

**Hill & Smith PLC (the 'Company')  
2023 Annual Report and Notice of 2024 Annual General Meeting ('AGM')**

Hill & Smith PLC has posted, or otherwise notified as being available on its website ([www.hsgroup.com](http://www.hsgroup.com)), the Notice of its 2024 AGM. The 2023 Annual Report was posted to shareholders, or otherwise notified as being made available on its website on 17 April 2024.

In accordance with Listing Rule 9.6.1 a copy of each of these documents has been uploaded to the National Storage Mechanism and will be available for viewing shortly.

A hard copy of the 2023 Annual Report can be obtained upon request to the Group Company Secretary, Hill & Smith PLC, Westhaven House, Arlestone Way, Shirley, Solihull B90 4LH.

The statutory accounts for the year ended 31 December 2023 have been approved by the Board and will be delivered to the Registrar of Companies following the Company's AGM.

**Compliance with Disclosure and Transparency Rule 6.3.5 ('DTR 6.3.5') - Extracts from the 2023 Annual Report**

The information below, headed as Appendix A, B and C, and which is extracted from the 2023 Annual Report, is included solely for the purpose of complying with DTR 6.3.5 and the requirements it imposes on how to make public Annual Financial Reports. It should be read in conjunction with the Company's Preliminary Announcement issued on 12 March 2024 (available at [www.hsgroup.com](http://www.hsgroup.com)). Together these constitute the material required by DTR 6.3.5 to be communicated to the media in unedited full text through a Regulatory Information Service. This material is not a substitute for reading the full 2023 Annual Report. All page numbers and cross-references in the extracted information below refer to page numbers in the 2023 Annual Report.

**Appendix A - Principal Risks and Uncertainties**

<b>Risk: Reduction in US infrastructure spending</b>		
<b>Trend</b> No change	<b>Description and potential impact</b> Our growth is supported by multi-year planned government spending to upgrade US infrastructure (e.g. IIJA and the Chips Act), technology change and private investment from US manufacturers and producers to onshore vital components. Changes to these plans could have a detrimental impact on Group revenues.  We remain confident that infrastructure investment will continue to form part of national spending plans in the US despite ongoing macro-economic uncertainty.	<b>Mitigation</b> <ul style="list-style-type: none"> <li>• Cross-party support for infrastructure investment plans.</li> <li>• Our portfolio covers diverse products, markets and territories.</li> <li>• Market and product development initiatives.</li> <li>• Strategic planning process overseen by the Exec and Board to anticipate and mitigate potential downside risks.</li> </ul>
<b>Risk: Changes in global economic outlook and geopolitical environment</b>		
<b>Trend</b> Slightly higher	<b>Description and potential impact</b> <ul style="list-style-type: none"> <li>• Material adverse changes in the political and economic environments in the end-user markets in which we operate, have the potential to put at risk our ability to execute our strategy.</li> </ul> <p>2023 has seen escalating geopolitical tensions. While this had limited impact on our supply chains and end markets, we continue to monitor the risk.</p> <p>During 2023 central banks in both the US and UK raised interest rates in an attempt to control inflation. While this is a concern for the cost of living, an increase in interest rates has had a limited impact on the Group's ability to grow given our cash generative model. Alongside this our businesses operate in resilient, less discretionary infrastructure markets.</p>	<b>Mitigation</b> <ul style="list-style-type: none"> <li>• The Group has a diverse portfolio of operating companies with exposure to a range of markets and geographies, limiting exposure to any one country or market sector.</li> <li>• Strong balance sheet with low leverage and mix of fixed and floating rate debt.</li> <li>• Current and future financial performance is continuously monitored, facilitating rapid response to changes in market conditions.</li> <li>• In line with our entrepreneurial model, our decisions are made close to our markets and our businesses are agile and responsive to changes in their external competitive landscape.</li> </ul>
<b>Risk: Increase in competitive pressure</b>		
<b>Trend</b> No change	<b>Description and potential impact</b> Increased volatility, uncertainty and slowdown in our markets could result in increased competition, leading to a loss of customers	<b>Mitigation</b> <ul style="list-style-type: none"> <li>• The Group holds leading positions in niche infrastructure markets with high barriers to entry</li> </ul>

