide range of sustainability benefits to facilitate our customers' transition to a low carbon economy:

Major enabler of avoided emissions (Scope 4)

- Bodycote's processing has a lower carbon footprint: CO₂e is reduced by up to 60% per part in technology, enabling significant emissions avoidance (Scope 4)
- Outsourcing to Bodycote also directly reduces customers' Scopes 1 & 2

Supporting low-carbon industries

- Bodycote technologies are widely employed across the renewable energy sector to enable clean tech solutions
- Our services are used for the development of wind, solar, wave and fuel cell technologies, and in the manufacturing of hybrid and electric vehicles

Extending component lifespan

- Bodycote treatments extend the longevity of customer components by increasing durability, resilience and sustainability performance
- Surface technology solutions such as HVOF coating improve product safety whilst aligning to environmental standard

Delivering sustainable manufacturing

- Our leading treatments enable lighter, thinner components to be adopted that require fewer replacement parts, less machining, less energy, and lower water use
- Our solutions help customers reduce emissions at each stage of the manufacturing process (Scopes 1-3) to help them meet their environmental goals

- Sustainability considerations – and carbon reduction in particular – are continuing to increase in importance to our customers. By outsourcing to Bodycote, customers can reduce the carbon footprint of the products they manufacture. Bodycote's optimised thermal processing services typically use less energy compared with customers' in-house processes. This enables a significant reduction in emissions associated with energy consumption, as well as process gases and other consumables.
- Bodycote recently demonstrated the positive impact of our services on carbon reduction for one of our large customers. Bodycote processes the customer's parts in over 40 facilities around the world. Over the past few years sales volumes to the customer have increased, yet carbon emissions have decreased – illustrating our success in disconnecting growth from carbon emissions. We were able to demonstrate that since 2019, we have been able to decrease CO₂e emissions by 47% per part processed. Our ability to provide this data strengthens relationships with customers, while generating useful insights for the continued refinement of our service offerings for positive environmental impact.
- The Group developed a digital carbon calculator in 2023, which quantifies the carbon footprint of customers' thermal processing and compares it with the carbon footprint of Bodycote's process. The tool uses a range of input data – such as the type of furnace, number of parts processed per cycle, processing time, and type of processing gas used – compared with 'real world' data inputs from Bodycote's own operations, tailored to the Bodycote facility and equipment type that the customers' parts would be processed in. The results show the customer the difference in the carbon footprint of having parts processed in our facilities, compared with treating them in theirs. Bodycote can reduce the emissions associated with thermal processing by up to 60%, compared with customers' in-house processes.
- As customers increasingly request data from Bodycote to input into their product carbon footprint calculations and product lifecycle analyses, Bodycote is also developing tools to automate these sorts of calculations. These new digital tools will enable the Group to provide accurate input data for customers' calculations for different services offered by the Group.
- As the Group becomes ever more sophisticated in its ability to undertake these calculations, we also have a greater opportunity to engage with customers about the relative environmental impacts of different types of processing services, and, through this engagement, collaborate with them on transitioning to lower-carbon services. See the case study overleaf as a recent example of a customer transition.

Our customers continued

Case study:

Driving the green energy transition with Specialist Technologies

In 2023, Bodycote began work on a major new multi-year contract to provide efficient processing of automotive parts destined for hybrid vehicles, using low pressure carburising (one of our Specialist Technologies). The win marked another key milestone in the Group's efforts to transition customers into adopting newer, lower-carbon heat treatment processes.

Bodycote won the contract with a key supplier to a leading global automaker and is providing heat treatment services for a number of parts in the vehicles' driveline system.

Instead of quoting for services using traditional processing methods, as the customer had requested, Bodycote proposed low pressure carburising (LPC) for the customers' parts. The LPC process enables a significant reduction in the amount of energy required to achieve the same metallurgical properties for a product. It cuts processing time by around 20% and the amount of energy required by 50%. Process gas – needed to achieve carburisation – is also reduced by 99% in LPC technology.

