Healthy air sustainably

volution

Volution Group plc

Full year results to 31 July 2020

Agenda

» Introduction
» Financial Review
» Operational Review
» Summary and Outlook
» Q&A

Ronnie George
Chief Executive Officer

Andy O'Brien
Chief Financial Officer

Lee Nurse
Business Development Director

Ronnie George – CEO

Introduction

Full year results to 31 July 2020

Response to COVID-19

» COVID-19

- Our priority is protecting employees, customers and stakeholders
- Awarded essential services status by UK Government
- We were proud to provide ventilation solutions at the rapidly converted Nightingale Hospital at the ExCeL, as well as several other similar projects around the UK
- Continued to provide uninterrupted service throughout lockdown
- The Group utilised the CJRS to protect employment through the initial period of the pandemic; with the resumption in activity, we will not be making any new claims under the CJRS post 31 July 2020

» Revenue

- Revenue down 7.0% at constant currency
- Our geographic and sector diversity helped mitigate some of the impact of COVID-19. Through the start of FY21 we are seeing a strong recovery in all our markets

» Liquidity

- Record cash generation, bringing the like-for-like net debt down by £23.5 million and closing leverage to 1.3x
- No equity raises

» Operational Excellence

- In addition to our ongoing Operational Excellence initiatives, we undertook a number of streamlining measures in the latter part of the financial year

Fan Assembly – Reading

volution

Healthy air, sustainably

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

Full year results to 31 July 2020

Andy O'Brien – CFO

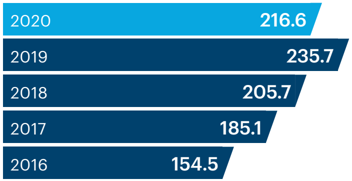
Financial Review

Full year results to 31 July 2020

Financial highlights

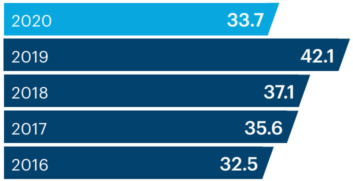
Revenue £m

£216.6m



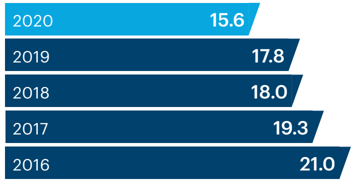
Adjusted operating profit £m

£33.7m



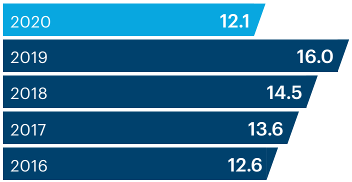
Adjusted operating profit margin %

15.6%



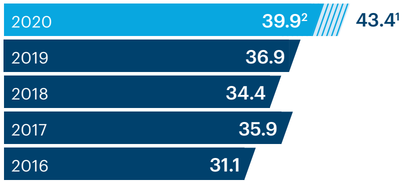
Adjusted EPS pence

12.1p



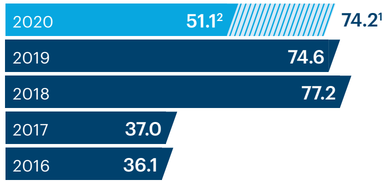
Adjusted operating cash flow £m

£43.4m



Net debt £m

£74.2m



1. IFRS 16 basis.
2. IAS 17 basis.

Financial summary
Excellent cash generation

	2020	2019	Movement
Revenue (£m)	**216.6**	235.7	(8.1)%
Revenue (cc) (£m)	***219.1***	*235.7*	*(7.0)%*
Gross margin (%)	**45.8**	47.1	(1.3)pp
Adjusted operating profit (£m)[1]	**33.7**	42.1	(19.9)%
Adjusted operating margin (%)[1]	**15.6**	17.8	(2.2)pp
Adjusted profit before tax (£m)[1]	**31.2**	39.9	(21.7)%
Adjusted EPS (pence)[1]	**12.1**	16.0	(24.4)%
Adjusted effective tax rate (%)[1]	**23.7**	20.7	3.0pp
Reported operating profit (£m)	**18.2**	24.7	(26.3)%
Reported operating margin (%)	**8.4**	10.5	(2.1)pp
Reported profit before tax (£m)	**14.5**	23.1	(37.3)%
Reported basic EPS (pence)	**4.9**	9.2	(46.7)%
Adjusted operating cash flow (£m)[1]	**43.4**	36.9	17.5%
Reported net debt (£m)	**74.2**	74.6	0.4
Like-for-like net debt (IAS 17 basis) (£m)	**51.1**	74.6	23.5
Closing debt leverage (x)[2]	**1.3**	1.6	0.3
Dividend per share (pence)	**—**	4.90	(100.0)%

1. The Group uses some alternative performance measures to track and assess the underlying performance of the business. These measures include adjusted operating profit, adjusted profit before tax, adjusted basic and diluted EPS and adjusted operating cash flow. An explanation and reconciliation to reported profit before tax is shown on page 8.
2. Closing debt leverage is net debt to LTM adjusted EBITDA.

