

Avon Specialty Metals:

Comprehensive ESG Report 2023

Introduction

At Avon Specialty Metals, sustainability is at the core of our business strategy. We are dedicated to minimising our environmental impact, supporting our communities, and ensuring long-term economic resilience. This report provides an in-depth overview of our key Environmental, Social, and Governance (ESG) initiatives, our performance metrics, and our future goals.

Our ESG Strategy

Our ESG strategy is built on three core pillars: Environmental Stewardship, Social Responsibility, and Economic Resilience. We employ a systematic and data-driven approach to ensure that we not only meet but exceed our ESG goals.

1. Environmental Stewardship

Environmental sustainability is a fundamental component of our strategy at Avon Specialty Metals. We strive to minimise our environmental impact through efficient resource use, waste reduction, energy management, and by fostering a circular economy.

1.1 Measuring and Monitoring Sustainability Performance

At Avon Specialty Metals, part of the REMET group, we take a systematic approach to measuring and monitoring our sustainability performance. This is essential for tracking progress towards our goals and identifying areas where we can improve efficiency and reduce environmental impact, particularly in terms of energy use and greenhouse gas (GHG) emissions.

1.1.1 Greenhouse Gas (GHG) Emissions Monitoring:

The REMET group, which includes Avon Specialty Metals, Avon Metals Ltd, and The REMET Co Ltd, monitors its GHG emissions across three energy-consuming sites. A significant portion—92.8%—of the group's energy consumption occurs at the Avon Metals site in Gloucester, where metal alloys are manufactured using a combination of gas and electric-powered furnaces.

Group-Wide Energy and Carbon Analysis:

- **Scope 1 Direct Emissions:** This includes fuel combusted on-site and fuel consumption for company-owned vehicles. In 2023, the group's Scope 1 emissions totalled 15,450,229 kWh, amounting to 5,695 metric tons of CO₂.
- **Scope 2 Indirect Emissions:** This refers to grid electricity purchased, 84% of which is certified renewable and zero carbon. In 2023, Scope 2 emissions were 3,704,985 kWh, resulting in 121 metric tons of CO₂.

Intensity Measurement: The group measures energy efficiency and carbon intensity based on the total tonnes of products sold at each business unit. For 2023, the intensity metrics were as follows:

1. **Energy Intensity:** 250 kWh per metric ton.
2. **Carbon Intensity:** 0.076 metric tons of CO₂ per metric ton of product.

Focus on Energy Efficiency:

Given that most of the energy consumption occurs at the Avon Metals foundry site, our energy efficiency efforts are concentrated where the most significant impact can be achieved. Avon Metals procures 100% certified renewable electricity for its melting operations, accounting for 84% of the group's grid-supplied power. Additionally, Avon Metals operates an ISO 50001 energy management system, accredited by an independent certification body, ensuring that our energy use is systematically managed and continuously optimised.

Future Initiatives:

The company is also investing in upgrading gas-powered furnaces with the latest efficient burner technology and installing electric vehicle (EV) charging points across its sites. As part of our commitment to reducing Scope 1 emissions, we are gradually converting our company car fleet to fully electric or plug-in hybrid vehicles as they come up for renewal. Furthermore, all inward and outward shipments of materials and products are handled by third-party logistics companies, which are selected based on their commitment to sustainability.

1.2 Circular Economy and Resource Efficiency

Avon Specialty Metals is deeply committed to the principles of the circular economy, which emphasize the importance of keeping resources in use for as long as possible, extracting maximum value, and recovering and regenerating products and materials at the end of their service life.

