

VolkerFitzpatrick Limited

Section 172(1) statement

for the year ended 31 December 2019

This statement has been prepared solely to provide information to assess how the Directors ("Board") have performed their duty to promote the success of the group. Any forward-looking statements are made in good faith, based on the information available up to the time of their approval of this report and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

The Board continues to take account of the impact of its decisions on all of our stakeholders, who include employees, customers, suppliers, shareholders, regulators, governments, Charities and local community. The Board believes that part of that responsibility includes understanding the views of those stakeholders and building constructive relationships with them. Further details on how we communicate and engage with our different stakeholders is included in the relevant sections below. During the year we have continued to ensure that the health, safety and wellbeing of our people and stakeholders has remained central to everything we do.

The Directors have acted in good faith and in a way that they are most likely to promote the success of the group for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

(a) the likely consequences of any decision in the long term

Strategy

Despite the challenges in the market over the past year, our strategy of prioritising cash-backed profits ahead of turnover growth, and of maintaining our measured and selective approach to bidding and winning work has continued to serve us well. Our careful, measured approach has given us credibility among our peers and enabled us to flourish and generate long term value. We pride ourselves on being grounded, stable and dependable. As well as being selective on contracts, and ensuring robust governance, we're also strong on cost control, and our strategic investments in the future are considered and targeted. The Board are heavily involved in capital allocation decisions and all capital expenditure over £10,000 is approved by a member of the Board. This ensures that the Board considers the likely long term consequences of their investment decisions.

Our business model is formed of four pillars of growth; Exceeding expectations; Driving innovation and digital transformation; Encouraging entrepreneurship; and Enhancing collaboration. By continuing to deliver successfully on these, we will meet our business goals to satisfy our clients' requirements and gain advantage in the marketplace. The pillars are underpinned by the foundations on which our successful business is built, and on which our strategy depend. These foundations give an explicit focus to operational and engineering delivery, risk management, corporate responsibility, people, systems and processes.

Our core values sit alongside the business model and guide our decisions, actions and behaviours. These are; Integrity; Passion; Innovation; Collaboration; and Winning. Delivering to the highest standards is simply embedded in our way of working, and our goal is to continually exceed our clients' expectations and deliver advantage together. We promote a culture which is authentic, honest and dependable. We have a selective approach to taking on new work, which means that we bring our absolute best in the projects we deliver.

Board governance structure

Our Board decision making processes and governance structure ensure that we are able to make appropriate and informed decisions rapidly within a fundamental framework of sensible checks and balances. Our main business units are represented on the VolkerWessels UK Board, its parent undertaking, and the wider Executive Committee which means that our Board decisions constantly consider the needs of all parts of VolkerFitzpatrick. All decisions to enter into transactions will be reviewed by at least two people to ensure independence and our delegated authorities are set out clearly within each company with a number of structured review processes for new bids and tenders, entering into new markets, project risk control and governance, across our business.

The VWUK Operations Board plays an important role in focussing on excellence in operational delivery. It is a cross-business Leadership Team, which helps advise the business and takes action on matters that have a potential impact on our operations. The Health, Safety and Sustainability Leadership Groups bring together the Managing Directors, Operational Directors, Health and Safety, Corporate Responsibility and Environmental leads from each of our business units on a quarterly basis to review Health, Safety and Sustainability performance and key issues or items of strategic significance. The VWUK Risk Management Board reviews and advises on operational and commercial risk management. The VWUK Strategic Transformation Programme Board bring together our digital and technology developments and ensure that our approach to improvement is rooted firmly in ensuring that our people are at the forefront enabling us to be powered by data, driven by people. These Boards and Leadership Groups enable information-based decision-making by the Board Directors on key strategic matters.

Understanding the market in which we operate

Business Unit Review meetings provide a forum for the VWUK Board to understand and challenge Business unit leadership on areas such as customer engagement and satisfaction, and operational and commercial performance, and customer initiatives. Market outlook is a standing item on the agenda for each of these meetings and the Board regularly assess the impact of external factors on their long term business strategy.

External factors, for example of a political, economic and technological nature, are continuously monitored by the Board ensuring short- and long-term implications are understood, and strategy adjusted accordingly. The breadth and diversity of the Group provides good resilience to cope with fluctuations in particular markets which may be caused by the factors above.

