

Sustainability report

Task Force on Climate-related Financial Disclosures (TCFD) report

Bodycote continued aligning with the TCFD recommendations, ensuring climate-related impacts are understood and incorporated into our business strategy.

This year, we refreshed our qualitative and quantitative scenario analysis and conducted an assessment of the potential financial impacts of climate-related risks and opportunities under different scenarios, to guide the continued development of our climate strategy.

This was supported by a wider double materiality assessment through which we conducted an in-depth evaluation of environmental (as well as social and ethical) impacts, risks and opportunities. See pages 42 to 43 for details.

TCFD statement of compliance

This report sets out Bodycote's climate-related financial disclosures, consistent with the recommended disclosures of the TCFD framework, and in compliance with Listing Rule 14.3.24R(1). The main disclosures are set out in this section. There are additional disclosures on pages 44 to 47 and 59 to 62. Bodycote has reported in full against each of the 11 specific TCFD disclosure recommendations.

Governance

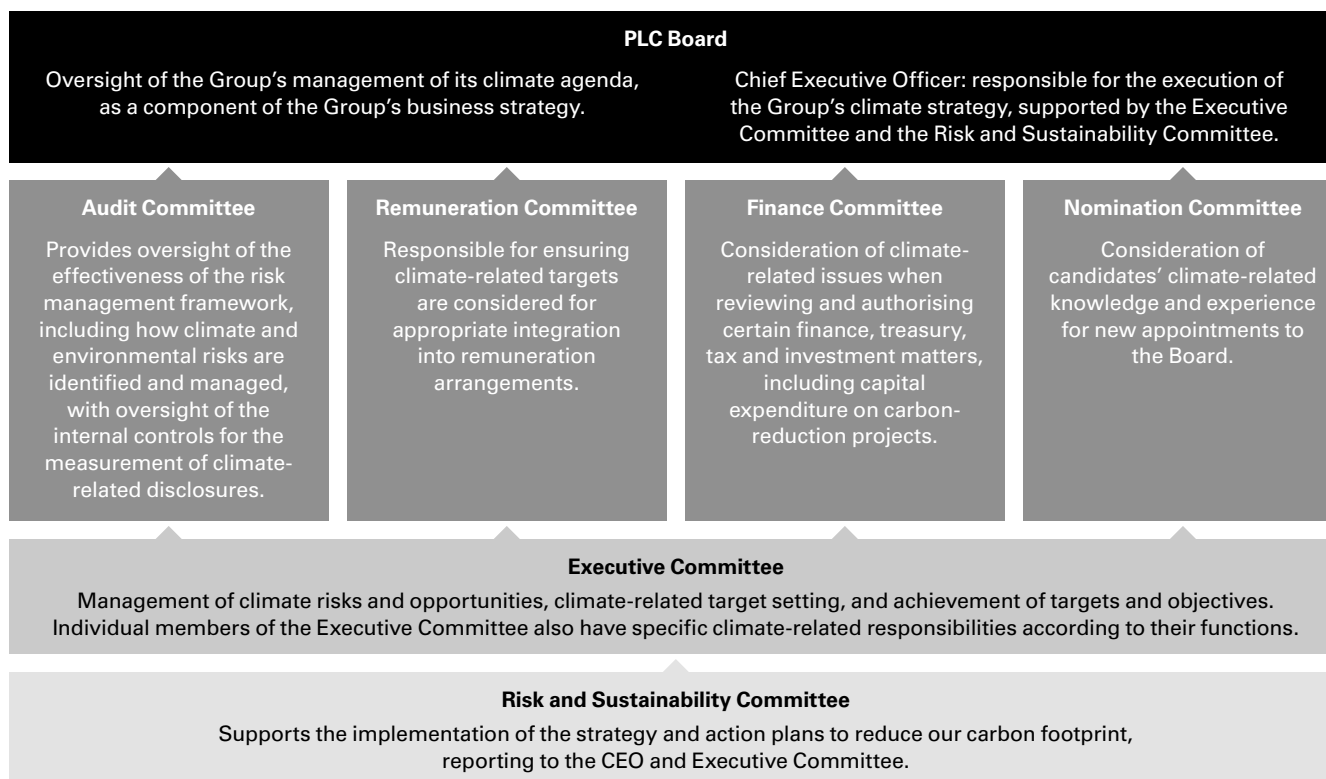
Climate-related responsibilities of the Board

Climate-related matters are integral to Bodycote's business model and strategy. The Board oversees the management of climate-related issues as part of its role in supporting corporate strategy development. The Chief Executive Officer updates the Board on the Group's climate strategy at least quarterly. In 2024, the Board agenda included reviews of the sustainability strategy, progress towards the SBTi target, and plans to pursue climate-related commercial opportunities. Discussions were held to review the Group's emissions trajectory to 2030 and potential for setting Scope 3 goals. This led to the decision to update the SBTi target, as announced in December 2024.

