STRATEGIC REPORT

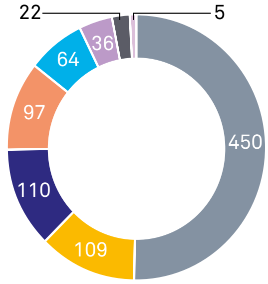
OUR MARKET SECTORS

We have the design skills, engineering skills and experience to handle complex projects over a diverse range of market sectors, whether for work, industry, leisure, transport or to provide essential infrastructure.

OUR CORE CONSTRUCTION SECTORS

Our sectors	Tonnes	Percentage
All industrial (including distribution)	450	50%
Power and energy	109	12%
Commercial offices	110	12%
Transport infrastructure (including bridges)	97	11%
Health and education	64	7%
Other	36	4%
Leisure	22	3%
Retail	5	1%
	893	**100%**

The market sectors targeted by the Group, and their estimated size in tonnes during the 2023 calendar year (as defined by the BCSA).



NUCLEAR AND INFRASTRUCTURE

POWER AND ENERGY

10–20%

Group market share

Power stations, sustainable energy facilities and waste processing plants form an important part of our business. Our professionalism, extensive sector experience and ability to meet specific engineering requirements enable us to continue serving these vital sectors in the UK and other parts of the world. The acquisition of the Voortman group of companies, in particular De Haven B.V., has given us access to the energy market in continental Europe.

Successes

Essex and Milton Keynes waste treatment plants, Peterborough, Cardiff and Covanta (Dublin) Waste to Energy plants, Port of Liverpool Biomass Terminal, Ferrybridge Power Station, Sellafield long-term Programme and Project Partners ('PPP') framework, Hinkley Point secondary steelwork and TenneT projects in the Netherlands.

TRANSPORT INFRASTRUCTURE (incuding bridges)

5-10%

Group market share

Our expertise includes international airports, road and rail facilities and bridges. Many of the structures we create become famed landmarks in their own right. Services range from design, planning and high-volume steel supply, to fabrication and construction. As a key element of the UK's infrastructure, bridge-building requires skill, precision and quality on a large scale. Our growing bridge business has a strong reputation and extensive experience in the successful delivery of all types of bridgework, including major transport routes such as HS2.

Successes

Multiple contracts with Heathrow Airport, Manchester Airport, London Bridge, Manchester Victoria and Birmingham New Street stations, Ordsall Chord (link bridge between Manchester's Victoria and Piccadilly stations), Ely Southern Bypass, M8 footbridge, Barking Riverside bridge, M42 Bridge, A1 Birtley to Coalhouse, Highways England, Network Rail and HS2 bridge packages.

COMMERCIAL AND INDUSTRIAL

COMMERCIAL OFFICES **10–20%** Group market share (upward trend)	Through our work in the commercial office sector, we have made a significant impact on the cityscapes of London and other major commercial hubs around the UK and Europe. We ensure our structural steel methods, products and processes keep up with the needs and challenges of this rapidly evolving sector.	**Successes** 22 Bishopsgate, Google UK Headquarters, Kings Cross P2, The Shard, Leadenhall Tower, 5 Broadgate, Nova Victoria, New Street Square, South Bank Tower, Principal Place, One Angel Court, Southbank Place, St Giles Circus Development, Hanover Square Masterplan, One Braham, Bankside Yards, One Sherwood Street, 81 Newgate Street, 105 Victoria Street and 334 Oxford Street.
INDUSTRIAL AND DISTRIBUTION **10–20%** Group market share (no change)	The Group is a trusted partner to the industrial, warehousing and distribution industries, thanks to our strong reputation for engineering excellence and versatility. Unrivalled capacity, the ability to meet diverse and rigorous requirements and other strengths such as design capability, supply chain co-ordination and delivery speeds set us apart from our competitors.	**Successes** Envision battery plant, SeAH monopile factory, Ineos petrochemical plant. Major contracts for Amazon, BMW, Unilever, Sports Direct, Ocado, ASDA, Sainsbury's, Prologis, Gazeley, Jaguar Land Rover, Rolls-Royce, DHL and B&M.
STADIA AND LEISURE **40–50%** Group market share (upward trend)	Stadia and leisure complexes are important sectors for the steelwork industry. The Group has an unrivalled record in the design, engineering and building of many of the UK's best-known sporting hubs. We have also provided timely and cost-effective solutions for key leisure destinations, ranging from exhibition and conference centres to state-of-the-art concert arenas.	**Successes** Wimbledon Centre Court (roof) and No.1 Court roof, Paris Philharmonic Hall, First Direct (Leeds) Arena, Olympic Stadium, Arsenal FC (Emirates Stadium), Liverpool FC (redevelopment of Anfield Stadium), Manchester City FC (south stand redevelopment), Tottenham Hotspur F.C. (new stadium), Lord's Cricket ground (Compton and Edrich stands), Sky Studios Fulham FC, Everton FC (new stadium), Excel arena and Co-op Live arena.
RETAIL **<5%** Group market share (upward trend)	Retail developments are becoming increasingly complex and ambitious as towns and cities position themselves as attractive shopping destinations in today's competitive economy. Major redevelopment in cities and out-of-town shopping facilities are challenging projects in their own right, requiring different skills and services. Project management and supply chain linkage are vital to successful project execution.	**Successes** Bradford's Westfield Shopping Centre, Stratford's Westfield Shopping Centre, Cherry Park Development, Hereford Old Livestock Market, Birmingham John Lewis, Bracknell's The Lexicon, Coal Drops Yard and projects for ASDA, Sainsbury's, Tesco, Morrisons and Costco.
DATA CENTRES AND OTHER **20–30%** Group market share (no change)	Data centres are an ever-growing part of the business world. In recent years, they have become increasingly important to businesses of all sizes as they look for cost-effective alternatives to high in-house IT and other costs. With a large proportion of data centres being specified in steel, the Group is well-placed to meet the needs of this rapidly expanding sector, and our cost, speed and flexibility have resulted in several key contract awards.	**Successes** Data centres for Microsoft (Amsterdam), Telehouse (London), Google and other large data centres in the Republic of Ireland, Belgium, Netherlands, Finland and Sweden. Other projects include a research facility for the European Spallation Source (Sweden).
HEALTH AND EDUCATION **<5%** Group market share (upward trend)	We have a long history of providing world-class steel solutions for hospitals and other medical facilities, which are increasingly being specified with structural steel frames. Key factors giving us an advantage in this sector include span length, enhanced flexibility, adaptability and speed of construction. We have also worked with many education clients and contractors over the years, each project bringing its own specific requirements and challenges.	**Successes** Francis Crick Institute, Nigeria Syringe Factory, Guyana Hospital, University of Strathclyde, Victoria & Albert Museum (Dundee), Kings College Hospital, Graphene Innovation Centre and Manchester University Engineering Campus.

Key: Global market future trends Upward trend Downward trend No change

THE MARKETS WE SERVE

THE UK AND EUROPE

£478m

UK & Europe order book

As the UK's largest and most diverse specialist structural steelwork group, we are well-placed to win work in a variety of markets with excellent long-term opportunities, providing us with a strong platform to fulfil our strategic growth aspirations in the UK and Europe.

Performance in 2024

The Group has a production capacity of approximately 150,000 tonnes per annum, which includes 130,000 in the UK and 20,000 in Europe. In 2024, the Group's output was c.100,000 tonnes, which compared to c.115,000 tonnes in 2023. The reduction largely reflects a changing mix of work, the pause in the construction of the Sunset Studios project and the decrease in output for the distribution sector, reflecting some challenging market conditions, especially in the UK.

Group revenue reduced by 6 per cent to £463.5m (2023: £491.8m). The lower output, combined with the impact of lower steel prices, has resulted in a fall in Group revenue, which was partly offset by new revenue from VSCH. Despite this, the Group increased underlying profit by £4.1m to £36.5m, due to good project execution and maintained a strong order book of £478m (1 November 2023: £482m), giving us good earnings visibility for 2025. The order book contains a good mix of projects across various sectors and an increased share of work in continental Europe and Ireland, such as data centres in the Netherlands, Belgium and Sweden. The statutory profit before tax, which includes non-underlying items, was £23.0m (2023: £27.1m).

MARKET DEVELOPMENTS

The market has shown resilience amidst some global uncertainty as structural steel continues to be an integral part of the construction sector in the UK and most of Europe. Total UK consumption of constructional steelwork in 2023 was slightly lower than in 2022, at 893,000 tonnes (2022 calendar year: 894,000 tonnes), reflecting reduced demand in the industrial sector, particularly for large distribution warehouses, offset by growth in the commercial offices and power and energy sectors to meet the increasing demand for these structures as we move towards a greener future. The BCSA are forecasting for the market to remain broadly flat in 2024, with growth generated by large infrastructure projects, and with some significant opportunities in the Group's chosen market sectors.

Steel construction in the EU is largely influenced by the same macroeconomic factors and structural changes that impact the UK. Similar to the UK, demand in 2023 was impacted by some challenging market conditions, in part driven by an unstable geopolitical landscape, and high inflation and interest rates. The market is expected to grow over the next couple of years, catering for demands from the green transition and national infrastructure spending.

In both the UK and Europe, there continues to be high demand for steel, including investment in new and greater infrastructure to support population and economic growth. This, combined with the green energy transition, is driving demand for new energy infrastructure (including nuclear energy) and the construction of better and greener public transport infrastructure, together with private sector investment in support of a low-carbon economy. The long-term trends in the UK and EU construction market remain positive with strong underlying market drivers, providing the Group with significant opportunities in the growth markets we currently operate in.

Sustainable steel for the future

All construction materials have some environmental impact and when assessing sustainability, it is important to measure all of steel's impacts, including the atmosphere, the environment, means of disposal, and durability. Decarbonisation of the steel industry is an important part of reaching the Government's target to achieve Net Zero greenhouse gas emissions in the UK by 2050.

Steel manufacturing continues to improve its energy use and levels of greenhouse gas emissions and steel products exhibit a decisive life cycle advantage versus many other construction materials (including concrete) since they can continually be recycled. Steel structures can last for many years, making them cost-effective as well as sustainable and since steel is often fabricated off-site, it can reduce on-site labour, cycle time and construction waste. In addition, it is also recognised that steel is an important part of a low-carbon economy, being needed to make wind turbines, electric vehicles, energy efficient products and infrastructure.

OUTLOOK

The outlook is positive and our businesses are well-positioned in markets with excellent long-term opportunities in sectors which will benefit from the green energy transition. Whilst there remains some uncertainty in the wider economy, we are seeing an improvement in market conditions and a trading environment which is generally becoming more manageable and predictable.

We are continuing to see good project opportunities in the UK where tendering activity has increased following the recent reduction in inflation, stabilisation of interest rates and improved economic outlook. The picture is similar in Europe and our European revenues are also expected to increase as we continue to make progress with our European growth strategy, supported by the acquisition of VSCH, which has provided us with a manufacturing footprint in Europe.

In both the UK and EU, we are seeing significant opportunities for battery gigafactories to support domestic zero carbon vehicle production, with a number of facilities currently being planned or considered. The UK Government has allocated up to £1bn in funding to support investment, whilst the EU has announced up to €4bn for new factories to produce car batteries, heat pumps and solar panels.

Other projects in the pipeline include energy efficient buildings, manufacturing facilities for renewable energy and offshore wind projects, also in support of a low-carbon economy, together with stadia and leisure projects, TV and film studios and commercial offices.

The UK Government continues to recognise the importance of major infrastructure projects on boosting growth and achieving key sustainability targets. The Government's National Infrastructure and Construction Pipeline (NICP), published in 2024, outlines a substantial investment in infrastructure and construction projects over the next decade. The pipeline plans to allocate up to £775bn towards various projects, with £164bn earmarked for the next two years alone. Key features of the pipeline include significant funding for the energy and transport sectors, which together represent the largest portions of the planned expenditure. Specifically, £234bn is dedicated to transport, and £316bn to the energy sector. This, together with previous government commitments, provide significant contract opportunities for the Group such as:

- HS2 London to Birmingham
- Northern Powerhouse Rail
- Road Investment Strategy
- Rail enhancements including the TransPennine Route Upgrades.
- New nuclear production facilities at Hinkley Point C and Sizewell C
- Other areas including carbon capture, small modular reactors and hydrogen production

We are also seeing a growing Scope of work at Sellafield where we are one of two 'key delivery partners' to deliver structural steelwork with an estimated value of c.£250m as part of the long-term Programme and Project Partners ('PPP') framework.

Similar to the UK, the outlook in Europe remains positive, with the green energy transition driving public investment in new infrastructure projects such as transport infrastructure and energy, where the volume of power transmission and distribution projects being brought to market is increasing substantially. There is also significant planned government investment in many EU countries, including the €29bn Netherlands 'Infrastructure investment' plan, as well as Europe wide investment by the EU, such as the €5bn 'Connecting Europe' programme and the continued COVID-19 recovery and resilience plans.

In general, we remain well-positioned to win work to meet the demand for ongoing state-backed investment given our in-house expertise and unmatched scale and capability to deliver major infrastructure projects, together with the high barriers to entry for competitors.

The demand for data centres in the UK and EU is expected to continue, fuelled by the ever-growing demand for data and the emergence of new artificial intelligence. This increased demand for data, which has resulted in some significant new projects being brought to market, is also driving higher energy use and consequently new energy infrastructure. The Group's manufacturing scale, speed of construction and on-time delivery capabilities, leaves us well-positioned to win work for such projects, all of which are likely to be designed in steel.

We also see good opportunities in the modular sector, including opportunities being driven by the market growth in the supply of modular homes, modular buildings for education, healthcare and data centres. As the modular market matures, clients are seeking greater scale, reliability and quality in the supply chain, all of which we can offer, to ensure that we continue to increase our share of a growing market.

ORDER BOOK

The high-quality UK and Europe order book at 1 June stands at £478m (1 November 2023: £482m), including 32 per cent of the order book now representing projects in continental Europe and Ireland (1 November 2023: 13 per cent). The order book remains well-diversified and contains a good mix of projects across the Group's key market sectors. This provides us with good earnings visibility for the 2025 financial year and beyond.

THE MARKETS WE SERVE

Creating value in India remains a key strategic objective of the board.

INDIA

£181m	£1.9m	£13.2m
A record order book (as at 1 June 2024)	**Group after-tax share profit**	**EBITDA**

Positive long-term growth predictions

The Group's joint venture in India, JSW Severfield Structures Limited ('JSSL') is an important part of its overall strategy – creating value in JSSL remains a key strategic objective of the board. The Group holds a 50 per cent shareholding in JSSL alongside its partner JSW Steel Limited ('JSW'), India's largest steel producer. JSSL also has an interest of 67 per cent in an expanding metal decking business, JSWSMD Limited.

2024 performance

In 2024, the Indian joint venture (JSSL) delivered another step up in profitability. Momentum is building in JSSL and this is evident in the Group's increased after-tax share of profit of £1.9m (2023: £1.3m) and a record EBITDA of £13.2m (2023: £11.5m). The improved performance reflects a better mix of work and good contract execution which has resulted in a higher operating margin of 8.0 per cent (2023: 6.5 per cent). Financing expenses of £5.5m (2023: £5.5m) are unchanged from the previous year, as a result of a continued high borrowings, partly driven by the impact of inflation on working capital, and in the cost of letters of credit which are linked to higher steel prices. These higher financing costs result in JSSL's operating profit of £10.5m (2023: £8.9m), which has increased by c.20 per cent year-on-year, reducing to a profit before tax of £5.0m (2023: £3.4m).

Total output for 2024 was in excess of 100,000 tonnes, including sub-contracted work, for the second year running, an output equivalent to that of the Group's operations in the UK and Europe. Despite these high activity levels, JSSL's health and safety record remained excellent with no lost time incidents ('LTI') recorded in the year. JSSL's factory operations have not recorded an LTI since 2014 and only one LTI (in 2020) has been recorded by its construction activities over the same ten-year period. This means that since 2020, JSSL has achieved over 20m LTI-free hours and 41m hours with only one LTI over a ten year period. The safety performance of the business has been recognised in previous years, resulting in many certificates and awards from clients and health and safety organisations in India.

Market developments

JSSL remains in a strong position to take advantage of an accelerating switch from concrete to steel. The use of fabricated steel in construction in India is c.10 per cent of the market, compared with more than 70 per cent in the UK and 50–60 per cent in the USA and Japan. In addition, over the coming years factory-made structural steel is expected to take market share from site-fabricated steel.

India's construction industry, and the use of steel within construction, is growing rapidly, fuelled by the government's emphasis on infrastructure development, increased foreign investment, rapid urbanisation, and the sector's own expansion. The Indian population is also growing, and as the economy is expected to grow this should help create structural tailwinds. Investments in power, transport infrastructure, industrial, hospitality commercial real estate and housing projects are expected to further stimulate industry expansion in future years. The focus on investments in the renewable energy sector is in line with the government's target to increase renewable energy capacity by 2030, resulting in additional growth opportunities for the sector. Foreign direct investment (FDI) is another key growth driver, with the government's liberalisation policy allowing 100 per cent FDI in almost all construction sectors. The market size of India's construction industry was estimated to be around US$ 778 billion in 2023 and it is projected to grow at a compound annual growth rate of 6 per cent from 2024 to 2033, reaching US$ 1.4 trillion by 2033.

There have also been a variety of reforms to accelerate the rate of construction. The Real Estate (Regulation and Development) Act, which came into force in 2017, aimed to increase transparency, accounting and efficiency. There have been a variety of other changes in legislation and policy, including RERA, the National Disaster Management Act and Ease of Doing Business initiative. The government's simplification of GST also aims to strengthen the real estate sector, making it more resilient and accessible.

The expanding market picture in India is reflected in JSSL's growing pipeline of potential orders and in numerous identified growth opportunities in target markets, including commercial real estate, data centres, warehouses, infrastructure and in manufacturing sectors such as steel, cement and speciality chemicals. As part of its growth strategy, JSSL is also targeting new sectors and geographies including potential opportunities in the north and west of India and in near markets such as Saudi Arabia, building on JSSL's brand and reputation for delivering high-quality steel solutions.

JSSL's client base is strong and growing, resulting in a high-quality order book of £181m (1 November 2023: £165m), which now contains two large commercial projects in Delhi for DLF India, an important strategic client. In terms of mix, 71 per cent of the order book represents higher margin commercial work, with the remaining 29 per cent representing industrial projects (1 November 2023: commercial work of 64 per cent, industrial work of 36 per cent).

JSSL

JSSL is well positioned for future market expansion. Since its inception over ten years ago it has built up a reputation as the number one design and build structural steel company in India, providing a full design, fabrication and site construction service. This fully integrated and expert offering gives clients, developers, architects, consultants and contractors confidence that complicated and changing project requirements can be delivered on time and within budget.

Through its performance and know-how, JSSL has established excellent strategic relationships with major construction players, positioning it well for the future.

JSSL has also established a network of strategic suppliers and subcontractors which it continually audits for health, safety, quality and assurance purposes, to support the further supply of certain fabricated steel products, all of which contribute to overall revenues.

The business is also strengthening its sales and estimating teams, bringing people with new skills into the business and enhancing its supply chain partnerships to support future expansion and to provide the business with the springboard to deliver future profitable growth.

Current and future operations

JSSL's operations are based on a 65-acre site in Bellary, Karnataka. The plant has been designed to optimise JSSL's product range, quality and productivity, as befitting the demands of the construction industry in India. Incorporating state-of-the-art technology and processing equipment, the plant is managed and operated by a growing workforce containing highly qualified, experienced people. Bespoke plated products are manufactured on-site, offering clients a range of benefits.

The Indian JV, JSW Severfield Structures ('JSSL'), was founded in 2008. The facility is situated in the district of Bellary, Karnataka, on a 65-acre site and has an annual in-house capacity of c.100,000 tonnes (c.150,000 including sub-contracted work) serving a wide range of sectors across the growing Indian market. The state-of-the-art fabrication facility is built on the same principles as Dalton in the UK, taking the learnings from that site. The management team at JSSL are highly regarded in the industry.

Depending on mix, the in-house capacity of the Bellary facility is c.100,000 tonnes per annum. The key characteristics of the plant are as follows:

- The original configuration was two fabrication lines. Four narrower fabrication lines have been added in new factory space, following completion of the expansion in 2020. These service JSSL's target commercial and industrial sectors of multi-mix commercial, healthcare, data centres, retail and the industrial and manufacturing sectors.
- A further plated beam line was added in 2020 to the existing two plated beam lines, together with a bit shop and additional painting facilities.

In response to the strong long-term growth projections for India, in 2024, JSSL acquired a plot of land in Gujarat, in the west of India, to develop a new manufacturing facility and to expand the geographical footprint of the business. As Bellary is now approaching its maximum capacity, initial work on this expansion is expected to commence in the second half of the year and capacity will be added incrementally to support the expected future market growth.

Outlook

Momentum is building in JSSL and the company is benefiting from a bright market outlook as the construction sector continues to grow rapidly and the switch from concrete to steel in construction in India accelerates. The medium and longer-term growth predictions for India remain very positive. With JSSL's holistic design and build capability, its operational capability and capacity and its established network of suppliers and contractors, and with the land for expansion in Gujarat now secured, it is well set to take further advantage of both economic and sector growth.

Overall, we remain very positive about the long-term development of the Indian market and of our ability to build further value in JSSL.

HOW WE CREATE VALUE

Severfield is the UK's market-leading structural steel Group, providing unrivalled design, fabrication and construction solutions, for a diverse range of market sectors.

OUR KEY INPUTS AND RESOURCES

Our people
Our market-leading position is only possible with the right people. We know our people are what makes us stand out from the competition and allow us to successfully execute our strategy. They are the ones with the knowledge and expertise in design, innovation and engineering that makes us industry leaders.

Our partners
Severfield are a vital part of the supply chain and we recognise the importance of building key partnerships with suppliers and subcontractors who meet our commitment to quality, sustainability and client service.

Our sustainable mindset
Operating in a sustainable manner is crucial to both the current and future success of the Group. To achieve this, we are committed to motivating and enabling our people and our supply chain to deliver high-quality, innovative buildings in a sustainable and efficient way.

Our commitment to health and safety
Health and safety is at the heart of what we do and there is never room for compromise. Our reputation relies on high standards of health and safety for our employees, our supply chain partners, our customers and the wider public.

WE CREATE VALUE ACROSS THE ENTIRE PROJECT LIFECYCLE

01 Design
Our engineers provide clients with innovative concepts and solutions to realise and improve designs, create efficiencies and focus on sustainability.

02 Fabricate
The Group's fabrication facilities include expansive stockyard areas and in-line cutting, fabrication, welding and painting and some of the largest finished goods and subassembly areas in the industry.

03 Construction
Our dedicated and highly experienced in-house construction teams ensure an efficient and safe build. They work closely with our engineers to plan temporary works to avoid any potential site issues – an essential component for high-rise and complex builds.

Our competitive advantages/ what makes us unique

Our commitment to excellent customer service
From initial engagement and design, to construction and finalisation of the project, our teams are committed to delivering excellent customer service.

Our commitment to improving the environment
Our aim is to deliver more sustainable solutions for all our stakeholders, and we have some great initiatives underway to reduce our own carbon emissions and help the supply chain reduce theirs, including our commitment to SteelZero.

Our innovative approach

We like a challenge. Our teams have dealt with some complicated designs and builds over the years and our teams thrive on finding innovative solutions to deliver what our customers want.

Delivery

Our large scale allows us to fabricate and deliver on time. Detailed logistics planning allows for the optimisation of space, efficiencies in construction and where possible, reducing our carbon footprint from the number of loads.

Project Management

The Group has a large and highly experienced contract management team. Each contract manager is the single point of contact for the client and is supported by the Group's resources.

Our growth strategy

The Group remains focused on sustainable growth and maximising profits for our shareholders – through organic growth from expansion into new sectors, markets and geographies or selective acquisitions.

Reinvestment into the business

Training and development for our workforce, operational excellence and Project Horizon, selective acquisitions and R&D.

THE VALUE WE CREATE

Employees
We offer our employees stable and secure employment in a growing business and with opportunities to develop and progress. All our employees are paid in excess of the National Living Wage.

Suppliers
We develop long-term relationships with our suppliers. They play an instrumental role in achieving successful project delivery.

Customers
Our customers are key to our success and we are committed to delivering our projects to the highest of standards to ensure customer satisfaction.

Local communities
We are committed to serving our communities through local recruitment, fundraising through the Severfield Foundation or community initiatives, partnering and volunteering.

Shareholders
The Group is cash generative and reinvests to drive further growth and cash generation. Our well-established strategy drives shareholder value and we have a progressive dividend policy, to ensure that shareholder returns increase in line with profit growth.

OUR STRATEGY

Our strategy sets out our clear priorities to drive long-term growth and deliver sustainable value for our shareholders.

Our strategy remains unchanged and is built on our core strengths of engineering and construction in the UK, Republic of Ireland and continental Europe. It is focused on growth, both organic and through selective acquisitions, operational improvements and building value in JSSL. To deliver the three key areas of the strategy, there are strategic priorities that evolve over time as new opportunities and challenges arise.

Drive growth	Grow India presence	Operational excellence
1 2 3 4 5 6	2 6 6	1 2 3 5 6
A B C D E F G		A B D E F G

Our strategic priorities are underpinned by the Sustainability Framework ('The 4Ps'), which along with our core values, enable us to deliver our strategy. Our Sustainability Framework drives us to take a responsible and sustainable approach to managing and growing our business, which aims to create value for all our stakeholders.

Planet

People

Prosperity

Principles of Governance

Key performance indicator reference number

- 1 Underlying operating profit and margin
- 2 Underlying basic earnings per share ('EPS')
- 3 Revenue
- 4 Operating cash conversion
- 5 Underlying return on capital employed ('ROCE')
- 6a UK and Europe order book
- 6b India order book
- 7 Injury frequency rate ('IFR')

Key to principal risks

- A Health and safety
- B Supply chain
- C People
- D Commercial and market environment
- E Mispricing a contract (at tender)
- F Cyber security
- G Failure to mitigate onerous contract terms
- H Industrial relations

DRIVE GROWTH

Our aim is to capitalise on growth opportunities, both in the UK and Europe, and to maximise our market share.

STRATEGIC PRIORITIES

Increase UK market share
Growing profitable market share in areas where the business already operates.

Enter new UK market sectors
Looking for new market areas where the business has not operated in the past, taking advantage of our existing capacity and capabilities.

Growth in Europe
Continue to win more work in Europe, supported by the recent acquisition of VSCH, and to build strong, lasting relationships with new and existing European clients.

ACHIEVEMENTS IN 2024

The Group achieved an underlying[1] profit before tax of £36.5m (2023: £32.5m) an increase of 12 per cent from last year. Statutory operating profit, which includes non-underlying items, was £26.4m (2023: £30.2m).

The Group's strong contract execution and new profit from VSCH has supported continued profit growth despite some difficult market conditions in some sectors. This highlights the importance of our client, geographic and sector diversity.