As the LPC process uses electricity, as opposed to gas, it also enables a continuous reduction in products' carbon footprints as the grid becomes increasingly decarbonised over time.

Through the application of our specialist knowledge and expertise, Bodycote successfully transitioned the customer to a process that will enable them to achieve significant emissions avoidance and provide low carbon revenue growth at high margins for Bodycote at the same time.

Coatings with lower environmental impacts

- Bodycote's Specialist Technologies division provides High-Velocity Oxygen Fuel (HVOF) coatings for materials such as metals, alloys, ceramics, plastics, and composites. HVOF is an advanced thermal spray coating technique that uses a high-speed stream of oxygen and fuel gas to propel molten particles onto a substrate surface to create a dense, tightly bonded coating with excellent adhesion and high-quality mechanical properties.
- Importantly, HVOF coatings provide a viable substitute for hexavalent chrome. Also known as chromium (VI), hexavalent chrome has been widely used in industry for corrosion resistance and durability. However, its toxicity poses significant risks to human health and the environment and it is therefore subject to strict restrictions under the EU's Registration, Evaluation, Authorisation, and Restriction of Chemicals (REACH) regulation.
- HVOF coatings technology offers a REACH-compliant alternative while exceeding customers' specified performance requirements and minimising environmental impacts in a wide range of applications, including aerospace, automotive, and other manufacturing industries. Bodycote is collaborating with customers to drive uptake of HVOF coatings, to enable them to enhance workplace safety, reduce environmental contamination, and contribute to a more sustainable future.

Next steps

- Implementation of metrics to monitor customer engagement on sustainability-related topics; and,
- Further development of tools to undertake service carbon footprint calculations and quantify avoided emissions for customers to illustrate the direct benefit to them.



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Our environment

Key metrics:

- Total energy consumption (kWh)
- Energy intensity (kWh/£m revenue)
- Absolute CO₂e emissions (Scope 1 and 2)
- Carbon intensity (tonnes CO₂e/£m revenue)
- Water intensity (water withdrawal m³/£m revenue)

GHG emissions and energy performance

- Bodycote offers some of the most energy-efficient processes available on the market, delivering energy and emissions reductions to provide benefit to our customers, the Group, and the wider environment. As well as being integral to our commercial offering, effective management of climate and environment-related issues is key to the Group's operational performance. Through this, the Group manages its costs and exposure to risks, while also minimising its consumption of resources and related environmental impacts.
- Bodycote has set a market-based target to reduce absolute Scope 1 and 2 GHG emissions by 28% by 2030, compared with 2019 levels. This target is validated by the Science Based Target initiative (SBTi). At the end of 2023, the Group's emissions were 24% below this baseline (market-based).
- The Group's absolute Scope 1 and 2 emissions reduced by 2% year-on-year (location-based). This reduction was mainly driven by lower gas consumption compared with the prior year (4.7% lower). The Group continued to improve its emissions intensity in 2023, which reduced by 7% compared with 2022.
- Energy consumption (kWh) reduced by 4.1% in 2023 due to avoidance and efficiency measures. The Group's energy intensity (kWh/£m revenue) reduced by 9% year-on-year. We estimate that at least 20% of the Group's electricity consumption comes from renewable sources.
- CO₂e intensity data (tonnes CO₂e/£m revenue) and absolute energy consumption data (kWh) is provided in Bodycote's 2023 Annual Report on page 40.