Corporate responsibility

We are committed to maintaining the highest standards of health and safety, sustainability and integrity throughout all our business activities. The board ensures that its decision making enables and supports this objective in both current activities and in the long term, through active monitoring, challenging and review of key elements of the strategy which are set out in more detail in the relevant sections below.

All aspects of Corporate Responsibility are high on the Board agenda and regular reporting is reviewed, interrogated and further actions and initiatives delivered through a process of continuous improvement. The Health, Safety and Sustainability leadership groups, which are comprised of Board members from VolkerWessels UK and its business units, ensure delivery of this continuous improvement programme and maintain oversight of the VWUK approach to health and safety, sustainability and environment.

Dividend policy

Our dividend policy is to consider first and foremost the financial strength of the individual entity, ensuring that where capital investment or additional working capital requirements are identified, that those are satisfied. We would expect to pay dividends up to 100% of net profit having taken those business priorities first into consideration.

(b) the interests of the company's employees

At VolkerFitzpatrick, we are proud of our people and their commitment to consistently delivering excellence to our clients. We strive to create a balanced and sustainable business to the benefit of all stakeholders.

All of our people are given the opportunity to develop and grow, with significant investment being made in our workforce to learn new skills. We are focused on providing diverse access to a broad range of learning routes to ensure our workforce have the required skills to support the growth of the Group.

We are also investing significantly in our People systems, in order to attract and retain the best talent available and support the employee life cycle as comprehensively as possible.

During 2019 we have focused on delivering VolkerFitzpatrick's aim to always Experience Excellence - 'working together to experience excellence for our clients and our teams' through our skilled and experienced teams. We have continued to be guided by our 5 'C's (Challenge, Communicate, Certainty, Cost, Campaign), to drive focus and improvements, and at the end of 2019, we introduced a 6th 'C' to our Experience Excellence vision - "Care".

The inclusion of "Care" is to recognise and promote the importance of employees caring about their people, their project and the business. A programme has been created where knowledge and learning can be shared about the 6 'C's to increase practical application and create an environment where the 6 'C' priorities become part of our DNA.

VolkerFitzpatrick has proudly held the external accreditation 'Investors in People' since 2000 and in 2019 we achieved re-accreditation for a further three years. The focus for 2020 will be to continue our investment in people to support our growth and ensure we are fit for the future.

In 2019 we also undertook a group-wide review of our employee value proposition, resulting in new employer branding which can be seen on our updated careers websites and collateral, with the purpose of positioning our business as employer of choice, to attract high calibre individuals to join our organisation and support retention.

A clear strategy for People

To continue to deliver a successful and growing business, it is vital that as a Group we are able to attract and recruit the top talent in our sectors, engage and retain our workforce at all levels and develop the core skills required to ensure we maintain a successful business. The Board actively drive this strategy through a number of focussed and specific actions delivered across the Group and within each business.

This year we have developed and launched our Employee Value Proposition to enable access to the key talent throughout our sectors, and have adopted the latest resourcing tools, including social media, to broaden the range of candidates we engage with. We are also investing significantly in our People data resources and reporting tools to improve our data analysis and decision-making capability. We regularly benchmark our reward and recognition to ensure we are competitive in our markets and are actively exploring ways of creating more agile and flexible working practices as we focus on creating a truly inclusive culture.

Health and safety

Central to our corporate responsibility approach is having a culture where our people consistently demonstrate the right behaviours and apply best practice, especially as it relates to health and safety. We continually strive to prevent work related injuries and the ill health of our employees and anyone associated with our activities, while also improving their wellbeing. We maintain the right culture, combined with effective systems, to deliver quality projects in a safe and sustainable manner.

Well established behavioural programmes have enabled our workforce, employees and supply chain, to actively engage in maintaining a safe working environment; introducing a range of proactive and preventive improvements to how we conduct our operations. Specifically, the PALS programme (Plan, Attitude, Lead and Share), has driven down our Accident Frequency Rate (AFR) which remains in the top quartile of the construction industries best performing companies. The success of our behavioural programmes are evident in our Joint Venture projects where our partners readily adopt our PALS programme.

