volution

Healthy air, sustainably

Volution Group plc Annual Report 2023



Welcome to our

Annual Report 2023

Volution Group plc
is a leading supplier of ventilation products with primary markets in the UK, Continental Europe and Australasia. We aim for our products to enhance customers' experience of ventilation by reducing energy consumption, improving indoor air quality and design and making them easier to use.

Our energy efficient indoor air quality solutions help contribute to the global green economy



www.volutiongroupplc.com

Cover: Image taken by Natalie Humphrey, Marketing, UK

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Our Sustainable Growth Model

A healthy net zero carbon future

Our purpose is to provide healthy indoor air sustainably

Our commitment to our purpose is integral to everything we do. It shapes our values, steers our strategy and informs our capital allocation. We are closely aligned with environmental, health, regulatory and consumer developments that are reshaping the world's expectation of how we live life indoors.

The elements of our sustainable growth model work together to deliver our unique value proposition. Combined, they deliver high returns and long-term value for stakeholders whilst ensuring we continue to deliver on our environmental and social objectives.

Our purpose

Our sustainability pillars



Product

Engineer sustainable solutions

» Product
Page 56



Planet

Improve environmental performance

» Planet
Page 64



People

Connect people together

» People
Page 84

Our strategy

We aim to achieve our goals through a combination of three strategic objectives:

- Organic growth
- Value-adding acquisitions
- Operational excellence

» Our strategy
Page 26

Our business model

We are committed to building on the strength of our successful business model; we continue to develop these differentiators that are central to making us a successful organisation.

» Our business model
Page 22

Our values

Our values form the basis for our behaviour and our culture. These values guide the way that we work, communicate and deal with each other and with stakeholders, and form an important part of our success.

» Our values
Page 86

Underpinned by our investment case

We aim to continue to deliver value for our investors with reliable, strong and consistent development in financial results whilst minimising our impact on the environment and helping deliver the net zero carbon goals of the geographies in which we operate.

» Our investment case
Page 6

Highlights

Strong, compounding financial performance

Another year of excellent progress in both financial performance and delivering against our ESG initiatives, enabling us to provide "Healthy Air, Sustainably".

Financial highlights

Revenue

+6.6%

Organic revenue

+4.6%

on constant currency (cc) basis

Geographic diversity continues, revenue from non-UK customers

60%

Adjusted EPS

+7.5%

a compound annual growth rate of 12.7% since IPO in 2014

Excellent cash conversion

106%

closing leverage of 0.8x

Dividend

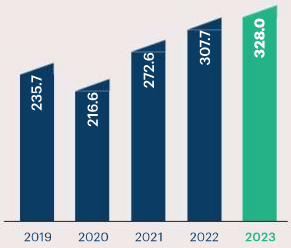
8.0p

+9.6%

» Key performance indicators pages 34 to 37

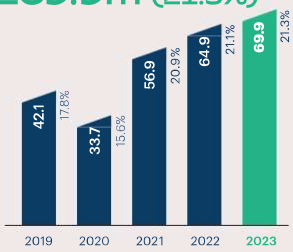
Revenue £m

£328.0m



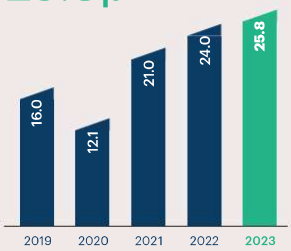
Adjusted operating profit and adjusted operating profit margin £m (% of revenue)

£69.9m (21.3%)



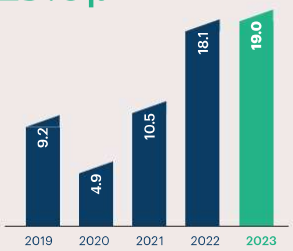
Adjusted basic EPS pence

25.8p



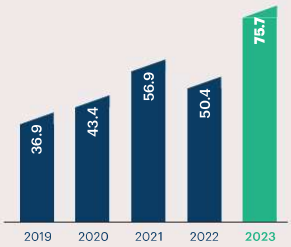
Reported basic EPS pence

19.0p



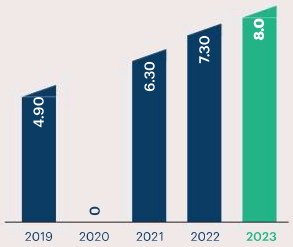
Adjusted operating cash flow £m

£75.7m



Dividend per share pence

8.0p



The Group uses some alternative performance measures to track and assess the underlying performance of the business. These measures include adjusted operating profit, adjusted profit before tax, adjusted EPS, adjusted operating cash flow, net debt and net debt (excluding lease liabilities). For a definition of all the adjusted and non-GAAP measures, please see the glossary of terms in note 34. A reconciliation from reported profit after tax to adjusted profit after tax, adjusted profit before tax and adjusted operating profit is set out in note 2.



Operational highlights

- Operating margins increased despite inflationary pressures, with continued good price discipline, robust cost control and good factory efficiency
- £29.7m invested in two European acquisitions:
  - VMI (France), initial consideration of £7.9m, net of cash acquired. Provides Volution with direct access to the French market, one of the largest ventilation markets in Europe
  - I-Vent (Slovenia and Croatia), initial consideration of £21.7m, net of cash acquired. Further extends our product portfolio and European market leadership in decentralised residential heat recovery
- Post year end, completed the acquisition of DVS (New Zealand), a direct to consumer supplier of whole home residential ventilation systems, for upfront consideration of £8.5m
- Successfully launched exciting new products in the year including our new Vent-Axia Econiq range of centralised heat recovery units

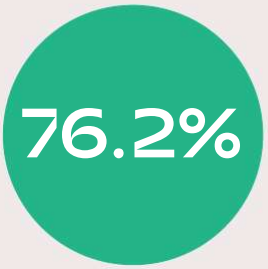
Healthy Air, Sustainably

- 70.1% of revenue from low-carbon, energy saving products (2022: 66.1%), of which 33.8% (2022: 30.1%) was from heat recovery ventilation systems
- Excellent progress against our key sustainability targets:
  - 76.2% of plastic used in own manufacturing facilities from recycled sources (2022: 67.2%), as we continue to develop innovative strategies to increase the utilisation and availability of recycled plastic materials
  - Reduction of 9.8% in our carbon intensity, to 11.1t CO_2e per £m of revenue (2022: 12.3t)

Sales revenue low carbon
Target FY23: 65.6%



Recycled plastic
Target FY23: 76.8%



Scope 1 & 2 Carbon intensity
Target FY23: 11.6[1]



1. tCO_2/£m of revenue

At a Glance

Acquisitions broadening our geographic diversity

We are market leaders in residential and commercial ventilation solutions.

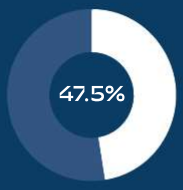
Our regional coverage



United Kingdom

£156.1m

% of Volution Group revenue by region



39.6% UK customers

7.9% Export customers

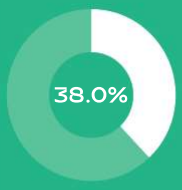
» To read more see pages 16 and 17



Continental Europe

£124.5m

% of Volution Group revenue by region



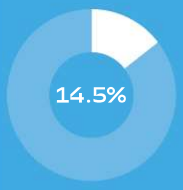
» To read more see pages 18 and 19



Australasia

£47.4m

% of Volution Group revenue by region



» To read more see pages 20 and 21

Our businesses

Volution Group plc is a leading supplier of ventilation products with primary markets in the UK, Continental Europe and Australasia.

We aim for our products to enhance customers' experience of ventilation by reducing energy consumption, improving indoor air quality and design and making them easier to use.



Residential ventilation solutions

The Volution Group's residential products encompass a broad range of solutions designed to suit a variety of budgets and applications, ranging from unitary extractor fans for use in bathrooms and kitchens to significantly higher value, low-carbon, energy efficient whole building ventilation systems with heat recovery.



Commercial ventilation solutions

The Volution Group's commercial products encompass a variety of extractor fans, as well as mechanical heat recovery units (including both "fixed volume" and "demand" systems, some of which also incorporate high efficiency counter-flow heat recovery cells for energy efficiency), air handling units, fan coils and hybrid ventilation solutions.

Janika Uusitalo, Oulainen, Finland



Ventilation components and other products

The Volution Group's remaining products encompass a number of key components required for ventilation devices including low energy motors and heat recovery cells. These are supplied to a broad range of customers around the world. In addition, we sell some traded products within our channels including heating and cooling products, hygiene products, lighting and door chimes.

Davinder Kumari, Swindon, UK

Our Investment Case

Reasons to invest

Delivering strong growth by maximising the opportunities of the legislative transition as we decarbonise.

Regulatory tailwinds

Our products are supported by regulatory tailwinds as we help avoid carbon emissions supported by the Building Regulations and the EU taxonomy.

New Part O introduced in the UK to reduce the risk of overheating on modern, airtight buildings.

See for more detail on regulations
Pages 38 to 47

Indoor air quality awareness

Increased focus on good indoor air quality (IAQ) and the importance of ventilation for health.

New changes to the EPBD to measure indoor environmental quality, including IAQ.

See for more detail on regulations
Pages 38 to 47

Unrivalled product range

We service both residential and commercial sectors, in both public and private new build and refurbishment applications in the UK, the Nordics, Central Europe and Australasia, including the manufacture and supply of key technology components required for the decarbonisation of buildings.

60%

of our revenue is from non UK customers.

See for at a Glance
Page 4

Structural undersupply

In many of our markets there is a structural undersupply of new homes along with existing ageing stock in need of refurbishment.

UK continues to fall short of UK Government target of 300,000 homes.

See for more detail on regulations
Pages 38 to 47

Sustainability

Delivering healthy indoor air whilst minimising our impact on the environment and helping support the United Nations Sustainable Development Goals.

76.2%

of material from recycled sources

See for Sales of low carbon products
Page 56

Growth

Organic revenue growth from a focused sales strategy. Strong track record of acquiring and integrating value-adding businesses into the Group, leveraging our sales channels and our expertise in product development, manufacturing and supply chains.

9.8%

5 year CAGR revenue

Sales for highlights
Page 2

Fragmented markets

Relatively niche local markets with strong defensibility. In many of our markets we have leading brands, products and sales channel access. Our business model helps develop substantial customer loyalty and barriers to entry.

21

brands and sales offices in 14 countries

See for the Business model
Page 22

Strong cash generation and robust financial model

Strong and reliable profitability growth leads to string cash generation and cash conversion.

98%

average cash conversion % over the last 5 years

See for highlights
Page 2

Financial targets

Revenue growth
+10% p.a.

Organic revenue growth
+3 to 5% p.a.

Adjusted operating margin (% of revenue)
>20%

Adjusted earnings per share
+10% p.a.

Adjusted operating cash flow conversion
>90%

Return on Invested Capital (ROIC)
mid-20s %



Product Design, Hollola, Finland

Note
1. The Group uses some alternative performance measures to track and assess the underlying performance of the business. These measures include adjusted operating profit, adjusted profit before tax, adjusted EPS, adjusted operating cash flow, net debt and net debt (excluding lease liabilities). The reconciliation of the Group's reported profit before tax to adjusted profit measures of performance is summarised in the table on page 30 and in detail in note 2 to the consolidated financial statements. For a definition of all the adjusted and non-GAAP measures, see the glossary of terms in note 34 to the consolidated financial statements.

Chair's Statement

Strong results and delivering on our purpose



> In my first few months as Chair of Volution, I have taken time to visit more of our sites. On these visits, I have again been struck by the Volution team's passion and pride in our products, the technical capabilities of our people, the delivery of excellent customer service, and the genuine commitment to the Group's sustainability ethos. The evidence can be seen in the dedication to operational excellence, innovation and the shared commitment to support our contribution to customers and the communities in which we operate.

Nigel Lingwood
Non-Executive Chair



Simx Team, Auckland, New Zealand

Dear shareholder,

In this, my first statement as Chair of Volution, I am pleased to report another strong year of progress. The Group has continued to demonstrate the strength of its business model and strategy, achieving revenue growth of 6.6%, an adjusted operating margin of 21.3% with excellent cash generation during the year.

Volution is a business with a strong purpose and one that has an excellent track record of delivering value to all stakeholders. A key differentiator for Volution amongst its peers is the increase of industry regulation designed to make indoor air cleaner and decarbonise buildings. It is this regulation that has continued to be a key driver of Volution's growth this year, particularly in the UK public sector, where improving poor quality housing has become a legal requirement. It will also provide Volution with considerable resilience in a market where current high interest rates have had an adverse impact on new build construction levels and consumer confidence.

Whilst macroeconomic challenges continue, Volution's performance has demonstrated the strength and resilience of its business model, supported by our broad geographic and product diversity.

Strategy

The three strategic pillars of the Group are organic growth, value-adding acquisitions and operational excellence. These strategic pillars, together with a focus on sustainability, provide the platform for the implementation of the Group's purpose, to provide "Healthy Air, Sustainably". Solid progress was made during the year with good organic growth, whilst the acquisition of VMI, based in France, and I-Vent, based in Slovenia and Croatia, has further strengthened the Group's geographic and product diversification. The Group also acquired DVS in New Zealand, which was completed shortly after the year end.

Performance and results

Group revenue increased to £328.0 million (2022: £307.7 million) whilst adjusted operating profit was up 7.7% at £69.9 million (2022: £64.9 million), representing a margin of 21.3% (2022: 21.1%). Reported profit before tax increased to £48.8 million (2022: £47.2 million).

The Group's adjusted earnings per share was 25.8 pence, representing an increase over the prior year of 1.8 pence, up 7.5%. The compound annual growth rate of adjusted basic earnings per share since IPO in 2014 is 12.7%, demonstrating consistent delivery of double-digit earnings growth over the period. Reported basic earnings per share for the year was 19.0 pence (2022: 18.1 pence).

Adjusted operating cash flow was £75.7 million (2022: £50.4 million), and we spent £29.7 million, net of debt acquired, on two acquisitions during the year. As a result, net debt excluding lease liabilities at the year-end remained largely unchanged at £58.1 million (2022: £60.8 million).

Chair's Statement continued



Tour of Volution site in Växjö, Sweden

Dividends

Recognising our strong performance in the year and our continued confidence in the business, the Board has recommended a final dividend of 5.5 pence per share, giving a total dividend for the financial year of 8.0 pence per share (2022: 7.3 pence per share), an increase of 9.6% on the previous year. This is in line with our ambition to progressively grow dividends each year. The resulting adjusted earnings dividend cover for the year was 3.2x (2022: 3.3x).

Subject to approval by shareholders at the Annual General Meeting on 13 December 2023, the final dividend will be paid on 19 December 2023 to shareholders on the register at 24 November 2023.

Environmental, social and governance (ESG) objectives

Volution is committed to high standards of corporate responsibility, sustainability and employee engagement and continues to focus on its contribution to a more sustainable world through its operations, culture and ventilation solutions. The Group aims to give full consideration to the long-term impact of all business operations, which means that, wherever feasible, our products and services are sustainably sourced.

The disclosures in our Sustainability Report, including our TCFD disclosure, have been further developed this year to provide a better understanding of our Scope 3 emissions and the carbon footprint of our products. In addition, the Company has received an improved AA rating from MSCI, following improvements in Volution's decarbonisation initiatives – one of the benchmarks for ESG ratings. We are very proud of our London Stock Exchange Green Economy Mark, first received in 2021.

Our people and culture

As a Board, we understand the importance of building engagement and a good corporate culture. We regularly monitor the company culture and seek opportunities throughout the year to engage with colleagues across the Group. Claire Tiney, our designated Non-Executive Director for workforce engagement, continues to participate in two Group-wide Employee Forum events each year, enabling in-depth insights to be brought to the Board on the views, opinions and focus areas of our people. A Group-wide workforce engagement survey will be launched later this year and as a Board we look forward to the further insights that this will afford us.

Safety at work is always central to everything we do, and the Group remains focused on a zero-harm ambition. I am pleased to report good progress in the area of health and safety, although we saw a small increase in the reportable incident rate compared to last year, and the Company remains fully committed to further strengthening the health and safety culture across all our businesses.

Our talented people across the global business are at the heart of our continued success and essential in the execution of Group strategy. I am grateful to all Volution colleagues for their commitment and contribution. I would like to welcome our new colleagues from VMI, I-Vent and DVS to the Volution Group.

Board changes

Paul Hollingworth retired as Chair of the Board on 23 June 2023, having served on the Volution Board for nine years. I was delighted to be appointed as Paul's successor and would like to thank Paul for his leadership and contribution to Volution during his tenure. I would also like to thank my Board colleagues for their assistance in ensuring a smooth and orderly succession process.

As part of the succession process, I stepped down from the role of Audit Chair and, on 23 June 2023, we were pleased to welcome Jonathan Davis to the Board as an Independent Non-Executive Director and Chair of the Audit Committee. With his strong financial and accounting expertise and extensive public company and international experience, I am confident that Jonathan will make a strong contribution to the Board.

Governance

The Group is committed to high levels of corporate governance, in line with its status as a company with a premium listing on the Main Market of the London Stock Exchange and as a member of the FTSE 250. We are fully compliant with the 2018 edition of the UK Corporate Governance Code.

As a Board we are responsible to the Company's shareholders for delivering sustainable shareholder value over the long term through effective management and good governance. As Non-Executive Chair, my role is to provide strong leadership to enable the Board to operate effectively and collegiately. As a Board, it is our view that open, thorough, and robust discussion around key strategic matters, risks and opportunities faced by the Group is central to reaching our strategic goals, including with regard to our acquisition strategy. We are fortunate to have a diverse range of business experience on the Board, enabling rigorous and productive discussions.



Nigel Lingwood
Non-Executive Chair
4 October 2023

Chief Executive Officer's Review

A strong set of results with excellent operating cash conversion, in a market with significant headwinds, further highlighting the resilience of the Group's local brands and wide geographic and end market diversity



Our committed local teams have done an incredible job delivering exceptional customer service and another successful year of providing 'Healthy Air, Sustainably'.

Ronnie George
Chief Executive Officer

Summary

- Another year of excellent progress financially, strategically and against our ESG targets.
- Reported revenue growth of 6.6% (6.1% at cc), with organic growth of 5.1% (4.6% at cc) supplemented by inorganic growth of 1.5% (1.5% at cc).
- Adjusted operating profit of £69.9 million, an increase of 7.7% over the prior year (2022: £64.9 million). Reported operating profit of £57.1 million, an increase of 12.4% over the prior year (2022: £50.8 million).
- Adjusted operating margin expansion of 20 bps to 21.3% (2022: 21.1%), as we successfully managed inflationary headwinds.
- Excellent cash conversion in the year of 106%, above our target of 90%.
- Adjusted earnings per share at 25.8 pence; a compounded annual growth rate of 12.7% since listing in 2014. Reported earnings per share at 19.0 pence.
- Strong M&A momentum:
  - Two acquisitions completed in the year, VMI in France (April 2023) and I-vent in Slovenia (June 2023) further extending our geographic reach and adding further exciting product technology to the Group's product portfolio.
  - A third acquisition, DVS Proven Systems, completed post year-end on 4 August 2023.

Overview

The results we achieved this year are a clear demonstration of Volution's strengths as we benefited from our market leading positions, our wide geographic and end market diversity and our ability to upsell our products supported by industry regulations. We estimate that almost 70% of Group revenue is focused on the refurbishment, maintenance and improvement market ("RMI"), typically more resilient than new build markets in difficult economic times. Against a backdrop of high inflation, rising interest rates, and a slowdown in activity in some of our end markets, we were still able to achieve organic growth of 5.1%. Furthermore, our relentless focus on operational excellence, including strong pricing discipline, robust cost control, value engineering initiatives and good factory efficiency enabled us to expand our operating margin to 21.3%.

Our organic growth was supplemented by our continued focus on acquiring strong local brands with attractive market positions, this activity remains a key tenet of Volution's growth strategy. During the year we were delighted to acquire two businesses, VMI in France and I-Vent in Slovenia, with a third business, DVS Proven Systems, acquired post year-end. These acquisitions provide the Group with increased resilience by broadening its geographic reach and giving it access to attractive new markets. They also bring with them innovative low carbon product solutions to further expand our portfolio.

Volution is a leader in the international heating, ventilation and air conditioning market and our purpose is to provide "Healthy Air, Sustainably". Since listing in 2014 we have delivered consistent revenue and profit growth and strong operating cash flow. It is this consistent cash generation which underpins our ability to acquire businesses, which further increases our already broad geographic market, and we maintain an active pipeline of potential targets.

As we continue to grow organically, and complement our market positions with new acquisitions, our management "bench strength" is of critical importance to our success. During the year we further strengthened our team including hiring a new Operations Director, for our UK businesses and commencing a Managing Director search process for our ClimaRad business in the Netherlands. I am pleased to say that we will be holding our fourth Management Development Programme later this year and I know from experience how important this programme is for retaining and enhancing our talent pool.

As previously reported, the wider supply chain difficulties experienced by the industry in recent years have now subsided. In response to these earlier difficulties, Volution took steps to mitigate any disruption, thus ensuring we had excellent product availability for our customers throughout this period. This early action served us, and our customers, well and has resulted in an increase in our competitive advantage. There are numerous examples where we have made local market share gains due to strong customer relationships and apparent gaps in competitor product availability. The local teams are focused on consolidating these opportunities in the year ahead.

Our markets

Volution's revenues are weighted towards the refurbishment market which now accounts for around two-thirds of sales, with the balance focused on new build applications. Both new build and refurbishment activities are increasingly regulated, with the former seeing an accelerated change as local economies focus more readily on reducing carbon emissions from new buildings.

The rapid rise in interest rates has had an adverse impact on new build construction levels and consumer confidence during the year. Whilst we are seeing lower overall unit construction output in new residential and commercial projects, ever tightening regulations (focusing on lowering carbon emissions) is supporting demand for Volution's innovative and value adding low carbon solutions, where typically the average unit value is significantly higher than the traditional ventilation solution that it replaces.

Demand in the refurbishment market has been supportive during the year, particularly in the UK where we saw demand in public refurbishment RMI benefiting from the heightened awareness of health risks associated with mould and condensation. Private RMI proved very resilient.

We believe that ventilation refurbishment is far less discretionary than other product categories in buildings. Post the pandemic, we have noticed that there is a more pressing need to replace ventilation products, compared to other elements of refurbishment that can be postponed indefinitely. We have also seen the unintended consequences of home occupiers reducing heating temperatures during the winter months in response to higher energy prices. This leads to lower temperatures in the dwelling which propagates the risk of mould and condensation problems with air holding significantly more moisture when cold, than at higher temperatures. This too makes the requirement for ensuring good ventilation more pressing.

To deliver on net zero commitments, Governments must address our buildings which, in Europe, are responsible for around 40% of our energy use and 36% of our carbon emissions. Our technology provides solutions to avoid some of those emissions, and increasing regulation is the key driver. This year we have provided more insight in this report into the regulatory position in each of our key geographies, covering both air quality and energy efficiency. Our local teams and our trade associations continue to ensure our voices are heard as the regulations provide strong tailwinds supporting the adoption of higher value ventilation solutions. See more on page 38 to 47.

Results

The Group delivered revenue of £328.0 million (2022: £307.7 million), an increase of 6.6% (6.1% cc), with organic growth of 5.1% (4.6% cc) and inorganic growth from the two acquisitions in the year, as well as the full year effect of the acquisition in the prior year, of 1.5%. Adjusted operating margins increased from 21.1% in the prior year to 21.3%, a strong performance in the face of much higher inflation than in previous years. Reported profit before tax was £48.8 million (2022: £47.2 million), an increase of 3.4%.

Sustainability

Good progress was achieved with our sustainability initiatives. Recycled plastics content in our own production increased substantially in the year to 76.2% of total consumption. A significant proportion of the Group's injection moulding and PVC extrusion production takes place at our Reading facility in the UK and I am proud of the way in which the team developed innovative strategies in the year to increase the utilisation and availability of recycled plastic materials. This is a great example of a cross functional initiative and whilst we still have some way to go to achieve the 90% target by the end of our financial year 2025, the increase from under 60% in 2021 provides a good trajectory towards the target. Utilising recycled materials is also a significant

Chief Executive Officer's Review continued



6.6%
Revenue growth

21.3%
Adjusted operating margin

70.1%
Revenue from our low-carbon products

2
Acquisitions during the year

Sustainability continued

commercial advantage for our customers with many new projects requiring a minimum recycled content in the supply of materials and we are keen to assist in the more circular economy for the supply of products into buildings.

Revenue from our low-carbon products has increased to 70.1% in the year, well ahead of this year's target of 65.6%, and two years ahead of our target of 70% by the end of 2025. We expect the growth in our low carbon product solutions to continue to be ahead of the growth of more traditional products. The recent acquisitions of VMI in France and I-Vent in Slovenia will positively assist our metric in the year ahead as they already have a high concentration of their revenue from low carbon solutions.

Our Sustainability Committee, comprising of our senior leadership team and our non-executive director, Amanda Mellor, met twice in the year, where we reviewed progress against our published targets and key initiatives for the years ahead.

Strategy

Organic growth

We delivered organic growth of 5.1% (4.6% cc) driven by increases in both price and volume.

Volution has a long-term target to consistently deliver annual organic growth in the range of 3-5%. We have again delivered organic growth at the top end of the range, despite the more difficult trading environment in the year. As in previous years, our more vertically integrated business model, our intentional approach to holding a higher component

inventory and our resulting excellent service levels have helped us to deliver this growth. Across the Group there have been notable market share gains directly attributable to superior service levels.

An acceleration of regulatory support; the impact of higher energy costs; and our strong local brands, managed by local, motivated, and empowered teams, have enabled us to deliver an above market growth performance. Our strapline, "Healthy Air, Sustainably", which we introduced in 2020, resonates strongly across the Group.

Acquisitions

We completed two acquisitions in the year. In April we announced the completion of the acquisition of Ventilairsec (VMI) for an initial consideration of £7.9 million (€9.0 million), net of cash acquired. VMI, based in Nantes, France, designs and manufactures a range of residential ventilation systems focused on a low carbon positive input ventilation technology known as "VMI". The acquisition provides Volution with direct access to the French market, one of the largest ventilation markets in Europe. Our position in France, whilst currently quite small, is eminently scalable in the years ahead. A new managing director was recruited and a successful handover from the owner has already been completed. We are confident that our wider ranging ventilation solutions from across the Group can assist the local team to grow more rapidly in the period ahead.

The VMI acquisition included an earn-out payment of up to €5 million, which will be calculated on the basis of the EBIDTA for the year ended 31 December 2023.

In June 2023 we completed the acquisition of I-Vent for an initial consideration of £21.7 million (€25.2 million), net of cash acquired, with further contingent consideration of up to €15 million based on stretching growth targets for the financial results for the three years up to and including 31 December 2025. I-Vent, based in Slovenia and Croatia, designs, manufactures, and supplies residential ventilation systems, primarily focused on decentralised heat recovery. Similar to the technology in InVENTer Germany, we see complementarity in the respective ranges and our teams are already working out how we can utilise the increased strength in our product portfolio to optimise our offering.

Post year end we also completed the acquisition of DVS (Proven Systems Ltd) in New Zealand. DVS supplies directly to consumers and installs a range of energy-efficient centralised ventilation systems, incorporating positive input, heat recovery, heat transfer, and heating and cooling solutions. Their products can be installed in both new and existing properties and are sold under the DVS Home Ventilation brand. DVS will be integrated into our Australasian business and provides an additional sales channel to supply low carbon solutions.

Operational excellence

Maintaining our long-term adjusted operating margin at, or above, 20% is an important objective for Volution. In the year we delivered a 20bps margin improvement to 21.3% in the face of significant inflationary pressures across materials, labour, and infrastructure costs. Delivering a consistently strong operating profit margin is the culmination of many smaller initiatives across the entire business. Pricing discipline, long term supply chain partnerships, focus on value engineering and operational efficiency initiatives and good investment in new moulding, extrusion and other plant and equipment in 2023, helped underpin our margin.

People

A key highlight of the year was a full return to normal working practices post the pandemic. Our Group is now truly international, and the ability to freely visit all facilities was a tremendous boost. During the year we held more employee engagement meetings than in our recent past. I am privileged to lead such a diverse and talented organisation and the feedback from the people in our local companies is hugely enriching and invaluable to our decision-making processes.

I was delighted to observe lots of examples of cross border co-operation on so many levels. Our technical and procurement resources are managed functionally and provide Volution with a significant resource to support our local operating companies to outperform their local competitors. Enhancing collaboration across these and other working groups is key to our success.

We also held two group wide employee engagement and communication meetings, also attended by Claire Tiney, Non-Executive Director, and chair of the Remuneration Committee, with specific focus on sustainability at one meeting and product development and innovation at the other.

Retention and development of our talented teams is key to our success. Since 2012 we have successfully run three management development programmes across the Group. We are now planning a fourth programme for late October 2023. This current cohort will consist of eighteen high potential managers from all geographic and functional areas of the Group. I am very much looking forward to the programme kick-off, and I also know how excited the participants are to be involved. A look back at the first three management development programmes reveals a retention rate of over 70%.

I believe we have a strong culture of success at Volution, but also a culture where our teams work closely together and have a lot of fun in providing "Healthy Air, Sustainably".

Outlook

Through continued successful execution of our sustainable growth model, we have delivered a strong set of results in a year of significant headwinds. The Group's resilience is underpinned by our strong local brands, our increasingly wide geographic diversity and the greater proportion of our revenue generated from the refurbishment market. Exceptional customer service provided by dedicated and committed local teams, and an agile and focused approach to fulfilling customer needs has delivered another successful year for the Group.

Whilst we are mindful of the impact of higher interest rates on consumer confidence and new build construction, the regulatory changes in our local markets continue to drive demand for our innovative and well-positioned low carbon product technologies. In addition, our three new acquisitions completed in the last six months; our ongoing focus on operational excellence; and the depth of experience and commitment across our local teams provides resilience and gives us confidence of making further progress in the year ahead.



Ronnie George
Chief Executive Officer
4 October 2023

Regional Review



Rizzy Cook, Crawley, UK

United Kingdom

Market sector revenue	2023 £m	2022 £m	Change (cc) %
UK			
Residential	**89.7**	75.1	19.5
Commercial	**30.2**	31.0	(2.8)
Export	**12.1**	11.7	1.7
OEM	**24.1**	25.9	(8.0)
Total UK revenue	**156.1**	143.7	8.3
Adjusted operating profit	**35.3**	29.3	20.6
Adjusted operating profit margin (%)	**22.6**	20.4	2.2pp
Reported operating profit	**28.1**	22.3	26.2

£156.1 million
Revenue

↑8.6%
Revenue growth

£35.3 million
Adjusted operating profit

> **Awareness and understanding of the importance of good ventilation in delivering healthy air inside buildings is now widespread.**

The UK delivered the standout performance of the year with strong revenue and profit growth. UK revenues increased from £143.7 million to £156.1 million, an 8.6% increase (8.3% at cc), building on good organic growth delivered in the prior year. The UK saw strong demand in Residential RMI, particularly in the public sector. Alongside this, exceptional customer service, an agile and focused team, and residential market share gains helped deliver this excellent performance. Adjusted operating profit increased from £29.3 million to £35.3 million with a significant increase in the adjusted operating margin at 22.6% up 220 bps from 20.4% in the prior year. The organisational changes made in the prior year bedded in well delivering a more agile and responsive outcome across the business. Revenue growth accelerated in the second half of the year, and we are well placed to deliver further progress in the year ahead. Although high inflation and rises in interest and mortgage rates are stifling new construction activity, Volution's overall market demand continues to be underpinned by regulatory and wider consumer awareness of the importance of indoor air quality.

