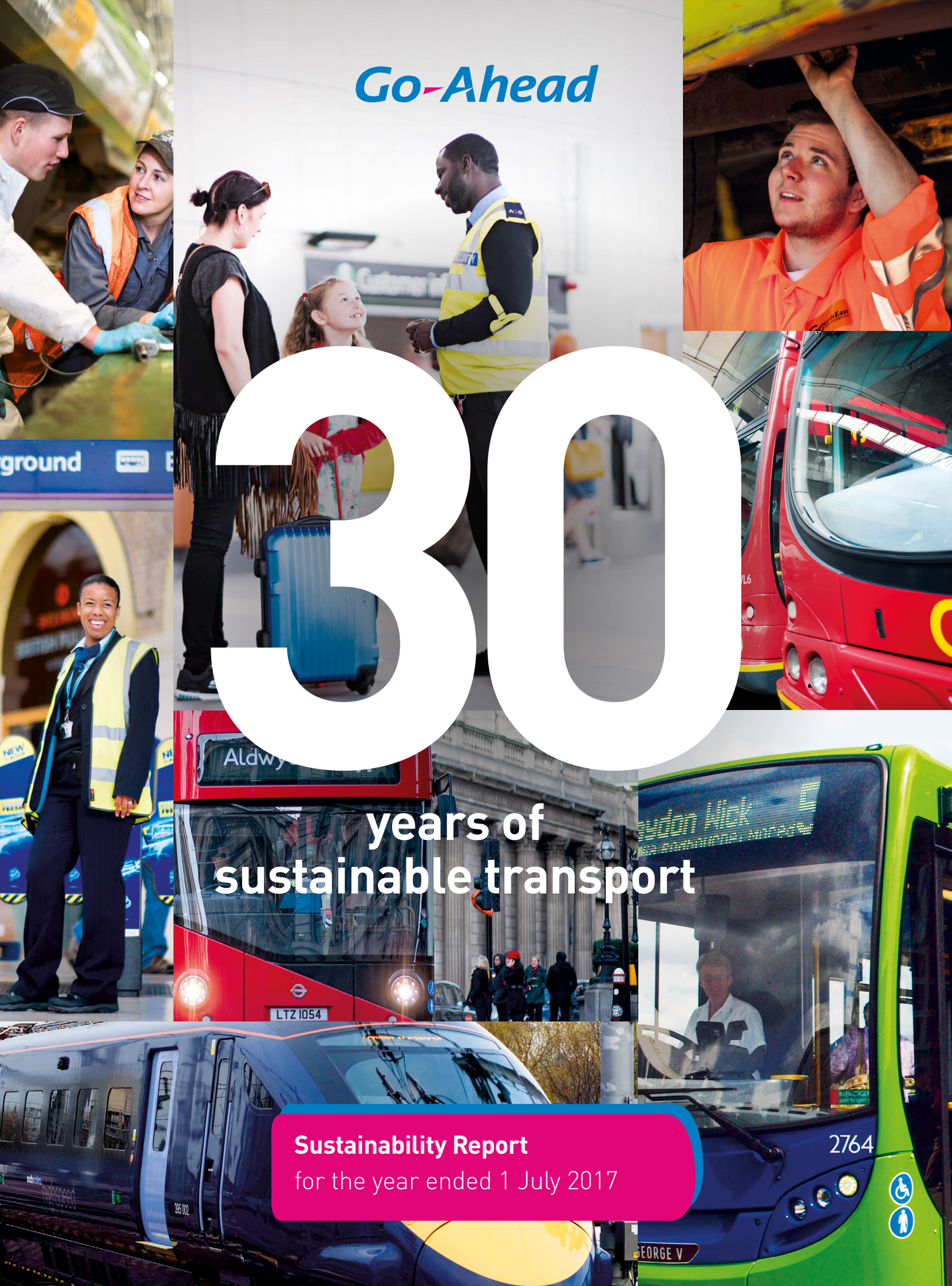


**Go Ahead**

30

years of  
sustainable transport

**Sustainability Report**  
for the year ended 1 July 2017





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## ABOUT US

Go-Ahead is one of the UK's leading public transport providers taking care of more than a billion journeys each year on our bus and rail services. At Go-Ahead we place great importance on partnership, adopting a collaborative approach with governments, local communities and strategic partners; developing and running services that create long term value for all of us.

### OUR OPERATING COMPANIES

#### Our bus operations



#### Our rail operations



### OUR REPORTING STRUCTURE



To run our companies in a safe, socially and environmentally responsible manner.



To provide high quality, locally focused passenger transport services.



To be a leading employer in the transport sector.



To run our business with strong financial discipline to deliver sustainable shareholder value.

 For more information refer to page 20 onwards

# Our business is based on strong fundamentals

## Business overview

- Results in line with expectations
- Bus and rail operating profit at £90.7m (2016: £91.2m) and £59.9m (2016 restated: £71.4m), respectively
- GTR service levels improving after impact and level of industrial action reduces
- Agreement reached in July with the DfT on GTR contractual variations relating to industrial action has reduced financial uncertainty
- Proposed final dividend increase of 6.5%, in line with rise in interim dividend, resulting in a full year dividend of 102.08p
- Clear strategy of protecting and growing our core business, winning new bus and rail contracts, and developing for the future of transport

## International development

- Progressing towards a new target for international operations to contribute 15% to 20% of Group profit within five years
- Bus contract in Singapore commenced and delivering high performance levels
- Third German rail contract secured and bus contract won in Dublin
- Actively exploring further bus and rail opportunities in Nordic region and Australia

## Sustainability highlights


- Maintained sector-leading performance in customer satisfaction in regional bus, with score of 90%
- Southeastern achieved the largest-ever improvement in customer satisfaction of any UK rail operator
- First transport group to achieve Carbon Trust triple accreditation
- Contributing to improved air quality
- First bus company outside London to introduce latest 'model 2' contactless payments
- First FTSE 350 company to achieve the Fair Tax Mark

### Single remuneration figure

The total single remuneration figures for our executive directors for the year ended 1 July 2017 are shown below:

|   | 2017<br>£'000 | 2016<br>£'000 |
|---|---------------|---------------|
| Group Chief Executive – David Brown             | 801           | 1,214         |
| Group Chief Financial Officer – Patrick Butcher | 422           | 269           |

See directors' remuneration report on page 77 of the 2017 Annual Report.



**Andrew Allner,**

Chairman

6 September 2017

## Performance in the year

90%

Regional bus customer satisfaction  
(2016: 89%)

82%

Rail customer satisfaction  
(2016: 75%)

£3,481.1m

Total revenue  
(2016: £3,361.3m)

£150.6m

Total operating profit  
(2016 restated: £162.6m)

207.7p

Earnings per share  
(2016 restated: 218.2p)

102.08p

Dividend per share  
(2016: 95.85p)

0.75kg

Carbon emissions per passenger journey  
(2016: 0.82kg)

# At Go-Ahead, we care about every journey made on our services



“Through our strategy, we aim to deliver excellent customer service, returns for shareholders and value for all our stakeholders.”

**David Brown,**  
Group Chief Executive

As one of the UK's largest providers of public transport, Go-Ahead plays a vital role in building a thriving economy and connecting communities. By providing essential bus and rail services, we help people connect with each other and get where they want to go; enabling access to jobs, education, retail and leisure.

## Our vision and strategy

Our vision is 'a world where every journey is taken care of' and, while we know there is always room for improvement, we're proud that we take care of more than a billion passenger journeys a year. We have won new businesses in Singapore, Germany and Ireland, and will continue to run them using our devolved approach, empowering our local management teams to deliver services that are valued by passengers, local authorities and communities alike.

We have a simple and clear strategy: to protect and grow our core business, win new bus and rail contracts and develop for future transport needs. We aim to inform our strategy by listening to our stakeholders, so that we can maximise the value we create for them – taking care of every customer journey, providing returns for our shareholders and contributing to the local economy through job creation, reduced impact on the environment and improved mobility for society at large.

 [More information on our strategy from page 8](#)

## Our performance

Overall profitability for the year was in line with our expectations. Group operating profit was £150.6m (2016 restated: £162.6m), down 7.4% as a result of falling rail division profits.

Bus division profits were level against the prior year. Strong performance in some of our operating areas was offset by non-recurring costs, challenging trading conditions and declining passenger volumes in other regions.

Our rail division delivered a mixed performance in the year. London Midland performed very well, driving up passenger volumes, revenue, customer satisfaction and employee engagement. Southeastern's operational performance was very good, resulting in the most improved customer satisfaction score of all UK rail operators, up from 72% to 82%. In GTR, industrial relations issues affected our customers, our colleagues and our profitability. We apologise to our Southern passengers who have been inconvenienced for many months by disruption caused by industrial action.

 [Read more about our results on our website; \[www.go-ahead.com/investors\]\(http://www.go-ahead.com/investors\)](#)

## Our purpose

Go-Ahead has a clear and important purpose. We believe in doing business in the right way, behaving ethically and creating value beyond financial return for all our stakeholders. I believe that these values, along with Go-Ahead's strong financial grounding and track record of operational delivery, support our position as a leading provider of public transport now and in the future.

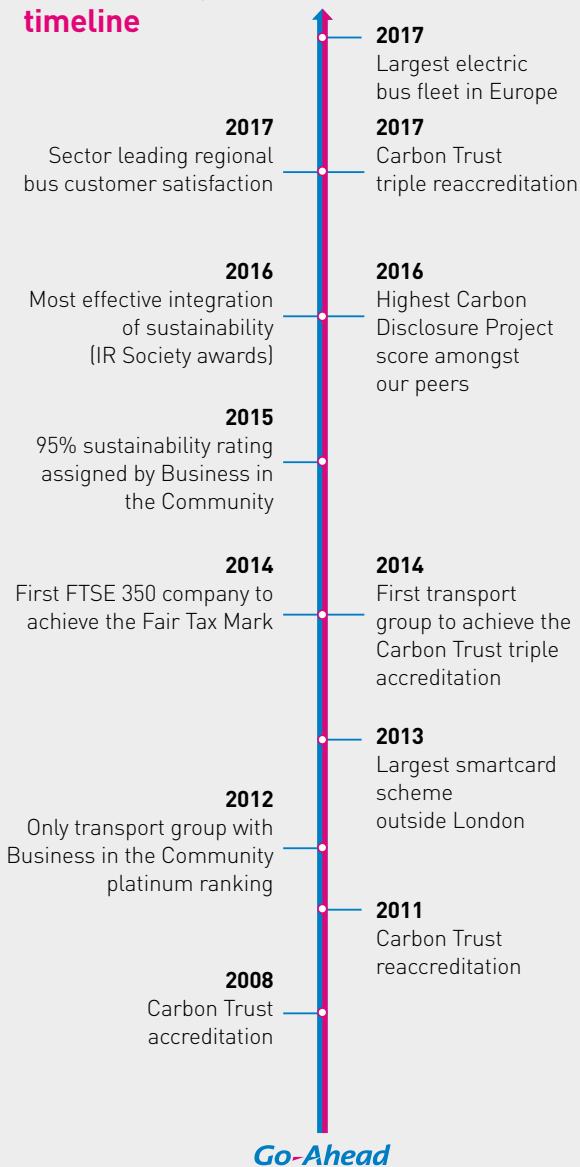
In this, Go-Ahead's thirtieth year, I'm proud to lead a business that has enabled three decades of passenger journeys. We've made progress in evolving our strategy, shaping our culture and preparing for the future challenges facing us and our wider industry.