The high-quality UK and Europe order book at 1 June 2024 stands at £478m (1 November 2023: £482m). The order book includes a growing proportion of work in continental Europe, driven by our recent acquisition of VSCH and our focus on winning work in these markets.

VSCH is integrating well into the Group's operations and they have now adopted the Severfield brand. VSCH is providing us with greater access to growing European market sectors and strengthening our market position in Europe. VSCH has now been combined with our existing European business, under the leadership of a new Managing Director, who is part of the Group Executive Committee, providing an operational and strategic platform for further sustainable growth in Europe.

We have made good progress in growing our Severstor revenues and client base, leading to our Modular Solution division achieving a profit for the first time in 2024. In combination with the growing product ranges and client base of CMF, the outlook is positive for this growing division.

1 See note 33 for APM definitions

OBJECTIVES FOR 2025

Grow Group revenue and maintain our strong balance sheet and the quality of the order book.

In our core construction operations, increase our market share in existing market sectors where the Group already has specialist expertise (at good margins and with acceptable levels of risk). This includes some significant growth opportunities in the non-cyclical sectors of nuclear (new and decommissioning), bridges and transport infrastructure, as well as in the recovering distribution sector and the growing data centre sector driven by advancements in AI.

Continue to target projects in support of a low-carbon economy including battery plants, manufacturing facilities for renewables, offshore wind, new nuclear, rail electrification, HS2 and other energy efficient buildings, helping to drive economic recovery.

Grow the Severfield brand and develop our client base in Europe, supported by the growth opportunities (including access to the high-growth electricity sector) afforded by VSCH.

Continue to identify further selective acquisition opportunities, to further enhance the services we can offer in both the UK and Europe.

GROW INDIAN PRESENCE

Our aim is to build value in JSSL and we remain very positive about the long-term development of the Indian market.

STRATEGIC PRIORITIES

Building value in India
Our aim is to continue building value in the business whilst the market continues its conversion from concrete to steel and to take advantage of an economy which is expected to continue growing significantly in the coming years.

ACHIEVEMENTS IN 2024

Achieved a record EBITDA of £13.2m (2023: £11.5m), a 15 per cent increase on a strong prior year. This translated to a 46 per cent increase in the Group's share of after-tax profits of £1.9m (2023: £1.3m).

JSSL reported a high-quality order book of £181m at 1 June 2024 (1 November 2023: £165m), with a good mix of higher-margin commercial projects, reflecting the growing underlying demand for structural steel in India.

Achieved output of over 100,000 tonnes, including sub-contracted work, for the second year running. In 2024, JSSL acquired a plot of land in Gujarat, in the west of India, to develop a new manufacturing facility and to expand the geographical footprint of the business. Once built, this will further increase JSSL's production capacity to meet the growing demand for steel in India and in selected near markets.

Continued to develop strong existing relationships with several key developers and clients for large commercial projects and developed formal strategic alliances with certain key clients. This is reflected in two recent commercial project awards from DLF India.

Reaffirmed significant growth opportunities, including those in new and existing market sectors, and the significant value creation potential of JSSL.

OBJECTIVES FOR 2025

Capitalise on the strong underlying demand in India for structural steel by continuing to grow the order book and optimise the mix of higher margin commercial work, to benefit operating margins.

Identify further opportunities for organic growth including in domestic sectors, including commercial real estate, data centres, warehouses, infrastructure and in manufacturing sectors such as steel, cement and speciality chemicals.

Target new sectors and geographies including potential opportunities in the north and west of India and in near markets such as Saudi Arabia, building on JSSL's brand and reputation for delivering high-quality steel solutions.

Leverage the increased Bellary factory capacity and maximise operational efficiencies as JSSL continues to increase its production volumes to support market growth.

Commence work on the new Gujarat site in the west of India, with a plan to grow capacity incrementally to align with a sustainable growth plan and market demand.

Continue to strengthen the sales and estimating teams, bringing people with new skills into the business and enhancing supply chain partnerships to support the expansion and to provide the business with the springboard to deliver future profitable growth.

OPERATIONAL EXCELLENCE

Our emphasis is on delivering high-quality projects and reducing costs by driving excellence through our core business processes.

STRATEGIC PRIORITIES

Drive operational improvements and efficiencies
The objective is to improve our level of automation and digitisation (through Project Horizon) and to further enhance the Group's risk assessment, operational and contract management processes (through our ongoing operational improvement programme).

Invest in market-leading technology
We will make this investment in the short and medium term to support the Group's ongoing requirements and growth.

ACHIEVEMENTS IN 2024

Through Project Horizon, our digital transformation programme, we plan to implement over 110 projects and initiatives to modernise and further standardise systems and processes. During the year we have completed 22 projects, some of which are stand alone and some of which are foundational to establish a platform for future long-term projects.

We have also grown and embedded our dedicated project team, which is funded through annual savings to date. Completed 'stand alone' projects include an automated quality assurance system (SAM), to improve tracking and client reporting, the integration of pricing, design and production databases to drive production and planning efficiencies and new systems for purchase order approvals. Completed 'foundational' projects include construction site assets and resource tracking tools and the use of barcoding for steel to improve traceability through production and onto sites.

During the year we have invested £11.4m (2023: £6.3m) in capital projects at our manufacturing sites, ensuring we have the latest and most efficient machinery, safest production environment and the capacity and capability to deal with the current demands from our ongoing and future contracts.

We have fully embedded our divisional structure, facilitating a better front end experience for clients, better and more co-ordinated project delivery capabilities and more streamlined and efficient production processes. The centralisation of our Group manufacturing capability, allows us to plan and fabricate in the most efficiently way across all of the Group's production facilities, making best use of the Group's production capacity and expertise.

OBJECTIVES FOR 2025

Continue with our operational improvement initiatives to maintain the Group's focus on business improvement and efficiencies, further optimising processes within our factories and production lines.

Roll out further Project Horizon initiatives and workflows – we have further projects ongoing or planned to either generate cost savings or create additional capacity in our workforce to help us deliver on our growth aspirations. These include looking at new and innovative ways of working, the optimisation of our software systems to reduce manual tasks and greater insight and real time information at our production facilities.

Further investment in capital expenditure across the Group to make our businesses more competitive and operationally efficient. We will continue to invest in excess of depreciation.

KEY PERFORMANCE INDICATORS

1. UNDERLYING OPERATING PROFIT AND MARGIN[1]

Stakeholder linkage

2 3

Strategic pillar

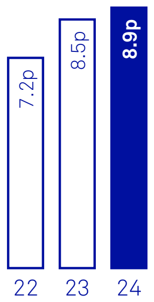
A C

Why this is important
This is the principal measure used to assess the success of the Group's strategy. We are focused on driving growth in underlying operating profit in order to drive higher and sustainable returns for our investors.

How we calculate
Underlying operating profit is defined as operating profit before non-underlying items and the results of JVs and associates. Underlying operating margin is calculated as underlying operating profit expressed as a percentage of revenue.

Progress during the year
Underlying operating profit has increased by £4.6m (14 per cent) over the prior year, reflecting strong operational delivery and the acquisition of VSCH.

2. UNDERLYING BASIC EARNINGS PER SHARE ('EPS')[1]



Stakeholder linkage

2 3

Strategic pillar

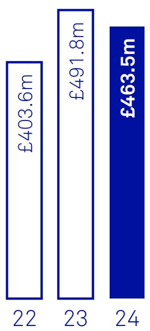
A B C

Why this is important
Underlying EPS is one of the key metrics in measuring shareholder value. The measure reflects all aspects of the income statement, including the performance of India and the management of the Group's tax rate.

How we calculate
Underlying EPS is calculated as underlying profit after tax divided by the weighted average number of shares in issue during the period.

Progress during the year
Underlying EPS has increased by 5 per cent, reflecting the increase in underlying profit.

3. REVENUE GROWTH[2]



Stakeholder linkage

1 2 3 4 5

Strategic pillar

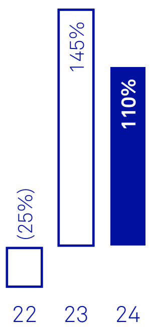
A C

Why this is important
This is a key measure for the business to track our overall success in specific contract activity, our progress in increasing our market share and our ability to maintain appropriate pricing levels.

How we calculate
This represents the year-on-year percentage change in revenue from continuing operations.

Progress during the year
Revenue has decreased by £28.3m (6 per cent) compared to last year, mainly reflecting the softness in the distribution market, the cancellation of Sunset Studios and the reduction in steel prices.

4. OPERATING CASH CONVERSION



Stakeholder linkage

2 3 5

Strategic pillar

A

Why this is important
Cash is critical for providing the financial resources to develop the Group's business and to provide adequate working capital to operate smoothly. This measures how successful we are in converting profit to cash through management of working capital and capital expenditure.

How we calculate
Operating cash conversion is defined as cash generated from operations after net capital expenditure (before interest and tax) expressed as a percentage of underlying operating profit (before JVs and associates).

Progress during the year
Operating cash conversion was 110 per cent, which is well ahead of our target conversion rate of +85 per cent.

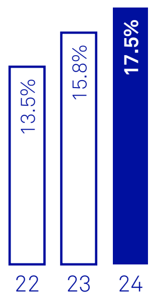
Stakeholder linkage

1. Clients
2. Employees
3. Shareholders
4. Communities
5. Suppliers

Strategic Pillar

- A Drive growth
- B Grow India presence
- C Operational excellence

5. UNDERLYING RETURN ON CAPITAL EMPLOYED (‘ROCE’)



Stakeholder linkage

3

Strategic pillar

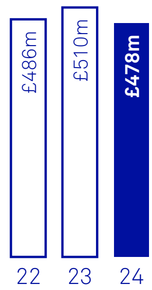
A B C

Why this is important
ROCE measures the return generated on the capital we have invested in the business and reflects our ability to add shareholder value over the long term. We have an asset-intensive business model and ROCE reflects how productively we deploy those capital resources.

How we calculate
Underlying ROCE is calculated as underlying operating profit divided by the average of opening and closing capital employed. Capital employed is defined as shareholders’ equity excluding retirement benefit obligations (net of tax), acquired intangible assets and net funds.

Progress during the year
Underlying ROCE has increased by 170 basis points to 17.5 per cent, reflecting increased underlying profitability. This is above our benchmark of 10 per cent.

6A. UK AND EUROPE ORDER BOOK



Stakeholder linkage

3

Strategic pillar

A C

Why this is important
The order book is a key part of our focus on building long-term recurring revenue. It is an important measure of our success in winning new work. Whilst the revenue within the order book is reported externally, the margin inherent within the order book is monitored internally to provide visibility of future earnings.

How we calculate
Our UK and Europe order book shows the total value of future revenue secured by contractual agreements.

Progress during the year
Our high-quality UK and Europe order book stands at £478m at 1 June 2024 (November 2023: £482m). The high-quality order book gives us good earnings visibility and leaves us well-positioned to deliver our strategic objectives.

6B. INDIA ORDER BOOK

Stakeholder linkage

3

Strategic pillar

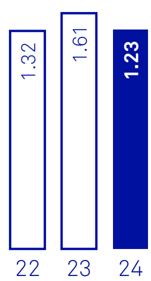
A B

Why this is important
The order book is a key part of our focus on building long-term value in JSSL. It is an important measure of our success in winning new work. Whilst the value in the order book is reported externally, the margin inherent within the order book is also monitored internally to provide visibility of future earnings.

How we calculate
Our India order book shows the total value of future revenue secured by contractual agreements. Note, this revenue isn’t consolidated into the Group revenue.

Progress during the year
The record order book stands at £181m, and contains a good proportion of higher margin commercial work of 71per cent (November 2023: £165m and 64 per cent commercial work).

7. INJURY FREQUENCY RATE (‘IFR’)



Stakeholder linkage

1 2 3 4 5

Why this is important
IFR is an industry-standard measure of the safe operation of our business and is one of a number of health and safety measures the Group uses to monitor its activities. IFR focuses on a variety of incidents, ranging from minor to potentially more serious.

How we calculate
IFR is the number of reportable injuries per 100,000 hours worked.

Progress during the year
Our IFR has decreased from 1.61 to 1.23 showing our commitment to continually improving safety at Severfield and focusing on leading indicators in our pursuit of ‘no harm’.

1 See note 33 for APM definitions and reconciliation to IFRS measures
2 Revenue includes Voortman, which was acquired in April 2023

ENGAGING WITH OUR STAKEHOLDERS

We maintain regular dialogue with our key stakeholders so that we can take account of their views and act in their best interests.

Our approach to engagement extends across all of our stakeholders, from those who influence what we do and benefit from the value we create, to those who just influence what we do.

We have included opinions of all key stakeholders group in this year's revised materiality assessment (see pages 58 to 59)

Our culture

We believe that a healthy corporate culture is vital to the creation and protection of long-term value. The success of our business model is driven by our culture, which is founded on our values: The Severfield Way. The Severfield Way gives colleagues clarity on our collective ways of working and expected behaviours so that we can continue to deliver effectively and efficiently for our customers, working together with a clear, shared purpose, to create better ways to build, for a world of changing demands.

Our culture is characterised by a respect for our talented people, a desire to deliver the best possible outcomes for our colleagues, customers and partners, the encouragement of openness and transparency, a collaborative approach towards working with our customers and our supply chain, and a regard for the value we can bring to local communities and the environment. All new employees receive a formal induction and are made aware of our core values and culture.

We believe that through our recruitment, performance management and reward processes, we support and encourage behaviours consistent with the Group's purpose, values, strategy and culture. These principles are driven by the board and embedded in the culture and operations of all Group companies.

Information on our performance against our safety, health, environmental and people objectives can be found in our 2024 'building a responsible and sustainable business' report

SHAREHOLDERS

Why we engage

We have c. six million shareholders, including institutional and personal investors, providing the Group with funds for investment in long-term growth. The board is committed to building and maintaining good positive relationships with all shareholders and ensuring regular, open dialogue with them throughout the year.

What do they want

- Share price growth and a continuing progressive dividend policy.
- Robust financial and risk management.
- Strong corporate governance.
- Regular communication of the Group's performance and strategy, including climate-related strategic objectives.

What did we do

- Completed consultation on our proposed remuneration policy changes and implemented the new policy with overwhelming shareholder support at the AGM.
- Our executive directors communicated regularly with institutional investors and analysts and all shareholders were invited to the Group's annual general meeting.
- Our non-executive directors were also available to meet with shareholders.
- The Group's website provided an important resource for communications to all stakeholders, with a specific section dedicated to investors.
- The Group provided regular updates on financial performance and significant events using a regulatory information service and responded to queries received from shareholders.
- We declared interim and final dividends in each case in accordance with our progressive dividend policy.
- After the end of the year, we implemented a share buyback programme in order to seek to improve capital returns to shareholders.

CUSTOMERS

Why we engage

Our proven ability to work collaboratively and innovatively with customers is fundamental to our success and is critical to securing new work and achieving our strategic goals.

What do they want

- Outstanding customer service, benefitting from our employees' technical knowledge and expertise.
- Projects to be delivered on time and on budget.
- Innovative and cost-efficient methods of working.
- Collaborative approach to lower carbon emissions and improving sustainability across all projects.
- The Group's continued good financial health and strong balance sheet.

What did we do

- We focused on early contract engagement with customers, anticipating the issues they face, providing problem-solving solutions and delivering the best results to balance time, cost and quality objectives, whilst ensuring that risk and reward are appropriately shared.
- We sought to secure work where possible through partnerships, framework arrangements or repeat business. We took the time to understand customers' priorities and then delivered on their project goals.
- On completion, customers were asked for feedback on their experience in face-to-face interviews using detailed questionnaires. The results were shared and analysed, in order to drive further improvements.
- Customer feedback and key customer strategic initiatives were regularly reported to the board. The board also took the lead in suggesting specific customer collaborations.

COLLEAGUES

Why we engage

Our people are our biggest asset and we are committed to effectively managing all aspects of health, safety, wellbeing and performance through creating a safe and inclusive working environment where everyone can be themselves and be their best.

What do they want

- Help with the cost-of-living crisis.
- To work in a safe, suitable and respectful environment.
- Investment in personal and professional development.
- Consistent and fair treatment across all aspects of our people practices.
- Access to healthcare support for both physical and mental health concerns.

What did we do

- Our MyVoice forum continued to be the cornerstone of our listening strategy. Our colleague representatives from across the Group met with our CEO, workforce engagement director and Group HR director, three times during the year to provide a view of colleague sentiment and key topics of interest.
- Local management teams held regular meetings with our union representatives and works council (where applicable) and our MyVoice forum members met regularly with management teams to discuss local issues outside of the formal MyVoice forum meetings. Pay negotiations and changes to attendance management policies are some examples of the topics of discussion.
- We have kept our colleagues informed of our financial performance, business goals, market conditions and performance through our intranet and through in-person business updates. During these updates, our colleagues had the opportunity to ask questions of our senior leadership teams.
- Through our intranet (Connect) our colleagues had the opportunity to comment, like or raise questions. Articles ranged from project wins, to benefits updates, to wellbeing guidance and advice to surveys around specific topics. Throughout 2024 we introduced more video content so as to better engage with our diverse workforce. Our executive committee reviewed engagement levels with the platform on a monthly basis.
- Skyline, our Company magazine (produced three times a year) continued to go from strength to strength and is now available in Dutch for our colleagues in the Netherlands.
- For our UK-based colleagues, we offered the opportunity to save for three years under our SAYE scheme to encourage them to engage with business performance and progress.

ENGAGING WITH OUR STAKEHOLDERS

SUPPLIERS

Why we engage

Our relationships with our supply chain partners are of strategic importance and key to the Group's success.

We develop long-term relationships with our supply chain and work with them to ensure we successfully deliver our projects efficiently and to a high standard, and in line with our decarbonisation goals.

What do they want

- Repeat opportunities to work with the Group.
- To be treated fairly and with respect.
- Prompt payment.
- Sound health and safety performance.

What did we do

- Most of our suppliers signed up to Group-wide agreements. We have a structured timetable of senior contact with suppliers of strategic importance and hold regular meetings with suppliers, covering a broad range of topics, including identifying and managing any incidents of modern slavery.
- We have a comprehensive Group-wide supplier accreditation process, which involves reviewing and scoring supplier performance on criteria such as quality and safety and providing them with constructive feedback.
- Subcontractors who achieved preferred status benefitted from long-term relationships and repeat work.
- We paid our supply chain promptly. Our larger businesses are all signatories of the Prompt Payment Code ('PPC').
- The board received feedback on the performance of key suppliers and on our prompt payment practices and specific supplier initiatives.
- We have strengthened our sustainable procurement approach (pages 63 to 73)

LOCAL COMMUNITIES

Why we engage

Engagement with the wide range of communities in which the Group operates is an important part of our purpose.

What do they want

- Improvements to, and investment in, the local environment and quality of life of those that live and work in the surrounding areas of our sites.
- Sustainable buildings and infrastructure, which consider whole life impact.
- Continuing commitment from the board to reduce carbon emissions to achieve the Group's sustainability target of Net Zero by 2050 across all scopes.

What did we do

- Through social and charitable committees within each business and through The Severfield Foundation we got involved with, and raised money for, local events, such as school or college talks or careers fairs, or supporting local charities. More details of the work of The Severfield Foundation can be found on page 86.
- Our directors have taken up opportunities to learn more about engagement with community stakeholders on specific projects through our programme of site visits.
- We have developed our approach to social value through the TOMs framework.
- We have introduced a volunteering policy to provide opportunities for colleagues to do more to support local charities.
- The board receives regular ESG and climate-related reports and updates from the Group SHE director. Further detail of the governance of climate-related matters can be found in our Task force on Climate-related Financial Disclosures report ('TCFD') on page 60.

OUR OPERATIONAL PERFORMANCE

ALAN DUNSMORE
CHIEF EXECUTIVE OFFICER

OPERATING REVIEW

Introduction

The Group has had another successful year in 2024. We have reported underlying profits of more than £36m, delivered strong operating cash generation, made further strategic progress in Europe on the back of the Voortman ('VSCH') acquisition, and have secured a significant amount of new work across all areas of the business. This strong performance is reflected in our high-quality order books of £478m in the UK and Europe and £181m in India, providing us with good earnings visibility for the remainder of the 2025 financial year and beyond.

The Group delivered further underlying profit growth in 2024 against a backdrop of some challenging market conditions, particularly in the UK. The combination of our significant market sector, geographical and client diversification, the strength of our operations and management teams, our expert capabilities in engineering and construction and our strong financial position, underpin the performance and resilience of the Group.

In 2024, we increased our underlying profit before tax by 13 per cent to £36.5m (2023: £32.5m), a result which includes the acquisition of VSCH, which is providing us with greater access to growing European market sectors and strengthening our market position in Europe. VSCH, which has recently been combined with our existing European business, is integrating well into the Group's operations and has now adopted the Severfield brand, increasing our visual identity in Europe.

We have maintained a strong financial position throughout the year, enabling us to continue to support ongoing investment in the business, grow the core dividend and provide us with the platform to launch our share buyback programme to further increase returns to our shareholders. The Group continues to be highly cash generative, with operating cash conversion in the year of 110 per cent (2023: 145 per cent). This resulted in net debt (on a pre-IFRS 16 basis) at the year-end of £9.4m (2023: net funds of £2.7m), including the outstanding VSCH acquisition loan of £15.2m (2023: £nil). Our strong balance sheet and consistent cash generation provides the Group with the flexibility to continue to invest in both organic and inorganic growth opportunities.

In 2024, the Indian joint venture ('JSSL') recorded output of more than 100,000 tonnes, including sub-contracted work, for the second year running. This high level of activity, an improved mix of work and good contract execution is evident in the Group's higher after-tax share of profit of £1.9m (2023: £1.3m), which reflects a record EBITDA of £13.2m. With the new land in Gujarat now acquired, we expect to start work on a new manufacturing facility in the second half of the year, leaving the business well-positioned to take advantage of a very encouraging outlook in India. We remain very positive about the long-term trajectory of the market and of the value creation potential of JSSL.

The board considers the dividend to be a significant component of shareholder returns and we have either increased or maintained dividends every year, since the dividend was reintroduced in 2015. Based on the Group's continued progress, our strong cash position and confidence in the future prospects of the business, the board is once again recommending an increase in the final dividend to 2.3p per share, resulting in a total dividend for the year of 3.7p per share (2023: 3.4p per share), an increase of 9 per cent on the prior year.

Strategy

The Group's well-established strategy is unchanged, focused on growth and diversification (both organic and through selective acquisitions), operational improvements and building further value in JSSL, which, in combination, will deliver strong EPS growth. Our clear focus on balance sheet strength and cash generation enables us to continue making the right decisions for the long term, to maximise our competitive advantage and to best position us in our chosen markets for continued sustainable, long-term growth.

The Group delivers steel superstructures through its Core Construction Operations, separated operationally into a Commercial and Industrial division (bringing together the Group's strong capabilities in the industrial and distribution, commercial offices, stadia and leisure, data centres, retail, and health and education market sectors), which now includes VSCH, and a Nuclear and Infrastructure division (encompassing the Group's market-leading positions in the nuclear, power and energy, transport (road and rail) and process industries sectors). The Group's Modular Solutions division consists of the growing modular product ranges of Severfield Modular Solutions ('SMS') (previously Severfield (Products and Processing)/'SPP') and of Construction Metal Forming ('CMF'), our specialist cold rolled steel joint venture business.

Outlook

The Group is performing well, the outlook is positive and our businesses are well-positioned to win work in markets with positive long-term trends, providing us with a strong platform to fulfil our strategic growth aspirations. Whilst there remains some uncertainty in the wider economy, we are seeing an improvement in market conditions. All this, together with our high-quality order books, diversified activities and operational delivery capabilities, mean that we are well-placed for the future and on track to deliver a result for 2025 which is in line with our expectations.

Results overview

2024 (£m)	Revenue	UOP*	UPBT*
Core Construction Operations	**449.2**	**37.4**	**37.4**
Modular Solutions	**21.5**	**0.3**	**0.3**
India	**–**	**–**	**1.9**
Central items/eliminations	**(7.2)**	**–**	**(3.1)**
Group	**463.5**	**37.7**	**36.5**
Underlying operating margin	**–**	**8.1%**	**–**

2023 (£m)	Revenue	UOP*	UPBT*
Core Construction Operations	476.8	33.7	33.7
Modular Solutions	22.8	(0.6)	(0.1)
India	–	–	1.3
Central items/eliminations	(7.8)	–	(2.5)
Group	**491.8**	**33.1**	**32.5**
Underlying operating margin	–	6.7%	–

* The basis for stating results on an underlying basis is set out on pages 180 and 181. A reconciliation of the Group's underlying results to its statutory results is provided in note 33.

Revenue of £463.5m (2023: £491.8m) represents a decrease of £28.3m (6 per cent) compared to the prior year. This reflects a decrease in revenue from our Core Construction Operations, mainly representing a reduction in steel prices and lower production activity, offset by new revenue from VSCH, in the first year of its acquisition.

Underlying operating profit (before JVs and associates) of £37.7m (2023: £33.1m) represents an increase of £4.6m (14 per cent) over the prior year. This reflects an increase in profit from our Core Construction Operations of £3.7m, which includes new profit from VSCH and continued contract execution improvements, which have helped offset the impact of lower revenue in the year. The higher profits also include improved profitability of £0.9m from SMS, within Modular Solutions, reflecting the first time that this business has reported a profit for the full year. Statutory operating profit was £26.4m (2023: £30.2m), which includes non-underlying items of £13.5m (2023: £5.4m) representing the amortisation of acquired intangible assets, asset impairment charges and a legacy employment tax charge offset by a net acquisition-related credit.

OUR OPERATIONAL PERFORMANCE

The share of profit from the Indian joint venture in the year was £1.9m (2023: £1.3m), reflecting an improved work mix and good contract execution. Within Modular Solutions, CMF contributed a share of profit of £0.1m (2023: £0.5m), the reduction in profitability reflecting the softer market conditions in the distribution sector during the year and some under-recovery of overheads as the business ramps up its recently expanded production operations in Wales.

The Group's underlying profit before tax was £36.5m (2023: £32.5m), an increase of 13 per cent compared to the previous year. The statutory profit before tax was £23.0m (2023: £27.1m).

Operational review
UK and Europe

The Group's established approach to strong risk management, commercial discipline and careful contract selection has been particularly important to enable the business to navigate the challenging market conditions of the last financial year. This approach is reflected in our high-quality UK and Europe order book of £478m at 1 June (1 November: £482m), of which £384m is for delivery over the next 12 months. The order book remains well-diversified and contains a good mix of projects across the Group's key market sectors. The composition of the order book reflects the continued strengthening of our market position in Europe, supported by the acquisition of VSCH, which has recently been combined with our existing European business. 32 per cent of the order book now represents projects in continental Europe and Ireland (1 November 2023: 13 per cent).

In the second half of the year, we have continued to secure a significant value of new work (c.£280m). We are also continuing to see good project opportunities in the UK, Ireland and continental Europe, where we are making good progress with our European growth strategy. In the distribution and infrastructure sectors, we are seeing an increase in tendering activity although pricing remains competitive for some projects.