Residential

Sales in our Residential market sector were £89.7 million (2022: £75.1 million), an impressive organic growth of 19.5%, building on last year's strong organic growth. Moreover, we saw an acceleration of growth in the second half.

In residential new build we delivered another year of revenue growth supported by the increasing penetration of energy efficient ventilation technology in new house construction. In June 2022 revisions to Part F and Part L of the Building Regulations provided increasing support for low carbon energy efficient ventilation systems for new house building. Those changes inevitably take time to impact demand for low carbon solutions, as existing construction sites at the time of the regulatory change will continue to be constructed to the original plan. During the year we certainly benefited from these new changes, but we expect to see a greater proportion of new houses being built with more efficient technology in the year ahead. New account wins have assisted us to grow market share and our exceptional levels of customer service and full product availability to customers, at all times, have set us apart from the competition. Whilst we are confident that regulatory changes in 2022, and further changes to the Future Homes

Standard planned for 2025 (delivering buildings that are net zero ready) will underpin sales of new technology solutions, the new build market faces significant challenge from the effects of high interest and mortgage rates. Housing starts reduced considerably in the year and will result in fewer completions in the period ahead. This will inevitably result in some moderation of demand for energy efficient ventilation systems. Nevertheless, the medium to long term drivers of demand remain compelling. During the year we made iterative changes to our leading ranges of energy efficient ventilation solutions. Our UK ventilation brands provide the widest product range and solutions, and are well supported by new investment in injection moulding and extrusion capacity to safeguard our excellent levels of customer service and availability.

The awareness and understanding of the importance of good quality ventilation in delivering healthy air inside buildings is now widespread. The strong demand we experienced for our refurbishment solutions through the pandemic has continued, which validates our view that ventilation refurbishment is far less discretionary than other types of building refurbishment.

Our residential refurbishment category in the UK was the fastest growing area across the entire Group. Our high end, aesthetically attractive, near silent, comprehensively controlled, private refurbishment solutions continued to deliver good growth in the year.

Across our Vent-Axia, National Ventilation and Manrose brands, we have strong links to our important professional and retail distribution routes to market. We value our distribution customer relationships very highly and the sales teams worked very hard during the year to help educate and train these outlets on the important aspects of the ventilation industry and our market leading solutions.

We have a simple but relentless approach to providing excellent stock availability and customer service, at the centre of which is first class relationships with our suppliers and customers. The Group has the largest UK ventilation sales force supporting customer needs.

Public housing refurbishment demand was very strong in the year. On 9 February 2023, the Government tabled amendments to the Social Housing (Regulation) Bill to introduce 'Awaab's Law', which will require all landlords to investigate and fix reported hazards in their homes within a specified time frame, or rehouse tenants where a home cannot be made safe. 'Awaab's Law', was put in place following the death of a young boy who died due to exposure to black mould in his socially managed home which had 'inadequate ventilation". This sad event has further emphasised the importance of refurbishment in this market sector. As a result, we witnessed a sharp increase in demand for energy efficient ventilation solutions and this delivered accelerated revenue growth in the second half of the year.

Volution has been well placed to support these vital refurbishment needs. In the 2022 Annual Report we explained how we were utilising our innovative decentralised heat recovery product solutions from other parts of the Group to support the UK social housing ambition to deliver their 2030 net zero carbon targets. In the year we have been successful in supplying decentralised heat recovery ventilation solutions to projects that require a further step up in their ventilation needs following a more structural refurbishment of the dwelling. Greater air tightness through insulation, an obvious and important upgrade as part of a low carbon refurbishment, then warrants heat recovery ventilation to recover energy and keep fuel bills low. The fuel poverty crisis in the UK resulted in greater mould and condensation risks during the last winter, due to the unintended consequence of turning down heating thermostats to save costs. Colder air temperatures means less moisture can be held in the air; the resultant issue is water droplets forming at lower temperatures which leads to greater condensation and mould. The impact of 'Awaab's Law', the lower property temperatures, and consumers investigating how to solve their condensation problems, resulted in a significant increase in demand for "Positive Input Ventilation" technologies. Utilising our strong relationships with our distribution customers, we were able to ensure that contractors could source the exact products they required to service this strong demand. During the latter part of 2023 we further enhanced our product range and have ensured that our customers are well placed to service the expected strong market demand in the year ahead.

Commercial

Sales in our UK Commercial sector were £30.2 million (2022: £31.0 million), an organic decline of 2.8%. Volution has a relatively small share of the larger commercial ventilation market, albeit with a leading share in the niche area of fan coil ventilation. The year finished strongly, and saw an increase in second half revenue, following a decline in the first half. Excellent progress with our enhanced range of fan coil ventilation enabled us to make good progress with the supply of products to the main market of new London commercial offices. Whilst the commercial office market has generally been more subdued, we are seeing a growing trend and need for more desirable working environments. Employees are demanding brighter, more energy efficient work places and we see a good pipeline of work for both new build and refurbishment needs for fan coil units. During the year we completed key new developments for products that provide commercial heat recovery or commercial heat recycling. This delivered some success in the second half of the year and puts us in a stronger position to gain market share in the year ahead. Our investment in more advanced metal cutting capability at our Dudley facility provides the capacity to support any increase in demand.

Export

Sales in our UK Export sector were £12.1 million (2022: £11.7 million), an organic growth rate of 1.7% at constant currency. Export revenues had declined in the first half of the year, largely due to a significant customer de-stocking exercise, but performed well in the second half, growing at close to 10% on a constant currency basis. Our long-term collaborative relationship with our distributor in Eire delivered another year of growth and given the stronger Irish housing market, we see good underpinning of demand for energy efficient heat recovery solutions in the year ahead.

OEM

Third party Sales in our OEM sector were disappointing at £24.1 million (2022: £25.9 million), an organic decline of 8.0% at constant currency. This was linked to a reduction in customer demand for motorised impellers utilised in products focusing on the new build market. However we delivered a significant increase in the internal supply of our EC3 motorised impellers in the year with several new initiatives underway to capture more of our internal needs in the year ahead. A huge strength of the Group is the vertical integration of moulding, extrusion, and component supply capability and this has been particularly beneficial in recent years where we have faced supply chain challenges. Our strategic intention is to greater utilise our OEM capability to capture more of the internal demand. This initiative is particularly relevant as we foresee ongoing weakness of demand for motorised impellers due to more subdued end market demand for new construction.

Regional Review continued



i-Vent Team, Slovenia

Continental Europe

Market sector revenue	2023 £m	2022 £m	Change (cc) %
Central Europe	**75.4**	65.1	12.7
Nordics	**49.1**	53.3	(5.7)
Total Continental Europe revenue	**124.5**	118.4	4.4
Adjusted operating profit	**28.4**	29.6	(4.0)
Adjusted operating profit margin (%)	**22.8**	25.0	(2.2)pp
Reported operating profit	**25.1**	23.2	7.9

£124.5 million
Revenue

↑0.6%
Organic revenue growth at constant currency

↑5.2%
Revenue growth

Our Continental Europe revenues increased from £118.4 million to £124.5 million, growth of 4.4% at constant currency, within which organic growth was 0.6% on a constant currency basis. The sector benefited from the acquisition of VMI in April 2023, I-Vent in June 2023 and the full-year effect of the acquisition of ERI in September 2021. Adjusted operating profit was down 4.0% at £28.4 million versus a prior year of £29.6 million. The adjusted operating profit margin declined in the year by 220bps to 22.8%, partly due to the dilutionary impact of the acquisitions, but also due to the changing mix of revenues with both the higher margin Nordic and German market revenues declining at a higher rate than the growth areas such as ERI in North Macedonia.

Central Europe

Sales in the Central Europe region grew 12.7% at constant currency to £75.4 million compared to the prior year of £65.1 million. Organic revenue growth was 5.9% on a constant currency basis, with inorganic growth coming from the acquisition of VMI, I-Vent and the full-year effect of the acquisition of ERI.

Revenues in Germany in the second half of the year were much weaker than the prior year. Unlike the usual 70%/30% Group wide split of revenues between refurbishment and new build, we have a high concentration of German revenue focused on the new build market. New build construction was much weaker in the second half of the year, coupled with inconsistencies around government subsidies supporting low carbon technologies. Germany has been a strong contributor to our organic growth since 2019 and a revenue decline in the year was unusual. In recent months we have refocused our selling efforts on the significant refurbishment opportunities in the market. Germany, alongside every other country is working out how to achieve its net zero carbon targets. Local government is now providing more clarity on subsidies for various low carbon technologies, and we had some good successes towards the end of the year. Strong pricing management, excellent cost controls and some innovative new product solutions enabled us to maintain our local gross margins. Whilst the new build outlook remains fragile, the medium-term dynamic of heat recovery technology demand in Germany, both in new build and increasingly in refurbishment, remains compelling.



Janika Uusitalo, Oulainen, Finland

inVENTer team, Löberschütz, Germany

In the Netherlands, ClimaRad delivered strong organic growth, accelerating in the second half of the year. Our "total cost of ownership" model is reaping significant dividends as we demonstrate the substantial savings that a ClimaRad decentralised heat recovery system can deliver in a structural refurbishment. The Netherlands market is one of the most progressive in Europe with a focus on decarbonising buildings and an established approach to the future ban of gas boiler installations in the new build market. This is a hugely supportive change in the market increasing the utilisation of heat pump technology and an increased investment in greater insulation for residential buildings. This positions our decentralised heat recovery technology in ClimaRad very well. The project orderbook remains strong and we remain confident that we will make further inroads in the market with our compelling solution in the year ahead.

In Belgium we delivered organic growth, however, the introduction of our new extended range of higher airflow heat recovery systems was delayed until the end of the financial year 2023. Our Econiq range of heat recovery is the culmination of a significant product development investment, and our new application software technology will materially aid commissioning and an improved user experience. Whilst a much later than planned introduction to the market, we are excited about the opportunity to regain lost share in the new financial year.

Nordics

Sales in the Nordics region were £49.1 million (2022: £53.3 million), an organic decline of 5.7% at constant currency compared to the previous year. The Nordics market was especially challenging in the second half of the year with weaker demand and significant customer destocking resulting in a revenue decline. Strong pricing discipline in the Nordics, a moderating of input cost inflation, and the increasing benefits of our new production facility in Växjö, helped us to maintain a strong gross margin performance. Customer de-stocking is largely completed and whilst the local markets, as with all of our markets, are grappling with the higher cost of borrowing, we believe that demand reached its low point in H2 2023. Our Nordic activities are weighted around 65% to refurbishment, which is similar to the rest of the Group, the balance being new build construction. Whilst new build markets are likely to continue to be subdued whilst interest rates remain at elevated levels, we continue to exploit opportunities in refurbishment for higher value adding solutions such as the significant growth in decentralised heat recovery from a low start point. Volution is the European leader for the supply of decentralised heat recovery in residential buildings and this is a key area of focus for the period ahead.

Acquisitions

Energy Recovery Industries ("ERI"), a leading provider of aluminium heat exchanger cells for heat recovery applications delivered another year of strong revenue growth. In line with our original investment plan to increase our manufacturing capacity in North Macedonia and boost efficiency, we have also invested in new equipment during the year enabling us to shorten lead times and deliver efficiency benefits which further enhanced our operating profit margin. The long-term growth drivers for heat recovery ventilation are strong and we plan to make further investments to enhance our manufacturing facility and capacity in the year ahead.

In April 2023 we acquired VMI in France. Whilst a relatively small player in the French market we are delighted to now have a structural presence in this important market. VMI has an experienced and passionate team of ventilation experts and coupled with the access to our wider portfolio of existing and new product developments we see an opportunity to deliver good organic growth in the French market. Specialising in energy efficient positive input ventilation technology, VMI will benefit from enhancing its product range and new customer relationships.

In June 2023 we completed the acquisition of I-Vent, a provider of decentralised heat recovery ventilation systems in Slovenia and Croatia. The acquisition gives the Group access to fast growing new markets, and I-Vent's innovative Low Carbon product solutions will further enrich our Group's expansive product portfolio, particularly in decentralised heat recovery. Retro-fitting heat recovery into existing residential dwellings is a key strategic focus for the Group across Europe. With the majority of existing revenue arising in Slovenia, the Croatian market position, although much smaller, provides potentially a faster growing opportunity due to our lower market penetration.

Regional Review continued



Nisha Desai, Auckland, New Zealand

Australasia

Market sector revenue	2023 £m	2022 £m	Change (cc) %
Total Australasia revenue	**47.4**	45.6	3.6
Adjusted operating profit	**11.3**	9.9	13.9
Adjusted operating profit margin (%)	**23.9**	21.8	2.1pp
Reported operating profit	**10.7**	8.8	22.0

£47.4 million
Revenue

↑3.9%
Revenues growth

£11.3 million
Adjusted operating profit

Sales in our Australasia region were £47.4 million, with organic growth of 3.6% at constant currency. Adjusted operating margins improved to 23.9% versus 21.8% in the prior year. Following a period of substantial organic growth in Australia, organic growth rates moderated in the year as expected. Pricing discipline and excellent cost control enabled us to further increase operating profit margins to 23.9%, a significant improvement over the prior year.

Simx in New Zealand delivered a good performance. Revenue has increased beyond the high levels of previous years when demand had been boosted by the Healthy Homes Act. New Zealand has a structural demand for additional new residential construction, however, as with other markets, higher interest and mortgage costs are stifling demand. Similar to the wider group, our revenue focus is predominantly refurbishment led and we continue to see opportunities to introduce more innovative technology to this market.

The post year end acquisition of DVS Proven Systems, completed on 4 August 2023, further strengthens our position in the residential "Smart Vent" market. With DVS Proven Systems' unique consumer focused approach to ventilation in the local market, we see huge potential to increase sales our value-added solutions. Through direct consumer marketing, we are confident that we can encourage greater penetration of both central and de-central heat recovery systems in New Zealand.

In Australia we continue to make good progress and the launch of our Sky Fan DC range of ceiling fans was particularly successful in the year. We launched our Manrose brand into the DIY sector in the year and we plan to extend this range in the coming months. Ventair has been part of the Group since 2019 and we are delighted that over four years after the successful introduction to the Group we have secured a long-term agreement with the founder and other members of the senior team, so we can continue to work together to further grow our market penetration in Australia. Important elements of our success are the key supplier relationships that we have fostered since the business was founded and the increasing strength of the local team, which is well positioned to capitalise on these relationships.

> Simx in New Zealand delivered a good performance, with revenue higher now than at the time of the strong refurbishment demand in previous years.



Joshua Varela, Auckland, New Zealand



Ventair Team, Melbourne, Australia

Business Model
How we create value

Why we do

Volution supports legislative transition as we decarbonise

Health
Making our buildings air tight and insulated leads to poor air quality if we don't ventilate them correctly. Regulations continue to drive the demand for our products.

1/3
of people report mould in their home

Efficient
Volution continues to drive the demand for low carbon products, and our technology provides an important pathway to avoid carbon emissions from buildings.

36%
CO_2 from buildings

Comfort
Modern buildings run the risk of overheating during the summer periods. Our products provide energy efficient solutions to reduce that risk and create comfortable living environments.

2023
record temperatures

» Regulations
Page 38

What we do



Design
We focus on innovation. We are closely aligned with environmental, health, regulatory and consumer developments that are reshaping the world's expectation of how we live life indoors.

£4.5m
R&D spend

85
People employed in NPD

70.1%
low carbon revenue

» Planet
Page 64



Manufacture
We manufacture whilst remaining focused on sustainability and assemble high quality, technically differentiated ventilation solutions at optimal cost.

12
facilities

83%
of revenue from products we manufacture

76.2%
recycled plastics

» Product
Page 56



Acquire
We continue to acquire and integrate value-adding companies that provide synergistic benefits, routes to market and help us leverage our scale.

25
acquisitions since 2012

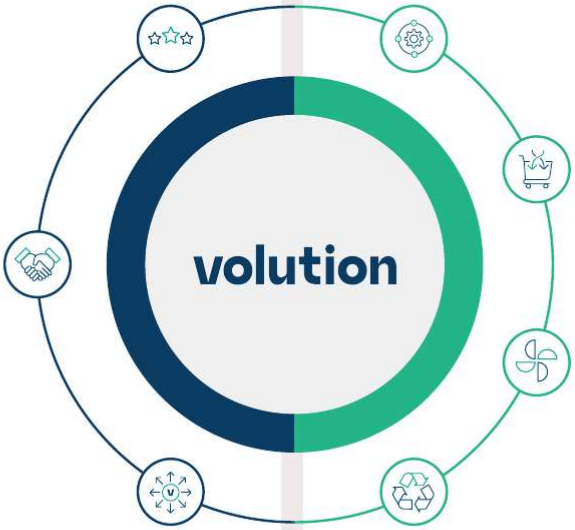
c£250m
spend on acquisitions since 2012

» Our Growth Opportunity
Page 48

Magnus Sandin (left), Tomas Nilsson (right), Voltair, Stockholm, Sweden

How we do it

Strong expertise



Brands
We have strong brands supported by passionate local champions.

Relationships
Our local teams have an intimate knowledge of our markets and customers.

Distribution channels (multi-channel)
Our multibrand, multichannel strategy enables us to maximise our market reach.

Leveraging Group scale

Supply chain
We manage supply chain complexities leveraging our scale and maximising returns.

Cross-selling
Cross selling group products through our sales channels provides strong barriers for competitors.

Group product development
Optimising new product development across our businesses ensures we maximise returns.

Sustainability (recycled plastics)
Using recycled plastic helps reduce our environmental footprint and optimise our costs.

The value we create

Shareholders
We seek to deliver attractive returns for our shareholders with sustained growth in profit and cash flow.

+12.2%
Adjusted basic EPS 5 year CAGR

Employees
We offer career development within a framework of sustainable employment opportunities.

85%
retention rate

Customers
We listen to our customers and provide unrivalled product solutions within our local markets.

>20,000
SKUs

Suppliers
We develop long term relationships with suppliers, helping each other to grow whilst delivering on our social responsibilities.

1,900
suppliers

Environment
We continually work to reduce our environmental footprint.

2021
Green Economy Mark since 2021

Government and Regulatory
Regulatory tailwinds continue to support the adoption of energy efficient ventilation systems.

Regulations
Page 38

Stakeholders
Page 93

People
Page 84

Market Overview

Attractive markets with long-term structural growth drivers

	Key trend	Drivers
	**Regulatory environment**	• Net zero targets require greater energy efficiency of buildings to reduce carbon emissions. • EU taxonomy and the Green Deal supporting investment in deep refurbishment of buildings. • Increasingly regular warm weather and improvements in insulation in modern air tight buildings leading to over heating during the summer months.
	**Improving air quality for health**	• Strengthening regulatory tailwinds in refurbishment. • Increasing landlord responsibility to provide acceptable standard of properties with prevention of mould and condensation a key focus area. • Increased air tightness of buildings raises the risk of negative health outcomes unless adequate ventilation is ensured.
	**Digital transformation**	• Many of our businesses operate in traditional markets with electrical wholesale as our primarily route to market. However, our channel to market is changing with increasing numbers of customer using e-business to procure our products. • Our industry is digitising requiring more data for more performance metrics than ever before.
	**Macroeconomic factors**	• Cost of living crisis will increase the adoption of energy saving measures to buildings. • The flow of money into upgrading of buildings through the European Green Deal and the Social Housing Decarbonisation Fund programmes will continue to support the adoption of our products to help save energy and improve air quality within the housing stock.
	**Competitive landscape**	• Global supply chains have put pressure on suppliers of ventilation solutions across our geographies with stock availability becoming a far greater factor in procurement decisions. • Backlog in refurbishment work due to Covid still providing opportunity. Particularly relevant in public RMI.

Links to strategy

Our Strategy Page 26

Organic growth | Value-adding acquisitions | Operational excellence

Opportunity	How are we responding	
• Wider adoption of heat recovery ventilation solutions in buildings through tighter building regulations. • Funding of renovations of buildings leading to sales of heat recovery devices in refurbishment. • Energy efficient cooling solutions to be adopted in more of our geographies.	• Innovation in both centralised and decentralised heat recovery product ranges and EC high efficiency motors.	• Capital allocation to new acquisitions improving our sales of heat recovery solutions. • Development of wider integrated cooling solutions.
• Providing air quality solutions for existing buildings and applications where historically is has been difficult to retrofit products. • Greater focus on ventilation provision for both new build and refurbishment applications across our geographies.	• Development and launch of new product offerings including higher levels of efficiency, filtration and automation.	• Internationally we take an active role within our trade associations ensuring that regulators continue to consider ventilation when proposing legislative changes.
• Our products and services are being made available through a wider number of channels providing consumers and end users more flexible ways to procure our goods. • IoT, Building Safety Act and embodied carbon are all areas enabling us to provide more insight and easier access to products, data and performance.	• We continuously develop our sales model, utilise our brands and deploy our sales resources to ensure maximise our opportunities to trade as the sales channels evolve and strengthen barriers to entry for others.	• Improving the operability of our products across platforms as well as development of new data sets helping us differentiate our propositions.
• Energy saving measures such as insulation, air tightness improvements and double glazing can require additional ventilation to prevent poor air quality. • The wider adoption of higher value, continuous running and heat recovery products in refurbishment.	• Increasing communications around the energy saving potential of heat recovery in retrofit.	• Ensuring that we internationalise our group products, particularly decentralised heat recovery solutions.
• Having stock available whilst others have not has ensured that we have maximised our opportunities to not only ensure we delivery excellent customer service to our existing customers but also attract new customers and take market share. • Continued demand for ventilation products to service the backlog.	• Increase stock levels across our organisation has ensured that we have maintained supply and buffered supply chain constraints. Capital investments have also been made to increase capacity to ensure that we continue to maximise the opportunities.	• Increased capacity on public housing product line.

Our Strategy

A clear strategy for compounding growth

We aim to achieve our goals through a combination of three strategic objectives: organic growth, selective acquisitions and operational excellence, and this year have continued to embed our focus on environmental, social and governance issues (ESG) into our culture.

Organic growth

What this means

Growth driven through a focused sales strategy for each of our market sectors. Focus on opportunities arising from increasingly favourable regulatory environments and growing public awareness of indoor air quality issues. Promote the benefits to health of higher value ventilation solutions to grow our markets and increase margins. Invest in innovative new products and deliver benefits from recently acquired businesses and drive cross-selling initiatives.

How we do it

- Cross selling group products through our international channels.
- Using our brands to open up new channels to market within the Geographies in which we operate.
- Innovation and new product development to keep growing the depth and width of our range.

Progress

- Organic revenue growth at 4.6% on a constant currency basis.
- Launching a range of decentralised Heat Recovery Solutions into the UK along with the role out of our new Econiq range across Europe.

Aligning to our sustainability strategy

- Good progress on sales of low-carbon products which now represent 70.1% of our revenue.

Our low carbon sales initiatives
Page 56

Value-adding acquisitions

What this means

We will continue to acquire and integrate complementary businesses in the residential market and, where appropriate, in the commercial ventilation market. Our focus will be principally on opportunities in Europe where there are clear synergistic benefits available and on key strategic opportunities outside of Europe.

How we do it

- Acquisitions which open new channels or product categories helping to diversify and reduce risk.
- Allocating capital for businesses that provide opportunities for product or component synergies.
- Structured 200 day plan integration process maximising value creation opportunities.

Progress

- Inorganic growth at 1.5% on a constant currency basis.
- We have completed two acquisitions in the year: VMI in April and I-Vent in June.

Aligning to our sustainability strategy

- Both VMI and I-Vent supply low carbon ventilation solutions to their respective customers.

VMI & I-Vent
Pages 50 and 51

I am delighted with the progress we made in 2023. Our strong organic growth, two acquisitions completed in the year and our continuing strong operating profit margin were absolutely on point with our strategy.

Ronnie George
Chief Executive Officer

Operational excellence

What this means

Our dedication to operational excellence continues. We have been focused on improving the efficiency of all our operations and processes, reducing waste and optimising packaging and logistics. We have been building sustainability and ongoing improvement into the culture of our operations teams, helping to drive our ESG strategy.

How we do it

- Stay focused on service and delivering our proposition for customers.
- Continually drive our facilities and teams to optimise operations.

Progress

- Adjusted operating margin of 21.3% (+20bps).
- Well managed supply chains and excellent customer service levels.
- Continued focus on sustainability and waste elimination.

Aligning to our sustainability strategy

- 76.2% of the plastic processed through our own facilities is supplied from recycled sources.

» Progress made on recycled plastic
Page 64



Strategy in action

The group achieved 70.1% of our revenue from low carbon products.

This year we have launched our new Vent-Axia Econiq range of centralised heat recovery units into our sales channels across Europe.

The range consists of 3 sizes, all optimised around a new control platform providing the latest in connectivity and sensor controls.

Optimised to provide the highest levels of heat recovery and ultra low energy, long-life motors, the range will provide us with the next generation of solutions for housing.

Finance Review

Strong margins maintained and excellent cash generation



Volution delivered another strong financial performance for the year, with good organic revenue growth, operating margins maintained ahead of our 20% target, robust growth in adjusted EPS and excellent cash generation.

Andy O'Brien
Chief Financial Officer

Financial highlights

- Revenue £328.0m (+6.6%), with organic constant currency (cc) revenue growth of 4.6%.
- Adjusted operating profit £69.9m (+7.7%), operating margin 21.3% (2022: 21.1%).
- Reported operating profit £57.1m (+12.4%).
- Cash conversion 106% (2022: 76%); and debt leverage 0.8x (2022: 0.9x).
- Adjusted EPS 25.8p (+7.5%); reported EPS 19.0p (+5.0%).

Volution delivered another strong financial performance for the year, with good organic revenue growth, adjusted operating margins maintained ahead of our 20% target, and robust growth in adjusted EPS (up 7.5% to 25.8 pence) despite the adverse impacts of higher interest rates on our financing costs.

I am also pleased to report that the Group delivered an excellent cash generation performance, with a working capital net inflow of £2.8 million (2022: £17.7 million outflow) contributing to a cash conversion for the year of 106%, well above our stated 90% target.

Reported and adjusted results

	Reported			Adjusted[1]		
	Year ended 31 July 2023	Year ended 31 July 2022	Movement	**Year ended 31 July 2023**	Year ended 31 July 2022	Movement
Revenue (£m)	**328.0**	307.7	6.6%	**328.0**	307.7	6.6%
EBITDA (£m)	**78.3**	74.2	5.5%	**79.3**	73.9	7.4%
Operating profit (£m)	**57.1**	50.8	12.4%	**69.9**	64.9	7.7%
Net finance costs (£m)	**6.4**	2.0	216.7%	**4.8**	3.4	44.1%
Profit before tax (£m)	**48.8**	47.2	3.4%	**65.1**	60.9	6.8%
Basic EPS (p)	**19.0**	18.1	5.0%	**25.8**	24.0	7.5%
Dividend per share (p)	**8.0**	7.3	9.6%	**8.0**	7.3	9.6%
Operating cash flow (£m)	**74.7**	50.8	47.1%	**75.7**	50.4	50.2%
Net debt (£m)[2]	**89.3**	85.8	(3.5)	**89.3**	85.8	(3.5)
ROIC (%)	**27.4%**	28.8%	(1.4)pp	**27.4%**	28.8%	(1.4)pp

Notes

1. The Group uses some alternative performance measures to track and assess the underlying performance of the business. These measures include adjusted operating profit, adjusted profit before tax, adjusted EPS, adjusted operating cash flow, net debt and net debt (excluding lease liabilities). The reconciliation of the Group's reported profit before tax to adjusted profit measures of performance is summarised in the table on page 30 and in detail in note 2 to the consolidated financial statements. For a definition of all the adjusted and non-GAAP measures, see the glossary of terms in note 34 to the consolidated financial statements.
2. Net debt, excluding lease liabilities of £31.2 million (2022: £25.0 million) would be £58.1 million (2022: £60.8 million).

Good organic growth, particularly in the UK

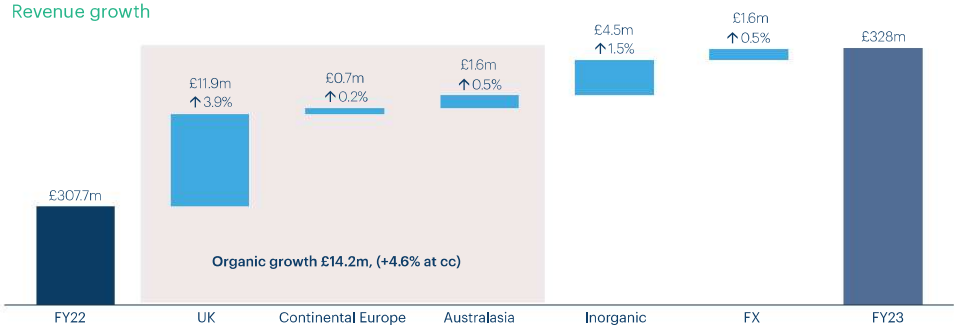
Revenue for the year to 31 July 2023 was £328.0 million, up 6.6% (2022: £307.7 million) within which organic growth accounted for 4.6% (cc) and inorganic growth 1.5%, with a benefit of 0.5% from currency translation impacts.

Our strongest performing region was the UK (up 8.3%), with residential revenue very strong (up 19.5%) fuelled by high public RMI demand as housing providers and tenants became increasingly aware of the health risks associated with mould and condensation. Private RMI also performed well underpinned by both price and volume increases, and demonstrating the less "discretionary" nature of our RMI demand. Our more challenging sectors in the UK were in OEM and Commercial, though the latter did return to growth in the second half of the year.

A more mixed picture in Continental Europe saw us report organic revenue growth (cc) of 0.6%. Good performances in ClimaRad and ERI were offset by challenging market conditions in Germany and the Nordics, linked to weak new build residential markets, and in the case of Germany to the withdrawal of some previously available subsidy programs for energy efficiency investments. Inorganic growth in Continental Europe (3.8%) reflected one month of ERI revenue in September 2022, and then the impact of our new acquisitions in France and Slovenia towards the end of the second half.

Australasia revenue grew 3.6% (cc) after a number of years of very strong growth, a solid performance given relatively subdued market conditions and weaker consumer confidence levels.

