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

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

Amanda Mellor, Senior Independent Non-Executive Director – Group Management Sustainability Committee Board oversight

Materiality assessment alignment with SDGs

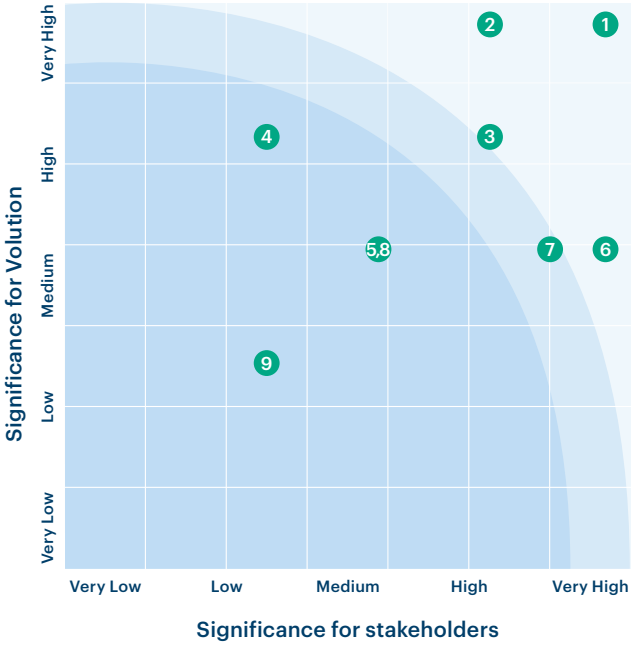
Materiality matrix

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.