- **Revenue** – 7% constant currency decline, with 5% constant currency growth in H1 followed by contraction of 18.5% in H2 due to the impact of the pandemic
- **Adjusted operating margins** – 15.6%, with strong progress in H1 underpinned by our Operational Excellence programme (18.3%, up 0.7pp on H1 2019) and H2 margins falling 5.9pp to 12.2% due to loss of volume
- **Adjusted operating cash** – £43.4 million, (£39.9 million like-for-like IAS 17) with a strong cash conversion of 124% (116% on a like-for-like basis)
- **Leverage** on a like-for-like basis reduced to 1.3x
- Adverse **FX impact** of £2.5 million on revenue and £0.3 million on adjusted operating profit compared to the prior year
- Adjusted **effective tax rate** up 3.0pp, driven by the geographical mix

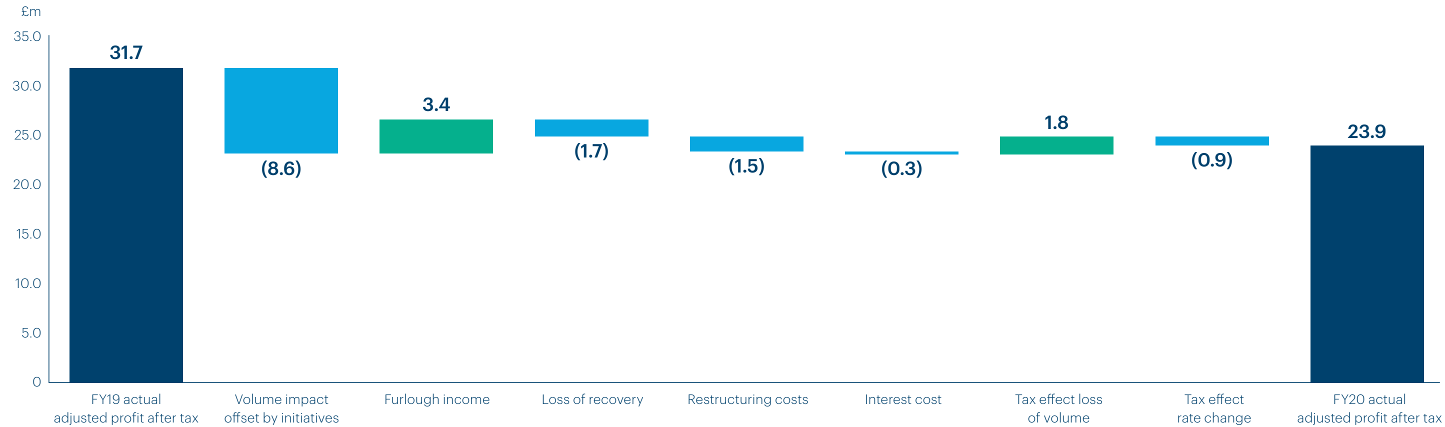
Reconciliation of adjusted to reported profit

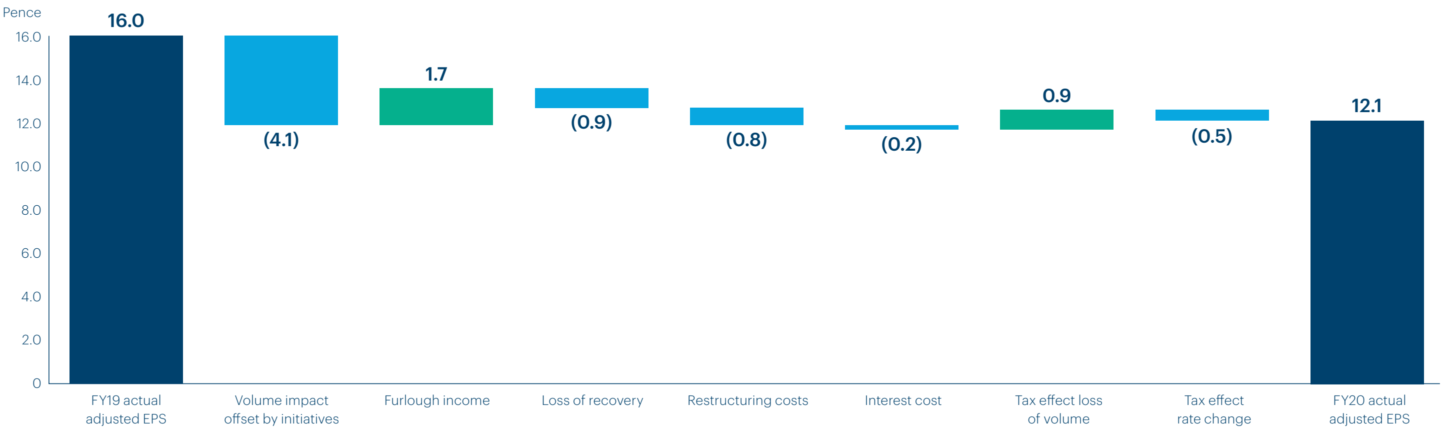
	2020 £m	2019 £m	Movement £m
Adjusted profit before tax	**31.2**	39.9	(8.7)
Items excluded from adjusted measures:			
Exceptional operating costs	—	(1.8)	1.8
Former CFO compensation	**(0.4)**	(0.2)	(0.2)
Net (loss)/gain on financial instruments at fair value	**(1.2)**	0.6	(1.8)
Amortisation of acquired intangibles	**(15.1)**	(15.4)	0.3
Reported profit before tax	**14.5**	23.1	(8.6)

	2020 £m	2019 £m	Movement £m
Exceptional operating costs			
Acquisition-related costs	—	0.5	(0.5)
Factory relocation	—	1.3	(1.3)
Exceptional operating costs	—	1.8	(1.8)