Revenue growth

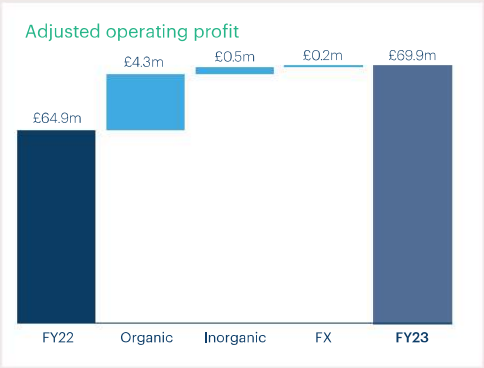


Finance Review continued

Adjusted operating margin of 21.3%

Adjusted operating profit increased by 7.7% in the year to £69.9 million (2022: £64.9 million). The increase of £5.0 million in adjusted operating profit consisted of £4.3 million from organic growth, £0.5 million from acquisitions, and £0.2 million from favourable currency movements.

Inflationary cost pressures on materials diminished through the year. This contrasted with the picture for staff costs, property costs and other categories of overhead costs which continued to experience inflationary pressures. Coupled with good factory performance, efficient customer service and continued judicious selling price management, this enabled us to deliver a 60bps improvement in gross margins to 48.4% (2022: 47.8%) and a 20bps improvement in adjusted operating margin to 21.3% (2022: 21.1%).



Adjusted profit before tax of £65.1 million was 6.8% higher than 2022 (£60.9 million). Reported profit before tax was £48.8 million (2022: £47.2 million) and is after charging:

- £11.1 million in respect of amortisation of intangible assets (2022: £14.5 million);
- £1.7 million (2022: credit of £0.4 million) of other costs of business combinations, of which:
  - £1.0 million relates to costs associated with business combinations (2022: £0.2 million); and
  - £0.7 in respect of contingent consideration in ERI (2022: reduction £0.6 million);
- £1.6 million loss due to the fair value measurement of financial instruments (2022: gain of £1.4 million); and
- £1.9 million re-measurement of future consideration relating to ClimaRad (2022: £1.0 million).

Higher financing costs

Despite leverage (excl. leases) remaining below 1.0x at both the half year and the full year as a result of our strong cash generation, the Group's adjusted financing costs nevertheless increased by 44.1% to £4.8 million (2022: £3.4 million) as a consequence of the significant increase in bank base rates through the period. Our weighted average interest rates on gross debt in the year was 4.44% (2022: 2.02%).

	Year ended 31 July 2023			Year ended 31 July 2022		
	Reported £m	**Adjustments £m**	**Adjusted results £m**	Reported £m	Adjustments £m	Adjusted results £m
Revenue	**328.0**	**—**	**328.0**	307.7	—	307.7
Gross profit	**158.9**	**—**	**158.9**	147.1	—	147.1
Administration and distribution costs excluding the costs listed below	**(89.0)**	**—**	**(89.0)**	(82.2)	—	(82.2)
Amortisation of intangible assets acquired through business combinations	**(11.1)**	**11.1**	**—**	(14.5)	14.5	—
Contingent consideration[1]	**(0.7)**	**0.7**	**—**	0.6	(0.6)	—
Costs of business combinations[2]	**(1.0)**	**1.0**	**—**	(0.2)	0.2	—
Operating profit	**57.1**	**12.8**	**69.9**	50.8	14.1	64.9
Re-measurement of financial liability	**0.1**	**—**	**0.1**	(0.6)	—	(0.6)
Re-measurement of future consideration[3]	**(1.9)**	**1.9**	**—**	(1.0)	1.0	—
Net gain on financial instruments at FV[4]	**(1.6)**	**1.6**	**—**	1.4	(1.4)	—
Other net finance costs	**(4.9)**	**—**	**(4.9)**	(3.4)	—	(3.4)
Profit before tax	**48.8**	**16.3**	**65.1**	47.2	13.7	60.9
Income tax	**(11.3)**	**(3.0)[6]**	**(14.3)**	(11.5)	(2.1)	(13.6)
Profit after tax	**37.5**	**13.3**	**50.8**	35.7	11.6	47.3

Notes
1. £0.7 million in respect of a contingent consideration in ERI (2022: reduction of £0.6 million).
2. £1.0 million relates to costs associated with business combinations (2022: £0.2 million).
3. £1.9 million re-measurement of future consideration relating to the business combination of ClimaRad (2022: £1.0 million).
4. £1.6 million was loss due to the fair value measurement of financial instruments (2022: gain of £1.4 million).
5. £3.0 million tax adjustment relates to the tax on the adjusted items above.

Currency impacts

Aside from Sterling, the Group's key trading currencies for our non-UK businesses are the Euro, representing approximately 25% of Group revenues, Swedish Krona (approximately 9%), New Zealand Dollar (approximately 7%) and Australian Dollar (approximately 7%). We do not hedge the translational exchange risk arising from the conversion of the results of overseas subsidiaries, although we do denominate some of our borrowings in our non-sterling trading currencies, which offsets some of the translation risk relating to net assets.

The average rates of sterling versus our principal non-sterling trading currencies are shown in the table below.

	Average rate 2023	Average rate 2022	Movement
Euro	**1.149**	1.182	(2.8)%
Swedish Krona	**12.802**	12.229	4.7%
New Zealand Dollar	**1.965**	1.952	0.7%
Australian Dollar	**1.803**	1.825	(1.2)%

The Group had Euro denominated borrowings as at 31 July 2023 of £79.4 million (2022: £71.9 million) and Swedish Krona denominated borrowings of £nil million (2022: £2.4 million). The Sterling value of these foreign currency denominated loans, net of cash, increased by £1.3 million as a result of exchange rate movements (2022: decreased by £0.9 million).

Transactional foreign exchange exposures arise principally in the form of US Dollar denominated purchases from our suppliers in China. We aim to purchase a substantial proportion of our expected requirements approximately twelve months forward, and as such, we have forward currency contracts in place for approximately 85% of our forecast average forward requirements for the 2024 financial year (approximately $19 million).

Earnings per share

Our adjusted basic earnings per share for the year was 25.8 pence (2022: 24.0 pence) and our reported basic earnings per share for the year was 19.0 pence (2022: 18.1 pence).

High returns on invested capital (ROIC)

Strong profit and cash generation is a key focus of Volution's financial model, and we look to allocate our capital to investments (both organic and inorganic) that further underpin the future growth of the business and create value for our shareholders.

Over recent years we have reported our return on acquisition investment (ROAI) KPI, see page 37, measuring our success at generating returns from our inorganic growth strategy. We are pleased to introduce a new financial KPI in this year's annual report, Return on Invested Capital (ROIC), measuring the returns for the Group as a whole.

We believe ROIC is not only helpful for shareholders to monitor the returns generated by Volution on an ongoing basis, but another metric which helps demonstrate the underlying quality of the business versus our global peers and its ability to generate shareholder value.

Whilst we will continue to monitor and report the performance of individual acquisitions as they reach the three-year measurement point, we believe that the ROIC will provide a more comprehensive overall measure and so this will be adopted in our KPIs.

The Group's ROIC (pre-tax) for the financial year was 27.4%, measured as adjusted operating profit for the year divided by average net assets adding back net debt, acquisition related liabilities, and historic goodwill and acquisition related amortisation charges (net of the associated deferred tax). The measure also excludes the goodwill and intangible assets arising from the original transaction that created the Group when it was bought out via a leveraged buy-out transaction by private equity house Towerbrook Capital Partners in 2012.

Our ROIC of 27.4% for financial year 2023 is slightly lower than the prior year's 28.8%, as a result of the timing of acquisitions. Our main acquisition in the prior year (ERI) generated 11 months of operating profit in 2022 relative to two-thirds of the associated invested capital being included in the net assets as a result of our three-point average methodology. By contrast our two acquisitions in this financial year were both towards the end of the financial year and so had a very modest contribution to our operating profit. The timing impact of the acquisitions was partly offset by a benefit from both organic growth and operating margin expansion.

Importantly, our ROIC of 27.4% is significantly ahead of the Group's estimated pre-tax Weighted Average Cost of Capital of 10%. Volution continues to have exciting plans for growth, both through organic and inorganic investment. Although, at the time of entry to the Group, acquisitions will be dilutive to ROIC, our track record of improving the returns post acquisition, coupled with continued organic growth, mean we are confident of maintaining Group ROIC above 20% over the medium term while continuing to invest to grow the business.

Taxation

Our reported effective tax rate for the year was 23.4% (2022: 24.4%), the decrease of 1.0pp was driven by favourable business mix effect, increase in Patent Box relief and lower non-deductible items, offsetting the impact of the increase in UK Corporation Tax rate from 19% to 25%. The reduction in effective adjusted tax rate to 21.9% (2022: 22.4%) is lower than the reduction in reported effective tax rates primarily due to non-taxable contingent consideration. Our reported effective tax rate for the year was 23.2% (2022: 24.4%).

We expect our medium-term underlying effective tax rate to be in the range of 22% to 25% of the Group's adjusted profit before tax, depending on the business mix and the profile of acquisitions.

Capital allocation priorities

Volution aims to deliver strong financial returns and cash generation. Our capital allocation priorities, which remain unchanged, are:

- Investment for organic growth, including through capital expenditure, product development and innovation, and ongoing development of our people;
- Value-adding acquisitions; and
- Regular returns to shareholders through dividends.

Finance Review continued

Strong cash generation and balance sheet

Volution's asset light business model and operations are strongly cash generative. Underpinned by a working capital inflow of £2.8 million in the year (2022: outflow of £17.7 million), the Group delivered a strong adjusted operating cash flow of £75.7 million (2022: £50.4 million). Group cash conversion, defined as adjusted operating cash flow as a percentage of adjusted earnings before interest, tax and amortisation (see the glossary of terms in note 25 to the consolidated financial statements) was 106% (2022: 76%).

A summary of the year's cash flow is shown in the tables below, with the principal outflows being in relation to acquisitions (£30.7 million including acquisitions and associated fees), dividends (£14.8 million) and tax paid (£14.0 million). Capital expenditure for the year was £7.8 million (2022: £6.9 million), focused on new product development spend of £2.3 million and operational and capacity enhancements totalling £1.2 million in North Macedonia (ERI), Bosnia (ClimaRad) and the UK. There was also further investment in IT and our vehicle fleets which we are progressively transitioning to hybrid vehicles.

Net debt at 31 July 2023 was £89.3 million (2022: £85.8 million), and is set out in the table below. With low leverage (excluding finance leases) of 0.8x at 31 July 2023 (2022: 0.9x), our strong balance sheet and reliable high levels of cash conversion give us significant capability for future growth investment.

Value-adding acquisitions

Acquisition spend in the year net of cash acquired was £29.7 million (2022: £24.4 million). We completed two acquisitions, Ventilairsec (VMI) in France, and I-Vent based in Slovenia and Croatia. We agreed a further acquisition, DVS Proven Systems (New Zealand), which was completed shortly after the year end.

VMI, based in Nantes, France, was acquired for an initial consideration of £7.9 million (€9.0 million), net of cash acquired. VMI designs and manufactures a range of residential ventilation systems focused on a low carbon positive input ventilation approach. The acquisition provides Volution with direct access to the French market, one of the largest ventilation markets in Europe. The VMI acquisition included an earn-out payment of up to €5 million Euros, which will be calculated on the basis of the EBITDA for the year ended 31 December 2023.

In June 2023 we completed the acquisition of I-Vent for an initial consideration of £21.7million (€25.2 million), net of cash acquired, with further contingent consideration of up to €15 million based on stretching growth targets for the financial results for the three years up to and including 31 December 2025. I-Vent, based in Slovenia and Croatia, designs, manufactures and supplies residential ventilation systems, primarily focused on decentralised heat recovery.

Movements in net debt position for the year ended 31 July

	2023 £m	2022 £m
Opening net debt 1 August	**(85.8)**	(79.2)
Movements from normal business operations:		
Adjusted EBITDA	**79.3**	73.9
Movement in working capital	**2.8**	(17.7)
Share-based payments	**1.4**	1.1
Capital expenditure	**(7.8)**	(6.9)
Adjusted operating cash flow:	**75.7**	50.4
– Interest paid net of interest received	**(3.7)**	(2.7)
– Income tax paid	**(14.0)**	(12.2)
– Cash flow relating to business combination costs	**(1.0)**	(0.2)
– Dividend paid	**(14.8)**	(13.3)
– Purchase of own shares	**(1.8)**	(1.9)
– FX on foreign currency loans/cash	**(3.1)**	0.7
– Issue costs of new borrowings	**(0.3)**	(0.3)
– IFRS 16 payment of lease liabilities	**(4.5)**	(3.2)
– IFRS 16 decrease/(increase) in lease liabilities	**(6.2)**	0.5
Movements from business combinations:		
– Business combination of subsidiaries, net of cash acquired	**(29.7)**	(16.5)
– Contingent consideration relating to Ventair from operating activities	**—**	(3.2)
– Contingent consideration relating to Ventair from investing activities	**—**	(0.9)
– Business combination of subsidiaries, debt repaid	**(0.1)**	(3.8)
Closing net debt 31 July	**(89.3)**	(85.8)

A reconciliation of the Group's reported profit before tax to adjusted profit measures of performance are shown in detail in note 2 to the consolidated financial statements.

Reconciliation of Bank debt to Net debt

	2023 £m	2022 £m
Bank debt	**(79.4)**	(74.3)
Cash	**21.3**	13.5
Net debt (excluding lease liabilities)	**(58.1)**	(60.8)
Lease liabilities	**(31.2)**	(25.0)
Net debt	**(89.3)**	(85.8)

Reconciliation of adjusted operating cash flow

	2023 £m	2022 £m
Net cash flow generated from operating activities	**68.5**	41.7
Net capital expenditure	**(7.8)**	(6.9)
UK and overseas tax paid	**14.0**	12.2
Contingent consideration relating to the acquisition of Ventair	**—**	3.2
Cash flow relating to business combination costs	**1.0**	0.2
Adjusted operating cash flow	**75.7**	50.4

Funding facilities and liquidity

In December 2022, the Group exercised the option to extend its £150 million multicurrency "Sustainability Linked Revolving Credit Facility", together with an additional accordion of up to £30 million, by a period of twelve months. The maturity date of the facility is now 2 December 2025.

As at 31 July 2023, the Group had £70.6 million of undrawn, committed bank facilities (2022: £75.7 million) and £21.3 million of cash and cash equivalents on the consolidated statement of financial position (2022: £13.5 million).

Returns to shareholders

Adjusted earnings per share increased by 7.5% to 25.8 pence (2022: 24.0 pence). The Board is recommending a final dividend of 5.5 pence which, together with an interim dividend paid of 2.5 pence per share, gives a total dividend per share of 8.0 pence (2022: 7.3 pence), up 9.6% in total. The final dividend is subject to approval by shareholders at the AGM on 13 December 2023 and, if approved, will be paid on 19 December 2023.

Employee Benefit Trust

During the year £1.8 million of non-recourse loans (2022: £1.9 million) were made to the Volution Employee Benefit Trust for the purpose of purchasing shares in Volution Group plc to meet the Company's obligations under its share incentive plans. The Volution Employee Benefit Trust acquired 550,000 shares at an average price of £3.33 per share in the period (2022: £4.10) and 920,250 shares (2022: 402,407 shares) were released by the trustees with a value of £3,018,420 (2022: £1,114,667). The Volution Employee Benefit Trust has been consolidated into our results and the shares purchased have been treated as treasury shares deducted from shareholders' funds.



Andy O'Brien
Chief Financial Officer
4 October 2023

Key Performance Indicators

Strong and sustainable performance

We have identified a number of key performance indicators (KPIs) that monitor performance against our strategy and priorities, and enable investors and other stakeholders to measure our progress.

Financial targets

Revenue growth

+10% p.a.

Organic revenue growth

+3 to 5% p.a.

Adjusted operating margin (% of revenue)

>20%

Adjusted earnings per share

+10% p.a.

Adjusted operating cash flow conversion

>90%

Return on Invested Capital (ROIC)

mid-20s %

Note

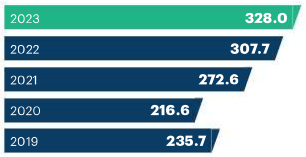
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Financial performance

A

Revenue growth
£m (% of revenue)

+9.8%
Five-year compound



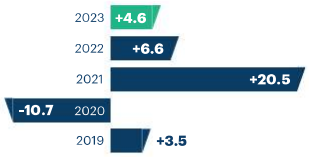
Strategic pillars measured by this KPI

This KPI tracks our performance against our strategic aim to grow the business.

B

Organic revenue growth
%

+4.9%
Five-year average



Strategic pillars measured by this KPI

This KPI tracks our revenue performance from existing businesses excluding the impact of acquisitions. We expect to deliver growth ahead of GDP, leveraging our strong brand positions and market leading product portfolios, supported by regulatory trends and increasing customer awareness of air quality and the importance of ventilation.

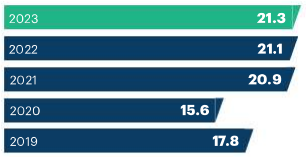
Comments

- Organic revenue growth is the constant currency % growth in the year.
- Full-year organic growth of 5.1% (4.6% at cc).
- Full-year organic growth delivered in the UK (8.3% at cc), Continental Europe (0.6% at cc) and Australasia (3.6% at cc).

C

Adjusted operating margin[1]
% of revenue

19.3%
Five-year average



Strategic pillars measured by this KPI

This adjusted measure tracks the underlying financial performance and quality of the Group's earnings. We aim to achieve and sustain attractive operating margins by leveraging the benefits of product innovation, and through economies of scale in sourcing and operational efficiencies in our production and indirect costs.

Comments

- Full-year adjusted operating margin up 0.2pp to 21.3% (2022: 21.1%).

Link to Directors' remuneration

LTIP ABP

Strategy key

Organic growth
Value-adding acquisitions
Operational excellence

Link to Directors' remuneration key

LTIP Long Term Incentive Plan
ABP Annual Bonus Plan

Key Performance Indicators continued

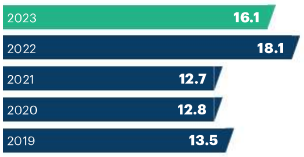
Financial performance continued

D

Working capital as a % LTM revenue

14.7%

Five-year average



Strategic pillars measured by this KPI

This KPI tracks our working capital efficiency; optimisation of our working capital, especially inventories across the Group, is an important stream of our operational excellence focus.

Comments

- Working capital inflow of £2.8 million in the year primarily due to improvement in receivables in the U.K.
- Inventory (excluding new acquisitions) remained broadly flat in the year.
- Receivables improved, notably in the UK.

Link to Directors' remuneration

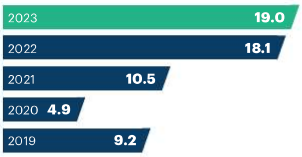
LTIP ABP

E

Reported basic earnings per share p

23.2%

Five-year compound



Strategic pillars measured by this KPI

This KPI provides a measure of shareholder value.

Comments

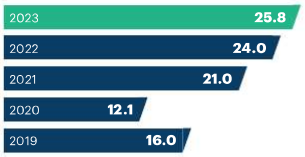
- Reported basic EPS grew 5.0%.

F

Adjusted basic earnings per share[1] p

12.2%

Five-year compound



Strategic pillars measured by this KPI

This KPI provides a measure of shareholder value.

Comments

- Adjusted basic EPS grew 7.5%.

Link to Directors' remuneration

LTIP ABP

Note

1. The Group uses some alternative performance measures to track and assess the underlying performance of the business. These measures include adjusted operating profit, adjusted profit before tax, adjusted EPS, adjusted operating cash flow, net debt and net debt (excluding lease liabilities). The reconciliation of the Group's reported profit before tax to adjusted profit measures of performance is summarised in the table on page 30 and in detail in note 2 to the consolidated financial statements. For a definition of all the adjusted and non-GAAP measures, see the glossary of terms in note 34 to the consolidated financial statements.

Strategy key

Organic growth · Value-adding acquisitions · Operational excellence

Link to Directors' remuneration key

LTIP Long Term Incentive Plan · ABP Annual Bonus Plan

G

Return on invested capital (ROIC) %

27.4%

Group



Strategic pillars measured by this KPI

We look to allocate our capital to investments (both organic and inorganic) that further underpin the future growth of the business and value creation for our shareholders.

Our new Group Return on Invested Capital (ROIC) KPI measures the returns for the Group as a whole and helps demonstrate the underlying quality of the business and its ability to generate shareholder value.

It is measured as adjusted operating profit for the year divided by average net assets excluding net debt, acquisition related liabilities, and historic goodwill and acquisition related amortisation charges. The measure also excludes the goodwill and intangible assets arising from the original transaction that created the Group as a result of the leveraged buy-out transaction by private equity house Towerbrook Capital Partners in 2012..

Comments

- 2023 ROIC of 27.4% is significantly ahead of the Group's estimated Weighted Average Cost of Capital.
- Slightly lower than prior year due to the timing of our two acquisitions, both towards the end of the year and so with a very modest contribution to in-year operating profit.

H

Return on acquisition investment (ROAI) %

24.5%

Group



Strategic pillars measured by this KPI

We aim to enhance the value of acquired businesses over time, via a combination of expanding the product portfolio, value engineering and access to the Group's procurement capabilities. We believe that three years is an appropriate timeframe to deploy and bring enhancements to bear, although we do expect to continue enhancing value and improving performance beyond that point. The KPI measures adjusted operating profit of all businesses acquired by the Group since its formation in 2012 and which the Group has held for more than three years, divided by the capital invested to acquire them.

Comments

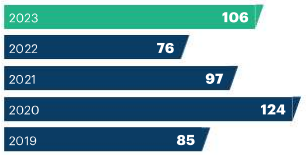
- Returns on our acquisitions remain very strong.

I

Adjusted operating cash flow conversion[1] %

98%

Five-year average



Strategic pillars measured by this KPI

This KPI tracks the efficiency of cash generation at the operational level (important for our acquisition strategy), after movements in working capital and capital expenditure.

Comments

- Working capital decrease of £2.8 million in the year.
- Capital expenditure of £7.8 million (2022: £6.9 million).

Legislation updates
Regulatory tailwinds

Opportunity for growth

Volution products support legislative transition as we decarbonise

Buildings are responsible for circa 36% of total CO_2 emissions and 40% of energy demand. If we are to hit global net zero targets, we must deal with the existing building stock, as well as new build. With 90% of the buildings that exist today still standing by 2050, and a refurbishment rate of just 1% per year, new initiatives are required.

To deliver net zero ready buildings we must make them air-tight, insulate them well and decarbonise the heating source. These actions will impact the environment within the buildings and ventilation will be even more important for both health and comfort. Doing that without losing the heat and therefore the energy will require energy efficient ventilation solutions including energy recovery.

If we are successful and reduce the energy demand in our buildings by 80% by 2050, we will save more than 30% of our total energy needs. However, to achieve it we need to triple the rate of renovation to 3% a year.

As a structural growth driver, in March 2023, the European Parliament passed a comprehensive revision of the 2010 Energy Performance of Buildings Directive (EPBD IV) to cover existing buildings for the first time. These regulations will stimulate the renovation market in the EU, as they will trigger a wave of renovations and create a greater demand for energy-efficient upgrades.

The scale of the challenge

With circa 240 million homes and over 600 million people living in them in the UK, Europe and Australasia alone, we have a lot to do.

UK

New Build

In the UK Approved Building Regulation Documents "Part F: Means of Ventilation", "Part L: Conservation of Fuel and power" and "Part O: Overheating" are the key documents impacting the profile of sales for Volution.

Part L, F and O are linked, and current versions released in June 2021 deliver buildings with 30% lower emissions than the previous versions. In 2023, a new consultation is due, effective from 2025, which will deliver buildings that are net zero ready. In other words, as we decarbonise our electricity, the buildings will become net zero and no further upgrade work will be required to them in the future.

What does this mean for Volution?

We believe that within a notional dwelling the regulation will support the use on an air-source heat pump to provide space heating and hot water, and MVHR to reduce wasted heat through ventilation and high levels of air tightness and insulation to create a highly efficient, net zero ready dwelling. It is important that the MVHR unit is also likely to be equipped with summer bypass to help mitigate overheating in the warmer months.

Refurbishment

In both social and private rental properties in the UK the Government have set a long-term target for them to achieve and energy performance certificate (EPC) level C or above from 2030. This journey has already started and since 2020, minimum energy efficiency standards (MEES) have made it mandatory for a rental property to be EPC level E or better. To assist in the transition in social housing, the Social Housing Decarbonisation fund has already had successful bids and offered £957 million to 176 projects with an additional £1.1 billion in matched funding.

In addition, "Decent Homes Standards" are being established, setting minimum requirements in all rental properties. These require properties to be free of hazards as defined within the Housing Health and Safety Rating System. Ventilation is considered a hazard if not properly provided.

What does this mean for Volution?

Volution has seen strong demand for low-carbon ventilation solutions in social housing. In addition, we have launched a range of heat recovery products into the social housing sector as they take steps to decarbonise the stock and although a new initiative for 2023, sales have been growing well.



Regulations continue to support the adoption of energy efficient ventilation solutions. The importance of ventilation for health grows as we tighten our building envelopes, but the impact of the heat loss associated also increases. To reduce the heat loss, and avoid carbon emissions, the adoption of heat recovery ventilation devices grows every year.

33.8%
of our revenue is from heat recovery

Nordics

New Build

All Nordic countries have increased the regulations in respect of more energy efficient ventilation and in almost all situations, some type of energy recovery system will need to be in place. Indeed, heat recovery ventilation units are already the most popular solution, but heat pumps are also growing and is sometimes used in combination with heat recovery units to further boost the energy efficiency. Due to the colder climate in the Nordics, most of the regulatory focus is on heating and less on cooling however we see an increasing demand for cooling applications. New regulations are under development, and we see further regulations to require demand-controlled ventilation and heating applications and also post Covid measures where the ventilation need for housing has increased which will mean ventilation units with higher air volumes will be required. Growth of energy declaration requirements including material and environmental impact from use is very fast.

Sweden is mainly following the national building regulation Boverkets Byggregler 2011:6, later amended in BBR 29/BFS2020:4. A new version is expected from 2025 and the current draft is proposing increased demand for ventilation, especially in smaller residential properties.

New build in Finland is mainly governed by the Maankäyttö – ja rakennuslaki reglation which is stipulating an E-value in Regulation 1010/2017 for energy efficiency measured as maximum SFP value.

Denmark is controlled via the building regulation BR-18 and requires MVHR applications for all new residential and commercial properties. Additionally, and where appropriate given the use of the building, the standards for ventilation (DS-447), fire (DS-428) and insulation (DS 452) will also apply.

Norwegian regulation is called Byggteknisk forskrift (TEK17) and is setting the ventilation requirement for new buildings as well as for larger renovations.

What does this mean for Volution?

The market will continue to grow for heat recovery units and Volution is well prepared for this with both smaller heat recovery applications as well as larger. Our Voltair business in Sweden recently completed the Eurovent® certification for one of its ranges and can now more widely target the growing market. Work is already in process to be well prepared for future regulatory changes and the impact on products and declarations and we see the changes as something positive, as it will require more high quality products and verified performance data. The duct work manufactured in Denmark has over the last couple of years been certified according to the current fire regulation and is therefore approved for use in the market according to the highest standards.

Refurbishment

Ventilation for refurbishment markets is less regulated by governments but more driven by the ambition to reduce energy consumption and improve health/quality of living. More regulations are coming in the refurbishment space, especially for residential apartment buildings where historically there are many supply air systems in place and it will be too costly to install supply air to each apartment, hence the focus on heat pump solutions or ventilation systems with coil-coil energy recovery to recover the heat to the water heating circuit. Small single-family houses use a combination of various technologies from the mid-1980s when the heating recovery era started. Pre 1980s there was limited ventilation in the typical houses with focus on kitchen and bathroom extract fans.

Swedish refurbishment is governed by the same regulations as new construction for larger renovations that require a building permit.. Smaller changes where the ventilation system is not altered can be made freely outside the scope of the renovation. The installation of MVHR in extract air buildings will require such permit and hence the development of the market is slower than it should due to the high administrative burden of improving the ventilation system.

Renovation in Finland is similar to Sweden, but focuses more on SFP limits which are higher for renovation than for new build. Higher SFP means lower efficiency requirement, but is still challenging to reach without the appropriate products in place.

Norway and Denmark also follow similar renovation standards as new build which will apply for larger renovation projects, all with the purpose of improving energy efficiency and also to set a ventilation requirement at a minimum level. The legacy of old buildings prohibits full requirements on renovation also in these countries, but it is gradually increasing. New regulations that also include the Environmental Product Declaration (EPD) are gradually being applied for both renovation and new built.

What does this mean for Volution?

Volution has for many years seen a strong demand for low-carbon ventilation solutions for family houses and with the widened range for Volution there has been plenty of focus to convert typical extract ventilations solutions with decentralized ventilation applications that do not require duct work to be installed. Markets will continue to provide opportunity to focus on heat recovery for refurbishment to reduce the energy need of the buildings. Volution has a wide range of products and will continue to promote our wider solutions.

Legislation updates continued

Opportunity for growth continued

France

New build

In France, the construction of new housing is governed by the RE 2020 (Environmental Regulation 2020), which came into force on 1 January 2023.

It is characterized by increased targets for reducing building carbon emissions (which represents 40% of GHG emissions to date).

This implies more consistent levels of insulation of buildings, but also a limit to the energy consumption of the various systems equipping the home and especially the heating.

An important consideration of home design in France, like elsewhere, is the potential for buildings to overheat due to high airtightness and insulation. MVHR with summer bypass has a particular relevance in helping energy efficiency, and at the same time, comfort during the summer months.

What does this mean for Volution:

A heat pump is now the preferred heating solution to meet regulatory constraints, but MVHR makes it possible to reduce consumption even more thanks to energy recovery. Also with insulation making buildings more and more airtight, this increases the need for air renewal and ventilation to maintain the comfort and well-being of occupants.

Refurbishment

As far as refurbishment is concerned, the regulations are more flexible, but in view of the non-compliant installations, controls are strengthened, and government subsidies are more difficult to obtain.

A new and more qualitative approach initiated by the "Association Française de la Ventilation" will mean that a regulatory document will be associated with any renovation of ventilation systems. A "global" renovation incorporating the housing ventilation will soon be required to benefit from government subsidies. In addition, qualification of installation companies will also be necessary.

What does this mean for Volution:

With VMI well positioned in the channel to take new group products to market, along with local expertise Volution are well positioned. VMI also have a range of products which link to electric and water heating or cooling solutions. With the addition of such a broad and deep product offer from Volution, we are well positioned as systems integrate over time.



France has some of the lowest carbon emissions within its energy sector and one of the highest performers globally in renewable energy production. However, as regulations continue to make buildings more airtight, the requirement for energy efficient ventilation remains. Our acquisition of VMI provides us with a company already selling low carbon ventilation solutions and specialising in positive input ventilation. The acquisition not only enhances our product portfolio but provides us with access to new sales channels helping us to cross sell inter-company products.

