



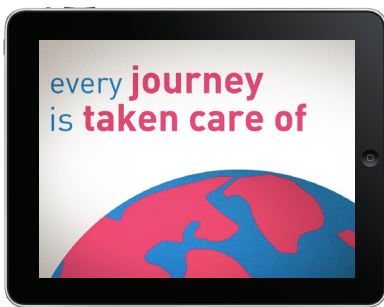
**Go Ahead**


# Focused on every journey

Sustainability Report for the year ended 2 July 2016

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 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)

# About us

Go-Ahead is one of the UK's leading public transport providers enabling 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 operating services that create long term value for all of us.

## Our operating companies



### Our bus operations



### Our rail operations



### Our integrated approach

Sustainability and corporate responsibility are integral to our strategy and the way we operate at every level of the business.

#### Our vision

'A world where every journey is taken care of' describes our aspirations at the highest level. We believe that how we behave will benefit all our stakeholders and help us grow and build a business for the long term.

#### Our strategy

Our Group strategy is to generate value for our investors by building a sustainable business that meets the needs of our customers and communities. This strategy is underpinned by our strategic priorities.

### Our strategic priorities



#### Society

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



#### Customers

To provide high quality, locally focused passenger transport services.



#### Our people

To be a leading employer in the transport sector.



#### Finance

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



See more from page 8 onwards

#### Our vision

A world where every journey is taken care of

#### Stakeholder engagement

Collaboration and partnership-working is fundamental to our approach.

#### Materiality review

We focus on making informed decisions to deliver long term sustainable solutions.



See more on page 17



See more on page 6



See more on page 24

### Go-Ahead online



For more information about The Go-Ahead Group and our operating companies, visit: [www.go-ahead.com](http://www.go-ahead.com)

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# Group Chief Executive's statement

"Today's challenges are best met by working together."

David Brown,  
Group Chief Executive



Go-Ahead's transport services make a positive contribution to the communities we serve, as well as to wider society. Our bus and rail services help people travel to work, education and important appointments, as well as connecting with friends and family and accessing shopping and leisure areas.

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 we take care of more than a billion passenger journeys a year.

## Society

It's important to me that the Group works to minimise the impact we have on the environment. Through our endeavours we were the first transport company to receive the Carbon Trust's triple accreditation for water, waste and carbon reductions in 2014 and we have retained the accreditation.

Our contribution to society is also central to our success. We ensure the Group is in a sound financial position and that our investors and lenders make appropriate returns for the funding they provide and the risks involved. This then enables us to focus on our role of providing reliable and high quality public transport to support local communities and society as a whole.

I believe that public transport is about collaboration and our strength lies in fostering mutually beneficial partnerships. Our companies have established a valuable network of relationships, and a depth of market understanding and knowledge that cannot easily be replicated. Building relationships with passengers, central and local government, employees, industry partners and other stakeholders has always been core to the Group's strategy and central to everything we do.

To continue to meet the expectations of stakeholders and the business now and in the future, we are conducting a sustainability materiality review to identify the most important issues facing us in the short and long term. We are working with key internal and external people including: the financial community, the DfT, the Rail Delivery Group, Transport Focus and TfL and the process will help us focus our priorities going forward.

## Customers

Our customer focused vision will enable us to improve customer engagement and advocacy. Testament to our customer-focus and understanding of local markets are the strong levels of customer satisfaction in our regional bus division and London Midland rail franchise. However, we realise that for our other rail franchises, Southeastern and GTR, there is much room for improvement and this is our priority. Together with Network Rail and the DfT we are modernising the service for the benefit of customers and hope this is reflected in future satisfaction scores.

## Our people

Our people are critical to the success of the Group and we believe embedding our new vision into our corporate culture will influence every aspect of our day-to-day activity. We invest in the training and development of our people and create diverse and inclusive workplaces. We know that engaged employees are more likely to go the extra mile for customers and colleagues.

## Finance

We pride ourselves on being transparent and open about our financial records and regularly receive commendations for our reporting practices. Stakeholders can see how we operate our business and that we focus on being sustainable for the long term. Our approach shows we are not an organisation making short term decisions that will not support our longer term goals. We're one of the first companies to receive the Fair Tax Mark for our openness and transparency regarding our tax affairs.