- **New Foundry Operations:** In July 2024, we launched a state-of-the-art foundry in partnership with Avon Metals. This facility is designed to process nickel, cobalt, and stainless-steel alloys, operating entirely on 100% green energy. By incorporating artificial intelligence (AI) into our processes, we optimise the use of raw materials, creating alloys that are both cost-effective and sustainable. The AI system allows us to make real-time adjustments to the composition of alloys, ensuring maximum efficiency and minimal waste.
- **Advanced Recycling Techniques:** We have implemented advanced recycling methods that allow us to recover valuable metals from scrap materials. Our processes are designed to minimise waste and maximise resource efficiency, aligning with our goal of achieving zero waste to landfill by 2026. For instance, our investment in a drum press to compact used or damaged steel drums has enabled us to recycle these materials in our foundry, creating new steel alloys and reducing the need for virgin raw materials.
- **Water Management and Rainwater Harvesting:** Water is a critical resource, and its conservation is a key focus for Avon Specialty Metals. We are in the early stages of a project to capture and recycle rainwater for use in our waterjet cutter and wash-off systems. This initiative is part of our broader water stewardship strategy and is aligned with our commitment to the UN CEO Water Mandate, which we joined as the only UK SME in 2023.

1.3 Sustainable Supply Chain

Our supply chain is a crucial component of our sustainability strategy. We work closely with our suppliers to ensure that they adhere to our stringent sustainability standards, which cover environmental, social, and ethical practices.

- **Ethical Sourcing Policy:** Our ethical sourcing policy is comprehensive and extends from our most expensive metal purchases to everyday office consumables like fair trade coffee and recycled paper. We require all suppliers to meet strict criteria related to environmental impact, labour practices, and business ethics.
- **TRAC Register Membership:** Avon Specialty Metals is a proud member of the TRAC Register, a global database of companies and individuals committed to transparency and ethical business practices. Our participation in the TRAC Register reflects our dedication to upholding the highest standards of transparency in our operations and supply chain. This membership ensures that our business practices are not only transparent but also subject to continuous scrutiny, which helps maintain the integrity and trustworthiness of our supply chain.
- **Diversification of Supply Base:** In response to geopolitical risks, such as the Russia-Ukraine conflict, we have diversified our supply base to mitigate the impact of price volatility and supply chain disruptions. This diversification strategy has enabled us to maintain a steady supply of critical materials while supporting suppliers who share our commitment to sustainability.

- **Collaborative Partnerships:** We actively collaborate with our suppliers to develop innovative solutions that reduce environmental impact. For example, we work with suppliers to reduce packaging waste and to find alternatives to single-use plastics. Additionally, we are exploring opportunities to partner with suppliers on joint sustainability initiatives, such as shared renewable energy projects.

1.4 Waste Management and Reduction

Effective waste management is integral to our environmental stewardship efforts. Our goal is to minimise waste generation and maximise recycling and resource recovery across all our operations.

- **Zero Waste to Landfill Goal:** We are committed to achieving zero waste to landfill by 2026. To this end, we have implemented a comprehensive waste management programme that includes recycling, reusing, and repurposing materials wherever possible. We have established partnerships with local recycling facilities to ensure that our waste is processed in the most sustainable manner. 96% of our waste from site is diverted away from landfill and recycled.
- **Recycling Programmes:** We have robust recycling programmes in place for a wide range of materials, including metals, paper, cardboard, plastic, and electronic waste. For example, old computers and laptops are securely wiped and donated to educational programs in developing countries, extending their useful life and supporting education initiatives.
- **Packaging Reduction:** We are actively working to reduce the environmental impact of our packaging. This includes optimising packaging design to use fewer materials and ensuring that all packaging is recyclable or biodegradable. Our investment in a drum press for recycling steel drums is a key part of this strategy, allowing us to repurpose materials that would otherwise be discarded.

1.5 Transparency and Global Reporting

At Avon Specialty Metals, transparency is a key component of our sustainability strategy. As part of the broader Avon Group, we are committed to reporting our sustainability practices and progress on a global platform.

- **UN Global Compact and Communication on Progress (COP):** At the Group level, Avon Specialty Metals reports its sustainability practices through an annual Communication on Progress (COP) via the UN Global Compact Website. This report provides a comprehensive overview of our efforts to align with the ten principles of the UN Global Compact, covering areas such as human rights, labour, environment, and anti-corruption. Our participation in the UN Global Compact demonstrates our commitment to upholding these principles and contributing to global sustainability efforts.