The Board monitors the Group's performance against four financial and two non-financial key performance indicators. Non-financial indicators include the Group's absolute Scope 1 and Scope 2 GHG emissions (see page 59). The Board and its Committees also consider climate-related issues when reviewing annual budgets and as part of other decision-making, such as capital expenditure authorisation for carbon-reducing projects.

The Audit Committee supports the Board in overseeing the Group's risk management procedures, including how climate and environmental risks and opportunities are identified, measured, and managed. It also oversees the Group's compliance with climate-related reporting requirements and internal controls for carbon emissions measurement and climate disclosures.

Governance framework for climate and sustainability topics



Sustainability report

Task Force on Climate-related Financial Disclosures (TCFD) report continued

Board members' sustainability experience

Board members have diverse experience in climate-related issues. Examples include:

- The Chief Executive Officer has practical experience in the development and implementation of energy and carbon reduction projects. He was involved in developing electrical grid integrity and supporting the installation and maintenance of renewable energy systems in his previous role at Megger.
- Non-Executive Chair, Daniel Dayan, has substantial climate and sustainability experience from his leadership of major plastics processing and recycling businesses.
- Non-Executive Director, Beatriz García-Cos Muntañola has gained climate-related experience in renewable energy and mining industries and through her current role as Chief Financial Officer of Ferroglobe plc.
- Non-Executive Director Cynthia Gordon oversees the integration of climate-related metrics in the Group's incentive schemes, and has experience in overseeing sustainability and climate-related reporting, including under new regulations.

Climate-related responsibilities of management

The Chief Executive Officer has overall responsibility for the Group's climate strategy. The Chief Sustainability Officer, a member of the Executive Committee, supports the definition and execution of the strategy. Other Executive Committee members are responsible for implementing the strategy within their functions.

Climate-related topics are a standing agenda item at Executive Committee meetings. Examples of topics discussed in 2024 include:

- Progress in reducing emissions and opportunities to accelerate.
- Proposals to upgrade the Group's SBTi target ambition level to a 1.5°C trajectory.
- Setting of additional climate-related targets: a customer avoided emissions and a sustainable revenues target.

- Assurance of the Group's processes for calculating GHG emissions.
- Evaluation of climate-related impacts, risks and opportunities under a double materiality assessment process.
- Continued development of customer carbon tools and communication materials.

Processes for oversight of climate-related issues

The Executive Committee oversees processes for climate risk and opportunity management. Climate-related issues are considered as part of strategy, business planning, risk management and budgeting processes. Examples include:

- **Group strategy** – climate-related opportunities influence the development of the Group's service offerings and the formulation of solutions that drive demonstrable emissions reductions for Bodycote's current and future customers.
- **Capital investment** – all capital investment decisions include sustainability reviews to ensure alignment with the achievement of the Group's SBTi commitment.
- **Major plans of action** – environmental impacts and opportunities are considered as part of decision-making related to our asset and property portfolio.
- **Risk management** – climate risk assessment is integrated into our formal risk management processes (see pages 55).
- **Annual budgets, scenario planning, impairment testing and going concern assessments** – the ability to seize opportunities and mitigate potential climate-related risks is considered as part of the annual budget process and longer-term financial modelling.

The Risk and Sustainability Committee supports the Executive Committee in implementing climate-related initiatives, risk management and reporting.

Responsibilities of individuals and teams

- **Chief Executive Officer:** overall responsibility for the Group's climate-related strategy.
- **Chief Financial Officer and the Group Finance team:** supporting the assessment of financial impacts of climate-related risks, opportunities and investments, and scenario modelling.
- **Chief Sustainability Officer and the Sustainability team:** developing the Group's climate strategy, targets, and tools, and monitoring and communicating progress.
- **Divisional Presidents:** managing climate-related topics in the operations, including in relation to employees, assets and property, implementing carbon reduction projects, and creating and capturing climate-related business opportunities.
- **Group Internal Audit and Risk:** through the Group's risk process, capturing climate-related risks and, where appropriate based on risk, providing internal audit assurance.
- **Technical Services Operation (TSO):** supporting facilities in implementing carbon reduction projects and new, energy-efficient, low-carbon technologies.
- **Sales and customer key account teams:** engaging with customers to understand their sustainability goals, and facilitating efforts to reduce their emissions.
- **General managers of sites:** day-to-day management of facilities, furnaces and other equipment to optimise efficiency and energy consumption.