Our performance this year has seen:

- An increase in working hours of approximately 2million more hours worked - a 30 % increase on 2018
- Approximately 8.7million working hours completed with 7 RIDDOR reportable accidents, giving an accident frequency rate of 0.08 (industry average of 0.18)
- Numerous projects completed accident and incident free

The continued focus on hazard, near misses and close calls has seen a 30% increase in reporting with over 15 thousand reports raised. In 2019 we introduced Airstweb AVA as a group wide reporting system where hazards can be raised on mobile devices and which has further embedded our reporting culture. This increase is a positive indicator of our safety culture, showing a significant increase in awareness and reporting.

We continue to focus on reducing the number of service strikes within the business and we have reviewed our service strike statistics so that we have a better understanding of our incidents. By reviewing the number of excavations undertaken and number of services avoided, our service avoidance programme in 2019 has delivered an avoidance rate of over 99%. This has been coupled with the first utility school of excellence established at the Public Health England site, providing an on-site learning environment to improve the identification and avoidance of buried services when undertaking ground breaking activities.

In 2019 we continued to build upon prior achievements across the range of safety performance indicators. In 2019 VolkerWessels UK group safety performance in comparison to our peers is industry leading, well below the industry average and (for example) amongst the Build UK contractor members the second-best safety record, improving from seventh position in 2018.

Maintaining the mental and physical health of employees is the cornerstone of our occupational health strategy, delivered through a directly employed occupational health team. In addition to health surveillance, we place particular focus on raising awareness and the importance of maintaining good mental health. This includes training for line managers and supervisors on tackling health risks specific to construction while providing any support and guidance required.

We currently have over 30 trained Mental Health First Aiders within the business whom are creating and changing the conversation about mental health: helping break down stigma, we as a business are creating a culture where mental health has parity of esteem with physical health, and mental health first aid has parity of esteem with physical health first aid. Our Employee Assistance Programme was extended to provide support to anyone who works on our projects including subcontractor workforce, families and friends. In 2020 we will be adopting a programme of resilience sessions for line managers and staff to better manage mental wellbeing in the workplace.

Relevant statistics - health and safety

- Accident Frequency Rate (AFR)¹ of 0.08
- Accident Incidence Rate (AIR)² of 199
- 1% reduction in our Minor Injury Frequency Rate (IFR)
- 30% increase in hazard / near miss / close call frequency rate, over 14,000 reports raised
- VolkerFitzpatrick awarded a RoSPA President's award for 11th consecutive year
- 67 drop-in-clinics conducted by occupational health, with over 850 attendees

¹ Accident Frequency Rate (AFR) - RIDDOR reportable injuries (excluding dangerous occurrences) are used in the Accident Frequency Rate (AFR) calculation. The AFR is the most commonly used measure for benchmarking safety performance in the UK. $\text{Accident Frequency Rate (AFR)} = (\text{number of RIDDOR reportable injuries} \div \text{total work hours}) \times 100,000$.

² Accident Incidence Rate (AIR) - RIDDOR reportable injuries (excluding dangerous occurrences) are used in the Accident Incidence Rate (AIR) calculation. $\text{Accident Incidence Rate (AIR)} = (\text{number of RIDDOR reportable injuries} \div \text{average headcount}) \times 100,000$.

Developing and retaining our people

We continue to review employee performance on a regular basis and agree individual development plans for all staff. Our workforce is encouraged to seek development opportunities in all areas of work activity, with a focus on learning 'on the job' rather than relying only on formal training courses. We are also investing in more active learning delivery channels, utilising our available technology, to help our staff access the training they need when they need it.

This year we have further developed our core behavioural and technical competencies, with a focus on more specialist functional requirements. The electronic development and performance review system is now embedded across the Group.

The wide range of disciplines across all VolkerWessels UK businesses provides an opportunity for new talent to gain experience on a variety of exciting projects. We actively promote opportunities internally to make sure team members gain the right experience on some of the largest infrastructure projects in the country.

We work closely with industry based educational organisations such as the Construction Industry Training Board (CITB), Chartered Institute of Building (CIOB) and the Institute of Civil Engineers (ICE) to help our people achieve professional accreditation. Through these relationships we are able to identify the right work placement candidates, apprentices and graduates who are in the process of getting qualified. Many of these individuals ultimately work with us permanently.