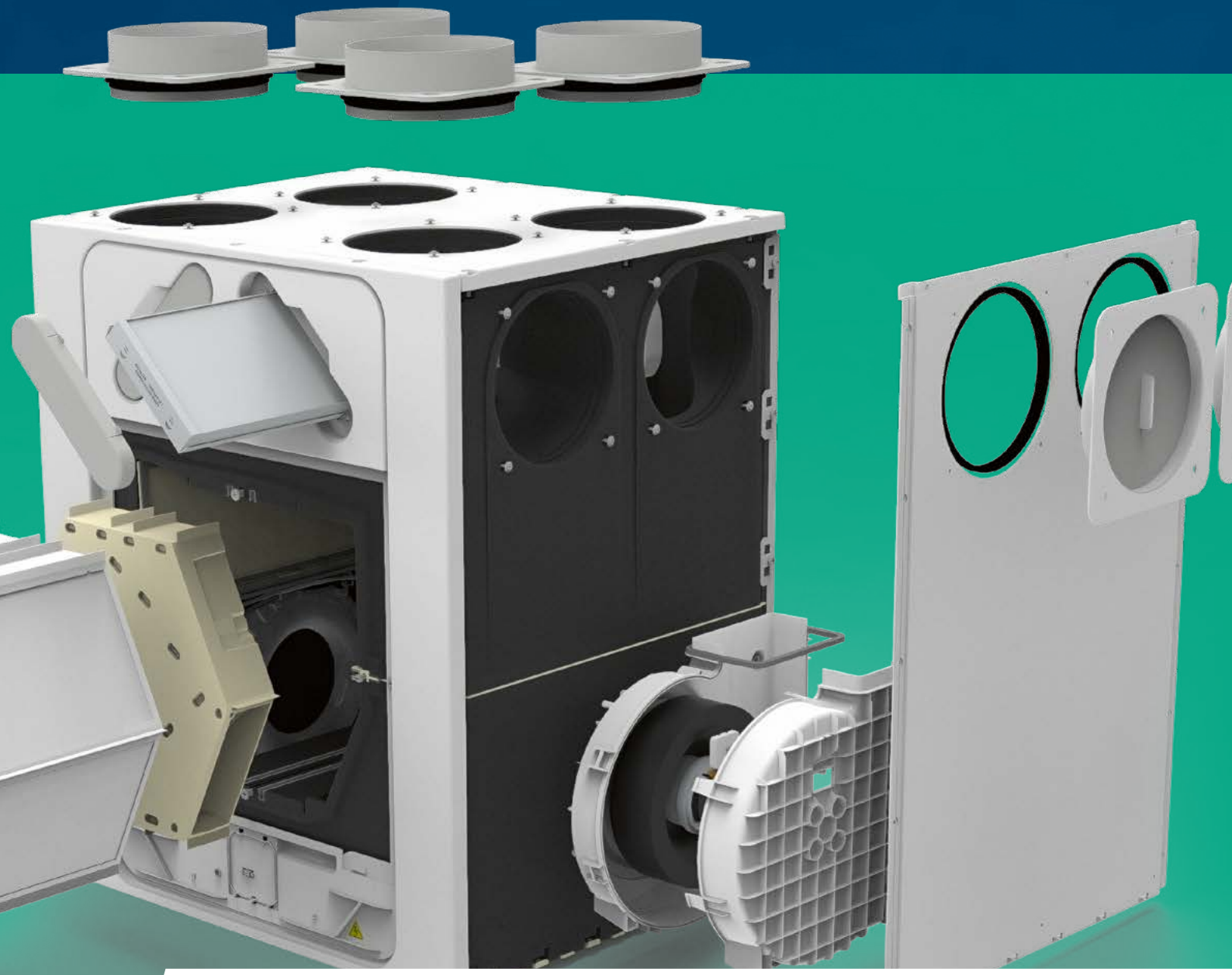
Sustainability continued

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 or ahead	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 or ahead	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 or ahead	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

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:

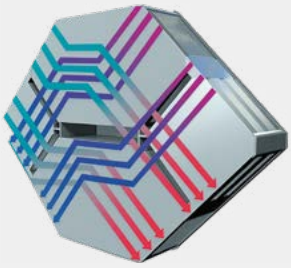
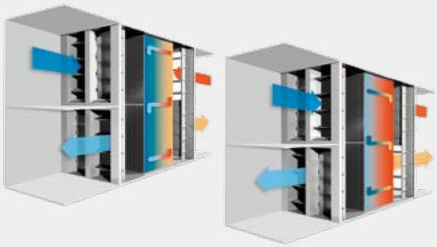


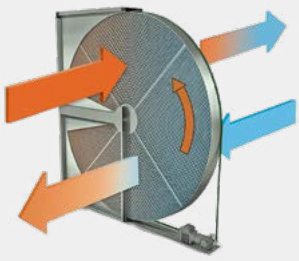
Plate heat exchangers

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 600m^{3}h, 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.

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).

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

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

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

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.

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

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

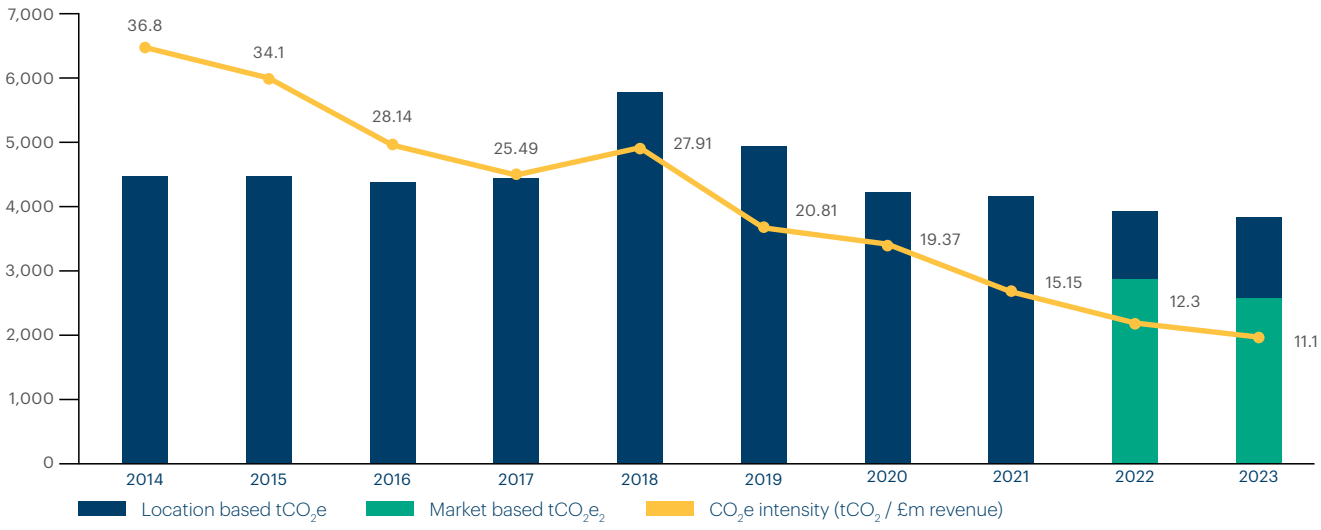
The methodology we have used to calculate our emissions varies by type of emission and is detailed on page 77. We have increased the accuracy of our emissions data gathering and have adjusted the FY22 base year figures where appropriate if more reliable data is now available. For example, where reliable 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