Climate-related incentives

Bodycote recognises the importance of incentivising progress towards ESG targets. For 2024, an ESG metric was included in the annual bonus scheme for Executives and senior leaders, accounting for 5% of the award. Following a comprehensive review of the Group's incentive schemes, in 2025, the long-term incentive plan has been amended to incorporate a metric aligned to the Group's new carbon emissions reduction target. See the Remuneration Report on page 95 for details.

Sustainability report

Task Force on Climate-related Financial Disclosures (TCFD) report continued

Strategy

Climate change is one of Bodycote's top strategic priorities (see page 07 for the Group's strategy and objectives). Climate change-related initiatives form a core element of our operational strategy, under our 'Optimise' and 'Perform' pillars, as well as our commercial growth strategy, under our 'Grow' pillar. We take a proactive approach to sustainability and energy efficiency throughout our operations, recognising the commercial imperative in optimising the use of energy, industrial gases and other materials across our cutting-edge material science solutions.

Growing awareness of climate change and sustainability continues to be a catalyst for business growth as we provide services and solutions that reduce our customers' energy use, carbon emissions, and total value chain impacts. With our proven efficiency and public commitment to ambitious carbon reduction targets, we offer industrial customers a route to meet their own carbon goals by transitioning their in-house heat treatment to an outsourced partner, delivering efficiency today and a pathway to even lower emissions in the future. We can achieve this for our customers through our ability to reduce carbon emissions when comparing like-for-like technology, and additionally our capability to transition customers onto lower carbon technologies for their processing needs, such as low pressure carburising (LPC), which delivers an even larger reduction in energy consumption and carbon emissions.

Climate scenario analysis

Bodycote regularly re-assesses climate-related risks and opportunities to inform strategy, financial planning, and investments. Senior professionals across the business support the assessment through dedicated workshops, with input from internal and external experts. Outputs from these assessments allow the Group to adapt, refine, and update risks, opportunities, and related mitigation or realisation measures. In 2024, this was supplemented by a broader assessment of environmental and social risks and opportunities through the completion of a double materiality assessment process (see page 42).

Bodycote applies the same time horizons as those used for its Principal Risks: short-term (0–2 years), medium-term (2–5 years), and long-term (over 5 years). While climate risks typically emerge over a longer timeframe, the Group uses these timeframes to integrate climate risk assessment into our overall strategy and



risk evaluation. Climate-related impacts are assessed using a range of scenarios, including a 2°C or lower scenario as required under TCFD. These scenarios are modelled based on the latest IPCC assessment, as detailed on page 51.

The Group has conducted an annual review of its qualitative assessment of all identified climate-related risks and opportunities under each scenario. The potential impacts of several risks have also been recalculated for 2024, quantifying impacts where suitable models and data are available, to estimate their potential impact on the Group's capital outlay, operating expenditure, and annual revenue in at-risk locations. Risks and opportunities are then prioritised based on their potential impact. They are considered material when they could significantly affect our strategy, either positively or negatively.

Physical risks, such as heatwaves and flooding, have been assessed using external data sources. These risks were selected as the most relevant to the Group's locations. Heatwave risk was assessed using data from the IPCC's Sixth Assessment Report, available through the World Bank Climate Knowledge Portal (<https://climateknowledgeportal.worldbank.org/>). Flooding risk (coastal and riverine) was assessed using the same IPCC data, along with data from the WRI Aqueduct Water Risk Atlas 4.0. Wildfire risk was assessed using a combination of IPCC data and NASA's MODIS data. Other indicators were also extracted from the IPCC's Sixth Assessment Report. The results of our assessment completed at December 2024 (see pages 51 to 54), indicate that the majority of climate-related risks and opportunities remain broadly unchanged from the 2023 and 2022 assessments.

Sustainability report

Task Force on Climate-related Financial Disclosures (TCFD) report continued

S1

Scenario 1 (<1.5°C)¹

Net zero emissions reached by 2050 globally

Global temperatures are limited to a 1.5°C increase by 2050 compared to pre-industrial levels.

