

Sustainability

Committee report



Carolyn Flowers, Sustainability Committee Chair

Activity highlights

- Endorsed the Group's new overarching sustainability strategy and monitored its progress to date
- Assessed the Group's performance against its sustainability targets and reviewed the plans for achieving its sustainability ambitions, which included a review of KPI dashboards and the Group's transition milestone plan
- Approved the Group's new environmental targets which are aligned to the more ambitious Paris Agreement, the targets for which have been approved by SBTi
- Reviewed the results of the Group's second global engagement survey
- Educated on future sustainability reporting requirements, including Transition Plan Taskforce and Corporate Sustainability Reporting Directive
- Reviewed and approved the Group's sustainability disclosures reported in this Annual Report

For information on the primary role and key responsibilities of the Sustainability Committee, please visit the Committees page of the Company's website: <https://www.mobicogroup.com/about-us/corporate-governance/committees/>

Membership, meetings and attendance

Committee member	Appointed	Meetings attended/held
Carolyn Flowers (Chair) ¹	11/05/2022	3/3
Jorge Cosmen	11/05/2022	3/3
Karen Geary ¹	11/05/2022	3/3
Helen Weir	31/01/2023	3/3
Nigel Pocklington ^{1,2}	01/08/2023	1/1

¹ Independent Non-Executive Director

² Nigel Pocklington attended all Committee meetings held in the year while he was a Committee member

Other attendees: Group General Counsel and Company Secretary, Executive Directors, Group Sustainability Director, Group HR Director, Deputy Group CFO and Group Financial Controller, Head of Corporate Accounting & ESG Reporting and Group Employee Experience Director

Governance

The Executive Directors are the sponsors of the Group's sustainability ambitions and are responsible for the delivery of the Group's strategies relating to sustainability, supported by the Group Sustainability Director, the Group Human Resources Director, divisional CEOs and divisional sustainability specialists.

The Committee's role is to review the appropriateness of the Group's sustainability ambitions and strategies in the context of its broader strategy, to monitor and report to the Board on the Group's progress in achieving those ambitions and delivering those strategies. It also plays a key role in overseeing the Group's sustainability reporting.

Reporting and communication

The Group's external report on climate-related risks and opportunities in line with the recommendations of the Taskforce on Climate-related Disclosures (TCFD) for 2023 is set out on pages 65 to 78. Its mandatory disclosures on energy consumption and carbon emissions, including under the Streamlined Energy and Carbon Reporting Regulations (SECR), can be found on page 248. These disclosures have been reviewed and approved by the Committee.

Progress on internal sustainability reporting has continued during 2023: (i) the Global Sustainability Steering Group has regular meetings to better coordinate sustainability initiatives and share best practice across the Group, (ii) the Committee review two KPI dashboards: an environment and a people dashboard, with each tracking key environment and people metrics enabling the Committee to monitor progress of key sustainability KPIs and projects, (iii) the Group continued to enhance and refine its internal data collection approach and verification processes ensuring these are streamlined across the Group. The Committee also received an update in July 2023 from Ernst & Young on the evolving climate related reporting and legislative requirements, with a focus on the requirements of the forthcoming Transition Plan Taskforce, which will require the publication of a transition plan at least every 3 years, and the Corporate Sustainability Reporting Directive, which will require broader ESG reporting, both of which will impact the Group when they come into force.

Sustainability overview

One of the key actions following the peer review undertaken in 2022 was to develop an overarching Group sustainability strategy. The Committee was pleased to endorse this new strategy during 2023 – which is based on three pillars: planet, people and places, which are in turn linked to the Evolve strategy outcomes of being an environmental leader, an employer of choice and our purpose, to drive modal shift. Please see pages 52 to 64 for more information. The Committee monitored progress of each pillar as set out below.

Environment – Planet

Environment ambitions

The Group's environment strategy is centred around transitioning its fleet of vehicles across its operating subsidiaries to zero emission vehicles (ZEVs). Building on the Group's commitment to never buy another diesel bus in the UK and its ambition to have zero carbon emission fleets in UK Bus by 2030 and UK Coach by 2035, in 2021 the Group adopted wider ambitions to have zero carbon emission fleets in North America Shuttle & Transit by 2030, Spain Bus by 2035 and in each of Spain Coach, Morocco Bus and North America School Bus by 2040. Approximately 95% of the Group's Scope 1 and 2 carbon emissions originate from its fleet so this transition to ZEVs will have the greatest effect in reducing the Group's impact on the environment and improving air quality in the communities it serves.

The Committee has monitored progress against these ambitions during 2023 through reviewing the Group's ZEV transition plan which included an update on progress against the fleet ambitions and the projected impact on our emissions. The Committee were pleased to hear about some of the major fleet transition projects underway around the Group, including the Coventry All Electric Bus depot, the first of the electric North America School Bus operations with ZEVs ordered for use in Rhode Island and the multiple fleet technology trials being undertaken in conjunction with manufacturers and particularly for coach in ALSA and the UK. See pages 55, 74 and 75 for more information on the Group's fleet transition ambitions.