	competitively, leading to a loss of customers and/or pricing pressure and consequently a loss of sales and reduced profits.	<p>barriers to entry.</p> <ul style="list-style-type: none"> <li>In line with our entrepreneurial model, our decisions are made close to our markets and our businesses are agile and responsive to changes in their competitive landscape.</li> <li>Our operating companies strive to provide superior products and high service levels to customers, while aiming to ensure there is no dependency on any one customer.</li> </ul>
<b>Risk: Product failure</b>		
<b>Trend</b> No change	<p><b>Description and potential impact</b></p> <p>The Group operates in infrastructure markets where it is critical that its products meet customer and legislative requirements and where the consequences of product failure are potentially significant.</p> <p>Product failure arising from component defects or warranty issues may require remediation including the replacement of defective components or complete products, resulting in direct financial costs to the Group and/or wider reputational risk.</p>	<p><b>Mitigation</b></p> <ul style="list-style-type: none"> <li>Products tested, approved and accredited by regulatory bodies.</li> <li>Quality control protocols fully implemented and continuously monitored.</li> <li>Contractual controls in place to minimise economic impacts.</li> <li>Product liability insurance cover maintained globally.</li> <li>Litigation supported/managed by external legal specialists.</li> </ul>
<b>Risk: Climate Change</b>		
<b>Trend</b> New	<p><b>Description and potential impact</b></p> <p>Failure to adapt to and manage the threats and opportunities from climate change could have significant reputational, financial and operational impacts on the Group. Chronic changes in climate and extreme weather events may disrupt our operations.</p> <p>Global warming could place further stress on our supply chain, with extreme weather events impacting supply becoming more likely and chronic changes to heat / rainfall averages potentially impacting where we source certain materials.</p> <p>Transitioning to a low-carbon economy presents technological challenges and the high energy demand of some of our operations could incur carbon taxes.</p> <p>Climate change does present opportunity for the Group through our sustainable products and products to improve infrastructure resilience to increasingly extreme weather hazards.</p> <p>Climate change has been added as a Principal Risk for 2023.</p>	<p><b>Mitigation</b></p> <ul style="list-style-type: none"> <li>Sustainability Committee to oversee and govern our carbon reduction plans and initiatives.</li> <li>TCFD analysis to understand our risks and opportunities arising from climate change.</li> <li>Climate scenario modelling to evaluate the threat from climate hazards such as extreme heat, flooding, and extreme winds, both now and in 2040, for our operational sites.</li> <li>Costed plan established to set out how we will achieve net-zero (for scopes 1 and 2) by 2040, reducing our exposure to transition risks.</li> <li>Insurance cover, continuity planning and extreme weather protocols in place to mitigate our exposure from physical risks.</li> </ul> <p>See Our Approach to Sustainability (including our TCFD report) for further details, see pages 36 to 55.</p>
<b>Risk: Supply chain failure</b>		
<b>Trend</b> No change	<p><b>Description and potential impact</b></p> <p>The Group's businesses depend on the availability and timely delivery of raw materials and components, which could be affected by disruption in its supply chain. Supply chain failures because of performance, cost inflation, quality and/or insolvency may have an adverse impact on the Group's production capacity and lead to an inability to meet customer requirements, resulting in a reduction in revenues, potential loss of market share and possible reputational damage.</p> <p>Climate change transition costs could also inflate the price of the goods we purchase.</p> <p>During the year, our operating companies continued to take appropriate action to manage supply chain headwinds. Actions taken included implementing price increases to offset input cost inflation and securing supply of raw materials.</p>	<p><b>Mitigation</b></p> <ul style="list-style-type: none"> <li>Group procurement standards, including robust due diligence of supply chain partners and the requirement for dual sourcing where available.</li> <li>Regular interaction and assessment of performance/ financial status of key suppliers.</li> <li>Group oversight of material procurement contracts ensuring robust contractual protections.</li> <li>Contingency plans in place throughout the supply chain, such as purchasing additional stock of key raw materials, and securing additional supply chain capacity.</li> <li>Group wide thematic Internal Audit review of Supply Chain completed during 2022 with recommendations implemented during 2023.</li> </ul>
<b>Risk: IT systems failure</b>		
<b>Trend</b> Slightly higher	<p><b>Description and potential impact</b></p> <p>The Group relies on the information technology systems used in the daily operations of its</p>	<p><b>Mitigation</b></p> <ul style="list-style-type: none"> <li>The Board maintains a watching brief on IT and cyber risk and has</li> </ul>