Our goals for 2020 focus on three key aims:

(1) To support the growth of our emerging talent as a pipeline for the future:

- During 2019 we re-structured our Learning and Development team to create a specialised Emerging Talent Function to build on our success with the Industrial Training Placements (ITPs) and Graduate programmes. In addition, we have introduced a structured trainee programme (degree-apprentice) with ten new trainees joining our business in August 2019 who will gain a degree level qualification with one of our partnering Universities over the next five years and four existing members of staff who will also join the cohort. In 2020 we aim to support the growth of this emerging talent, utilising our leaders who will mentor and coach as well as provide formalised learning opportunities, supported by our Emerging Talent team. We will build on the programme with further new entrants during August 2020.
- We will build on the diversity of our emerging talent through inclusive recruitment campaigns and continue to review opportunities for new talent streams from various entry points.
- VolkerFitzpatrick has partnered with Raleigh International since 2015, an international sustainable development charity which harnesses the passion and energy of young people to create lasting change. We have supported projects in Borneo, Tanzania and Costa Rica and provided opportunities for volunteers (aged 18 - 24) to undertake overseas development challenges. Through these programmes they develop leadership, teamwork and decision-making skills and cross-cultural learning and we are pleased to continue this support of Raleigh in 2020.

(2) To develop and support the growth of our leaders and managers enabling high performance:

- Leadership Development - we have a suite of leadership programmes for all levels to support talent development and succession planning. This includes training to develop strong management skills which in turn enhances coaching and mentoring teams to achieve their own development goals.
- Upskilling managers - we will provide targeted training and support and develop learning content to upskill our managers. We will be utilising innovative learning methods to help our managers understand how people learn best and their role in reinforcing the use of learning methods for their teams. There will be a range of networking events for career managers and online learning methods for all managers, supported by our classroom-based suite of leadership and management programmes. The intention will be for managers to recognise opportunities for sophisticated and challenging assignments in the workplace which promote learning, which are exciting and cost-effective.

(3) To create an environment where all employees can maximise their potential and feel motivated and engaged:

- Development plans have been aligned to talent and succession plans - we will continue to support People Forums to review the needs of all staff at all levels aligned to business priorities. We continue to develop an environment in which people take responsibility for their own learning and are interested in and support continuous learning in their teams.
- Business specific initiatives and training plan activity is based on business priorities and outputs of Development and Performance Reviews (DPR). There is an embedded process now in place for the DPRs and activity is driven around this area to analyse the feedback from the DPRs, as well as looking at the needs of the overall business identifying and meeting learning needs from an individual, division and full business requirement. The activities set out to equip our people with the relevant skills and knowledge to be agile in the workplace and ready to embrace the future. This will enable the business to meet the challenges of productivity and competition in the industry, achieve its business goals and realise its vision of becoming a learning organisation, supporting our employees to develop to their full career potential.

Employee engagement

We regularly measure the engagement levels of our workforce with all employees provided with the opportunity to share their thoughts on the company and how they feel about working for VolkerFitzpatrick. It is very encouraging that we have seen a consistent improvement in engagement levels year-on-year. Our overall staff engagement is significantly higher than our benchmark companies. For 2019 our engagement score was an impressive 90%, with all key engagement drivers demonstrating improvement or consistency compared with last year.

Each year, every Business Unit and department reviews the feedback from their area and sets out a clear plan to tackle specific issues raised by their employees. These departmental plans are supplemented by company and Group wide plans, each of which are then monitored and tracked through to implementation. The Board takes a particular interest in ensuring that these improvements are made and reviews implementation during the monthly Business Unit reviews held for each business. During 2019 a number of improvements were made as a direct result of the employee survey feedback. Our extension at our Hoddesdon Head office was completed in April 2019 and we expanded our premises in London which enabled us to improve facilities for our teams. Areas of focus for 2020 will include improved flexibility in the ways we work, recognising the performance of our employees and communicating the future plans for the company in an effective and timely manner.

Relevant statistics - employee engagement

- Employee survey score across 4 key engagement metrics of 90% (2018: 81%)

How the Board engages with employees

The Board engages with employees in a number of ways. There are regular informal meetings as the Board are all very involved directly in the direct running of specific areas of the business. There are also a number of employee forums which are open to all such as our digital disruption network, and each business area also holds staff forums where all staff are invited and encouraged to take part in interactive sessions and to find out more about what is going on their business.

We also survey our workforce in order to understand their thoughts on a number of issues. Recent examples include the annual engagement survey and the Investors in Diversity survey.