**David Brown,**  
Group Chief Executive

# 30 years of sustainable transport

We have 30 years of experience in generating long term value for all our stakeholders. Our sustainability strategy is aligned with our business strategy and engages in activities that deliver long term value to our people, customers, shareholders and the communities we serve, as well as society at large.

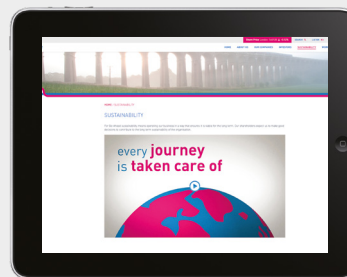
## Sustainability timeline



Our top-down and bottom-up approach ensures that we are a socially responsible company at all levels. We have Group forums on a range of sustainability areas including: health and safety, diversity and inclusion, and insurance and risk. In these forums, our operating companies discuss material issues on these topics and share best practice and insights. The culture of the organisation ensures that all activities, from day-to-day operations to high level strategic decisions are carried out in line with this sustainable approach.

The Go-Ahead Group Board of directors is ultimately responsible for sustainability. Our directors' remuneration is linked to performance against our strategic business objectives – including customer satisfaction – and bonuses are subject to clawback provisions.

### Video highlights 2017



Watch our video that summarises our performance last year at: [www.go-ahead.com/sustainability](http://www.go-ahead.com/sustainability)

### Operating companies' sustainability reports

All our operating companies produce sustainability reports, and you can read them at: [www.go-ahead.com/en/sustainability/performance-and-reports](http://www.go-ahead.com/en/sustainability/performance-and-reports)


### Materiality review

Conducting a sustainability materiality review helped us to decide which corporate social responsibility initiatives to invest in.

 [Read more about our materiality review from page 16.](#)

### Stakeholder engagement

We have a wide variety of stakeholders and engaging effectively with each of these groups plays a critical part in the success of our business. Working together with our stakeholders helps us work towards achieving our vision of a world where every journey is taken care of.

 [Read more about our stakeholder engagement on pages 4 and 5.](#)

## HOW WE CREATE VALUE

# A world where every journey is taken care of

### Why we engage

Policy and regulatory changes affect our bus and rail businesses

### Our impact

Helping shape new policies, regulations and standards for the industry such as the Bus Services Act 2017, for the long term benefit of passengers

### Why we engage

Understanding our passengers' perception of us and our services helps us deliver change and improve performance

### Our impact

Our regional bus business consistently achieves industry leading customer satisfaction scores

### Why we engage

By providing open and transparent information, we enable investors to make informed investment decisions

### Our impact

Feedback from investors forms part of the Board's strategic discussions



### Government

By working closely with both central and local government we bring the benefits of private sector operation; helping to reduce public spending, and our experience and expertise; helping to shape policy and regulatory changes.



### Customers

Customers are at the heart of Go-Ahead. We understand our local markets and strive to exceed our customers' expectations. We care how our customers' feel about us and our services so we can deliver improvements.



### Investors

Go-Ahead is listed on the London Stock Exchange, forming part of the FTSE 250. We provide investors with open and transparent information and encourage two-way communication. Feedback from our shareholders forms part of strategic Board discussions.



### Strategic partners and suppliers

We work collaboratively with strategic partners including the DfT, TfL, local authorities and Network Rail, and have effective relationships with core suppliers.

#### Why we engage

Professional relationships and collaborative working with strategic partners are essential for effective transport systems. Value chain management contributes to minimising risks and the efficient delivery of our services

#### Our impact

Engagement audits with suppliers ensure shared values and deliver mutually beneficial contracts



### Our people

Our people drive our business. We strive to create a diverse and inclusive workplace where all our colleagues can reach their full potential.

#### Why we engage

High levels of colleague engagement, job satisfaction and a safe, supportive working environment contribute directly to the success of Go-Ahead

#### Our impact

Employee engagement surveys help us concentrate our efforts in what matters most. Engagement scores at London Midland increased by 11% this year



### Communities

Our businesses are at the heart of the communities they serve. Our aim is to provide the social and economic benefits of affordable, accessible travel in the towns and cities in which we operate.

#### Why we engage

Working in partnership with local organisations makes a positive contribution to the local communities in which we operate

#### Our impact

We've invested over £1m in local community projects across the country and are part of the solution to reduce congestion and improve air quality

# Our business model

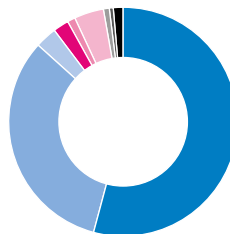
Creating value for all our stakeholders through our sustainable business model



## Economic contribution

Total revenue £3,481.1m

In addition to our commitment to generating shareholder value, we also create wider economic value. Around 90% of Group revenue is spent paying our people and suppliers, enabling further economic activity. Over 6% is paid directly to the Government.



- Payments to suppliers £1,887.4m
- Staff costs £1,130.4m
- National insurance costs £107.2m
- Net rail contributions to DfT £77.6m
- Dividends paid to shareholders £41.8m
- Capital expenditure £141.9m
- Corporation tax payments to government £34.1m
- Finance costs £13.4m
- Retained in equity £47.3m



## 1 Revenue and profit are generated through our three operating divisions; regional bus, London bus and rail, in two main ways:

1. The provision of transport services to fare-paying passengers whose revenue covers the cost of service and a profit margin. Most bus operations in the UK outside London operate on this commercial basis.
2. The provision of passenger transport services on behalf of public sector transport authorities. We tender for, and operate contracts in two main sub-categories:
  - **Gross cost contracts** where our entire revenue comprises payments made by the transport authority to us with the authority retaining all fare revenue

raised and therefore revenue risk. This includes the UK London bus market and the GTR rail franchise.


- **Net cost contracts** where our revenue is a combination of income from fares and payments from transport authorities. Most UK rail franchises are run on this basis.



[Read about our divisions on pages 10 and 11](#)

## 2 Enabled by our key relationships with stakeholders and resources:

### Our relationships

 [Read about our relationships with stakeholders on pages 4 and 5](#)

### Our resources

#### Our people

We directly employ almost all the people involved in providing our services.

#### Buses and trains

All our trains are leased and we own our regional bus fleet. In our London bus business, around half of our fleet is leased and half is owned.

#### Infrastructure

We pay for the use of public sector infrastructure such as railway tracks or local authority bus stations. We own the majority of our bus depots, but rail depots are rented from Network Rail or similar providers.

#### Fuel

Our vehicles are mainly powered by a combination of diesel, electricity and gas.

#### Finance

We are financed through a combination of investment from our shareholders, bank and other debt and also through profits generated by our operations. After payments to transport authorities and infrastructure providers, our largest costs are those of employing our people, funding our vehicle fleets and fuel.

## 3 Driving performance against our strategy:

### Our key performance areas



Society



Customers



Our people



Finance



[Read about our strategy on pages 8 and 9](#)

### Supported by

#### Robust governance



[Read our corporate governance report from page 52 of our 2017 Annual report](#)

#### Our approach to risk



[Read about our approach to risk from page 40 of our 2017 Annual report](#)

## 4 Creating value for a broad range of stakeholders:

At Go-Ahead, we believe it is important to deliver shared value. Our bus and rail operations create value for our passengers, the communities we serve and our people. We deliver high levels of services to our transport authority customers and strive to be a reliable partner to our industry colleagues. Through our robust business model, we are committed to delivering sustainable shareholder value. While we also create benefits for the UK economy by enabling access to work, education, retail and leisure, as well as through the employment of 28,000 people in the UK, the taxes we pay, payments to our suppliers and the contribution our rail franchises make to the Government.

## 5 To build a sustainable business for the long term:

We reinvest profits into our services to maintain our position as a leading provider of passenger transport, also ensuring that our business activities and contribution supports the economy.

# Our strategy

Our objective is to generate value for our investors, building a sustainable business that meets the needs of our customers and communities, and delivers our vision: a world where every journey is taken care of



A world where every journey is taken care of

## Will be delivered by our three strategic objectives


 Read more on pages 10 and 11

**1**  
**Protect and grow the core**  
Safeguarding and developing our core bus and rail businesses

**2**  
**Win new bus and rail contracts**  
Securing contracts in UK and international bus and rail markets, in line with our appetite for risk

**3**  
**Develop for the future of transport**  
Using our skills, knowledge and assets in new ways to deliver sustainable growth for the long term

## Enabled by a focus on five change themes

 Read more on pages 12 to 15

**Lean**  
Delivering what our customers want in more efficient ways

**Technology**  
Using technology to improve processes, increase customer satisfaction and drive revenue

**Culture change**  
Operating with aligned values and common goals

**Customer experience**  
Considering every aspect of people's journeys to continually improve customer experience

**Leadership**  
Developing the Group's current and future leaders

## Underpinned by our core beliefs and attitudes



### We believe in

- Trusting people
- Being can-do people
- Building relationships
- Being one step ahead



### We are


- Accountable
- Down-to-earth
- Collaborative
- Agile

## Measuring our performance


Our key performance indicators (KPIs) presented in this report are the measures we use in the business to assess the Group's performances. The majority of our KPIs relate to performance against our strategic objective to protect and grow the core. Our KPIs are under review to ensure greater alignment with all areas of our strategy.

We currently report our KPIs under four key performance areas:




 See page 20




 See page 22



 See page 24



 See page 26

## Evolving our strategy

This year we have evolved our strategy, focusing on three strategic objectives: protect and grow the core, win new bus and rail contracts and develop for the future of transport. Five key themes have been identified through which change will be delivered across our businesses.

OUR STRATEGIC OBJECTIVES

1 Protect and grow the core

Through our three operating divisions, we have delivered value for our stakeholders for three decades and are now using this experience to expand into international transport markets



Regional bus



We operate commercial bus businesses, predominantly in the south of England

Outside London, we have operations in Brighton, Oxford, Plymouth, East Anglia, on the south coast and in North East England. We own 100% of these businesses.