	<p>systems used in the daily operations of its operating companies. A failure of those systems or poor implementation of new systems could have a significant operational impact on the Group, impacting customer service, revenue and margins.</p> <p>Poor security controls and procedures could lead to our operating companies being susceptible to cyber attack, potentially resulting in significant IT failure and associated disruption.</p> <p>During the year the global cyber threat has continued to evolve, with increasing numbers of organised criminal groups undertaking increasingly sophisticated ransomware and other cyber attacks. The UK's National Cyber Security Centre ('NCSC') has warned of heightened cyber risk from the rise of artificial intelligence and due to increasingly strained geopolitical tensions.</p> <p>While there has been a continued enhancement of the Group's IT security controls during 2023, the Board considers the risk to be heightened due to the increasing sophistication and frequency of cyber threats across the world.</p>	<p>on IT and cyber risk, and has overseen significant investment across the Group to enhance IT security controls.</p> <ul style="list-style-type: none"> <li>Wholesale network security improvements completed during 2023.</li> <li>IT controls manual mandating a robust set of information security controls covering basic cyber hygiene, system back-up procedures and hardware / software protection.</li> <li>Ongoing program of IT controls compliance reviews completed by Internal Audit.</li> </ul>
<b>Risk: Portfolio management</b>		
<b>Trend</b> No change	<b>Description and potential impact</b> The Group's growth strategies include the acquisition of businesses around the world that complement or supplement its existing activities. Failure to execute an effective acquisition and integration programme would have a significant impact on the Group's ability to generate sustainable profitable growth for shareholders.	<b>Mitigation</b> <ul style="list-style-type: none"> <li>All potential acquisitions are tightly evaluated to ensure they fit within our purpose and core strategic goals.</li> <li>Due diligence protocols deployed in relation to assessment of target businesses, including financial, commercial, and legal etc.</li> <li>Contractual protections and assurances sought from sellers to mitigate subsequent identification of risks.</li> <li>Board approval required for Group acquisitions, in line with its Schedule of Matters Reserved.</li> <li>Post-acquisition integration plans established for all acquisitions with regular performance monitoring and reporting to the Board.</li> </ul>
<b>Risk: Failure to take advantage of product development and innovation</b>		
<b>Trend</b> No change	<b>Description and potential impact</b> The Group operates in global infrastructure markets where continuous innovation is integral to the Group's product offering and where a failure to innovate could result in product obsolescence, the entry of new competitors and/or loss of market share. The development of new products and technologies carries risk including the failure to develop a commercially viable offering within an acceptable timeframe.	<b>Mitigation</b> <ul style="list-style-type: none"> <li>Entrepreneurial culture and autonomous structure to encourage innovation and enable agile response to a changing competitive landscape.</li> <li>Our acquisitions strategy brings innovative products and technology to our portfolio.</li> <li>Board monitoring of emerging risks alongside external specialist support, where both the risks identified and the potential opportunities arising are considered.</li> <li>Group wide Innovation Framework with two workshops conducted during 2023 to encourage and stimulate increased innovation.</li> <li>Active Intellectual Property management within individual operating companies overseen by Group.</li> </ul>
<b>Risk: Failure to attract, retain and develop an appropriately diverse, skilled and experienced workforce</b>		
<b>Trend</b> Slightly lower	<b>Description and potential impact</b> Talented employees are fundamental to the success of the Group. We aim to employ the best people for the job, and we know we can only do this by considering talented people from the whole community.	<b>Mitigation</b> <ul style="list-style-type: none"> <li>Board level review of succession planning for senior leaders.</li> <li>Training and development programme in place for supervisors and line managers.</li> </ul>