100%
of VMI sales are low carbon

Netherlands

New Build

In the Netherlands, strict energy requirements are in place for new construction projects through the NTA 8800, also known as the BENG or nZEB standard. Ventilation systems with heat recovery and CO_2 sensors have been identified as the most effective in terms of energy efficiency and indoor air quality.

Furthermore, all newly constructed buildings are required to include heat pumps, which result in lower supply and return temperatures in the central heating system. This demands the use of heat recovery systems for comfortable ventilation, allowing for the downsizing of heat delivery systems due to reduced heat demand. In the Dutch market we have responded to this demand by incorporating low-temperature convectors together with decentralized ventilation systems, achieving two benefits simultaneously.

What does this mean for Volution?

We are well-positioned to benefit from these regulatory frameworks. Our expertise in sensor technology, heat recovery, and innovative ventilation systems allows us to meet and exceed the regulatory demands.

We can strengthen our position in the market and capitalize on the growing demand for energy-efficient and comfortable buildings. Through ongoing innovation of our technical capabilities, we can further improve our offerings to meet the needs of our customers. By staying at the forefront of technological advancements in sensor technology, heat recovery, and ventilation systems, we can provide sustainable and efficient solutions that align with the regulatory frameworks.

Refurbishment

In the context of social housing, the ability to charge higher rents for energy-efficient homes serves as a significant incentive. Additionally, there is a strong focus on reducing energy costs for lower-income households. These factors, coupled with the mandate that, starting from 2030 onwards, homes with an E label or lower cannot be rented out, have generated a substantial need for sustainable renovations.

To further accelerate the transition, a key requirement is the enforced installation of hybrid heat pumps during replacements of the heating system, effective from 2026 in the Netherlands. As a result, incorporating heat recovery systems and sensor technology becomes vital in achieving the sustainability goals outlined for renovation projects.

The Dutch Klimaatakkoord (Climate Agreement) sets ambitious targets, calling for a minimum of 1.5 million homes and buildings to undergo sustainable upgrades by 2030. By this time, the aim is to halve the greenhouse gas emissions originating from buildings. Looking ahead to 2050, the objective is to fully transition all buildings to renewable energy sources.

What does this mean for Volution?

As an HVAC company, we recognise the big potential within the renovation market. The increasing demand for sustainable solutions, driven by the regulatory frameworks, aligns with our expertise and capabilities. By offering innovative technologies, such as heat recovery systems and advanced sensor integration, we can actively contribute to achieving the targets.

Our extensive experience in retrofitting and upgrading existing buildings positions us as a trusted partner for clients seeking to comply with the growing regulatory landscape. Especially with our decentralised products through ClimaRad which are easy to install in these buildings.



The BENG standard means that the adoption of heat recovery ventilation is already well advanced in the Netherlands. Ventilair sell through the wholesaler channel providing a route to installers in both refurbishment and new build. ClimaRad, as the market leader of decentralised heat recovery units have a direct supply model specialising in large scale deep refurbishment projects and new builds of multistorey applications. Together, they provide us with a strong, highly differentiated proposition in the market.

100%

ClimaRad offer a 100% low carbon product portfolio

Legislation updates continued

Opportunity for growth continued

Germany

New Build

In Germany, the Building Energy Act (GEG) has been in force since 2021. The most important points for new construction are:

1. **Energy saving:** The GEG contains requirements for the maximum primary energy demand and the maximum transmission heat loss of buildings. These requirements are intended to ensure that new buildings are energy efficient and consume little energy. They are based on the primary energy demand of a reference building; new buildings may only have 55% of the primary energy demand of the reference building.
2. **Renewable energy:** The law prescribes the use of renewable energy for the heat demand of new buildings. This can be done by installing solar systems, heat pumps or other renewable systems.
3. **Energy performance certificate:** All new buildings must have an energy performance certificate, which provides information on the energy efficiency of the building and helps potential buyers or tenants to decide.
4. **Controls and inspections:** The GEG provides that compliance with energy efficiency requirements in buildings is monitored by the competent authorities. This includes, for example, the building supervisory authorities of the federal states.

There are extensive support programmes of the "Kreditanstalt für Wiederaufbau" (KfW) in Germany. Here, low-interest loans including a repayment subsidy are granted. The KfW programme "Climate-friendly New Construction – Residential Buildings" promotes new construction and the initial purchase of energy-efficient and sustainable residential buildings and condominiums in Germany. The requirements for a "Climate-friendly residential building" are: A building must achieve efficiency house level 40, have low CO_2 emissions in its life cycle and must not be heated with oil, gas or biomass. Special quality seals ("Quality Seal Sustainable Building Plus" and "Quality Seal Sustainable Building Premium") are also available, which are confirmed by a sustainability certificate and with which higher funding amounts can be achieved.

The funding covers construction and purchase, including ancillary costs, as well as planning and construction supervision by energy efficiency experts and sustainability consultants.

What does this mean for Volution?

On the one hand, it is prescribed by law that newly constructed buildings should consume particularly little energy; on the other hand, such buildings receive particularly extensive support in the form of subsidies. To achieve the required efficiency house standard, it is necessary to construct buildings particularly airtight and to ensure that the heat generated is retained during the necessary air exchange. The installation of a ventilation system with heat recovery is the most sensible solution for this, but is not required by law.

The allocation of subsidies is a strong influencing factor in the building sector. If these cease to exist in the short term, as was the case in 2022, for example, projects will be postponed or efficient technology such as mechanical ventilation will be cancelled, as the legal standards can also be achieved without this technology.

Other factors for the decline and uncertainties in the new construction sector are currently: rising interest rates, increases in construction and material costs as well as delivery difficulties or problems within the supply chains.

Refurbishment

The Building Energy Act (Gebäudeenergiegesetz, GEG) in Germany contains provisions on the energy refurbishment of existing buildings. These provisions aim to reduce the energy consumption and CO_2 emissions of existing buildings and to improve energy efficiency. The most important provisions for refurbishment are:

1. **Energy requirements:** The GEG sets out certain energy requirements for the refurbishment of buildings. Energy standards such as primary energy demand and transmission heat loss are considered. Different requirements apply depending on the type of refurbishment.
2. **Energy advice:** Before major refurbishment measures, energy advice by a qualified expert is obligatory. The energy advice is intended to inform owners about sensible refurbishment measures and help them achieve optimal energy efficiency.
3. **Cost-benefit analysis:** In case of extensive refurbishment measures, owners must carry out a cost-benefit analysis. This should ensure that the refurbishment is economically justifiable and worthwhile for the owners in the long term.
4. **Subsidy programmes:** The GEG refers to various subsidy programmes that offer financial support for energy-related renovation measures. These subsidies can be provided by government agencies at federal and state level.
5. **Mandatory refurbishment:** In certain cases, especially in the case of major renovations or the sale of properties, certain minimum energy standards may have to be achieved.
6. **Exceptions:** There are exceptions and special schemes for listed buildings and other special cases where full energy refurbishment may not be feasible.

There are also subsidy programmes for refurbishment, on the one hand as a pure grant from the Federal Office of Economics and Export Control BAFA, and on the other hand as a low-interest loan with a repayment subsidy from the "Kreditanstalt für Wiederaufbau" (KfW).

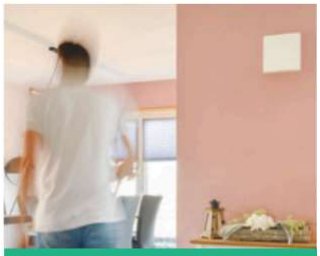
This offers an investment subsidy for individual measures on the building envelope, for heating and other building services. Costs for energy planning and construction supervision are also considered.

The KfW supports the energy-efficient refurbishment of a house, provided the measures result in it achieving at least the KfW Efficiency House Standard 85. Particularly high subsidies apply to the so-called EE standard (energy efficiency standard), for which the use of ventilation with heat recovery is mandatory. The KfW efficiency house levels are based on the GEG reference building (KfW efficiency house 100). The lower the efficiency house level (e.g. 85, 55 or 40), the more environmentally /friendly the building becomes and thus receives a higher funding level.

An amendment to the GEG has been debated for several months. In particular, it deals with the obligation to replace fossil heating systems. Unfortunately, the vote in parliament was not held before the summer break.

What does this mean for Volution?

There is a great need for renovation in Germany: several million residential buildings can currently be classified in energy efficiency class H or worse. In addition, fossil fuels such as coal, oil and natural gas are still the main sources of energy production. The energy-efficient refurbishment of residential buildings can make a decisive contribution to achieving the climate targets of the German government. Here, too, the use of mechanical ventilation with heat recovery makes a decisive contribution to the conservation of the heat energy generated and thus to the energy efficiency of a residential building. Targeted subsidies are intended to ensure that ventilation with heat recovery is used as standard in the energy-efficient refurbishment of buildings. It is important to communicate the possible subsidies comprehensively and sustainably to the respective target groups.



Although the Regulations in Germany do not mandate the installation of heat recovery, the technology has a significant penetration and has continued to grow. A key driver for adoption in Germany has been the availability of financial support subsidies encouraging the adoption. Although we have some short term issues with new build volumes in Germany, the largest opportunity for growth in the medium term will be in refurbishment and this year, our Germany company, Inventer, has been actively running communication campaigns to explain the opportunities for deep refurbishment and availability of financial support to customers.

100%

of Inventer sales are low carbon

Legislation updates continued

Opportunity for growth continued

Belgium

New build

In Belgium, the valid EPB regulations require residential and non-residential buildings to be energy efficient (builders and renovators). EPB (since 1/2006) stands for Energy Performance and Indoor Climate and refers to the energy consumption of a building: insulation, air tightness, ventilation, heating, solar panels but also to the quality of the indoor climate. The primary objective of the legislation is to improve the energy performance of buildings in Belgium. All homes for which a building permission (new construction and renovation) is submitted must comply. New buildings and major energy renovations that achieve a low E-level enjoy a reduction in property tax from the government.

The E-level is a measure of the overall energy performance of a building. The lower the E-level, the more energy efficient the building, and is the result of a calculation and comparison with a reference building. A reporter calculates the E-level, using "EPB software. The E-level depends on factors such as thermal insulation, airtightness, compactness, orientation, sunlight, conscious ventilation losses, fixed installations including heating, hot water, ventilation, cooling and lighting. The imposed e-level had a tightening from E100 to the current E30 (equivalent of energy consumption 30kWh/m²/annum).

After 2024, a further reduction in energy consumption of new buildings will require low-temperature heating solutions. From 2025, gas connection will then be generally banned in new buildings.

The challenge for ventilation technology is to maintain a minimum level of indoor air quality while reducing ventilation losses and ventilation energy. The focus for Belgium is on systems with heat recovery, the quality of the installation with its favourable effect on the power consumption, and limiting the air volumes by demand control based on CO_2 and humidity, and reducing ventilation flows by dividing into rooms and zones.

Ventilation is also valued at the risk of overheating due to climate warming and compact building. Ventilation passively helps maintaining a comfortable indoor temperature and helps reduce installed cooling capacity.

What does this mean for Volution?

In Belgium, we believe there will be a market for demand-driven systems with precise control with sensors and zoning, and integrated systems with ventilation and heat pumps for domestic hot water and heating, with maximum use of the heat recovered from the home and use of the energy from the outside air as a source of heat and cooling.

In combination with renewable energy, the opportunity is to make our ventilation systems work more efficiently to keep the heat out during the day.

Refurbishment

As of 2023, new owners of residential buildings in Flanders will be required, within 5 years of purchase, to thoroughly renovate their house energetically to a minimum EPC label D. The EPC shows the extent to which your home is energy-efficient and ranges from label A+ (very energy-efficient) to F (energy-guzzling). Those who already own a house will be supported financially to improve their building score. As of 2025, every residential building must have a specific EPC label. Ventilation remains an advice and not an obligation, but from now on ventilation will be valued to improve the EPC score of a home.

What does this mean for Volution?

Within Volution Group there are technological and decentralized products and knowledge that can be used for development of renovation market, social housing, and smaller homes. We continue to roll out group products increasing the width and depth of the product range available in Belgium.

Belgium public buildings

Recent legislation has created a general framework to achieve better indoor air quality in all indoor spaces open to the public. One of the important objectives is that in future crisis situations regarding the spread of respiratory viruses, the government can intervene in a more targeted way to prevent rapid spread in public indoor spaces. The new legal framework focuses on the following sectors: hospitality, sports and cultural venues and the events sector.

What is new is the possibility of using air purification systems in addition to ventilation rates, now explicitly included. In addition, there will be introduced a certification and labelling system for public buildings. This is planned to be introduced from the beginning of 2025. A consultation platform will be launched to bring knowledge together from government, scientific community, manufacturers and installers of ventilation and air purification equipment and air quality meters.

What does this mean for Volution?

Also within the non-residential segment, Volution Group has solutions available for both decentralized and centralized ventilation, with or without heat recovery. Possibly and subject to development of a support base for air purification, there will be an opportunity for air purification units with an air volume > 500m³h and subject to appropriate certification.

Australia

In Australia, building regulations are defined through the National Construction Code, currently in the 2019 edition. The Code has 10 Building Classes with Classes 1-4 covering residential and Classes 5-10 covering non-residential.

NCC 2019 saw the introduction of specific minimum exhaust flow rates as part of the new Condensation Management section which was implemented to reduce incidence of moisture damage occurring in buildings. The National Construction Code (NCC) 2022 introduced new provisions to help further minimise condensation within houses and apartments (although adoption dates have stretched out to 2024 and beyond for some states). Exhausting air directly into a ceiling space was the traditional approach but is now no longer permissible and an exhaust from a kitchen, kitchen range hood, bathroom, powder room or laundry must now discharge via a shaft or duct to outdoor air. Whilst the duration of these exhaust rate are not explicitly stated in the NCC, in practice they are typically applied for a short period (i.e. intermittent ventilation).

Over the last 10 years Australia has seen a slow but steady increase in the number of residential buildings with continuous ventilation systems (predominantly in the form of heat recovery ventilation systems). For Class 1 buildings and many Class 2 buildings, continuous ventilation systems no longer have a "Deemed to Satisfy" compliance pathway. Instead, you have to rely on a Performance Solution for each individual project which creates a compliance burden for adopters of these systems. Currently neither NCC 2022 nor AS1668.2 make provision for lower continuous extract rates in residential buildings. This is in contrast to the UK (ADF), German DIN 18017-3, and many other European countries that all provide for lower continuous exhaust flow rates.

For NCC 2025, it is now being proposed that exhaust systems installed in a bathroom or sanitary compartment must have a continuous minimum flow rate of 10 l/s when operated continuously, or 12 l/s when installed in a kitchen or laundry.

To meet any future carbon reduction goals, heat recovery would naturally be the next step for any legislative changes once continuous extract ventilation flow rates have been allowed for in the standards.

What does this mean for Volution?

New Zealand and Australia have historically provided the lowest regulatory tailwinds for Volution. However, this is changing and continues to advance. The move towards non-discretionary applications of our products means more and more of our sales in Australasia will be driven by legislation and also towards the higher end solutions within key categories.



Australia has historically had the least progressive ventilation Regulations out of all of our markets. however, its unique Geography does reward ceiling fans within the NatHERS (Nationwide House Energy Rating Scheme). They offer an energy efficient alternative for comfort cooling than full air conditioning within certain temperature parameters and are widely adopted. We have been very successful in moving form historically low efficiency AC motors to energy efficient EC so reducing the emissions in use.

59.5%

of Ventair sales are low carbon

Legislation updates continued

Opportunity for growth continued

New Zealand

New Build

In New Zealand the current minimum building code for Ventilation (G4) only requires openable windows for fresh air, and intermittent extract in wet rooms and kitchens. However, significant work from the construction sector is driving a shift in thinking. G4 is up for review in 2025 as part of a rolling update across all standards. The energy efficiency standard (H1) was reviewed and launched in late 2021 with a staged implementation running through to November 2023.

While H1 does not address ventilation specifically, there are strong advocates from multiple avenues of the industry that have highlighted the effect H1 will have on airtightness. Primarily that the higher thermal resistance ratings required to comply with code mean that insulation and window standards have increased, and greater attention is now being paid to construction junctions and their airtightness because of this. Thankfully, under the commercial section of H1 energy efficiency standards for ventilation have been introduced, albeit only if one is being used. Commercially H1/VM3 outlines that should a heat recovery system be used, the core must have a minimum efficiency of 60%.

The New Zealand Government has committed on their own properties both residentially and commercially to sustainable building standards. Commercially this is through NABERS as an efficiency assessment standard for existing government tenancies and Green Star ratings for new builds, using the NZ Green Building Council (NZGBC) rating system. Residentially since 2019, through the social housing arm Kainga Ora, the government has committed to Homestar (also an NZGBC rating standard) and is in the process of updating with the latest version. While the minimum requirement for the latest Homestar standard is Continuous Extract ventilation (MEV), providing 0.35ACH, the current indication from Kainga Ora is that MVHR with summer bypass is the preferred solution. But an indication is not enough, and the expectation is they will simply implement the Homestar MEV minimum requirements.

While increased sales in Heat Recovery across the industry and the increase in brands represented in the country show an appetite for higher efficiency solutions, weaker economic conditions in 2023 have slowed the potential growth as builders retreat to their "minimum standard" budgets. A large portion of New Zealand homes, including social housing, are still built to only the relevant minimum standard. A review to G4 is slated for 2025 and current assumption is that changes then will only reach as far as dropping natural ventilation (windows) as a compliant solution and introducing MEV as a mandatory minimum. Similar to the discussions currently being had in Australia and expected in their legislation from 2025, specifically in the anticipated revision to AS1668 a standard NZ's G4 also subscribes to.

What does it mean for Volution?

In a relatively short period of time, mechanical ventilation solutions in New Build have developed significantly. Volution has launched both central and decentralised continuously running solutions and will be focused on the roll out of the new Econiq range of MVHR units in FY24.

Refurbishment

While the above is primarily focused on new builds the NZ Government has taken action to begin retrofitting existing housing stock. In 2018 the Government established a retrofit grant called "Warmer Kiwi Homes" run by EECA (the Energy Efficiency and Conservation Authority). Available to homeowners on community services cards and in low-socioeconomic areas it covered a percentage of the cost of insulating and heating their homes. To this day, ventilation has been excluded from this standard and remains an opportunity in need of exploration. The following year under the Government Tenancy Services arm the Healthy Homes Standards came into law, addressing housing standards in rental properties. While Healthy Homes also covered insulation and heating the standard did address ventilation, but only in so far as necessary to bring existing homes up to current G4 building standards; 5% openable area for fresh air and intermittent extract in kitchens and bathrooms. With the siloed approach most of these standards take it is not surprising that the correlation of energy efficiency and ventilation has been missed.

NZ's climate change intentions have been published and can be found in the Building for Climate Change programme and NZ's emissions reductions target. The Building for Climate Change programme includes under HBP1 (Homes, Buildings and Places) the commitment to improve homes and buildings so they can withstand the expected range of temperatures because of climate change as well as improve energy efficiency. Coupling those commitments with NZ's emissions reduction target of Net Zero by 2050 and a reduction of net Greenhouse Gas Emissions to 50% of 2005 gross levels by 2030 it should be possible to show the relevance and influence of ventilation in these spaces. Relating the climate change intentions to ventilation is an immediate priority in order to guide the legislation changes to G4 in 2025 and encourage the inclusion of MVHR as not just a desirable solution but a necessary one.

Ministry for Business Innovation and Employment (MBIE) have already started work in this direction with their Operational Efficiency Assessment methodology. This new proposal released in July 2023 relies heavily on ventilation for delivering Indoor Environment Quality (IEQ). It proposes the setting of airtightness or permeability limits (called infiltration limits) which directly affects the requirement for ventilation. It also sets ventilation as the proxy for controlling relative humidity and CO_2 levels, with the ventilation rates to be set by EN16798-1:2019 – Energy Performance of Buildings. This Assessment methodology if implemented will effectively result in energy efficiency ratings for homes which in turn will influence the selection of ventilation to more energy efficient solutions such as MVHR.

What does it mean for Volution?

NZGBC, BRANZ, Passive House NZ and others are continuously lobbying government to improve the NZ minimum building standards including at times working with MBIE who oversee the standards. The latest focus has been on reviewing the progress and success of deep retrofit housing programmes in Europe with an eye to their relevance and applicability in NZ. With an election this year NZGBC launched an industry alliance called The Homes We Deserve which aims to influence every political party to include a "pollution-busting" home renovation programme to improve the health and carbon emissions of New Zealanders. Through Simx and DVS, Volution are in a great position to capitalise on the opportunities that continue to develop.

Other Codes

Temperatures in New Zealand homes are also not adequately addressed in NZ building code. G5 states that rooms shall have provision for maintaining internal temperatures no less than 16°C while the space is adequately ventilated, however this only applies to old people's homes and early childhood centres. E3 is similar with a limited reference to temperature only going as far as to provide a temperature difference of 5-7°C indoors above the exterior in childcare and retirement facilities. Healthy Homes, through it's heating calculation tool, targets 18°C and Homestar uses 20°C. Overheating has only just started being considered and yet over a third of NZ's population live in a sub-tropical climate.

NZ code and local council guidelines are also having an increasing influence on ventilation through their response to noise. With the very slowly increasing density of New Zealand towns and cities, homes are being built on what can be considered marginal land. This marginal land, near busy roads, railway lines and flight paths is affected by code G5 Airborne and Impact Sound. While the standard is often not covered inside a building consent submission, the subdivisions and construction are being held up by local council rules on performance in these homes. These standards typically require high volumes (sometimes in excess of 6ACH) of mechanical ventilation to replace the potential ventilation available on a windy day with the windows open. Whilst poorly implemented currently, this is another angle available to influence ventilation change.



Although New Zealand Building Regulations have historically been behind those in Europe, the adoption of ventilation in private refurbishment has always been high as homes have historically not been fully heated leading to condensation issues. In the last 5 years however, regulations have been significantly improved. G4 and the Healthy Homes Act have both mandated ventilation in all new Builds and rental properties from 2021. In addition, their net zero 2050 commitment has meant their energy efficiency regulations are also starting to influence building design and we see the growing focus on Homestar and other rating systems. This is influencing the adoption of continuous ventilation systems and we have launched a range of group products to add to the portfolio.

52.8%

of Simx sales are low carbon

Our Growth Opportunity

Value-adding acquisitions

Strengthening our presence through acquisition



Our M&A criteria

We seek to acquire complementary businesses in current or close adjacent market niches, with the following key attributes:

- **Strong brand** with equity in its markets
- **Access to market** from which growth can be accelerated
- **Good teams** which we back and support
- **Opportunities** to enhance growth and returns
- **Aligned purpose** of delivering "Healthy Air Sustainably"

PAX — 2013

INVENTER — 2014

Bera, ERI CORPORATION — 2022

i-Vent Smart ventilation, VMI — 2023

Our acquisitions over the years

c£250m
investment in acquisitions since FY11

25
Transactions

267%
Revenue growth since FY11

Acquisitions

I-Vent – Specialising in decentralised heat recovery sales



> Acquisition of strong local brands with attractive market positions is a key tenet of Volution's growth strategy, and we are delighted to announce these two exciting transactions.

Ronnie George
Chief Executive Officer

I-Vent, Slovenia and Croatia

Acquired by Volution in June 2023.

Founded in 2010, I-Vent is a market leading ventilation supplier based in Slovenia. It produces a range of smart, wireless energy-efficient decentralised ventilation systems with heat recovery that can be installed in both new and existing buildings and sold under the I-Vent brand.

I-Vent have a direct-to-consumer model where they advise individuals on the best ventilation solutions for their home and provide a fully installed solution.

This model means that I-Vent have an unparalleled sales and installer network in Slovenia and have also recently expanded into neighbouring Croatia with promising results.

The wide group product range offers I-Vent additional products to their proposition as well as procurement scale to ensure that they can maximise their reach within the market.

Their product range will also complement the group decentralised heat recovery range providing an alternative solution helping widen sales channels across our sales network.

VMI – Providing access to distribution in France



VMI, France

Acquired by Volution in April 2023.

As the French leader on the positive input ventilation market, VMI has been designing and developing Positive Input Ventilation or Ventilation Mécanique par Insufflation® (VMI®) system since 1986. This technology is designed to improve the quality of indoor air. They have designed "plug and play" solutions allowing to couple ventilation with heat pump, solar panels and earth to air heat exchangers.

After having sold tens of thousands of systems, they are recognised as the specialist PIV supplier and undisputed front-runner of the technology in France leading the fight against humidity and pollutants in indoor and outdoor air. The company is extensively involved in the public debate on air quality and in research on innovative energy solutions.

Selling through distributors, VMI provide an excellent channel for other complementary group products such as MVHR into the French market. Additionally, VMI provide a strong network within the trade associations to ensure that we continue to have insight into the legislative framework as it develops.

Sustainability

At Volution, we are committed to a low-carbon future with the health and wellbeing of people and the planet at its core.

Highlights

- The energy saving potential of our products – **Pages 60 to 63**
- TCFD Compliance statement – **Page 66**
- Full carbon emissions inventory, metrics and targets – **Pages 74 to 79**
- Board oversight of sustainability and climate change – **Pages 54 and 68**
- SASB disclosures and SFDR principal adverse indicators – **Pages 80 and 81**
- Biodiversity and water stewardship – **Pages 82 and 83**
- Diversity, equity and inclusion (DEI) – **Pages 86 to 88**

Product

See more on Page 56

Our ambition

To champion the energy saving potential of our products and solutions and support the net zero ambitions of the countries in which we operate.

To continue to develop clean air solutions that protect people's health and increase their comfort in an ethical and responsible way.

Planet

See more on Page 64

Our ambition

To reduce our environmental impact by improving business efficiencies and minimising our impact on the climate.

To focus on the quality of materials we use to support the creation of a circular economy, and eliminate all forms of waste across our value chain.

People

See more on Page 84

Our ambition

To continue to develop an engaging and inclusive workforce where our employees feel valued and can fulfil their potential.

To build relationships with the local community, provide support where needed, and leave a lasting legacy.



Good progress was achieved with our sustainability initiatives, with the team developing innovative strategies to increase the utilisation and availability of recycled plastic, and revenue from our low-carbon products increased organically and through acquisitions. These are great examples of cross functional effort and initiative. Our carbon intensity has fallen again, and whilst we fell short of the stretching absolute emissions target for the year, our colleagues across the world are engaged in energy efficiency initiatives.

Ronnie George
Chief Executive Officer

70.1%
Revenue from low-carbon products

2,183,455
Avoided emissions (tCO_2e)

33.8%
Revenue from heat recovery products (EU taxonomy aligned)

76.2%
Recycled plastic processed in our own factories

11.1
Scope 1 and 2 location-based intensity (tCO_2e per £m revenue)

3.9%
Scope 1 and 2 absolute location-based emissions reduction (tCO_2e)

0.30
reportable accident rate per 100.000 hours worked

391
Safety walks in our operations

17,781
hours of formal training

Sustainability continued
Our approach to sustainability

Healthy air, sustainably

We aspire to be leaders in the effort to provide healthy indoor air while driving a low-carbon future. Our approach encompasses more than just our key sustainability KPI's, and includes maintaining high standards in corporate governance and making a positive impact in our communities. This year, we expanded our sustainability efforts across multiple fronts and embraced an array of positive change opportunities. Our commitment to achieving net-zero emissions remains unchanged, and in addition to updating our core sustainability initiatives, we now provide a more comprehensive understanding of our emissions profile including all material Scope 3 emissions. Our focus is on strategically targeting emissions reduction opportunities and developing comprehensive action plans to meet the net zero challenge.

Our ambition

Product

To champion the energy saving potential of our products and solutions and support the net zero ambitions of the countries in which we operate.

To continue to develop clean air solutions that protect people's health and increase their comfort in an ethical and responsible way.

Product
See more on pages 56 to 63

Planet

To reduce our environmental impact by improving business efficiencies and minimising our impact on the climate.

To focus on the quality of materials we use to support the creation of a circular economy, and eliminate all forms of waste across our value chain.

Planet
on pages 64 to 83

People

To continue to develop an engaging and inclusive workforce where our employees feel valued and can fulfil their potential.

To build relationships with the local community, provide support where needed, and leave a lasting legacy.

People
on pages 84 to 92

Sustainability Governance

Sustainability is fully integrated into the Governance structure of the Group. The Group Management Sustainability Committee and Risk Committee are integral to the decision making process of the Group.

More details of the Governance structure and processes can be found in the Governance sections (Page 106) and in the TCFD section (Page 66).

The role of the Board and its Committees



Materiality assessment alignment with SDGs

Materiality matrix

In 2021 we reviewed the material issues that impact our sustainability and prioritised them around the Group and our stakeholders needs. We sought feedback from stakeholders and created a materiality matrix. We then coalesced the material issues into our three focus areas of Product, Planet and People.

This year, we have revisited the materiality matrix as a pulse check to assess our priorities and concluded that the same issues remain material to us and our stakeholders. We have also reconsidered the United Nations Sustainability goals which are most aligned to our priorities and we re-assert our commitment to them – as the blueprint to achieve a better and more sustainable future for all.

Confronting climate change and carbon emissions remains at the top of our materiality matrix, along with maximising the energy saving potential of the products we produce. Health, safety and wellbeing of our engaged, diverse and inclusive workforce remains critical to deliver our strategy. Lastly, an efficient and effective supply chain, supplying sustainable materials and minimising waste will drive sustainable but also efficient production.

1. Climate change and carbon emissions
2. Health and safety
3. Sustainable products
4. Supply chain management
5. Sustainable materials
6. Packaging/waste management
7. Employee engagement
8. Diversity and inclusion
9. Training and development



How we align to the UN Sustainable Development Goals

We have aligned our strategy to the United Nations Sustainable Development Goals, which are the blueprint to achieve a better and more sustainable future for all.

SDG3

The design of Volution's products helps support SDG target 3.9: "By 2030, substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination." Specifically, 3.9.1 – "Mortality rate attributed to ambient air pollution".

In action – Our purpose is to provide healthy air, sustainably, supporting the health and wellbeing of people within buildings.

SDG7

The design of Volution's products helps support SDG target 7.3: "By 2030, double the global rate of improvement in energy efficiency." Specifically, 7.3.1 – "Energy intensity measured in terms of primary energy and GDP".

In action – With a focus on development and sales of low-carbon products, Volution sells product solutions targeted at reducing carbon emissions of buildings by making them more energy efficient to run.

SDG8

Volution's ambition to be a diverse and inclusive employer supports SDG target 8.5: "By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value."

In action – Volution's ambition is to ensure a diverse and inclusive workplace for everyone.

SDG11

Volution's products and its approach to minimising its operational impacts support SDG target 11.6: "By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management." Specifically, 11.6.2 – "Annual mean levels of fine particulate matter (e.g. PM2.5 and PM10 in cities (population weighted).

In action – Many of the Group's products include filtration designed to remove fine particle matter from the air helping to improve air quality.

SDG12

SDG target 12.5 ("By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse") is core to Volution's approach to sustainability and its ambition to limit its impact on the environment. Specifically, 12.5.1 "National recycling rate, tons of material recycled".