The Board's focus on future skills and new talent

VolkerFitzpatrick recognises the challenges in the industry to fill the skills gap, especially as the government's infrastructure plan is initiated. Our response is to continue our apprentice and graduate programmes, developing early careers in the industry to support the next generation of engineers and other team members. In 2019 we employed 49 graduates, 24 ITP's and 28 apprentices.

The VolkerWessels UK Group are members of the 5% club, which is a group of employers committed to earn & learn as part of building and developing the workforce they need to play their part as a member of a socially mobile, prosperous and cohesive nation. The Club exists to help its members and all employers increase further the number, quality and range of earn & learn opportunities across the UK. By joining the 5% Club, members aspire to achieve 5% of their workforce in earn and learn positions (including apprentices, sponsored students and graduates on formalised training schemes) within five years of joining.

We support the Careers and Enterprise Company and other similar organisations, providing volunteered help and advice to a number of schools and colleges to promote engineering and construction careers and raise awareness. We encourage our employees to become STEM Ambassadors and are proud to have numerous members of this programme.

Each business is charged with developing and implementing a clear plan to ensure there are long term solutions for future skills requirements in place and the Board reviews this at a strategic level, ensuring that there is a balanced focus with a particular focus on supporting training and ensuring opportunities are fully available for all.

Investment in training and development

Our emerging talent programmes continue to grow, and we now offer a range of apprentice, industrial placement and graduate level opportunities. We have developed successful strategic partnerships with key education partners, as well as introducing new qualification routes. For example, a new Customer Service Apprenticeship was launched this year for staff working in our support functions. Investing in emerging talent is seen as a key business priority.

Beyond these emerging talent programmes, VolkerFitzpatrick have developed a full suite of management training which takes our employees on a journey from first line managers to the executive leaders of tomorrow. There is also a large investment in behavioural safety, compliance and professional training and a suite of e-learning covering topics ranging from integrity to IT.

Relevant statistics - Investment in training and development

- In 2019 we employed 49 graduates, 24 ITP's and 28 apprentices across the Group
- 4,506 days of training undertaken by VolkerFitzpatrick employees during 2019

Equality, diversity and inclusion

VolkerFitzpatrick is committed to creating a diverse and inclusive environment for all those we work with: our dedicated and ambitious people, our supply chain and partners, our clients and local stakeholders. We are proud of who we are and the inclusive way we work, with a collective goal to provide quality and add value to our clients.

We understand that a diverse workforce is key to the future of our business and our focus is on building valuable experienced teams and attracting a diverse pool of talent. During 2019 we were awarded the Investors in Diversity accreditation and we were honoured with two awards - Best Engineering Company and Most Improved Company - in the recent Investors in Diversity UK wide awards.

Equality, diversity and inclusion for us is:

- Making sure every one of our current and future employees feel welcome, valued and respected and are motivated to perform at their personal best
- Creating high performing teams by bringing together different opinions and perspectives to deliver better solutions for our clients and opportunities for our people and our organisation
- Driving continuous improvement processes to maintain and enhance a diverse and inclusive environment
- Embedding a culture of diversity and inclusion through consistent key messages across our business
- Encouraging and attracting people from all ages and backgrounds through local and national recruitment in addition to engaging in education, graduate and apprenticeship programmes.

We are pushing forward the agenda for Equality, Diversity and Inclusion and have appointed a permanent Head of EDI who, with the support of the Board and a steering group which is chaired by a member of the Board, is actively challenging the business to improve equality, diversity and inclusion for everyone. Our teams are passionate and motivated to drive this agenda, and during 2019 we achieved our Investors in Diversity accreditation. This is also being supported by the roll out of our bespoke EDI training across the business, the creation of a network of champions empowered to act locally and the inclusion of EDI competencies in our development and performance reviews.

Gender Pay Gap

As set out in our Gender Pay Gap report, we recognise that in our particular industry of engineering, there is a significant improvement that is required to increase the number of senior women across the industry. It is worth remembering that the definition for 'gender pay gap' is the difference in average earnings between men and women across the business, as opposed to equal pay. The Board actively reviews and monitors remuneration practices to ensure a fair approach is adopted across the group. As a major player in infrastructure and construction across the country, VolkerFitzpatrick is particularly impacted by the national averages for men and women working in the industry. Led by the Board, we are working with the wider industry to encourage more women into construction and we are looking at a number of ways to enhance the representation of women across our business. An important starting point is to ensure that we attract and develop a more diverse workforce.