7,000

Employees

2,560

Buses



London bus



We operate tendered contracts for Transport for London (TfL)

In London, we operate around 190 routes from 17 depots in the capital. Around 85% of these depots are freehold.

Go-Ahead's bus operation in Singapore is reported within London bus due to the similarities between the contract structures. We own 100% of these businesses.

8,000

Employees

2,620

Buses



Rail



We operate rail franchises for the Department for Transport (DfT)

Go-Ahead currently operates three UK rail franchises (GTR, Southeastern and London Midland) through Govia, a 65% owned joint venture with Keolis.

The London Midland franchise will end in December 2017.

We are preparing for the introduction of three German rail contracts in 2019.

14,000

Employees

5,650

Daily services





## 2 Win new bus and rail contracts

**International development:** We are currently exploring opportunities in a number of markets in line with our strategy, risk appetite and financial discipline, and have secured new contracts in the following countries:



### Singapore

In September 2016, we began operating a bus contract in the Loyang district of Singapore, running 395 buses on 26 routes for a minimum of five years. Singapore's bus market, which has a similar contract structure to London's, offers opportunity for further growth with 11 contracts scheduled to be tendered over the next nine years.



### Ireland

In August 2017, Go-Ahead was awarded a bus contract to operate 125 buses across 24 routes in the outer Dublin metropolitan area. Beginning in late 2018, the contract will run for a minimum of five years, and is the first to be tendered by Ireland's National Transport Authority.



### Germany

Go-Ahead is currently preparing for the start of three German rail contracts in 2019, in Baden-Württemberg and Bavaria. We will operate the contracts until 2032. The German market also offers significant opportunity for growth, with a large pipeline of contract tenders due by September 2019.

## 3 Develop for the future of transport

The way people travel is changing and we are seeking new ways to use our skills, knowledge and assets to enable sustainable growth for the long term. Our project team is currently exploring a range of initiatives to maximise value from our operations by providing secondary services to existing customers, offering demand responsive transport, and developing and influencing regulation.

Some of these opportunities include utilising spare capacity in our bus depots, developing on-demand flexible journey planning, and providing digital and traditional retail services to other customers.



## OUR CHANGE THEMES

# Driving change to deliver our strategy

Our management teams are committed on delivering change through a focus on five key areas, all underpinned by our vision, beliefs and attitudes.



## Our change themes

### Lean processes

Our operating companies will strive to deliver what our customers want more efficiently. Using this customer-centric approach we will continuously improve our processes and minimise waste. We will initially focus on engineering and operational processes such as fleet management, before adopting lean processes more widely across all business functions.

### Technology

Across the Group, we are focused on using technology to improve internal processes, increase customer satisfaction and drive revenue. We are using technology to improve automated ticket machines, provide real time passenger information and provide our colleagues with live business intelligence.

### Culture change

Last year, Go-Ahead began implementing a culture change programme, underpinned by our beliefs and attitudes, focusing on empowering our people and enabling two-way communication between customer-facing colleagues and leadership teams. With an emphasis on collaboration, we are building an open and agile culture which will drive change.

### Customer experience

We strive to be a customer-focused business, understanding the importance of continually improving the customer experience. Using customer journey mapping we consider every functional and emotional element of the customer experience and work hard to empower our people to provide customers with control, comfort and ease.

### Leadership

Strong leadership is key to success in any organisation. The leaders of our businesses effect change, guide their teams through challenging times and plan for the future. We are increasing our efforts across the business to develop leadership skills in both existing and future leaders to safeguard the Group for the long term.



### Lean processes

#### Leaning into change

We are adopting lean working methods across all of the Group's engineering departments, to ensure depots are structured in a way that best supports the needs of the business. Lean is a set of management tools and processes which encourages continual review and change. It ensures there is a focus on improving important operational areas, eliminating inefficient practices and reducing waste. As a result, this means all working practices are reviewed and altered where needed. As waste is reduced, productivity is increased and costs are rationalised. In line with the Group's collaborative approach, this process encourages the establishment of long term relationships and partnership arrangements with suppliers.

Our bus company, Brighton & Hove, has transformed its engineering function through the introduction of lean processes which

have led to streamlined costs, better fleet and scheduling management, and also improved operational performances. Through the adoption of lean working, remarkable improvements have been delivered. These include a reduction in spare capacity in vehicles, stock and employee time, cutting 'dead mileage' and drastically improving MOT performance.

At Brighton & Hove, involving the trade unions in the change programme from the outset meant new employee shift patterns and working practices were introduced without concerns being raised. The fundamental principle behind lean is continuous improvement, so there is ongoing dialogue with colleagues and union representatives to keep improving operations and enable innovation and evolution.

While the Group's engineering functions are the first to adopt a lean approach, the ethos that underpins it is common to other areas. Developing individuals through team



## Technology

### Driving change through technology

Value for money and making it as easy and convenient as possible to pay for travel are a significant element of Go-Ahead's mission to take care of each passenger's journey. As well as providing WiFi and USB charging points, it's important that all other aspects of our bus services remain in line with customers' expectations. Several years ago, Go-Ahead's smartcard "the Key" led the way for the industry to introduce smart ticketing. Now, more than three quarters of all retail spending in the UK is made using contactless payment cards, so in the past year we introduced technology to support the next generation of contactless payments across our regional bus division. A range of options, including Visa, Mastercard, Apple Pay and Android Pay, can now be used by customers on most of our regional bus services.

We are the first bus operator to introduce the UK Cards Association's aggregated pay as you go 'model 2'. Unlike other major operators that can only accept 'flat fare' transactions, ours has the ability to sell London Oyster-style 'pay as you go' ticketing. Multiple trip fares are calculated and capped, meaning customers can make several journeys with payment transactions aggregated into a single debit from their account, based on the best fare available.

Go-Ahead will soon be operating the largest transport contactless payment scheme outside London, using 'model 2'.

This project has been delivered in collaborative partnership with UK software and hardware company Ticketer and Australian fintech start-up Littlepay.



problem-solving is about engaging colleagues and encouraging their contribution to the success of the team's overall performance. Our operating companies understand that their strong performance at a local level ultimately leads to the overall success of Go-Ahead.



## OUR CHANGE THEMES CONTINUED



### Culture change

#### Changing culture through collaboration

Adopting the Group's vision, beliefs and attitudes has had a tangible, positive impact on the engagement, morale and working practices across the business, particularly at one of the Group's largest companies: Go-Ahead London.

With 7,000 employees and five different companies under the Go-Ahead London umbrella, all with slightly different employment terms, conditions and working practices, there were initial reservations about the effectiveness of any one-size-fits-all approach to culture change. However, the desire to work as 'one Go-Ahead London' overrode any misgivings and, since the beginning of the year, more than 650 managers and supervisors have had interactive sessions to discuss the values with the senior management team, as well as being encouraged to do what they can to make the business a better place to work.

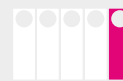
All 7,000 employees have taken part in training and development sessions on the Group's vision, beliefs and attitudes, diversity and inclusion workshops, and sessions designed to improve communication skills. As a result, a culture of ongoing engagement has developed across the organisation. In addition to Go-Ahead London's specific programmes, all drivers are taking part in TfL's 'Hello London' customer service training. The combined effect of these initiatives has been greater engagement and better two-way communication, embodying Go-Ahead's 'can-do' attitude. Progress has been seen across the business, with a 12% reduction in costs associated with driver shift overruns. QICs payments have risen in the period, with a connection being made between this strong performance and the change in culture.

Our Group-wide vision, beliefs and attitudes are ties that bind all our operating companies together and, in a devolved management structure, ensure that all employees are working to the same common purpose: to take care of customers' journeys.



### Customer experience

#### Taking care of our customers



### Leadership

#### Continuous development of our leaders

In line with best practice and good corporate governance, the Board is required to undertake a formal evaluation each year to help continually improve its effectiveness. This year as part of the Group-wide culture change programme, Go-Ahead's Board has considered the personal development of each member in the wider context of the Board's overall effectiveness.

The programme, which runs over several months, and is still ongoing, includes interviews, surveys, data analysis, personal coaching and feedback sessions, as well as a two-day off-site session to foster stronger relationships between Board members. Challenging conversations in a supportive and constructive environment have resulted in a commitment to make better use of the relationships between executive and non-executive directors.





Our vision focuses on taking care of customers' journeys, from start to finish. We recognise that it's impossible to deliver our vision alone and so we rely on partners, such as local authorities and Network Rail, to ensure road and rail infrastructure is properly maintained, to allow us to run reliable services. We aim to increase passenger satisfaction through strong, collaborative partnerships with these key stakeholders, together with a clear focus on factors within our direct control.

Our regional bus business continues to lead our sector in customer satisfaction, with a high score of 90%, as measured by the independent passenger watchdog, Transport Focus. Findings indicate that one of the most important drivers of satisfaction is the attitude of the bus driver. We're proud that scores across all our regional bus companies recognised the helpfulness and friendliness of our drivers and we continue to invest in recruitment, training, development and wellbeing programmes to ensure this remains the case.

Transport Focus also praised Southeastern for its improved customer satisfaction levels, up 10pts to 82% in the spring 2017 national rail passenger survey, and also noted improving results on the Gatwick Express and Southern routes.

Southeastern attributes success in this area to ensuring employee and union representative involvement as active partners in projects aimed at improving customer experience. Charing Cross station's well-received 'customer ambassadors' are there to look after customers and provide on-the-spot assistance. As well as giving train service information, they arrange taxis, provide coffee vouchers, and issue immediate compensation to people whose journeys have been delayed. Involving the whole station team, encouraging ticket office colleagues to come out from behind ticket office windows at quiet times to take a more proactive approach to helping customers. Elements of this successful customer-focused initiative are being rolled out at other key stations across our rail business.

Passengers' expectations are always rising. As rail services are modernised with the arrival of new trains, improved technology and modern working practices, there is greater expectation that staff will be on hand to assist customers. We are pleased that the increased number of on-board supervisors assisting Southern customers has led to better experiences for passengers, reflected in the latest satisfaction scores. Despite the impact of industrial relations issues on many services, there was a marked increase in levels of satisfaction customers felt with the availability and helpfulness of staff.

Initial findings early in the process showed the Board to be strong, with good levels of trust. The off-site session aimed to build on this, leveraging existing skills and strengths. This new approach, which is aligned with the Group's vision, beliefs and attitude, was designed to help Board members develop insights about themselves and colleagues, and create a foundation where each member could increase their personal impact, and so improve the Board's wider efficacy.

It is clear that this less traditional and more dynamic approach has led to greater insights and a more collegiate, but self-aware group. The Board has committed to continue working in this way.