- **TRAC Register Membership:** Avon Specialty Metals is also a proud member of the TRAC Register, a global database of companies and individuals committed to transparency and ethical business practices. This membership ensures that our operations and supply chain practices are transparent and subject to continuous scrutiny.

By integrating these global reporting mechanisms into our sustainability strategy, we ensure that our efforts are not only aligned with international standards but also contribute to the broader global movement towards sustainable development.

2. Social Responsibility

At Avon Specialty Metals, we recognise that our success is directly linked to the well-being of our employees, the communities we serve, and society at large. Our social responsibility initiatives are focused on creating a positive impact through employee engagement, community involvement, and ethical business practices.

2.1 Employee Well-being and Development

Our employees are at the heart of our business, and we are committed to providing a safe, supportive, and inclusive work environment. We invest in our employees' well-being and development to ensure that they can thrive both personally and professionally.

- **Health and Wellbeing Initiatives:** We actively support all our employees' health and wellbeing, paying particular attention to awareness regarding mental health. We carry out regular health screenings (including lung function, hearing, vision, and specialist urine tests), and provide access to occupational health services. These initiatives are designed to promote overall well-being and to address specific health concerns that may arise in our industry.
- **Flexible Working Arrangements:** To support work-life balance, we offer flexible working hours and remote work options where possible. Our working hours are structured to reduce exposure to peak congestion times, enabling more carbon-efficient commutes for staff. We also operate a Cycle to Work scheme, encouraging sustainable commuting options.
- **Training and Development:** We are committed to the continuous professional development of our employees. We offer a range of training programmes, workshops, and educational opportunities that are designed to enhance skills, foster innovation, and support career advancement. We also provide management skills development to prepare the next generation of leaders within our organisation.
- **Diversity and Inclusion:** We are dedicated to fostering a diverse and inclusive workplace where all employees feel valued and respected. Our diversity and inclusion initiatives include regular quality training, comprehensive reporting procedures for raising issues and management training to ensure equitable promotion practices..

2.2 Community Engagement

We believe that our business has a responsibility to contribute positively to the communities in which we operate. Our community engagement initiatives are focused on supporting local causes, promoting education, and fostering economic development.

- **Local Community Support:** We are actively involved in supporting local charities and community organisations. For example, during the Ukraine-Russia conflict, we partnered with the Ukrainian Association of Gloucester to provide essential equipment, including torches, sleeping bags, foil blankets, and first aid kits.
- **Sponsorships and Fundraising:** We sponsor staff and customers involved in fundraising events for charity, such as marathons and a Kilimanjaro climb. Additionally, we have historically sponsored a local female rugby player and are currently in discussions about sponsoring a Gloucestershire-based Formula 2 driver.

2.3 Ethical Business Practices

Operating with integrity and transparency is fundamental to our business. We are committed to upholding the highest standards of ethical behaviour in all aspects of our operations.

- **Code of Conduct:** Our Code of Conduct sets out the ethical standards that we expect all employees, contractors, and suppliers to adhere to. This includes commitments to fairness, honesty, and respect for human rights. We regularly review and update our Code of Conduct to ensure that it reflects best practices and emerging ethical issues.
- **Anti-Corruption and Bribery Policies:** We have implemented strict anti-corruption and bribery policies to prevent unethical practices in our business. We ensure all employees have read and understood these policies, and we have established a confidential whistleblowing mechanism for reporting any concerns.
- **Transparency and Accountability:** We are committed to transparency in our business operations. This includes regularly reporting on our sustainability performance, engaging with stakeholders on sustainability issues, and holding ourselves accountable for meeting our sustainability goals.

3. Economic Resilience

Economic resilience is critical to our long-term success. We have developed a robust strategy to navigate global challenges, such as the Covid-19 pandemic, geopolitical tensions, and economic uncertainty, while continuing to grow and innovate.

3.1 Adapting to Global Challenges

The past few years have presented significant challenges, but we have demonstrated resilience by adapting our operations and seizing new opportunities.