In action – Volution continues to focus on the adoption of recycled material, with 76.2% of the plastic used within our own facilities from recycled sources in FY23.

SDG13

Volution's ambition to reduce carbon emissions and minimise its impact on climate change supports SDG 13.2: "Integrate climate change measures into policies, strategies and planning."

In action – Volution has set our ambition to become net zero by 2040 and has been carbon neutral since FY21 for scope 1 and 2 emissions. In addition, we are signatories to the CEO Water Mandate and the UN Global Compact.

Sustainability continued

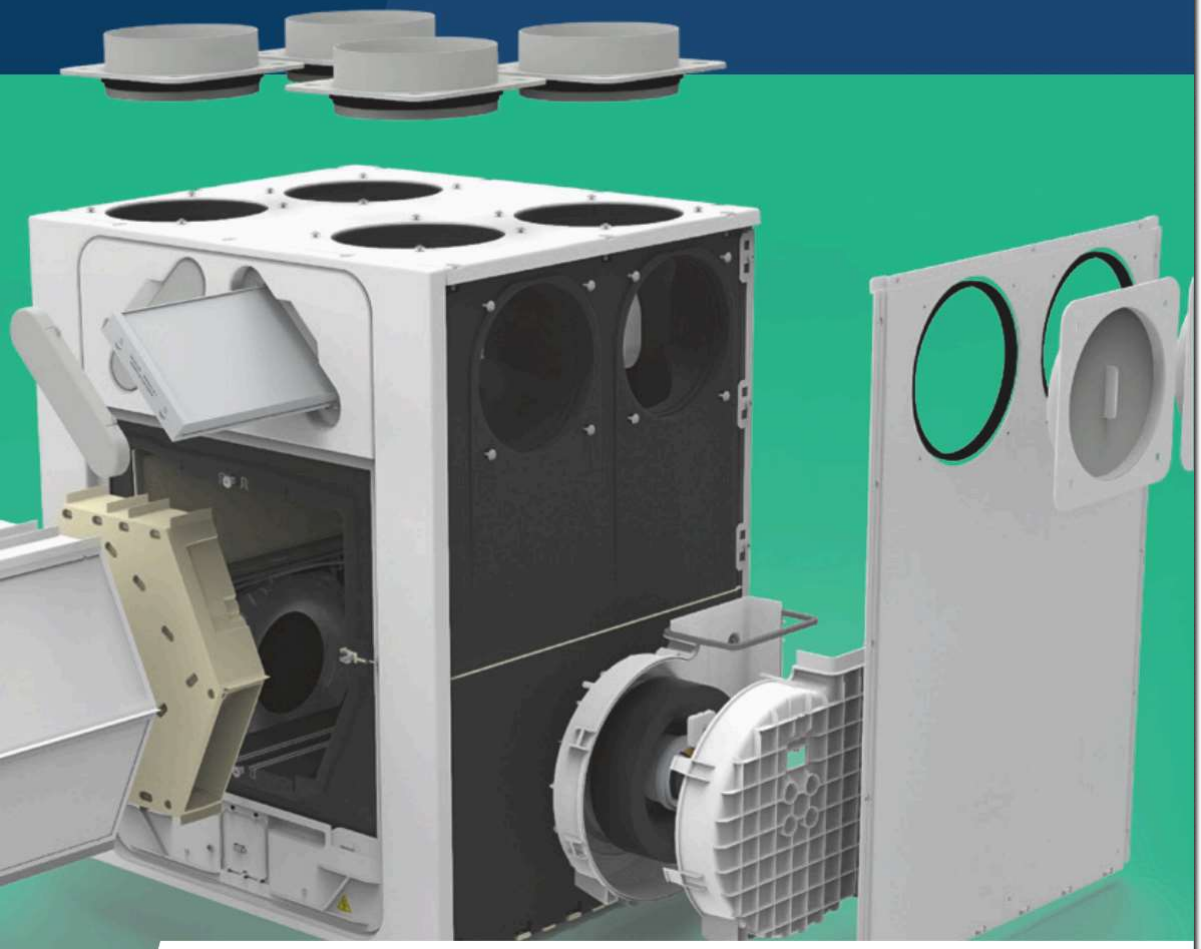
Product

Intrinsically designed to improve air quality and reduce emissions over traditional methods



Our ambition

- To champion the energy saving potential of our products and solutions and support the net zero ambitions of the countries in which we operate.
- To continue to develop clean air solutions that protect people's health and increase their comfort in an ethical and responsible way.



Highlights

Category	Performance	Status	Comments	Read more
Low Carbon Sales	**70.1%** low carbon products	On track	Ahead of target and already exceeding our 2025 goal.	See more on page 62
Avoided emissions	**2,183,455** Avoided emissions (tCO_2e)	On track	Avoided emissions resulting from the use of our heat recovery products sold in FY23 over their life time.	See more on page 60
Heat recovery products	**33.8%** Revenue from heat recovery products	On track	Sales of our energy saving heat recovery products continue to increase.	See more on page 63

Key

On track or ahead · Slightly off track – carefully monitor · Not on track

Sustainability continued
Product continued

Introduction to energy recovery technology

A key approach to decarbonisation of buildings, is preventing energy loss in heated or cooled air as it is exhausted from the building for ventilation. To prevent the energy loss, heat recovery cells can be used in the airstream to ensure the energy is recovered.

Key stats

93%

Up to 93% efficiency in plate heat exchangers

85%

Up to 85% efficiency from rotary heat exchangers

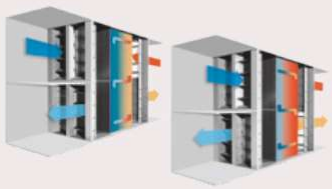
Energy recovery technology types

There are four commonly applied types of energy recovery cells:



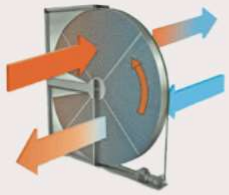
Plate heat exchangers

Plate heat exchangers consist of a series of plates stacked together which form a large internal surface area. Air is then exhausted from inside the building and passed over one side of the plates and at the same time fresh air is introduced into the building on the opposite side of the plates. The large surface area allows heat to be transferred from one side to the other in colder climates, the process recovers energy by passing energy from heated air leaving the building into the incoming air. By contrast in warmer climates with air-conditioned buildings, the process passes heat into the outgoing air. The exchangers can be up to 93% efficient.



Accuair

In colder, dry climates, plate heat exchangers offer very high efficiency but can remove too much moisture from the air as it condenses on the colder sections of the plates. This can cause excessive drying out of the air. Accuair has been designed as an enthalpy system to also recovery up to 70% of the moisture. It does this whilst retaining an efficiency of up to 90% and prevents the air becoming too dry.



Rotary heat exchangers

Rotary heat exchangers are a regenerative type of air-to-air heat exchanger with a rotating wheel. During the heating season, air is exhausted from the building, warming the rotating disc. Air from outside is introduced across the opposite side of the disc recovering the heat, but also capturing the humidity released from the disk so enriching the air to prevent it drying out. This process provides heat exchangers with up to 85% efficiency.



Regenerative Heat Cells

Regenerative heat cells work by acting as heat storage devices. Exhaust air passes through and warms the cell (ceramic) which store the heat. The ventilation system is then reversed, bringing air back though the heat exchanger and introducing the heat back into the incoming air. In this way heat can be recovered in a small, compact device which can be wall mounted for ease of application.

New low carbon products this year

Volution continues to invest in new product development, and this year we launched two new platforms for residential and commercial heat recovery.



Vent-Axia Econiq – The new group platform for residential

We launched a next generation heat recovery platform across our European sales channels. The range consists of three sizes, with airflows up to 600m³h, enough for even the largest homes. The platform provides industry leading efficiency and low energy consumption, and also improves connectivity and control. With a suite of external and internal sensors, the range provides a new level of automation.. Using smartphone-compatible controls, the homeowner is in full control of ventilation all year round, with the flexibility to increase flow rate during hot periods or reduce speeds to minimise running costs while away.



Sentinel Apex – Commercial heat recovery, simplified.

Our Sentinel Apex range of commercial heat recovery units, with up to 93% heat recovery efficiency and low sound levels, provides high levels of performance efficiently. A new advanced control system provides on board, in room, and App based control, full functionality commissioning and monitoring. Coupled with Vent-Axia's new range of wired and wireless sensors close control and monitoring of indoor air quality is enabled. Sensors include CO_2, humidity and temperature and provide both proportional and switch control.

Sustainability continued
Product continued

Avoided emissions – an estimate of the energy saving potential of our innovative products

Employing heat recovery ventilation solutions in airtight, optimally insulated buildings, enables marked reductions in the energy used for heating or cooling. Alongside these energy reductions and correlated financial benefits, there are significant carbon emissions that are avoided when compared to alternative, base-line ventilation.

Building on the model that we designed last year in collaboration with Arup and updating for conversion factors, this year, we have calculated the avoided emissions from our heat recovery products sold in FY23, over the life-time of those products sold.

Our heat recovery products consistently reduce energy consumption throughout their useful life, thereby avoiding emissions for more than just a single year. Further, with every successive year, the sales contribute to the growing installed base, leading to cumulative emission reductions. We have however assessed only the life time emissions of heat recovery products sold in FY23.

The one year avoided emissions for FY23 have increased to 272,073tCO_2e. from 223,065tCO_2e in FY22, primarily a result of increased sales of larger commercial heat recovery products from our Heat recovery cell business ERI.

"As ERI products trend towards larger commercial and industrial projects the total volume of air they handle increases. As a business this creates an opportunity to provide much larger energy savings globally compared to our smaller commercial and domestic products."

Michael Parker
Managing Director, ERI

Definition – avoided emissions

Avoided emissions are those emissions avoided from the use of Volution Group heat recovery products. when compared with alternative measures of ventilation. Avoided emissions are not included within scope 1, 2 or 3 emissions, and do not form part of reporting of total emissions or net zero targets for the Group.

Methodology

The methodology considers both domestic and non-domestic buildings, following the design standards and guidance in SAP 2012 and CIBSE Guide B2. The total heat load is a function of the fabric heat losses, heat losses due to infiltration and heat losses due to ventilation. The calculated energy savings and greenhouse gas (GHG) emissions reductions relate to the reduced heating load due to the selected MVHR product.

The calculation methodology and assumptions include:

- number of devices sold;
- device airflow rate (24 hours/day for domestic, 14 hours/day for non-domestic);
- assumed heat recovery efficiencies;
- external temperature per country;
- relevant emissions factors for gas and electricity;
- internal setpoint temperature of 21ºC (with 12ºC setback for non-domestic);
- the energy used in using the devices;
- product performance as tested for the Ecodesign Directive; and
- average lifetime of use has been assumed as 10 years, and the electricity grid is assumed to decarbonise at a 5% per year.

ARUP

Assumptions and uncertainties of avoided emissions

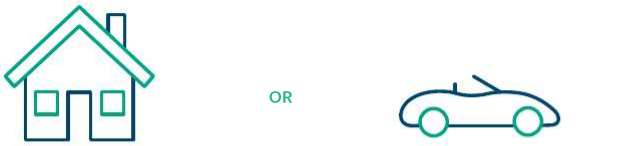
We recognise that there is not yet a universally accepted method of measuring or reporting 'avoided emissions' (sometimes referred to as 'Scope 4' emissions), and that any measure can only every be an estimate. The TCFD framework does not include avoided emissions with the reporting recommendations, and together with the assumptions and uncertainties involved in the calculations means that avoided emissions reported for FY2023 should not be considered to be at the same level of accuracy as our Group emissions reported within the TCFD section (page 76). However, we understand from our stakeholders that the energy saving potential of our products is useful information and is provided for that purpose.

The emissions calculated using our model should be assumed to be the upper limit of energy savings. The calculation is sensitive to the variables noted under 'methodology' and other limitations. Limitations include: The domestic application baseline assumes mains gas boiler heating, heat loss due to infiltration is not adjusted for wind speed, the thermal capacity and inertia has not been considered, domestic applications are modelled on detached houses and Commercial applications are modelled on open plan offices. Adjusting the model for these limitations may either raise or lower avoided emissions calculations. Sensitivities to key assumptions include: a 1% increase in the rate of electricity decarbonisation year on year reduces avoided emissions by 4.3%, lowering the internal setpoint temperature from 21ºC to 20ºC reduces avoided emissions by 8.3%, and decreasing unit lifetime use from 10 to 9 years reduces avoided emissions by 8.2%.

Avoided emissions: Results

2,183,455 tCO_2e

Avoided emissions from the use of our heat recovery products sold in FY23 over their lifetime of use



OR

580,000

Homes carbon dioxide emissions for 1 year[1]

975,000

Cars off road for 1 year[2]

1. Calculated by taking the Volution reported avoided emissions of 2,183,455 t/CO_2 and dividing by the average emissions for an existing UK dwelling for one year (Office of National statistics, 2021).
2. Calculated by taking the Volution reported avoided emissions of 2,183,455 t/CO_2 and dividing by the overall average emissions per mile for UK automobiles, assuming 10,000 miles driven per annum per vehicle (Department of Transport, 2020).

The estimates of the equivalent number of homes and cars shown are subject to the same assumptions, limitations and sensitivities of the calculation of the Volution reported avoided emissions, and further by the assumptions and limitations of the average emissions for homes and cars published by the ONS and DfT and used for the calculations (noted above).

Sustainability continued
Product continued

FTSE Russell Green Economy mark and EU Taxonomy

Green Economy mark

We are proud to be in the FTSE Russell Green Mark 2023 cohort, our third year.

The Green Mark is an accreditation which identifies companies whose products and services contribute to meeting important environmental objectives. These include climate change mitigation, adaptation, waste and pollution reduction, the circular economy, protection of water and marine resources, and sustainable agriculture. In FY2023, We derived 70.1% of Group revenue from 'green' products and services as defined by FTSE Russell's Green Revenues Classification System – significantly above the 50% threshold required to be awarded the recognition mark.

In the UK, low carbon products are aligned with the Standard Assessment Procedure (SAP), and are also listed on the Product Characteristics Database (PCDB). For commercial buildings, our products align with the Simplified Building Energy Model (SBEM).

In Germany our products meet carbon reduction standards through calculations combined from DIN V 4701-10:2003-08 with DIN V 4108-6:2004-03 or DIN V 18599-6:2018-09.

Globally, we also have products listed through schemes such as the Energy Technology List (ETL). In Australia, our products are designed to enhance the star rating of a home under the Nationwide House Energy Rating Scheme (NatHERS). Furthermore, our automation products and DC/EC motorised extract fans exemplify energy-saving alternatives to traditional methods.

EU Taxonomy

EU Taxonomy is a classification system designed to facilitate the identification of economically sustainable activities. It aims to direct and facilitate investments in environmentally sustainable projects by establishing criteria for what constitutes a genuinely green product or industry.

Similarly to our Green Economy mark categorisation, 70.1% of our sales are EU taxonomy-eligible. These sales fall under the EU taxonomy category "3.5 Manufacture of energy efficiency equipment for buildings" and are specifically related to climate change mitigation. This includes each business in the Group, not just those within the EU. However, whilst all our low carbon sales are EU taxonomy eligible, we do not believe they are all currently EU taxonomy aligned.



ERI Team, Heat Recovery Developments, Macedonia

Fulfilment of screening criteria

The primary method of measuring the energy efficiency of Buildings is through the Energy Performance of Building Directive (EPBD). In March 2023, the European parliament approved its stance on a recast of the EPBD and it will cover both new and existing buildings. This has introduced Minimum Energy Performance standards which would mean the worst performing buildings would need renovating. However, even though the EPBD has entered the final phase of the process, there are still more negotiations to go.

The EPBD is implemented locally within each country with national calculation methods used to define the energy efficiency of buildings. We define our low carbon sales as products which use less energy than the products they replace, or as products that are used within the local calculation methods to reduce emissions from buildings. The key qualifying technology that specifically helps avoid carbon emissions are our heat recovery products.

In addition, there are many other products with our low carbon definition which reduce carbon of buildings within the markets that we operate. For example, MEV and PIV systems are applied in the national calculation models within different countries to provide a route to avoid carbon emissions.

On that basis, there is extremely tight correlation between our low carbon sales to the objectives set out within the EU Taxonomy.

Compatibility with Other Environmental Goals (Do No Significant Harm – DNSH)

EU Taxonomy requires us to evaluate and ensure that our operations do not cause 'significant harm' to the range of objectives set out in the taxonomy. We have considered each objective as described below.

Climate Change Adaptation: Our TCFD reporting and statement describes the process through which we asses the climate risks on our business and steps we are taking to reduce our impact and align to the goals of the Paris agreement and net zero.

Water and Marine Resources: Our manufacturing processes use small amounts of water and our stewardship ensures negligible impact on water courses through contamination. Nonetheless, we remain committed to continuous improvement and have initiated efforts to monitor and record our water usage and are signatories to the CEO Water Mandate.

Circular Economy: We have prioritised the use of recycled materials in our manufacturing processes for several years. We have published a goal of achieving 90% use of recylced plastic in our manufacturing process by 2025.

Pollution: We adhere to all local regulations regarding waste. We do not produce and material amount of hazardous waste from our production processes.

Biodiversity and Ecosystems: We do not believe our operations have a material impact on biodiversity, and we do not face any material nature related risks. However, we are conscious of the need to help prevent biodiversity decline and have initiated location specific plans to enhance local biodiversity.

Minimum Safeguards

The "Minimum Safeguards" under the EU Taxonomy ensure that sustainable activities are not aligned unless minimum governance standards are met, and the operations do not violate social norms including bribery or employment rights. The Group has a comprehensive range of ethical, good conduct, anti corruption, anti modern slavery and other policies. We also proactively engage with our suppliers to ensure adherence to our code of conduct.

Low carbon revenue



Key:

Low carbon	70.1%
Other	29.9%

Sustainability continued

Planet

Volution is committed to a net zero carbon future



Our ambition

- To reduce our environmental impact by improving business efficiencies and minimising our impact on the climate.
- To focus on the quality of materials we use to support the creation of a circular economy, and eliminate all forms of waste across our value chain.



Highlights

Category	Performance	Status	Comments	Read more
Recycled plastic	**76.2%** Recycled plastic processed in our own factories	On track or ahead	We have increased the use of recycled plastics from 67.2% in FY22 to 76.2% this year, just short of the 76.8% target.	See more on page 79
Carbon intensity location based	**11.1** Scope 1 and 2 location-based intensity (tCO_2e per £m revenue)	On track or ahead	We're pleased to report a reduction in our carbon intensity from 12.3 to 11.1 tCO_2e per £m of revenue year on year.	See more on page 67
Carbon emissions reduction	**3.9%** Scope 1 and 2 location-based absolute emissions (tCO_2e)	Slightly off track – carefully monitor	While we have made progress since last year in reducing our absolute scope 1 and scope 2 location based emissions, further actions are required to hit future targets.	See more on page 67

Key

On track or ahead · Slightly off track – carefully monitor · Not on track

Sustainability continued

Task Force on Climate-related Financial Disclosures

Our approach to the climate change challenge

Preventing the worst impacts of unchecked Climate change is one of the greatest challenges of our time. The IPCC has made it clear that the window of opportunity to ensure the increase in global temperature does not rise above 1.5°C is closing.

The potential physical and other risks of climate change are a concern for everyone, and we as a business have embedded climate change into our risk management and governance frameworks.

However, as a business we must also act to ensure we are contributing to the transition to a zero-carbon economy. This is a challenge, but it is also an investment opportunity – Net zero, concluded a recent UK Government commissioned independent review, 'is the economic opportunity of the 21st century.' [1] The majority of the world's nations have now defined a path to net zero: more than 90% of global GDP is now covered by a net zero target. According to FTSE Russell, the green economy recorded a compound annual growth rate of approximately 14% over the last 12 years. The pace of this growth is accelerating thanks to strong political and regulatory tailwinds.

We believe that we are well placed to continue to drive sustainable growth as a response to the Climate Change challenge.

Compliance Statement

We are committed to consistent and transparent reporting aligned to the recommendations of the TCFD and will continue to work with our stakeholders to provide comprehensive data.

We comply with the FCA's Listing Rule 9.8.6R(8) and within this Annual Report make disclosures in accordance with the 2017 TCFD recommendations as well as the updated TCFD 2021 guidance, across all four of the TCFD pillars: Strategy; Governance; Risk Management; and Metrics and Targets.

In preparing our disclosures we considered the industry specific guidance for the Materials and Buildings/construction industry, and so disclose data on our assets vulnerable to climate risks and executive remuneration. We do not consider other industry specific metrics as material for the Group.

Improvements next year, and not fully disclosed in this report, will include a fuller description of how the Board considers climate-related issues when reviewing and guiding strategy, business plans capital expenditures, and acquisitions.

We have progressed out TCFD reporting since we began our initial disclosures in FY 2021. Last year, we reported against all the recommendations of TCFD and set detailed targets for the first time for the short, medium and long term. This year, we have made further improvements to our disclosures as follows:

- Including all material categories of scope 3 emissions – including the emissions from the use of all our sold products (Page 76).
- Including our annual scope 1,2 and 3 targets, and reporting against those targets for the first time.
- Integration of Climate related risks and opportunities with the principal risks.
- A clearer presentation of our TCFD disclosures utilising the 11 subheadings of the 4 pillars of the recommendations.

All through these important disclosures, we have kept in mind the principals of effective disclosure.

- Focusing on information that is material and relevant.
- Disclosures that are specific and complete and contain both historical actuals and future targets.
- Disclosures that are clear and balanced, including both the risks to our business but also the opportunities it represents.

We remain committed to a net zero carbon future and aim to become a net zero carbon business by 2040.



Impact on financial statements

When preparing the Consolidated Financial statement on pages 167 to 222, the Directors considered the impact of Climate change risks and opportunities, and the actions necessary to achieve the short-, medium- and long-term targets set for carbon emission reduction.

After careful consideration of these factors, the directors concluded that there are no material impacts to the assumptions, estimates or judgements used in the preparation of those accounts relating to climate change.

When assessing the carrying value of tangible and intangible assets for impairment at the balance sheet date, we considered the impact of climate change under both the 1.5c and 4c scenarios and concluded that there was no material adverse financial impact over the period of assessment that could lead to impairment. Our analysis of the resilience of our main locations to the physical risk of climate change also showed us that is no impact on the useful lives of our material physical assets.

Our carbon reduction targets and commitment made to achieve net zero by 2040 have been carefully considered and we have concluded that the actions that we will take do not have a material adverse impact to future cashflows. Our short terms commitments such as reducing air freight, increasing recycled plastic, moving to 100% renewable tariffs, and moving to a fully electric vehicle fleet do not require material incremental investment, and the longer-term active reductions alongside the passive market reductions do not materially adversely impact future cash flows.

This continued success in delivering carbon reductions whilst not impacting profitability is demonstrated again this year with a reduction in both our absolute and intensity measures of scope 1 and 2 emissions (page 76). Actions taken during FY23 include those described in page 78.

Carbon emissions – Highlights

Scope 1 and 2 (Location based) tCO_2e
3,628
(3.9% lower than FY22)
1.9% short of FY23 target

Scope 1 and 2 emissions (market based) tCO_2e
2,385
(15.6% lower than FY22)
11.4 ahead of FY23 target

Scope 1 and 2 Intensity measure tCO_2e/£million Revenue
11.1
(9.8% lower than FY22)
4.4% ahead of FY23 target

Whilst our absolute location based scope 1 and 2 emissions reduced slightly, we did not achieve our stretching 5.8% absolute year-on-year reduction target, due primarily to the growth in our business this year. The successful control of our emissions as we grow is shown in our chosen measure of carbon intensity – reducing by 9.8% compared with FY22 and overachieving our intensity target. Our absolute market based reduction was driven by our accelerated move to Green energy tariffs, now covering 86% of our business (FY23: 74%).

Scope 3 emissions (only those categories reported in FY22 for consistency)
48,330
(6.8% lower than FY22)
3.0% short of FY23 target

We saw a significant like-for-like absolute emissions decline compared to last year, but we were short of our target primarily as our target assumed a greater reduction in emissions from air freight year-on-year (12%) than the 6% that we delivered.

Calculations methodologies, assumptions and uncertainties are shown in the emissions tables on page 77.



Solar cells on ClimaRad facility, Netherlands

Sustainability continued
Task Force on Climate-related Financial Disclosures continued

TCFD pillar – Governance

Climate change is embedded in the Governance structure of the Group through a decentralised local ownership, overseen by Group leadership and under the ultimate oversight of the Board. The Board is collectively responsible for promoting the long-term sustainable success of the Company, generating value for shareholders and contributing to wider society.

The principal way that Climate Change is embedded into this Governance structure is shown in the diagram on page 54 and described in more detail in section a) and b) below

a. Board oversight of climate related risks and opportunities

The Board has ultimate oversight and responsibility for Climate Change. The Board receives a review of the Group's risks and opportunities twice per year, including an assessment of Climate Related risks and opportunities. The Board assessed those risks and approved the principal risks presented on page 96 to 105. The Board considered whether Climate change should be disclosed as an individual stand-alone principal risk, but concluded it was more appropriate to embed the specific impacts of climate change risks within existing principal risks – a 'cross cutting' approach. The Group does not believe the any individual or collection of climate change risks are themselves material to the financial prospects of the Group. See pages 96 to 104 for description of the Groups Risk management process).

The Board received updates each month on key sustainability KPIs, and during the year (twice in FY 2023) received a more detailed review of performance against the sustainability targets and the Groups disclosures relating to TCFD. Once per year, the complete set of emissions data, performance against targets, and setting of new targets where relevant is received by the Audit Committee and Board for review and approval to be published externally. The performance of the Executives against their sustainability related incentives is reviewed by the Remuneration Committee (page 140).

The Board and certain individual Board members kept up to date on Climate related issues through attending external seminars and discussing with Group advisors. Board Members' relevant experience is described on page 110.

b. Management's role in assessing and managing climate related risks and opportunities

The Group Management Sustainability Committee is responsible for assessing and managing climate related risks and opportunities and co-ordinating with the Group risk management committee to ensure that Climate related risks are fully integrated into the risk management process. The Board representative on the committee communicates the activities of the Group Management Sustainability committee to the Board.

The Group Management Sustainability Committee met twice during FY2023. The members of the committee include Amanda Mellor (Senior Independent Non-Executive Director providing Board oversight), Ronnie George (CEO) and Andy O'Brien (CFO), the Managing Directors of each Business and Group ESG subject matter experts.

Environment	Group Business development Director
	Group Financial Controller
Social	Group HR Director
Governance	Group Company Secretary
Overall ESG	Group ESG Analyst

The managing director of each business unit is responsible for assessing the specific climate risks and opportunities within their business and submitting to the Group management risk committee. The Group management sustainability committee enables relevant issues to be discussed and to exchange information and best practice. The committee this year focused on our Carbon reduction plan and the risks and opportunities of Climate Change and delivering our climate reduction targets.

The ESG subject matter experts are responsible for ensuring they keep up to date with changes in reporting and relevant standards to provide assistance to local business management.

The Remuneration Committee

The long term incentive plans of the Executives include ESG measures that focus on two targets that are linked to our 2025 goals for optimising recycled plastics used in our manufactured products and increasing the low-carbon credentials in the product portfolio measured as a percentage of revenue. These ESG measures are aligned in part to mitigating the risks of climate change and optimising the opportunities that climate change presents. The measures have a 20% weighting in the LTIP with a maximum pay out that is aligned to the 2025 targets shown on pages 160 and 161.

TCFD pillar – Strategy

Our strategy sets out our response to the transition to a net zero economy and limiting the effects of climate change (see page 26).

Our sustainability ambition is to champion the energy saving potential of our products and solutions and support the net zero ambitions of the countries in which we operate. The regulatory tailwinds should significantly increase demand for our sustainable and innovative ventilation solutions, while our leading position in the UK, Continental Europe and Australasia ventilation markets means that we are well positioned to seize this opportunity.

a. Climate related risks and opportunities the organisation has identified in the short, medium and long term

Methodology and risk ratings

We carry out a full risk management process each year (see pages 96 to 104) including a separate but integrated bottom up Climate related risk review. The Climate related risk process followed the same process as the wider risk management process considering both the likelihood and the potential impact of each risk, . This year, we have again concluded that Climate change represents a net opportunity to Volution through our ability to continue to drive growth from the regulatory and market tailwinds.

Scenarios

We assessed our risks and opportunities under a 1.5°C Paris aligned scenario and a 4°C "hot house" scenario to provide a broad view of outcomes. Under a 1.5°C orderly scenario, risks relate primarily to the transition to a net zero world, the regulatory response, and the changing political, consumer and investor expectations. Under a 4°C scenario, the physical impacts of a changing climate will become more apparent. These scenarios are aligned to the Network for Greening the Financial System's (NGFS) climate scenarios.

The timeframes used when identifying the principal risks for Volution are over a relatively short term due to their material impact on strategy and financial performance targets. Climate change impacts are likely to appear over a much longer timeframe, which we have aligned to the NGFS scenarios.

These are short term (less than 5 years) which is the period over which we prepare detailed bottom up plans, medium term (5-15 years) which is the period over which our continued strategy to provide healthy air sustainability under our three strategic pillars will be delivered including specific targets to reduce carbon, and long term (beyond 15 years) which is the period aligned to the useful economic life of some of our property assets and where the potential impacts under different scenarios are less certain. These different periods have allowed us to assess risks and opportunities that are immediate and well defined and those which may arise over time but which are much less certain.

We have given clear emphasis to both our transition and physical risks and opportunities.

We have adopted the same approach to the materiality of these risks and opportunities as for our principal risks and uncertainties.



Ventair facility, Melbourne, Australia

Sustainability continued
Task Force on Climate-related Financial Disclosures continued

TCFD pillar – Strategy and Risk

Transition opportunities

Volution products support legislative transition as we decarbonise

Buildings are responsible for around 36% of total CO_2 emissions and 40% of total energy demand. If we are to hit global net-zero targets, we must deal with the existing building stock, as well as building new compliant buildings. With 90% of the buildings we have today expected to be still standing by 2050, and a current refurbishment rate of just 1% per year, we need new initiatives.

To deliver net-zero-ready buildings we must make them air-tight, insulate them well and decarbonise the heating source. These actions will impact the indoor environment and ventilation will be even more important for both health and comfort. Doing that without losing heat, and therefore energy, will require energy efficient ventilation solutions including Heat recovery.

If we are successful and reduce the energy demand in buildings by 80% by 2050, we will save more than 30% of our total energy needs. To achieve this, we need to at least triple the rate of existing building stock renovation, to 3% a year.

As a structural growth driver, in March 2023, the European Parliament passed a comprehensive revision of the 2010 Energy Performance of Buildings Directive (EPBD IV) to cover existing buildings for the first time. These regulations will stimulate the renovation market in the EU, as they will trigger a wave of renovations and create a greater demand for energy-efficient upgrades. Similar regulatory drivers exist in all our markets and are fully described on pages 38 to 47. These responses to Climate change will increase demand for our low emission products and services.