## MATERIALITY REVIEW

# Focused on sustainability

Our ambition is to be the most sustainable company among our peers in the public transport sector.

### Working together

Delivering our vision requires tackling a range of complex issues. Some of these issues are within our control, some we seek to influence and others are more challenging to manage and require working in partnership with our stakeholders.

Everyone who is affected by our business, and everyone who affects it, is a stakeholder. We are committed to ongoing stakeholder engagement to understand expectations, needs and concerns. This feedback forms part of our decision making process, and helps us continuously improve and progress towards our vision and long term ambitions, while managing our exposure to risk.

### Why we engage

We always endeavour to listen to our stakeholders and respond positively to their concerns and suggestions. Our aim is to find mutually beneficial outcomes. As active members of the communities we serve, we want to strengthen the local environment so that we can prosper together.

### Our impact

Partnership working helps us to run our business responsibly and ensures its viability for the long term.

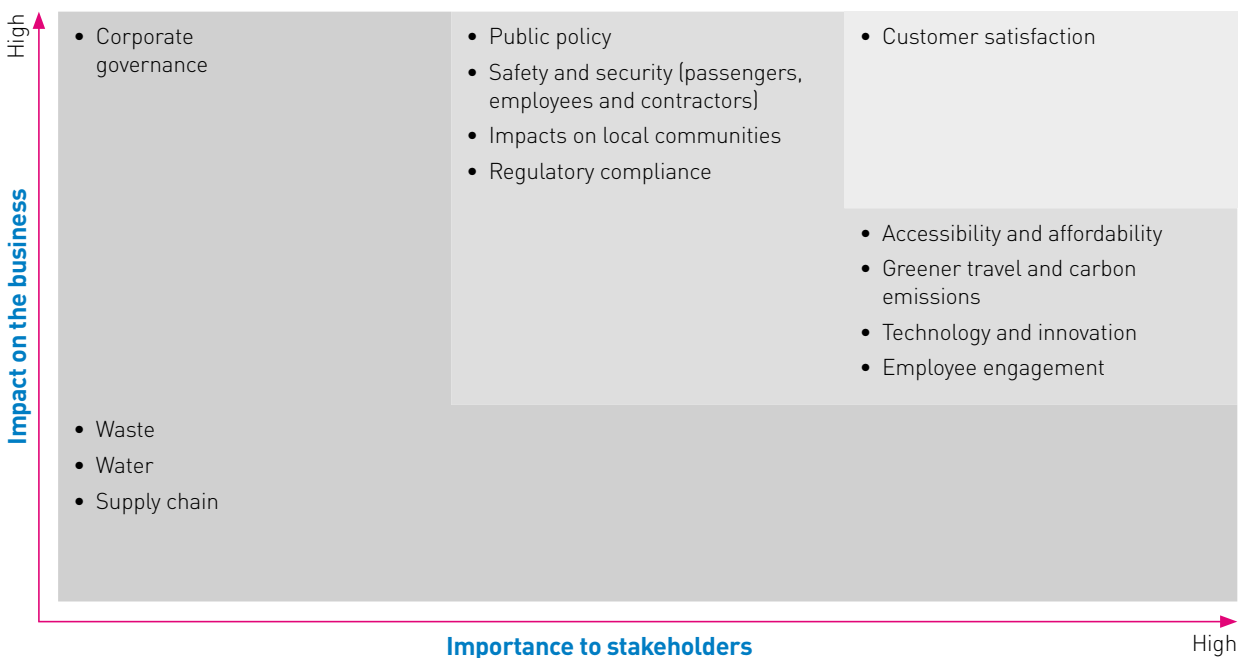
As a result, we are able to maintain an engaged workforce, improve customer satisfaction and keep our investors well informed, as well as influence public policy, contribute to our local communities and have mutually beneficial partnerships with suppliers.

### Sustainability materiality review

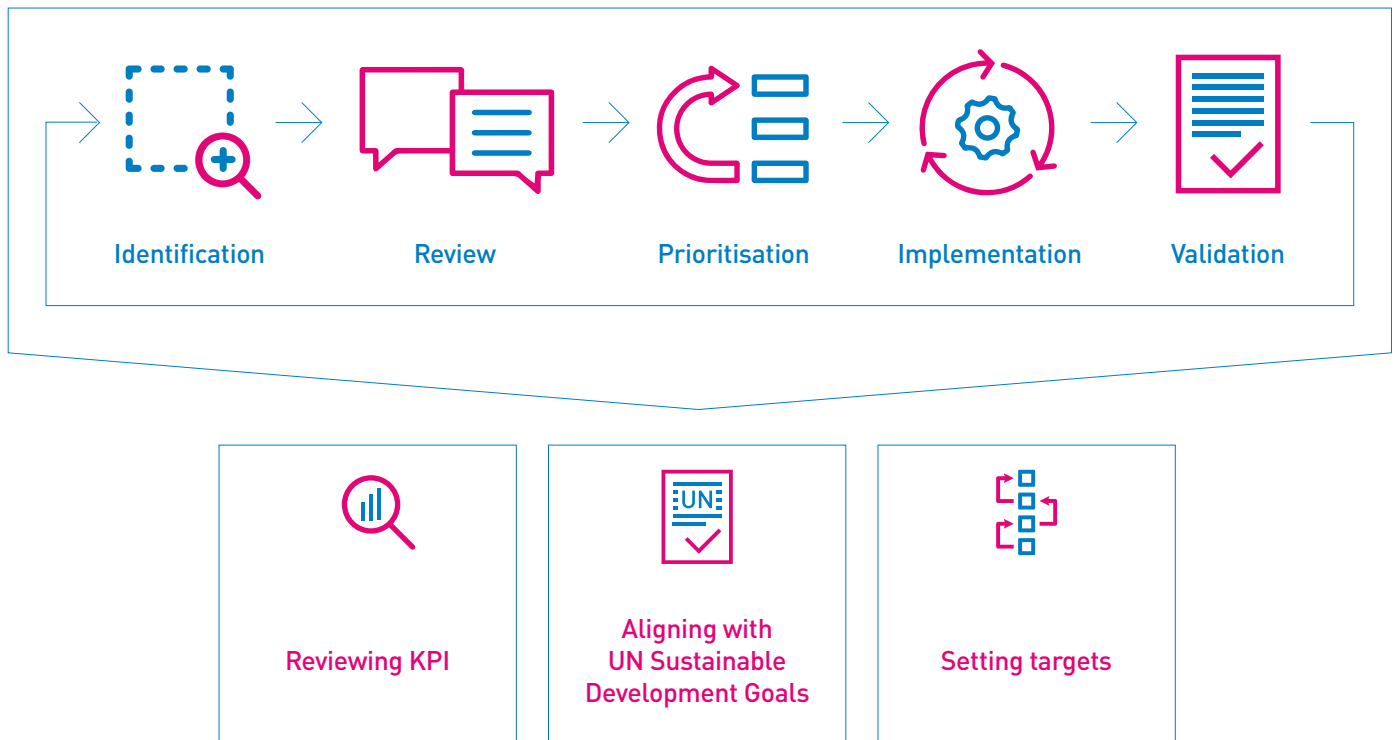
Conducting a sustainability materiality review helps us focus on the issues that are most relevant for our key stakeholders and our business. It is important that we minimise any potential gaps between our stakeholders' expectations and our actions and performance. Identifying material issues ensures the right mechanisms are put in place to measure what matters to stakeholders and focus our attention on the areas that will help us achieve our vision.

### Materiality matrix

Of the thirty or more issues reviewed during the process, the issues below are those identified as important to our stakeholders and key to the business in the short and long term.



## Sustainability materiality review methodology



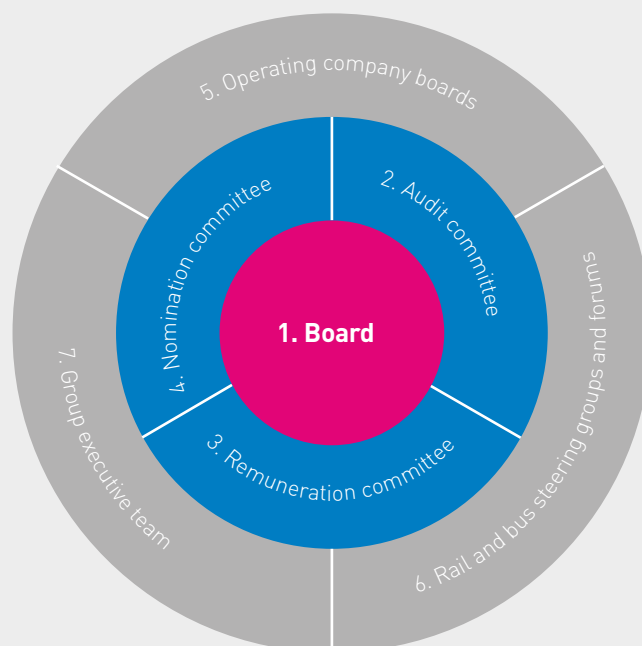
## The decision-making of the Board is aligned to long term sustainable value creation

### Governance framework

Our governance framework establishes a clear division of responsibilities for the Board and supports the development of good governance practices throughout the Group.

Our Group wide steering groups and forums ensure we discuss strategy and share best practice around key sustainability areas such as health and safety, diversity and inclusion, and energy and environment.











A full description of the Board's role is available on our website [www.go-ahead.com/en/about-us/corporate-governance](http://www.go-ahead.com/en/about-us/corporate-governance).



## DEFINING OUR SOCIAL IMPACT

The United Nations Sustainable Development Goals (SDGs) call upon business, as well as the public and third sector, to advance sustainable development to help deliver their 2030 vision for a more sustainable planet. We recognise that we play an important role in society and can contribute positively to this vision so we are working to identify the key areas within the SDGs where Go-Ahead makes its most significant impact.