- **Covid-19 Response:** The Covid-19 pandemic posed significant financial pressures, particularly due to the downturn in the aerospace sector. We responded by offering toll processing services, providing third-party laboratory analysis, and optimising payment terms with customers and suppliers. These initiatives helped us maintain cash flow and retain all staff throughout the pandemic.
- **Russia/Ukraine Conflict:** The Russian invasion of Ukraine resulted in metal price volatility and supply chain disruptions. We mitigated these risks by diversifying our supply base and installing melting furnaces to produce superalloys. This strategic investment not only reinforced our position as a reliable supplier but also expanded our capabilities in recycling and value-added product creation.
- **Energy Crisis:** The recent surge in gas and electricity costs prompted us to implement a night shift to take advantage of lower tariffs, effectively managing operational costs and maintaining competitiveness.
- **Cost of Living Crisis:** We recognised the impact of the cost-of-living crisis on our staff and responded by providing ad hoc bonuses to support them during this challenging period.

3.2 Future Planning and Innovation

Avon Specialty Metals is committed to advancing our sustainability agenda by aligning our future projects with broader global goals, particularly the United Nations Sustainable Development Goals (SDGs). Our focus on innovation, resilience, and responsible growth underpins our strategy for the years ahead.

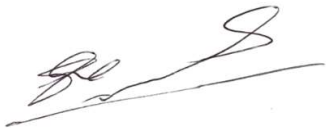
- **Rainwater Recycling Project:** We plan to capture and recycle rainwater to operate our waterjet cutter and wash-off systems. This project aligns with **SDG 6: Clean Water and Sanitation**, emphasising water efficiency and sustainable management. By reducing our reliance on municipal water supplies and minimising waste, this initiative contributes to global water conservation efforts.
- **Solar Energy Installation:** We are conducting a feasibility study for installing solar panels on our factory roof. This project supports **SDG 7: Affordable and Clean Energy** by increasing our use of renewable energy and reducing our carbon footprint. Upon implementation, we expect to generate up to 30% of our energy needs from solar power, reinforcing our goal of carbon neutrality by 2030, which aligns with **SDG 13: Climate Action**.
- **Zero Waste to Landfill Initiative:** We aim to achieve zero waste to landfill by 2026, aligning with **SDG 12: Responsible Consumption and Production**. By enhancing recycling processes and waste management, we minimise our environmental impact, reflecting our commitment to resource efficiency.

- **AI-Driven Efficiency in Alloy Production:** Our investment in AI technology optimises raw material use, reduces waste, and improves efficiency. This initiative contributes to **SDG 9: Industry, Innovation, and Infrastructure** by fostering innovation and building resilient industrial practices.
- **Employee Development and Well-being:** We will continue prioritising employee well-being through training programmes, health initiatives, and flexible working arrangements. These efforts align with **SDG 8: Decent Work and Economic Growth** by promoting sustainable economic growth and decent work for all.
- **Ethical Sourcing and Supply Chain Transparency:** Expanding ethical sourcing and supply chain transparency aligns with **SDG 16: Peace, Justice, and Strong Institutions**. By adopting blockchain for material traceability, we support transparent and accountable supply chains.
- **Waste Water Agreement:** ASM has established a Trade Effluent Agreement with Severn Trent Water, allowing the controlled release of filtered, pH-neutralised wastewater from one of our processes directly into the foul drainage system. By implementing this solution, we eliminate the need for vehicles to transport Intermediate Bulk Containers (IBCs) filled with waste to off-site facilities in another region for neutralisation and disposal. This initiative not only streamlines our operations but also plays a significant role in reducing our carbon footprint by cutting down on transportation emissions and overall environmental impact.

Conclusion

At Avon Specialty Metals, sustainability is not just a responsibility—it is a fundamental part of our identity. We are proud of the progress we have made in reducing our environmental impact, supporting our employees and communities, and building economic resilience. However, we recognise that there is always more to be done. We remain committed to continuous improvement and innovation as we strive to create a sustainable future for all.

We would like to thank our employees, customers, suppliers, and stakeholders for their continued support and partnership on this journey. Together, we will continue to push the boundaries of what is possible and set new standards for sustainability in the metals industry.



Steven Munnoch

Chief Executive Officer

February 2024