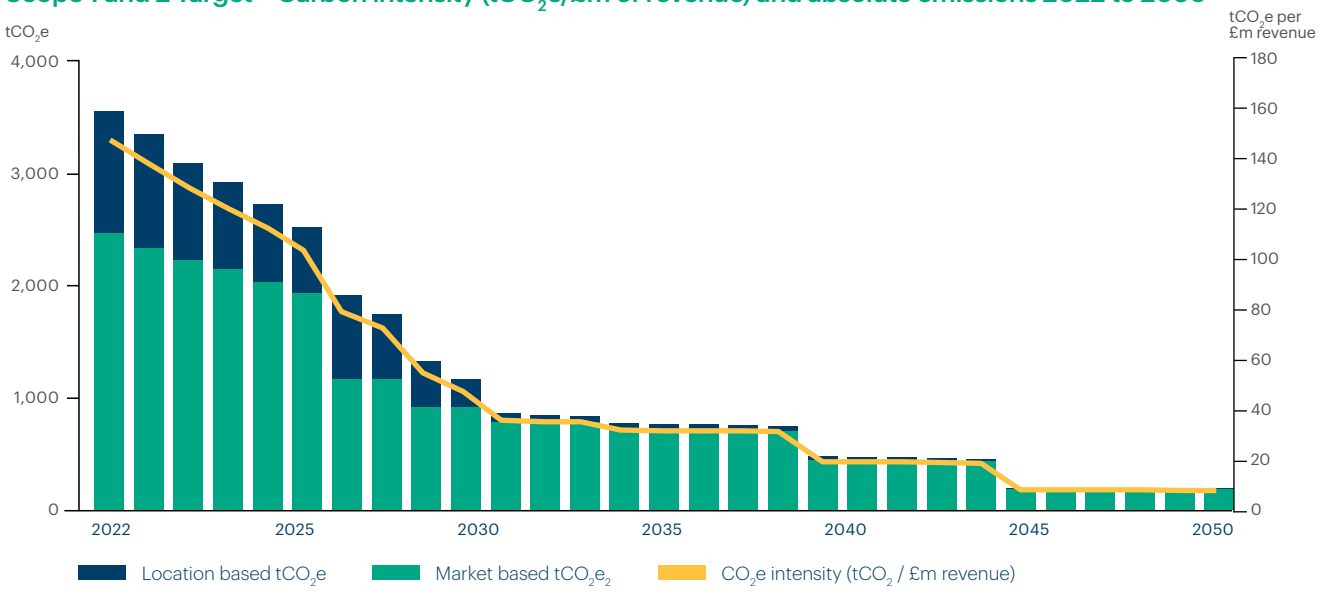


We have continued to deliver a year-on-year reduction in our chosen measure of carbon intensity, reducing by 9.8% since last year, cumulatively 69.8% lower than nine years ago when we first started reporting this measure (see graph page 74).