Of the 17 goals, we have identified ten where we believe we can make a positive social impact. This exercise is influencing the ongoing business KPI review and target setting and helps us be better prepared to tackle the challenges of the future of transport.

| SDG goal  | What it means?   | Go-Ahead's material issue  |
|---|--|--|
|    | Ensure healthy lives and promote well-being  | Safety and security<br>Greener travel/<br>carbon emissions         |
|    | Ensure inclusive and equitable quality education and promote lifelong learning opportunities                         | Impacts on local communities                                       |
|    | Achieve gender equality and empower all women and girls  | Diversity and inclusion  |
|   | Ensure availability and sustainable management of water and sanitation for all                                       | Water  |
|  | Ensure access to affordable, reliable, sustainable and modern energy for all   | Greener travel/<br>carbon emissions                                |
|  | Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all | Impacts on local communities<br>Diversity and inclusion            |
|  | Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation            | Greener travel/<br>carbon emissions<br>Accessibility/Affordability |
|  | Make cities and human settlements inclusive, safe, resilient and sustainable   | Accessibility/Affordability  |
|  | Ensure sustainable consumption and production pattern  | Waste  |
|  | Take urgent action to combat climate change and its impacts  | Greener travel/<br>carbon emissions                                |

### Key areas of focus for 2017/18

- Continue to embed our new company vision across our businesses
- Reviewing our current KPIs and setting challenging targets
- Continue to deliver our strategy and make progress towards our change pillars
- Retaining sector leading levels of customer satisfaction in bus and improve in rail
- Improve employee engagement through training and inclusive workplaces
- Keep looking for growth opportunities in stable overseas markets
- Continue defining our social impact and contribution to the UN SDGs



## OUR DEVOLVED APPROACH

# Investing in our local communities

Being part of the local community underpins Go-Ahead's devolved management approach and enables our bus and rail companies to be more responsive to the needs of their stakeholders.

### Contributing to national and local economies

Public transport is vital to building a strong and sustainable economy. Our services continue to ensure that millions of people are able to get to work and access key services. Over the past year Go-Ahead has made a significant contribution to the UK economy through the 29,000 people we employ, the £1,887.4m payments to suppliers, £77.6m generated by our rail operations for the government, and £34.1m paid in corporation tax.

We have long-standing partnerships with community organisations in the areas where our companies provide transport services. Our operating companies make a large contribution to their local communities and have built mutually beneficial relationships over time; such as the ten-year partnership between rail company Southern and the Sussex Community Rail Partnership or Go South Coast's Alzheimer Society's dementia friends initiative, credentials gained over the past several years.

### Making our community investment matter

We think it is important that there is resonance between the work that we do and our charity partners. Our relationship with the charities is in line with our general business philosophy. Our community investment strategy has three elements:

- At a corporate level Go-Ahead supports two international but UK-based charities that have a transport focus and therefore have strong links to our business: Railway Children and Transaid
- Our operating companies support more local initiatives that reflect the concerns and priorities of the communities they serve
- Individuals or groups of employees can also raise money for causes with which they have a personal link

The devolved approach we take with our operating companies is echoed in the fact that they are empowered to choose charities that are relevant to the priorities in their local area and the activities they take part in are locally-made decisions.



### Working with our corporate charities

We are pleased to have strategic working partnerships with our corporate charities: Railway Children and Transaid. At last year's Group annual management conference both corporate charities conducted thought-provoking interactive sessions with senior managers from across the Group.

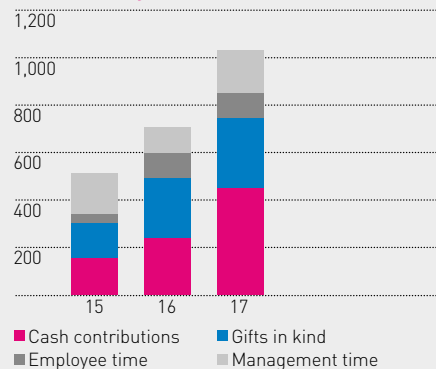


### Measuring our community programmes

It is important for us that all our companies measure their community investment activities. For this reason, we have implemented the LBG (London Benchmarking Group) model to measure in order to maximise the benefits of their contribution. We are leading the industry in measuring the impact of our community programmes in the local communities we serve.

For more about our community investment, visit: [www.go-ahead.com/sustainability](http://www.go-ahead.com/sustainability)

### Community investment (£'000)



# Society

## Running our companies in a safe, socially and environmentally responsible manner

### What are our key performance indicators (KPIs)?

Our society KPIs relate to the safety of our colleagues, our customers and other road users, as well as monitoring the detrimental impact of carbon emissions from our operations on the environment.

We measure the number of railway signals passed at danger (SPADs), which is similar to driving through a red light. While every SPAD is treated as a serious incident, most occur with little or no potential to cause harm and are the result of minor misjudgements of braking distance. The number of bus accidents which result in a notification to a claims handler is closely monitored, including cases where we are not at fault. The reporting of both SPADs and bus accidents is weighted to every million miles we operate. Measuring and reporting RIDDOR accidents is a statutory requirement for all companies relating to work place incidents. The safety of our people is very important to us, making this one of our society KPIs. As the metric relates to the safety of our colleagues, it is weighted to every 100 employees.

While Go-Ahead's activities help to reduce the number of cars on the road, we aim to improve the detrimental impact our operations have on the environment. We monitor all the energy used within our operations and calculate CO<sub>2</sub> emissions resulting from this use. To establish the impact of each journey taken, we weight this metric by passenger journeys.

### Why is it important?

Our safety indicators help us measure performance against our commitment to provide a safe and positive travel experience for our bus and rail passengers, a safe working environment for our colleagues and to minimise risk to the general public. Good performance in these areas can also reduce cost through lower insurance claim charges.

Through our environmental metric we monitor our performance against our commitment to improve energy efficiency, contribute to government and local authority carbon reduction targets and provide a greener way for our passengers to travel. Good performance in this area also reduces cost through fuel efficiency.

### What are the risks?

Poor performance against our three safety KPIs would impact our objectives to run our companies in a safe manner. Failing to provide a safe working environment for our people goes against our goal to be an employer of choice. Key risks associated with poor performance in these areas include impact on operational performance, reputational risk, higher insurance claim costs and employee relations issues, including low satisfaction and productivity. Risks associated with poor performance against our environmental KPI include failure to meet government targets to tackle climate change, reputational risk and higher fuel costs; all impairing our ability to meet the objective to run our companies in an environmentally responsible manner.

# 14.9%

Reduction in carbon emissions per passenger journey since 2014/15

2016: 6.8%

### How did we perform?

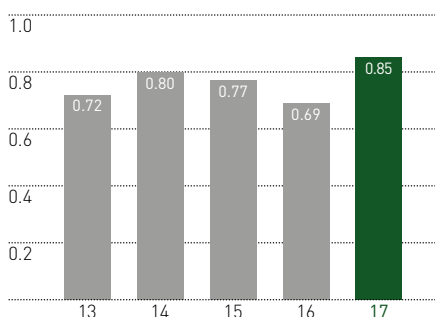
We saw a mixed performance against our society KPIs with improvements in two of the four measures. Performance improved for RIDDOR accidents per 100 employees and carbon emissions per passenger journey, but declined slightly in SPADs and bus accidents per million miles.

While our services contribute to improving air quality offering a less environmentally harmful alternative to car travel.

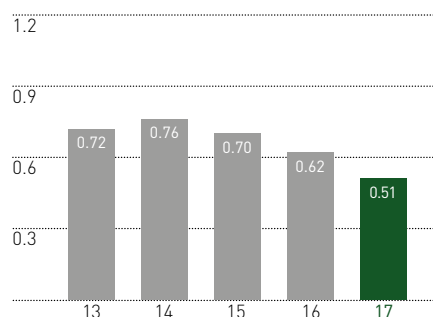
We take our responsibility for the safety of our customers and our people very seriously.

We ensure our employees have the necessary equipment and training to do their jobs properly and safely. We investigate every accident and encourage accurate and timely reporting of all incidents. Driving behaviour is monitored and initiatives are undertaken to improve standards of driving to minimise the likelihood of bus accidents and improve fuel efficiency.

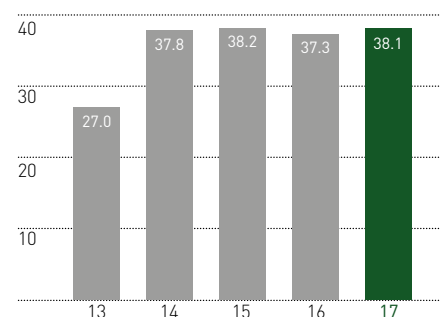
SPADs per million miles



RIDDOR accidents per 100 employees



Bus accidents per million miles





To minimise the likelihood of SPADs, we have tight controls around safety and high standards of driver training and work closely with the infrastructure provider, Network Rail. Due to the nature of these occurrences, relative performance can fluctuate from one year to the next, which is why we measure longer term performance against a 2020 target.

We're committed to minimising the direct impact our operations have on the environment.

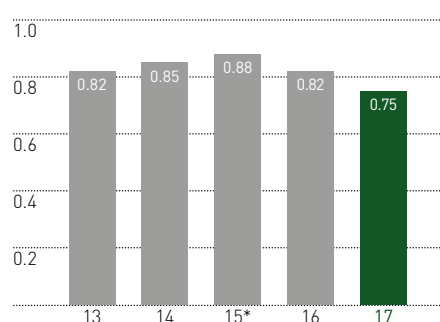
## What are we targeting?

We have set 2020 targets for safety, striving for continuous improvement against all our metrics, maintaining current low levels of bus, rail and employee incidents.

Our 2018 environmental target is to reduce like-for-like carbon emissions per passenger journey by 10% against a 2014/15 baseline.

Although this was a challenging target, we achieved it one year ahead of target and strive to improve further in this area.

## Carbon emissions per passenger journey (kgs)



\* Restated

## Greenhouse gas emissions

We report on greenhouse gas (GHG) emissions in accordance with the GHG Protocol Corporate Accounting and Reporting Standard and the UK government's Environmental Reporting Guidance methodologies together with the emissions conversion factors from the Department for Business, Energy & Industrial Strategy (BEIS) conversion factors for Company Reporting 2017. In line with this guidance, we have reported the emissions sources\* that are required. These sources fall within the businesses included in our consolidated financial statements.

Emissions are expressed in terms of equivalent carbon dioxide (CO<sub>2</sub>e). Our relative performance metric is kilogrammes of CO<sub>2</sub>e emissions per passenger journey.

We define our organisational reporting boundary by applying the financial control approach with a materiality threshold set at 5%.

Overall, CO<sub>2</sub> emissions in absolute terms have reduced despite business acquisitions and CO<sub>2</sub> emissions per passenger journey have decreased largely due to improved efficiency and lower CO<sub>2</sub> conversion factor for electricity.