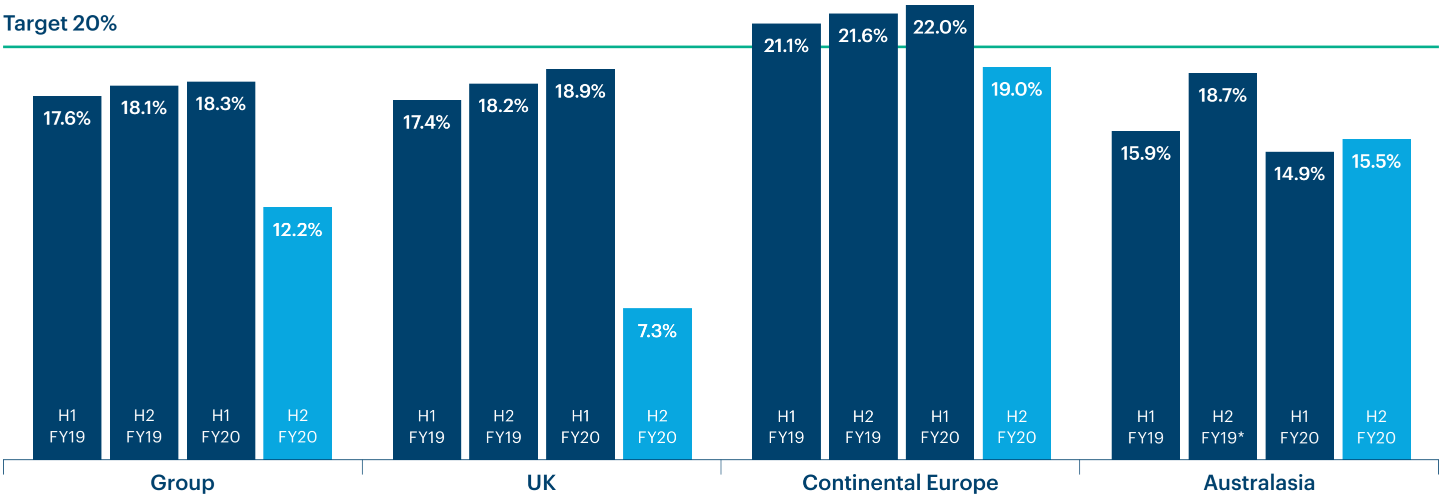
- No exceptional operating costs in the year (2019: £1.8 million)
- Loss of £1.2 million (2019: gain of £0.6 million) on fair value of financial instruments

Adjusted profit after tax and EPS bridge FY19 to FY20





Adjusted operating margin

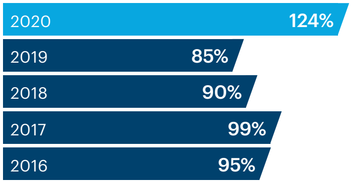


- Good margin improvement in H1, 70bps (130bps organic)
- Second half of FY20 was impacted by COVID-19 principally in the UK

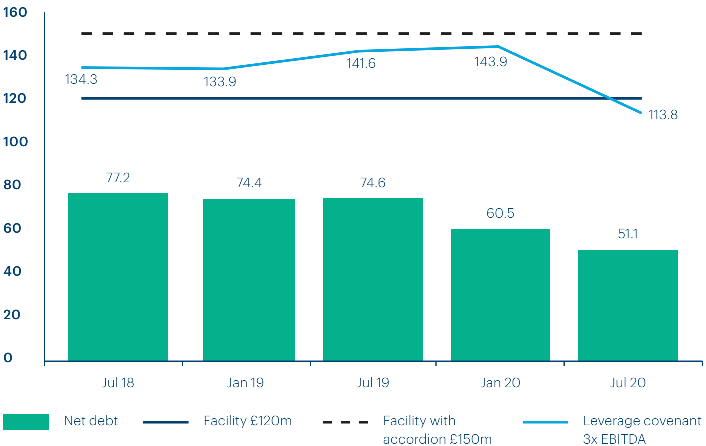
* Ventair acquired in March 2019

Cash and liquidity management during COVID-19

Cash conversion (%)



Net debt and headroom



- Operating cash flow of £43.4 million, representing a cash conversion of 124% (116% on like-for-like IAS 17 basis)
- Continues the Group's strong record of cash generation, with a five-year average cash conversion of 97% (like-for-like IAS 17 basis)
- Working capital reduction of £6.1 million in year driven by inventory reduction of £3.8 million
- H2 operating cash inflow of £21.1 million despite activity downturn due to COVID-19

Decisive COVID-19 cash management actions included:

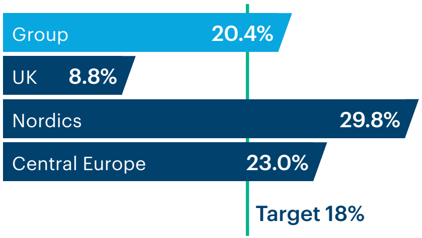
- Precautionary drawdown of £30 million from RCF in March, placed on deposit and subsequently repaid down during final quarter. No equity raise
- No dividend for FY20
- Discretionary costs and capex substantially curtailed
- Inventory demand re-assessed and purchases re-profiled, enabling us to reduce inventory by £2.4 million in H2
- Close management of receivables, no customer issues
- £3.4 million received via furlough and equivalent schemes overseas; UK VAT fully paid with no deferral into FY21

Returns on acquisition investment (ROAI)

	Investment £m	OP 2020 £m	%
Nordics	**26.4**	7.9	29.8%
Central Europe	**32.3**	7.4	23.0%
UK	**28.2**	2.5	8.8%
	86.9	17.8	20.4%

Definitions

- Includes all acquired businesses that have been part of the Group for more than three full financial years
- Investment includes any deferred consideration
- OP – Adjusted operating profit



- Returns on our acquisitions in Nordics and Central Europe remain very strong
- Central Europe improving 1.8pp in the year principally due to the strong performance in Germany
- Returns on the UK acquisitions substantially impacted by demand reduction due to COVID-19 in second half of FY20

Ronnie George – CEO

Operational Review

Full year results to 31 July 2020

Operating segments

United Kingdom

- Residential New Build, RMI (Public and Private), Commercial, Export and OEM

Continental Europe

- Nordics, Germany, Belgium and the Netherlands
- Residential New Build, RMI and Commercial

Australasia

- New Zealand and Australia
- Residential New Build and RMI

% of Volution Group revenue by region

United Kingdom (51.5%)