Looking further ahead, many of our chosen markets continue to have a favourable outlook – the Group has a prominent position in market sectors with strong growth potential and is well-positioned to win projects in support of a low-carbon economy and to deliver energy security. These include opportunities in both Commercial and Industrial and Nuclear and Infrastructure, such as battery plants, energy efficient buildings, manufacturing facilities for renewable energy and offshore wind projects, together with work in the transport, nuclear and power and energy sectors given our capability to deliver major infrastructure projects.

Project Horizon

Last year, the Group launched Project Horizon, our digital transformation project. The objective is to maximise the automation of our estimating, design, production, and contract delivery processes to improve client service and deliver efficiency and capacity benefits. Workflows comprise over 100 short, medium, and long-term individual projects and initiatives designed to modernise and further standardise processes and systems across the Group.

As part of Project Horizon, we continue to make good progress with drawing and design automation, which includes automated connection design and planning tools. Other projects either being worked on or completed in the last year include an automated quality assurance reporting system, which improves tracking and client reporting, new systems for purchase order approvals, the use of barcoding for steel to improve traceability, better integration between estimating and production processes to improve factory planning and to drive efficiencies, construction site asset and construction resource tracking tools, together with ongoing work on artificial intelligence to improve administrative processing times.

To date, based on the original plan, we have successfully completed 22 projects and a further 22 of the 54 projects that we have classified as short to medium term are currently ongoing.

Three additional projects have now been added to the plan, increasing the total number of short to medium-term projects to 57. Our dedicated project team is currently self-funded through annual savings, with further benefits being tracked as more of the identified projects and initiatives are implemented.

Clients

We continue to invest to meet the needs of our clients, building our capabilities, developing new technologies and driving efficiency across our production facilities, to ensure our growth ambitions are fully supported. We remain focused on measures that matter most to our clients, providing value-added results, whilst balancing time and cost objectives, with an emphasis on building strong and long-standing client partnerships.

Our unique capability to deliver complex design and engineering solutions, our capacity and speed of fabrication and our management of the integrated construction process is vital for our clients and a key differentiator for the Group. This is fundamental to our success and has been critical to securing new work, developing our client base and growing our revenues over recent years. This year we have delivered challenging programmes for clients, reduced costs and minimised waste through both our pre-tender value engineering and also post-award engineering solutions and developed innovative building solutions for reuseable temporary works and pre-assembled sections to work in live operating environments. In addition, when market pressures stretched existing budgets or caused delays, or when we were asked to accelerate existing construction programmes, our operational delivery capabilities allowed us to help clients deliver changes to these programmes quickly and efficiently, to provide them with problem-solving solutions and to ensure that programme milestones were achieved.

Core Construction Operations

£m	2024	2023	Change
Revenue	449.2	476.8	-6%
Underlying operating profit (before JVs and associates)	37.4	33.7	+11%
Underlying profit before tax	37.4	33.7	+11%
Revenue:			
Commercial and Industrial	361.8	382.1	-5%
Nuclear and Infrastructure	87.4	94.7	-8%

Revenue of £449.2m (2023: £476.9m) represents a decrease of £27.7m (6 per cent) compared to the prior year. This reflects lower activity levels and a reduction in steel prices of £87.1m offset by revenue from VSCH of £59.5m. Underlying operating profit of £37.4m was up 11 per cent on the prior year (2023: £33.7m), which mainly represents profit from VSCH. Excluding VSCH, underlying profitability has remained broadly unchanged from the prior year as continued contract execution improvements have helped offset the impact of lower revenue in the year.

Commercial and Industrial

Revenue has decreased by 5 per cent to £361.8m (2023: £382.1m), predominantly due to the impact of the cancellation of the Sunset Studios project and softer market conditions in the distribution sector, which affected the number of projects coming to market during the year. This was partly offset by revenue from VSCH. The removal of Sunset Studios (c.£50m) from the order book was driven by the client-driven decision to pause construction on this planned new contract in July 2023.

During the year, work progressed on the new stadium for Everton F.C., the Envision Battery Plant in Sunderland, a manufacturing facility for BAE in Scotland, and the LHR 11 data centre, a commercial office at 81 Newgate and the Excel Arena, all in London. We also continued our work on the SeAH Wind monopile manufacturing facility, which forms part of the UK's fast-growing alternative energy sector, a focus of the latest Government Energy Strategy. The 800-metre-long building at the Teesworks site will be the world's largest monopile facility when complete and is the first of its kind in the UK, with annual production of up to 200 monopiles, which form the foundations of offshore wind turbines.

The Commercial and Industrial order book at 1 June of £312m (1 November: £326m) includes a significant amount of new work, which we have secured over recent months, particularly in Europe. This includes a package of data centres in Sweden, two new data centres for Google in Belgium and the Netherlands, a petrochemical project for Ineos in Belgium, and a logistics project for DHL in Lyon. In the UK, project wins included two commercial offices, including the Edge Building at London Bridge, which is set to be London's most sustainable office tower, and several distribution centres, reflecting a market that is showing signs of recovery. We have also successfully secured additional work at SeAH Wind and at Envision. The majority of our work continues to be derived through either negotiated, framework or two-stage bidding procurement processes, in line with the risk profile of the work being undertaken.

We continue to see some large opportunities including projects in markets which are benefitting from the green energy transition, such as energy efficient buildings, manufacturing facilities for renewable energy and offshore wind projects, together with stadia and leisure projects, TV and film studios and commercial offices in London and the regions. We are also seeing opportunities for new battery gigafactories to support domestic zero carbon vehicle production in the UK and EU, including the new Jaguar Land Rover facility in Somerset, the Northvolt facility in Sweden and a further gigafactory in Sunderland for Nissan.

Demand for data centres in the UK and EU is also expected to continue, fuelled by cloud computing, 5G and the recent advancement of Artificial Intelligence ('AI') applications, which are driving even greater dependence on data centre infrastructure. The Group's manufacturing scale, speed of construction and on-time delivery capabilities, leaves us well-positioned to win work from such projects, the majority of which are likely to be designed in steel.

Strategic targets: we are targeting future revenue growth in line with GDP, enhanced by the acquisition of VSCH, with margins of 8–10 per cent (6–8 per cent based on recent high steel prices).

Nuclear and Infrastructure

Revenue has decreased by 8 per cent to £87.4m (2023: £94.7m). This reflects some softer market conditions in the infrastructure business during the year offset by the normal revenue timing differences inherent within our nuclear operations. During the period, we continued to work on several HS2 bridge packages for the Balfour Beatty Vinci ('BBV') and Effage Kier ('EKFB') consortia, road and rail bridges and some large propping packages for Silvertown Tunnel and at Old Oak Common for HS2. From a nuclear perspective, ongoing contracts include work at Hinkley Point and some large projects at Sellafield and in Berkshire for AWE.

The N&I order book at 1 June was £160m (1 November: £152m) of which 54 per cent represents transport infrastructure (1 November: 54 per cent) and 42 per cent represents nuclear projects (1 November: 41 per cent). Notable recent awards include the Black Cat to Caxton Gibbet road improvement scheme for National Highways, some bridge projects for the York Central infrastructure scheme, secondary steelwork packages at Hinkley Point and a growing Scope of work at Sellafield where we are one of two 'key delivery partners' to deliver structural steelwork with an estimated value of c.£250m as part of the long-term Programme and Project Partners ('PPP') framework.

The markets in which we operate are showing signs of continued growth backed by government supported spending that prioritises modern and reliable infrastructure to support

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economic growth and help tackle climate change. In the UK, with an election announced on 4 July, the requirement for clean and domestically generated energy and improved transport infrastructure is a stated priority for the incumbent Conservative party and Labour party opposition. Investment in transport and energy are both key components of the green energy transition and of the government's £775bn National Infrastructure and Construction Pipeline, published in February 2024. The Group is well-placed to meet this demand for ongoing state-backed investment, which includes a significant increase in the volume of power transmission and distribution projects being brought to market, with an acceleration of work to strengthen and stabilise the power networks, together with areas such as offshore wind, carbon capture, nuclear (including small modular reactors and Sizewell C) and hydrogen production. We remain well-positioned to win work from these structural opportunities given our in-house expertise and unmatched scale and capability to deliver major infrastructure projects, together with the high barriers to entry for competitors.

In the UK transport sector, the government's decision to cancel the northern section of HS2 connecting Birmingham and Manchester has not impacted our order book, nor our outlook for the business, and we continue to make good progress with several HS2 station opportunities in the pipeline including at Old Oak Common and Birmingham Interchange. We also welcome the UK Government's reaffirmed commitment to HS2 at Euston and to deliver Northern Powerhouse rail, all of which is likely to have a significant steelwork content. Aligned to the cancellation of the northern section of HS2, the government recently announced Network North, a £36bn plan to improve roads, buses and railways in the north of England, which could also introduce new opportunities for the Group.

Strategic targets: our medium-term target is to grow revenues to over £125m, representing a doubling of 2022 revenues, with margins of 8–10 per cent (6–8 per cent based on recent high steel prices).

Modular Solutions

£m	2024	2023	Change
Revenue	**21.5**	22.8	-6%
Underlying operating profit (before JVs and associates)	**0.3**	(0.6)	+0.9
Share of results of CMF*	**0.1**	0.5	-0.4
Underlying profit before tax	**0.3**	(0.1)	+0.4

* In 2024, CMF reported revenue of £29.1m (2023: £40.6m) and a profit before tax of £0.2m (2023: £1.0m)

Modular Solutions consists of the growing modular product ranges of SMS and CMF. With CMF, we continue to be the only hot rolled steel fabricator in the UK to have a cold rolled manufacturing capability. The division has been awarded 'Fit for Nuclear' and certain Network Rail accreditations which, together with an expanding client base and our previous record in modular construction, we believe will help us to achieve our future organic growth aspirations. The division consists of three main business areas:

- Severstor – specialist equipment housings for critical electrical equipment and switchgear;
- Supply chain (steel components for modular homes and buildings) – raw material fabrication and modular systems including steel cassettes and framing; and
- Bulk handling solutions – a high performance silo discharge system for the bulk handling of materials such as paints and other dispersible solids (of which Rotoflo is the premium product).

Although revenue of £21.5m (2023: £22.8m) represents a slight decrease compared to the prior year, for the first time, Modular Solutions has reported an underlying operating profit for the full year (2023: loss of £0.6m), reflecting an improved mix of higher-margin Severstor products. Divisional underlying PBT of £0.3m (2023: loss of £0.1m) also includes the post-tax share of profit of CMF of £0.1m (2023: £0.5m). The reduction in profitability at CMF reflects the softer market conditions in the distribution sector during 2024, and some under-recovery of overheads as the business continues the ramp up of its recently expanded production operations in Wales.

We have continued to make significant progress in growing our Severstor revenues and client base, including in the power, rail and oil and gas sectors. This is reflected in the expansion of our pipeline of opportunities within growth markets including renewables and data centres, aided by new product development including the development of steel framing solutions for modular building manufacturers.

CMF's growing product range includes load bearing frame and deck profiles, purlins and side rail systems, mezzanine floors and bespoke modular solutions supported by the recent expansion, which has increased its cold rolled manufacturing capacity from c.10,000 tonnes to c.30,000 tonnes. During the year, CMF has continued to invest in new product development, its salesforce, and in new factory machinery to grow its client base and to expand into new segments including nuclear and transport infrastructure. As the modular market matures, clients are seeking greater scale, reliability and quality in the supply chain, all of which we can offer, to ensure that we continue to increase our share of a growing market.

For bulk handling solutions, we have an established foothold in the UK water treatment sector and in the expanding Indian paint manufacturing sector. We continue to introduce new products and services as we target growth in the food processing, water treatment and paint sectors in the UK, India and through our network of agents in the USA.

INDIA

£m	2024	2023	Change
Revenue	**130.8**	137.7	-5%
EBITDA	**13.2**	11.5	+15%
Operating profit	**10.5**	8.9	+18%
Operating margin	**8.0%**	6.5%	+150 bps
Finance expense	**(5.5)**	(5.5)	–
Profit before tax	**5.0**	3.4	+47%
Tax	**(1.2)**	(0.8)	-£0.4m
Profit after tax	**3.8**	2.6	+46%
Group share of profit after tax (50%)	**1.9**	1.3	+46%

Strategic targets: our medium-term target is to grow combined SPP and CMF revenues to between £75m and £100m, with margins of greater than 10 per cent. In 2024, the Modular Solutions division delivered total revenue of £50.6m (SMS: £21.5m and CMF: £29.1m).

In 2024, JSSL recorded an output of more than 100,000 tonnes, including sub-contracted work, for the second year running. JSSL has also delivered another step up in profitability in 2024, which is evident in a record EBITDA of £13.2m (2023: £11.5m) and the Group's after-tax share of profit of £1.9m (2023: £1.3m), an increase of 46 per cent over the prior year. This performance mainly reflects an improved mix of work and good contract execution resulting in an operating margin of 8.0 per cent (2023: 6.5 per cent). Financing expenses of £5.5m (2023: £5.5m) are unchanged from the previous year, as a result of a continued high level of borrowings, partly driven by the impact of inflation on working capital, and in the cost of letters of credit, which are linked to higher steel prices. These financing costs result in JSSL's operating profit of £10.5m (2023: £8.9m) reducing to a profit before tax of £5.0m (2023: £3.4m).

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India's construction sector, and the use of steel within construction, continues to grow rapidly, driven by factors such as an increasing population, urbanisation, and a growing economy. The government is also investing heavily in infrastructure development, which is further driving demand for construction services. This position is evident in a record order book at 1 June of £181m (1 November: £165m), which now contains a mix of higher margin commercial work of 71 per cent (1 November: 64 per cent), including two large commercial projects in Delhi. The expanding market picture is also reflected in an improving pipeline of potential orders and in numerous identified growth opportunities in target markets, including commercial real estate, data centres, warehouses, infrastructure and in manufacturing sectors such as steel, cement and speciality chemicals. As part of its growth strategy, JSSL is also targeting new sectors and geographies including potential opportunities in near markets such as Saudi Arabia, building on JSSL's brand and reputation for delivering high-quality steel solutions.

In 2024, JSSL acquired a plot of land in Gujarat, in the west of India, to develop a new manufacturing facility and to expand the geographical footprint of the business. Initial work on this expansion is expected to commence in the second half of the year and capacity will be added incrementally to support the expected future market growth. JSSL is also strengthening its sales and estimating teams, bringing people with new skills into the business and enhancing its supply chain partnerships to support this expansion and to provide the business with the springboard to deliver future profitable growth.

In summary, momentum is building in JSSL and with the land in Gujarat now secured, the business is well positioned to take advantage of a very encouraging outlook in India and a strong underlying demand for structural steel in construction. We remain very positive about the long-term trajectory of the market and of the value creation potential of JSSL.

ESG

ESG remains an important part of our strategic decision making. As a result of decisions made in recent years, the Group remains in a prominent market position in the high-growth markets of the future and is well-positioned to assist in accelerating the journey to Net Zero in its core sectors. To ensure we continue to support the most relevant ESG issues, the Group undergoes periodic materiality assessments and the outcomes of its 2024 assessment reaffirmed the issues that we had previously identified as important to our stakeholders – health and safety, the life cycle of our products, climate change and carbon emissions, talent management, sustainability governance and waste management.

Safety

The Group's top priority remains the health, safety and wellbeing of all our stakeholders. Our safety statistics continue to be industry-leading, whilst we remain focused on continually improving our SHE culture including through the ongoing roll out of our Safer@Severfield behavioural safety programme.

In 2024, we have seen a further reduction in our injury rates, resulting in an injury frequency rate ('IFR') of 1.23, compared to 1.61 in 2023, and an accident frequency rate ('AFR'), which is based solely on the level of RIDDORS (reportable accidents), of 0.12, compared to 0.14 in 2023.

Notwithstanding this, we continue to evaluate new solutions, including the use of technology, to further improve our safety performance, and are in the process of adopting positive leading indicators to drive preventative behaviours in our workforce.

Sustainability

In 2024, the Group was awarded 'AAA' under MSCI's ESG ratings for a third consecutive year and achieved an 'A' score for leadership on climate change mitigation from CDP. We have again achieved a CDP score for supply chain engagement of 'A-' as well as our 'very good' BES 6001 responsible sourcing accreditation, highlighting our continued supply chain engagement to promote sustainability. Other highlights in 2024 include:

- Being third-party verified and accredited as carbon neutral for the fourth year running for Scope 1, 2 and operational Scope 3 GHG emissions for our manufacturing, office and construction operations.
- Received validation from the SBTi (Science Based Targets initiative) of our Net Zero targets, one of the few companies in the UK construction and engineering sector to have achieved this validation.
- Being included in the Financial Times (FT) listing of Europe's climate leaders for the fourth year running, which showcases corporate progress in fighting climate change.
- Procuring 100 per cent of our energy from renewable sources at all UK-owned facilities.

We have continued to maintain our focus on social value, including adopting defined social value objectives for the Group, and having established our baseline, we continue to monitor how much value we deliver annually in line with the National TOMs methodology framework. During the year, social value was delivered by a wide range of activities including supporting local supply chain partners, fundraising and volunteering schemes, through paying our colleagues at or above the real living wage and 'earning and learning' through our gold membership of 'The 5% Club', including increasing our intake of annual apprentices.

As a SteelZero signatory, we have committed to procure 100 per cent low-carbon steel by 2050, with interim carbon reduction targets in place for 2030. We continue to work with the Climate Group and other SteelZero members as the industry continues its transition to low-carbon steel production and, in 2024, we have started to disclose our progress against certain low-carbon steel procurement targets to the Climate Group.

Culture and values

We have recently launched 'The Severfield Way', a framework designed to harness the skills and expertise of our people and promote the positive culture and ways of working that everyone at Severfield strives for. The framework is made up of our new Company values and behaviours, as well as our long-standing purpose – creating better ways to build, for a world of changing demands. Our four new core values – we set the bar high, we are in it together, we find better ways and we do the right thing – are the fundamental beliefs that underpin everything we do and will serve the business well as we continue to implement our successful growth strategy.

Board changes

In April 2024, the Group announced the appointment of Charlie Cornish as non-executive Chair and director of the Company. Charlie will take over as chair after the AGM on 30 July 2024 when Kevin Whiteman steps down from the board, having reached the end of his tenure. Charlie is currently non-executive Chair of Manchester Airports Group ('MAG'), Core Highways Group and Ipsum Group and was previously CEO of MAG for 13 years. He also previously served on the board of United Utilities Group plc for seven years. He has substantial experience of developing strategy and leading large complex businesses across a number of relevant sectors, all of which will be highly beneficial to the Group as it continues to grow and develop. During the year there were several other changes to the Board. Tony Osbaldiston retired, having completed his nine year tenure, and the Group also saw the departures of Rosie Toogood, who took up a senior executive role at Wates, a major customer, and Ian Cochrane, previously the Chief Operating Officer, who left to pursue other interests.

ALAN DUNSMORE
CHIEF EXECUTIVE OFFICER

19 JUNE 2024

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CHIEF FINANCIAL OFFICER

FINANCIAL REVIEW

£m	2024	2023	Change
Revenue	**463.5**	491.8	-6%
Underlying* operating profit (before JVs and associates)	**37.7**	33.1	+14%
Underlying* operating margin (before JVs and associates)	**8.1%**	6.7%	+140 bps
Underlying* profit before tax	**36.5**	32.5	+13%
Underlying* basic earnings per share	**8.9p**	8.5p	+5%
Operating profit	**26.4**	30.2	-13%
Operating margin	**5.7%**	6.1%	-40 bps
Profit before tax	**23.0**	27.1	-15%
Basic earnings per share	**5.2p**	7.0p	-26%
Underlying* return on capital employed ('ROCE')	**17.5%**	15.8%	+170 bps

* The basis for stating results on an underlying basis is set out on pages 180 and 181. A reconciliation of the Group's underlying results to its statutory results is provided in note 33.

Revenue of £463.5m (2023: £491.8m) was 6 per cent lower than the prior year due to a reduction in steel prices and lower production activity, offset by new revenue from VSCH, in the first year of its acquisition. Underlying operating profit (before JVs and associates) of £37.7m was 14 per cent higher than the prior year, mainly due to new profit from VSCH, continued contract execution improvements, which have helped offset the impact of lower revenue in the year, and higher profit from SMS, within Modular Solutions. Statutory operating profit, which includes non-underlying items, was £26.4m (2023: £30.2m).

Underlying profit before tax, which is management's primary measure of Group profitability, was £36.5m (2023: £32.5m), 13 per cent higher than the prior year. The statutory profit before tax was £23.0m (2023: £27.1m). The underlying tax charge for the year was £9.1m (2023: £6.2m), which represents an effective tax rate of 26.2 per cent (2023: 20.4 per cent). This broadly equates to the statutory rate in the UK and the Netherlands of between 25 and 26 per cent (2023: statutory rate in the UK of 19 per cent). The total tax charge of £7.1m (2023: £5.5m) includes a non-underlying tax credit of £2.0m (2023: £0.7m).

Underlying basic earnings per share increased by 5 per cent to 8.9p (2023: 8.5p) based on the weighted average number of shares in issue of 307.1m (2023: 309.5m). Basic earnings per share was 5.2p (2023: 7.0p), reflecting the higher underlying profit after tax offset by an increase in non-underlying items. Diluted earnings per share, which includes the effect of the Group's performance share plan, was 5.1p (2023: 6.9p).

Non-underlying items

Non-underlying items for the year of £13.5m (2023: £5.4m) consisted of the following:

£m	2024	2023
Amortisation of acquired intangible assets	5.4	3.4
Asset impairment charges	4.5	–
Legacy employment tax charge	4.4	–
Acquisition-related credits/charges	(0.8)	2.0
Non-underlying items	13.5	5.4

The asset impairment charges relate to our leasehold facility at Sherburn, currently being operated by SMS. During the year, we were advised of the landlord's intention to terminate the factory lease in November 2025. As a result, an impairment review of property, plant and equipment was performed, resulting in a non-cash charge of £4.5m. Given our growth aspirations for SMS, and the Modular Solutions division as a whole, we have factored this development into our wider footprint review which was already underway prior to the decision to terminate the lease, and we expect to relocate to a new facility in the 2026 financial year.

The legacy employment tax charge relates to an assessment raised by HMRC for historical income tax and national insurance ('NIC') liabilities that are disputed by the Group. In common with many other construction companies, the Group pays its site-based colleagues an income tax and NIC free allowance to cover the costs of accommodation and subsistence that they incur whilst working away from home on construction sites. HMRC is asserting that, as a result of some procedural matters, largely associated with a change in tax legislation in 2016, certain of these payments are subject to income tax and NIC. The Group disagrees with the assessment raised and discussions are ongoing with HMRC to bring this matter to a conclusion. Notwithstanding this, since HMRC has issued formal determinations for the amounts it considers are due, a charge of £4.4m has been recognised, including interest of £0.4m.

The amortisation of acquired intangible assets of £5.4m represents the non-cash amortisation of customer relationships, order books and brand names. These assets are being amortised over a period of 12 months to five years.

Acquisition-related credits of £0.8m represent the unwinding of the discount on, and movements in, the contingent consideration for DAM Structures, which is payable over a five-year period. In the prior year, acquisition-related charges of £2.0m included acquisition and similar transaction costs associated with the VSCH acquisition.

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Cash flow and financing

£m	2024	2023
Operating cash flow (before working capital movements)	**41.4**	40.1
Cash generated from/(used in) operations	**52.4**	53.8
Capital expenditure	**(11.3)**	(6.3)
Operating cash conversion	**110%**	145%
Net cash balances	**10.4**	11.3
Net (debt)/funds (pre-IFRS 16 basis)*	**(9.4)**	2.7
Net (debt)/funds	**(28.4)**	(10.7)

* The Group excludes IFRS 16 'lease liabilities' from its measure of net funds/debt as they are excluded from the definition of net debt as set out in the Group's borrowing facilities. A reconciliation of the Group's underlying results to its statutory results is provided in the APMs section (see note 33)

The Group's business model generates surplus cash flows and we have always placed a high priority on cash generation and working capital management. Net debt (pre-IFRS 16 basis) at the year-end was £9.4m (2023: net funds of £2.7m). This included net cash of £10.4m (2023: £11.3m) and term loans of £20.0m (2023: £8.9m), which included the outstanding acquisition loan for VSCH of £15.2m (2023: £nil).

Operating cash flow before working capital movements was £41.4m (2023: £40.1m). Net working capital has improved by £11.0m during the year. Excluding advance payments, year-end working capital represented approximately 4 per cent of revenue (2023: 5 per cent), which is within our normal range of 4 to 6 per cent. Capital expenditure of £11.3m (2023: £6.3m) represents the continuation of the Group's capital investment programme (compared to depreciation in the year of £9.2m (2023: £7.2m), of which £2.7m (2023: £1.8m) relates to right-of-use assets under IFRS 16). This predominantly consisted of new and upgraded equipment for our fabrication lines, an extension of the Dalton factory and general infrastructure improvements. Operating cash conversion (defined in the APMs section – note 33) for 2024 was 110 per cent (2023: 145 per cent), significantly above our KPI target of 85 per cent.

In April 2023, the Group completed the acquisition of VSCH for a net cash consideration of €25.7m (£22.6m), on a cash free basis. The total cash consideration was €29.5m (£26.3m) including VSCH's cash and cash equivalents of €4.3m (£3.8m), which was funded by a combination of Group cash reserves of £3.6m and a term loan of £19.0m, repayable over a five-year period. In addition, contingent consideration of £1.2m was paid in relation to the acquisition of DAM Structures, taking the total contingent consideration paid to date to £2.7m. The maximum contingent consideration is £8.0m, payable if certain work-winning targets in the railway and steel piling sectors are achieved over a five-year period, ending in April 2026.

The Group has a £60m revolving credit facility ('RCF') with HSBC Bank and Virgin Money, which matures in December 2026. This provides the Group with long-term financing to help support its growth strategy. The RCF is subject to three financial covenants, namely interest cover, net debt to EBITDA and debt service (cash flow) cover. In addition to the RCF, amortising term loans have been used to fund previous acquisitions, of which £20m remained outstanding at 30 March 2024.

Dividends and capital allocation

The Group has a progressive dividend policy. Funding flexibility is maintained to ensure there are sufficient cash resources to fund the Group's requirements. In this context, the board has established the following disciplined capital allocation policy:

- To support the Group's ongoing operational requirements, and to fund profitable organic growth opportunities where these meet the Group's investment criteria;
- To support steady growth in the core dividend as the Group's profits increase;
- To finance strategic opportunities that meet the Group's investment criteria; and
- To return excess cash to shareholders in the most appropriate way, whilst maintaining a strong balance sheet position.

The board is recommending an increased final dividend of 2.3p per share (2023: 2.1p), payable on 11 October to shareholders on the register at the close of business on 6 September. This together with the interim dividend of 1.4p per share (2023: 1.3p), will result in a total dividend of 3.7p per share (2023: 3.4p). Looking ahead, as in previous years, the board expects the interim dividend to be approximately one-third of the prior year's full dividend.