Total global CO ₂ e emissions (ktCO ₂ e)	2023	2022	% change in 2023	2022
Scope 1 CO ₂ e emissions	134.3	140.3	-4.3%	170.2
Scope 2 CO ₂ e emissions (location-based)	131.0	130.4	+0.5%	186.4
Scope 2 CO ₂ e emissions (market-based)	145.5	136.2	+6.8%	198.7
Total Scope 1 + Scope 2 (location-based)	265.3	270.7	-2.0%	356.6
Total Scope 1 + Scope 2 (market-based)	279.8	276.5	+1.2%	368.9

Emissions reduction programme

- Energy efficiency is Bodycote's top environmental priority: it is both an environmental and a commercial imperative for the Group. Efficient use of energy drives down costs and our impact on the climate, while supporting a strategic advantage at the same time. Through improved efficiency, the Group can offer a lower carbon footprint for heat treatment services compared with competitors' and customers' own in-house processes.
- Achievement of the Group's near-term science-based emissions reduction target will be supported by a combination of energy saving and efficiency measures and climate-related investments in technology. The Group's current portfolio of key climate-related initiatives includes the following:
 - Increasing furnace capacity: deploying new equipment that enables furnace capacity to be increased by up to 50% (without increasing energy consumption)
 - Optimising heat treatment cycles: adjusting heat treatment processes for maximum energy efficiency, as informed by regular reviews and cross-divisional benchmarking
 - Improving furnace insulation: identifying and remedying sub-optimal insulation around furnaces to reduce heat loss and energy waste
 - Reducing air and process gas leaks reducing energy waste: conducting regular air and gas leak surveys for compressed air and process gas systems to identify and fix leaks, and address associated energy loss
 - Reducing energy consumption of lighting: deploying low-energy LED lighting in all facilities worldwide to reduce energy consumed by lighting
 - Reducing process gas consumption: upgrading or substituting process gas generators to improve efficiency and limit waste
 - Reducing pumps' energy consumption: upgrading or substituting vacuum furnaces' pumps to use newer models that are more efficient and/or have a lower overall environmental impact
 - Investing in buildings' energy efficiency: grasping opportunities to increase efficiency in heating and cooling systems across the Group's property portfolio, through the use of new technologies or through the introduction of new management approaches
- The Group also works to embed climate-related considerations within existing business processes where relevant. For example, energy efficiency initiatives are delivered through our ongoing equipment and facility maintenance programmes, and all capital investment decisions include sustainability reviews to ensure alignment with the Group's SBTi commitment.

Our environment continued

Case study:

Game-changing innovation for increased energy efficiency

Bodycote's engineers have designed and produced new, proprietary equipment that enables furnaces to accommodate up to 50% more parts in a single heat treatment cycle, compared with standard equipment typically used across the industry. This effectively reduces energy consumption by a third, and cuts energy per part by the same amount, as the amount of energy needed to heat a furnace does not increase with a higher number of parts.

The design of the equipment also enables more efficient cooling following heat treatment, thereby improving process control and reducing the likelihood of energy waste in the cooling process. Furthermore, due to the way in which the parts are laid out, the new equipment reduces the need for post-treatment straightening or machining processes, thereby increasing operational efficiency.

In addition to enabling substantial energy savings, and associated CO₂e emissions reductions, this innovative new equipment offers improved safety features for our furnace operators, which safeguard their health and wellbeing and reduce the risk of accidents.

Bodycote is investing in rolling-out this equipment across suitable operations as a part of our drive to continuously improve workplace safety and hit our science-based emissions reduction target. Our ability to significantly reduce energy and emissions per part also gives Bodycote a competitive advantage at a time when manufacturers are increasingly focused on reducing the carbon footprints of the products they offer, and reducing Scope 3 emissions more generally.