£111.5m

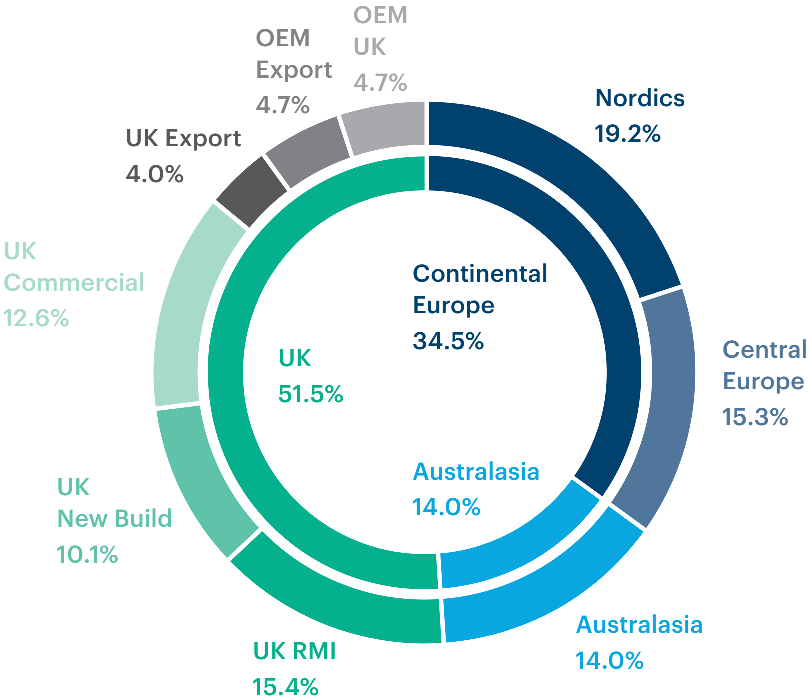
Continental Europe (34.5%)

£74.7m

Australasia (14.0%)

£30.4m

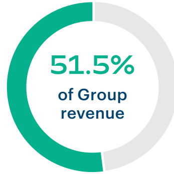
Geographic market diversification



- We remain confident in the long-term prospects of the Group due to our geographical diversification
- UK revenue by customer destination reduced from 48.4% in 2019 to 42.8% in 2020 (51.5% UK less UK Export and OEM Export)
- UK generated revenue split across five different market sectors
- Our geographic and sector diversity helped mitigate some of the impact of COVID-19

UK

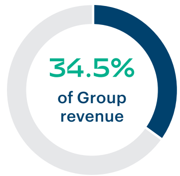
	2020 £m	2019 £m	Total growth (cc) %
UK revenue	**111.5**	135.5	(17.6)
Residential RMI	**33.4**	39.4	(15.2)
Residential New Build	**21.9**	27.8	(21.0)
Commercial	**27.3**	34.8	(21.8)
Export	**8.6**	9.9	(12.8)
OEM	**20.3**	23.6	(13.6)
Adjusted operating profit	**15.6**	24.1	(35.1)
Adjusted operating profit margin %	**14.0%**	17.8%	(3.8)pp



- **Residential RMI** decline of 15.2%
    - H1 was up 1.4% (public up 4.5%); as the UK went into lockdown at the end of March we saw a profound impact on demand which caused the decline in the year
- **Residential New Build** decline of 21.0%
    - First time since 2010 that we have not delivered strong organic growth in this sector
    - We continue to benefit from regulatory drivers aimed at reducing the carbon emissions from new residential dwellings
- **Commercial** decline of 21.8%
    - Adversely impacted in the second half of the year as the UK went into lockdown
- **Export** decline of 13.3% (decline of 12.8% at cc)
- **OEM** decline of 13.9% (decline of 13.6% at cc)
- **Adjusted operating profit margin** down 3.8pp to 14.0%
- Implemented several streamlining initiatives in H2/20
- Strong revenue and margin recovery in the new financial year

Continental Europe

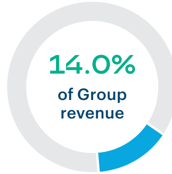
	2020 £m	2019 £m	Total growth (cc) %
Continental Europe revenue	**74.7**	78.0	(2.7)
Nordics	**41.6**	47.0	(9.4)
Central Europe	**33.1**	31.0	7.5
Adjusted operating profit	**15.3**	16.7	(7.9)
Adjusted operating profit margin %	**20.5**	22.7	(2.4)pp



- **Nordics** decline of 11.5% (decline of 9.4% at cc)
- **Central Europe** growth of 6.9% (7.5% at cc) with strong performance in Germany
- **Adjusted operating profit margin** down 2.4pp to 20.5%
- Delivered significant cost reductions in H2/20 to underpin margin expansion
- Strong revenue recovery and margin expansion in the new financial year