Consistent with the framework set out, in April 2023 the Group announced a share buyback programme to repurchase up to £10m of ordinary shares, subject to market conditions. The board is satisfied with the progress of this buyback programme, with a total of 1,370,000 shares purchased and cancelled during the post balance sheet period, at a cost of £1.0m.

Return on capital employed

The Group adopts ROCE as a KPI to help ensure that its strategy and associated investment decisions recognise the underlying cost of capital of the business. The Group's ROCE is defined in the APMs section (see note 33). For 2024, ROCE was 17.5 per cent (2023: 15.8 per cent), which exceeds the Group's minimum threshold of 10 per cent through the economic cycle.

Pensions

The Group's net defined benefit pension liability at 30 March 2024 was £11.5m (scheme liabilities of £34.0m offset by scheme assets of £22.5m), a decrease of £1.4m from the 2023 liability of £12.9m. The deficit has reduced as a result of a higher discount rate, reflecting a rise in bond yields, and employer deficit contributions, offset by higher than expected inflation. All other pension arrangements in the Group are of a defined contribution nature.

Going concern

In determining whether the Group's annual consolidated financial statements can be prepared on the going concern basis, the directors considered all factors likely to affect its future development, performance and its financial position, including cash flows, liquidity position and borrowing facilities and the risks and uncertainties relating to its business activities.

The following factors were considered as relevant:

- The UK and Europe order book and the pipeline of potential future orders;
- The Group's cash position and its borrowing facilities (see note 22), which are committed until December 2026, including both the level of those facilities and the three financial covenants attached to them (interest cover (>4x), net debt to EBITDA (<3.0x) and cash flow cover (>1x)); and
- The current market trading conditions and the potential impact of significant downside risks linked to our principal risks on the Group's profits and cash flows.

The directors have reviewed the Group's forecasts and projections for 2025 and for at least 12 months from the date of approval of the financial statements, including sensitivity analysis to assess the Group's resilience to potential adverse outcomes including a highly pessimistic 'severe but plausible' scenario. This 'severe but plausible' scenario is based on the combined impact of securing only 25 per cent of budgeted uncontracted orders for the next 12 months, one-off contract losses, a deterioration of market conditions and other downside factors. Given the strong previous performance of the Group, this scenario is only being modelled to stress test our strong financial position and demonstrates the existence of considerable headroom in the Group's covenants and borrowing facilities in this 'severe but plausible' scenario.

Having also made appropriate enquiries, the directors consider it reasonable to assume that the Group has adequate resources to be able to operate within the terms and conditions of its financing facilities for at least 12 months from the approval of the financial statements. For this reason, the directors continue to adopt the going concern basis in preparing the financial statements.

ADAM SEMPLE
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VIABILITY STATEMENT

In accordance with the UK Corporate Governance Code (the 'Code'), the directors have assessed the viability of the Group over an appropriate time period, taking into account the current position, future prospects and a robust assessment of the potential impact of the principal risks and uncertainties on our business model

Based on this assessment, the directors have concluded that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to 27 March 2027.

Assessment period

The directors have determined that a three-year period, ending on 27 March 2027, is an appropriate period over which to make the assessment and provide their viability statement. The three-year period aligns with that used for the Group's annual strategic planning process and gives good visibility of contracted future work and our pipeline. The majority of the Group's workload falls within three years as the most significant construction contracts follow an execution period which is normally less than this timeframe, which in turn enables more accurate forecasting. In making their assessment, the directors took account of the Group's strategy, strong financial position, forward order book of £478m, encouraging pipeline of opportunities, recent and planned investments and the availability and covenants associated with our main committed bank facilities which mature in December 2026. For the purposes of viability, it is assumed that an equivalent facility is available to the Group past the maturity date.

Risk assessment

The directors have assessed the Group's viability in conjunction with their evaluation of going concern. For the going concern assessment, which covers a period of at least 12 months from the date of signing the financial statements, we have modelled a 'base case' scenario, which uses the Group's budgeted position, and a highly pessimistic 'severe but plausible' scenario, being the combined impact on the 'base case' of securing only 25% of orders for the next 12 months, one-off contract losses, a deterioration of market conditions and other downside factors. Given the continued strong performance of the Group in FY24, in the face of some challenging market conditions, this downside scenario is only being modelled to 'stress test' our strong financial position and demonstrate the considerable headroom that the Group has in its covenants and borrowing facilities.

The directors have also assessed the potential financial and operational impact throughout the viability assessment period of other downside scenarios resulting from the crystallisation of one or more of the principal risks described in the annual report (see page 92) that are relevant to the industry sector in which the Group operates. The assessed risks, for which the impacts were applied, include supply chain risks (and the reliance on key suppliers), changes in the commercial and market environment, mispricing a contract (at tender), the failure to mitigate onerous contract terms, business disruption caused by a cyber-attack, a prolonged period of industrial action, and the impact of a serious health and safety incident. The impact of these were modelled through a reduction in revenue and operating margin of 25 per cent, a deterioration in working capital (the extension of customer payment terms by one month/ retraction of supplier payments terms by one month), a period of business interruption (two months with no factory production or site activity) and a significant one-off event resulting in a cost to the Group of £20m.

Our assessment also included modelling the financial impact of a 'severe but plausible' scenario (consistent with the going concern assessment), where the impact of certain risks and uncertainties were applied in combination. The range of scenarios tested was considered in detail by the directors, taking into account the probability of occurrence and the effectiveness of any likely mitigation actions, including adjustments to our strategic plan and the reduction of any non-essential or committed capital expenditure, operating expenditure, bonuses and dividend payments.

Based on the results of this analysis, there are no individual or combination of plausible scenarios that are considered to have a material impact on the Group's viability. The directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year assessment period.

BUILDING A RESPONSIBLE AND SUSTAINABLE BUSINESS

"During the year Severfield has pressed ahead with our sustainability strategy and has further enhanced our green credentials."

ALAN DUNSMORE
CHIEF EXECUTIVE OFFICER

A message from the CEO

As the UK's market leader in the design, fabrication and construction of structural steel we recognise that we play a vital role in creating spaces and infrastructure that help communities to thrive, but we must do so in a way that limits our impact on the environment, through reducing carbon emissions and the use of finite resources. During the year, Severfield has pressed ahead with our sustainability strategy and has made further enhancements to our green credentials.

We received validation from the SBTi (Science Based Targets initiative) of our near-term, long-term, and overall Net Zero targets for reducing GHG emissions. The targets support our Net Zero roadmap and align with the Paris Climate Agreements aim to limit global warming by 1.5°C. As one of the few companies in the UK construction and engineering sector to have all three of our targets fully verified by SBTi, our commitment to reducing our impact on climate change has never been clearer.

We have been recognised for our leadership in corporate transparency by achieving an 'A list' rating from Carbon Disclosure Project ('CDP') and we will disclose progress against the SBTi targets on an annual basis through our CDP reporting, ensuring that we maintain the momentum we have achieved in setting these targets.

We have also refreshed our materiality assessment this year, to ensure that the important ESG issues previously identified by our stakeholders remain relevant. This helps us plan and shape our business for the future.

To ensure we maintain our focus on biodiversity, we have undertaken a risk assessment and value chain mapping exercise to ensure we consider all aspects of sustainability.

Progress against our objectives and ESG strategy has been recognised through various achievements and awards during the year, including being awarded 'AAA' under MSCI's ESG rating for the third year running , being listed in the FT's Climate Leaders for the fourth year running and maintaining our 'carbon neutral' accreditation with Achilles.

As part of our colleague engagement, we have introduced new training on carbon awareness to embed our sustainable way of thinking throughout the organisation and across all levels. Our colleagues have also been given the opportunity to formally volunteer in our local communities. After a successful pilot, all colleagues are now given a day per year for volunteering activities, whether that's engaging with schools and our future generations or volunteering for local charities through our Foundation.

Over the past year, we have built on the Group's existing strong foundations by integrating VSCH into our reporting and sustainability strategy. As a business, ESG continues to be at the forefront of our strategic decision making and as a result of our hard work, the Group is well-positioned to meet our sustainability targets and to support our clients to build the green infrastructure of tomorrow.

ALAN DUNSMORE
CHIEF EXECUTIVE OFFICER

19 June 2024

Our Group's purpose is to create better ways to build, for a world of changing demands.

To achieve this, we are committed to motivating and enabling our people and our supply chain to deliver high-quality, innovative buildings in a sustainable and efficient way. During the year, we have continued to progress our sustainability agenda and embed ESG principles into our corporate strategy.

Our sustainability framework outlines why we prioritise different elements of our work encapsulated by our four sustainability pillars 'Planet', 'People', 'Prosperity' and 'Principles of Governance', each informed by our people, customers, suppliers and stakeholders.

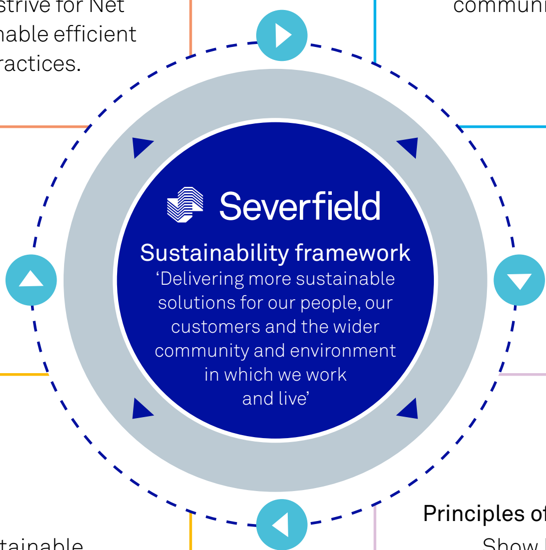
We illustrate our achievements over the last year against each pillar of the sustainability framework in the table on pages 72 and 73. Progress against each of the pillars is fundamental to achieving our long-term strategic objective to deliver sustainable growth.

In line with the Global Reporting Initiative ('GRI') Standards, our sustainability framework and reporting are structured around our most material sustainability issues.

OUR APPROACH TO SUSTAINABILITY

Planet
Continue to improve the environmental impact of our process and projects. Support sustainable construction through circularity, strive for Net Zero and enable efficient business practices.

People
Support our teams to be diverse, engaged, motivated and highly skilled. Engage positively with projects and the local communities in which we work.



Prosperity
Deliver sustainable profitable growth, whilst satisfying our ethical, legal and contractual obligations.

Principles of Governance
Show leadership in delivering a sustainability programme, which considers whole life impact, taking us beyond compliance and ensuring continuous improvements.

BUILDING A RESPONSIBLE AND SUSTAINABLE BUSINESS

2024 COMPANY HIGHLIGHTS

Environment

Science Based
NET ZERO
targets approved

CDP ‘A LIST’
for climate leadership achieved

100% RENEWABLE ENERGY
procured for all UK owned facilities

CARBON NEUTRAL
since 2021

ISO 14001
certified since 2007

BES 6001
certified since 2011

7 AFFORDABLE AND CLEAN ENERGY
11 SUSTAINABLE CITIES AND COMMUNITIES
12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION

Social

GOLD Member of
THE 5% CLUB
since 2022

Over 2,329 weeks of
TRAINING OPPORTUNITIES
provided via NVQ in 2024

More than 3,070 weeks of
APPRENTICESHIPS
provided in 2024

The Severfield Foundation
DONATED OVER £67,000

100% of our workforce is paid
THE REAL LIVING WAGE
or above

8 DECENT WORK AND ECONOMIC GROWTH

Governance

Carbon emissions externally

VERIFIED BY 3RD PARTY

Supply Chain Sustainability School

GOLD member

Steel Construction Sustainability Charter

GOLD

RESPONSIBLE PROCUREMENT

committed to EPDs, FSC, PEFC.

STEELZERO MEMBERSHIP

committed to procure 100% Net Zero steel by 2050

SUSTAINABILITY STEERING COMMITTEE

governing our ESG strategy

Suite of

ESG POLICIES

in place

8 DECENT WORK AND ECONOMIC GROWTH

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

BUILDING A RESPONSIBLE AND SUSTAINABLE BUSINESS

MATERIALITY ASSESSMENT

Prioritising the right sustainability issues,based on inputs from our key stakeholders is crucial. In 2024, Severfield undertook a full materiality assessment to ensure we are focussing on the issues that matter most to our stakeholders.

1 SCOPE DEFINITION

Align understanding on objectives, process and expectations.

Conversations with key internal stakeholder groups and agreement on those stakeholders to engage with.

2 DESKTOP RESEARCH

Navigate from a long list of potential issues, based on internal and external sources, to a consolidated issues-set. The shortlist of issues is used as a base for stakeholder engagement topics.

3 STAKEHOLDER ENGAGEMENT: SURVEY

Administer a quantitative questionnaire to assess and rank the importance of each issue to different stakeholders.

4 STAKEHOLDER ENGAGEMENT: INTERVIEW

Explore and assess stakeholders' relationship with the business, identifying the most pressing concerns of key stakeholder groups.

5 ANALYSIS AND FINAL REPORTS

Consolidation of material topic insights from all phases into a materiality assessment report.

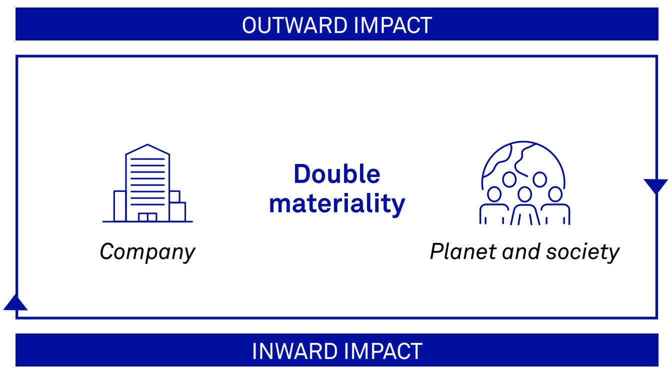
This is supplemented by analysis through a 'double materiality' lens.

After each stage of the process, the priority of each issue is assessed and adjusted where necessary.

Our approach

The materiality assessment is subsequently used to ensure our business strategy remains closely aligned with our stakeholders' economic, environmental, social and governance drivers. Our review involved comprehensive engagement with internal and external stakeholders to understand the issues that mattered to them.

We partnered with Black Sun, a global group of engagement specialists, to carry out a 'double materiality' assessment. The aim was to identify and assess the impact of the most material ESG issues on our business, as well as assessing the impact of our business on the environment and society.



The concept of 'double materiality' refers to how ESG information can be material both in terms of its implications on the Company, but also the impact of the Company on the environment and society.

Working with Black Sun, we identified a comprehensive set of material issues to our business and the stakeholder groups that we would approach to evaluate them. Stakeholders included a broad range of areas, such as employees, suppliers, NGOs, investors, clients and industry organisations, ensuring it represented a diverse range of views and backgrounds. Through questionnaires and subsequent interview discussions these material issues were ranked to create a hierarchy, which was approved by our sustainability committee.

Health and safety

Product life cycle

Climate change and carbon emissions

Attracting, developing and retaining talent

Sustainability governance and management

Waste, resource use and circular economy

Sustainability regulation

Sustainable supply chain management

Diversity and inclusion

Other emissions, effluents and pollution

Human and labour rights

Communities and social impact

Biodiversity

Privacy and security

Water

Wider economic contribution

Board composition and remuneration

Material Important Emerging Not material

Material issues for stakeholders

The results from the assessment above are illustrated in the hierarchy table. It confirmed that key material issues identified from our previous assessment had not changed significantly, with health and safety continuing to be of highest importance for all of our stakeholders.

The ranking of 'climate change and carbon emissions' remained similar to our last assessment. The category has however been split, to identify 'product lifecycle' separately, which also features as a critical issue. The product life cycle is something we are already addressing as part of our sustainability strategy (see page 55 for further details).

The results showed an increase in the importance of two categories, namely 'attracting, developing and retaining talent' and 'waste'. The first category was previously referred to as 'employee engagement', but it was considered appropriate to include talent to encompass a comprehensive approach to effectively managing human resources. The importance of attracting, developing and retaining talent was something primarily identified through our internal stakeholders.

The second category involves the responsible handling, reduction and disposal of waste materials via reusing, recycling and regenerating materials and products, which our stakeholders ranked as more material than last time.

The last material issue 'sustainability regulation', highlights the requirement from of our stakeholders for responsible and ethical business practices.

The material issues identified already form part of either our 4Ps Sustainability Framework or principal risks, reaffirming that the Group is focussing on the right areas. The Group will continue to make enhancements to ensure material issues that are important to our stakeholders, are fully integrated into Our Business Plan and risk management framework.

BUILDING A RESPONSIBLE AND SUSTAINABLE BUSINESS

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES ('TCFD')

We are committed to the recommendations of the TCFD, to provide our stakeholders with transparent and useful information on the Group's climate-related risks and opportunities and to help communicate our strategy, sustainability framework, targets and our progress against these.

The board recognises the systematic risk posed by climate change and the need for urgent mitigating action and are committed to addressing climate-related risks and reducing the Group's environmental impact and carbon emissions. To help achieve this, we are committed to the disclosure recommendations of the TCFD, providing our stakeholders with transparent information on material climate-related risks and opportunities that are relevant to our business.

The information set out on pages 54 to 91 of our annual report and accounts provides key climate-related information that is aligned with the 11 recommendations, covering four thematic areas, as set out by the TCFD. We are compliant with the TCFD recommendations, including the relevant material elements of the 'Guidance for all sectors'.

In 2024, we updated the modelling for our detailed climate scenarios, selected from the risks identified in the Group's climate risk register as described on pages 64 and 65, and have provided the detailed quantitative disclosures required by TCFD. The detailed modelling was assisted by our external consultants, IMS, who have the necessary expertise of the detailed economic and climate change models required to perform the analysis.

Further to this, we have assessed the impact of climate risk on the Group's balance sheet, including the impact on the measurement of financial instruments, the Group's owned land and buildings, goodwill and the Group's going concern and long-term viability, and have concluded that there is no material impact on the financial statements for the year ended 30 March 2024.

Some elements of our TCFD reporting are addressed elsewhere in our annual report and accounts. The table below outlines where this information can be found.

THEMATIC AREA	TCFD RECOMMENDATION	SECTION NAME	PAGE REF	NEXT STEPS
GOVERNANCE	Board oversight	Corporate governance report	118 to 120	Continue to review and assess governance around climate-related risks and opportunities.
		Board at a glance	112 to 120	
	Management role	Building a responsible and sustainable business	54 to 88	
STRATEGY	Risks and opportunities	How we manage risk	92 to 104	We will use the outputs of the scenario analysis to monitor any potential risks to the business and to continue to evolve our understanding of how climate-related risks and opportunities could impact on our business and strategy.
	Impact on organisation	Building a responsible and sustainable business	54 to 88	
	Resilience of strategy			
RISK MANAGEMENT	Risk identification and assessment process	How we manage risk	92 to 104	Continue to enhance and improve our risk management approach for climate-related and wider sustainability risks and opportunities.
	Risk management process			
	Integration into overall risk management			
METRICS AND TARGETS	Climate-related metrics	Building a responsible and sustainable business	78 to 80	We disclose the metrics and targets that are most relevant to our stakeholders in assessing our ESG progress. These are continuously reviewed.
	Scope 1, 2 and 3 GHG emissions			
	Climate-related targets			

BUILDING A RESPONSIBLE AND SUSTAINABLE BUSINESS

GOVERNANCE

Board oversight on climate-related risks and opportunities

Our CEO, Alan Dunsmore, is actively engaged and takes responsibility for the Group's strategic direction and progress on climate-related issues. He assumes overall board-level responsibility for climate-related matters and he also chairs Severfield's sustainability and risk committees, thereby ensuring continuity throughout the business, particularly from a governance perspective.

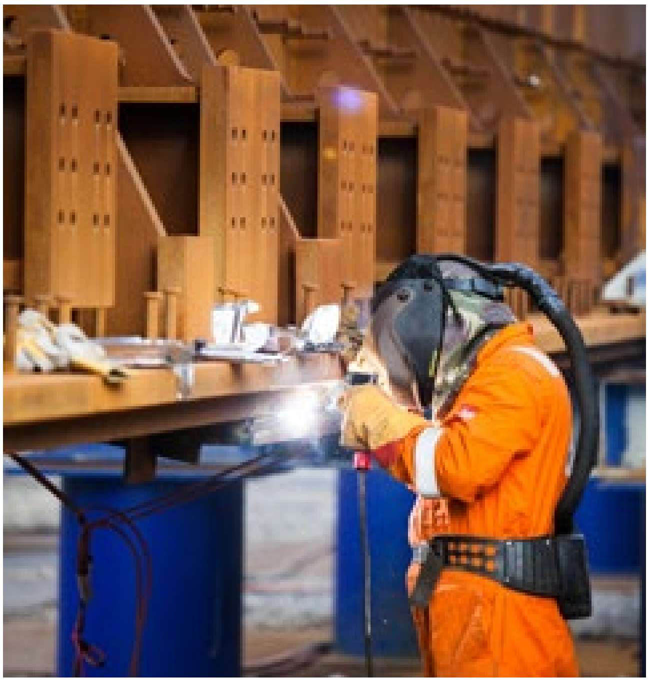
As summarised on the board skills matrix on page 111, the board possess expertise in climate-related and sustainability matters, and has a sound basis from which to consider the risks and opportunities facing the business as a result of climate change. We use our board skills matrix for succession planning purposes to ensure there are no skills gaps.

All board reporting at Severfield is underscored by a focus on climate change, sustainability and ESG. The board is updated on climate-related matters on a monthly basis and is briefed on any other key changes throughout the year. Where relevant, we also arrange in-depth briefings from industry subject experts so as to draw attention to material ESG matters throughout the year.

The work of the sustainability committee, which mainly consists of selected members of the executive committee, has responsibility to consider the impact of climate change on the business on behalf of the board. The committee (via the executive directors) regularly updates the board on the Group's sustainability strategy and progress against our targets. A monthly sustainability board report is prepared by the Group SHE director, which includes a dashboard on greenhouse gas emissions to ensure ongoing monitoring.

Below are some examples of strategic decisions, where we demonstrated how the board gives full and close consideration to ESG factors and sustainability when assessing the impact of the decisions it makes.

- Taking steps to ensure we offer recycled steel as an option for our clients reinforcing the sustainability benefits of steel. This is also linked to the identified risk of steel having a high embedded carbon.
- Investing in carbon offsets to maintain our carbon neutral certification. This links to the identified risk of failing to meet emissions targets or failing to comply with legislation or stakeholder expectations.
- Setting SBTi targets, completing our TCFD climate scenario analysis modelling and the further disclosure of our metrics and targets.
- Investing in climate-related research and development to identify and maintain the most efficient engineering techniques, supported by our ongoing operational improvement programme and Project Horizon.
- Embedding sustainability considerations into our capital expenditure approval process.
- Research into investing in UK-based carbon offsetting projects.



BUILDING A RESPONSIBLE AND SUSTAINABLE BUSINESS

GOVERNANCE

MANAGEMENT'S ROLE IN ASSESSING AND MANAGING CLIMATE-RELATED RISKS AND OPPORTUNITIES

BOARD OF DIRECTORS
Responsible for the Group sustainability strategy.

EXECUTIVE COMMITTEE AND RISK COMMITTEE
Reports to the board on the progress and success of the sustainability committee.

SUSTAINABILITY COMMITTEE
Oversees strategy implementation and reviews progress against our strategic objectives and reports to the executive committee and the board.

SUSTAINABILITY RISK REVIEW COMMITTEE
Exercises oversight over climate-related risks and the Group's approach to mitigating our impact on the environment.

SUPPORTED BY SENIOR MANAGEMENT
Including Group head of ESG and Group head of procurement.

WIDER EMPLOYEE GROUPS
Implement the Group's strategy and report on performance within their sites.

The Group board, through the executive committee and risk committee (both chaired by the CEO) has delegated oversight of the management of climate-related risks and opportunities to the sustainability committee and sustainability risk review committee. The board has overall responsibility for the Group's risk management and systems of internal control and for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives, which includes specific consideration of climate-related risks.

The Group's sustainability committee members include the following: Chief Executive Officer, Chief Financial Officer, Group legal director and company secretary, Group SHE director, Group HR director, Group head of ESG and Group head of procurement. This ensures that key management is represented across all business areas and that they share an aligned approach to climate-related matters. Effectively, this ensures that the Group's overall sustainability strategy is delivered successfully.

Our Group legal director and company secretary, Mark Sanderson, is a member of the executive committee and also chairs the sustainability risk review meetings. He is responsible for helping to ensure that an appropriate strategy is in place to understand, identify, monitor and control risks from climate change in line with the Group's risk appetite parameters.

Beyond the committees themselves, business unit management teams are responsible for managing climate-related risks and opportunities on a day-to-day basis – they are also driven to deliver on the Group's Net Zero roadmap and sustainability strategy.

The sustainability committee meets every two months and engages with a wide range of senior managers and colleagues from across the Group to oversee the day-to-day implementation of our sustainability strategy and report on the progress of the Group to the executive committee, who ultimately report to the board.

The Chief Executive Officer and Chief Financial Officer are both members of the sustainability committee and, therefore, provide the board with regular written and verbal updates on climate-related matters.

BUILDING A RESPONSIBLE AND SUSTAINABLE BUSINESS

STRATEGY

Climate-related risks and opportunities the organisation has identified over the short, medium, and long term.
As part of our business processes, we identify climate-related risks and opportunities, assessing their likelihood and quantifying their potential financial and non-financial impacts and potential time horizons. Those risks with a higher impact are prioritised for action by the board.

We consider climate-related issues within the time horizons used in our risk management process (see table). Risks and opportunities feed into our financial planning to the extent we expect them to impact our forecasts and/or three-year strategic plan. Beyond that, we consider medium to long-term risks and opportunities when formulating the Group's overall strategy.

In line with our risk management process and assessment of the Group's principal risks, only high and medium risks are considered sufficiently significant for disclosure in the annual report. The ranking of each is determined based on the scoring of the risk within the Group's risk register. This scoring considers the potential impact (both financial and reputational damage) and likelihood associated with the crystallisation of each risk.

SHORT-TERM	< 5 years	Aligns to how we assess the Group's principal risks and viability statement.
MEDIUM-TERM	5–10 years	Aligns to longer-term projects with risks driven by government policy, infrastructure needs and market conditions.
LONG-TERM	> 10 years	Factors that could impact the Group's ability to achieve its strategic goals.

Climate-related transition and physical risks have been assessed as an overall low risk to the Group, which aligns with the Group's principal risk assessment on pages 96 to 104.