Emissions calculation methodology

- The Groups' emissions calculation methodology is based on well-established frameworks such as the UK Government's Environmental Reporting Guidelines (UK Government's Department for Food, Environment and Rural Affairs, 'DEFRA') and the WRI/WBCSD Greenhouse Gas Protocol (GHG Protocol Corporate Accounting and Reporting Standard). IPCC AR5 GWP factors are used in the calculation of Scope 1 and 2 GHG emissions.
- Scope 1 (direct) emissions are calculated from energy and process gases used in company-owned or controlled plants. This includes natural gas, diesel, gasoline and LPG for vehicles; acetylene, propane, carbon dioxide and methanol process gases; and refrigerants used for cooling. Consumption data are multiplied by appropriate available emissions and conversion factors from IPCC Guidelines for National Greenhouse Gas Inventories (2006), DEFRA, or internally calculated emission factors based on the carbon content in feedstocks if appropriate emission factors are not available.
- Scope 2 (indirect) emissions arise from electricity used in plants and to charge electric vehicles. Bodycote does not use any external sources of steam, heating and cooling for the Group's own use in sites. Electricity consumption data are multiplied by appropriate available emissions and conversion factors from the IEA Emission Factors 2023 and DEFRA for calculation of location-based Scope 2 GHG emissions.
- Scope 2 market-based GHG emissions are calculated based on appropriate available emissions, electricity mix and conversion factors from supplier mix information collected from electricity invoices, Association of Issuing Bodies (AIB) - European Residual Mix report, EPA Emissions & Generation Resource Integrated Database (eGRID), IEA Emission Factors 2023, and DEFRA.

Scope 3 emissions

- Due to the nature of our business and energy consumption of our operations, the large majority of our emissions are captured in Scopes 1 and 2. The Group's Scope 3 footprint does not currently meet the materiality threshold under the SBTi framework to require a science-based emissions reduction target (under SBTi criteria, if a company's Scope 3 emissions are 40% or more of total Scope 1, 2, and 3 emissions, a Scope 3 target is required). As such, we are not currently reporting our full Scope 3 footprint. However, we continue to keep this under review. Meanwhile, we are working to develop our measurement approach to support a better understanding of our influence over value chain emissions, and in preparation for future reporting.

Long-term emissions strategy

- Bodycote supports the aims of the Paris Agreement and recognises the importance of aligning the Group's emissions reduction strategy with global net zero goals. Our first step has been to set and drive progress towards a near-term science-based emissions reduction target. We recognise the requirement to develop a longer-term transition plan. Detailed climate-related disclosures are provided in the Group's TCFD Report on pages 43 to 52 of the Group's 2023 Annual Report.

Our environment continued

Case study:

Leveraging ISO 50001 for energy efficiency

In 2023, Bodycote achieved ISO 50001 certification at one of its largest sites in China. Many of the facility's biggest customers require CO₂ reduction projects which allow the plant to bid for new projects. This ISO standard provides a practical way to improve energy use, through the development of a certified energy management system. As well as supporting the effective management of energy consumption, the standard provides a framework for driving continuous improvement in energy efficiency, cost reduction and market competitiveness. It also provides a useful structure for developing energy management skills among staff at the site. The standard should help the facility achieve an annual 3% improvement in energy efficiency.

Environmental management

- Bodycote's Environmental Policy applies to all sites worldwide and sets out the Group's minimum standards for environmental management. It is available on our website at the following address: www.bodycote.com/investors/governance/our-policies/. The policy describes the steps taken by the Group to continuously improve performance and prevent adverse impacts. As part of our policy, Bodycote is committed to providing comprehensive public disclosure on our environmental performance.
- The Group is committed to complying with legislative requirements as a minimum and holds all necessary and relevant environmental licences and permits in each country of operation.
- The Group's environmental management system is aligned to the international ISO 14001 standard. As at the end of 2023, 98% of the Group's operating facilities had achieved or maintained ISO 14001 certification, covering 82% of the Group's employees.
- The Group's approach to energy management is aligned to the ISO 50001 Energy Management Systems Standard. The Group holds ISO 50001 certification in Turkey, China, Austria, Denmark, Germany, and the Netherlands, representing 18% of operating facilities globally.
- We plan to roll-out a new tool in 2024 which automates the calculation of GHG emissions. Once fully operational, the tool will support the production of monthly GHG emissions data – down to a site level – enabling senior leaders to track performance more closely, understand the impact of emission reduction activities, and identify opportunities for improvement.