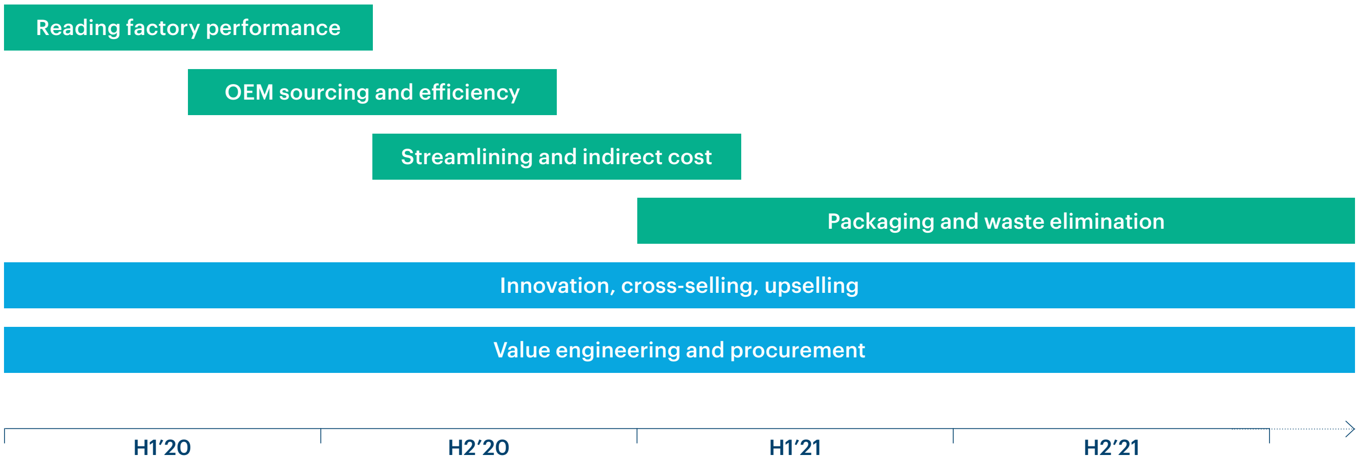
Australasia

	2020 £m	2019 £m	Total growth (cc) %
Australasia revenue	**30.4**	22.2	42.6%
Adjusted operating profit	**4.6**	3.9	22.3%
Adjusted operating profit margin %	**15.2%**	17.7%	(2.5)pp



- **Australasia** growth of 37.3% (42.6% at cc) as a result of the acquisition in Ventair, in March 2019, supported by the introduction of new products
- Organic revenue grew by 0.4% (3.9% at cc)
- **Adjusted operating profit margin** down 2.5pp to 15.2%
- Adjusted operating profit up £0.9 million to £4.8 million (cc)
- Excellent progress integrating Ventair
- Healthy Homes Act in New Zealand driving refurbishment demand
- Strong revenue and margin performance in the new financial year

Operational Excellence – operating margin >=20%



~18%

On track to deliver our operating margin target of >=20% in 2021

20%
TARGET

Sustainability Strategy

Full year results to 31 July 2020

New sustainability strategy

Through dialogue with stakeholders, including employees, customers and end users, we have prioritised the most significant issues and identified where Volution can have the greatest impact.

Product

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

Delivered through clear action

- Increase our sustainable product portfolio
- Inspire sustainable innovation
- Industry partnerships
- Supply chain collaboration

Planet

Our ambition

- Reduce our environmental impact by improving business efficiencies and minimising our impact on the climate
- 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

Delivered through clear action

- Mitigate carbon emissions
- Optimise sustainable materials
- Responsible operations
- Reduce waste production

People

Our ambition

- To continue to develop an engaging and inclusive workforce where our employees feel valued and can fulfil their potential
- Build relationships with the local community, provide support where needed, and leave a lasting legacy

Delivered through clear action

- Champion a zero-harm culture
- Employee engagement
- Retain and grow talent – fulfilling our employees' potential
- Promote social inclusion and protect localism
- Community

KPIs
Targets and measurement

Focus area	Ambition	KPI	In support of the United Nations Sustainable Development Goals
Product	Increase the low-carbon credentials in our products portfolio	Target **70%** of our sales revenue from low-carbon products[1] by the end of FY25 (currently 59% and was 43% in FY14)	3 GOOD HEALTH AND WELL-BEING; 7 AFFORDABLE AND CLEAN ENERGY; 11 SUSTAINABLE CITIES AND COMMUNITIES; 13 CLIMATE ACTION
Planet	Optimise recycled plastics in all our manufactured products	Target **90%** of the plastic that we process in our own factories to be from recycled sources by the end of FY25 (currently 56%)	12 RESPONSIBLE CONSUMPTION AND PRODUCTION; 13 CLIMATE ACTION
People	Our ongoing goal is for zero harm to come to any of our employees or wider stakeholders. We set ourselves a target of zero reportable accidents.	Target zero reportable accidents[2]	3 GOOD HEALTH AND WELL-BEING; 8 DECENT WORK AND ECONOMIC GROWTH

Measures

1. Low-carbon product classification based on recognised methods of assessing energy efficient products within our local countries.
2. Reportable accidents measured via local requirements of our operating companies.

Key regulatory trends in our regions

United Kingdom:
Ambitious energy targets

The UK Government is committed to achieving net zero emissions by 2050. To help achieve this target, it is introducing:

- **Future Homes Standard:** The National House Building Council (NHBC) conclude that to meet the Future Homes Standard MVHR is likely to be needed in most if not all dwellings.
- **New motor provisions:** 2021 eco-design requirements for 120W motors.
- **Industry standards:** Rapidly evolving standards for healthy homes.

70–80% reduction

in home emissions targeted by the Future Homes Standard

Continental Europe:
National and EU-wide change

The EU Energy Performance of Buildings Directive continues to improve insulation and air tightness in buildings across Europe. Most national regulators in our EU markets are supporting this with additional standards and legislation, focused heavily on energy efficiency, eco-design and office ventilation.

66–67% reduction

in home emissions targeted by the German Government by 2030

Australasia:
New minimum standards

The Government of New Zealand has recently introduced tightened regulations for the construction and rental sectors, focusing in particular on insulation, heating, ventilation, moisture ingress and stopping draughts. Every rental property must have mechanical ventilation installed. New Zealand landlords must ensure they comply with the Healthy Homes Standards roll-out starting in July 2021.

July 2021

for New Zealand landlords to start to comply with the Healthy Homes Standards

Summary and Outlook

Full year results to 31 July 2020

Summary

- Adjusted operating cash generation of £43.4 million, the highest recorded in the Group's history, benefiting from geographic diversity and asset light business model
- Like-for-like net debt reduced by £23.5 million from £74.6 million to £51.1 million
- Operating margins expanded strongly pre-COVID-19 and still delivered a full year margin of 15.6% despite pandemic
- Revenue down 7.0% at constant currency impacted by COVID-19 in the second half
- Business continuity maintained throughout with efficient adjustment to remote working for office staff, and production facilities remaining open and adapted to be "COVID-secure"
- Streamlining and restructuring initiatives completed in the UK, coupled with continuing focus on Operational Excellence in our flagship facility in Reading, which will underpin continued margin expansion in the new financial year

Outlook

We have seen 7% organic revenue growth in the first two months of the new financial year, driven by our geographic diversity, structural drivers in the form of more stringent air quality regulations, our market leading positions and a strong demand in the refurbishment markets from customers upgrading their ventilation solutions. The self-help and streamlining measures we implemented last year, together with continuing operational efficiencies, have also delivered a significant increase in our operating margins in all three of our geographic regions.