Physical risks are limited, and there has been a substantial shift in behaviour and public policy (eg. higher carbon taxes).

S2

Scenario 2 (<2°C)²

Emissions peak and start falling around 2050

Policy action is late and disruptive and while some steps have been taken, it is largely business-as-usual.

There are limited public policies before 2025, temperatures continue to rise, and physical impacts intensify.

S3

Scenario 3 (<3°C)³

Emissions keep rising (doubling by 2100)

Limited global action results in accelerated global warming and significant physical risks.

Governments fail to introduce further policies to address climate change.

1 RCP1.9/SSP1-1.9, PRI IPR: 1.5°C Required Policy Scenario.

2 RCP3.4/SSP2-4.5, PRI IPR: Forecast Policy Scenario.

3 RCP6.0/SSP3-7.0.

Climate risk and opportunity assessment

Type of risk	Potential impact and mitigation measures	Time frame
Physical risks		
Extreme weather events Risk Driver: Acute physical – Wildfires – Flooding	Description Risk of disruption to the Group's operations and value chain as a result of wildfires and coastal and riverine flooding, with impacts on the Group's employees, property and equipment and surrounding public infrastructure.	S1
	Impact assessment Fewer than 10% of sites are currently assessed as being at high risk of wildfires and flooding under all three scenarios. The potential impact of operational disruption and cost of relocation if necessary has been assessed as negligible (see the table on page 54).	S2
	Mitigation measures – Implementation of additional mitigation measures in higher risk sites (eg. safety, maintenance, business continuity and shift planning, landscaping etc.) – Automation and remote technologies for continuous operations during disruption. – Regular assessment of climate science and scenarios to monitor risk exposure.	S3
Extreme temperatures Risk Driver: Chronic physical – Heatwaves and heat stress – Cold wave/frost	Description Risk of increased frequency and intensity of heatwaves, impacting employees, facilities and equipment, affecting costs (for example, equipment maintenance) and productivity.	S1
	Impact assessment Higher risk sites have been identified, with a maximum of 20% of sites being high risk under Scenario 3. The potential financial impact of disruption to operations and potential investments in cooling measures has been assessed as low. See page 54. The risk of cold wave/frost has been evaluated as not being relevant currently.	S2
	Mitigation measures – Investment in additional insulation and cooling measures for temperature control in at-risk sites. – Investment in increased automation in our operations.	S3

Short-term (0–2 years)

Medium-term (2–5 years)

Long-term (5+ years)

Not applicable

Sustainability report

Task Force on Climate-related Financial Disclosures (TCFD) report continued

Type of risk	Potential impact and mitigation measures	Time frame	Type of risk	Potential impact and mitigation measures	Time frame
Transition risks			Transition risks		
Impacts to electricity supply Risk Driver: Market – Uncertainty in market signals Technology – Transitioning to low-emission technology	Description Increased demand for electricity globally could result in an increased likelihood and occurrence of power outages, potentially resulting in unplanned downtime. In Scenario 2, high demand for electricity could impact energy security; in Scenario 3 there could also be an increase in electricity demand and cost due to additional cooling requirements.	S1	Reputational risk Risk Driver: Reputation – Stigmatisation of sector – Increased stakeholder concern	Description Ability to attract customers, employees and investors who want to work with and for companies that are taking action on climate issues and minimising their exposure to risk. This could impact talent attraction, new business development, investor sentiment and access to or cost of debt.	S1
	Impact assessment The potential financial impact of this risk has not yet been assessed. The Group demonstrated in recent years, the ability to recover energy cost inflation through its energy surcharge policy.	S2		Impact assessment The Group's carbon reduction strategy positively impacts customer, employee and investor advocacy. The Group is the only major heat treatment company globally with an SBTi target, offering a competitive edge for securing new business and talent where climate action plays a role.	S2
	Mitigation measures – Reduction in energy consumption through energy saving and energy efficiency measures. – Operation during off peak hours at times of lower energy prices. – Implementation of measures to reduce reliance on grid electricity (eg. solar panels).	S3		Mitigation measures – Ongoing tracking of stakeholders' expectations through direct engagement, best practice benchmarks and research. – Regular customer engagement on Bodycote's climate roadmap, alignment to international standards and its commercial offerings for carbon reduction.	S3
Increased pricing of carbon emissions Risk Driver: Emerging regulation – Carbon pricing mechanisms Technology – Transitioning to low emission technology	Description A failure to reduce energy usage and new carbon taxes could increase operating costs. New regulation or pressure to reduce carbon emissions could accelerate the need to retrofit or replace technology, requiring additional capital investment.	S1	Increased regulation of GHG emissions Risk Driver: Emerging regulation – Mandates on, and regulation of, existing services	Description Increased regulation of GHG emissions could be disruptive for the Group and its customers, leading to business disruption, increased costs or taxes, and penalties or litigation in the event of non-compliance. It could also accelerate the requirement to invest in lower GHG emissions technologies.	S1
	Impact assessment The potential financial impact of this risk has been assessed using the estimated cost of carbon in 2030; see the table on page 54.	S2		Impact assessment The Group has evaluated the potential financial impact of increasing deployment of low emissions technologies and has determined this as being 'low'. See page 54.	S2
	Mitigation measures – Reduction in energy consumption and continued progress towards our enhanced 1.5°C aligned SBTi target. – Further development of a decarbonisation roadmap and investment in lower carbon technology and energy. – The Group demonstrated in recent years the ability to recover energy cost inflation through its energy surcharge policy.	S3		Mitigation measures – Continued deployment of lower emissions processes (eg. vacuum, LPC). – Energy reduction and decarbonisation measures. – Monitoring of regulatory landscape to ensure timely action and compliance.	S3