Water use

- Bodycote mainly uses water to cool operational equipment and to wash customer parts for some services. In addition, water is used for domestic purposes, such as for drinking and sanitary facilities. Water is not added to products as part of the Group's business activities.
- In 2023, the Group withdrew 817,533m³ of water, 8% less than in 2022. Water intensity (water withdrawal m³/£m sales) reduced by 13% compared with 2023. The vast majority of water withdrawn is subsequently discharged; however, some water is lost through evaporation. This is an area of increased focus for the Group, as part of our efforts to minimise water use.
- During the year the Group installed new adiabatic cooling systems, which are a closed-loop technology that reduce water losses through evaporation, as well as the energy needed to run the cooling process. In addition, as the water does not come into direct contact with the air, there is a low risk of contamination and no requirement for chemical agents to mitigate potential hazards. We initiated installation of eight of these systems across Bodycote sites during 2023 to reduce our environmental impacts, operational costs, and improve efficiency. See the case study below for details of a project completed in 2023.
- All water is supplied by relevant municipal suppliers and re-used and recycled extensively within our operations. When water is discharged by the Group, it is controlled using interception tanks. These allow water to be checked for contaminants and ensure it is acceptable prior to final discharge. Audits confirm that the Group's control methods are in line with ISO 14001:2015 to ensure compliance with legal obligations. Further water use data is provided in the Group's 2023 Annual Report.

Case study:

Increasing water efficiency in France

At our site in Beaugency, France, we installed a new adiabatic cooler, combined with a new pumping station in 2023, which will reduce annual water consumption by 55% and electricity consumption by 52%. The sound level in the pump room is also reduced from 79.5 decibels to 63 decibels, significantly improving the work environment for employees based there. As a closed loop system, it avoids the risk of legionella occurring, reducing associated health and safety and business continuity risks. Due to the simplicity of the design, these systems also typically have low maintenance and repair costs. We are rolling these systems out in all suitable Bodycote locations.

2023 ESG Supplement continued

Our environment continued

Waste management

- Bodycote seeks to minimise waste produced across its locations. The Group typically re-uses the same packaging or containers that customer parts arrive in when returning them to customers. As a result, Bodycote minimises the amount of operational waste produced. Any waste that is created is segregated into different waste streams as appropriate and disposed of in accordance with local legislation.
- Chemicals and hazardous waste are stored separately and handled in accordance with legislative requirements. All hazardous waste is disposed with special care by licensed and authorised contractors in accordance with the applicable environmental legislation.

Next steps

- Further development of the Group's longer-term decarbonisation strategy and renewable electricity roadmap to support further reductions in the Group's energy related CO₂e emissions
- Continued refinement of the Group's Scope 3 inventory in preparation for future disclosure (however note that Scope 3 emissions constitute less than 40% of the Group's total CO₂e footprint and therefore do not meet the SBTi threshold for requiring a reduction target).



Ethical business

Key metrics:

- Mandatory compliance training completion rates, covering a range of topics
- Reports to the whistleblowing Open Door Line (number received, contents of reports)

Our approach

- The Group strives to meet high standards of ethical and responsible behaviour in the way we conduct business. We have a robust governance structure to support business ethics, and a series of policies that detail our commitments and standards. The Group's Board and Executive Committee track the above metrics to monitor adherence to our ethics standards and policies.
- Bodycote has systems in place that are designed to ensure compliance with all applicable laws and regulations and conformity with all relevant codes of business practice. Among these, we require employees to undertake training in our key ethics policies, to reinforce our expectations and mitigate our exposure to risks. This training is refreshed every three years.
- Our Code of Conduct sets out our policy on compliance with legislation, child labour, anti-slavery and human trafficking, trade sanctions and conditions of employment, health, safety, and the environment. The Group prohibits forced, compulsory and underage labour and any form of discrimination. Appropriate mechanisms are in place to minimise the potential for any contravention of these rules. The Code of Conduct is available on our website at the following address: www.bodycote.com/investors/governance/our-policies/.