The Board is pleased with the strong start to the new financial year, and is comfortable with the market expectations for FY21, however, the outlook remains uncertain. The COVID-19 pandemic continues to impact on our markets, and in the UK the ongoing negotiations to finalise a trade agreement with the EU are a concern. We do believe that our geographic diversity, underpinned by the considerable improvement in both our direct and indirect cost base, will enable us to make further progress.

Thank You

Q&A

Full year results to 31 July 2020

Appendix

Full year results to 31 July 2020

Consolidated statement of financial position summary

	31 July 2020 £m	31 July 2019 £m
Non-current assets		
Property, plant and equipment	**21.5**	23.8
Right-of-use assets	**22.1**	—
Intangible assets – goodwill	**116.8**	118.2
Intangible assets – others	**79.8**	95.1
	240.2	237.1
Current assets		
Inventories	**31.8**	35.6
Right of return assets	**0.4**	0.4
Trade and other receivables	**35.6**	42.2
Other financial assets	**—**	0.9
Cash and short-term deposits	**18.5**	11.5
	86.3	90.6
Total assets	**326.5**	327.7
Current liabilities		
Trade and other payables	**(31.3)**	(38.8)
Refund liabilities	**(8.6)**	(7.5)
Income tax	**(1.7)**	(0.3)
Other financial liabilities	**(0.6)**	(0.3)
Interest-bearing loans and borrowings	**(3.0)**	—
Provisions	**(1.8)**	(1.4)
	(47.0)	(48.3)
Non-current liabilities		
Interest-bearing loans and borrowings	**(89.2)**	(85.4)
Other financial liabilities	**(1.5)**	(1.5)
Provisions	**(0.3)**	(0.4)
Deferred tax liabilities	**(13.0)**	(16.0)
	(104.0)	(103.3)
Total liabilities	**(151.0)**	(151.6)
Net assets	**175.5**	176.1
Total equity	**175.5**	176.1

Cash flow/net debt

	IAS 17 2020 £m	IFRS 16 2020 £m	2019 £m	Movement £m	Movement %
Adjusted EBITA (A)	**34.5**	35.0	43.2	(8.2)	(19.1)%
Depreciation	**3.4**	6.4	3.3	3.1	
Adjusted EBITDA	**37.9**	41.4	46.5	(5.1)	(10.9)%
Change in net working capital	**6.1**	6.1	(4.7)	10.8	
Share-based payments	**0.2**	0.2	0.9	(0.7)	
Net investment in fixed assets	**(4.3)**	(4.3)	(5.8)	1.5	
Adjusted operating cash flow (B)	**39.9**	43.4	36.9	6.5	17.5%
Cash conversion (B/A)	**116%**	124%	85%	39pp	
Interest paid on debt	**(1.7)**	(2.2)	(1.9)	(0.3)	
Tax paid	**(5.8)**	(5.8)	(9.3)	3.5	
Dividends	**(6.5)**	(6.5)	(9.1)	2.6	
Free cash flow	**25.9**	28.9	16.6	12.3	73.5%
Changes in investments	**(0.9)**	(0.9)	(11.0)	10.1	
Purchase of shares	**(0.8)**	(0.8)	(1.2)	0.4	
Exceptional operating costs	**—**	—	(1.5)	1.5	
Finance costs paid	**—**	—	(0.2)	0.2	
Former CFO compensation	**(0.4)**	(0.4)	—	(0.4)	
IFRS 16 long-term lease liabilities adjustment	**—**	(23.2)	—	(23.2)	
IFRS 16 payments of lease liabilities	**—**	(2.9)	—	(2.9)	
Cash inflow/(outflow)	**23.8**	0.7	2.7	(2.0)	(76.7)%
Opening net debt	**(74.6)**	(74.6)	(77.2)	2.6	
Cash inflow/(outflow)	**23.8**	0.7	2.7	(2.0)	
FX on foreign currency loans/cash	**(0.3)**	(0.3)	(0.1)	(0.2)	
Closing net debt	**(51.1)**	(74.2)	(74.6)	0.4	0.5%
Closing debt leverage (net debt to adjusted EBITDA)	**1.3x**	1.8x	1.6x	0.2x	

Healthy indoor air, sustainably

A purpose-led approach

At Volution, we know we have a role to play in the future of our planet. Delivering healthy indoor air, sustainably, we want to accelerate a low-carbon future with the health and wellbeing of people and the planet at its core. We achieve this by manufacturing energy efficient ventilation products and solutions that protect the environment and people.

Our commitment to sustainability is instilled across our entire company and we are constantly challenging our approach to the manufacturing and supply of products to minimise our impact on the environment. The relationships we build with our employees, communities and customers are essential to help us deliver our ambitions.

Embedding these values across our organisation is critical to helping us attract, develop and retain the best talent within our organisation.

Our Sustainability strategy

To help us fulfil our ambitions we have defined a new sustainability strategy. This year we have reviewed the material issues that impact our sustainability and prioritised them around the Company's and stakeholders' needs. These include feedback from our stakeholders. These have then been defined in 3 focus areas: product, planet and people. Within each of these areas we have new initiatives and improvement plans. We have aligned our strategy to the United Nations Sustainability goals which are the blueprint to achieve a better and more sustainable future for all.