	<p>Failure to attract, develop and retain high-quality individuals may impact our ability to deliver against our strategic goals.</p> <p>During 2023 we experienced some easing in labour market conditions, albeit certain skillsets, e.g. welders and maintenance technicians remain challenging to recruit. This is being partly addressed through apprenticeships.</p>	<ul style="list-style-type: none"> <li>• New training and development programme for high potential talent to be launched in 2024.</li> <li>• Bespoke coaching and mentoring for identified MD successors to support development.</li> <li>• Continued use of internships and apprenticeships and other vocational courses for specialist and technical roles.</li> <li>• Appropriate remuneration and benefits, together with bonus opportunities and incentive plans offered to employees</li> <li>• Annual engagement survey results inform local operating action plans to improve engagement.</li> <li>• Women's network established in 2023, to attract, retain, and develop female employees.</li> </ul>
<b>Risk: Prevention of harm or injury to people</b>		
<b>Trend</b> No change	<p><b>Description and potential impact</b></p> <p>The Group is committed to ensuring the health, safety and wellbeing of all employees and third parties. The Group operates multiple manufacturing facilities around the world, a failure in the Group's health and safety procedures could lead to injury or to the death of employees or third parties.</p> <p>LTIR has reduced from 1.1 in 2022 to 0.43 in 2023. Further improvement is required to reach the 2030 Health and Safety target of 0.25 and health and safety remains a key focus area for the Group. In our efforts to continuously improve our proactive approach to health and safety, we have changed the group structure from a global to a regional one to allow the group health and safety resources to be closer to individual operating companies within their region.</p>	<p><b>Mitigation</b></p> <ul style="list-style-type: none"> <li>• Culture of zero tolerance in respect of health and safety violations promoted by the Board and disseminated throughout Group businesses with clear targets and improvement metrics.</li> <li>• Appointment of UK and US Heads of Health and Safety.</li> <li>• Monthly Health and Safety reporting for all operating companies facilitated via online tools.</li> <li>• Monitoring and review of LTI rates with all LTI incidents investigated and findings presented to the Executive</li> <li>• Board. Improvement recommendations are implemented and shared across the Group to minimise any reoccurrence.</li> <li>• Improvement made in our incident investigation to enhance the focus on root cause analysis to prevent further incidents.</li> <li>• Regular health and safety site audits.</li> <li>• Health and safety forums to monitor performance and share best practice.</li> <li>• External health and safety accreditations and relationships maintained with regulatory bodies.</li> <li>• Health and safety is a priority area of focus for new acquisitions.</li> </ul>
<b>Risk: Violation of applicable laws and regulations</b>		
<b>Trend</b> No change	<p><b>Description and potential impact</b></p> <p>The Group's operations must comply with a range of national and international laws and regulations including those related to modern slavery, anti-bribery and corruption, human rights, and employment, GDPR, trade/ export compliance and competition/anti-trust.</p> <p>A failure to comply with applicable laws and regulations could result in civil or criminal liabilities and/or individual or corporate fines and could also result in debarment from Government-related contracts, restrictions on ability to trade or rejection by financial counterparties as well as reputational damage.</p>	<p><b>Mitigation</b></p> <ul style="list-style-type: none"> <li>• Group Code of Conduct sets out required approach for all staff.</li> <li>• Staff training provided on Modern Slavery red flags, Anti-Bribery and Corruption and Competition compliance.</li> <li>• Programme of audits undertaken on a cyclical basis to review operating companies' compliance with regulatory requirements.</li> <li>• Software solutions implemented globally to ensure compliance with trade and export legislation.</li> <li>• Externally hosted whistleblowing hotline available to all employees to allow them to raise concerns in confidence or anonymously, if preferred.</li> <li>• Modern Slavery compliance programme continued through 2023.</li> <li>• Toolkits issued to all UK operating companies to aid compliance with GDPR.</li> </ul>

#### Appendix B - Responsibility Statement of the Directors pursuant to Disclosure and Transparency Rule 4

The following statement is extracted from page 117 of the 2023 Annual Report and is repeated here for the purposes of

The following statement is extracted from page 117 of the 2023 Annual Report and is repeated here for the purposes of compliance with DTR 6.3.5. This statement relates solely to the 2023 Annual Report and is not connected to the extracted information set out in this announcement or the Preliminary Announcement.

We confirm that to the best of our knowledge

- the Financial Statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face. We consider the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

#### **Appendix C - Related Party Transactions**

The key management personnel are considered to be the Board of Directors of Hill & Smith PLC, whose remuneration can be seen in the Remuneration Committee Report on pages 94 to 106 and the members of the Executive Board who are not also Directors of the Group, and in the related party details on page 196 (note 15) of the 2023 Annual Report.

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