

Environmental, Social and Governance

Our strategy

Our approach to ESG and sustainability activities continues to focus on providing safe, long-term employment for the local economy whilst generating sustainable value for stakeholders (set out on page 5) in a manner which is consistent with our governance obligations.

The group presents its ESG Report for the year to 31 March 2023 taking note of relevant industrial data points suggested in the London Stock Exchange guidance on ESG reporting. These metrics are used both in the context of wider ESG reporting and to support our Task Force on Climate-related Financial Disclosures ('TCFD') metric reporting.

At a glance

Completed initiatives	On-going initiatives
<ul style="list-style-type: none"> 100% renewable electricity powering the groups plant. 100% green gas from 1 October 2023. Investment in plastic, cardboard and coolant recycling facilities. Investment in compactors to allow recycling of swarf from machining business to be remelted in the foundries. Appointment of additional independent non-executive director. 	<ul style="list-style-type: none"> Investment in energy efficient cooling plant in collaboration with the BEIS Industrial Energy Transformation Fund. Upgrades to compressor systems to improve energy efficiency. Technical appraisal of sand reclamation equipment to enable foundry sand to be re-used. Application for a solar PV system at the Brownhills site, currently rejected and under appeal.

Environmental

As an energy-intensive industry, we understand that we must evolve in order to meet the needs of our stakeholders. The group continues to improve its environmental credentials in a commercially viable manner, with numerous success stories to date. We are taking proactive steps to build on this further, working in collaboration with customers, suppliers, industry bodies and research organisations as set out in our report under the TCFD framework on pages 16 and 17. The data set out in this section corroborates the strong environmental credentials of the group.

Carbon emissions

We have calculated our carbon footprint according to the World Resources Institute ('WRI') and World Business Council for Sustainable Development ('WBCSD') GHG Protocol, which is the internationally recognised standard for corporate carbon reporting. The group's total CO₂ emission data is based on Scope 1 and Scope 2. Scope 1 emissions are direct emissions resulting from fuel usage and operation of facilities. Scope 2 emissions are indirect energy emissions resulting from purchased electricity and other power for own use.

The group collects monthly consumption information from each facility and converts to tonnes of CO₂e ('tCO₂e') produced using the DEFRA published national carbon conversion factors.

Energy consumption and intensity

A key priority of the company is to manage energy efficiently, thus reducing our carbon footprint and creating value for our stakeholders. It is pleasing to report, in the table below, the high level trend of a reducing MWh of energy consumption as a proportion of revenue generated.

	2023	2022	2021
Scope 1	20,011	16,235	12,829
Scope 2	137,160	132,548	104,644
Total energy consumption (MWh)	157,171	148,783	117,493
Total energy intensity (MWh per £000 revenue)	0.785	1.001	1.024

Greenhouse Gas ('GHG') emissions (tCO₂e)

GHG emissions are set out below under both location and market-based methods. The location-based method reflects the average emissions intensity of the grids on which energy consumption occurs (using mostly grid-average emission factor data), namely the UK grid for the group.

The market-based method reflects emissions from electricity that companies have specifically chosen. It derives emission factors from contractual instruments, which include any type of contract between two parties for the sale and purchase of energy bundled with attributes about the energy generation. Market-based emissions are therefore shown net of electricity supplied to the group under OFGEM certified renewable contracts.

Location-based	2023	2022	2021
Scope 1	3,602	2,974	2,359
Scope 2	26,524	28,144	24,401
Total location-based emissions	30,126	31,118	26,760
Market-based	2023	2022	2021
Scope 1	3,602	2,974	2,359
Scope 2	–	–	–
Total market-based emissions	3,602	2,974	2,359
GHG intensity (location-based)	2023	2022	2021
Revenue intensity (tCO ₂ e per £000 revenue)			
Foundry operations (gross revenue)	0.126	0.199	0.222
Machining operations (gross revenue)	0.067	0.088	0.102
Group total (net revenue)	0.151	0.209	0.233
Production intensity (tCO ₂ e per production tonne)			
Foundry operations	0.496	0.512	0.564
Group total	0.528	0.547	0.606

For the foundry businesses, the most appropriate metric to measure the intensity of GHG emissions is by production tonne; this has decreased to 0.496 (2022 – 0.512) tCO₂e per production tonne. We actively seek to minimise energy use in the group, particularly in the foundry businesses, so it is pleasing to see a reduction in emissions per tonne produced in each of the last three financial years. Energy efficiency is maximised when the plants can operate uninterrupted which has been more achievable with the high demand levels in the year.