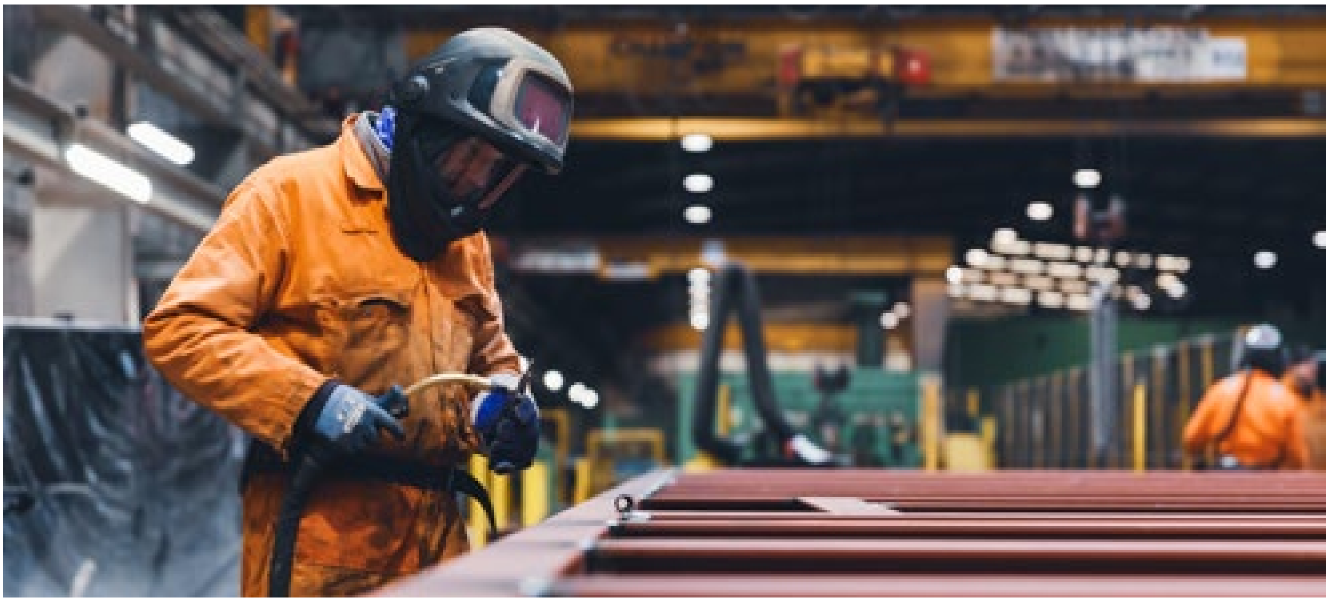
Our approach to ESG risk

The Group's process of identifying and assessing climate-related risks and opportunities is embedded in the Group's existing risk management process and is fully aligned with our three lines of defence model (see pages 92 to 95 for more details).

We monitor and identify climate and other sustainability-related risks in our sustainability risk register by assessing their likelihood and quantifying their potential financial, non-financial impacts and the time horizons over which they may occur. New and emerging risks are included within the risk assessment process, these are reviewed quarterly to ensure that material risks are identified, escalated appropriately and managed effectively.

Both transition and physical risks can be impacted as a result of climate change and associated trends. The sustainability risk committee considers transition risks that may stem from the Group's transition to a Net Zero steel industry, such as through regulatory, legislative or technological changes, and thereafter mitigates them accordingly. Physical risks could arise from an increased frequency of severe weather events, such as flooding or heat waves.

The table on pages 64 and 65 summarise key climate-related risks (transition and physical), as well as opportunities that have been identified during our sustainability risk review process; these risks are considered to have the greatest impact on the business in the short, medium, and long-term.



BUILDING A RESPONSIBLE AND SUSTAINABLE BUSINESS

STRATEGY

The tables below summarise the key climate-related risks (transition and physical) and opportunities identified as part of our sustainability risk review process that are considered to have the greatest impact on the business in the short, medium and long term.

CLIMATE-RELATED RISKS

Climate risk	Classification	Risk description	Potential impacts to the business	Time horizon
TRANSITION	Policy and legal	Failure to comply with climate-related legislation by not meeting targets or reporting requirements.	• Loss of position as market leader and reputational damage. • Loss of opportunities within our market sectors. • Possible fines and penalties imposed.	Short-term (<5 years)
	Reputation	Failure to comply with climate-related stakeholder expectations leading to loss of position as market leader and lost opportunities.	• Loss of position as market leader and reputational damage. • Loss of opportunities within our market sectors. • Negative share price impact.	Short-term (<5 years)
	Policy and legal	Failure to meet operational emissions reduction targets or increased costs due to offset costs.	• Possible fines and penalties imposed, including carbon taxes. • Carbon offsetting costs could increase if the Group needs to purchase additional offsets where we fail to reduce our GHG emissions. • Offsetting prices will increase as demand for these initiatives will increase.	Medium-term (5–10 years)
	Market	Steel becomes unsustainable due to high carbon content, or an over demand for low-carbon steel making it unaffordable and projects being cancelled.	• Shortage of material availability resulting in project delays or cancellations. • Significant fluctuations in steel prices linked to procured carbon. • Pressure from customers to reduce emissions of materials as well as emissions associated with distribution and construction activities. • More stringent regulation for construction materials and products. • Increased R&D, design, IT and training costs associated with developing new technology to create innovative projects.	Medium-term (5–10 years)
PHYSICAL	Acute	Operational disruption/ reduced capacity due to extreme weather event, e.g. flooding or wind damage.	• Project delays incurred due to unsafe working conditions on site and disruption to deliveries of materials to our factories. • Damage to construction sites and equipment. • Design and procurement challenges to deliver a project to withstand extreme weather effects. • Increasing difficulty in obtaining insurance in locations of extreme weather conditions.	Long-term (>10 years)
	Chronic	Operational disruption/ reduced capacity due to increased frequency of extreme weather, e.g. drought.	• Project delays incurred due to unsafe working conditions on site and disruption to deliveries of materials to our factories. • Damage to construction sites and equipment. • Design and procurement challenges to deliver a project to withstand extreme weather effects. • Increasing difficulty in obtaining insurance in locations of extreme weather conditions.	Long-term (>10 years)

Assessment of likelihood	Assessment of financial impact	Current/future mitigation
Unlikely	Low	• Strong controls and governance on climate-related reporting to the board. • Regular training and education on climate change matters to stay ahead of any legislative changes. • Engage external specialists, where appropriate, to provide advice on current sustainability risk management processes and upcoming or potential changes to climate-related legislation.
Unlikely	Moderate	• Regular engagement with all stakeholders, promoting open and transparent communication. • Strong controls and governance on climate-related reporting to the board. • Demonstrating our commitment to reducing our environmental impact through obtaining industry recognition (such as CDP 'A' and MSCI 'AAA' ESG ratings) and SBTi validation. • This risk has been modelled as part of our scenario analysis – see pages 67 to 70 for further detail.
Possible	Low	• Our Group's Net Zero roadmap and sustainability framework continue be embedded in our businesses processes and procedures to ensure our ambition is achieved. • Regular monitoring and reporting of GHG to the board. • Regular monitoring of offsetting prices and close monitoring of new development for permanent carbon removals.
Unlikely	Significant	• We maintain strong relationships with our supply chain. • We have engaged with key suppliers to understand their own strategies to achieve Net Zero and undertaken research into low-carbon alternatives. • Contributing to the SteelZero network demonstrates our commitment to procure 100 per cent Net Zero steel by 2050, with specific interim targets set for 2030. • Provision of training for low-carbon design and new technologies. • Engaging in discussions on climate-related matters early on in the project life cycle so we can ensure our customers' expectations are fully understood and achieved. • Performing regular material price sensitivity assessments and considering contingency plans for procurement. • This risk has been modelled as part of our scenario analysis – see pages 67 to 70 for further detail.
Unlikely	Low	• Monitoring of weather forecasts to ensure employee safety and early steps taken to mitigate potential disruption to site activities and deliveries. • Detailed risk reviews of project sites in areas of extreme weather or located close to waterways. It is commonplace to agree allowances in our construction programmes to accommodate potential adverse weather conditions, for example the impact of wind on being able to lift significant steel structures. • The Group has appropriate insurance policies and arrangements which we continually monitor. • This risk has been modelled as part of our scenario analysis – see pages 67 to 70 for further detail.
Possible	Negligible	• Monitoring of weather forecasts to ensure employee safety and early steps taken to mitigate potential disruption to deliveries. • Detailed risk reviews of project sites in areas of extreme weather or located close to waterways. • The Group has appropriate insurance policies and arrangements which we continually monitor. • This risk has been modelled as part of our scenario analysis – see pages 67 to 70 for further detail.

BUILDING A RESPONSIBLE AND SUSTAINABLE BUSINESS

STRATEGY

CLIMATE-RELATED OPPORTUNITIES

Opportunity	Classification	Description	Strategy to realise opportunity	Time horizon
GREEN REVENUE STREAMS	Market	Identify new and increase existing revenue streams from green infrastructure and low-carbon projects that support the green energy transition. The Group is well-placed to meet the demand for infrastructure that can mitigate the impacts of climate change and deliver energy security. These requirements dictate a significant investment in national energy infrastructure, including renewable electricity generation and storage, nuclear power (new build and decommissioning) and several other new energy supply initiatives. We also expect to see further projects aimed at carbon reduction in transport, such as the electrification of the UK rail network. Other projects in support of a low-carbon economy include battery plants (to facilitate the switch to electric cars), energy efficient buildings and manufacturing facilities for renewable energy.	The Group has a strong reputation in existing market sectors that are key to delivering the green energy transition. We continue to seek out opportunities in growing markets through market research and collaboration with our customers, ensuring we are well placed to take advantage of significant investment in the green energy transition. See page 11 for further details.	Long-term (>10 years)
RENEWABLE ENERGY	Energy source	Continuing the transition from using gas oil and natural gas to renewable low-carbon energy sources could give rise to operational and supply chain efficiencies and cost reductions.	In 2024, 100 per cent of our total purchased and consumed energy was from green tariffs in the UK (for wholly owned facilities). We will expand our target to cover our European operations during 2025. In the meantime, we continue to assess the availability of other renewable energy sources for heating and power as part of our decarbonisation strategy.	Short-term (<5 years)
RESEARCH AND DEVELOPMENT	Products and services	With the increasing focus on climate-related matters as the UK, and the world, accelerates their efforts to decarbonise in line with the Paris Agreement, we expect to see a change in the requirements of our customers to build projects that reduce their carbon emissions. Research and development into products and processes will help us to provide innovative solutions that meet the complex and changing needs of our customers.	One of our objectives is to invest in climate-related research and development to identify new engineering techniques and innovative technologies. We aim to re-use steel and minimise scrap to allow our customers to minimise the lifecycle carbon emissions of their projects. In 2024, we have successfully applied for Innovate UK funding as part of a collaborative project with North Yorkshire Council. The project will look at decarbonisation opportunities within Dalton Industrial Estate in conjunction with other business partners on the site.	Short-term (<5 years)

Climate scenario analysis (‘CSA’)

During the year, we further developed our CSA in line with TCFD guidance. The CSA focused on how climate-related risks and opportunities, identified through our risk assessment process described on pages 61 and 62, may change in a range of future scenarios and considers the resultant financial impacts arising as a result of mitigations required.

Our assessment prioritised risks considered to have the greatest impact on the business in the short, medium and long-term (as defined in the table on page 63). Our analysis will continue to evolve over time as our understanding of the impacts of climate-related risks grow and as external data on the potential impacts of climate change develops.

The areas assessed relate to the following primary risks:

RISK	RATIONALE FOR SELECTION
Impact of physical climate risk on assets, projects and supply chains.	Climate change increases the risk of severe weather events such as floods, sea level rise, cyclone, heatwave, wildfire, and water stress. Physical risks could potentially affect Severfield in a range of ways: • direct damage to assets; • impacts on supply chains (delays to shipments, delays in the production activities of suppliers); and • delays to projects arising from the supply chain disruption. Severfield has manufacturing facilities in the UK and Netherlands (excluding our joint venture, JSSL, in India) and key suppliers in the UK and Europe, however, the ultimate supply chains are more geographically spread. The focus of the modelling is on Severfield’s manufacturing sites and considers the impact of the severe weather events referenced above.
Stakeholder expectations and the delivery of low-carbon projects.	The steel sector as a whole is on a trajectory to decarbonise by 2050, but stakeholder expectations and demand may outpace the availability of low-carbon steel and, therefore, our ability to meet customer demand to deliver low-carbon projects and stakeholder expectations to meet our emission targets may not be possible. Whilst our long-term transition plan focuses on a range of measures to achieve decarbonisation (see our Net Zero plan on pages 74 and 76), in the shorter term there will be the need for carbon offsets to offset residual emissions. The price of carbon offsets could significantly increase in a scenario where the carbon offset supply is limited to removal offsets that store or sequester carbon, rather than avoiding emissions that would otherwise occur. The impact on Severfield depends significantly on levels of customer demand, decarbonisation of the sector as a whole, and our procurement strategy, and will be explored further in future periods as we seek to reduce dependence on the use of offsets and drive clear progress towards decarbonisation.
The steel market within the low carbon transition.	This was assessed as the risk of insufficient low-carbon steel in the market, or its price being so high as to make steel an unsustainable construction product. Various ways of producing steel exists, some of which can be very energy intensive. The most widely used method is through the combustion of fossil fuels in a blast furnace, which creates significant CO_2 emissions. This production method will be the focus of increased scrutiny and a drive to reduce emissions in the future, especially when more greener alternatives become more widely available. Electric Arc Furnaces (‘EAF’) are a greener alternative, and whilst not a new technology, they are less commercially used due to the significant investment required by producers to replace existing, fossil fuel reliant, blast furnaces. EAF relies on recycled or scrap steel and melts it using an ‘electric arc’. Additional use of green electricity in this process can further provide reductions in the embodied carbon of steel. We are already seeing an increase in customer demand for low-carbon steel, as customers work towards their own Net Zero targets. Additional technologies will be required to achieve full decarbonisation of the sector, including processes which replace natural gas with green hydrogen, incorporate an element of carbon capture, and replace pulverised coal with high-carbon biomass sources. Given the significant investment required, and time taken to build new manufacturing facilities, there may be supply side limitations which amplify the increased demand for greener steel.

BUILDING A RESPONSIBLE AND SUSTAINABLE BUSINESS

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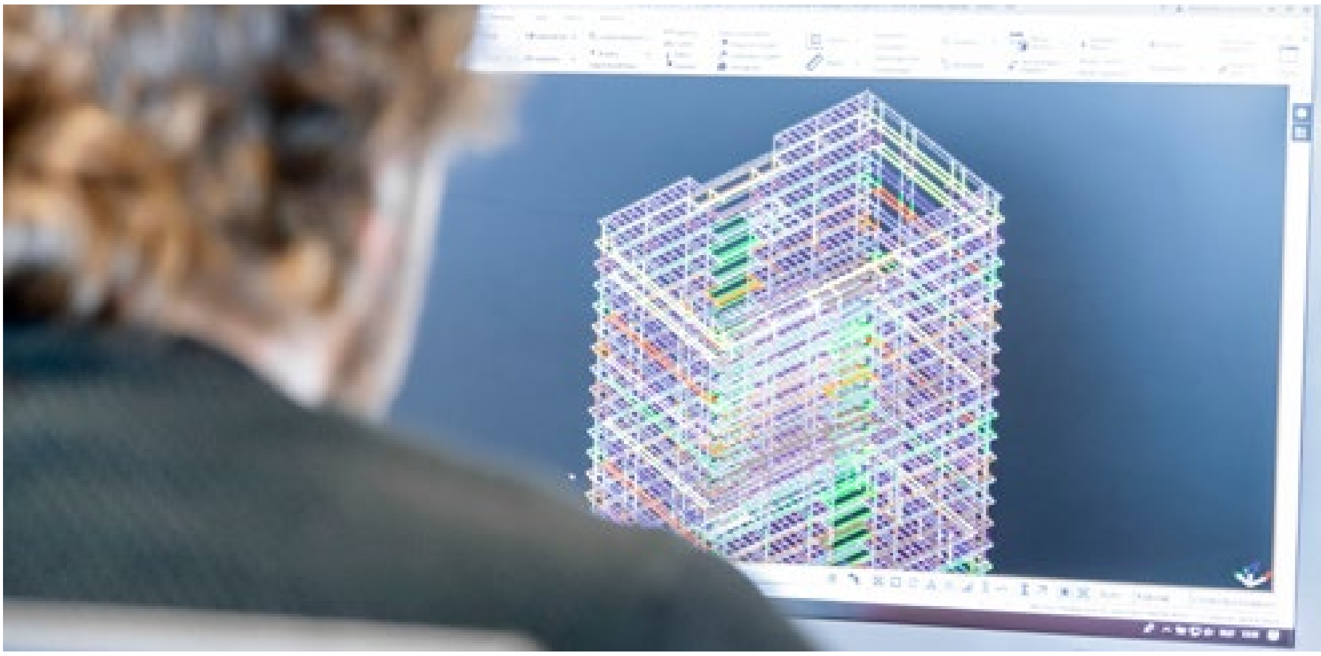
The parameters, assumptions and data used to support our CSA are taken from various accredited sources that are summarised below. The CSA models incorporate a range of different temperature outcomes to 2100, including a scenario of less than 2°C.

SEVERFIELD PLC CLIMATE SCENARIO	LOW EMISSIONS	MEDIUM EMISSIONS	HIGH EMISSIONS
1. Physical risk assessment			
Relative Concentration Pathway (RCP)[1]	RCP2.6	RCP4.5	RCP8.5
Estimated 2100 warming projection	1.8°C	2.4°C	4.3°C
2. Stakeholder expectations and the delivery of low-carbon projects[7]			
Carbon offset market scenario (Bloomberg NEF)[2]	Regulated (carbon offset market is regulated, which limits supply)	Hybrid (combination of regulated and voluntary scenarios)	Voluntary (no regulation over carbon market)
3. The steel market within the low-carbon transition			
Mission Possible Partnership ('MPP') scenario[3]	Carbon cost (1.5°C aligned)[4]	Technology moratorium[5]	Baseline[6]
Carbon pricing	$0/tCO_2$ in 2023 rising linearly to $200/tCO_2$ in 2050	None	None
Technology constraints	None	Only near-zero emissions technologies permitted from 2030 onward	None

1 RCP uses economic, social and physical assumptions within a set of scenarios to model possible future climate evolution. They are published by the MET Office and adopted by the Intergovernmental Panel on Climate Change ('IPCC'). The RCPs can be represented by the levels of temperature change that can be used in conjunction with flood projection models
2 Bloomberg NEF is a strategic research provider covering global commodity markets and the technologies driving the transition to a low-carbon economy
3 The Mission Possible Partnership ('MPP') is an alliance of climate leaders focused on decarbonising specific industries, including steel. They have sector transition strategies that set out illustrative scenarios to achieve Net Zero by 2050
4 The Carbon Cost scenario illustrates how the steel sector might decarbonise if coordinated action to support low-CO_2 steelmaking takes hold this decade. This scenario assumes that, at each major investment decision, the steel asset switches to whichever technology offers the lowest total cost of ownership ('TCO')
5 The Technology Moratorium scenario takes an alternative approach by confining investments to near-zero emissions technologies from 2030 onwards to reach Net Zero. As with the Carbon Cost scenario, the steel asset switches to whichever technology offers the lowest TCO at each major investment decision
6 Baseline scenario: to highlight the consequences of inaction, a reference case is modelled in which a steel asset switches to the technology with the lowest TCO at each major investment decision, without a Net Zero constraint
7 As discussed later in more detail, whilst this data set was considered as part of the CSA, our disclosures are made on a simplified basis

The assessment considers four time points 2025, 2030, 2040, 2050, which encompass the short, medium and long-term time horizons set out on page 63.



Impact of physical climate risk on assets, projects and supply chains

METHODOLOGY	FINANCIAL IMPACT	STRATEGIC RESILIENCE AND PLANNED MITIGATIONS
Long-term flood risk modelling (within an RCP8.5 scenario – see previous page) was undertaken to identify our operations with the highest flood risks. A sample of assets was further assessed to consider the most extreme risks arising from flood, sea level rise, cyclone, heatwave, wildfire, and water stress (in an RCP8.5 / SSP5[1] scenario – see previous page). This included specific manufacturing site locations and also localised flooding, which could impact access roads. The modelling uses General Circulation Models based on the latest international modelling efforts (CMIP6), high-resolution historical observations from satellites and a range of other techniques to provide the greatest degree of accuracy. 'Value at risk' calculations were undertaken to assess asset exposure to a given hazard under different scenarios, simulating multiple events at different intensities. The value at risk calculations consider both structural damage and business interruption and are expressed as a single annual value of expected loss. Business interruption was assessed based on the fixed cost base of the respective sites.	**Mean loss: <£0.3m per year** The combined financial impact of both physical damage and business interruption is less than £0.3m per annum based on the worst-case scenario extending out to 2050. The climate risk relating to the assets assessed, and the associated financial risk is low based on our current modelling approach.	Whilst no sites are currently considered at risk of flooding, work has already been carried out to mitigate the risk and reduce the impact of localised flooding at both the Dalton and Enniskillen manufacturing sites. Access roads to the Dalton site in particular has seen significant investment from the North Yorkshire Council following flooding in the past. Such is the economic importance of the site, climate risks are likely to be further mitigated by future infrastructure investment. Our current and near-term insurance policies and arrangements mitigate against the risk of asset damage and business interruption. Regular discussion with insurers enables us to identify near-term localised risk and to implement measures to minimise risk impacts. Historical flood events and localised flood mitigation works are monitored to assess the changing risk profile for our operations and to understand risk tolerance for potential financial impacts. Project risk mitigations are discussed in the risks and opportunities table on pages 64 and 66. We will continue to monitor physical climate impacts within our wider risk management approach.

1 Shared Socioeconomic Pathways' ('SSPs') look at five (population, economic growth, education, urbanisation and the rate of technological development) different ways in which the world might evolve in the absence of climate policy and how different levels of climate change mitigation could be achieved when the mitigation targets of RCPs are combined with the SSPs

Stakeholder expectations and the delivery of low-carbon projects

METHODOLOGY	FINANCIAL IMPACT	STRATEGIC RESILIENCE AND PLANNED MITIGATIONS
We have considered the carbon offset market scenario based on Bloomberg NEF data, however, we consider there is too much uncertainty to reliably model and quantify the financial risk on a basis that would provide the Company with a valid range of potential outcomes. This is due to there being a wide range of possible outcomes for the price of carbon offsets. This is an emerging risk for Severfield as there is currently no significant demand from customers for the use of carbon offsets on projects. Furthermore, our SBTi targets only allow for a residual amount of offset, therefore, our expected use of carbon offsets in the short to medium term will reduce. Factoring in the above, we have simplified the analysis to disclose the financial impact of continuing to offset our residual carbon emissions from operations, based on a 2024 cost baseline.	**£0.2m for every 100 per cent increase in the price of carbon offset.** We are currently accredited as carbon neutral, and it is our current intention to continue to offset our residual emissions from operations to maintain this. As such, the financial impact is quoted in the context of an increase based on our current spend on carbon credits.	Our ongoing conversations with customers and our supply chain provide meaningful insight into customer-side demands for low-carbon projects, and supply side trajectories toward increased availability of low-carbon steel. Any requirement for the delivery of lower carbon projects, to the extent they are not our own controllable emissions, would currently be implicitly priced into a tender, as all market participants would incur the same costs to deliver a project. Our involvement with SteelZero and wider industry and government collaborations provide increased awareness of the challenges of the steel sector as a whole and how these could be overcome. This deeper understanding will feed into our Net Zero plans. We are investing in new machinery and more efficient processes. We are exploring methods to maximise the circularity of steel through its reuse, to reduce the carbon content of delivered projects. We are also focusing on our own operational emissions within our Net Zero roadmap.

BUILDING A RESPONSIBLE AND SUSTAINABLE BUSINESS

STRATEGY

The steel market within the low-carbon transition

METHODOLOGY	FINANCIAL IMPACT	STRATEGIC RESILIENCE AND PLANNED MITIGATIONS
The Mission Possible Partnership ('MPP') has conducted extensive scenario analysis to assess possible trajectories for the steel sector to reach Net Zero by 2050. Our modelling considers the three potential pathways to 2050: **Baseline** – Steel assets switch to the technology with the lowest total cost of ownership at each major investment decision, without a Net Zero constraint. **Carbon cost** – This scenario models how the introduction of a carbon price policy might impact the technologies adopted by the market. Carbon taxes create higher prices for the higher CO_2 emission technologies and, therefore, causing higher prices, leading to a demand side change to lower emission technologies. **Technology moratorium** – Similar to the Baseline scenario, but confining investments to (near-) zero emissions technologies, through the use of regulation, from 2030 onwards to reach Net Zero. The modelling aligns our assumed steel procurement under each scenario to the market supply, aligned with our SteelZero commitments. We would aim to procure based on the lowest cost for the lowest embodied carbon steel, however, we assume constraints in supply as every market participant cannot do the same. The model assumed that there will be novel and nascent technologies that will disrupt incumbent technologies, as the cost of zero carbon electricity and hydrogen declines over the coming decade. We assume that we will adopt a procurement strategy that evolves with the best available technologies.	The results of the modelling show that the increase in the overall cost of steel to Severfield, compared to our current baseline, does not exceed 10 per cent for the periods modelled (2030, 2040 and 2050).	The price of steel is largely a pass-through cost to our customers, therefore, any increase in the cost of steel over time would be borne by the customer. A potential 10 per cent increase is not considered unsustainable in light of the market response to a more than doubling of steel prices in recent years following macroeconomic events, including the impact of the conflict in Ukraine. This highlighted our resilience as a Company and also the importance of steel as a building product. We regularly assess how our strategic partners are working toward meeting these aims and are in the process of developing an engagement plan, to enhance oversight of our progress towards achieving Net Zero.

Resilience of our strategy

The outputs from the qualitative assessment and the quantitative scenario analysis detailed above, along with the planned mitigations and existing strategic resilience, highlights the resilience of our business strategy to climate related risks. Furthermore, our growth strategy means we are well positioned to take advantage of the opportunities associated with the green energy transition.

Metrics and targets

We disclose metrics and targets that we consider to be significant for the business and relevant for our stakeholders. This is the first year since implementation, therefore some metrics are not available for previous periods. We internally measure a range of metrics to ensure our sustainability goals are on track and externally disclose measures that allow our stakeholders to assess our progress and benchmark us against our peers. We are currently working towards reporting relevant metrics and targets in line with the future requirements of IFRS S1 and S2.

Metrics used by the Group to assess climate-related risks and opportunities are in line with its strategy and risk management process.

BUILDING A RESPONSIBLE AND SUSTAINABLE BUSINESS

Our sustainability framework supports the United Nations Sustainable Development Goals ('UN SDGs').

The table below illustrates our key achievements in the year against our four sustainability pillars and our progress against the metrics and targets we use to measure our performance in each area, as well as identifying the seven UN SDGs where the Group can have the biggest impact:

PLANET

Continue to improve the environmental impact of our processes and projects. Support sustainable construction through circularity, strive for Net Zero and enable efficient business practices.