During 2019, we have worked to enhance our schools' engagement programme, aimed at raising awareness of careers in civil engineering, construction and associated professions such as quantity surveying. However, the impact of these recruitments at an early careers level, will not enable the gender pay gap to decrease for a number of years as it is largely impacted by increasing representation at a more senior level. There is still more to be done to address the gender pay gap, and we will broaden our talent pools and identify transferable skill sets to help increase our female population in middle management and senior level roles.

Ensuring adequate and competent resources

The Board receives and reviews holistic business reports from each area of the business based on the Key Performance Indicators most pertinent to them. At the top of the agenda on every meeting is safety as the health, safety and wellbeing of our people is our top priority. Each project and programme is monitored locally in terms of its delivery and progress, the quality of the work, the productivity of the sites and financial performance and also by the board as part of the wider business reviews. We ensure through our resourcing approach that we have the ability to direct our resources to address any issues and ensure that we are positioned for success.

(c) the need to foster the company's business relationships with suppliers, customers and others

Supply chain

Our supply chain partners form an integral part of the Group's commitment to offering our clients a quality service, in line with our Strategic pillars of growth. We establish mutually rewarding, ongoing relationships with our suppliers and sub-contractors, and today work with many organisations with which we have a long and successful history of co-operation. Our supply chain is thoroughly assessed against key indicators including health and safety performance, design and technical capability, financial strength and sustainable ethical working practices.

The Board approves large orders in accordance with an agreed authorisation matrix. Business to Business meetings are held with our largest suppliers and subcontractors prior to the start of a large project and periodically, as appropriate.

During the year, six supply chain forums were held in across Group businesses attended by circa 600 businesses. In addition, we held around 20 specialist workshops with suppliers and staff in attendance promoting specific contracts, innovation or areas of mutual interest. Many more contract focused meetings and communications are held on a one to one basis as part of our strategy to closely engage with and support our supply chain.

Since May 2013 VolkerWessels UK has been compliant with the Prompt Payment Code, sponsored by the Department for Business, Energy & Industrial Strategy. All large entities within the Group are signatories of the code. Under the code we undertake to:

- Provide suppliers with clear and easily accessible guidance on payment procedures
- Pay suppliers on time within the terms agreed at the outset of the contract and without attempting to change payment terms retrospectively on correctly presented invoices
- Ensuring there is a clearly communicated system for dealing with queries, complaints and disputes
- Advising promptly if there is a valid reason why an invoice will not be paid to the agreed terms
- Encourage best practice
- In addition, requesting that our suppliers encourage adoption of the code throughout their own supply chains.

Relevant statistics - supply chain

- Supplier payment performance for the year showed that the average time to pay an invoice was 35 days and 78% of invoices were paid within the agreed terms with suppliers
- Supplier days excluding accruals were 64 (2018: 61) days
- Since changes were made in July close to 95% of invoices were paid within 60 days.

Customers

The VolkerFitzpatrick Board has an established framework whereby business units are required and empowered to develop their own business plans for subsequent review and endorsement by the Board.

Each business develops a 5-year plan setting out, amongst other things, its proposed sector focus and customer base. From these plans we identify key customers and establish relationship management plans in order to coordinate our interactions and monitor customer satisfaction levels. Coordination of customer interactions is especially important where customers are common to more than one of our businesses, such as in the Defence sector. A significant volume of VWUK's work is for public sector customers, such as the Environment Agency, Highways England and Defence Infrastructure Organisation (operating arm of the Ministry of Defence), several of which have awarded framework contracts that provide a solid baseload of work for VWUK business units.

Lookahead business pipelines are reviewed at both a business level and Board level where predicted trends are evaluated which may influence future business direction. A common governance process has been established across the Group whereby opportunities must, in the first instance, meet stringent selectivity criteria. Thereafter, additional review and approval mechanisms are in place to ensure risks are understood and mitigated.

Regular customer contact is undertaken at all levels through the organisation, where we seek to understand customer objectives and priorities, and gather feedback on our performance. This guides the development of our solutions and highlights opportunities for investment and further research and development (R&D). Consistent with one of our core values, Innovation is integral to us maintaining a market leading position in our chosen sectors. All employees receive mandatory training using our Integrity Suite of learning modules in areas such as anti-corruption and modern slavery.