 Short-term (0–2 years)

 Medium-term (2–5 years)

 Long-term (5+ years)

 Not applicable

Sustainability report

Task Force on Climate-related Financial Disclosures (TCFD) report continued

Type of risk	Potential impact and mitigation measures	Time frame	Type of risk	Potential impact and mitigation measures	Time frame
Opportunities			Opportunities		
Increased outsourcing by customers to reach GHG targets Opportunity Driver: Resource efficiency – Use of more efficient production processes	Description Increased revenues resulting from increased outsourcing by customers to Bodycote to i) reduce their own Scope 1 and 2 emissions and decrease exposure to carbon taxes, etc.; and ii) enable emissions avoidance (Scope 4) – as emissions per part processed by Bodycote can be up to 60% lower through efficiency, furnace utilisation and investment in energy efficiency (see page 54).	S1	New volumes for Bodycote related to low-carbon transition Opportunity Driver: Products and services – Ability to diversify business activities Markets – Access to new markets	Description Revenue uplift related to increased business from heat treatment services from sectors that support the transition to a lower carbon world (eg. internal combustion engine to EVs). These sectors become a more significant revenue stream for Bodycote as a result of higher and new demand for services.	S1
	Impact assessment The Group has opportunities to support customers in achieving their emissions targets across all its sectors and markets, leading to increased revenues. Cost reductions may also be achieved within the Group's operations as a result of higher efficiencies and furnace fill rates/utilisation.	S2		Impact assessment Bodycote is able to realise this opportunity via current facilities and technologies. The Group's global heat treatment capacity allows us to quickly adapt to customers' requirements with low capital investment.	S2
	Realisation measures – Current operations are already geared towards the realisation of this opportunity and support GHG emissions reduction and avoidance.	S3		Realisation measures – No significant effort or investment is expected to be required to diversify our customer base due to Bodycote having flexibility to serve both existing and new industries.	S3
Low-carbon technologies offering for customers Opportunity Driver: Services – Development and/or expansion of low emission services	Description Offering processing services that have a lower carbon footprint for competitive advantage: allowing the Group to meet new requirements from customers and regulations and positioning Bodycote's services as higher value (with a premium).	S1	Government and other incentives Opportunity Driver: Resource efficiency – Use of more efficient production processes Services – Development of low-carbon service offering	Description Positive impact of Government and other incentives, including revenue uplift as a result of increased customer demand for services that benefit from energy tax exemptions due to emissions avoidance, incentives for the faster adoption of lower carbon technologies, and incentives and revenue uplift from the adoption of low emissions thermal processing services.	S1
	Impact assessment The Group's low-carbon processing services present opportunities for higher revenues, increased margins, and open up new markets for the Group's metallurgy solutions.	S2		Impact assessment The impact of this opportunity has not yet been assessed. The Group will continue monitoring the opportunity and evaluate quantifying it as information becomes available that allows a reasonable approach.	S2
	Realisation measures – Monitoring customers' climate plans and their expectations of suppliers. – Increased revenues would offset capital investment for additional capacity.	S3		Realisation measures – Continued installation of low-carbon technologies across the Group.	S3