Read more on pages 74 to 80

ACTIVITIES/KPIs	2024 PERFORMANCE
GHG emissions	9% reduction in our Scope 1 and 2 GHG emissions from our SBTi base year of 2022 (using a market-based approach).
CDP global evaluation rating	Achieved CDP 'A' list rating. Maintained CDP supplier engagement leader with the rating of A-.
Other industry accreditations achieved	Awarded 'AAA' under MSCI's ESG rating. Listed on the Financial Times – Europe's Climate Leaders index for the fourth year in a row. Maintained BES 6001 rating of 'very good'.
Green electricity usage	100% of our total purchased and consumed energy was from green electricity tariffs in the UK for wholly owned facilities.
Waste reduction target	Achieved an absolute waste reduction (excluding steel) of 10% against 2021 baseline.
Biodiversity	We have issued a Group-wide biodiversity policy and established biodiversity risk rating for our factories and offices.

PEOPLE

Support our teams to be diverse, engaged, motivated, and highly skilled. Engage positively with projects and the local communities in which we work.

Read more on pages 81 to 87

ACTIVITIES/KPIs	2024 PERFORMANCE
Gender Pay Equality	1.00 male/female normalised hourly rate ratio.
Diversity and Inclusion	9% of our workforce are female (same as 2023). Of our three grade levels below board, female representation is 17%, 17% and 23% respectively. Female % representation across our manufacturing departments is 2%, 8% within project delivery departments and 39% in core services.
Accident frequency rate	15% improvement in 2024 to 0.12 (2023: 0.14).
Incident frequency rate	27% improvement in 2024 to 1.23 (2023: 1.61).
Director safety visits undertaken	We have conducted 99 visits in 2024 (2023: 85).
Percentage of colleagues paid above living wage	100% of colleagues paid at or above the Real Living Wage.
Social value target	In 2024 we have delivered a volunteering pilot at one of our factories. In 2025, we will encourage uptake of our newly launched volunteering policy across the Group.

PROSPERITY

Deliver sustainable, profitable growth whilst satisfying our ethical, legal and contractual obligations.

Read more on pages 80

ACTIVITIES/KPIs	2024 PERFORMANCE
Economic value generated and distributed	£463.5m (2023: £491.8m)
Economic value distributed	£438.3m (2023: £467.5m)
Net investment (capex–depreciation)/ dividends	Stable net investment at 44% (2023: 10%).
Supply chain due diligence	100% (2023: 100%) of suppliers subject to annual supply chain contractor due diligence reviews.
New appointments	354 new employees in the year (including 29 apprentices and graduates).
Corporation taxes paid	£6.4m (2023: £3.5m) – £2.9m increase reflects higher profitability in the period and a repayment of overpaid taxes in the 2023 comparative.
Prompt payment reporting	93% (2023: 88%) of invoices paid within agreed payment terms in latest PPC reporting period for our signatory companies.

PRINCIPLES OF GOVERNANCE

Show leadership in delivering a sustainability programme, which considers whole life impact, taking us beyond compliance and ensuring continuous improvements.

Read more on pages 90 to 91

ACTIVITIES/KPIs	2024 PERFORMANCE
Board diversity	12% (2023: 20%) of the Group's board are women.
Board tenure	7.4 years (2023: 7.4 years) average tenure of our board of directors.
Executive committee diversity	10% (2023: 18%) of the Group's executive committee are women.
Coverage of certified environmental management systems	Maintained Group-wide 100% accreditation to: ISO 14001:2015 – Environmental management, ISO 45001:2018 – Occupational health and safety, and ISO 9001:2015 – Quality management system
Key training for senior management	All relevant senior management have been provided with training such as criminal corporate offences ('CCO'), anti-bribery and corruption and tax evasion. To date c.80% have completed this.

BUILDING A RESPONSIBLE AND SUSTAINABLE BUSINESS

PLANET

Why is it important?

Steel is one of the world's most widely used materials and has a significant part to play in a low-carbon future. There are decisive life cycle advantages to using steel in manufacturing, as it can continually be recycled, a key requirement for the 'circular economy'. Steel structures can also last for many years, making them cost-effective, as well as sustainable, and since steel is often fabricated off-site, it can reduce on-site labour, cycle time and construction waste. Not only is it more durable than other building materials, but its versatility also makes it an essential component of sustainable construction. Technological advancements have made steel lighter and stronger, and lower in embodied carbon as steel producers focus on decarbonising production methods to align to the demand created by Net Zero targets.

Our operational improvement initiatives, continue to focus on our environmental impact through innovative design, lean manufacturing techniques and cost and waste reduction programmes, ensuring steel continues to be a key input in the buildings of the future.

Carbon and energy reduction, improving fuel efficiency and reducing waste are important strategic objectives for the Group. This year, we worked on initiatives to progress the Group waste reduction target and refined our approach to biodiversity. The sustainability framework objectives set out on page 55 demonstrate the Group's commitment to protect and enhance the environment, and to limit the environmental impact of our operations on the planet and natural environment, so it can support the needs of the present and future generations.

Management approach

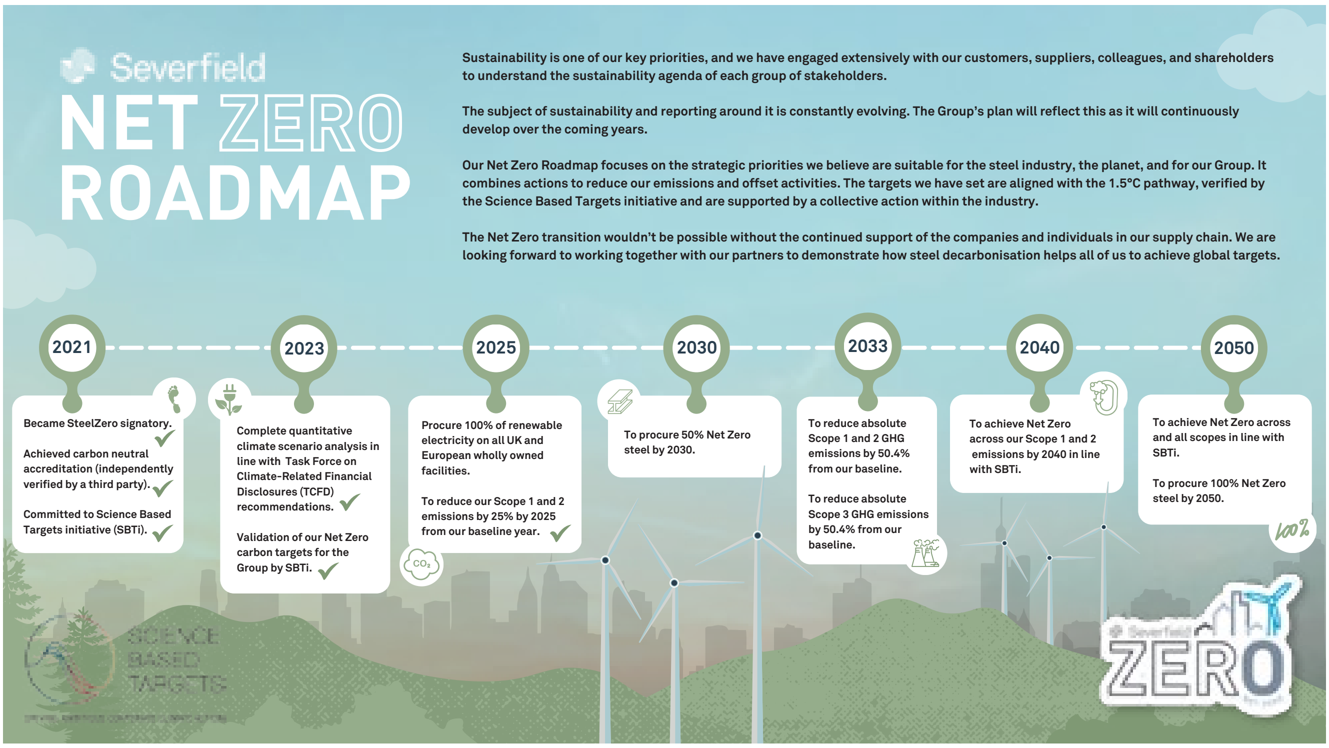
Underpinned by the Group's ISO 14001 certified environmental management system and BES 6001 Responsible Sourcing certification (rating 'very good'), the Group is fully committed to minimising its impact on climate change and mitigating the business risks that climate change presents. We have developed plans to manage the risk and embedded our climate-related risks and opportunities into our strategy and business model. The following sets out our approach to Net Zero.

Our Net Zero roadmap

We are committed to our long-term target to achieve Net Zero emissions, in line with the SBTi, across all our value chain by 2050. These targets are based on the Paris Agreement, which seeks to limit global warming to below 1.5 degrees Celsius, compared to pre-industrial levels, and as verified by SBTi.

- Near term, we commit to reduce absolute Scope 1 and 2 GHG emissions 50.4 per cent and to reduce absolute Scope 3 GHG emissions 50.4 per cent by 2033.
- Long term, we commit to reduce absolute Scope 1 and 2 GHG emissions by 90 per cent by 2040 and to reduce absolute Scope 3 GHG emissions by 90 per cent by 2050.
- Overall, our Net Zero target is to reach Net Zero GHG emissions across the value chain by 2050.

All targets are set from an 2023 base year.



Our Net Zero roadmap is accompanied by a Group decarbonisation transition plan. This plan identifies the main initiatives and technologies to be explored or implemented in order to achieve our near-term and long-term 2040 target for Scope 1 and Scope 2. We acknowledge that sustainability criteria and reporting are constantly evolving and consequently, the Group's plan will also continuously develop over the forthcoming years. Our current plan is made up of a combination of actions to reduce our emissions, temporary offsetting activities and key steps we will take in supporting the low-carbon transition in the sector.

Group decarbonisation transition plan

- To maintain green electricity contracts on all wholly owned facilities in the UK and switch to green contracts in our European operations.
- Continue to implement recommended projects around compressed air, lighting, and machinery as part of ESOS Phase 3 audit results.
- Continue to implement our roll out of HVO across all applicable plant and equipment at all facilities and construction sites.
- As part of all future investment decisions, priorities will be given to alternative power sources, including hybrid and hydrogen, and any other new technologies where practical.
- Continue to upskill our colleagues on our Net Zero strategy, including focus on behavioural change.
- Roll out specialist training on carbon reduction initiatives and embodied carbon to all departments that are key to reducing both embodied and operational carbon across the Group.

As part of our own Net Zero journey, we are undertaking a range of activities to support the reduction in the carbon content of the projects that we deliver. Our key focus areas are as follows:

Carbon in procured steel and the projects we deliver

- Reducing waste through efficient design and manufacturing processes.
- Exploring methods to maximise circularity of our materials and the re-use of steel.
- Working with steel suppliers aligned with our climate and sustainability ambition.
- Collaborate with governments and industry-wide partners to drive the decarbonisation of the sector.

The decarbonisation process will not happen overnight and will require changes to infrastructure and capital expenditure to support the transition. We recognise that within the hard to abate industries, such as steel, a significant proportion of our emissions are generated within our supply chain as a result of the steel that we use. We are dependent on the steel sector decarbonising to fully address the carbon in our value chain, and a core part of our work around TCFD climate-related scenario analysis focused on the risks within our value chain, and our commentary around actions within this area is set out on page 67.

BUILDING A RESPONSIBLE AND SUSTAINABLE BUSINESS

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Our Renewed Approach to Sustainable Procurement

Continuous improvement plays a key part in maintaining standards such as BES 6001, and last year, as part of our Supplier Engagement Programme, we hosted a number of supplier engagement meetings focused on how we can improve sustainability across our supply chain. This was a pro-active step in our own sustainability journey to further identify and celebrate the innovative practices our suppliers are carrying out.

Through collaboration with our direct suppliers we have focused on key emerging themes that include Net Zero roadmaps, SBTi targets, general progress towards decarbonisation and embodied carbon of their products. These themes will form the basis of future monitoring and will support the advancement of sustainability goals and targets in future engagement. We will see the benefits of these collaboration realised over the medium and long term.

These meetings along with other elements of the Supplier Engagement Programme resulted in the launch of our Sustainable Procurement Policy at the end of 2023, driven by our values and strategic objectives, and highlighting the expectations we have from our suppliers and subcontractors. We have also worked on alignment of our processes with ISO 20400 Sustainable Procurement guidance, that we believe offers a great framework to embed sustainability further in our procurement practices.

Whilst we have always had excellent links with our supply chain, this engagement programme helps focus the drive of steel industry's transition to Net Zero, in line with our recently approved SBTi Scope 3 target, where supplier's decarbonisation plays an important part.

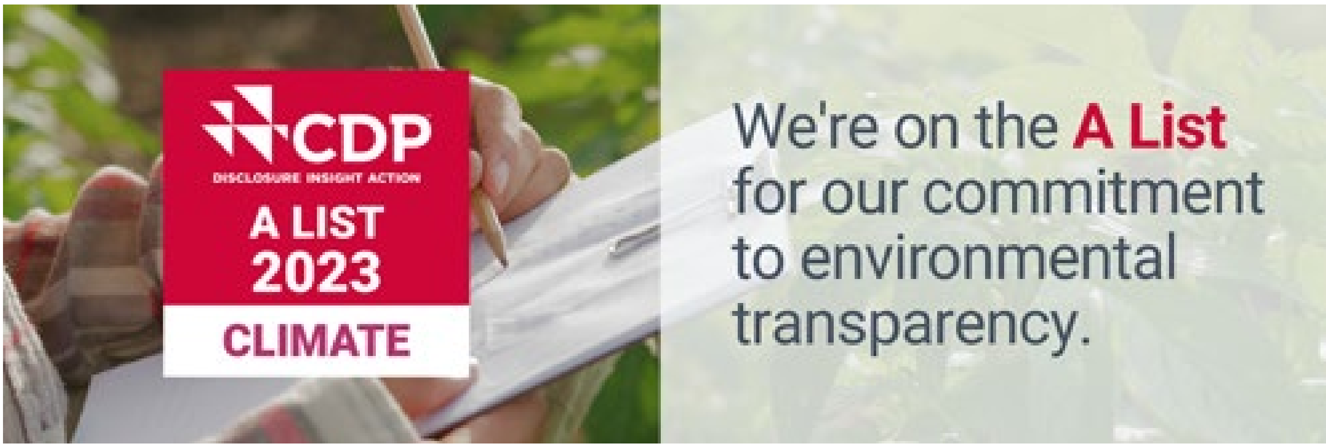
To ensure that our suppliers can regularly report progress on their targets, we have developed a new supplier wide 'Sustainability Alignment Survey' to allow us to more accurately map the sustainability progress of our supply chain partners.

We have also undertaken a revision of due diligence of suppliers with our on-boarding survey relating to Environmental, Social and Governance and included a number of sections to support conversations around supplier's approach to sustainability.

Our ongoing sustainable procurement work is also guided by our SteelZero commitments, as we continue to work towards our sustainable procurement goals and report on our progress in future annual accounts. We have continued progress towards procuring 50% Net Zero Steel by 2030, which was largely based on our clients demand towards Net Zero projects.

The Group continues to align sustainability objectives with suppliers to ensure a more sustainable supply chain and ensure collaboration across our supply chain for our Net Zero targets.

We also provide our stakeholders with transparent and useful information on the Group's climate-related risks and opportunities, in line with the TCFD recommendations. External advisers were appointed to support management with this task and to help model the climate change scenarios, which are disclosed on pages 67 to 70.



Severfield makes CDP's 'A List' for climate change

Following the submission of our annual environmental disclosure to CDP's 2023 Climate Change questionnaire, Severfield is one of a small number of companies that achieved an 'A' out of over 21,000 companies scored.

What is CDP?
CDP is a global non-profit that runs the world's environmental disclosure system and holds the largest environmental database in the world, and it scores organisations from 'D' to 'A', with 'A' representing 'Leadership' in the field. In order to be awarded an 'A' for climate change by the CDP, and secure the associated 'leadership' status, organisations need to have shown that they are behaving like industry leaders when it comes to their practices.

What does this mean?
Severfield's place on the CDP's 'A List' this year demonstrates our thorough understanding of risks and opportunities related to climate change, and that we have formulated and implemented strategies to mitigate the effects of our operations on the environment.

Looking forward
In a year of ever-increasing environmental concerns around the world – the need for transformational, urgent, and collaborative change is more important than ever. Severfield looks forward to continuing its work on improving our ways of working and making even more progress in relation to the environment in the years to come.

"Severfield's commitment to sustainability and reducing our impact on climate change has never been clearer. As market leaders in the steel industry, we have a responsibility to display best practice when it comes to environmental disclosure, and we are pleased that CDP have recognised that we are delivering on this."

MICHAELA LINDRIDGE
GROUP HEAD OF ESG AT SEVERFIELD PLC

BUILDING A RESPONSIBLE AND SUSTAINABLE BUSINESS

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Reporting our GHG emissions

As required by Streamlined Energy and Carbon Reporting ('SECR'), we report on our CO_2e emissions in accordance with the internationally recognised Greenhouse Gas ('GHG') Protocol and our metrics include Scope 1 and 2 emissions.

For the year ended 30 March 2024, the Group's global GHG emissions, using a location-based approach, and energy usage, were as follows:

	Tonnes of CO_2e	
GHG emissions from:	**2024**	2023
Scope 1 – combustion of fuel and operation of facilities	**6,101**	6,391
Scope 2 – electricity, heat, steam and cooling purchased for own use	**3,478**	3,106
Total CO_2e emissions (location-based)	**9,579**	9,497

Intensity measurement (location-based):	**2024**	2023*
Absolute tonnes CO_2 equivalent per £m of revenue	**20.6**	19.3

***On a like-for-like basis, 2023 would be 20.4 tonnes of CO_2e per £m of revenue, when adjusted for the impact of higher steel prices of c.£25m.**

For the year ended 30 March 2024, the Group's global GHG emissions, using a market-based approach, and energy usage were as follows:

	Tonnes of CO_2e	
GHG emissions from:	**2024**	2023
Scope 1 – combustion of fuel and operation of facilities	**6,101**	6,391
Scope 2 – electricity, heat, steam and cooling purchased for own use	**157**	116
Total CO_2e emissions (market-based)	**6,258**	6,507

Intensity measurement (market-based):	**2024**	2023*
Absolute tonnes CO_2 equivalent per £m of revenue	**13.5**	13.2

***On a like-for-like basis, 2023 would be 13.9 tonnes of CO_2e per £m of revenue, when adjusted for the impact of higher steel prices of c.£25m.**

All data reported are for our UK and European operations (including VSCH) as described in our certification boundary.

Scope 1 emissions are direct GHG emissions that occur from sources under our ownership or operational control. This includes fuel consumed in our factories for fabrication, in our offices for heating and in company vehicles. There are no material exclusions from Scope 1.

Scope 2 emissions are indirect GHG emissions from purchased energy. This includes electricity used for all our offices and factories across the Group. There are no exclusions from Scope 2.

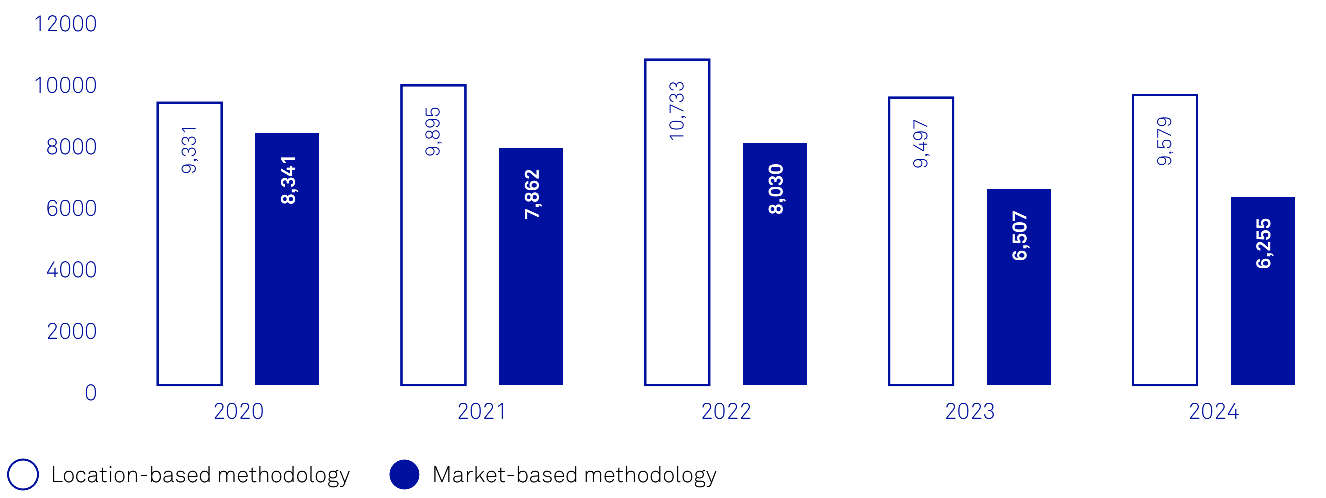
Carbon offset credits are excluded from our GHG emissions reporting.

All Scope 1 and 2 GHG emissions data is independently verified by Achilles, in accordance with the international standard ISO 14064-1.

In 2024, using a market based approach, which includes the positive impact of switching to green energy and use of alternative fuels on site, our intensity measured Scope 1 and Scope 2 GHG emissions have reduced by 3% year-on-year to 13.5 from 13.9 tonnes of CO_2e per £m of revenue (after adjusting for the impact of higher steel prices of c.£25m in the prior year revenue).

Our 2024 reported emissions also include VSCH for the first time, and VSCH have not yet fully adopted the Group's many carbon reduction initiatives, including switching to green electricity. This is an ongoing area of focus.

ABSOLUTE EMISSIONS SCOPE 1 AND 2



Energy usage from:	**2024**	2023
Scope 1	**29,652**	29,044
Scope 2	**16,647**	16,049
	46,299	45,093

The information in the table above represents absolute energy usage only, irrespective of whether this is from low-carbon sources. The energy usage includes Voortman, which is why increase is reported in this period.

Scope 3 emissions

	Tonnes of CO_2e	
GHG emissions from:	**2024**	2023
Waste	**254**	264
Business travel	**1,204**	738
Colleague commuting	**4,008**	3,723
Transport and distribution	**6,979**	8,466
	12,445	13,191

Our Scope 3 GHG data above is independently verified by Achilles, in accordance with the international standard ISO 14064-1. Our verified Scope 3 GHG emissions in relation to any transport will now also include 'Well To Tank' (WTT) emission factors, as part of further data alignment with SBTi methodology. WTT emissions, also known as upstream or indirect emissions, is an average of all the GHG emissions released into the atmosphere from the production, processing and delivery of a fuel or energy vector. Our 2024 Scope 3 data also include Voortman.

Scope 3 emissions account for all of the other emissions an organisation produces when fossil fuels are burnt within its value chain and are a significant proportion of our total GHG emissions. In the context of the 2050 Net Zero target, this is the most challenging category to address. We are, however, committed to driving decarbonisation throughout our value chain, which is underpinned by our SBTi Scope 3 reduction target.

Our verified Scope 3 GHG emissions have decreased, most notably we had a reduction in waste emissions as part of our focus on our waste reduction target. For transport and distribution, even with the inclusion of additional WTT emissions, we reported an overall reduction.

The higher emissions for business travel reflect an increase in published GHG emission factors that are applied to business miles and a small increase in travel to Continental Europe, as our presence continues to grow through our recent acquisition of VSCH and the number of projects in Europe increases.

Achilles Carbon Zero Certified Powered by Toitū Envirocare

Achilles Carbon Reduce Certified Powered by Toitū Envirocare

BUILDING A RESPONSIBLE AND SUSTAINABLE BUSINESS

PLANET

Within Scope 3 emissions categories, we report on a total of 8 of the 15 categories relevant to our business (VSCH's impact included in this year's report). Consistent with most businesses in the construction sector, the majority of our GHG emissions are indirect (Scope 3), accounting for 97 per cent of total emissions, on a market-based approach. Within Scope 3 emissions, purchased goods and services represent 92 per cent of emissions, largely due to the embodied carbon in steel. We continue to be committed to addressing our Scope 3 emissions, in particular those from purchased goods and services, in order to achieve our strategic objective of Net Zero across all emissions by 2050 (as approved by SBTi).

Additional Scope 3 categories

	Tonnes of CO_2e	
GHG emissions from:	**2024**	2023
Purchased goods and services	**184,090**	213,586
Fuel and energy related	**2,504**	2,589
End of life treatment	**104**	93
Investments	**1,377**	1,665
Total unverified Scope 3 CO_2e emissions	**188,075**	217,933

Progress against our targets

The Group has made good progress again during the year in managing its energy, fuel consumption and emissions and we have been recognised as leaders in our sector for our work to date in reducing carbon emissions in a number of areas. For the fourth year running, we have been included in the Financial Times' listing of Europe's climate leaders, published in April 2024. This list includes c.500 companies that have achieved the greatest reduction in their Scope 1 and 2 GHG emissions intensity over a five-year period between 2017 and 2022.

As we continue to reduce our GHG impact, we focused on the use of diesel alternatives for our plant and machinery. From the previous year, we have decreased the use of diesel plant and machinery by 18% as we introduced further electric and hybrid options to our operations.

We have also been recognised as 'A List' leaders for Climate in the annual CDP disclosure. This annual rating is based on CDP's evaluation of the Group's strategy, goals and actual emission reductions as well as transparency and verification of our reported data. The rating also assesses the completeness of the Group's measurement and management of our carbon footprint, our risk management process and our sustainability strategy. This demonstrates our thorough understanding of risks and opportunities related to climate change, and that we have formulated and implemented strategies to mitigate the effects of our operations on the environment.

We have also maintained a CDP supply chain score of 'A-', which is well above the construction industry average of 'B-'.

As part of embedding carbon awareness within the business, we designed and developed an internal e-learning module on the subject. This module was mandatory for both office and operational staff as part of giving our colleagues the knowledge and tools to help support our Group-wide targets when it comes to carbon reduction and sustainability.

Since 2021, the Group has been accredited as an operationally carbon neutral organisation to the Achilles 'carbon zero' standard in accordance with ISO 14064-1. We use carbon offsetting to eliminate the combined Scope 1, Scope 2 and operational Scope 3 GHG emissions generated from our manufacturing facilities and construction sites. In line with the SBTi methodology, carbon offsetting can only be used against the last 10% of residual emissions so we will rely on them less over time. However, at present, they are an important step in our sustainability journey towards Net Zero.

As part of our continued commitment to excellence, we maintained accreditation to the Gold Membership Standard of the Steel Construction Sustainability Charter. Through our Gold Membership with the Supply Chain Sustainability School, we continue to complete learning pathways and attend targeted sustainability training in collaboration with our stakeholders.