Customer satisfaction is measured on a more formal basis through tailored interviews, the results of which are fed back to senior management and actions implemented as necessary.

In the year, the Group has further developed its key account management plans for strategic customers in highways, rail and defence. These plans provide a structured approach to developing relationships at all levels, from Board members to project teams.

Other Stakeholders

We engage with our Shareholders and broader group through many informal as well as formal routes with a quarterly business review and reports. Our objectives are set and agreed through our 5-year rolling business planning process and we review our sustainability and other non-financial targets as well as financial targets with them on a regular basis.

We maintain strong relationships with our financial stakeholders with both our bankers and our bondholders, through regular and structured meetings, transparent reporting and ongoing informal relationships.

Members of the Board participate in numerous industry bodies and as a key member of Build UK we enable our industry to be appropriately represented as a whole.

(d) the impact of the company's operations on the community and the environment

Giving back to the community

At VolkerFitzpatrick, we are committed to making a positive impact in the communities where we work. We strive to leave a legacy, not only through the projects that we deliver - be they infrastructure or buildings - but also a less tangible legacy by supporting local communities, through engagement with schools, through charitable activity and by supporting local organisations.

Our offices and sites work actively to become part of the communities in which they work. We respect people and their local environment. Our aim is to add value to our society, inspire others and support colleagues, clients and suppliers in their own efforts to share time, skills and resources in their chosen way. We provide careers advice and support to local schools and higher education facilities, to encourage more people into the wide range of careers construction has to offer. In September, we developed our first cohort of local A-level students who have joined VolkerFitzpatrick on quantity surveying, engineering and construction management apprenticeships where they will gain site experience in their chosen discipline whilst gaining a degree qualification.

We are also committed to working with established industry-based charities that utilise our expertise as engineers and contractors like the work we do with CRASH in the UK. In 2019 we worked in association with CRASH to refurbish the lounge area at Caritas Anchor House, a charity that provides residential and life-skills support for 120 single homeless adults. This project delivered over 110% return on social value. We also continue to support building projects embarked on by Operation Raleigh in third world countries.

Relevant statistics - giving back to the community

- Business wide close call reporting for VolkerFitzpatrick led to donations of £15k to Macmillan Cancer support and local charities (2018: £12k).

Our environmental impact

Our business strategy seeks to ensure ongoing environmental, social and business sustainability. Construction has a significant effect on the environment. We continually strive to be as socially and environmentally responsible as possible, maximising opportunities for enhancement and mitigating adverse impacts on the environment.

In this current uncertain environmental and economic climate, our capacity to endure, be agile and be resilient will be fundamental to our long-term growth and our ability to future proof our business. Notably, the world is facing a climate emergency. Climate change is progressing even faster than the world's top scientists have predicted and is outpacing our efforts to address it. Bold action with far greater ambition than ever before is needed to address climate change if we are to meet the goals of the Paris Agreement. We will build this adaptive capacity by making decisions informed by our inherent culture to do business in the right way, as well as recognising that social and environmental risks have interdependencies that touch every part of our business and our supply chain.

In 2020 we will consolidate our achievements from the past decade and launch our refreshed sustainability strategy. 2020-2030 will be our 'Decade of Action'. We have built on our existing foundations and sound culture and have created a framework that supports our workforce and supply chain in understanding VolkerWessels UK's desire to grow responsibly, with respect for communities and the natural environment, and to leave a legacy we are proud of.

Being a responsible sustainable business embraces everything we do, be it safety, quality, the way we conduct ourselves, the way we respect our surroundings and the way we preserve the future for ourselves, our families, our colleagues and our communities. This framework builds on existing great foundations, aligns our collective ambitions, and enables us to unlock the social value in our operations.