 Short-term (0–2 years)

 Medium-term (2–5 years)

 Long-term (5+ years)

 Not applicable

Sustainability report

Task Force on Climate-related Financial Disclosures (TCFD) report continued

Climate risks quantitative impact assessment

Risk	Value drivers assessed	Potential annual impact before mitigation ¹	Time horizon	Mitigation measures
Chronic physical risk: Heatwaves	Potential cost of mitigation of extreme heat in sites at risk of frequent and severe heat waves (installation and operation of cooling systems) and probability of potential production losses ² .	S1 	Long-term	- Investment in additional insulation and cooling measures for temperature control in at-risk sites - Investment in increased automation in our operations
		S2 	Long-term	
		S3 	Medium-term	
Acute physical risk: Flooding, wildfire	Potential cost of mitigating flooding and wildfire risk through relocation, and potential disruption to production in at-risk sites ³ .	S1 	Medium-term	- Implementation of additional measures in at-risk sites (eg. safety, business continuity, landscaping) - Investment in increased automation in our operations - Monitoring risk using climate science and models
		S2 	Medium-term	
		S3 	Medium-term	
Transition risk: Increased pricing of carbon emissions	Future costs of carbon applied to Groupwide Scope 1 and Scope 2 emissions using IPCC estimates for prices per tonne of carbon under different scenarios. (Tonnes CO ₂ e x projected cost per tonne) ⁴ .	S1 	Long-term	- Carbon cost inflation recovery through pricing - Alignment to SBTi emission reduction pathways - Continuous reduction in absolute energy consumption, decreasing carbon emissions - Investment in increased automation in our operations
		S2 	Long-term	
		S3 –	Not applicable	
Transition risk: Increased regulation of GHG emissions	Accelerated decarbonisation of operational processes through investment in LPC furnaces (electrically-powered, low consumption) and retrofitting gas heated furnaces to be powered by electricity. Assumed transition time: 25 years to 2050.	S1 	Long-term	- Continued deployment of lower emissions Specialist Technologies and low-carbon heat treatment services - Energy reduction and decarbonisation measures - Monitoring of regulatory landscape to ensure timely action and compliance
		S2 –	Not applicable	
		S3 –	Not applicable	

 Negligible (<£1m)

 Low (£1m–£5m)

 Moderate (£5m–£10m)

 Significant (£10m–£20m)

 Severe (>£20m)

Organisational resilience to climate change

Bodycote's climate scenario analysis process explores the Group's resilience to climate-related issues and identifies suitable mitigation plans. As detailed in the risk and opportunities table, measures have been identified for each key risk and opportunity. The Group's global presence and diversity of applications for its services also provide resilience to risks, and opportunities for growth in new areas.

All of the risks and opportunities detailed in the tables across pages 51 to 53 are integrated into our commercial and operational planning. Commercial opportunities are incorporated in the 'Grow' lever of our business strategy, while operational risks and opportunities are integrated into the 'Optimise' and 'Perform' levers. For details on how we are executing our strategy in each of these areas, see page 17.

The Group has determined that scenarios where global warming is limited to 1.5°C or less than 2°C would be most beneficial, helping the business thrive even with the potential impact of higher carbon costs. This is due to the climate-related opportunities presented in these scenarios – both commercial and operational – and the likely lower disruption to operations from physical climate impacts.

An increased cost of carbon would be recovered through pricing; at the same time, the Group's initiatives to reduce operational energy consumption would reduce its risk exposure in the event of an increased cost of carbon. Low-carbon processing technology also provides resilience in reducing energy consumption, as well as supporting the Group's growth objectives. Examples of ways in which the Group supports customers' environmental sustainability goals are provided on pages 21 to 23.

¹ Costs before current and planned mitigation measures.

² Site risk assessed using CMIP6 data from the World Bank Climate Knowledge Portal.

³ Probability of risk estimated using WRI Aqueduct, UNEP and NASA data.

⁴ Cost of carbon based on Intergovernmental Panel on Climate Change (IPCC) projections for 2030 – £100 per tonne of CO₂e in Scenario 1; £25 per tonne of CO₂e in Scenario 2.

Sustainability report

Task Force on Climate-related Financial Disclosures (TCFD) report continued

Risk management

Climate risk and opportunity identification and assessment

Climate change is one of the Group's principal risks. Potential impacts include physical risks to operations and supply chains from global warming, as well as transition risks and opportunities related to regulatory and market developments from the shift to a low-carbon economy. Risk appetite is determined annually by the Board.