Our sustainability strategy

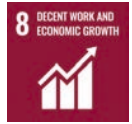
Materiality matrix

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

UN Sustainable development goals

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."

The design of Volution's products helps support SDG target 7.3: "By 2030, double the global rate of improvement in energy efficiency."



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."

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."

SDG 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.

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."

Managing our strategy – being a responsible business

We are committed to operating in a manner that protects human rights, provides real opportunities for our employees, protects the environment and makes a positive contribution to the community.

We embrace a culture of continual improvement in all aspects of our business. We aim to understand and respond to the needs of employees, customers, suppliers, shareholders, the communities in which we work and wider society.

As part of our commitment to sustainability we aim to align our business values, purpose and strategy with the needs of our stakeholders, whilst embedding such responsible and ethical principles into everything we do.

As an international organisation with an international supply chain, we take seriously the impact we have in the places where we do business.

Volution's Board of Directors is ultimately responsible for our Environmental and Social strategy. The board works with our executive team to identify the issues that are most pertinent to Volution and which help evolve our purpose and our business model and we continually review our governance structure to ensure the correct skills are present. Our governance model at a local individual company level then develops actions and initiatives which help drive the deliverables of our strategy. Our local Managing Directors are responsible for implementing and delivering policy and report their progress to the executive team.

Product

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.

Increase our sustainable product portfolio

Our products are intrinsically designed to improve air quality and reduce emissions over traditional methods. We engineer them to protect our customers from the impact of pollution on the spaces they inhabit, whilst simultaneously supporting the fight to make these spaces less carbon intensive in their own right.

Increasing demand for our low carbon product ranges including centralised and decentralised heat recovery products and our wireless control platforms will help drive our ambitions. The percentage of our sales from low carbon products continues to grow both through regulatory tailwinds and consumer preference.

Supply chain collaboration

We work with our supply chain to develop long term relationships, which help drive innovations to help improve the sustainability of our products. Sourcing of more sustainable materials, reduced energy use of components and motors and lower energy losses of power suppliers are simple examples.

Our audit processes already include reviews of a supplier's health and safety credentials, ethical working practices and fair treatment of their workforce and we are working to include a wider sustainability review into our processes.

Inspire sustainable innovation

We are committed to investing in innovation to support breakthroughs in sustainable living and ensuring that emission reduction and air quality are core considerations in our solution design.

We are members of trade associations across our geographies and actively support the introduction of progressive building regulations across the UK, Continental Europe and Australasia to accelerate market adoption on these solutions. We comprehensively engage with our residential and commercial construction customers to identify how we can shape more energy efficient and healthy indoor environments.

In the next 12 months we will be rolling out our new wireless de-centralised heat recovery products into Germany, the Nordics and the UK and launching our new mechanical extract ventilation ("MEV") platform internationally.

Industry partnerships

As active members of trade associations across our Group we influence directional change in the building regulations and improve industry guidance. This activity helps ensure that the regulatory tailwinds created through the international drive to net-zero carbon help support the correct application and use of our technologies. Read more on the Regulatory Landscape on page 22.

Industry partnerships

As active members of trade associations across our Group we influence directional change in the building regulations and improve industry guidance. This activity helps ensure that the regulatory tailwinds created through the international drive to net-zero carbon help support the correct application and use of our technologies.

» Read more on **page 22**

"Our products save energy, reduce carbon emissions and help to build healthy, sustainable homes and buildings."

Ronnie George, Chief Executive Officer

Measuring our approach

Increase the low-carbon credentials in our products portfolio

Low-carbon products are those products which provide energy savings once installed in their application. They include products which reduce carbon emissions verified through national calculation methods or recognised schemes for improving energy efficiency of buildings. In our European companies these are driven by the Energy Performance of Buildings Directive with every local jurisdiction having their own national calculation method. Examples in the UK are products that reduce carbon emissions in the Standard Assessment Procedure (SAP), and that are listed on the Product Characteristics Database (PCDB) or applied in commercial buildings through the Simplified Building Energy Model (SBEM). In Germany, products that reduce carbon using calculations through DIN V 4701-10:2003-08 combined with DIN V 4108-6:2004-03 or DIN V 18599-6:2018-09. We also include products that are listed through other schemes which recognise energy saving measures such as the Energy Technology List (ETL) or, in Australia products that help improve the star rating of a home in the Nationwide House Energy Rating Scheme (NatHERS). In addition, we include products that save energy over traditional methods such as our products with automation and our DC/EC motorised extract fans.

Long term goal

70% of our revenue from low-carbon sales is our goal by the end of FY2025

Achievements in 2020

59% of our revenue from low-carbon sales in 2020

Planned improvements for 2021

60%+ of our revenue from low-carbon sales is our target to beat in 2021

In support of SDGs

Planet

Our ambition

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

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.

Responsible operations

Responsible decision making and smart resource planning are integral to our culture of stakeholder accountability and continuous improvement. We are deeply committed to minimising our impact on the environment by positively challenging and improving our production supply chain with a focus on eliminating waste, minimising emissions and maximising efficiency. As a minimum standard, we comply with current applicable legislation in the countries in which we operate.

In particular, we are concentrated on tackling single-use plastics in our packaging and delivery processes, from investing in recyclable materials to working closely with suppliers to measure and reduce plastic usage.

Another key focus is to identify any potential climate-related risks affecting our business and we are proactively reducing carbon emissions across our business operation. This is all managed through our governance and risk-management process.

Mitigate carbon emissions

In 2019 our new Reading facility in the UK was fully commissioned. This facility has photovoltaic cells on the roof and a battery management system which reduces our electricity usage. Having closed two older sites in Slough and Reading in the UK and consolidated production into this one new site, moving goods between these two sites has also been eliminated.