Strategic response and resilience

The energy saving potential of our products and solutions and ability to support the net zero ambitions of the countries in which we operate. We are part of the Green economy, evidenced by the LSE Green Economy Mark and the eligibility of our products to the EU Taxonomy.

Impact on financial statements

The opportunity is conservatively built into going concern and impairment reviews.

Metrics and targets

Low Carbon Sales
70.1%
low carbon products

Avoided emissions
2,183,455
Avoided emissions (tCO_2e)

Heat recovery products
33.8%
Revenue from Heat recovery products



Reading facility, UK

Physical risk – acute and chronic

Changing weather patterns, linked to climate change, may directly damage our production facilities or disrupt our supply chain.

Scenario 1.5

Likelihood

Short term | Medium term | Long term

Potential impact

Short term | Medium term | Long term

Scenario 4

Likelihood

Short term | Medium term | Long term

Potential impact

Short term | Medium term | Long term

Strategic response and resilience

Our main production assets are not exposed to direct risks of extreme weather or other impacts of climate change over the short or medium term. We engage with our supply chain and maintain alternative sources and sufficient inventory to avoid the impact of short-term disruption. Our geographic spread from our international acquisition strategy helps to mitigate the impact of local disruption.

Impact on financial statements

There is no material impact on Going Concern, Impairment, or useful economic lives of our assets, nor any required increase in opex or capex to mitigate or replace our assets.

Associated principal risk

1 2

Metrics and targets

Continued monitoring of each of our significant locations and portfolio of owned properties.

Potential financial impact

Low
Minimal financial impact to the Group

Medium
Some financial impact to the Group but not material (<5% of Operating Profit)

High
Material financial impact to the Group (>5% of Operating Profit)

Principal risk key

1 Economic risk
2 Acquisitions
3 Supply chain and raw materials
4 Regulation
5 IT systems including cyber breach
6 People
7 Innovation
8 Customers
9 Foreign exchange risk

Transition risk – reputation

Investors and lenders may show a preference to allocate capital to businesses with smaller climate impacts, and customers may select competitors which are perceived as having delivered on their plans to reduce carbon.

Scenario 1.5

Likelihood

Short term Medium term Long term

Potential impact

Short term Medium term Long term

Scenario 4

Likelihood

Short term Medium term Long term

Potential impact

Short term Medium term Long term

Strategic response and resilience

Sustainability is at the heart of our purpose and key to our strategy. We have appropriate governance and KPIs in place to ensure delivery of our strategy. We continue to engage with our investors and lenders and are confident our strategy is well understood.

Impact on financial statements

There is no material risk that we would be unable to raise sufficient funds for future business requirements that could impact our growth strategy, Going Concern or Viability.

Associated principal risk

N/A

Metrics and targets

Availability of financing and share price.

Transition risk – policy and legal

Governments may implement taxes or charges which penalise businesses that do not reduce carbon, also increasing the input cost of energy, freight and materials.

Scenario 1.5

Likelihood

Short term Medium term Long term

Potential impact

Short term Medium term Long term

Scenario 4

Likelihood

Short term Medium term Long term

Potential impact

Short term Medium term Long term

Strategic response and resilience

We engage with our suppliers to positively challenge and improve our production supply chain with a focus on eliminating waste, minimising emissions and maximising efficiency. Our carbon reduction targets mitigate potential penalties or charges.

Impact on financial statements

There is no material impact on Going Concern, Impairment, or useful economic lives of our assets, not any required increase in opex or capex to mitigate or replace our assets.

Associated principal risk

4 9

Metrics and targets

Gross profit margin, Adjusted operating profit margin.

Transition risk – policy and technology

Governments may implement stricter regulation, rendering elements of our product portfolio non-compliant.

Scenario 1.5

Likelihood

Short term Medium term Long term

Potential impact

Short term Medium term Long term

Scenario 4

Likelihood

Short term Medium term Long term

Potential impact

Short term Medium term Long term

Strategic response and resilience

As active members of trade associations across our Group, we influence directional change in building regulations and improve industry guidance. We are committed to investing in innovation to support breakthroughs in sustainable living and ensuring that emission reduction is a core consideration in our solution design.

Impact on financial statements

There is no material impact on Going Concern, Impairment, or useful economic lives of our assets, nor any required increase in opex or capex to mitigate or replace our assets.

Associated principal risk

7 9

Metrics and targets

Number of new products developed, spend on and size of development team.

Sustainability continued
Task Force on Climate-related Financial Disclosures continued

TCFD pillar – Strategy continued

b. The impact of climate-related risks and opportunities on the organisation's business, strategy and financial planning

As described on page 70, we have identified physical risks to some of our locations and supply chains and transitional risks related to reputation, policy and regulation. However, our sustainability ambition is to champion the energy savings potential of our products and solutions, and we are well positioned to seize the opportunities that regulatory tailwinds bring us.

The opportunities that are available to us are a key driver to our Sustainable Growth Model. Our organic growth is driven by our local businesses taking the opportunities available to them in each market, driven in part by the local regulatory tailwinds (see page 38). Our drive to innovate and develop new products ensures that we are able to maintain a leadership position in low carbon and heat recovery products (see page 58). Our growth from acquisition targets successful businesses that specialise in low carbon and heat recovery products, evidenced by the two acquisitions during the financial year (see page 50).

We have concluded that we do not expect the risks of climate change to have a material impact on our financial prospects over the short, medium or long term, and hence those risks have not materially impacted our strategy nor financial planning.

However, we have made a commitment to net zero and published annual targets that we intend to meet (detailed targets currently set including FY23 Scope 3 categories only). We have assessed the impact of these commitments and concluded that they do not have a material adverse financial impact as shown in the table below.

Climate related commitment/target/action	Financial impact
2022 – transition of UK procured electricity to 100% renewable sources.	Multi year agreements in place for UK for whole of FY2023 with no significant increase in cost.
2025 – 70% of our sales are low-carbon products.	2025 target already achieved in FY2023.
2025 – 90% of the plastic processed in our factories are from recycled sources.	We are on track and successful procurement of reliable and affordable recycled sources ensures no risk to costs.
We will operate an all electric fleet.	We have a small fleet, mainly of automobiles, which are being replaced by hybrid and ultimately electric as they become due, at no significant incremental costs over fossil fuel cars.
We will work with our supply chain and industry to increase the use of new and sustainable products and inputs.	No direct cost to Volution.
We will delivery energy net gain through our product portfolio.	Our target to increase Heat Recover product sales will deliver net benefit through up-selling to higher value products.
We will continue to incentivise our management and use an internal carbon charge to make our business units pay to offset their residual emissions.	No incremental cost to the Group, but incentivising our local businesses to reduce emissions.
We will close the loop on the circular economy, recovering our end-of-life products, recycling and reusing.	We will role out an end-of-life recovery program when an economically efficient process is confirmed.
We will continue to offset Scope 1 and 2 (and increasingly Scope 3) carbon emissions through the purchase of carbon credits.	Our current commitment to carbon offsetting has a non-material annual cost of below £50,000.
We will reduce air freight by 75% by 2030.	Freight will be transitioned to sea freight wherever possible. Sea freight is significantly cheaper than air freight.

Definitions

Carbon neutral – To offset carbon emissions, we purchase credits for carbon removal or avoidance projects (see page 83). Our 2023 carbon neutral status boundary includes all scope 1 and 2 emissions, colleague commuting and waste.

Net zero – The maximum feasible emissions reductions of carbon have been made and only residual emissions are counterbalanced by carbon removal credits. Our net zero target boundary includes all scope 1, 2 and 3 emissions, both upstream and downstream.

Science Based Initiatives – The Science Based Targets initiative (SBTi) is a global body enabling businesses to set ambitious emissions reductions targets in line with the latest climate science. It is focused on accelerating companies and financial institutions across the world to halve emissions before 2030 and achieve net zero emissions before 2050. Our letter of commitment confirms that we will set a long term science-based target to reach net zero value chain GHGs emissions by no later than 2050 in line with the SBTi Net-Zero Standard, submit it for SBTi validation and publish it, within the next 12 months.

c. The resilience of the organisation, taking into consideration different future climate scenarios

The Directors have concluded that Volution is expected to be resilient to the impacts of climate change across the 2 scenarios that have been assessed, moreover, we are well placed to take the opportunities that climate change brings.

In 2022, we carried out a detailed review of physical climate risks (acute and chronic) to ensure we understand the resilience of our critical properties to climate change. Climate change poses a physical risk to the buildings that we occupy including offices, factories and warehouses. Four sites have been assessed as having a moderate to high exposure to flood from flood defended rivers in the current climate, with only one more site at a high risk as a result of climate change by 2050. In the long term in the 2050s and beyond, drought and heat stress could have an increased potential impact, including water scarcity, higher risk of fires and an impact on operations, safety and wellbeing. None of our significant manufacturing sites are expected to be at risk of significant impact from climate change under the 1.5°C scenario under the short, medium or long term, or under the 4°C scenario under the short or medium term.

The locations at most risk are typical locations in our decentralised structure, and none of them represent a material portion of the Group operating profits or assets. The impact of any one of these locations being closed for a sustained period as a result of flooding for example, would not have a material impact on the long term resilience of the Group.

Our decentralised structure also enables us to remain close to local regulation and policy transition risks and we work with industry bodies and regulators in each market. Over the longer term, our combination of centralised technical support and local market knowledge ensures our product development process will deliver products that regulators will require. In the 1.5C scenario, demand for products that improve energy efficiency of buildings will increase as Governments seek to ensure that target is met.

We have considered whether our strategy may need to change to address potential climate related risks and opportunities and have concluded that there our strategy is appropriate to take the opportunities that climate change presents, and resilient against the potential risks, and we do not envisage any need to change our strategy.

Risk score by location

4°C global warming scenario at 2050

Facility name	Country	Drought	Fire	Heat stress	Precipitation	River flood (defended)	Sea level rise	Tropical cyclone	Extratropical cyclone
Brisbane	AU	Moderate	Moderate	High	Very high	Moderate	No data/ no risk	Low	Very low
Greve	DK	Very low	Low	Very low	Low	Very high	No data/ no risk	No data/ no risk	High
Bitola	MK	Very high	Moderate	Moderate	Low	Very high	No data/ no risk	No data/ no risk	Low
Christchurch	NZ	Moderate	Low	Low	Low	Very high	No data/ no risk	No data/ no risk	Moderate
Burrowbridge	UK	Low	Low	Low	Low	Very high	No data/ no risk	No data/ no risk	Moderate
Auckland	NZ	Moderate	Low	Low	Moderate	Very low	No data/ no risk	Low	Moderate
Nylanda	SE	Very low	Low	Very low	Low	Moderate	Moderate	No data/ no risk	Moderate
Surrey	UK	Moderate	Low	Low	Low	Moderate	No data/ no risk	No data/ no risk	Moderate
Perth	AU	Very high	High	High	Low	Very low	No data/ no risk	Very low	Low
Sarajevo	BA	Moderate	Low	Low	Moderate	Moderate	No data/ no risk	No data/ no risk	Low
Melbourne	AU	High	Moderate	Moderate	Low	Very low	No data/ no risk	No data/ no risk	Moderate
Odder	DK	Low	Low	Very low	Low	Very low	No data/ no risk	No data/ no risk	High
Harlev	DK	Very low	Very low	Very low	Low	Very low	No data/ no risk	No data/ no risk	High
Cambridge	UK	Moderate	Low	Low	Low	Very low	No data/ no risk	No data/ no risk	Moderate
Reading	UK	Moderate	Low	Low	Low	Very low	No data/ no risk	No data/ no risk	Moderate
Greenbridge	UK	Moderate	Low	Low	Low	Very low	No data/ no risk	No data/ no risk	Moderate
Westmead	UK	Moderate	Low	Low	Low	Very low	No data/ no risk	No data/ no risk	Moderate
Crawley	UK	Moderate	Low	Low	Low	Very low	No data/ no risk	No data/ no risk	Moderate
Eersel	NL	Low	Low	Moderate	Low	Very low	No data/ no risk	No data/ no risk	Moderate
Oldenzaal	NL	Low	Low	Low	Low	Very low	No data/ no risk	No data/ no risk	Moderate
Löberschütz	DE	Low	Low	Low	Low	Very low	No data/ no risk	No data/ no risk	Moderate
Kuurne	BE	Low	Low	Low	Low	Very low	No data/ no risk	No data/ no risk	Moderate
Hollola	FI	Very low	Low	Very low	Low	Very low	No data/ no risk	No data/ no risk	Moderate
Hallefornas	SE	Very low	Low	Very low	Low	Very low	No data/ no risk	No data/ no risk	Moderate

Key

No data/ no risk · Very low · Low · Moderate · High · Very high

Sustainability continued
Task Force on Climate-related Financial Disclosures continued

TCFD pillar – Metrics and Targets

a. The metrics used by the organisation to assess climate related risks and opportunities

We disclose all material scope 1, 2 & 3 carbon emissions, in total and by business. We have set detailed annual targets for scope 1,2 and a proportion of scope 3 emissions and have distributed these targets to each of our local businesses, and we report against these targets.

Our metrics for the % of our total revenue that is from Low carbon and Heat recovery products tracks the extent to which we are utilising the opportunities that Climate change brings. The success of our investments and capital allocation, both in terms of plant and equipment and in the acquisition of low carbon businesses, is reflected in increased sales from these products. For the first time in FY23 we have aligned our revenue with the EU taxonomy and continue to report under the FTS Russell Green Economy taxonomy. We believe these externally reported metrics allows us to demonstrate the success of our continued delivery against our sustainable growth strategy.

We show in page 73, the proportion of our locations which are at some physical risk from climate change.

b. Scope 1, scope 2, and scope 3 greenhouse gas emissions

This year we have disclosed all material scope 1, 2 and 3 emissions, including for the first time the emissions from the use of our products. Full details of our emissions are shown on page 76 to 77.

Our Scope 1 and 2 emissions are not material to our total emissions, representing just 6% of 'operation emissions (excluding emissions from use of products).

Scope 1 and 2 emission sources 2023 are Electricity (51%), Gas (15%), Vehicle fuel (25%), and other (9%).

The largest portion of our location-based scope 1 and 2 emissions is from the electricity we use in our facilities.

Scope 3 emission sources 2023 are from the use of products (91%), Distribution (4%), Purchased Products (4%) & other 2%.

The largest portion of our scope 3 emissions is from the use of our products, over their useful life

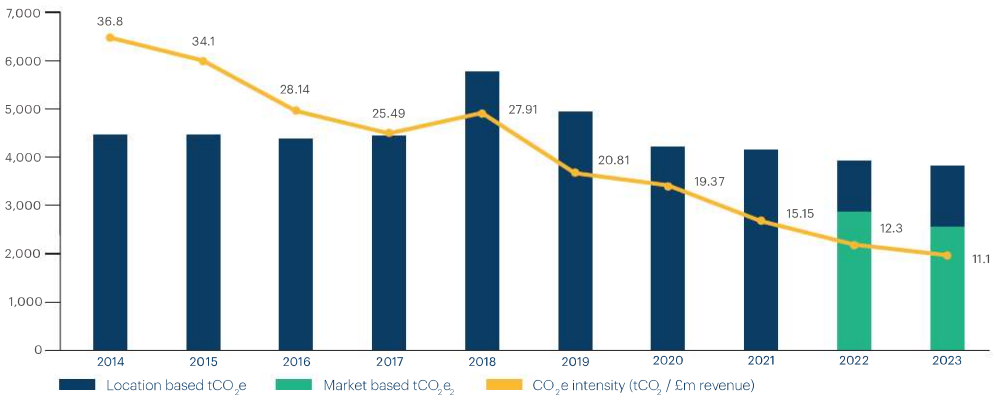
The methodology we have used to calculate our emissions varies by type of emission and is detailed on page 77. We have increased the accuracy of our emissions data gathering and have adjusted the FY22 base year figures where appropriate if more reliable data is now available. For example, where reliable country level carbon conversion rates have now become available, we have adjusted the prior year reported emissions to ensure a like-for-like comparison year-on-year. Where there is uncertainty and assumptions are used, we have detailed the assumptions and disclosed sensitivities to the assumptions.

Our perimeter includes all companies and subsidiaries in the Group. Our base year for target setting aligned with SBTi is 2022 to ensure we are using as accurate a base position as possible. As we grow in part through acquisition, the base level will be re-assessed when appropriate and targets will be adjusted accordingly.

c. The targets used by the organisation to manage climate-related risks and opportunities and performance against targets

In FY2022 we set new targets for carbon reduction over the short, medium and long term which will enable us to achieve our commitment to a net zero carbon future. This year we have disclosed the disaggregated annual targets and report the performance against those targets for the year FY23 in the tables on page 76. The targets were set in line with the principles of Science Based Initiatives, and we will continue to refine our targets before being approved by Science Based Initiatives later in the year.

Scope 1 and 2 Performance – Carbon intensity (tCO_2e/£m of revenue) and absolute emissions 2014 to 2023

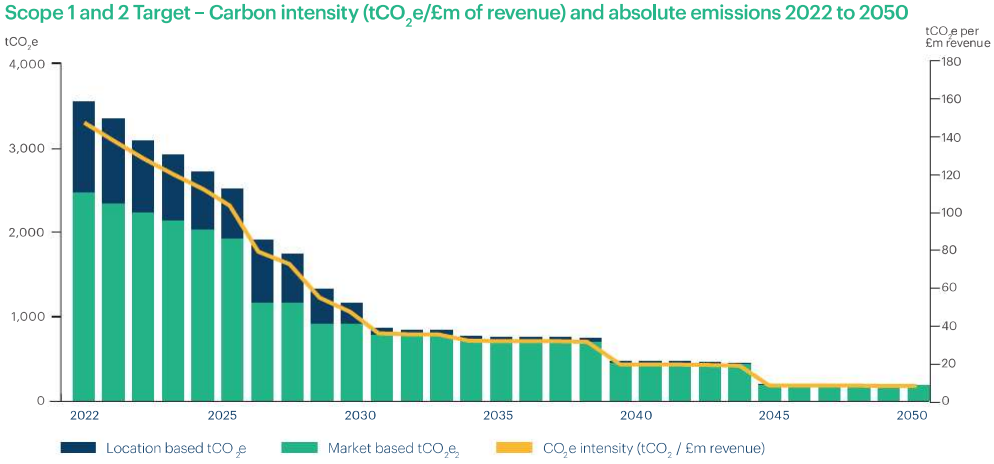


We have continued to deliver a year-on-year reduction in our chosen measure of carbon intensity, reducing by 9.8% since last year, cumulatively 69.8% lower than nine years ago when we first started reporting this measure (see graph page 74).

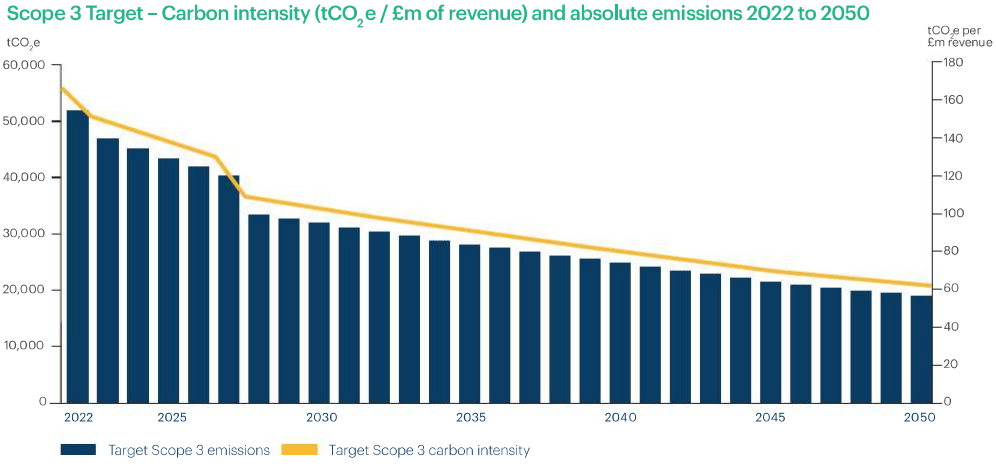
We have also delivered a year-on-year reduction in absolute scope 1 and scope 2 emissions despite the growth of the business both organically and through acquisition. Some of the actions taken by our colleagues to deliver this are shown on page 78.

The annual targets include assumptions on (i) Passive reductions – those that will happen without any action from Volution such as decarbonisation of the electricity grid, (ii) Market-based reductions – those achieved by selecting "green" energy tariffs, (iii) Active reductions – those achieved by the deliberate actions of Volution making technological, behavioural and operational changes within the business, and (iv) carbon offsetting. For further details on the target setting please refer to the FY22 Annual Report.

Scope 1 and 2 Target – Carbon intensity (tCO_2e/£m of revenue) and absolute emissions 2022 to 2050



Scope 3 Target – Carbon intensity (tCO_2e / £m of revenue) and absolute emissions 2022 to 2050



This year, we have expanded the perimeter of our Scope 3 reporting to include all material categories. However, we have not yet included all of these additional categories in our Scope 3 target, so in order to maintain consistency this year, we will continue to report against the Scope 3 targets established last year, which took into account only the Scope 3 categories reported last year.

Sustainability continued

Task Force on Climate-related Financial Disclosures continued

TCFD pillar – Metrics and Targets continued

Emissions and Targets – Scope 1,2

Carbon footprint – Scope 1 and 2[1]	Performance				Targets[2]			
	2022		2023		2023	2025	2030	2050
	tCO_2e	KwH	tCO_2e	KwH				
Scope 1								
Gas	798	4,327,215	**544**	**2,990,442**				
Other fuel	257	1,284,734	**306**	**1,617,800**				
Vehicle fuels	858[6]	3,558,032	**912**	**3,907,673**				
Refrigerants	7[3]							
Total scope 1	1,920	9,169	**1,762**	**8,515,915**	1,902	1,886	1,017	205
Scope 2								
Scope 2 (location based)	1,855[4]	9,578,815	**1,866**	**9,259,540**				
Scope 1 and 2 total (location based)	3,775[5]	18,748,796	**3,628**	**17,775,455**	3,559	3,151	1,422	215
Scope 2 (market based)	904		**623**					
Total Scope 1 and 2 (market based)	2,824		**2,385**		2,691	2,449	1,017	205
Carbon intensity								
Carbon intensity per £m of revenue, location based	12.3[5]		**11.1**		11.6	10.2	4.7	0.7
Carbon intensity per £m of revenue, market based	9.2		**7.3**		8.8	8.0	3.3	0.7
Energy intensity per £m of revenue, market based		60,932		**54,193**				

Emissions and Targets – Scope 3

Carbon footprint – Scope 3 (tCO_2e)	Performance		Targets[7]			
	2022	2023	2023	2025	2030	2050
Upstream scope 3						
Category 1 – Purchased goods and services[8]	27,363	**25,615**				
Category 2 – Capital goods	—	**787**				
Category 3 – Energy-related activities[9]	—	**65**				
Category 4 – Upstream transportation and distribution	14,489[10]	**13,768**				
Category 5 – Waste generated in operations[11]	—	**547**				
Category 6 – Business travel[12]	—	**263**				
Category 7 – Employee commuting	536	**548**				
Category 8 – Upstream leased assets	—	**—**				
Downstream scope 3						
Category 9 – Downstream transportation and distribution	9,444[10]	**8,399**				
Category 10 – Processing of sold products[14]	—	**—**				
Category 11 – Use of sold products[15]	—	**531,334**				
Category 12 – End-of-life treatment of sold products[16]	—	**192**				
Category 13 – Downstream leased assets[17]	—	**—**				
Category 14 – Franchises[17]	—	**—**				
Category 15 – Investments[17]	—	**—**				
YoY Comparison[18]	51,832	**48,330**	46,943	43,425	31,921	18,942
Total scope 3 emissions	—	**581,517**				

1. Scope 1 and 2 have been verified by Carbon Footprint.
2. Our Scope 1 and 2 forecast and the detailed targets within it have been set aligned to the SBTi principles.
3. To increase accuracy, the emissions from refrigerant use are updated and calculated based on top-up value as opposed to system capacity.
4. Reviewed and updated electricity conversion factors for sites in Bosnia and North Macedonia for FY22 to improve accuracy.
5. Reviewed and updated to improve accuracy – see footnotes 3 and 4.
6. Reviewed and updated vehicle fuel related emissions included all company owned vehicles and long term car leasing.
7. For consistency, our reduction targets for Scope 3 emissions are set for the scope categories reported for the base year FY22 only. Our forecast for scope 3 emissions shows that our current active reduction plans, along with passive reductions, will deliver a significant reduction in our scope 3 emissions. The forecast shows a reduction in scope 3 emissions of around 40% by 2030 and over 60% by 2050. We recognise that these forecast reductions are not yet aligned with our net zero ambitions and will work on further plans and targets to bridge the remaining gap.
8. Hybrid method of calculation; supplier-specific plastic type data (where available) and secondary expenditure data for metal, paper, and other manufactured products. This method was chosen to improve the calculation accuracy for plastics, the most material of our production inputs.
9. This category consists of Transport and Distribution losses not included in Scope 2.
10. Comparable to our 2023 method, we have modified our 2022 upstream and downstream transportation and distribution emissions to be spend based for consistency.
11. The total mass of packaging and waste from our manufacturing locations was determined and converted.
12. Business travel takes into account only air travel.
13. Comparable to our 2023 method, we have modified our 2022 downstream emissions to be spend based for consistency.
14. Not material to group operations.
15. Limited assurance provided by Carbon Footprint. This category was calculated using activity-based data. Quantities of products sold, energy consumption by product type, and estimations of the product's useful life. 7 product profile were used as the basis for estimating our Scope 3 category 11 emissions. (a) Residential Ventilation Application Intermittent Fans: These are typically used in residential settings and are expected to operate for 45 minutes in the morning and another 45 minutes in the evening, equating to 1.5 hours of daily operation. (b) Residential Continuous Fan: This fan is assumed to run continuously for 24 hours, but at differing capacities. For 23 hours, it operates on a 'trickle' setting, consuming only 30% of its maximum power. For the remaining 1 hour, it's on 'boost', utilising its full power.

    (c) Commercial Intermittent: Used in commercial environments, this category of fans runs for an average of 1.5 hours each day. (d) Commercial Air Handling: Pertains to larger-scale air handling units in commercial spaces. The assumption is they operate during business hours, running for 10 hours each day while the building is occupied. (e) Residential Electrical Space Heater: Specifically for residential settings in temperate climates, where the heater is required only for a portion of the day, estimated to be around 5 hours daily. (f) Residential Towel Rail: Typically used to warm or dry towels in bathrooms, the operational assumption is 1.5 hours daily.

    (g) Hand Dryer: This type of dryer is triggered per use. With each use taking roughly 10 seconds, and assuming it's employed 200 times each day (mostly in commercial or public settings), it operates for a cumulative total of approximately 33.3 minutes daily. Moreover, the utilisation is assumed to be more frequent on weekdays, hence it's factored for 5 days a week. These profiles are essential to estimate the carbon footprint of each product over its usage phase, factoring in both the frequency and duration of use, to provide a more accurate representation of real-world conditions.
16. Limited assurance provided by Carbon Footprint. The total Weight of Sold products and packaging from our manufacturing locations was determined using weight data of products or estimates based on sales data. Data gaps were completed with estimations of weight based on the average per £m revenue of sales obtained by the existing data.
17. Not relevant to group operations.
18. Includes only the Scope 3 categories that have been recorded in 2022 so that a comparison with 2023 can be made.

CO2e Assessed Organisation

Emissions recalculation policy and process

In alignment with the principals of the SBti under which we have set our short, medium and Long term targets, we have reviewed the targets we set in FY2022 to ensure they are still relevant and appropriate. We do not believe that there have been any material changes in climate science and there are no changes in our business context and so they continue to be relevant in FY2023. Our policy on recalculations and restatements of emissions data is that we review our GHG inventory on an annual basis and will restate our data and/or recalculate our science-based targets when required, to reflect significant changes to our company structure, methodology changes or errors. Where a restatement or recalculation is performed, it will be clearly described in our annual reporting. During FY2023 we have recalculated FY2022 emissions for our business locations in North Macedonia to use a published local carbon emissions conversion factor for electricity use which was not available last year. This has increased the base year FY2022 emissions. We have also recalculated FY2022 emissions for refrigerants so that it relates only to refrigerants used during the year. This has decreased the base year FY2022 emissions. Within the Scope 3 categories we recalculated Air freight emissions for FY2022 to use a consistent method. As a result of these changes to FY2022, we have adjusted our targets to ensure they appropriately reflect the base year of FY2022. We have increased the perimeter of our Scope 3 reporting this year to include all material categories. However, we have not yet included all of these additional categories in our Scope 3 target, and so to ensure consistency this year, we continue to report against the Scope 3 targets set last year which considered only those Scope 3 categories reported last year.

Review of our Energy use and emissions data

It is currently not mandatory for energy use and emissions data to be assured, but we have chosen to engage with Carbon Footprint to voluntarily assess and verify elements of our reported data. We have not obtained assurance through the (ISAE (UK)) 3000 Assurance Engagements Other Than Audits standard, rather the assessment has been carried out aligned to to ISO14064-1, Greenhouse Gas (GHG) Protocol, and follows UK Government Guidelines for reporting GHG emissions. The assessment of Scope 1 and 2 emissions included the assessors reviewing actual energy invoices and metre readings. The assessment of Scope 3 emissions included the review of the calculations and carbon emission conversion factors for those scope 3 categories calculated internally. We intend to move towards assurance of elements of our reported emissions in the coming year.

Sustainability continued
Task Force on Climate-related Financial Disclosures continued

TCFD pillar – Metrics and Targets continued

Delivering against our Scope 1, 2 and 3 emission reduction targets

Our colleagues are engaged and empowered to deliver against the carbon reduction targets we have set ourselves. Each action taken on its own may have a small impact, but when taken together we are delivering meaningful reductions in emissions.