The machining operation does not have a production weight, therefore, the relevant intensity metric used is emissions per thousand pounds of machining revenue; emissions have decreased to 0.067 (2022 – 0.088) tCO₂e per £000.

Whilst many foundry competitors still utilise fossil fuels to power furnaces, generating direct emissions, the group's operations utilise furnaces and CNC machines which are powered by purchased electricity. This allows the plant and equipment to be fuelled by power purchased from commercial energy providers supplying power from OFGEM certified renewable sources.

Waste, water and recycling

The group has made significant investments in scrap metal, plastic and cardboard recycling in recent years. The table below sets out the groups waste classifications and water use:

	2023	2022	2021
Recycled waste (tonnes)	32	48	31
Non-recycled waste (tonnes)	36,553	35,070	28,964
Hazardous waste (tonnes)	688	586	418
Water use (m ³)	71,440	65,689	49,715
Intensity			
Recycled waste (tonnes per thousand tonnes produced)	0.56	0.84	0.70
Non-recycled waste (tonnes per thousand tonnes produced)	628.13	615.93	656.33
Hazardous waste (tonnes per thousand tonnes produced)	12.06	10.30	9.48
Water use (m ³ per thousand tonnes produced)	1.252	1.154	1.127

The group has compacted and sold waste bales of plastic and cardboard for several years and continues to seek ways of increasing the recycling profile. Whilst efforts have been made to increase the recycling of core by-products from the production process, this has not been reflected in the data reported above and so a greater focus is to be given to this area in the current year.

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The vast majority of the non-recycled waste relates to sand. The group is in the process of appraising a sand-reclamation project which, if successful, would enable sand to be reused in the foundry processes. In addition, the group is working with industry bodies that sponsor local university research projects with an aim to identify a commercial use for this production by-product to further reduce landfill waste.

In recent years the group has been able to reduce the volume of hazardous waste it produces through investments in evaporation and recycling equipment, reducing the disposal costs to the group. However, these investments were made prior to 2020 and therefore the improvements are not evident in the data above. The group has an ongoing project to assess further ways of extracting hazardous waste from non-hazardous elements, thus disposing of a smaller volume of hazardous waste in total.

The majority of the water consumed by the group is within the foundry production process, particularly within the sand mills. As a result, it is not anticipated that the volume of water consumed will reduce significantly other than with variations in production volumes.

There have been no environmental fines in the past three years and NOx, SOx and VOC emissions are not material.

The group's facilities are ISO 14001 accredited, and our practices and procedures are subject to regular environmental audits by external consultants.

The group demands that all activities and services comply with applicable laws and regulations.

Social

The foundation of the group's strength is its people. We strive to support our employees' health and wellbeing whilst driving a performance culture of business understanding and shared values. The group's policy is to employ people who embody its core values of commitment and excellence. These values apply to all employees regardless of seniority or position, including directors.

	2023	2022	2021
Proportion of new employees joining on temporary or short-term contracts	0.0%	0.0%	0.0%
Number of apprentices recruited	6	10	9
Staff turnover*	18.5%	21.1%	17.1%

* Staff turnover is calculated by reference to the number of people who have left employment (having worked for at least a three month period) as a proportion of the average number of employees for the year.

The group is a significant employer in each of the locations it operates and takes pride in operating its business based on permanent contracts, with employees carrying full employee status and without the use of zero hours contracts. As a result, the group traditionally has high staff retention levels and a dedicated, long-term focussed workforce.

Whilst staff turnover has decreased during the year, the group continues to look to improve employee wellbeing and return to pre-pandemic retention levels.

In addition to the structured apprenticeship training, the group provides internal, external and continuous on-the-job training for all staff as required. As a result of the nature of the training carried out, the group does not collate data concerning the number of hours of training conducted each year.

The group seeks to communicate with its employees in a structured, open manner, including regular briefings and dissemination of relevant information on the group and business unit. Employees are informed weekly of production levels and the relative production performance. Similarly, they are kept informed of any factor affecting the group and the industry generally.

Their involvement in the group's performance is encouraged by means of a production bonus and at the time of annual wages and salaries review they are made aware of all economic factors affecting the previous year's performance and the outlook for the ensuing year.