We seek to lower the emissions from our motor vehicle fleet. We are constantly looking for ways to improve the efficiency of our vehicles, which can in turn reduce the amount of emissions produced. Last year we launched our new motor fleet programme which includes a choice of hybrid vehicles.

New initiatives encouraging remote working and fewer unnecessary journeys plus use of online meeting platforms will continue to drive down our transport emissions.

Optimise sustainable materials

We are focusing on increasing the use of recycled plastic and in 2020 56% of the plastic purchased for use in our own manufacturing came from recycled sources which equates to over 200 metric tons of PVC. We will continue to increase our usage and work with 3rd party suppliers of finished goods to improve the sustainability.

Reduce waste production

We are continuously improving and reducing our waste. Our individual companies have a target to reduce packaging materials by 15% a year. In the UK in 2020 we have completely removed transit single use plastic bags which has led to over 600,000 being diverted from landfill as few recycling facilities exist for them. We have initiatives to reduce cardboard use in our product packaging and transport cartons as well as reducing shrink wrapping around palletised consignments. Not only do these initiatives reduce waste but they also drive down costs consistent with our focus on operational excellence.

"This year we eliminated the use of 600,000 single use plastic bags from landfill."

Ronnie George, Chief Executive Officer

Measuring our approach

Optimise recycled plastics in our manufactured products

Long term goal

90% is our target for the amount of recycled plastics that are used in our manufactured products by end of FY2025, without compromising on the quality or reliability of our products.

Achievements in 2020

56% of the plastic used for use in our own manufacturing came from recycled sources in 2020. This includes 100% of all of our raw material PVC requirements used in our extrusion processes.

Planned improvements for 2021

63% is our target for the recycled content of the plastic used in our own manufacturing facilities by the end of the year. This will be achieved by introducing a new source of recycled HIPS into our ducting component ranges.

In support of SDGs

People

Our ambition

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

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

Champion a zero-harm culture

We are committed to achieving and maintaining the highest standards in health and safety practice. An open culture towards health and safety engages our employees and helps maintain our excellent safety record. Each business invests in specialist roles and training to support this process. Each employee and contractor is given information, instruction and the training necessary to enable safe working. Our employees and contractors recognise that it is their legal duty to take reasonable care for their own safety and the safety of others in their work area with working safely being a condition of employment.

All accidents, dangerous incidents and near-miss situations are promptly investigated. The details of such incidents as well as the remedial and preventative measures taken are assessed closely to assist in raising awareness and reducing the risk of repetition. The Board reviews health and safety at every meeting.

During the year a number of health and safety audits were undertaken to ensure local management placed sufficient focus on health and safety. In addition, due to COVID-19 extra precautions were taken to protect staff working within our facilities, including social distancing measures, sanitising stations, office screening, remote working and online meetings reducing the risk of transmission.

Employee engagement

We have a number of employee communication channels across the business, including an Employee Forum which includes rotating employee representatives from all areas across the Group and allows two-way communication between Volution senior management and the attendees who in turn brief the employees they are representing in each business unit. We also have local internal newsletters which provide a framework for colleagues to participate in two-way communication, giving them a platform from which to help shape and influence decision making within the Group.

Retain and grow talent – fulfilling our employees potential

As an organisation we actively encourage employee development as it is important to us that our employees fulfil their potential and that we attract and retain the best people. We aim to continually enhance the quality and quantity of our support available to all colleagues with the objective of continuously increasing capability levels across the business. With COVID-19 restricting movement and expected to continue to do so, in 2021 we will focus our training and development plans at a more localised level than we have historically.

Promote diversity, social inclusion and protect localism

We believe that better business decisions can be made by having representation from different genders and cultural backgrounds with differing skill sets, experience and knowledge, which reflects our customer base and the wider population in our markets. A key example of this is when we have acquired new companies to the Group and have actively promoted and worked on retaining all employees post completion. We make a huge effort to inspire the employees from these newly acquired organisations often using success stories from previous transactions to engender confidence and trust in our company. Read more on diversity on page 69.

Community

Each company within the Group understands the importance of being a contributing member of society and its impact on the long-term development and sustainability of the business. Each business takes responsibility for managing its relationship with its local community.

Volution, together with many of its employees, supported a range of national and local charities during the year. This year the UK team took part in the MacMillan Coffee Morning in September. Vent-Axia continue to support the Children with Cancer Opera at Syon event, although it was unfortunately eventually cancelled in 2020 but we will support again in 2021.

We also continue to support industry fund raising events for the Electrical Industry Charity who offer a wide range of support services to those who serve and have served within the electrical and energy sector.

> "We believe that optimised business decisions can be made by having representation from different genders and diverse cultural backgrounds with varying skill sets, experience and knowledge."
>
> **Ronnie George,** Chief Executive Officer

Measuring our approach

Our ongoing goal is for zero harm to come to any of our employees or wider stakeholders. We set ourselves a target of zero reportable accidents

Performance against target in 2020

1

In 2020 we had 1 reportable accident. It was preventable and down to human error. It resulted in a major injury with a broken arm. The person was absent for over 2 months but then returned to work. We have taken remedial action to try and prevent it from happening again.

Planned improvements for 2021

0

In 2021 we aim for zero.

In support of SDGs


Picture taken pre COVID-19

Cautionary statement

This document may contain forward-looking statements which are made in good faith and are based on current expectations or beliefs, as well as assumptions about future events. You can sometimes, but not always, identify these statements by the use of a date in the future or such words as “will”, “anticipate”, “estimate”, “expect”, “project”, “intend”, “plan”, “should”, “may”, “assume” and other similar words. By their nature, forward-looking statements are inherently predictive and speculative and involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. You should not place undue reliance on these forward-looking statements, which are not a guarantee of future performance and are subject to factors that could cause our actual results to differ materially from those expressed or implied by these statements. The Company undertakes no obligation to update any forward-looking statements contained in this document, whether as a result of new information, future events or otherwise.