United Kingdom

Initiatives delivered

- New injection Moulding Machine – 30% more energy efficient than previous generation
- New Energy efficient Compressors at Reading, Crawley and Swindon
- New Energy efficient electric forklifts replacing gas
- EV chargers installed at West Molesey, Swindon & Dudley
- New direct shipment workbench reducing trucks movements between factories

Upcoming actions

- In-house warehousing to yield cost savings and reduce inefficient logistics
- Investment in tooling and value engineering to reduce material usage
- Continued roll out of low carbon company cars
- All UK sites will to be "Zero-Landfill" by Dec-23



Continental Europe

Initiatives delivered

- Electric heatpumps installed at ClimaRad, which in combination with the already installed solar panels has enabled disconnection from the gas grid, savings costs and emissions
- A new in-house Sheetmetal production facility in Bosnia removing truck movements from suppliers
- Waste plastics miller enabling recycling and re-use of waste plastic
- Inventer removed unnecessary foil wrapper from spare filters replaced with cardboard
- ERI new IT logistics software developed internally to enable full truck delivery
- Ventilair 20% employees commuting by bike vs 10% target

Upcoming actions

- Solar panels in Bosnia facility
- Conversion from oil heating in three Nordic factories to wood pellets/heat pump
- Larger Grinder for re-use of scrap metal and other materials



Australasia

Initiatives delivered

- Re-useable and recyclable pallet boxes with re-useable and recyclable Velcro pallet wrap replacing shrink wrap and single use pallet boxes. For internal use, the Initial investment will pay back over time and save waste
- Improved Deliver in Full on Time (DIFOT) reducing additional multiple and unnecessary shipments
- Twilight switches and LED high bay lighting installed in Australia
- EVs acquired, on site charging point installed
- Plastic packaging removal: Simx polystyrene 78% complete, Ventair ceiling fans 100% complete

Upcoming actions

- Remaining Twilight switches and LED high bay lighting to be installed in NZ
- More EVs ordered
- Continued development of product portfolio to transition to EC fans (Smart vent complete by 2024) and ceiling fans to DC (up to 50% in past 12 months)

Carbon emissions by country

Carbon emissions per country

Country	Scope 1 Emissions (tCO_2e)	Total Scope 1 and Scope 2 Location Based (tCO_2e)	Total Scope 1 and Scope 2 Market Based (tCO_2e)	Total Scope 3 Emissions (tCO_2e)
United Kingdom	**802**	**2,074**	**802**	**329,466**
Sweden	322	330	323	9,212
Norway	6	6	14	20
Finland	48	67	193	269
Denmark	30	39	65	132
Germany	113	182	258	3,386
Netherlands	109	124	110	2,709
Belgium	85	97	101	1,626
Bosnia and Herzegovina	50	162	162	1,707
North Macedonia	10	286	126	80,080
Continental Europe	**773**	**1,293**	**1,352**	**99,141**
New Zealand	100	130	100	33,906
Australia	87	131	131	119,004
Australasia	**187**	**261**	**231**	**152,910**
TOTAL	**1,762**	**3,628**	**2,385**	**581,517**

Performance against carbon reduction initiatives

When setting our carbon reduction targets in FY23 we disclosed a selection of active reduction initiatives that would be a major driver of reductions in the short term. Performance against those initiatives is shown below.

Carbon reduction metrics	FY22	FY23	Performance	
Carbon emissions from plastic raw materials and the purchase of plastic products (included within Scope 3 category 1)	12,087	10,363	⌄	Virgin plastic has a higher carbon footprint than recycled plastic, the disparity varying by type of plastic. The reduction in emissions from purchased raw materials and products is in part driven by supplier-specific emissions data, where available, improving the accuracy of our data.
Air freight (included within Scope 3 category 4 and 9)	10,923	10,179	⌄	Volution uses air freight from time to time to move high value or time critical components and products around the Group to ensure good levels of customer service. We recognise this is not a sustainable option. The reduction in reported Air freight emissions represents a deliberate reduction in air-freighting, expecting to accelerate in the coming year.
Renewable energy market based emissions from electricity used at our facilities (included within Scope 1&2 market based)	904	623	⌄	We aim to move any remaining electricity purchased from national grids to contracted renewable tariffs in the next year, where available, as well as continue to invest in owned renewable energy such as solar panels. This year, our UK Torin business is included within a 100% renewable energy tariff.
Natural gas emissions from gas used at our facilities (included within Scope 1&2)	798	544	⌄	Our aim to reduce natural gas use in UK by switching facilities to electricity is a longer term metric, and the reduction in use since FY23 is a natural variability due to a warmer winter.
Owned vehicles and fuel use	858	912	⌃	Higher emissions largely driven by post-covid increase in travel. Transition to hybrid/electric fleet continues as vehicles need replacing

Sustainability continued
Task Force on Climate-related Financial Disclosures continued

Recommendations of the TCFD

Recommended disclosures	Reference
Governance • Board oversight (page 68) • Management's role (page 68)	• Our governance structure provides clear oversight and ownership of the Group's sustainability strategy and management of climate risk and opportunity. • In 2021, we established the Group management sustainability committee and Senior Independent Non-Executive Board member Amanda Mellor assumed Board oversight responsibility for Volution's sustainability strategy and targets.
Strategy • Climate-related risks and opportunities (pages 69-71) • Impact on strategy (page 72) • Resilience (page 73)	• Our purpose is to provide healthy indoor air, sustainably and this commitment to sustainability is integral to everything we do. It shapes our values, steers our strategy and informs our capital allocation. Our business model is underpinned by our sustainability pillars of Product, Planet and People. • Our sustainability ambition is to champion the energy saving potential of our products and solutions and we are well positioned to seize the opportunities that regulatory tailwinds bring us. • We have identified transition risks related to reputation, policy and regulation, and technology but have not assessed any of these risks as high under either scenario under the short, medium or long term. • We have undertaken a review of our major production and warehouse locations for physical risk using independent, science based analytics, and have concluded we are not exposed to significant risk. • In preparing the Group's financial statements, we have considered the impact of climate-related risks on our financial position and performance, and have not identified any material adverse impact on the financial statements or judgements within.
Metrics and targets • Metrics (pages 74-77) • Scope 1 and 2 and 3 emissions (page 76) • Targets (pages 76-77)	• We developed two key sustainability metrics in 2020 to measure our progress against our net zero ambitions: the % of revenue derived from low-carbon products, and the % of recycled plastic used in our manufactured products. • In 2021 we set out our ambition to be a carbon net zero business by 2040. • We have set detailed forecasts and targets for the short, medium and long term which are aligned to our net zero ambitions for scope 1 and 2, and make good progress against our net-zero ambitions for scope 3. • We have provided details of our scope 1, 2 and 3 emissions on both a location and market basis, and have progressed the quality of the scope 3 data by using detailed activity based methodologies and include all material categories.
Risk • Risk processes (pages 70-71) • Integration into overall risk management (pages 70-71)	• We have continued to embed climate risk into our broader risk management framework and have integrated climate change into our principal risks. • In 2021 we introduced a climate related risk review, which this year we have improved to consider the risks and opportunities under the short, medium and long term, as well as over our chosen climate scenarios.

SFDR Principal Adverse Indicators (PAI)

We are reporting on PA indicators to help investors with their reporting for the EU Sustainable Finance Disclosure Regulation (SFDR).

Adverse sustainability indicator	Indicator/Metric	Volution response
GHG emissions		
1	Scope 1, 2 and 3 emissions	Scope 1: 1,762 tCO_2, Scope 2: 1,866 tCO_2, Scope 3: 581,517 tCO_2 (page 76)
2	Carbon footprint	Total emissions: 585,517 tCO_2 (page 76)
3	Carbon intensity	Scope 1 & 2 intensity 11.1 tCO_2/£1m revenue (page 76)
4	Exposure to companies in the fossil fuel sector	Volution does not operate in fossil fuel sector
5	Share of non renewable energy consumption	86.5% of energy used was from renewable sources or tariffs, 13.5% non-renewable (page 81)
6	Energy consumption in GwH per €1 revenue	Scope 1 & 2 energy consumption: 17.775 Gwh = 0.047 Gwh / €1m Revenue (page 76)
Biodiversity		
7	Activities negatively affecting biodiversity	Our operations do not have a significant impact on biodiversity (page 82)
8	Emissions to water	We do not discharge solid, liquid or contaminants into bodies of water (page 83)
9	Hazardous waste	We use a non-material amount of hazardous water, which is properly recycled or disposed. 1,405 kgs (page 81)
Social and employee matters		
10	Violations of UK Global Compact principles and OECD GME	We are not aware of any violations of the UNGC principles or OECD GME
11	Lack of processes and compliance mechanisms	We joined the UN Global Compact in FY 22 and have since signed the CEO water mandate and continue to engage. We have comprehensive policies in place aligned with principles of the UNGC and OECD Guidelines including Anti corruption, Anti modern slavery, Ethical tax etc
12	Unadjusted gender pay gap	We publish gender pay gap data for the UK only
13	Board gender diversity	At 31 July 2023 42.8% of the Board was female (pages 58 to 89)
14	Exposure to controversial weapons	Volution is not involved in the manufacture or sales of weapons

The Sustainability Accounting Standards Board (SASB)

The SASB Foundation was founded in 2011 as a not-for-profit, independent standards-setting organisation. Volution provides information in alignment with SASB reporting guidelines for its sector (electrical and electronic equipment). The below table shows the reported topics and metrics and where further detail can be found within this report.

Accounting metric and SASB code	Response/data/reference
Energy management	
Total energy consumed (RT-EE-130a.1)	Our total energy consumption across the Group during the year was 17,775,455kWh, representing all electricity across all of our facilities. A small but increasing proportion is "off grid", exemplified by the solar array on the Reading facility. The percentage of electricity used that was from renewable sources including renewable tariffs was 86.5%.
Percentage of grid electricity (RT-EE-130a.1)	
Percentage renewable (RT-EE-130a.1)	
Hazardous waste management	
Amount of hazardous waste generated, percentage recycled (RT-EE-150a.1)	1,405kg of hazardous waste generated during the manufacturing, distribution or other processes, collected by an external comparator and recycled where possible.
Number and aggregate quantity of reportable spills and quantity recovered (RT-EE-150a.2)	Zero reportable spills and therefore no recovered quantity to report.
Product safety	
Number of product recalls issued, total units recalled (RT-EE-250a.1)	Zero product recalls related to product safety issued during the year and therefore zero units recalled.
Total amount of monetary losses as a result of legal proceedings associated with product safety (RT-EE-250a.2)	No monetary losses as a result of product safety issues.
Product lifecycle management	
Percentage of products, by revenue, that contain IEC 62474 declarable substances (RT-EE-410a.1)	We manufacture a large proportion of our products ourselves and use no IEC 62474 declarable substances in the production process. We are continuing to review supply chain products for relevant substances and will report in future if necessary.
Percentage of eligible products, by revenue, that meet Energy Star criteria (RT-EE-410a.2)	This metric is not relevant at a global level as it is only applicable in the US and Canada.
Revenue from renewable energy-related and energy efficiency-related products (RT-EE-410a.3)	Revenues derived from products that are low carbon account for 70.1% (2022: 66.1%) of total revenue (see page 62).
Materials sourcing	
Description of the management of risks associated with the use of critical materials (RT-EE-440a.1)	Our suppliers make a vital contribution to our performance and engaging with our carefully selected, high quality supply chain ensures we can maintain security of supply. Reviews and supplier audits are carried out to ensure compliance with our Code of Conduct and our policies on the prevention of bribery, corruption and modern slavery. The Group is exposed to fluctuations in the price of raw materials and has implemented certain procedures to limit exposure to rising prices, including hedging of foreign currencies with which a proportion is purchased.
Business ethics	
Description of policies and practices for prevention of bribery, corruption and anti-competitive behaviour (RT-EE-510a.1)	Volution is committed to complying with all applicable laws and regulations in the countries in which we operate. Our policies are available on our website.
Total amount of monetary losses as a result of legal proceedings associated with bribery or corruption (RT-EE-510a.2)	No legal proceedings and no monetary losses.
Total amount of monetary losses as a result of legal proceedings associated with anti-competitive behaviour (RT-EE-510a.3)	No legal proceedings and no monetary losses.
Activity measures	
Number of units produced by product category (RT-EE-000.A)	A breakdown of revenues by activity and product type is shown on page 186.
Number of employees (RT-EE-000.B)	Workforce statistics are shown on page 25. The average number of employees in the year was 1,871 (2022: 1,898).
Reportable accident frequency rate	Reportable accident frequency rates are shown on page 92. We report frequency rates per 100,000 hours worked, representing an approximation of the hours worked during a person's lifetime, and allowing comparability across our business units and with other companies. Reportable accidents per 100,000 hours worked in 2023 was 0.30 (2022: 0.25).
Fatalities	Zero fatalities occurred during the year.
Minor accident frequency rate	Minor accident frequency rates are shown on page 92. We report frequency rates per 100,000 hours worked, representing an approximation of the hours worked during a person's lifetime, and allowing comparability across our business units and with other companies. Minor accidents per 100,000 hours worked in 2023 was 0.50 (2022: 0.43).

Sustainability continued
SASB continued

Helping reduce Biodiversity decline

Although we do not consider that our operations have a significant impact on biodiversity, and that there are no material nature related risks to our operations, we are conscious of helping to reduce biodiversity decline. On that basis this year we have started to review our locations and define action plans locally where we can make a positive impact.

The first of our sites to start to implement these local plans was Crawley, which is the location of both the Volution Plc and Vent-Axia brand head offices.

Our facility in Crawley sits within the Manor Royal Business District which in the past few years has been working hard to create green spaces and enhance the green corridors across the estate.

In collaboration with the Manor Royal BID and Sussex Wildlife Trust, the UK team has worked to ensure that we play an active role in improving our facility which is located on one of the green corridors. By planting wildflower seeds and introducing bug hotels we aim to provide a sanctuary to wildlife. In conjunction with reducing mowing of the grass areas during the period that the plants flower, we can provide an important stop off area for insects.

MANOR ROYAL BUSINESS DISTRICT

Sussex Wildlife Trust

> **Living within our means and doing all we can to behave more sustainably and create more biodiverse places is a priority for the Manor Royal BID. The Volution Group have shown great leadership and vision by looking at how relatively small interventions can collectively add up to make a big difference to the environment. We were delighted to support them in the creation of a new wildflower habitat area at their property in Fleming Way. Our Maintenance Team, with partners from the Sussex Wildlife Trust, worked with the Volution team and their staff volunteers in what was a thoroughly rewarding exercise. Great for team building and the area. We hope other companies will be inspired to take similar steps so that we can collectively benefit from a cleaner, greener and more sustainable Manor Royal.**
>
> **Steve Sawyer**
> Executive Director, Manor Royal BID

It was also a great opportunity to get our team together to participate in the process of planting the seeds and put up the bug hotels.

> **Being involved in this project has been a great pleasure. Helping protect biodiversity as well as maintain and enhance our environment is an import part of our responsibility to the local community. I am looking forward to seeing the results of the team's hard work in the coming few years.**
>
> **Natalie Humphrey**
> Product Marketing Executive, Volution Ventilation UK







Our Commitment to the CEO Water Mandate

In line with our sustainability ambition, we have chosen to endorse the UN Global Compact CEO Water Mandate.

As an endorser of the Mandate, we have committed to take action over time across six key water-related areas, and to report annually on progress.

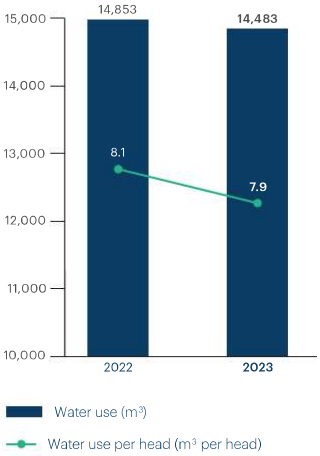
These areas include our direct operations, our supply chain & watershed management, collective action, public policy, community engagement and transparency.

We began to measures and understand our water use more fully in 2022. Whilst our direct water use for operations is not significant, and we do not believe there is any significant water related risk to our business, we have committed to work to improve our stewardship and have reduced both absolute and relative water use this year.

Our target is to continue to reduce our water use over time, and this year we will investigate investments and efficiency measures to achieve this goal.

We have raised awareness of water sustainability through our Group management sustainability committee, and we have included water stewardship in our supply chain policies.

Water use[1]



1. The figures presented for 2022 have been adjusted to reflect locations consistent with 2023. Except for small offices, this includes all locations and represents more than 90% of the Group's workforce, Where there were data gaps in 2022, estimates were used.

Carbon offsets – Healthy indoor air

We have continued with our commitment to carbon neutrality for Scope 1 and 2 emissions, and have increased the perimeter further to include more categories of Scope 3 each year since we first made the commitment in FY21. This year, our net-zero perimeter includes all scope 1 and 2 market based emissions, emissions from colleague commuting, business travel, waste generated in operations, and the purchase of capital goods.

This year we are again primarily supporting a carbon avoidance scheme that is aligned with our purpose of Health air, sustainably. We are supporting a project which will improve indoor air quality in China through the replacement of traditional coal fuelled cookers with solar powered cookers. The project aligns to the UN SDGs that we support, including 3 – Good Health and Wellbeing, 7 – Affordable and Clean Energy, and 13 – Climate Action. The project improves indoor air quality and reduces fire risk and fuel expenses.

We understand that whilst the use of carbon offsetting is only a stage on the way to our net zero future, we are confident the emissions reductions we are supporting are real, measurable and verifiable.

As a Group we continue to invest in initiatives to reduce our own absolute emissions, including those described in page 78, and have made the decision that in FY24 the resources we have previously allocated to purchasing carbon credits can instead be used to invest more quickly in internal initiatives to reduce our own emissions. We will report in next years annual report the initiatives and impact of this investment.



EARTHLY

People

Developing a working environment that is engaging, inclusive and safe



Our ambition

- To continue to develop an engaging and inclusive workforce where our employees feel valued and can fulfil their potential.
- To build relationships with the local community, provide support where needed, and leave a lasting legacy.
- To place the highest priority on health and safety as we continue to pursue our zero-harm ambition.



Gillion Bulos, Auckland, New Zealand

Highlights

Actions	Performance	Status	Comments	Read more
Accident rate	0.30 Reportable incidents		Unfortunately, we had 12 reportable incidents in 2023. This equates to 0.30 per 100,000 hours worked.	See more on page 92
Safety walks	391		We have conducted 391 safety walks across our operations, surpassing this year's goal of 250.	See more on page 92
Training hours	17,781		Colleagues have spent 17,781 hours in formal training, surpassing this year's goal of 12,500.	See more on page 86

Key

On track or ahead | Slightly off track – carefully monitor | Not on track

Sustainability continued
People continued

Our values

Our values define who we are and how we interact, with each other, our customers, our suppliers and our communities. Our values guide our everyday actions, the decisions we make, and shape our culture, enabling us to fulfil our unique purpose to provide Healthy air, sustainably.

1. Professional and reliable
2. Innovate
3. Integrity
4. Commitment
5. Customer service
6. Grow
7. Fun

Living our values



Innovate

See more on page 88



Integrity

See more on page 90



Grow

See more on page 89



Commitment

See more on page 91

> Despite a challenging economic environment, our teams have continued to deliver strong performance. It is their resilience, creativity and drive for results that enables us to stay focused on our purpose and to deliver on our commitments.

Michelle Dettman
Group Head of HR

Diversity, equity and inclusion (DEI)

Our employees represent different nationalities, cultures, sexual orientations and social backgrounds. We recognise that fostering a culture that is inclusive and equitable is essential to fully leveraging the power of this diversity. Our strength lies in the diverse perspectives, life experiences and skills that our workforce possesses and this has proven to be a catalyst for innovation and growth.

In 2023, we launched our DEI steering group, with representation from all operating regions and CEO sponsorship, to assist in shaping our DEI framework. The steering group's role is to drive accountability across the business, championing DEI activities at the local level and reporting progress to the sustainability committee.

We recognise the critical role that leadership will play in cultivating an inclusive culture and launched 'unconscious bias' training to our senior leadership team as a first step. The training is aimed at raising awareness of our unconscious biases and to provide tools to ensure that all voices are heard and valued. This training will be subsequently rolled out to all people managers and the wider workforce.

We operate in an industry that traditionally attracts a higher-than-average proportion of male employees but we are committed to increasing the share of women in leadership positions. In FY'23, women represented 43% of our Board membership and 24% of senior management. Our upcoming group wide management development program that is aimed at growing our leadership pipeline comprises more than 35% female participation, which is a significant increase from previous years and signals our intent to provide equitable development opportunities.

Through a series of local events across the Volution sites, we've fostered an environment that goes beyond mere tolerance; we actively celebrate our differences. Our employees have had opportunities to interact, share their individual experiences, and learn from one another.





What started as a Diwali celebration almost 19 years ago has since changed to an annual 'Diversity Lunch', to celebrate the rich and diverse cultures of our colleagues at Simx, New Zealand. It's not always easy to get every cuisine represented on the menu and often have colleagues bring tasty dishes from their own kitchen. This is a great opportunity for colleagues to come together and learn about each other's cultural backgrounds, practices and celebrations.

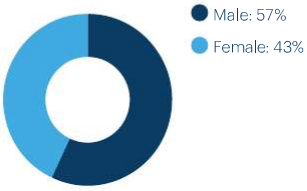
Sustainability continued
People continued

Diversity, equity and inclusion (DEI) continued

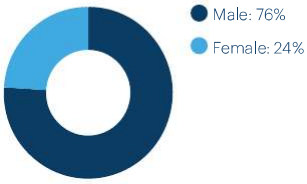


The team at ERI, Macedonia participated in the first women's night race 'Bidi Svoja 2023'. The team competed with other companies and secured 5th place.

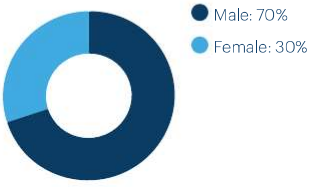
Board



Senior managers[1] and direct reports



All employees



Note
1. Legislation requires that we define "senior managers" as the directors of our subsidiary companies. However, the Board believes this information does not provide a meaningful analysis of how the Group operates so the data shown reflects the proportion of senior managers by our own internal grading system. The number also excludes Board Directors.



Find out more about our approach to DEI
www.volutiongroupplc.com/application/files/9516/7949/7556/Volution_Group_-_Responsible_Operations.pdf

2 Living our values
Innovate

We were very proud to be awarded, in collaboration with AO Recycling and Ultra Polymers Group, the prestigious 'Excellence in Recycling Award', in the category of 'Recycled Product of the Year'! To be part of this effective collaboration, transforming the recycling landscape, has been a fantastic experience for us all, and together, we have demonstrated the power of innovation, and sustainability, by creating innovative products made from recycled plastics. This recognition celebrates our collective commitment to reducing the environmental impact, and finding innovative solutions to global challenges. By giving recycled goods a second life, we are contributing to a more sustainable future. The success of this project is testament to the transformative potential of recycling.

Fabian Gillgower, UK Head of Procurement

Employee wellbeing

Supporting employee wellbeing is critical to strengthening workplace resilience. The COVID pandemic has left a significant impact on physical and especially mental health, likely to be felt for many years to come. This has been exacerbated by the current challenging economic environment.

In the UK, the wellbeing campaign 'Taking care of mental health is a team effort, let's support each other at work' was launched earlier in the year. Communication around the Employee Assistance Program was reinforced to break the stigma around mental health and to encourage employees to actively seek assistance. Employees across all sites actively participated in the 'Wear it Green' day to raise awareness of mental health. The first group of mental health first aiders were trained and certified by Mental Health First Aid England with an aim to provide early on-site support.

In Belgium, colleagues regularly join a lunch-time workout session encouraging each other to reach their fitness goals whilst colleagues in the Nordics combine exercise and friendly competition in the Padel-Tennis tournament.

"Mental health is vitally important for both society and our business. Being able to break the stigma, to encourage understanding and acceptance of these issues puts individuals in a better position to gain help and be more likely to flourish in their personal and professional lives. The training equipped me with fundamental skills on how to respond in an empathetic, compassionate, and informed way. This training has had a significant impact on me."

Caine Amayo
UK Finance Controller



Mental Health First Aiders training



Wear it Green Day celebrated across all sites in the UK



ERI team won 7th place in the "Trcaj Be 2022" race

6 Living our values
Grow

I am delighted that the company continues to make significant investment to grow our operations. The most recent investment in four automatic presses will not just increase our production capacity of counterflow heat exchangers but will also improve our production efficiency and quality

Mitko Kokinoski, Chief Operating Officer, ERI Macedonia

Sustainability continued
People continued

Employee engagement

Employee engagement is critical to our success and we believe that when our employees are engaged, they are more creative and more productive. We are committed to creating a workplace where employees feel valued and empowered to achieve their best.

Our global employee engagement forum is hosted twice a year and is attended by representatives from all group companies as well as Non-Executive Board member, Claire Tiney. This is a great opportunity for the group management team to share strategic updates with participants and to actively listen to what's working well and what can be further improved at the local level. On the request of participants, the most recent forum was focused on new product development and the feedback was extremely positive.

As part of our continued efforts to strengthen employee engagement, we are launching our first ever global employee engagement survey – Volution Voices. This survey will give us valuable insights into how our employees are feeling about their work, organisation culture and the company as a whole. We will use the results of the survey to inform our engagement agenda and to make further improvements to our workplace.

Below: Teams from ClimaRad Bosnia and the Netherlands jointly celebrate the company's 10th anniversary



"I was very happy to be invited to participate in the employee engagement forum, especially shortly after the acquisition of VMI by Volution. I experienced it as a great opportunity to meet other employees from different companies and to start the integration process into Volution. Learning about the company's strategy and financial results was reassuring but what was particularly interesting for me, as the R&D Head of VMI, was to learn about the Group's approach to new product development and current projects across the group."

Louis Stephan
R&D Head, VMI France



Above: Annual 'VMI team day' with a good mix of work and play

"The outlook on the technical roadmap assures me that we are very well positioned for the future with a broad portfolio of ventilation solutions. The engagement forum gave me the opportunity to look beyond my own area and to understand where are there similar areas of application, similar target groups, to what extent can we support each other and which marketing measures can we adapt. Having insight into the technical roadmap of the organisation allows marketing teams to be more strategic, adaptable, and innovative in their approach, leading to more effective marketing campaigns."

Margit Thomas, Marketing Manager
inVENTer Germany

3 Living our values
Integrity

A sustainability mindset is key to fulfilling our purpose and we cultivate this by actively engaging our employees to submit proposals that will support the business to achieve its carbon reduction targets. Nisha Desai from the warehouse team in Auckland was the winner of the 'Sustainability Ideas' competition.

Ian Borley, Managing Director Australasia

Our communities

Our colleagues continue to inspire us with their passion and generosity to support local communities and charities of choice. From bake sales to marathons, from car washes to growing moustaches, our teams came together to cheer each other, have fun along the way and to raise money for worthy causes.



The team at inVENTer Germany participated in the company run at Jena in support of their local charity.

Below: The UK team, through a variety of activities, raised £8,000 for their chosen charity Young Lives vs Cancer.





The team in Sweden participated in 'Mustaschkampen', an annual campaign run by the Swedish Prostate Cancer Federation. SEK 50,000 was donated to invest in further research and raise awareness around prostate cancer.

4 Living our values

Commitment

At the age of 65, I was determined to run the London marathon to prove that no matter your age, you can achieve what you set your mind to by putting in the appropriate training. I also wanted to raise money for Young Lives v/s Cancer as this charity has played a significant supporting role in the lives of two of my colleagues.

Alan Parkinson
Operations Director National Ventilation

Sustainability continued
People continued

Health and Safety

We continue to place the highest priority on health and safety as we continue to pursue our zero-harm ambition.

Unfortunately we had more reportable accidents in FY23 compared to last year – 12 incidents or a frequency rate of 0.30 per 100,000 hours worked (FY22:10 incidents, 0.25 per 100,000 hours worked). We report reportable incident (UK RIDDOR equivalent) frequency rates per 100,000 hours worked as this represents an approximation of the hours worked during a person's lifetime, and allows comparability across our business units and with other companies.

Whilst we are in no way complacent, we were relieved that none of the incidents during the year resulted in serious or life changing injuries. We also note that a large proportion of the accidents were at one of our manufacturing sites with the most manual processes, which, as we invest in automation at that location over the coming years should reduce the opportunity for incidents.

In the UK, where the largest part of our manufacturing is located, our UK operations leadership has re-invigorated our safety culture.

Health and Safety KPIs have been included in senior management incentive schemes for relevant individuals for the first time this year, and we expect to see a significant reduction in our reported frequency rates in FY24.

During FY23, our senior managers conducted 391 safety walks surpassing the previous year's total of 167 and this year's target of 250. We value these proactive inspections and encourage the culture of vigilance and transparency they develop.

We have invested in enhancing our safety education and training, recording 1,597 hours health and safety training and exercises during the year. This equips our employees with the knowledge and skills necessary to operate safely, identify potential hazards, and respond effectively in an emergency.

Last year, our ventilation operations in the UK successfully implemented and achieved ISO 45001 certification. These systems have been further improved during FY23 demonstrating our commitment to robust health and safety management systems. We expect to achieve ISO 45001 certification at our Swindon (UK) operations by the end of FY24.



Andreas Boeber, UK Operations Director on a safety walk at Reading

Our business thrives when our people do, and we recognise that this is only possible in an environment that is engaging, inclusive, and safe.

Accident frequency rate

Reportable incidents

0.30

(FY22: 0.25)

Minor incidents

0.50

(FY22: 0.43)

(per 100,000 hours worked)

Sustainable procurement

Responsible procurement is a responsibility we take seriously and we recognise that the decisions we make when selecting suppliers can have consequences on the environment and communities.

Our responsible procurement processes also aim to manage and mitigate supply chain risks.

Over the past two years, we have made progress ensuring that our suppliers comply with our code of conduct, policies on the prevention of bribery and corruption and modern slavery.

We have carried out more desktop assessments and on-site audits for those suppliers deemed to be higher risk.

Since the return to business travel this year, our Group procurement director has visited our Chinese suppliers, further enhancing the relationships we have developed through our China–Britain Business Council sourcing office in Hangzho.

The Board is regularly updated on material supplier matters, and Supplier audit reviews are presented to and discussed by the Audit Committee as part of its work in connection with the Group modern slavery policy and statement.

Suppliers with spend over £100k

197

Supplier audits carried out in FY23

50

Stakeholders

Engaging with our stakeholders



Employees

Why engagement matters

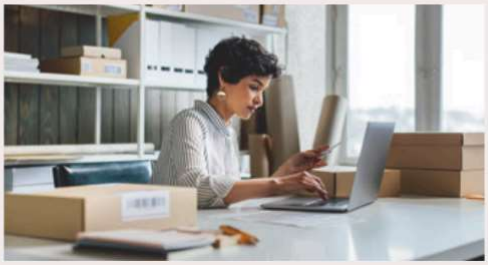
Employee engagement is critical to our long-term success. Interaction between our employees and customers is also one of the main ways of experiencing our brands. We work to create a diverse and inclusive workplace where every employee can reach their full potential. This ensures we can retain and develop the best talent.

How does Volution engage?

- Employee Representative Forum attended for workforce engagement.
- Training and development.
- Individual performance reviews.
- Recognition and reward.
- Apprenticeships.
- Regular communications such as newsletters.

Board engagement

- Employee Representative Forum attended by Claire Tiney, designated Non-Executive Director for workforce engagement.
- Oversight of employee remuneration and gender pay gap data.
- Monthly health and safety reports.
- Annual Report and Accounts.



Customers

Why engagement matters

Understanding our customers' needs and behaviours allows us to deliver relevant products and services, retain customers and attract new ones and improve product performance. It also highlights opportunities for innovation of sustainable products and growth and challenges to be met.

How does Volution engage?

- Management of ongoing customer relationships.
- Customer events and product launches.
- Participation in industry forums and events.
- Brand websites and social media.
- Annual Report and Accounts.