Anti-bribery and corruption

- The Group provides interactive online training courses on Bribery Prevention, Data Protection, Failure to Prevent Tax Evasion, the Group Authority Matrix, and Competition Law. As at 31 December 2023, the completion rate for all interactive courses was 97% among relevant employees.
- Employees are prohibited from giving or receiving any gifts or donations in line with the UK Bribery Act and other applicable regional legislation and guidelines. Bodycote does not make political donations.
- As set out in our share dealing code, Directors and employees are expected to ensure that their personal interests do not at any time conflict with those of Bodycote. Shareholder employees are advised of, and comply with, the share dealing code.

Responsible supplier management

- As a world-leading provider of heat treatment and thermal processing services, we recognise we are able to positively contribute to improved standards of environmental protection and sustainable business practices throughout the global supply chain.
- Our Groupwide Supplier Code of Conduct sets out the minimum sustainability, environmental and social standards the Group expects its suppliers to adhere to, including those relating to the protection and promotion of human rights. The Code is available at the following address: www.bodycote.com/investors/governance/our-policies/. This policy is supplemented by our Sustainable Procurement Policy which provides guiding principles for the social, ethical and environmental standards employees involved in procurement should ensure adherence to when sourcing goods and services.
- The nature of Bodycote's operations means that the Group does not have significant suppliers that are wholly dependent on the Group's business, nor suppliers on which the Group is dependent for a substantial part of its business. We agree fair contracts with suppliers and pay them promptly and in accordance with our agreed terms.

Human rights and modern slavery

- Bodycote upholds and respects universal human rights. The Group's Human Rights Policy is aligned with the Ten Principles of the UN Global Compact, incorporating the United Nations Universal Declaration of Human Rights and the International Labour Organization Fundamental Conventions, in respect of labour and human rights. Our policy reaffirms the Group's commitment to freedom of association, the abolition of forced or compulsory labour; the elimination of child labour; the elimination of discrimination; and a safe and healthy working environment. The policy is available at the following address: www.bodycote.com/investors/governance/our-policies/
- Bodycote is committed to mitigating the risk of modern slavery and human trafficking taking place in our business or supply chain. The Group's Anti-Slavery and Human Trafficking Statement is published on our website and reviewed by the Board of Directors annually.
- Bodycote screens all suppliers using Denied Party Screening databases before transacting business with the supplier. The screening covers databases throughout the world including government watch lists, sanctions, and restricted parties.
- Colleagues working in senior management, human resources and purchasing roles are required to complete dedicated Modern Slavery Act training, and participate in refresher training, at least every three years. Since 2021 over 99% of those colleagues required to undertake the training have completed it. We plan to deliver refresher training during 2024.

2023 ESG Supplement continued

Ethical business continued

Encouraging colleagues to speak up

- The Group’s open and transparent culture encourages colleagues to speak up whenever they have a concern. This is supported by our Open Door Policy, which encourages employees to report any potential breach of our Code of Conduct, without fear of reprisal. It is available in all languages used throughout the Group.
- We offer a range of channels for colleagues to report suspected wrongdoing, including a third-party operated whistleblowing helpline, which enables employees and others to raise an issue confidentially. Our ‘Open Door Line’ is open to anyone who wants to report a concern, including employees, contractors, and former employees. We promote the helpline via posters in plants and offices, and on our intranet homepage.
- The Board and Executive Committee receive reports about issues raised via the helpline, if there have been any, as a standing agenda item for every meeting. These cover details on the issue raised and the investigation undertaken. All reports made in 2023 were resolved without any remedial action necessary.

Next steps

- Roll out a new, Groupwide training platform to support learning and development, including on business ethics topics; and,
- Refresh and reissue the Modern Slavery Act training to all colleagues required to complete the course.