\* Emissions from air conditioning equipment in our premises and vehicles are not included in this analysis due to the difficulty in obtaining this data. These emissions account for less than 0.5% of our total GHG emissions and are therefore not considered material.

|  | 2016/17                         | 2015/16                         | 2014/15                         |
|--|---------------------------------|---------------------------------|---------------------------------|
|  | CO <sub>2</sub> e tonnes ('000) | CO <sub>2</sub> e tonnes ('000) | CO <sub>2</sub> e tonnes ('000) |
| <b>Scope 1</b>   |                                 |                                 |                                 |
| Passenger journeys (m)   | 1,334.09                        | 1,297.23                        | 1,239.9                         |
| Gas (buses) kwhs (m)   | 3.7                             | 6.3                             | 1.3                             |
| Gas (premises) kwhs (m)  | 53.4                            | 51.0                            | 53.7                            |
| Bus diesel (10% bio-diesel blend) ltrs <sup>2</sup> (m)            | 138.9                           | 130.3                           | 127.6                           |
| Rail diesel ltrs (m)   | 18.5                            | 18.6                            | 18.4                            |
| <b>Scope 2</b>   |                                 |                                 |                                 |
| Traction electricity kwhs <sup>1</sup> (m)                         | 1,371.4                         | 1,368.9                         | 1,283.5                         |
| Site electricity kwhs <sup>2</sup> (m)                             | 108.3                           | 104.9                           | 100.1                           |
| Electric buses kwhs (m)  | 0.39                            | 0.07                            | n/a                             |
| <b>Scope 3</b>   |                                 |                                 |                                 |
| Electricity – transmission and distribution losses within the grid | 48.7                            | 54.9                            | 52.8                            |
| <b>Sub-total</b>   | <b>995.2</b>                    | <b>1,068.1</b>                  | <b>1,086.7</b>                  |
| <b>Outside of scopes</b>   |                                 |                                 |                                 |
| Biogenic content of bio-diesel <sup>2</sup>                        | 9.4                             | 7.9                             | 11.0                            |
| <b>Total</b>   | <b>1,004.6</b>                  | <b>1,076.0</b>                  | <b>1,097.7</b>                  |

1. Traction electricity consumption data relates to the period from 1 April 2016 to 31 March 2017. This provides the most accurate figure for consumption.
2. Site electricity and bus diesel figures include consumption by Go-Ahead Singapore. UK CO<sub>2</sub>e conversion factors were used to account for this energy consumption to ensure consistency and standardisation, local conversion factors for 2017 were not available. Go-Ahead Singapore accounts for less than 4% of the Group's 2016/17 CO<sub>2</sub> emissions.

|   | 2016/17 | 2015/16 | 2014/15 |
|---|---------|---------|---------|
| Kgs CO <sub>2</sub> per passenger journey | 0.75    | 0.82    | 0.88    |

Kgs CO<sub>2</sub> per passenger journey only includes scopes 1-3 CO<sub>2</sub>

**CO<sub>2</sub> figures have been verified by Bureau Veritas.**



For more information, historical data can be found online at [www.go-ahead.com/sustainability](http://www.go-ahead.com/sustainability)

# Customers

## Providing high quality, locally focused passenger transport services

### What are our key performance indicators (KPIs)?

Our customer KPIs monitor how well we're serving our customers, how reliably we're running our buses and trains, and how satisfied our passengers feel. We measure the number of passenger journeys taken on our regional bus and rail services compared with the previous year, adjusting for significant acquisitions and new franchises. Customer satisfaction surveys are conducted twice a year for our rail franchises and annually for our regional bus operations.

As we are contracted on the basis of bus mileage in London, we do not consider passenger numbers as a KPI for that division. Customer satisfaction is measured by the independent passenger watchdog Transport Focus. Our primary customer in London bus is TfL. We measure satisfaction and punctuality by performance against TfL's excess waiting time target, which is the time passengers have to wait for a bus above the average scheduled waiting time. The lower the excess waiting time, the better the performance.

The punctuality of our regional bus operations is measured as the percentage of buses which arrive at their stop between one minute before and five minutes after their scheduled time. Therefore, the higher the percentage the better the performance.

The punctuality of our rail operations is measured on the basis of the DfT's Public Performance Measure (PPM) on a moving annual average basis. PPM is the percentage

of trains that arrive at their final destination within five minutes of their scheduled arrival time.

### Why is it important?

Providing high quality service is a strategic priority for the Group and customer satisfaction is a key measure of our performance. Punctuality is important to our passengers and is the strongest indicator of passenger satisfaction, so is key to helping us grow passenger numbers and increase customer satisfaction. London bus contract extensions are also based on performance. We earn additional revenue through Quality Incentive Contract bonus payments if we exceed TfL's punctuality targets. PPM performance forms part of our franchise agreements with the DfT. We closely track trends in passenger numbers as changes in demand can affect financial performance as well as indicate potential issues. Monitoring this allows us to take timely action to improve our services.

### What are the risks?

Decreasing volume numbers could be an indicator of performance issues within our operations or of changes in economic or market conditions, any of which has the potential to impact the Group's overall performance.

Punctuality is a key driver of customer satisfaction. If customers are not satisfied with the service they receive, they may switch to other operators or other modes of transport. These satisfaction figures receive

media attention and our reputation can be harmed if they are low. Our rail franchise contracts also include satisfaction targets and our operating companies could face penalties if these targets are not achieved. For London bus, poor performance could result in lower Quality Incentive Contract (QIC) bonus payments and prevent contract extensions.

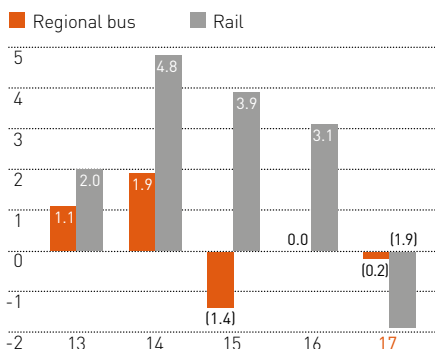
### How did we perform?

In regional bus, passenger numbers remained broadly flat year on year, while rail numbers fell slightly, reflecting industrial relations issues at GTR and changing travel patterns of Southeastern customers.

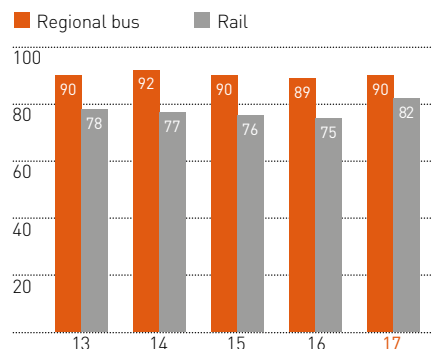
Our focus on delivering high quality locally focused services has enabled us to maintain our sector-leading position on customer satisfaction in regional bus, with slightly improved scores of 90%. All our regional bus companies scored highly in Transport Focus' annual survey. Satisfaction with our rail services also increased in the year, despite ongoing industrial relations issues impacting services in GTR. Southeastern delivered a strong improvement, up from 72% to 82%; the greatest improvement ever delivered in UK rail. London Midland's performance declined to 82% from a high base of 86% in the previous year.

We saw a mixed performance against our punctuality metrics. While congestion continues to be an issue in London, punctuality of our bus services has improved as some road improvement works in our operating areas were completed. Regional bus

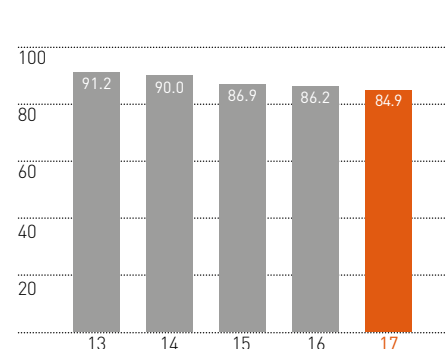
### Like for like passenger volume growth (%)



### Customer satisfaction (%)



### Regional bus punctuality (%)





punctuality fell slightly, as did punctuality of our rail services. The decline in rail was due to a negative impact of maintenance works at GTR.

### What are we targeting?

We're aiming to grow bus and rail passenger numbers beyond current levels.

In London bus, our target is to achieve low average excess waiting time of below one minute, in line with TfL's targets. In regional bus, we aim to maintain our sector-leading bus passenger satisfaction scores and achieve punctuality of over 95% in line with industry targets.

We target improvement in levels of customer satisfaction in the rail division, bringing them in line with the industry average for the London and South East network and increase levels of punctuality across all our franchises to meet 90% PPM in accordance with the Office of Road and Rail (ORR), Network Rail and London and South East operators' 2019 target.

### Customer satisfaction

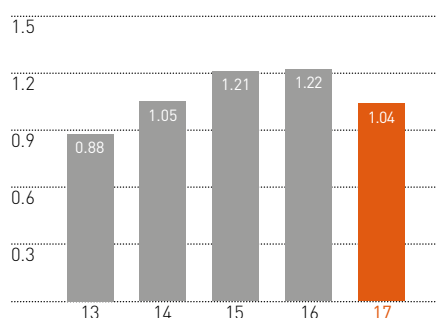
The National Rail Passenger Survey and the Bus Passenger Survey conducted by Transport Focus, provide valuable information about customers' satisfaction with the journey they've just taken. While we use the results of these surveys to help us improve, we also use Net Promoter Score (NPS) as an alternative indicator of loyalty and overall advocacy of our bus and rail services regularly. We measure NPS of our bus and rail operators regularly through the year to understand how likely regular and occasional customers as well as people who don't use our services are to recommend us. This is a good indicator of how much they trust us.

Together with NPS monitoring, a number of our train operators have signed up to a new passenger-focused 'to the minute' punctuality monitoring. Our trains are currently considered 'on time' if they arrive at their final destination within five minutes after their schedule. The new measure records the number of trains arriving within a minute of their scheduled time at every station.

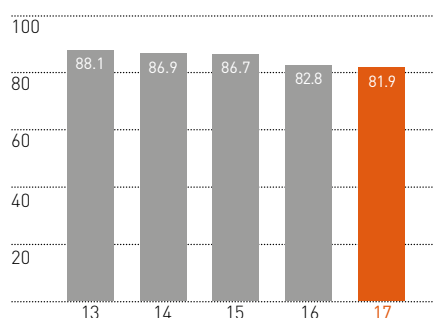
By adopting this 'right-time railway' we have a more transparent measure of train punctuality — often the greatest priority for passengers. This measure combined with the NPS indicator improves our ability to map our customers' experience.



London bus punctuality (minutes)



Rail punctuality (%)





# Our people

## Striving to be a leading employer

### What are our key performance indicators (KPIs)?

Our people KPIs measure how engaged our people are through annual independent employee surveys conducted across our businesses. We also measure employee absence by the percentage of scheduled hours not worked due to unplanned absence from work and monitor employee turnover, which is measured by the percentage of employees who leave the business in the year.

### Why is it important?

Go-Ahead strives to be a good, respected employer and we appreciate the experience and opinions of our people as well as insights we gain from their feedback. Whenever possible, we make changes based on feedback, to build trust and foster an environment where employee opinion is valued. In addition to making Go-Ahead an attractive place to work, we believe high levels of employee engagement contribute to the success of the Group.

High levels of absenteeism and turnover could be reflective of low levels of staff satisfaction and engagement. By monitoring levels of absence, we can identify areas of the business with potential employee relations issues or employee shortages. Monitoring this also helps us with our resource planning and allocation.