Board engagement

- New product development reports.
- CEO Board report updates the Board on material customer matters.
- Update on customer feedback and themes provided as part of Employee Forum presentations.

Stakeholders continued



Suppliers

Why engagement matters

Our suppliers make a vital contribution to our performance. Engaging with our supply chain means that we can ensure security of supply and speed to market. Carefully selected high-quality suppliers ensure our brands deliver market leading innovative products meeting our customer expectations and requirements.

How does Volution engage?

- Supplier audits and inspections.
- Ongoing supplier relationship meetings.
- Responsible, sustainable and ethical procurement.
- Engagement on our Code of Conduct and policies on the prevention of anti-bribery and corruption and modern slavery.
- Through our China–Britain Business Council sourcing office in Hangzhou.

Board engagement

- CEO Board report updates the Board on material supplier matters and progress on ethical and sustainable supply.
- Supplier audit reviews are presented to and discussed by the Audit Committee as part of its work in connection with the Group modern slavery policy and statement.



Shareholders

Why engagement matters

Continued access to capital is vital to the long-term success of our business. We work to ensure that our investors and investment analysts have a strong understanding of our strategy, performance and ambition. As a company with shares listed on the Main Market of the London Stock Exchange, we must provide fair, balanced and understandable information about the business to enable informed investment decisions to be made.

How does Volution engage?

- Annual Report and Accounts.
- Annual General Meeting.
- Corporate website including dedicated investor section.
- Results presentations and post-results engagement with major shareholders.
- Investor roadshows, site visits, face-to-face meetings and addressing regular investor and analyst enquiries.
- Regulatory announcements.

Board engagement

- Through regular shareholder feedback to the Board by the CEO and CFO.
- The CEO and CFO (and Chairman if appropriate) hold meetings with shareholders as part of the investor roadshows and ad-hoc meetings as appropriate.
- The chair of the Remuneration Committee engages with shareholders on Remuneration Policy and practice.
- The Board reviews the voting of shareholders.



Communities and the environment

Why engagement matters

We do business responsibly. We value our brands and have a reputation built on transparency and proven sustainability expertise. We have strong environmental objectives and targets, driven by our strategic commitments. We are committed to human rights.

We aim to contribute positively to the communities and environment in which we operate. We focus on supporting communities and groups local to our operations. ESG principles and responsible business provide the foundations for sustainable growth.

Volution has a sustainability strategy and has been awarded the Green Economy Mark by the London Stock Exchange. In addition we have a Sustainability Linked Revolving Credit Facility.

How does Volution engage?

- Signatories to the UN Global Compact and the CEO Water Mandate.
- Community investment initiatives.
- Sponsorship and employee volunteering.
- Contributing to national initiatives in society such as International Women's Day and Global Recycling Day.
- A number of employee-led charitable initiatives during the year.

Board engagement

- Active engagement with the Group's ESG matters and sustainability strategy.
- Amanda Mellor, Non-Executive Director, has been appointed as the Board's representative to attend and report back on the management Sustainability Committee's decisions and actions.
- The Board receives regular updates on sustainability including in relation to the development of sustainable new products and progress against sustainability targets.



Government/industry bodies

Why engagement matters

National governments set the regulatory framework within which we operate. We engage to ensure we can help in shaping new policies, regulations and standards, which assist in improving indoor air quality, and ensure compliance with existing legislation.

We continually innovate to ensure our products become more energy efficient in line with the sustainability policies set out by most national governments.

We conduct business in accordance with the principles set out in the Bribery Act 2010.

How does Volution engage?

- Participation in industry bodies and working groups, in particular BEAMA, the UK trade association for manufacturers and providers of energy infrastructure technologies and systems.
- Engagement with tax authorities.
- Responding to industry and government consultations.
- Conferences and speaking opportunities.
- Effective and clear policies against bribery and supporting the elimination of modern slavery with training for staff and business partners.

Board engagement

- The Board provides direction in support of the UN Global Compact's principles, and policies relating to modern slavery and anti-bribery.

Risk Management and Principal Risks

Effective risk management is integral to our objective of delivering sustainable long-term value.

The Board is committed to protecting and enhancing the Group's reputation and assets in the interests of shareholders as a whole, while having due regard to the interests of all stakeholders. It has overall responsibility for the Group's system of risk management and internal control.

The Group's businesses are affected by a number of risks and uncertainties. These may be impacted by internal and external factors, some of which we cannot control. Many of the risks are similar to those found by other companies of similar scale and operations.

The risks and uncertainties facing the Group have been considered in the context of the political and macroeconomic uncertainties that have arisen since the invasion of Ukraine in early 2022 and from the changes in the trading relationship between the UK and the European Union (EU) from 1 January 2021. A specific assessment of the potential risks and our approach to management of these risks can be found on pages 100 to 104.



Our approach

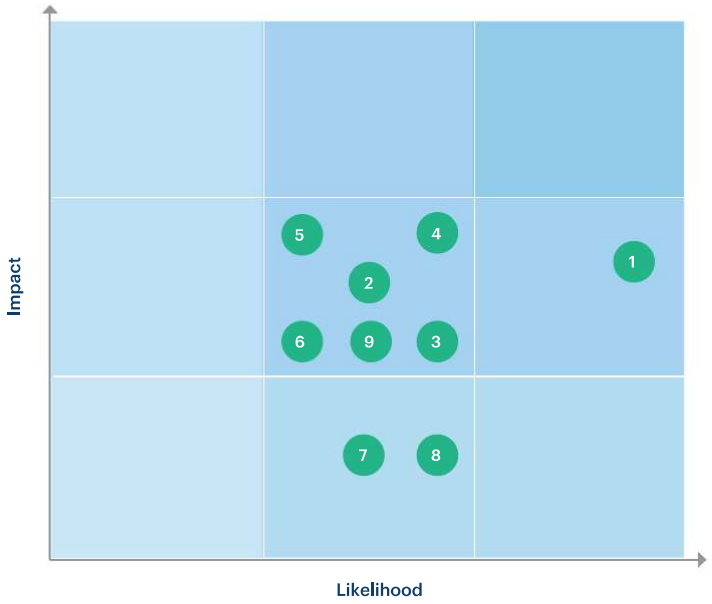
Risk management and maintenance of appropriate systems of control to manage risk are the responsibilities of the Board and are integral to the ability of the Group to deliver on its strategic priorities. The Board has developed a framework of risk management which is used to establish the culture of effective risk management throughout the business by identifying and monitoring the material risks, setting risk appetite and determining the overall risk tolerance of the Group. To enhance risk awareness, embed risk management and gain greater participation in managing risk across the Group, a programme of employee communication continues with all new employees receiving a brochure on joining Volution.

The Group's framework of risk management is monitored by the Audit Committee, under delegation from the Board. The Audit Committee is responsible for overseeing the effectiveness of the internal control environment of the Group.

BDO LLP (BDO) continued to act in the capacity of internal auditor and provide independent assurance that the Group's risk management, governance and internal control processes are operating effectively. BDO continued to act in this capacity throughout the financial year ended 31 July 2023.

Risk heatmap

1. Economic risk
2. Acquisitions
3. Supply chain and raw materials
4. Regulation
5. IT systems including cyber breach
6. People
7. Innovation
8. Customers
9. Foreign exchange risk



Identifying and monitoring material risks

Material risks (including emerging risks) that may lead to threats to our business model, strategy and liquidity are identified through our framework of risk management, our analysis of individual processes and procedures (bottom-up approach) and a consideration of the strategy and operating environment of the Group (top-down approach).

The risk evaluation process begins in the operating businesses with an annual exercise undertaken by management to identify and document the significant strategic, operational, financial and accounting risks facing the businesses. This process ensures risks are identified and monitored and management controls are embedded in the businesses' operations.

The risk assessments from each of the operating businesses are then considered by Group management, which evaluates the principal risks of the Group with reference to the Group's strategy and operating environment for review by the Board.

Our principal risks and uncertainties

The 2018 UK Corporate Governance Code (the 2018 Code) states that the Board is responsible for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives and that it should maintain sound risk management and internal control systems. In accordance with provision 29 of the 2018 Code, the Directors confirm that they have carried out a robust assessment of the principal risks facing the Group, including those which would threaten the business model, future performance, solvency or liquidity.

Set out in this section of the Strategic Report are the principal risks and uncertainties which could affect the Group and which have been determined by the Board, based on the robust risk evaluation process described above, to have the potential to have the greatest impact on the Group's future viability. For each risk there is a description of the possible impact of the risk to the Group, should it occur, together with strategic consequences and the mitigation and control processes in place to manage the risk. This list is likely to change over time as different risks take on larger or smaller significance.

Having completed a thorough review of climate change risks and opportunities (pages 70 and 71), we have concluded that these risks are most appropriately managed by including their potential impact within existing principal risks where relevant, rather than defining a separate principal risk.

Risk Management and Principal Risks continued

Viability statement

The Board has considered the viability of the Group over a three-year period to 31 July 2026, taking into account the Group's current position and the potential impact of the principal risks and uncertainties. While the Board has no reason to believe that the Group will not be viable over a longer period, it has determined that three years is an appropriate period as it aligns with the Group's business planning cycle. The Board believes that this approach provides greater certainty over forecasting and, therefore, increases reliability in the modelling and stress testing of the Group's viability. In addition, a three-year horizon is typically the period over which we review our external banking facilities and is also the performance-based period over which awards granted under Volution's share-based incentive plan are measured.

As part of the annual budgeting process, the Board considers projections for subsequent years. The output of this plan is used to perform central debt and headroom profile analysis, which includes a review of sensitivity to key principle risks and a combination of those risks. It also considers the ability of the Group to raise finance and deploy capital.

Our financial position remains robust. On 2 December 2020, the Group refinanced its bank debt and has in place a £150 million multicurrency "Sustainability Linked Revolving Credit Facility", together with an accordion of up to £30 million. An option was taken to extend the maturity to December 2025 during the year. There are no further opportunities to extend the current facility beyond December 2025, and as such we envisage undertaking a re-financing during calendar year 2024, with the intention of having a new facility in place at least 12 months ahead of the expiry of the current facility. Relationships with the lenders is considered to be strong, and we envisage good appetite from both current and potentially new lenders to participate.

With respect to the longer-term viability of the Group, we believe the business model will remain highly relevant. The regulatory and consumer drive towards making new and existing homes more efficient and therefore airtight will continue, meaning that the opportunities to solve the problems of indoor air quality will only grow, strengthening the vital role ventilation has to play in creating a healthy indoor environment. We believe that one of the legacy consequences of Covid-19 is a heightened awareness of the importance of indoor air quality to health and the role played by good ventilation systems. Customer requirements in terms of enhanced functionality, energy efficiency and aesthetics of products are also supportive trends.

The Board carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. Principal risks are identified through our risk management process and are set out on pages 100 to 104. They are recorded in a Group Risk Register, which is reviewed and discussed by the Board at least twice a year.

Whilst the review has considered all the principal risks identified by the Group, a selection of risks was considered which if they occurred together would be considered a severe but plausible downside scenario with which to assess the viability of the Group.

A general economic slowdown representing the impact of macro-economic uncertainty including the actions of central banks in raising interest rates to curb inflation and the impact that this may have housing and construction (principal risk 1) combined with supply chain difficulties and availability issues (principal risk 3 and 4) has been modelled, combined with a significant acquisition increasing debt but with no positive cash flow contribution (principal risk 2). Combined, this severe but plausible downside assumed a reduction in revenue of 20% and a reduction in gross margin of 10%.

The sensitivities modelled used the same assumptions as for the going concern statement, as set out opposite, for the years ending 31 July 2024 and 31 July 2025 with further assumptions applied for the year ending 31 July 2026.

The geographic and sector diversification of the Group's operations, further demonstrated by the acquisitions made during the FY23 financial year, helps to mitigate the risk of serious business interruption in one area materially impacting the Group. Furthermore, our business model, structured so that the Group is not reliant on a concentration of customers or sectors, and our ability to flex our cost base, will continue to protect our viability in the face of current and foreseeable future uncertain and adverse economic conditions. We demonstrated our ability to maintain and increase margins across our geographies in FY21, FY22 and in FY23, when the Covid-19 pandemic, the impact of the invasion of Ukraine, political uncertainty in the UK and general inflation impacting all input costs were able to be mitigated where possible and recovered through early and decisive pricing action.

The Board have also considered the impact of climate change, particularly in the context of the risks and opportunities identified in the TCFD disclosure of this Annual Report (page 66).

We carried out a full analysis of the physical risks of climate change under our chosen scenarios last year, and have updated that review, considering our new acquisitions. The analysis shows that under the Paris aligned scenario, physical risks to our assets are not expected to be material. The analysis shows that none of our significant assets are in areas of significant physical risk over the time periods assessed. Under the 4c scenario, there is increased risk to some of our assets, but these risks only occur over the long time period, outside of the Viability assessment period.

Over the time period of our viability assessment, we have concluded that there is no material adverse impact of Climate change which could impact the viability of the Group.

Whilst we do not currently expect any material short- and medium-term impacts from climate change under the scenarios we have considered, the risks over the long term are more uncertain and we will continue to assess these risks against judgements and estimate made in preparation of the Groups financial statements.

The Board has carefully considered the principal risks of the Group and the impact of those risks on the viability of the Group and has concluded that there is no reason to believe the Group will not be viable over the period assessed.

Going concern

The financial position of the Group, its cash flows and liquidity position are set out in the financial statements. Furthermore, note 28 on page 214 to the consolidated financial statements includes the Group's objectives and policies for managing its capital, its financial risk management objectives, details of its financial instruments and its exposure to credit and liquidity risk.

The financial statements have been prepared on a going concern basis. In adopting the going concern basis, the Directors have considered all of the above factors, including potential scenarios arising from the political and macroeconomic uncertainty that has arisen post-Covid and since the invasion of Ukraine early in 2022, including the actions of central banks in raising interest rates to curb inflation and the impact that this may have on housing and construction, and from its other principal risks set out on pages 100 to 104. Under a severe but plausible downside scenario, the Group remains within its debt facilities and the attached financial covenants under the 18 month from the balance sheet date period of assessment and the Directors therefore believe, at the time of approving the financial statements, that the Company is well placed to manage its business risks successfully and remains a going concern. The key facts and assumptions in reaching this determination are summarised below.

Our financial position remains robust with committed facilities totalling £150 million, and an accordion of a further £30 million, maturing in December 2025.

The financial covenants on these facilities are for leverage (net debt/adjusted EBITDA) of not more than three times and for adjusted interest cover of not less than four times.

Our base case scenario has been prepared using robust forecasts from each of our operating companies, with each considering the risks and opportunities the businesses face.

We have then applied a severe but plausible downside scenario in order to model the potential concurrent impact of:

- a general economic slowdown reducing revenue by 20% compared to plan.
- supply chain difficulties or input price increases reducing gross profit margin by 10%; and
- a significant acquisition increasing debt but with no positive cash flow contribution.

A reverse stress test scenario has also been modelled which shows a revenue contraction of c37% with no mitigations would be required to breach covenants, which is considered extremely remote in likelihood of occurring. Mitigations available within the control of management include reducing discretionary capex and discretionary indirect costs.

Over the short period of our Climate Change assessment (aligned to our Going Concern assessment) we have concluded that there is no material adverse impact of Climate Change and hence have not included any impacts in either our base case or downside scenarios of our Going Concern assessment. We have not experienced material adverse disruption during periods of adverse or extreme weather in recent years and we would not expect this to occur to a material level over the period of our Going Concern assessment.

The Directors have concluded that the results of the scenario testing combined with the significant liquidity profile available under the revolving credit facility confirm that there is no material uncertainty in the use of the going concern assumption.

Risk Management and Principal Risks continued

Strategic consequence

- Organic growth
- Value-adding acquisition
- Operational excellence

Likelihood key



Unlikely Possible Likely

Potential impact key



Low Medium High

1 Economic risk

Likelihood



Potential impact



Risk change

No change

Risk appetite

Cautious

Strategy link



Risk and impact

A decline in general economic activity and/or a specific decline in activity in the construction industry, including, but not exclusively, a decline caused by economic uncertainty, inflation, high interest rates and impacts of the Russian invasion of Ukraine.

Demand for our products serving the residential and commercial construction markets would decline. This would result in a reduction in revenue and profitability.

Our ability to achieve our ambition for continuing organic growth would be adversely affected.

Change during the year

Economic uncertainty in part as a result of post-Covid economic upheaval and the Russian invasion of Ukraine has continued across the world during FY23.

As a result of the high inflation environment, the UK and most of our geographies have continued to experience a "cost of living crisis".

Governments and central banks have taken strong actions to reduce inflation, primarily by raising key interest rates. This has had some success, with inflation now falling in most of our geographies. The primary source of global inflation – the invasion of Ukraine and the global price of energy and agricultural products – continues to be a risk, although wholesale prices have fallen for both.

There remains considerable uncertainty on the direction of inflation in the short and medium term, and hence the extent to which interest rates may rise further or stay higher for longer than expected. The impact on the housing and construction industry in uncertain.

As such, it is appropriate that "economic risk" remains our primary principal risk.

Risk mitigation

Geographic spread from our international acquisition strategy helps to mitigate the impact of local fluctuations in economic activity.

New product development, the breadth of our product portfolio and the strength and specialisation of our sales forces allows us to outperform against any general economic decline.

Our end-market diversity, with exposure to both residential and commercial and to new build and RMI provides mitigation to economic and housebuilding cycles. Our business is not capital intensive and our operational flexibility allows us to react quickly to the impact of any decline in volume.

Link to climate change risks

Over the longer term, a decline in general economic activity or economic disruption could be caused by physical or transitional risks of climate change. Relevant climate change risks described in further detail in our TCFD section include: Climate risk 1 – Physical risk, Climate risk 2 – Transition risk Reputation, Climate risk 3 – Transition risk policy and legal, and Climate risk 4 Policy and technology.

However, it is important to note that our sustainability ambition is to champion the energy saving potential of our products and solutions and support the net zero ambitions of the countries in which we operate. The regulatory tailwinds should significantly increase demand for our sustainable and innovative ventilation solutions, while our leadership position in the UK, Continental Europe and Australasia means that we are well positioned to seize this opportunity (Transition opportunity 1 – Products and Markets).

Strategic consequence

- Organic growth
- Value-adding acquisition
- Operational excellence

Likelihood key



Unlikely Possible Likely

Potential impact key



Low Medium High

2 Acquisitions

Likelihood



Potential impact



Risk change

No change

Risk appetite

Open

Strategy link

Risk and impact

We may fail to identify suitable acquisition targets at an acceptable price or we may fail to complete or properly integrate the acquisition.

Revenue and profitability would not grow in line with management's ambitions and investor expectations.

Failure to properly integrate a business may distract senior management from other priorities and adversely affect Group revenue and profitability.

Financial performance could be impacted by failure to integrate acquisitions and to secure intended synergies.

Our strategic ambition to grow by acquisition may be compromised.

Change during the year

Whilst the timing and opportunity landscape for acquisitions will vary from time to time, we are positive about the potential range of opportunities in the coming years as exemplified by the two transactions completed during the year ended 31 July 2023 and an additional acquisition in August 2023 (see pages 50 and 51).

Risk mitigation

The ventilation industry in Europe remains fragmented with many opportunities to court acquisition targets.

Senior management has a clear understanding of potential targets in the industry and a track record of acquisitions since IPO in June 2014.

Management is experienced in integrating new businesses into the Group.

Our policy of rigorous due diligence prior to acquisition and a structured integration process post-acquisition have been maintained.

Link to climate change risks

N/a

3 Supply chain and raw materials

Likelihood



Potential impact



Risk change

Reducing

Risk appetite

Open

Strategy link

Risk and impact

Raw materials or components may become difficult to source because of material scarcity or disruption of supply including but not exclusively, as a consequence of economic uncertainty, the Russian invasion of Ukraine, supply interruptions in China, and the evolution of the relationship between the UK and the EU post Brexit.

The increased friction and potential for a trade war or other geopolitical disputes including between the US and China could destabilise supply chain activity.

Prices for input materials may increase and our sales and profitability may be impacted during any period of constraint.

Organic growth may be reduced. Our product development efforts may be redirected to find alternative materials and components.

Change during the year

Potential for disruption to supply chains, especially relating to products and materials sourced from China, continues to be a specific risk that we are managing very closely. Potential impacts could include inability to service customer demand due to non-availability of products as well as input cost increases due to the need to airfreight.

Risk mitigation

We establish long-term relationships with key suppliers to promote continuity of supply and where possible we have alternative sources identified.

We continue to monitor stock levels and order patterns and where deemed necessary will adjust inventory levels to help mitigate any disruptions in supply.

Link to climate change risks

Over the longer term, supply chain issues could be caused by physical or transitional risks of climate change. Relevant climate change risks described in further detail in our TCFD section include: Climate risk 1 – Physical risk, Climate risk 2 – Transition risk Reputation, Climate risk 3 – Transition risk policy and legal, and Climate risk 4 Policy and technology.

Risk Management and Principal Risks continued

Strategic consequence

- Organic growth
- Value-adding acquisition
- Operational excellence

Likelihood key

Unlikely Possible Likely

Potential impact key

Low Medium High

4 Regulation

Likelihood

Potential impact

Risk change
No change

Risk appetite
Cautious

Strategy link

Risk and impact
Laws or regulation relating to the carbon efficiency of buildings, the efficiency of electrical products and compliance may change.

The shift towards higher value-added and more energy efficient products may not develop as anticipated resulting in lower sales and profit growth.

If our products are not compliant and we fail to develop new products in a timely manner, we may lose revenue and market share to our competitors.

Our organic growth ambitions may be adversely affected.

We may need to review our acquisition criteria to reflect the dynamics of a new regulatory environment.

We may have to redirect our new product development activity.

Change during the year
We believe that the already supportive regulatory drivers around energy efficiency and improving indoor air quality will continue to be enhanced over time.

There is a risk that the current economic uncertainty could, in the extreme, lead Governments to lessen or pause green deal commitments and regulations to support energy efficient solutions, in the short term, but we deem this risk to be low and only in the short term.

Risk mitigation
We participate in trade bodies that help to influence the regulatory environment in which we operate and therefore we are well placed to understand future trends in our industry. Favourable regulatory tailwinds have continued to develop.

We are active in new product development and have the resource to react to and anticipate necessary changes in the specification of our products.

Link to climate change risks
Our sustainability ambition is to champion the energy saving potential of our products and solutions and support the net zero ambitions of the countries in which we operate. The regulatory tailwinds should significantly increase demand for our sustainable and innovative ventilation solutions, while our leadership position in the UK, Continental Europe and Australasia means that we are well positioned to seize this opportunity (Transition opportunity 1 – Products and Markets).

5 IT systems including cyber breach

Likelihood

Potential impact

Risk change
Increasing

Risk appetite
Cautious

Strategy link

Risk and impact
We may be adversely affected by a breakdown in our IT systems or a failure to properly implement any new systems.

We could temporarily lose sales and market share and could potentially damage our reputation for customer service.

Change during the year.
The risk of cyber-attack and cyber fraud continues to increase for all businesses. During the year, a failed ransomware attack in one of our businesses, was dealt with efficiently and effectively, and demonstrated our ability to deal with such attacks.

Risk mitigation
Disaster recovery and data backup processes are in place, operated diligently and tested regularly.

Our decentralised IT systems mean that it is unlikely that a material proportion of the Group could be compromised at any one time.

We have a three-layered system of network security protection against cyber-attacks or breaches of security. This infrastructure is maintained to withstand increasingly sophisticated worldwide cyber threats. We also undertake regular cyber security testing and training of our employees. We have a process of annual internal and external penetration testing with quarterly monitoring checks and have carried out an audit review of all third-party IT suppliers.

Link to climate change risks
N/a

Strategic consequence

- Organic growth
- Value-adding acquisition
- Operational excellence

Likelihood key

Unlikely Possible Likely

Potential impact key

Low Medium High

6 People

Likelihood

Potential impact

Risk change
No change

Risk appetite
Cautious

Strategy link

Risk and impact
Our continuing success depends on retaining key personnel and attracting skilled individuals.

Skilled and experienced employees may decide to leave the Group, potentially moving to a competitor. Any aspect of the business could be impacted with resultant reduction in prospects, sales, and profitability.

Our competitiveness and growth potential, both organic and inorganic, could be adversely affected.

Operational excellence may be adversely affected.

Change during the year
The direct risk of Covid-19 causing widespread colleague sickness has largely ended, although we remain mindful of the potential risk of resurgence and continue to ensure the utmost priority is given to the health and wellbeing of our employees.

A high inflation environment and "cost of living crisis" may impact our ability to retain talent.

Our continuing growth has increased the size and complexity of our business.

Risk mitigation
Regular employee appraisals allow two-way feedback on performance and ambition.

A Management Development Programme is run periodically to provide key employees with the skills needed to grow within the business and to enhance their contribution to the business.

The Directors regularly review succession planning and key roles.

Link to climate change risks
N/a

7 Innovation

Likelihood

Potential impact

Risk change
No change

Risk appetite
Cautious

Strategy link

Risk and impact
We may fail to innovate commercially or technically viable products to maintain and develop our product leadership position. Scarce development resource may be misdirected and costs incurred unnecessarily.

Failure to innovate may result in an ageing product portfolio that falls behind that of our competition.

Our organic growth ambitions depend in part upon our ability to innovate new and improved products to meet and create market needs. In the medium term, failure to innovate may result in a decline in sales and profitability. Operational excellence may be adversely affected.

Change during the year
The focus of our capital expenditure investment this year was in new product development which, when taken together with the product portfolios and R&D capability of our two new business acquisitions, demonstrates our continued focus on product innovation.

Risk mitigation
Our product innovation is driven by a deep understanding of the ventilation market and its economic and regulatory drivers. The Group starts with a clear marketing brief before embarking on product development.

Link to climate change risks
N/a

Risk Management and Principal Risks continued

Strategic consequence

- Organic growth
- Value-adding acquisition
- Operational excellence

Likelihood key



Unlikely Possible Likely

Potential impact key



Low Medium High

8 Customers

Likelihood



Potential impact



Risk change

No change

Risk appetite

Open

Strategy link



Risk and impact

A significant amount of our revenue is derived from a small number of customers and from our relationships with heating and ventilation consultants. We may fail to maintain these relationships.

Any deterioration in our relationship with a significant customer could have an adverse significant effect on our revenue from that customer.

Our organic growth ambitions and operational excellence would be adversely affected.

Change during the year

The current macroeconomic uncertainty means that certain customers could fall into financial difficulties. However, we have not yet seen a material increase in the number of customers failing or of bad debt.

Risk mitigation

We have strong brands, recognised and valued by our end users, and this gives us continued traction through our distribution channels and with consultants and specifiers.

We have a very wide range of ventilation and ancillary products that enhance our brand proposition and make us a convenient "one-stop-shop" supplier.

We continue to develop new and existing products to support our product portfolio and brand reputation.

We focus on providing excellent customer service.

Link to climate change risks

Our sustainability ambition is to champion the energy saving potential of our products and solutions and support the net zero ambitions of the countries in which we operate. The regulatory tailwinds should significantly increase demand for our sustainable and innovative ventilation solutions, and strengthen the industry as a whole, including our customers (Transition opportunity 1 – Products and Markets).

9 Foreign exchange risk

Likelihood



Potential impact



Risk change

No change

Risk appetite

Cautious

Strategy link



Risk and impact

Foreign exchange rates between currencies that we use may move adversely.

The commerciality of transactions denominated in currencies other than the functional currency of our businesses and/or the perceived performance of foreign subsidiaries in our Sterling denominated consolidated financial statements may be adversely affected by changes in exchange rates.

Our ambition to grow internationally through acquisition exposes us to increasing levels of translational foreign exchange risk.

Change during the year

The current macroeconomic uncertainty has led to large movements in exchange rates and continued volatility is likely.

Risk mitigation

Significant transactional risks are hedged by using forward currency contracts to fix exchange rates for the ensuing financial year.

Revaluation of foreign currency denominated assets and liabilities is partially hedged by corresponding foreign currency bank debt.

Link to climate change risks

How each government and economy respond to the risks of climate change over the long term may impact the macroeconomic outlook for the countries in which we operate, and hence move foreign exchange rates adversely.

Non-Financial and Sustainability Information Statement

This section of the Strategic Report constitutes Volution's Non-Financial Information Statement and is produced to comply with Sections 414CA and 414CB of the Companies Act 2006.

Reporting requirements	Relevant policy/code	Section within Annual Report
Environmental matters	• Sustainability Policy	• Sustainability (pages 52 to 92)
Employees	• Code of Conduct • Health and Safety Policy • Anti-Bribery and Corruption Policy • Whistleblowing Policy • Modern Slavery Policy • Data Protection Policy	• People Reporting Framework (pages 84 to 92) • Board diversity (page 112) • Gender diversity (page 112) • Stakeholder engagement (pages 93 to 95) • Principal risks (pages 96 to 104)
Human rights	• Code of Conduct • Modern Slavery Policy • Stakeholder Engagement	• People Reporting Framework (pages 84 to 92) • Stakeholder engagement (pages 93 to 95)
Social matters	• Code of Conduct • Stakeholder Engagement	• People Reporting Framework (pages 84 to 92) • Governance (pages 106 to 166) • Stakeholder engagement (pages 93 to 95)
Anti-bribery and anti-corruption	• Anti-Bribery and Corruption Policy • Whistleblowing Policy	• People Reporting Framework (pages 84 to 92) • Governance (pages 106 to 166)
Principal risks		• Risk management (pages 96 to 104) • Principal risks and uncertainties (pages 96 to 104)
Business model		• Business model (pages 22 and 23)
Non-financial key performance indicators		• Key performance indicators (pages 34 to 37)

Directors' s172 statement

Businesses do not operate in isolation. Without a good understanding of who the key stakeholders are and their needs, a business will fail to deliver sustainable value to shareholders and other stakeholders.

Under s172 of the UK Companies Act, a director of a company must act in the way they consider, in good faith, would most likely promote the success of the company for the benefit of its shareholders. In doing this, the director must have regard, amongst other matters, to the:

- likely consequences of any decisions in the long term;
- interests of the company's employees;
- need to foster the company's business relationships with suppliers, customers and others;
- impact of the company's operations on the community and environment;
- company's reputation for high standards of business conduct; and
- need to act fairly as between members of the company.

The Directors are focused on their duties under s172 (1) of the Companies Act 2006 and consider that they have acted in the way they consider, in good faith, would promote the success of the Company for the benefit of its members as a whole, having regard to the stakeholders and matters set out in s172 (1) (a–f) in the decisions taken during the year ended 31 July 2023.

The Strategic Report was approved by the Board and signed on its behalf by Ronnie George, Chief Executive Officer, on 4 October 2023.



Ronnie George
Chief Executive Officer

Governance Report

Governance Report

Chair's Introduction
Board of Directors
Governance Framework
Board Activities
Governance Report
Nomination Committee Report
Audit Committee Report
Directors' Remuneration Report
Directors' Report
Directors' Responsibility Statement