2025 areas of focus:

- Monitor and report on the Group's SBTi targets.
- Maintain our supply chain engagement programme and track suppliers' sustainability targets in line with our sustainable procurement strategy.
- Continue to seek opportunities to increase waste reduction across the Group.
- Continue to upskill our colleagues in knowledge on sustainability and wider ESG topics.
- Work with VSCH to further embed sustainability into their business practice in line with Group.

BUILDING A RESPONSIBLE AND SUSTAINABLE BUSINESS

PEOPLE

Why is it important?

Our people are our biggest asset and we are committed to effectively managing all aspects of health and safety and creating a safe, inclusive, and diverse working environment where everyone can thrive.

We have 1,900 colleagues across our manufacturing facilities, construction sites and offices. Our mix of designers, project managers, quantity surveyors, estimators, engineers, fabricators, steel erectors and support function experts work together with a clear, shared purpose, to create better ways to build, for a world of changing demands.

We continue to build sustained business performance through our rigorous approach to ESG and through embedding our values, The Severfield Way. The Severfield Way gives our colleagues clarity on our collective ways of working and expected behaviours so that we can continue to deliver effectively and efficiently for our clients.

Ensuring our colleagues can be their best everyday is critical to us achieving our business goals and ambitions, to enable this our focus remains on:

1. **Looking after the people who work for and with us**
2. **Developing and maintaining a robust, diverse talent pipeline**
3. **Creating a culture of inclusivity**
4. **Delivering social value**

BUILDING A RESPONSIBLE AND SUSTAINABLE BUSINESS

PEOPLE

1. LOOKING AFTER THE PEOPLE WHO WORK WITH AND FOR US

Safety, health and wellbeing remain of paramount importance to our business and without exception, the board, management and our colleagues remain committed to sector-leading performance.

We recognise the sector we work in comes with a high level of risk, both within our factories and on our construction sites, and to this end we have sector-leading provisions for ensuring we keep everyone affected by our activities safe and well.

Our Leadership Commitment

Safety, health and environment remains at the top of the executive committee agenda and our performance is monitored closely with a focus on ensuring the Group IFR continues to improve, whilst supporting the need to ensure all incidents are reported and appropriately investigated.

The executive committee continues to scrutinise High Potential Near reports ('HiPo') and RIDDOR (Specified injury or over seven-day incidents, three days in Northern Ireland) reports to ensure lessons learnt and appropriate corrective actions are in place to prevent reoccurrence.

Our progress

During the year, we introduced private medical cover for all colleagues. Our provision of mental and physical health support has gone from strength to strength with videos and personal stories shared on our intranet (Connect) and lunch and learn sessions delivered virtually and in person on nutrition and health. Our trained mental health first aiders continue to be on hand to offer support and guidance to colleagues when they need it.

2024 has seen further improvements to our performance, accident frequency rate dropped to 0.12 from 0.14 and the IFR fell to 1.23 from the 2023 figure of 1.61.

We have a positive reporting culture and we look to proactive measures to further improve health, safety and wellbeing at Severfield. Our behavioural safety initiative Safer@Severfield has moved on to Stage 2 where the focus is on us all to make the right decisions around safety whether it is carrying out a task or putting others to work, the message is clear – make the right decision and we will all be Safer@Severfield.

Our Group systems remain accredited to the highest standards, we remain certified to International Management systems ISO45001 (Occupational Safety and Health) and ISO14001 (Environmental Management). We are accredited to industry-leading compliance standards such as CHAS, Constructionline and Achilles.

2025 areas of focus

In line with our strategy, we aim to continue improving our safety performance and are in the process of adopting positive leading indicators to drive preventative workforce behaviours.

We also plan to evaluate new solutions, including the use of technology to further improve our safety performance.

2. DEVELOPING AND MAINTAINING A STRONG AND DIVERSE TALENT PIPELINE

The future of the business depends on our ability to attract, recruit, develop and retain individuals with the right mix of expertise, technical skills, and personal qualities.

Our industry continues to face significant skills shortages in relation to fabrication and welding and broader diversity remains a challenge.

Our Leadership Commitment

Our executive committee spend significant time on reviewing our strategic workforce plan and data from our performance and potential reviews. Reviews take place quarterly within each of our business units. We believe that being able to promote from within is critical so that we can retain specialist skills and experience, especially given the capabilities and expertise that we provide to our clients. Our board have regular updates on all aspects of our approach to managing performance, developing skills and progressing careers.

Our progress

The performance and potential of c.800 colleagues was assessed in detail during the year and enabled the board to have a complete and clear picture of talent across the Group, ensuring the strategies are in place to further develop and retain the leaders and specialists we need for our future. In addition, this important piece of work enabled us to review our succession plans for the executive committee and business unit management boards. As a result of this process, we identified individuals from across our group to take part in a number of personal and leadership development activities. Our Strategic Leaders Programme targeted those in roles one level below our executive committee, our two-day Development Centre put several of our senior leaders through their paces and our inaugural LEAD (leadership discovery and exploration programme) challenged the thinking of many aspiring leaders from across our Group. These three programmes build on each other and form a strong ethos and culture of development at all levels.

Our focus on early careers, to address future skills shortages, has continued to be strong with 29 graduates and apprentices joining us on one of our ‘development on a different scale’ programmes. We plan to recruit c.40 apprentices in 2024 across fabrication, maintenance, painting, welding and the drawing office. This continued commitment to providing opportunities for earning whilst learning enabled us to maintain our prestigious Gold Member status of ‘The 5% Club’ which recognises the UK’s leading employers of apprentices, graduates and degree placement students. Across the Group we currently employ 81 colleagues who are either on a formal apprenticeship or undertaking qualifications through the apprenticeship route.

We have continued to increase investment in our Learning Academy with the addition of MyLearning (a learning management system) this has enabled greater visibility of all aspects of training data, improved roll out of compliance eLearning and greater access to learning materials for all our colleagues.

Our online performance review process, MyPerformance, is continuing to be rolled out across the different levels in our business and enables managers and colleagues to have open, honest conversations about their current performance, future goals, personal development, and career aspirations.

2025 areas of focus

We will continue to deliver a wide range of internally and externally provided training courses, both face-to-face and through eLearning. Throughout 2024, we will extend the reach of our MyPerformance and MyCheck-In process so that all colleagues have the opportunity for feedback and to have a discussion about their current and future aspirations.

We are also exploring certain international options to recruit fabricators and welders to ensure we have the skills necessary to support the Group’s growth plans.

BUILDING A RESPONSIBLE AND SUSTAINABLE BUSINESS

PEOPLE

3. CREATING A CULTURE OF INCLUSIVITY

We are committed to building a supportive, diverse, and inclusive working environment where all colleagues feel they belong.

Ensuring we have multiple avenues to enable meaningful dialogue with our people is key to achieving this aim. Our intranet 'Connect' enables us to update colleagues on the strategy, performance and progress of the organisation, general Company news and health and wellbeing issues. Colleagues have the ability to comment on articles, take part in surveys and share their views. Monthly colleague engagement with the platform is at 60 per cent. Toolbox talks, manager briefings, emails, and Skyline (our Company magazine) all play their part in keep our colleagues informed and connected.

Employment policies

Our leadership teams are committed to fair and transparent recruitment, selection, development and promotion processes, which are underpinned by our Equal Opportunities and Diversity Policy. In recruitment, through using interviews, aptitude testing, styles profiling and assessment centres, we can ensure a candidate's aptitude and abilities adequately meet the requirements of the role, regardless of gender, ethnicity, disability or sexual orientation. Training, development and promotion opportunities are open to all and reasonable adjustments are made to accommodate the needs of those who require them. If a colleague becomes disabled during their employment with us then appropriate training, development, adjustments, and support are made available to enable them to remain in employment for as long as practicable.

Our leadership commitment

Through working closely with Louise Hardy (the Group's designated non-executive director responsible for workforce engagement) our MyVoice Forum has enabled many colleagues concerns to be raised and tackled. Improvements to benefits, enhanced facilities for our manufacturing colleagues and access to information are just a few of the topics that have been raised and improved throughout the year. Minutes of each meeting are shared with the executive committee and board and detailed communication is shared with all colleagues through our intranet. Each executive committee member takes personal responsibility for ensuring actions in their areas are progressed and closed out.

Our progress

We are committed to building diversity, equality and inclusion into everything we do and continue to implement the right conditions for all colleagues to achieve their full potential and bring their whole, authentic self to work. With only 9 per cent of our workforce being female greater focus is being placed on our hiring practices, candidate attraction and retention.

During the year, our first female mentoring programme took place with 14 females from all aspects of our business. The programme drew to a close on International Women's day celebrating the progress and learnings from the group.

All of our executive committee actively participated in dignity and respect training, leading the way for this to start being rolled out across the organisation.

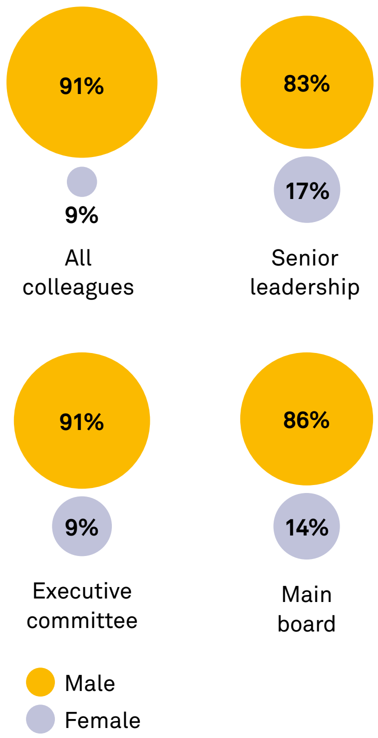
Following this, over 40 of our managers and team leaders from our largest manufacturing facility took part in dignity and respect workshops in advance of us welcoming a number of new starters from Zimbabwe and South Africa, ensuring a welcoming, supportive and inclusive culture.

We continue to track diversity data and this is shared with management teams on a quarterly basis.

All colleagues have had the opportunity to share with us their own diversity data and information on ethnicity, disability, sexual orientation, religion or belief and gender has been collated giving us a better understanding of under-represented groups in our workforce.

This data has become an integral part of the decision-making process around talent, performance, and reward. Using the data we held on gender in our pay review processes we have been able to narrow the gap between the average male and female salaries by 8.7 per cent over the past three years. We pay close attention to hourly rate differentials between males and females at each of our career levels and are pleased to have achieved a normalised hourly rate ratio of 1.00. Our median gender pay gap for the Group stands at 15 per cent, which is a small increase on previous years due to pay increases for certain areas to address the recruitment and retention challenges we faced. All of our colleagues are paid at or above the real living wage.

Gender diversity statistics



	Male #	Female #
Main board	6	1
Executive committee	10	1
Senior leadership*	42	11
All colleagues	1,720	180

* Senior leadership is defined as the two career levels below the executive committee.

At 30 March 2024, the board had 1 female director (14 per cent). Female representation on our executive committee was 1 (9 per cent). The Company have a 'career level structure' (underpinned by AON's Joblink methodology) with the executive committee (excluding executive directors) being the most senior level. For the two levels below this, our female representation is 10 per cent and 23 per cent, respectively.

We have continued to offer all colleagues the opportunity to share in the future success of the business through investing in an annual SAYE scheme, with 18 per cent of the workforce participating in this year's scheme. Our pension offering to all colleagues (including executive directors) is 7 per cent employee contribution matched by a 7 per cent employer contribution. In December 2023, consistent with previous years, we paid all employees that are not part of the annual bonus scheme, a 'festive gift' of £750.

2025 areas of focus

Ensure all leaders undertake 'dignity and respect' training through our partner (EA Inclusion) ensuring we create an environment where everyone can feel they belong.

Embed The Severfield Way values into all that we do.

BUILDING A RESPONSIBLE AND SUSTAINABLE BUSINESS

PEOPLE

4. DELIVERING SOCIAL VALUE

We understand that focusing on the social value we create has a huge potential to help us change the way we understand the world around us, and make better decisions about where we invest our resources.

Our leadership commitment

Our sustainability steering committee meets eight times a year and focuses on all aspects of our ESG agenda (people, planet, prosperity and principles of governance).

Our progress

During the year, we have refined our approach to social value and have embraced the nationally recognised 'Themes, Outcomes and Measures' ('TOMs') Framework. The framework enables us to measure our social value contribution and is based on the Social Value Act's themes of social, economic and environmental wellbeing and it is aligned to the UN 17 Sustainable Development goals.

We have defined our baseline year (2022) in line with TOMs and are able to report on a number of key indicators associated with the framework.

Through The Severfield Foundation (the 'Foundation'), incorporated back in 2016, we have continued to support local charities and organisations, with strong connections to our colleagues, through charitable contributions and by encouraging our people to donate their time to local communities and charitable initiatives.

Our employees coordinate the Foundation's activities, contributing to and taking part in events. With their help and commitment, we will be able to support disadvantaged people and local communities for many years.

During the year, we have supported many different charities, from air ambulances, to hospices, to local community groups, and have provided support and guidance to help support those facing social and financial deprivation. our colleagues across the business have raised over £67,000 for these causes.

Following feedback from our MyVoice Forum we piloted a one-day paid Colleague Volunteering Programme. The six-month trial proved a big success and we will be rolling the policy out across the Group in 2024. Volunteering opportunities will be limited to three key areas, these are areas we have identified as being of significant importance to the business and our communities: Assisting the local charities that we support through The Severfield Foundation, supporting STEM activities and undertaking activities aligned to the projects we are delivering in the communities where they have an impact.

During the year, we have developed and trialed a social value reporting system enabling us to track and measure the value we create through all of our activities. This will ensure we continue to focus on areas that have the biggest impact on the communities in which we operate.

2025 areas of focus

Roll out and encourage employees volunteering policy uptake.

Throughout our activities we want to achieve a year-on-year increase our social value delivery (10 per cent).

Monitor Group and divisional targets set for social value delivery before seeking an external recognition for our achievement.

CASE STUDY

THE 5% CLUB – GOLD

This award recognises our significant contribution to the continued development of all our employees through 'earn & learn' schemes such as apprenticeships, graduate schemes and sponsored students course placements.

We are proud of our investment in early careers, which helps accelerate skills in the workforce and address UK skill shortages, supporting our Company and the wider economy. In the last year, we have recruited 26 apprentices and 3 graduates.

81
Earning & learning

2,329
NVQ training weeks

CASE STUDY

FEMALE MENTORING

Severfield champions diversity and attracting and engaging women to its ever-growing workforce has been a key focus in recent years.

There is a shortage of females in most roles across the construction industry and we are tackling the issue head-on through a variety of initiatives, including better engagement with those in education, better maternity pay, training on unconscious bias, and breaking down barriers through our newly launched female mentoring programme. The programme pairs female colleagues with an external mentor, providing insights from other career driven women, to help build experience and grow confidence to create the leaders of tomorrow.

14
Colleagues on the programme

BUILDING A RESPONSIBLE AND SUSTAINABLE BUSINESS

PROSPERITY

Why is it important?

Striving for continuous improvement across our four sustainability pillars is essential to support the long-term success and sustainability of the Group. Delivering value, in an ethical and transparent manner, helps to build strong relationships with customers, suppliers and shareholders, increasing our prospects of accessing new business opportunities.

Management approach

As outlined in the 'principles of governance' section, our interactions with stakeholders are governed by several key corporate policies and procedures, including modern slavery, human rights, anti-bribery, competition law and whistleblowing. Our policies require us to conduct our business in an open and honest way, and, as a result, we aim to have a positive impact on our local communities in which we operate.

Much of the value the Group creates is redistributed throughout the local communities, through payments to local suppliers, to our local workforce (wages and benefits), to the Group's providers of our financing facilities and other capital providers (interest payments, loan repayments and dividends) and as donations to local charities and community groups supported by our colleagues.

We acknowledge that improving our sustainability performance is only possible if we collaborate with businesses that share our commitment. Our supply chain predominantly consists of subcontractors working on our sites, and materials suppliers. We have a comprehensive Group-wide supplier accreditation process, managed through our central procurement team, which continually assesses our supply chain on areas including quality, safety, responsible manufacturing and ethical resourcing to ensure compliance with the Group's policies.

Through our central engineering team and Project Horizon (our digital transformation project), we are constantly striving to develop innovative products and services that deliver positive environmental or social outcomes through the value chain and will contribute to the Group's sustainable growth. In order to achieve this aim, the recruitment, development and retention of highly skilled employees who are proficient in new and emerging digital technologies is key and aligns to our second sustainability focus area of 'people'.

Our progress against our targets

During the year, the Group generated economic value of £463.5m (2023: £491.8m), a reduction of 5.8 per cent from the prior year and distributed £438.3m (2023: £467.5m), resulting in economic value retained of £23.0m (2023: £27.1m).

In 2024, the Group continued its work to embed its sustainability framework into our purpose and corporate strategy and to further evolve our sustainability reporting to provide our stakeholders with transparent and useful information on the Group's climate-related risks and opportunities, in line with the TCFD recommendations.

The Group's high-quality order book of £478m at 1 June 2024 (2023: £482m at 1 November 2023) contains c.42 per cent of value from projects that are contributing to positive environmental outcomes, including battery plants and projects developing the UK's rail infrastructure, especially, but not limited to, those for HS2 and the electrification of the rail network.

Similarly, the current level of tendering and pipeline activity across the Group is very encouraging and also includes a good proportion of projects which will contribute to the green energy transition.

During the year, 100 per cent (2023: 100 per cent) of the Group's suppliers were subject to our annual supply chain contractor due diligence reviews to ensure our supply chain maintains the highest operational and ethical standards. Our commitment to bring our supply chain along on our sustainability journey is underpinned by our 'very good' BES 6001 accreditation and 'A minus' CDP supplier engagement rating.

Recognising the importance of dividends to our shareholders and to our investment case, we paid ordinary dividends of £10.7m (2023: £9.9m), an 8.1 per cent increase on the prior year.

2025 areas of focus

- Continue to make progress with our Project Horizon initiatives and increase automation within the Group.
- Continue to grow our revenues benefiting from the green energy transition and our stronger market position in Europe.

BUILDING A RESPONSIBLE AND SUSTAINABLE BUSINESS

PRINCIPLES OF GOVERNANCE

Why is it important?

The Severfield Way is to do the right thing and this means that we conduct our business lawfully and ethically. We strive to uphold the highest standards of ethics and act with integrity in accordance with our values.

Good governance is key to ensuring the Group's long-term sustainability. The board has overall responsibility for the Group's sustainability strategy and determining its risk appetite. The level of risk it is considered appropriate to accept in achieving the Group's strategic objectives is reviewed and validated by the board. The appropriateness of the mitigating actions is determined in accordance with the board-approved risk appetite for the relevant area. This process includes the identification and management of climate-related and other sustainability-related risks.

Our sustainability committee

Our sustainability committee oversees the development and monitoring of our sustainability strategy and sets and monitors the Group's sustainability targets and metrics (see page 71). This gives us a well-defined management structure to help us achieve our sustainability objectives with oversight of all strategic sustainability risks and opportunities affecting the Group.

Scenario analysis progress

This year, we have included in our TCFD report (see page 68) the quantitative outputs from the financial modelling undertaken on the three climate-related risks, which were disclosed last year and we have disclosed our key ESG metrics and targets and our approach to monitoring progress against them. This has allowed us to complete our disclosure in line with the requirements of TCFD and the recently introduced requirements in the UK Companies Act 2006. Next year we commit to including data from VSCH in our future analysis once we have appropriate processes in place to accurately capture and report the data.

Management approach

Business ethics and compliance with the Group's policies and procedures, which establish the rules of conduct within Severfield, are all extremely important. We ensure compliance by ensuring all our colleagues are fully trained on the content of our key corporate policies, including modern slavery, human rights, anti-bribery, competition law and whistleblowing (see below for further details). These policies are reviewed and updated every year.

These policies require all colleagues to not only operate in compliance with applicable laws and regulations, but to do so also in accordance with internal controls and reporting requirements. They are regularly reviewed and updated and frequent training via our e-learning platform, Cognexo, is provided to all relevant colleagues. The Group's suite of policies is available on our website.

As set out in our Group assurance map and compliance framework, the board also relies on our financial controls, compliance with the Group's authorisation policy and general management oversight and review of financial and other reporting. All our businesses operate local processes to ensure policies are effectively implemented.

Our progress against our targets

We have a comprehensive Group-wide supplier accreditation process, which involves reviewing and scoring supplier performance on criteria such as quality and safety and providing them with constructive feedback. During the year, we maintained our 'A-' rating in the CDP's annual supplier engagement rating. This is designed to evaluate and drive action on corporate supply chain engagement on climate issues. The scope of the review includes governance, targets, value chain emissions and supplier engagement strategies.

In 2024, the Group, again, had no incidents of bribery or corruption confirmed during the year (either relating to 2024 or previous years) and there were no incidents of discrimination reported during the year (either through HR or whistleblowing disclosures). In addition, the Group received no fines or sanctions imposed for legal or regulatory breaches (including health, safety and environmental) or relating to non-compliance with laws and regulations during the year. The Group is in ongoing discussions with HMRC regarding an assessment raised for historical tax liabilities, which the Group disputes. Further details are included in note 5.

During the year, over 90 per cent of our colleagues, including all office and senior factory and site personnel, completed regular ethics training (using Cognexo) based on the Group's following policies:

- health and safety policy;
- equal opportunities and diversity policy;
- information security policy; and
- sustainability policy.

In addition, our senior managers were given specific training via our online learning management system on fraud awareness, corporate criminal offences including tax evasion and a refresher course on anti-bribery and corruption.

Modern slavery

The board annually reviews and approves the Group's modern slavery statement. The 2024 statement is available on our website and explains the actions taken to ensure that we provide the appropriate level of training to members of our workforce, raise awareness of modern slavery among all members of staff, and do not undertake activities or engage suppliers or subcontractors who undertake activities that may be in breach of the Modern Slavery Act 2015. This year, we have updated our modern slavery statement in line with best practice, designed new awareness training for our staff through our learning management system, and devised an improvement plan for our approach to modern slavery with our suppliers.

Human rights

We remain committed to protecting and respecting the human rights of our colleagues and those who work throughout our supply chain. As a Company operating within the UK, the key human rights issue we face is equality, which we address with training and promoting inclusivity.

Anti-bribery and corruption

Bribery and corruption are criminal offences in the countries in which the Group operates. We have a responsibility to our stakeholders to conduct our business in an honest and ethical manner. Our Group anti-bribery policy and our ethics policy (both of which were updated this year) prohibit all forms of bribery, both in giving and receiving, wherever the Group operates. This includes our colleagues and any agent, contractor, consultant or business partner acting on our behalf or under our control whether in the UK or abroad. No concerns have arisen in relation to such matters during the year and the Group does not regard corruption or bribery as a principal risk. Part of our policy is to undertake due diligence on the risks associated with operating in any high-risk locations.

Whistleblowing

We encourage effective and honest communication, and we respond immediately to any malpractice brought to our attention. Our whistleblowing policy enables anyone to raise genuine concerns about malpractice in the knowledge that their concerns will be taken seriously and that they will be protected from possible reprisals by colleagues and management. We also publish details for Protect, an independent charity, allowing colleagues to raise concerns or seek advice from someone outside of the Group. Any whistleblowing report is immediately reported to the Group's legal director, Group HR director or Group SHE director, as appropriate, and is investigated quickly with appropriate feedback provided to the whistleblower.

Tax transparency

The Group is committed to compliance with all applicable tax laws and regulations across all the countries in which we operate. We focus on ensuring that, across the wide remit of taxes, the Group has comprehensive governance and risk management processes in place to allow us to meet our obligations.

We maintain a good, open and honest working relationship with HMRC and other relevant tax authorities, seeking to clarify any areas of potential uncertainty in relation to new or existing tax legislation at an early stage, and we have regular meetings with HMRC to update on the Group's performance and structure. We do not engage in any aggressive tax planning of tax avoidance schemes.

To comply with the Corporate Criminal Offences ('CCO') rules, we have rigorous procedures in place for preventing the facilitation of tax evasion and ensure that all relevant colleagues are trained in the key aspects of the relevant legislation, including the IR35 rules. In 2023 we completed a CCO workshop, facilitated by external experts, to keep our colleagues and procedures up to date. Further enhancements have been made following the workshop to address recommendations to achieve best practice.

During the year, we voluntarily published a tax strategy on our website. Whilst the Group is not currently legally required to publish a tax strategy, we have elected to do so as part of best practice and in accordance with our policy of transparent tax reporting. The Group recognises the importance of corporate social responsibility and understands the importance of paying taxes in the jurisdictions in which it operates.

Fraud

Following the introduction of the Economic Crime and Corporate Transparency Act 2023, we have developed a comprehensive fraud prevention policy and a fraud risk assessment and have rolled out training to all our senior managers on the key issues they need to be aware of and the actions they need to address in their respective roles.

HOW WE MANAGE RISK

Strong and effective risk management is at the heart of how the directors run the business and supports the achievement of the Group's strategic objectives.

Our key focus areas in 2024

- Continued focus on mitigating people risk, our ability to identify, attract, develop and retain talent, in particular in our factories.
- Continued identification and mitigation of sustainability risks, including quantitative climate scenario analysis and the setting and defining of targets in line with TCFD requirements.
- Continued focus on mitigating cyber security risk.

Our future priorities for 2025

Some of our main priorities (and emerging risks) this year will be:

- Health and safety – reviewing our strategy for preventing and mitigating safety-related incidents including the use of positive leading indicators to drive preventative workforce behaviours
- Cyber security – ensuring we continuously evaluate and test our cyber resilience against known and emerging threats.

Changes to principal risks

The following changes have been made to the Group's principal risks in 2024:

- Commercial and market environment risk has been upgraded from medium risk to high risk, due to uncertainty in the UK construction market in 2024.
- Cyber security risk has been upgraded from medium risk to high risk reflecting uncertainty around the pace at which the threat is escalating and the ever-increasing level of protection that is required to mitigate the risk of a significant breach.
- Removal of sustainable and responsible business as a principal risk since we now have a clearer understanding of stakeholder expectations and our ability to meet them.

Other principal risks remain largely unchanged from last year. Changes have also been made to the detailed descriptions of mitigation to reflect ongoing activity in the year.

Risk appetite

The level of risk it is considered appropriate to accept in achieving the Group's strategic objectives is reviewed and validated by the board. The appropriateness of the mitigating actions is determined in accordance with the board-approved risk appetite for the relevant area.

The organisation's approach is to minimise exposure to reputational, financial and operational risk, while accepting and recognising a risk and reward trade-off in the pursuit of its strategic and commercial objectives. It has a zero tolerance for risks relating to health and safety. However, management recognises that certain strategic, commercial and investment risks will be required to seize opportunities and deliver growth in line with the Group's strategic objectives.

The Group establishes its risk appetite through use of delegated authorities so that matters considered higher risk require the approval of senior management or the board. These include, but are not limited to, tender pricing, bid submissions, approval of contract variations and final account settlements, capital requirements, procurement, and certain legal and strategic matters.

Risk management process

The board has overall responsibility for the Group's risk management and systems of internal control and for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives. An ongoing process has been established for identifying, evaluating and managing the significant risks faced by the Group. This includes emerging risks such as the successful integration of our recent acquisitions.