### What are the risks?

Low levels of employee engagement could result in reduced productivity and higher levels of absence or employee turnover, all of which would have an adverse impact on resource planning across the business.

Employee shortages could impact our ability to deliver our services at the frequency, level of punctuality and standard we aim to achieve. It potentially puts additional pressure on colleagues in the workplace and impacts employee morale, engagement and stress levels. There is a significant cost to the business of absenteeism; the national estimated average cost of an absent employee is £522 per year (CIPD 2016 survey).

### How did we perform?

We've seen strong performance across our people KPIs with improvements against every metric.

Employee engagement scores increased in both bus and rail divisions, and absenteeism and employee turnover decreased slightly.

Absenteeism improved despite unprecedented levels of absence at GTR in the year, which we believe to be connected with the industrial dispute.

We have achieved higher employee engagement scores across bus and rail. All our bus businesses delivered improvements, with increases in engagement as great as 18pts in some businesses, demonstrating the value in our culture change programme.

Both our employee absenteeism and turnover went down this year which reflects the higher levels of employee engagement across the Group.

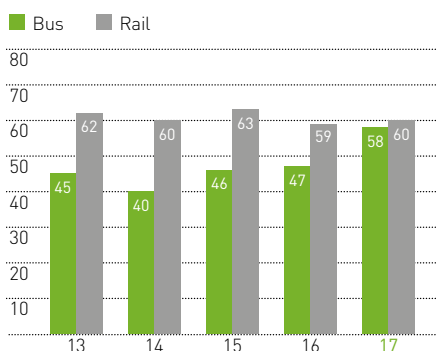
### What are we targeting?

All our bus and rail companies set their own challenging targets to increase levels of employee engagement. Overall, our aim is to improve our levels of engagement each year, remaining above the average for large businesses.

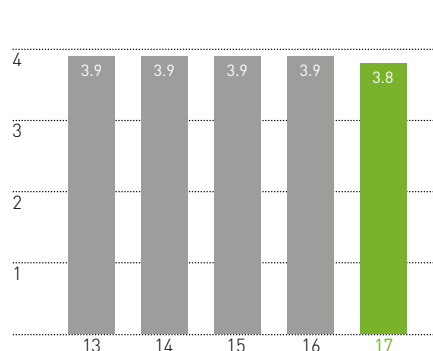
We aim to achieve low levels of absenteeism, below the national average whilst maintaining consistently low levels of employee turnover.



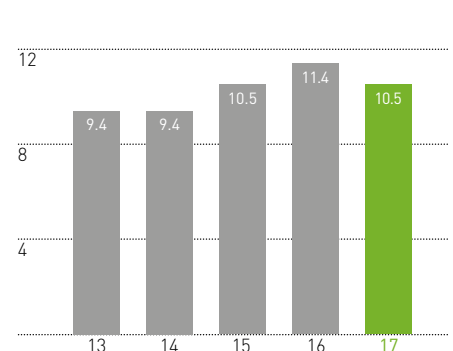
Employee engagement index (%)



Absenteeism (% of working hours)



Employee turnover (%)





## Focus on our people

**Our aim is to be an employer of choice. The safety and wellbeing of our people is our priority and we place great emphasis on strong health and safety standards being maintained across the Group.**

### Diversity and equal opportunities

Go-Ahead recognises the value of diversity in all areas and at all levels of the business. Traditionally our industry has a large percentage of men working in roles such as bus and train drivers and engineering operational roles. We work to ensure that there is no bias towards either gender and that all appointments and internal promotions are made on the basis of merit.

The Group believes in equal opportunities regardless of gender, age, religion or belief, sexual orientation, race and, where practicable, disability. We give full and fair consideration to job applications from people with disabilities, considering their particular aptitudes and abilities. In respect of existing employees who may become disabled, the Group's policy is to provide continuing employment and appropriate training, career development and promotion of disabled people employed by us.

## Human rights

We are committed to protecting the rights of our people, customers, suppliers and other stakeholders. This commitment is reflected in our Group policies and procedures. The Modern Slavery Act came into effect in 2015 and Go-Ahead has made steps to promote and improve our commitment to eliminating abuse and exploitation in the workplace. We have identified at risk functions within our business and supply chain and have required our suppliers to abide by our anti-slavery and trafficking policy – or their own equivalent.

### Employee relations

High levels of colleague engagement, job satisfaction and a safe, supportive working environment directly contribute towards the success of Go-Ahead. We use a range of channels across the Group to ensure that the voice of employees is heard. Channels include, but are not limited to, employee surveys and team action planning, informal feedback sessions, internal media, news letters and functional and business updates. The majority of our workforce is represented by a trade union and we strive to foster positive working relationships with union representatives, acknowledging the damaging impact that a poor relationship can have on our success. It is clear that the unions response towards modernisation changes set out in the GTR franchise agreement, particularly driver-controlled operation, has created a difficult climate. The improvement of relations with our trade union partners is a key focus.

## Our local approach

Go-Ahead has always operated through a devolved management structure, with local teams entrusted and empowered to run their businesses effectively. This approach allows flexibility and fast action which we believe gives us competitive advantage in the markets we serve. This local focus is complemented by skills, expertise and support at Group level in areas such as marketing, IT shared services and procurement and we have regular 'better together' forums to share experience and expertise around the Group.

### Board gender diversity



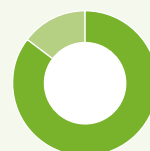
● Male: 5 83%  
● Female: 1 17%

### Senior management gender diversity



● Male: 53 82%  
● Female: 12 18%

### Overall Group gender diversity



● Male: 24,870 86%  
● Female: 4,204 14%

# Finance

## Running our business with strong financial discipline to deliver sustainable shareholder value

### What are our key performance indicators (KPIs)?

For our rail operations, we measure revenue generated through the provision of passenger transport services. In our bus division, non-passenger revenue is less material, so here we measure total revenue.

Group operating profit performance is closely monitored. The adjusted net debt/EBITDA ratio is used to indicate the Group's ability to pay down its debt from earnings. Adjusted net debt, which is total net debt excluding restricted cash in our rail division, is measured against earnings before interest, tax, depreciation and amortisation (EBITDA).

The cashflow EBITDA ratio is used to monitor the conversion of operating profit into operating cash.

We measure the level by which our dividend payments can be covered by earnings per share divided by dividend per share.

### Why is it important?

Growing revenue through a combination of increasing passenger numbers and modest fare rises drives operating profit growth.

Operating profit helps us measure the underlying performance of our operating companies. Profit growth enables us to reinvest in the business and deliver shareholder value.

We have a bank covenant limit of 3.5 times and are required to remain below this level. This ratio also helps us measure our financial performance against our commitment to preserve a strong capital structure and maintain our investment grade credit ratings.

Good performance against this KPI demonstrates strong working capital management and financial discipline and strong cash generation provides liquidity.

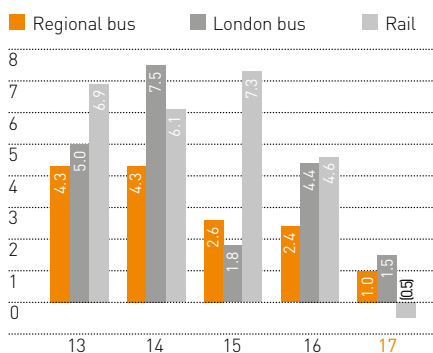
We are committed to delivering shareholder value through our dividend policy. We measure our dividend cover to help us assess how much of our profits we can pay to shareholders as a dividend whilst allowing sufficient retained earnings to invest in the business.

### What are the risks?

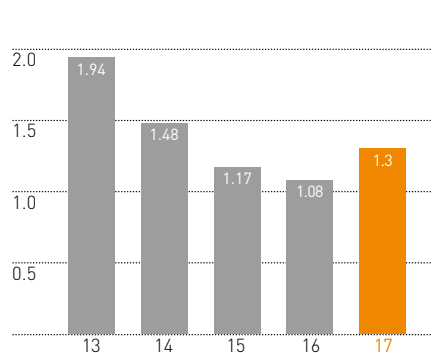
Financial risks include inadequate levels of revenue growth impacting profitability, reducing our ability to invest in the business and make returns to shareholders, while insufficient or unsustainable dividend cover could result in the dividend being reduced. If we were to exceed adjusted net debt/EBITDA of 3.5 times we would breach our bank covenant as we're required to remain below this level.

A key risk of the cashflow/EBITDA ratio falling below target level for a sustained period is an inability to reinvest in the business.

Like for like revenue growth (%)

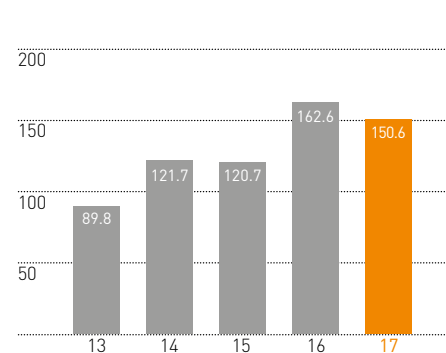


Adjusted net debt/EBITDA (X)\*



\* Prior years restated.

Operating profit (£m)\*



\* Prior years restated.



## How did we perform?

Modest revenue growth was delivered in regional and London bus, despite operating in challenging markets. While rail passenger revenue fell, largely driven by a decline in passenger revenue in GTR. We use this metric to help us understand customer travel patterns, at GTR, but this decline does not directly impact Group revenue as GTR is a management contract through which we are paid a management fee.

Group operating profit fell by £12.0m as a result of lower rail profits. The bus division delivered a consistent performance with the prior year.

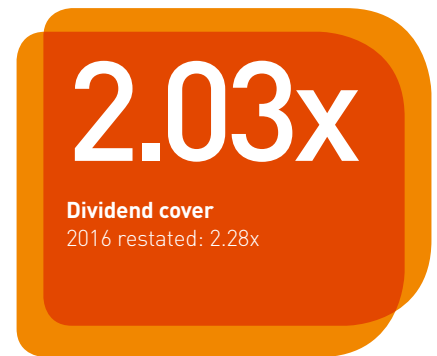
Adjusted net debt to EBITDA rose slightly due to higher levels of capital expenditure reducing net cash. However, at 1.3 times, this remained below our target range of 1.5 to 2.5 times, consistent with the previous three years. The higher investment in capital also led to a reduction in the cashflow/EBITDA ratio in the year.

At 2.03 times, dividend cover was in line with our policy of two times over a five year cycle. In line with the interim dividend, the proposed full year dividend payment is up 6.5%, at 102.08 pence per share.