Environment performance

The Group monitors six key performance indicators (KPIs) with related targets to track the Group's progress in reducing its impact on the environment over the seven-year period 2019-2025, using 2018 as the base year. These indicators relate to carbon emissions (where targets were set using the SDA approach), water consumption and waste to landfill production. The targets were chosen to meet the then-prevailing IPCC goal of controlling the increase in global warming to below 2 degrees, meaning that they are not aligned to the more ambitious Paris Agreement target of limiting annual average temperature increases to 1.5 degrees above pre-industrial levels.

During the year, the Group submitted near-term carbon reduction targets covering Scope 1, 2 and 3 emissions to the Science Based Targets Initiative ('SBTi') in order to both obtain external validation of our targets and to ensure alignment with the Paris Agreement, with these targets having been reviewed and approved by the Committee prior to submission to SBTi. SBTi completed their validation process in January 2024 and the approved targets are set out on page 76. The Group also has a Emissions Recalculation Policy which was approved by the Committee during 2023 and can be found at www.mobicogroup.com/about-us/our-policies/.

Given SBTi only completed its validation process in 2024, the Committee reviewed progress against the existing targets at the end of 2023. The 2023 results are set out in the table on page 76 (being the six KPIs in the table with a base year of 2018).

An increase in electricity consumption, particularly in our German Rail business due to the award of a new contract, drove an increase in our traction energy metric. While we remain behind all three intensity targets set in 2019, traction carbon and total (Scope 1 and 2) emissions have improved since 2022, as patronage improved year on year. The Group is starting to see the positive impact of its ZEV transition, with the expectation that this trend will continue over the coming years as the transition to ZEVs continues. The Committee also noted the progress on the absolute metrics relating to site emissions, water use and landfill waste disposal – the targets set in 2019 had already been met and there had been further reductions since 2022, albeit the majority of the reduction in landfill waste disposal was due to revising the methodology for calculating waste in North America. See pages 76 to 78 for further information.

As also explained in previous Annual Reports, the Remuneration Committee has set environmental performance metrics in each of the last three annual long-term incentive plan (LTIP) awards. The vesting level of the 2021 LTIP is as set out in the Directors' Remuneration Report, with the carbon emission reduction metric not achieved as a result of the impact of Covid-19 on the Group's intensity metrics.

To demonstrate the Group's ongoing commitment, the Remuneration Committee intends to include further carbon reduction metrics in the 2024 LTIP award. Further details are in the Directors' Remuneration Report.

Social – People and Places

Social ambitions

A number of the Group's social ambitions are intrinsically linked to our Evolve strategy; the employer of choice, the safest, the most reliable and the most satisfied customers.

The Group's people remain a critical component, being the key driver of the Evolve outcome of being the employer of choice. Our people strategy (Be Part of the Future Today), which was launched in 2022, has three pillars: Embrace, Energise and Elevate, which are underpinned by our Essentials, as further described on pages 62 and 63 of the Strategic Report. This year, the Committee has continued monitoring the implementation of the people strategy and was pleased to note the progress made on all four 'E's during 2023, including the establishment of a global talent taskforce, a D&I taskforce, SLT academy, the launch of a new global intranet – MobiconX, the trial of the new Mobico Hero awards which will now be launched in 2024 and a second global engagement survey was completed – see page 63 for further information on these initiatives.

The Committee also received an update on the Places pillar and the activities undertaken by our divisions in the communities they serve, including a reforestation project being undertaken in Palencia in Spain and our donation of a bus to Suited for Success, a Birmingham based charity. This highlighted that, whilst it is appropriate that the divisions lead on such initiatives given their proximity to the local communities, the Group also needed an overarching Group community engagement framework and plans are underway to develop this framework during 2024.

Social performance

As part of the 'Your Voice Matters Campaign' (a key component of the Energise pillar of the people strategy), the Group carried out its second global employee survey in late 2023.

The Group achieved a 73% response rate against a target of 75% and our Group employee net promoter score (eNPS) was +11 against a target of +12. Although the targets were just missed, the Committee noted that: (i) a response rate of 73% was high and would be demonstrative of the workforce, (ii) eNPS had increased +4pts from the previous year, which was a pleasing increase in a year of challenge and change, and (iii) that the key areas of focus emerging from the last survey relating to reward and recognition, talent and staffing and career progression had all improved, demonstrating our 2023 action plans had been effective.

In reviewing the results from the survey, the Committee observed some key opportunities for 2024: (i) focus on engaging leaders to boost engagement, (ii) embed a consistent experience across divisions to increase engagement and performance, and (iii) maintain the positive momentum to ensure colleagues stay proud and connected. Action plans are currently being put in place and the Committee will review progress throughout 2024.

In addition, a new people specific KPI dashboard was introduced towards the end of 2023 which will be presented to the Committee annually to allow them to track progress of the Group's people metrics linked to each of the 4 'E's.

To demonstrate the Group's ongoing commitment to its people, eNPS will be part of the senior leaders' bonus schemes for 2024.

For more information on the Group's social performance, see pages 04, 05 and 52 to 64.



Carolyn Flowers
Sustainability Committee Chair

21 April 2024