Climate-related risks and opportunities most relevant for the Group are identified through processes including benchmarking, research, consultation with key colleagues, and customer engagement. Regulatory changes are also considered in identifying and assessing risks and opportunities. External climate data supports this assessment. As described on page 48, the Group refreshed its climate scenario analysis in 2024 to re-evaluate risks and opportunities. Insights from this work are incorporated into the Group's Principal Risks register.

The process for determining the potential impact of climate risks and opportunities, and their relative importance, includes both qualitative and quantitative evaluation by the Group's Sustainability and Finance functions. Members of the Risk and Sustainability Committee also contribute to assessments and corroborate outcomes.

Climate risk management

Climate risk and opportunity management is led by the Group Chief Executive, with support from the Chief Sustainability Officer to ensure alignment with key risks and opportunities. This includes maintaining the Group's climate risk register and advising on controls to mitigate risks from current and emerging regulation, technology, legal, market, reputational, and physical climate developments.

Climate risks and opportunities are prioritised based on their potential strategic and financial impact, likelihood, and magnitude. The Executive Committee oversees operational activity to manage priority climate risks and opportunities. Additional human and financial resources are deployed when needed to support risk mitigation or opportunity realisation plans.

The Group's climate risk and opportunity management plans are updated at least annually. Insights from our climate scenario analysis inform the Group's climate transition planning and efforts to further integrate climate-related opportunities into commercial offerings and operations. Mitigation and realisation strategies for key climate risks and opportunities are described on pages 51 to 53.

Integration of climate risk into overall risk management

Climate risk is assessed alongside other business risks using the Group's overall risk management framework. Executive Directors and Senior Executives are assigned ownership of risk management as appropriate, with climate risk assigned to the Chief Sustainability Officer. The Executive Committee evaluates all Principal Risks and their mitigations twice a year. This ensures that climate-related risks and opportunities are incorporated into the Group's strategic and financial planning appropriately.

An aggregated Principal Risks register, including climate risk, is maintained by the Head of Internal Audit and Risk at the Group level. Operational risk management is facilitated through Group policies, procedures, training, internal controls, reporting reviews, and approval processes, and overseen by Group Internal Audit and Risk, and the Audit Committee.

Climate risks are monitored throughout the year to identify changes in the risk profile. The Risk and Sustainability Committee supports the identification, assessment, and management of climate-related risks. Risk descriptions, scores, and mitigating actions are assessed at least twice a year by the Executive Committee and reviewed annually by the Audit Committee and the Board.

Metrics and targets

Climate-related metrics

The Group monitors various metrics to assess climate-related risks and opportunities and track performance against targets. The following metrics are currently tracked:

- Scope 1 and Scope 2 emissions (CO₂e)
- CO₂e emissions intensity (CO₂e/£m revenue)
- Energy consumption (MWh)
- Energy intensity (MWh/£m revenue)
- % renewable energy use

These metrics are monitored by the Executive Committee. The Board also receives reports on energy usage and emissions. ESG metrics are included in executive compensation schemes.

Climate-related metrics are tracked using an EHS management platform which is deployed Groupwide to capture environmental and health and safety data and provide a single, comprehensive source of data for insight and management.

Other climate-related metrics

Given the nature of our business, energy consumption is the Group's most material environmental topic. Our processes are not water-intensive by design, and the Group does not produce products requiring added water. However, water is used for some operational processes, so water consumption is also monitored. Wastewater arises in processes like degreasing. We regularly monitor water use, waste generation, and wastewater treatment chemicals consumption. The case study on page 46 featuring our Katrineholm, Sweden plant illustrates steps we are taking to manage these impacts and reduce our costs.

Water use data is reported on page 62. Bodycote continues to augment its use of climate-related metrics to track performance and control exposure to risk. In 2024 we began collating waste production data at a Group level. See page 62 for our 2024 performance. We are also working to improve data and insights at an asset level to enable benchmarking across facilities, support greater operational efficiency, and inform net zero roadmap planning.

Sustainability report

Task Force on Climate-related Financial Disclosures (TCFD) report continued

Climate-related opportunity metrics

The Group's climate strategy presents both commercial and operational opportunities:

Commercial opportunities

Bodycote has a significant opportunity to support customers in reducing emissions and energy consumption. We have begun tracking customers' sustainability requirements and new business opportunities, particularly relating to carbon reduction goals and their requirements of suppliers, and are proactively engaging with customers to demonstrate how we can help them achieve their goals.