The audit committee, on behalf of the board, formally reviews principal and emerging risks and mitigations for the Group and each of the businesses on a biannual basis. The key elements of this risk management process are:

- Senior management from all key disciplines and businesses within the Group continue to be involved in the process of risk assessment and monitoring in order to identify and assess Group objectives, key issues, emerging issues and controls. Further reviews are performed to identify and monitor those risks relevant to the Group as a whole. This process feeds into our assessment of long-term viability and encompasses all aspects of risk, including operational, compliance, financial, strategic, and sustainability issues.
- Identified risk and emerging risk events, their causes and possible consequences are recorded in risk registers. Their likelihood and potential business impact and the control systems that are in place to manage them are analysed and, if required, additional actions are developed and put in place to mitigate or eliminate unwanted exposures. Individuals are allocated responsibility for evaluating and managing these risks within an agreed timetable.
- Ongoing risk management and assurance is provided through various monitoring reviews and reporting mechanisms, including the executive risk committee (chaired by the Chief Executive Officer), which convenes on a weekly basis and has the primary responsibility to identify, monitor and control significant risks to an acceptable level throughout the Group. The committee receives information on relevant risk matters from a variety of sources on a regular basis.

- Divisional company boards consider and report on risk on a monthly basis as part of the monthly business review process. In doing so they identify emerging risks. This process is followed to ensure that, as far as possible, the controls and safeguards are being operated in line with established procedures and standards.
- On a quarterly basis, the significant risks identified by the Group's businesses are discussed in detail with each management team. In addition, the Group legal director and Group IT director meet on a quarterly basis to review IT risks facing the Group, the sustainability risk review committee (comprising the Group legal director, the Group SHE director, Group financial controller and the Group head of ESG) meet on a quarterly basis to review sustainability risks facing the Group and the people risk review committee meets on a regular basis to review people risks facing the Group. The outcome of these discussions is collated and reported to the executive committee.
- All of these risk registers are updated and, together with a consolidated Group risk register compiled by the executive committee, are reported to the audit committee twice yearly, to ensure that adequate information in relation to risk management matters is available to the board and to allow board members the opportunity to challenge and review the risks identified and to consider in detail the various impacts of the risks and the mitigations in place.
- A Group assurance map is used to co-ordinate the various assurance providers within the Group and a compliance framework provides the board with a ready reference tool for monitoring compliance across the Group.

GROUP BOARD

RISK APPETITE

FIRST LINE OF DEFENCE

Management activity

Divisional boards

Internal controls:

- Project management procedures
- Health and safety
- Financial control
- Cash and working capital management

SECOND LINE OF DEFENCE

Group oversight

Group policies

- Group authorisation policy
- Group finance manual
- Contract sign-off process
- Purchase guidelines
- Quality manual
- SHE policies
- Information security management policy

Committees

- Executive committee, risk committee, sustainability committee and information security management committee
- Audit committee
- Nominations committee
- Remuneration committee

THIRD LINE OF DEFENCE

Independent review

Divisional boards

Internal controls:

- External audit
- Internal audit
- Other third-party assurance

HOW WE MANAGE RISK

Management activity
The first line of defence involves senior management implementing and maintaining effective internal controls and risk management procedures. These internal controls cover all areas of the Group's operations. There are inherent limitations in any system of internal control and, accordingly, even the most effective system can provide only reasonable, and not absolute, assurance against material misstatement or loss. The system is designed to manage rather than eliminate the risk of failure to achieve the Group's objectives. The Group's policies and procedures are continuously under review and are improved to ensure they are adequate for our current circumstances. On acquisition, as part of integration, new businesses adopt these policies and procedures on a phased basis.

The key features of the Group's framework of internal controls are as follows:

Project management procedures
Project risk is managed throughout the life of a contract from the tender stage to completion. Individual tenders for projects are subject to detailed review with approvals required at relevant levels and at various stages from commencement of the tender process through to contract award. Tenders above a certain value and those involving an unusually high degree of technical or commercial risk must be approved at a senior level within the Group. Robust procedures exist to manage the ongoing risks associated with contracts. Regular monthly contract reviews to assess contract performance, covering both financial and operational issues, form an integral part of contract forecasting procedures.

Health and safety
Health and safety issues and risks are continually monitored at all sites and are reviewed on a monthly basis by senior management and the board. The Group has a well-developed health and safety management system for the internal and external control of health and safety risks, which is managed by the Group SHE director. This includes the use of risk management systems for the identification, mitigation and reporting of health and safety management information.

Financial control
The Group maintains a strong system of accounting and financial management controls. Standard financial control procedures operate throughout the Group to ensure the integrity of the Group's financial statements.

The Group operates a comprehensive budgeting and forecasting system. Risks are identified and appraised throughout the annual process of preparing budgets. The annual budget and quarterly forecasts are approved by the board.

A formal quarterly review of each business's year-end forecast, business performance, risk and internal control matters is carried out by the directors of each business unit with the Chief Executive Officer and Chief Financial Officer in attendance.

Cash and working capital management
Cash flow forecasts are regularly prepared to ensure that the Group has adequate funds and resources for the foreseeable future and is in compliance with banking covenants.
Each business reports its cash position daily. Actual cash performance is compared to forecast on a weekly basis.

Group oversight
The first line of defence is supported by certain Group policies, functions and committees which, in combination, form the second line of defence.

Group policies
Internal controls across financial, operational and compliance systems are provided principally through the requirement to adhere to the Group finance manual, divisional procedures and a number of Group-wide policies (such as the Group authorisation policy, the contract sign-off process, the purchase guidelines, the anti-bribery and corruption policy, the competition law compliance policy, the quality manual, the health and safety policy and the environmental policy). During the year, we were audited successfully on our ISO 27001 accreditation for our information security management system and a separate committee reviews any information security issues impacting the Group. This continues to give further assurance as to the Group's resilience to cyber risk, which is a subject that is also discussed regularly at main board level.

These policies are supported by statements of compliance from all directors and letters of assurance ('LoA') from the Group's managing directors. LoAs are required twice yearly, one at 30 September and one at 31 March, supported by an internal control questionnaire ('ICQ'), which is completed by each business unit and which provides a detailed basis for management to satisfy themselves that they are complying with all key control requirements. The responses in these ICQs are subject to ongoing independent review by EY, the oup's internal auditor, who replaced the incumbents PwC during 2024.

The following main committees provide oversight of management activities:

The executive committee, risk committee, sustainability committee and the information security management committee

These committees are responsible for the identification, reporting and ongoing management of risks and for the stewardship of the Group's risk management approach.

The audit committee

The board has delegated responsibility to this committee for overseeing the effectiveness of the Group's internal control function and risk management systems.

The nominations committee

This committee ensures that the board has the appropriate balance of skills and knowledge required to assess and address risk and that appropriate succession plans are in place.

The remuneration committee

This committee ensures that the board complies with regulations and best practice regarding remuneration and that remuneration policy remains appropriate for attracting and retaining management of the right calibre.

Independent review

The third line of defence represents independent assurance, which is provided mainly by the internal auditor, external auditor and various external consultants and advisers. External consultants and advisers support management and the board through ad hoc consulting activities, as required, including the Group's insurance brokers Lockton and Marsh.

Internal auditor

The audit committee annually reviews and approves the internal audit programme for the year. The committee reviews progress against the plan at each of its meetings, considering the adequacy of audit resource, the results of audit findings and any changes in business circumstances which may require additional audits.

The results of internal audits are reported to the executive team and senior management and, where required, corrective actions are agreed. The results of all audits are summarised for the audit committee along with progress against agreed actions.

Annual review of effectiveness

The risk management and internal control systems have been in place for the year under review and up to the date of approval of the annual report and are regularly reviewed by the board. The board monitors executive management's action plans to implement improvements in internal controls that have been identified following the processes described.

During the financial year, any control weaknesses identified through the operation of our risk management and internal control processes were remediated and subsequently monitored in line with normal business operations. The board confirms that it has not identified any significant failings or weaknesses in the Group's systems of risk management or internal control as a result of the information provided to the board and resulting discussions.

Principal and emerging risks

The board has carried out a robust assessment of the principal and emerging risks and uncertainties, which have the potential to impact the Group's profitability and ability to achieve its strategic objectives. These are set out in the following table. In reviewing our risk registers we consider our principal and emerging risks and in assessing those risks, we take into account the correlation between different risks and ensure they are weighted appropriately. This exercise informs our scenario analysis used in the viability statement. This list is not intended to be exhaustive. Additional risks and uncertainties not presently known to management or deemed to be less significant at the date of this report may also have the potential to have an adverse effect on the Group.

HOW WE MANAGE RISK

Principal risk	Strategic pillars	Link to KPIs	Movement	Scoring
1 Health and safety	Growth, Operational excellence	1, 2, 3, 5, 6, 7	No change	High
2 Supply chain	Growth, Operational excellence	1, 2, 3, 4, 5, 6	No change	Medium
3 People	Growth	1, 2, 3, 6	No change	Medium
4 Commercial and market environment	Growth, Operational excellence	1, 2, 3, 4, 5, 6	Upward trend	High
5 Mispricing a contract (at tender)	Growth, Operational excellence	1, 2, 3, 4, 5	No change	Medium
6 Cyber security	Growth, Operational excellence	1, 2, 4, 5	Upward trend	High
7 Failure to mitigate onerous contract terms	Growth, Operational excellence	1, 2, 4, 5	No change	Medium
8 Industrial relations	Growth, Operational excellence	1, 2, 3, 5	No change	Medium

Scoring

The scoring of each risk as high or medium is determined based on the scoring of the risk within the Group's risk register. This scoring takes into account the potential impact and likelihood associated with the crystallisation of each risk (the assessment of impact takes into account both financial and reputational issues). Only high and medium risks are considered sufficiently significant for disclosure in the annual report.

Strategic pillar key

- Growth
- Operational excellence
- India

Movement

- Upward trend
- Downward trend
- No change
- New

Scoring

- High
- Medium

KPI key

1. Underlying op profit and margin
2. Underlying BEPS
3. Revenue
4. Operating cash conversion
5. ROCE

6a UK&E OB

6b India OB

7 Injury frequency rate ('IFR')

1 HEALTH AND SAFETY

Description

The Group works on significant, complex and potentially hazardous projects, which require continuous monitoring and management of health and safety risks. Ineffective governance over, and management of, these risks could result in serious injury, death and damage to property or equipment.

Impact

A serious health and safety incident could lead to the potential for legal proceedings, regulatory intervention, project delays, potential loss of reputation and ultimately exclusion from future business. Continued changes in legislation can result in increased risks to both individuals and the Group.

Mitigation

- Established safety systems, site visits, safety audits, monitoring and reporting, and detailed health and safety policies and procedures are in place across the Group, all of which focus on prevention and risk reduction and elimination.
- Thorough and regular employee training programmes.
- Director-led safety leadership teams established to bring innovative solutions and to engage with all stakeholders to deliver continuous improvement in standards across the business and wider industry.
- Close monitoring of subcontractor safety performance.
- Priority board review of ongoing performance and in-depth review of both high potential and reportable incidents.
- Regular reporting of, and investigation and root cause analysis of, accidents, incidents and high potential near misses.
- Behavioural safety cultural change programme 'Safer@ Severfield' was launched this year.
- Occupational health programme, including mental health.
- Achievement of challenging health and safety performance targets is a key element of management and staff remuneration.
- Detailed due diligence on new acquisitions and effective integration of SHE processes and systems.

Trend

Link to strategy

Link to KPIs

1 2 3 5

6 7

Scoring

High

HOW WE MANAGE RISK

2 SUPPLY CHAIN

Description	Impact	Mitigation	
The Group is reliant on certain key supply chain partners for the successful operational delivery of contracts to meet client expectations. The failure of a key supplier, a breakdown in relationships with a key supplier or the failure of a key supplier to meet its contractual obligations could potentially result in some short to medium-term price increases and other short-term delay and disruption to the Group's projects and operations. There is also a risk that credit checks undertaken in the past may no longer be valid.	Interruption of supply or poor performance by a supply chain partner could impact the Group's execution of existing contracts (including the costs of finding replacement supply), its ability to bid for future contracts and its reputation, thereby adversely impacting financial performance.	• Process in place to select supply chain partners that match our expectations in terms of quality, sustainability and commitment to client service – new sources of supply are quality controlled. • Ongoing reassessment of the strategic value of supply relationships and the potential to utilise alternative arrangements, including for steel supply. • Contingency plans developed to address supplier and subcontractor issues (including the failure of a supplier or subcontractor). • Monthly review process to facilitate early warning of issues and subsequent mitigation strategies. • Strong relationships maintained with key suppliers, including a programme of regular meetings and reviews. • Implementation of best practice improvement initiatives, including automated supplier accreditation processes. • Key supplier audits are performed within projects to ensure they can deliver consistently against requirements.	**Trend** No change **Link to strategy** Growth, Operational excellence **Link to KPIs** 1 2 3 4 5 6 **Scoring** Medium

Strategic pillar key

- Growth
- Operational excellence
- India

Movement

- Upward trend
- Downward trend
- No change
- New

Scoring

- High
- Medium

KPI key

1. Underlying op profit and margin
2. Underlying BEPS
3. Revenue
4. Operating cash conversion
5. ROCE

6a UK&E OB

6b India OB

7 Injury frequency rate ('IFR')

3 PEOPLE

Description

The ability to identify, attract, develop and retain talent is crucial to satisfy the current and future needs of the business. Skills shortages in the construction industry are likely to remain an issue for the foreseeable future and it can become increasingly difficult to recruit capable people and retain key employees, especially those targeted by competitors. This has been exacerbated in recent years due to macroeconomic factors such as the impact of inflation and shortages of labour.

Impact

Loss of key people could adversely impact the Group's existing market position and reputation. Insufficient growth and development of its people and skill sets could adversely affect its ability to deliver its strategic objectives.

A high level of staff turnover or low employee engagement could result in a decrease of confidence in the business within the market, customer relationships being lost and an inability to focus on business improvements.

Mitigation

- Training and development schemes to build skills and experience, such as our successful graduate, trainee and apprenticeship programmes.
- Detailed talent identification and succession planning for future leaders across the business.
- Attractive working environments, remuneration packages, technology tools and wellbeing initiatives to help improve employees' working lives, recent above average inflation pay and a commitment to pay the real living wage.
- Annual appraisal process providing two-way feedback on performance.
- Internal communications continually improved.
- Interviews with leavers and joiners to understand the reasons for their decision.
- Robust people strategy focused on culture, and continually enhancing all aspects of our approach to performance, development, careers, recruitment and reward.
- Maintained our approach to flexible working practices and hybrid working.

Trend

Link to strategy

Link to KPIs

1 2 3

6

Scoring

Medium

HOW WE MANAGE RISK

4 COMMERCIAL AND MARKET ENVIRONMENT

Description

Changes in government and client spending or other external factors could lead to programme and contract delays or cancellations, or changes in market growth. External factors include national or market trends, political or regulatory change, the impact of geopolitical events.

Lower than anticipated demand could result in increased competition, tighter margins and the transfer of commercial, technical and financial risk down the supply chain, through more demanding contract terms and longer payment cycles.

Impact

A significant fall in construction activity and higher costs could adversely impact revenues, profits, ability to recover overheads and cash generation.

Mitigation

- Regular reviews of market trends performed (as part of the Group's annual strategic planning and market review process) to ensure actual and anticipated impacts from macroeconomic risks are minimised and managed effectively.
- Regular monitoring and reporting of financial performance, orders secured, prospects and the conversion rate of the pipeline of opportunities and marshalling of market opportunities is undertaken on a co-ordinated Group-wide basis.
- Selection of opportunities that will provide sustainable margins and repeat business.
- Strategic planning is undertaken to identify and focus on the addressable market (including new overseas and domestic opportunities).
- Monitoring our pipeline of opportunities in continental Europe and in the Republic of Ireland, supported by our European operations.
- The Group closely monitors the flows of goods and people across borders for ongoing work with the EU and specific risks and related mitigations are kept under review by the executive committee. We have taken steps to ensure we can continue to deliver on current and future contractual commitments.
- Maintenance and establishment of supply chain in mainland Europe.
- Close management of capital investment and focus on maximising asset utilisation to ensure alignment of our capacity and volume demand from clients.
- Close engagement with both customers and suppliers and monitoring of payment cycles.
- Ongoing assessment of financial solvency and strength of counterparties throughout the life of contracts.
- Continuing use of credit insurance to minimise impact of customer failure.
- Strong cash position supports the business through fluctuations in the economic conditions of the sector.
- Recent acquisitions have broadened our reach and cross-selling opportunities, resulting in improved market resilience.

Trend

Link to strategy

Link to KPIs

1 2 3 4 5 6

Scoring

High

5 MISPRICING A CONTRACT (AT TENDER)

Description	Impact	Mitigation	
Failure to accurately estimate and evaluate the contract risks, costs to complete, contract duration and the impact of price increases could result in a contract being mispriced. Execution failure on a high-profile contract could result in reputational damage.	If a contract is incorrectly priced, particularly on complex contracts, this could lead to loss of profitability, adverse business performance and missed performance targets. This could also damage relationships with clients and the supply chain.	• Improved contract selectivity (those that are right for the business and which match our risk appetite) has de-risked the order book and reduced the probability of poor contract execution. • Estimating processes are in place with approvals by appropriate levels of management. • Tender settlement processes are in place to give senior management regular visibility of major tenders. • Use of the tender review process to mitigate the impact of rising supply chain costs. • Work performed under minimum standard terms (to mitigate onerous contract terms) where possible. • Use of Group authorisation policy to ensure appropriate contract tendering and acceptance. • Adoption of Group-wide project risk management framework ('PRMF') brings greater consistency and embeds good practice in identifying and managing contract risk. • Professional indemnity cover is in place to provide further safeguards. • Use of price indexation clauses in certain contracts.	**Trend** No change **Link to strategy** Growth, Operational excellence **Link to KPIs** 1 2 3 4 5 **Scoring** Medium

Strategic pillar key

- Growth
- Operational excellence
- India

Movement

- Upward trend
- Downward trend
- No change
- New

Scoring

- High
- Medium

KPI key

1. Underlying op profit and margin
2. Underlying BEPS
3. Revenue
4. Operating cash conversion
5. ROCE

6a UK&E OB

6b India OB

7 Injury frequency rate ('IFR')

HOW WE MANAGE RISK

6 CYBER SECURITY

Description	Impact	Mitigation	
A cyber attack could lead to IT disruption with resultant loss of data, loss of system functionality and business interruption. The Group's core IT systems must be managed effectively, to keep pace with new technologies and respond to threats to data and security.	Prolonged or major failure of IT systems could result in business interruption, financial losses, loss of confidential data, negative reputational impact and breaches of regulations.	• IT is the responsibility of a central function, which manages the majority of the systems across the Group. Other IT systems are managed locally by experienced IT personnel. • Significant investments in IT systems, which are subject to board approval, including anti-virus software, off-site and on-site backups, storage area networks, software maintenance agreements and virtualisation of the IT environment. • Specific software has been acquired to combat the risk of ransomware attacks. • Group IT committee ensures focused strategic development and resolution of issues impacting the Group's technology environment. • Robust business continuity plans are in place and disaster recovery and penetration testing are undertaken on a systematic basis. A Group-wide cyber attack simulation exercise was undertaken this year by the executive committee. • Data protection and information security policies are in place across the Group. • Cyber-crimes and associated IT risks are assessed on a continual basis and additional technological safeguards introduced. Cyber threats and how they manifest themselves are communicated regularly to all employees (including practical guidance on how to respond to perceived risks). • ISO 27001 accreditation achieved for the Group's information security environment and regular employee engagement undertaken to reinforce key messages. • Insurance covers certain losses and is reviewed annually to establish further opportunities for affordable risk transfer to reduce the financial impact of this risk.	**Trend** Upward trend **Link to strategy** Growth, Operational excellence **Link to KPIs** 1 2 4 5 **Scoring** High

Strategic pillar key

- Growth
- Operational excellence
- India

Movement

- Upward trend
- Downward trend
- No change
- New

Scoring

- High
- Medium

KPI key

1. Underlying op profit and margin
2. Underlying BEPS
3. Revenue
4. Operating cash conversion
5. ROCE

6a UK&E OB

6b India OB

7 Injury frequency rate ('IFR')

7 FAILURE TO MITIGATE ONEROUS CONTRACT TERMS

Description	Impact	Mitigation	
The Group's revenue is derived from construction contracts and related assets. Given the highly competitive environment in which we operate, contract terms need to reflect the risks arising from the nature or the work to be performed. Failure to appropriately assess those contractual terms or the acceptance of a contract with unfavourable terms could, unless properly mitigated, result in poor contract delivery, poor understanding of contract risks and legal disputes.	Loss of profitability on contracts as costs incurred may not be recovered, and potential reputational damage for the Group.	• The Group has identified minimum standard terms, which mitigate contract risk. • Robust tendering process with detailed legal and commercial review and approval of proposed contractual terms at a senior level (including the risk committee) are required before contract acceptance so that onerous terms are challenged, removed or mitigated as appropriate. • Regular contract audits are performed to ensure contract acceptance and approval procedures have been adhered to. • We continue to work with the British Constructional Steelwork Association to raise awareness of onerous terms across the industry. • Through regular project reviews we capture early those occasions where onerous terms could have an adverse impact and are able to implement appropriate mitigating action at the earliest stage.	**Trend** **Link to strategy** **Link to KPIs** 1 2 4 5 **Scoring** Medium

HOW WE MANAGE RISK

8 INDUSTRIAL RELATIONS

Description	Impact	Mitigation	
The Group (and the industry in general) has a significant number of employees who are members of trade unions. Industrial action taken by employees could impact on the ability of the Group to maintain effective levels of production.	Interruption to production by industrial action could impact both the Group's performance on existing contracts, its ability to bid for future contracts and its reputation, thereby adversely impacting its financial performance.	• Employee and union engagement takes place on a regular basis. • The Group has seven main production facilities so interruption at one facility could to some extent be absorbed by increasing capacity at a sister facility. • Processes are in place to mitigate disruptions as a result of industrial action.	**Trend** No change **Link to strategy** Growth **Link to KPIs** 1 2 3 5 **Scoring** Medium

Strategic pillar key

Growth

Operational excellence

India

Movement

Upward trend

Downward trend

No change

New

Scoring

High

Medium

KPI key

1 Underlying op profit and margin

2 Underlying BEPS

3 Revenue

4 Operating cash conversion

5 ROCE

6a UK&E OB

6b India OB

7 Injury frequency rate ('IFR')

SECTION 172 STATEMENT

The board recognises the importance of effective stakeholder engagement and the need to consider stakeholders' views in making important decisions. During the year, the directors believe they have acted to promote the long-term success of the Group as required by section 172 (1) (a) to (f) of the Companies Act 2006.

Matters considered by the board

Below are details of considerations and decisions of the board during the year and how stakeholder views and inputs and other section 172 (1) factors were taken into account.

S. 172 FACTORS

Consequences of decisions in the long term	Interests of the Group's employees	Foster the Group's business relationships with suppliers, customers and others	Impact of operations on communities and the environment	High standards of business conduct	Acting fairly between members
Pages 28 to 30 How we deliver sustainable value	**Pages 28 to 30** How we deliver sustainable value	**Pages 28 to 30** How we deliver sustainable value	**Pages 28 to 30** How we deliver sustainable value	**Pages 28 to 30** How we deliver sustainable value	**Pages 25 to 38** Engaging with our stakeholders
Pages 22 to 27 The markets we serve, our market sectors	**Pages 54 to 91** Building a sustainable and responsible business	**Pages 22 to 27** The markets we serve, our market sectors	**Pages 54 to 91** Building a sustainable and responsible business	**Pages 54 to 91** Building a sustainable and responsible business	**Pages 134 to 137** Directors' report
Pages 30 to 33 Our strategy	**Pages 36 to 38** Engaging with our stakeholders	**Pages 54 to 91** Building a sustainable and responsible business	**Pages 36 to 38** Engaging with our stakeholders	**Pages 92 to 104** How we manage risk	
Pages 54 to 91 Building a sustainable and responsible business	**Pages 92 to 104** How we manage risk	**Pages 36 to 38** Engaging with our stakeholders		**Pages 118 to 125** Corporate governance report	
Pages 36 to 38 Engaging with our stakeholders	**Pages 138 to 162** Directors' remuneration report	**Pages 92 to 104** How we manage risk			
Pages 92 to 104 How we manage risk					
Pages 138 to 162 Directors' remuneration report					

SECTION 172 STATEMENT

Non-financial and sustainability information statement

The information below summarises how we comply with non-financial performance and sustainability reporting requirements and is produced to comply with sections 414CA and 414CB of the Companies Act 2006.

REPORTING REQUIREMENT	SEVERFIELD POLICY/STANDARD	READ MORE
Environmental matters	Sustainability policy	Pages 54 to 91 – Building a sustainable and responsible business
Employees	Code of conduct, ethics policy, equal opportunities and diversity policy, health and safety policy, whistleblowing policy	Pages 81 to 85 – People Pages 90 to 91 – Principles of governance
Social matters	Sustainability policy	Pages 86 to 87 – People
Human rights	Code of conduct, modern slavery policy, data protection policy, CCTV policy	Pages 90 to 91 – Principles of governance
Anti-corruption and anti-bribery	Anti-bribery policy and ethics policy	Pages 90 to 91 – Principles of governance
Business model	Description of the Group's business model	Pages 28 to 30 – How we deliver sustainable value
Non-financial KPIs	Description of the non-financial key performance indicators relevant to the Group's business	Pages 72 to 74
Principal risks	Description of the principal risks relating to the matters set out in section 414CB(1) of the Companies Act 2006 arising in relation to the Group's operations, and how those principal risks are managed	Pages 92 to 104 – How we manage risks Pages 64 to 65 – Climate-related risks

Implementation of policies

Online training on key policies is carried out across the Group. The training modules include scenarios and tests to enhance the understanding of, and compliance with, the policies by all employees.

All employees, contractors and third parties are encouraged to report any circumstances where there is a suspected or actual breach of any of the policies, applicable laws, or any other wrongdoing under our whistleblowing policy. Further information on whistleblowing can be found on page 91 (principles of governance). Severfield regards infringements of the policies, procedures and related guidance seriously and reserves the right to take disciplinary action in the event of non-compliance. All reported incidences of actual or suspected breach of any of the policies are promptly and thoroughly investigated. The executive committee receive assurance via twice yearly letters of assurance from divisional managing directors of compliance with the policies.

The board and the audit committee receive regular compliance updates from the Group legal director.

Climate-related financial disclosures

For information on climate-related financial disclosures, please see the TCFD table on page 60. The board monitors the Group's performance in relation to safety and the reduction of greenhouse gas emissions and waste on a monthly basis.

Approval of strategic report

The strategic report is approved by the board and signed on its behalf by:

MARK SANDERSON
COMPANY SECRETARY

19 June 2024


Clearways