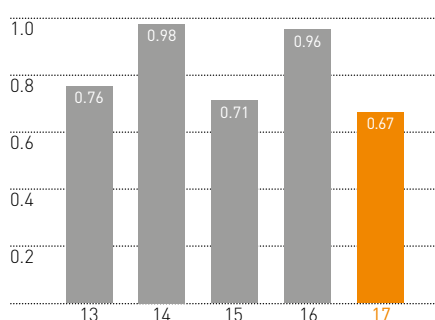
## What are we targeting?

Our 2020 revenue growth target is to maintain growth at broadly similar levels to those consistently delivered in the recent years preceding the target being set in 2016.

Our bus operating profit target is to maintain our industry leading margins and in rail our goal is to deliver value from existing franchises and achieve margins nearer the industry average of 3%. We aim to maintain our adjusted net debt/EBITDA within our target range of 1.5x and 2.5x throughout the economic cycle and to match or exceed cashflow generated from operations to EBITDA. For our shareholders, we intend to maintain adequate dividend cover throughout a five year cycle, in line with our policy of 2 times cover.

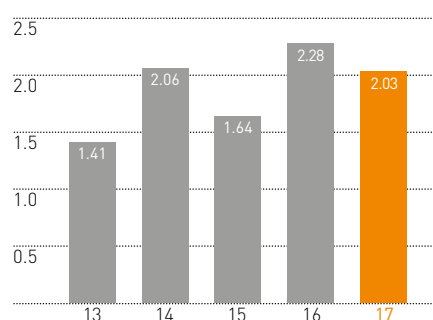


Cashflow/EBITDA (X)\*



\* Prior years restated.

Dividend cover (X)\*



\* Prior years restated.

# ESG data

|   | 2017       | 2016     | 2015     |
|---|------------|----------|----------|
| <b>SOCIETY</b>  |            |          |          |
| <b>Safety</b>   |            |          |          |
| Bus accidents per million miles                                   | 38.1       | 37.3     | 38.2     |
| Fleet with CCTV (%)+  | 91.8%      | 93.9%    | 90.3%    |
| Total VOSA PSV vehicle test pass rate (%)+                        | 96.4%      | 97.4%    | 97.3%    |
| SPADS per million miles   | 0.85       | 0.69     | 0.77     |
| RIDDOR accidents per 100 employees                                | 0.51       | 0.62     | 0.70     |
| Bus accidents per million miles                                   | 38.1       | 37.3     | 38.2     |
| % of stations managed with secure station status*                 | 38%        | 33%      | 46%      |
| Number of reported crimes+  | 11,392     | 8,924    | 8,942    |
| <b>Environment</b>  |            |          |          |
| Progress towards our 10% reduction target by 2018 (2015 baseline) | 14.9       | 6.06%    | n/a      |
| Carbon emissions per passenger journey (kgs)                      | 0.75       | 0.82     | 0.88     |
| Scope 1 GHG emissions (tonnes)                                    | 426,150    | 405,845  | 394,485  |
| Scope 2 GHG emissions (tonnes)                                    | 520,393    | 607,321  | 639,479  |
| Scope 3 GHG emissions (tonnes)                                    | 48,655     | 54,932   | 52,798   |
| Water per passenger journey (l)                                   | 0.70       | 0.69     | 0.70     |
| Waste (%)   | 80%        | 83%      | 78%      |
| <b>Community Investment</b>                                       |            |          |          |
| Cash contributions (£)  | £449,430   | £239,231 | £153,798 |
| Gifts in kind (£)   | £294,155   | £250,433 | £150,838 |
| Value of employee time (£)  | £106,595   | £109,508 | £34,185  |
| Management time (£)   | £181,985   | £109,404 | £176,367 |
| Total (£):  | £1,032,165 | £708,576 | £515,188 |
| Community spend per employee (£)                                  | £35.48     | £25.74   | £21.40   |
| Stakeholder events  | 1,769      | 2,436    | 2,107    |
|   | 2017       | 2016     | 2015     |
| <b>CUSTOMERS</b>  |            |          |          |
| Bus customer satisfaction (latest Passenger Focus score) (%)      | 90%        | 89%      | 90%      |
| Rail customer satisfaction (latest Passenger Focus score) (%)     | 82%        | 75%      | 76%      |
| Bus passenger volume growth (% increase/decrease)                 | (0.2)%     | 0.0%     | (1.4)%   |
| Rail passenger volume growth (% increase/decrease)                | (1.9)%     | 3.1%     | 3.9%     |
| Passenger journeys (to nearest 1 m)                               | 1,334      | 1,297    | 1,140    |
| Number of buses*  | 5,178      | 4,893    | 4,806    |
| % of Fleet with Euro 4*   | 18.9%      | 64.5%    | 56.7%    |
| % of Fleet with Euro 5*   | 40.7%      | n/a      | n/a      |
| % of Fleet with Euro 6*   | 7.8%       | n/a      | n/a      |
| % of Fleet with Hybrid*   | 16.3       | 11.7     | 5.8      |
| % of Fleet with Electric*   | 1.0        | n/a      | n/a      |
| % of Fleet with Gas*  | 0.2        | n/a      | n/a      |
| Average age of bus fleet*   | 7.2        | 7.8      | 7.9      |
| Number of train units   | 1,088      | 1,120    | 852      |
| Regional bus punctuality (%)+                                     | 84.9%      | 86.2%    | 86.9%    |
| Rail punctuality PPM (%)+   | 81.9%      | 82.8%    | 86.7%    |
| London excess bus waiting time (mins)+                            | 1.04       | 1.22     | 1.21     |
| Expenditure on new buses in financial year (£'000)+               | 86,997     | 71,077   | 30,148   |
| <b>Accessibility</b>  |            |          |          |
| Bus fleet which is DDA compliant (%)*                             | 87.6%      | 94.1%    | 91.4%    |
| Trains certified accessible (RVAR) (%)*                           | 51.2%      | 59.6%    | 62.1%    |
| Trains certified accessible (PRM-TS) (%)*                         | 36.8%      | 0.0%     | 0.0%     |
| Accessible managed stations (%)*                                  | 31.8%      | 59.2%    | 61.8%    |

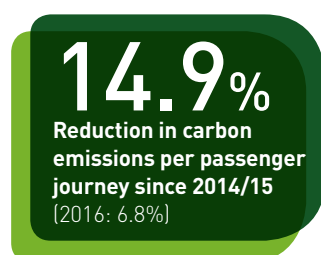


|   | 2017    | 2016    | 2015    |
|---|---------|---------|---------|
| <b>OUR PEOPLE</b>                                   |         |         |         |
| Bus Employee Engagement Index                       | 58      | 47      | 46      |
| Rail Employee Engagement Index                      | 60      | 59      | 63      |
| Average length of service (months)                  | 83      | 129     | 130     |
| Employee turnover rate (%) <sup>+</sup>             | 10.5%   | 11.4%   | 10.5%   |
| Absenteeism rate (%) <sup>+</sup>                   | 3.8%    | 3.9%    | 3.9%    |
| Accredited UK Living Wage employer                  | Yes     | n/a     | n/a     |
| Investors in People (status)                        | Yes     | Yes     | Yes     |
| RIDDOR accidents per 100 employees <sup>+</sup>     | 0.51    | 0.65    | 0.60    |
| Number of staff training days <sup>+</sup>          | 124,024 | 107,679 | 104,487 |
| Training spend per employee                         | £755.23 | £667.44 | £572.67 |
| Number of employees <sup>+</sup>                    | 29,095  | 27,525  | 24,076  |
| Employees in a union (%)                            | 42%     | 43%     | 49%     |
| <b>Diversity</b>                                    |         |         |         |
| % of female employees                               | 14.4%   | 14.2%   | 13.6%   |
| % of women in senior management roles               | 18.0%   | 17.0%   | 18.0%   |
| % of female Board members                           | 17.0%   | 17.0%   | 29.0%   |
| % of Black, Asian, Minority Ethnic (BAME) employees | 23.2%   | 21.7%   | 21.7%   |
| % of employees Prefer Not to Say/Unknown            | 21.8%   | n/a     | n/a     |

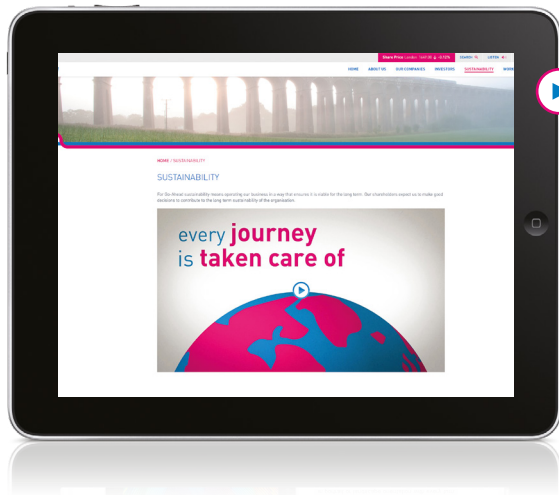
|   | 2017    | 2016    | 2015    |
|---|---------|---------|---------|
| <b>FINANCE</b>                              |         |         |         |
| Revenue (m)                                 | 3,481.1 | 3,361.3 | 3,215.2 |
| Like for like revenue growth – Regional bus | 1.0     | 2.4     | 2.6     |
| Like for like revenue growth – London bus   | 1.5     | 4.4     | 1.8     |
| Like for like revenue growth – Rail         | (0.5)   | 4.6     | 7.3     |
| Adjusted net debt/EBITDA (X)                | 1.3     | 1.08    | 1.17    |
| Operating profit                            | 150.6   | 162.6   | 120.7   |
| Cashflow/EBITDA (X)                         | 0.67    | 0.96    | 0.71    |
| Dividend cover                              | 2.03    | 2.28    | 1.64    |

Key:

- + For the reporting period
- \* As at the end of reporting period



## GO-AHEAD ONLINE



We have a commitment to operate responsibly and deliver long term value for our stakeholders.  
[www.go-ahead.com/sustainability](http://www.go-ahead.com/sustainability)

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## Summary Verification Statement from Bureau Veritas UK Ltd

Bureau Veritas UK Ltd (Bureau Veritas) has provided verification for The Go-Ahead Group plc. (Go-Ahead) over selected sustainability Key Performance Indicators (KPI) data contained within the Group's Annual Report. The information and data reviewed in this verification process covered the period 3 July 2016 to 1 July 2017.

The full verification statement including Bureau Veritas' verification opinion, methodology, areas of good practice, recommendations and a statement of independence and impartiality can be found on the Go-Ahead Group website:

[www.go-ahead.com/sustainability](http://www.go-ahead.com/sustainability)

Produced by The Go-Ahead Group and designed by Black Sun plc



Bureau Veritas UK Ltd  
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