Equality, diversity and inclusion

Recognising the demands of our customers and our strategy, the group's diversity and recruitment policy is to recruit the best available people and to invest in their training and development to enable a high level of retention. We are committed to diversity and equality, judging applications for employment neither by race, nationality, gender, age, disability, sexual orientation nor political bias. We have made a commitment to consider applicants from a wide range of educational backgrounds and have an active apprenticeship programme.

The group gives full consideration to employment applications by disabled persons where they can adequately fulfil the requirements of the position. If necessary, we endeavour to retrain any employee who becomes disabled during their period of employment with the group.

The gender of our staff at 31 March 2023 was as follows:

	Male	Female
Non-executive directors	4	–
Executive directors	2	–
Senior managers	30	3
Other employees	1,107	105
	1,143	108

Human rights

The group's operations are all based in the United Kingdom. Each of the group's businesses has a core of long-standing, local suppliers and several key partners based in the European Union. The group has minimal activity with suppliers outside of these areas, therefore due to the existing regulatory controls in our core areas of geographical activity, human rights is not considered to be a material issue.

Management have a high level of involvement in the day-to-day activities of the business and its suppliers and are trained to identify areas of concern which may not align with the standards the group demands. The board receives regular updates on corporate responsibility issues including the UK Modern Slavery Act.

We have a Code of Conduct that sets out our policy on compliance with legislation, child labour, anti-slavery and human trafficking and conditions of employment.

Health and safety

The board regards the promotion of health and safety measures as a mutual objective for management and employees at all levels. It is our policy to do all that is practicable to prevent personal injury and damage to property and to protect everyone from foreseeable hazards, including third parties in so far as they come into contact with the group's activities.

The group has clearly defined health and safety policies and we operate a system of strict reporting. Regular audits of health and safety at the group's manufacturing operations are carried out using independent agencies who make recommendations for improvements to achieve best practice wherever appropriate.

The group's health and safety policy is regularly reviewed and modified as circumstances and experiences dictate. The group encourages the maintenance of consistently high standards and each site is required to develop a safety management system. Health and safety training is a continual process at each site and therefore is completed on a regular basis and covering all levels within the group.

Lost time incidents

	2023	2022	2021
Accidents	219	185	144
RIDDORs	8	10	6
Near misses (foundries only)	66	40	41
Intensity (per million hours worked)			
Accidents	89.9	77.0	78.2
RIDDORs	3.3	4.2	3.3
Near misses (foundries only)	39.3	23.3	32.2

We have unfortunately seen an increase to both the number of accidents and near misses (foundries only as it is currently reported differently internally within the machining business) relative to the number of hours worked, however, there was a reduction in the number of RIDDORs (an incident resulting in absence of at least seven consecutive shifts).

Management continues to strive to reduce these figures further and investments continue to be made in areas where the accident risks are the greatest.

Governance

Strong and straightforward corporate governance underpins all our business activities. The group's arrangements are set out in the Corporate Governance section on pages 24 and 25.

There have been no political contributions made in the past three years.

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Board diversity

All six members of the board are white British males and therefore the targets under LR 9.8.6 (9, 10) of 40% of the board being female and at least one of the four senior positions on the board being occupied by a female and having one board member of minority ethnic origin have not been met. This is an area that remains under review by the nomination committee.

Responsible business

We are committed to conducting business with the utmost integrity and in accordance with the Bribery Act 2010 and have a clear anti-bribery and corruption policy in place, which is available on the company website. We communicate our expectations to all employees and have a zero tolerance policy in respect of improper or criminal behaviours; all directors and employees are encouraged to report any suspicions of bribery.

Non-financial information statement

We comply with the non-financial reporting requirements contained in sections 414CA and 414CB of the Companies Act 2006. Information regarding our business model is set out on page 5; environmental matters on pages 12 to 14; employees, social matters and human rights on pages 14 and 15; and anti-corruption and anti-bribery matters are set out above.

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

The company has prepared disclosures based on TCFD recommendations in accordance with Listing Rules 9.8.6R as set out below. As set out in the table below, further work is underway on identifying targets and considering the resilience of company's longer-term strategy. A progress update will be provided in next year's annual report.