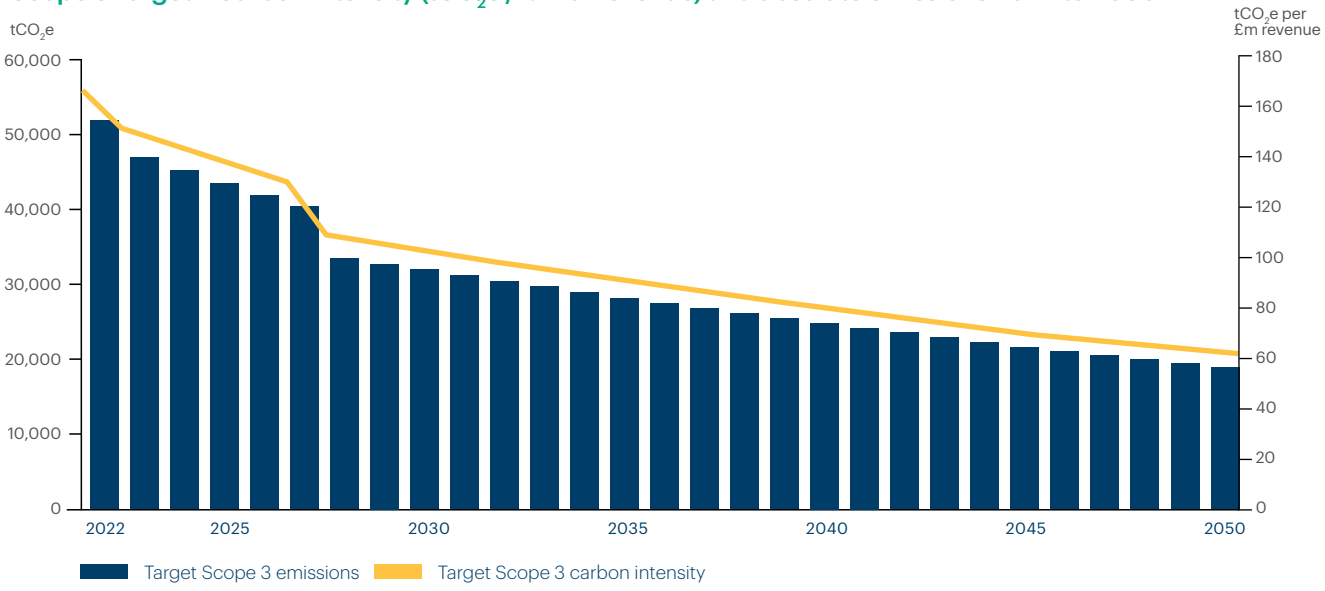
We have also delivered a year-on-year reduction in absolute scope 1 and scope 2 emissions despite the growth of the business both organically and through acquisition. Some of the actions taken by our colleagues to deliver this are shown on page 78.

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.

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.

Carbon Footprint Standard 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.

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

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 CRAWLEY & GATWICK

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.

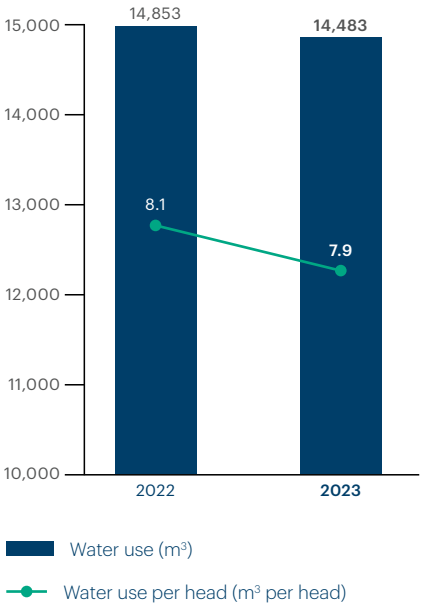
These areas include our direct operations, our supply chain & watershed management, collective action, public policy, community engagement and transparency.

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.

CDP DISCLOSURE INSIGHT ACTION

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

Sustainability continued

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

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.

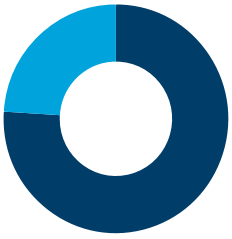
Diversity, equity and inclusion (DEI) continued

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

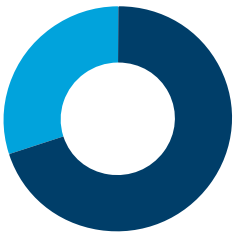
Male: 57%
Female: 43%

Senior managers[1] and direct reports



Male: 76%
Female: 24%

All employees



Male: 70%
Female: 30%

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

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

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

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.

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

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