The three pillars of our responsible and sustainable business are:

- People: Putting people at the heart of our approach
- Planet: Protecting and enhancing the natural environment
- Purpose: Being a trusted, forward thinking and respected business of choice

Our key areas of focus within these three pillars are:

- Climate, Energy and Emissions: Translating and taking positive action to reduce or, wherever possible, eliminate our adverse impacts on climate change.
- Responsible Management of the Environment: Environmental risks and opportunities will be managed professionally, responsibly and innovatively.
- Circular Economy: A fully embedded approach to a circular economy which aims to design for sustainability, minimise waste and make the most of resources.
- Sustainable Supply Chain and Ethical Procurement: To operate in a fair and ethical manner and publicise our desire to work alongside a network of likeminded supply chain partners.
- Education and Employability: Raise awareness of the opportunities that exist within the construction industry and ultimately promote VolkerWessels UK as the employer of choice.
- Equality, Diversity and Inclusion: We will ensure that VolkerWessels UK is thoroughly inclusive of people from all lifestyles and enriched by a diversity of perspectives, cultures and backgrounds, characterised by fairness and equality of opportunity
- Charity, Volunteering and Community Engagement: Established and meaningful relationships with charitable bodies and local communities which provide mutually beneficial opportunities.

We maintain clearly defined management systems, interfaces and responsibilities that are understood and accepted by all our people and those working with us. It is imperative we maintain a systematic approach to improving business performance in order to achieve our objectives. This includes managing and optimising our activities, to make our processes more effective, more efficient and more capable of adapting to an ever-changing business environment.

Relevant statistics - sustainability

- Planet Mark™ Certificate achieved for continuous improvement in reducing carbon emissions from Planet First, an international sustainability certification organisation¹
- Our 2019 normalised emissions² decreased 28% per £1m revenue, compared to 2018
- An average score of 40.68 over 53 Considerate Constructors Scheme assessments, compared to an industry average of 36.55
- In 2019 we initiated a commitment to renewable energy contracts, starting at our fixed office premises.

(e) the desirability of the company maintaining a reputation for high standards of business conduct

Integrity

Maintaining a reputation for high standards of business conduct is of paramount importance to us and we expect all employees and all members of our supply chain to behave with integrity at all times. Indeed, integrity is one of our core values and this underpins all of our decisions' actions and behaviours.

Every one of our employees and those who work closely with us are accountable. We expect our people to be open and honest, to run our business ethically and to be morally strong. Long term success is dependent on the recruitment, development, wellbeing and retention of exceptional people that share the right core values and culture.

We have a zero-tolerance attitude towards fraud and unethical behaviour. We consistently maintain effective oversight and scrutiny processes, carried out with independence and impartiality. This is supported by a full suite of policies to ensure that all our activities are conducted to the highest ethical standards.

Our integrity policies (which include expected behaviours in relation to all matters relating to integrity, anti-bribery and corruption, data protection, equality, diversity and inclusion, modern slavery, fraud and whistleblowing), together with our core values, set out the standards and policies under which all of our employees must operate. These combined with our corporate responsibility commitments, provide the framework and guidance for operating in an open, honest, ethical and principled way. Our core values and policies explain how we should behave in the workplace, the marketplace and the communities in which we operate. They also describe how we should handle various legal and ethical matters. Our suppliers and contractors are required to comply with the standards of behaviour set out in these policies via suitable provisions included in their contracts with us. All members of staff, including Directors must complete mandatory online integrity training and our suite of policies relating to integrity matters have all been approved by the VWUK Directors.

Our decision making is linked to ethical values, compliance with corporate, legislative and other requirements, and we are always prepared to seek further improvements.

Whistle blowing

VolkerFitzpatrick is committed to conducting the business with honesty and integrity which we believe is necessary to ensure the future success of the company. It is therefore important to us that any malpractice in relation to the activities we undertake is reported and properly dealt with. We therefore encourage all individuals to raise concerns that they may have about the conduct of others in our business or in the way that the business is run via their line management or through our whistleblowing hotline. Any concerns raised are investigated and dealt with by our UK compliance officer who reports in to the VWUK Board.

Our behaviour defines our reputation and we urge employees and stakeholders to raise concerns and any situations where they believe any of our integrity policies have been breached. This can be done via our whistleblowing hotline or through contacting our compliance officer directly.

(f) the need to act fairly as between members of the company

VolkerFitzpatrick is wholly owned by VolkerWessels UK Limited and therefore acts solely for its 100% shareholder. As a member of the Dutch group, Royal VolkerWessels N.V., VolkerFitzpatrick also applies the internal regulations set out by the group to ensure that it acts fairly as between members of that company.

Approved by the Board of Directors and signed on behalf of the Board:



RA Offord
Director

25 September 2020

Company registered number: 02387700

VolkerFitzpatrick Limited
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