Governance	
Board oversight and management role	<p>Climate risk is a principal risk included on the group risk register and executive management has formed a working group, as set out in the process section on page 17, which has access to professional advice and support, to continue to understand the group's climate-related risks and opportunities and the associated impacts upon the group, its stakeholders and markets.</p> <p>Whilst no formal targets have been established as yet, the strategic focus of the group's activities and capital investment decisions include sustainability as a key consideration.</p>
Strategy	
Climate-related risks and opportunities	<p>Short term (0-2 years)</p> <p>The group can provide casting, machining, assembly and ancillary services with a low level of transport (and therefore GHG emissions emitted) between group sites and with manufacturing powered primarily by electricity generated from renewable sources. Management believes this places the business in a strong position to support its customers' and stakeholders' environmental aspirations, particularly when compared to coal-powered or geographically disparate competitors.</p> <p>Recycling, energy efficient plant solutions and waste management continue to be areas of focus with regard to reducing the group's carbon footprint and landfill waste. Through its participation in industry bodies the group supports several research projects to find commercial uses for remaining waste materials, such as sand.</p> <hr/> <p>Medium term (2-5 years)</p> <p>There is an opportunity for the group to utilise its considerable production experience, financial resource and relationships as a supplier to the established commercial vehicle markets to enter new or additional product categories as they develop at scale. In the nearer term, this means supplying parts to the most fuel efficient combustion engines ever produced by OEMs for HGVs as well as expanding our supply of parts to offshore power generation customers.</p> <p>Further opportunities are expected to arise for supply into the smaller end of the truck sector which is naturally more suited to the battery electric vehicle ('BEV') technology. This is not a market that the group has served to any great degree previously.</p> <hr/> <p>Long term (5 years+)</p> <p>As BEV and hydrogen fuel cell powertrain technologies evolve, there is a risk that the market for the group's cast iron internal combustion engine ('ICE') products could reduce, albeit the application of such technologies to the group's core heavy truck market is expected to be longer term. This would directly impact approximately one-third of group revenue, but opportunities will exist for the group within the new product ranges.</p>

Impact on the group's strategy and financial planning

The group's plant is depreciated over a maximum life of 15 years and is not considered at risk of impairment because of a reduction in cast iron business under currently reasonably foreseeable circumstances.

It is expected that this transition away from ICEs will be a medium to long-term, gradual strategic issue and therefore investment will be appropriately managed to avoid redundant undepreciated plant that may become subject to impairment. Structural parts to heavy goods vehicles will potentially continue to be made from cast iron due to the material's favourable characteristics.

Strategy
Resilience of the company's strategy, taking into consideration different climate-related scenarios

The group's production sites are based in Brownhills, West Midlands and Dronfield, Derbyshire. The physical risks of climate change are not expected to materially impact the production capability of either UK site.

Approximately one-third of the group's turnover arises from the sale of parts which are used by our customers to produce ICEs for heavy trucks. This revenue would be at risk in the event of a sudden technological or regulatory development which rendered the ICE obsolete.

This scenario is considered unlikely to develop quickly given the reliance of the human population on a well-functioning transport and logistics infrastructure to transport essential items such as food. In addition, any technology break-through would need significant infrastructure changes to support the charging or re-fuelling of an alternative powertrain for heavy trucks. At present the group is working with OEMs on a variety of project opportunities, whilst research into the technical direction of the market (in response to climate-related scenarios) continues, including:

- Supplying parts which make current large diesel engines significantly more efficient.
- Providing additional on-site ancillary services to reduce unnecessary transportation of parts.
- Making our own product using renewable energy .
- Collaborating to supply parts and potential capacity for the manufacture of electric trucks.

Whilst we are working with our key customers to facilitate movement away from ICEs and are active commercially in this area, our key customers continue to invest significantly in new, more efficient diesel engine production facilities and therefore we continue to see the phase out of diesel engines in the heavy truck market as a long term issue in our scenario planning.

At present, we continue to focus on the short to medium term opportunities the transition to a zero-emission market can provide, whilst utilising our engineering expertise and customer relationships to develop our long term strategy alongside our customer base.

This initial consideration of resilience has been set out by the group and consideration is being given to more detailed scenario analysis.

Process for identifying and managing risks

The working group formed to review climate-related risks and opportunities identifies and manages climate-related risks.

The working group includes the group finance director, group financial controller, group health, safety and environment director, the group CEO where appropriate and other members of the group's senior management team when relevant issues are due for discussion.

The working group has been supported by external advisers both with regard to market developments and ESG reporting during the year and following this the working group has established an appropriate internal response to developments.

Any significant issues will continue to be raised to the audit and risk committee through the review of the group risk register and associated updates.

Metrics and targets

Metrics have been reported within the relevant sections of the group ESG Report on pages 12 to 14. Consideration is being given as to the targets that might be used by the group to manage climate-related risks and opportunities and performance against those targets.