Operational opportunities

The benefit of the Group's efforts to reduce carbon emissions is passed directly to customers, lowering their Scope 3 emissions from the services we provide. At the same time, the Group benefits from reduced energy consumption, lower operating costs, and less exposure to financial risks. See page 59 for details of the Group's projects to reduce operational carbon emissions.

The Group's Scope 1 and Scope 2 emissions decreased by 8.6% in 2024. CO₂e per £m revenue reduced by 6.8% compared with 2023. The table above shows location-based emissions. Scope 1 and Scope 2 emissions for the last five years are set out in the 'Environmental Leadership' section. Bodycote also reports emissions data using the market-based methodology (see page 59). Emissions and energy consumption for the Group's UK operations are provided on page 62.

The majority of the Group's energy use relates to the consumption of electricity and gas. A breakdown of consumption data is provided on page 59. Emissions reductions were primarily achieved through reduced electricity and gas consumption and energy efficiency measures.

Bodycote uses an operational control approach for reported emissions. The Group's 2024 Scope 1 and 2 emissions and energy consumption data has been independently assured. Assurance of 2024 Scope 3 data is well underway. Assurance is conducted in accordance with the ISO 14064-3:2019 standard. See www.bodycote.com for the assurance statements.

GHG emissions and related risks

GHG emissions	Associated risks	2024 ktCO ₂ e
Scope 1	– Price volatility of fossil fuels – Future carbon taxes	118.0
Scope 2	– Fluctuation in electricity costs (including impacts of fossil-fuel sourced generation and future carbon taxes)	125.3
Total Scope 1 + 2	– Customer appetite for lower emission solutions – Faster than expected growth resulting in an increase in emissions beyond planned mitigation	243.3
Scope 3	– Price fluctuation in energy intensive supplies such as industrial gases	169.2

Scope 3 emissions

Although the Group's Scope 3 footprint has remained below SBTi's 40% materiality threshold (of total Scope 1, 2, and 3 emissions), we are including our full Scope 3 emissions footprint in our disclosures from 2024 (see page 60). We have also set goals to reduce Scope 3 emissions, aligned to the best practice SBTi methodology for target setting. Our targets cover almost 70% of our Scope 3 footprint, and comprise the following:

- To reduce absolute Scope 3 GHG emissions from fuel and energy-related activities by at least 45% by 2030 from a 2019 base year.
- For 30% of suppliers (by emissions) of purchased goods and services to have science-based or other carbon reduction targets by 2030.

In the year ahead, we will develop our supplier engagement strategy and embed metrics associated with the largest elements of Scope 3 emissions (specifically energy-related, industrial gases and HIP-PF metal powders) into our internal management reporting.

Climate-related targets

Bodycote previously set a science-based emissions reduction target validated by SBTi. The Group committed to reducing absolute Scope 1 and Scope 2 GHG emissions by 28% by 2030 from a 2019 base year. In 2024, the Group's emissions were 28.7% below the base year, meaning this target was achieved six years early.

In late 2024, the Group submitted a revised, more ambitious short-term target to SBTi, aligning with a more stringent 1.5°C trajectory. The new target sets a 46% reduction in absolute Scope 1 and 2 market-based emissions by 2030 (compared to 2019 levels).

The Group is working towards an annual goal of at least a 4% emissions reduction, in line with the new, more ambitious 1.5°C aligned emissions reduction target. Our top priority remains energy reduction: improving efficiency and lowering energy consumption. We have established a core programme of eight key emission reduction initiatives, which are being implemented across our global facilities (see page 59).

The Group's energy efficiency initiatives also support decarbonisation more widely. By optimising thermal processing for manufacturers, Bodycote can prevent emissions that would otherwise be released into the atmosphere. As a result, Bodycote plays a major role in avoiding emissions and reducing industry's impact on the climate overall.

The Group has developed a number of software tools to enable carbon and environmental impact calculation for the majority of its core heat and surface treatments. The tools support current and prospective customers in their understanding of the environmental impacts of services provided, as well as the potential avoided emissions if they outsource their in-house processes to Bodycote. See page 44 for details.

Our position on carbon offsets

In line with the science-based approach to decarbonisation, Bodycote focuses on absolute emissions reduction. The Group may use carbon removal or offsets only as part of a residual emissions strategy if required in the future or as an additional initiative to compensate for emissions or support nature restoration.