Finally, I'm pleased to say that as part of a targeted programme, we have won new business in Singapore and Germany. Wherever we operate we will continue with our devolved approach, empowering and trusting our local management teams to deliver services that are valued by passengers and local communities alike.

David Brown,  
Group Chief Executive  
3 November 2016

 [More information about our sustainability review page 24](#)

 [More information about our vision on page 17](#)

 [More information about our contribution to society on page 9](#)

# Focused on every journey

It has been a year of financial progress in all three divisions. Our market positions have been strengthened, with organic growth supported by contract wins and extensions. As part of a targeted programme, we are pleased to have won new business in Singapore and Germany. We continue to explore similar opportunities in these and other selected markets.

## Financial highlights

- Overall results slightly ahead of management expectations
- Achieved £100m bus target; adjusted operating profit\* up 8.0% to £100.4m
- Regional bus adjusted operating profit\* up 9.4% to £53.3m. Passenger growth in the second half of the year
- London bus adjusted operating profit\* up 6.3% to £47.1m despite a significant reduction in QICs income
- Rail adjusted operating profit\* at £57.0m with a margin of 2.3%. Contribution to the DfT in the year of £222.4m
- Statutory operating profit in bus and rail was £91.2m (2015: £80.7m) and £26.2m (2015: £16.1m) respectively
- Strong cashflow and robust balance sheet
- Proposed full year dividend increased by 6.5% or 5.85p to 95.85p

## Strategic and operational progress

- Difficult year in GTR – working closely with the DfT and Network Rail to improve services to customers
- Sector-leading customer satisfaction score of 89% in regional bus operations
- Record passenger numbers in rail division
- Shortlisted to bid for the West Midlands franchise
- Retained high levels of customer satisfaction at London Midland of 86%
- Entry into new overseas markets with contract wins in the Singaporean bus market and German rail market
- Adopting the voluntary 'Living Wage' across the Group, ensuring all employees, regardless of age, earn at least £8.25 per hour exceeding the 'National Living Wage' requirements

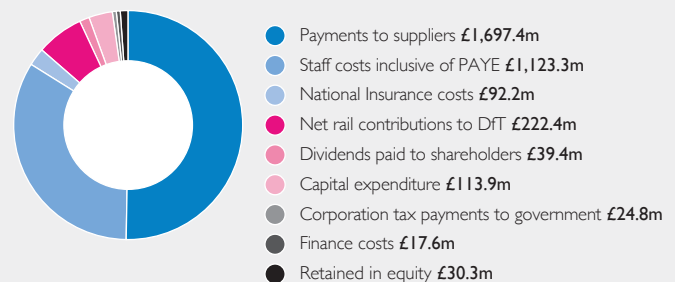
\* Adjusted results exclude amortisation, goodwill impairment, exceptional operating costs, and the incremental impact of IAS 19 (revised) as shown on page 46.

## Sustainability highlights

- 95% sustainability rating assigned by Business in the Community
- Highest Carbon Disclosure Project score amongst our peers
- First FTSE 350 company to achieve the Fair Tax Mark for responsible tax practice
- First transport group to achieve the Carbon Trust triple accreditation for carbon, water and waste reduction

## Economic contribution

Total revenue £3,361.3m



## Our strengths as an operator:

- Understanding and meeting the needs of the people in our local markets, delivering good quality services and value for money
- Developing strong local brands
- Delivering safe and efficient vehicle operations
- High customer service standards, for both our passengers and our transport authority customers
- Adopting a partnership approach in developing and operating services which create long term value for all parties involved
- Operating on large and complex transport networks
- Employing experienced management who are committed to supporting and developing our people

## Our core business units

We create shared value for our stakeholders through our three core operating divisions: regional bus, London bus, and rail.



7%  
Regional bus market share

### 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.



24%  
London bus market share

### 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. We own 100% of this business. We have consistently maintained a 24% market share of London's bus routes and over the past year have invested in a couple of strategically placed depots to help us maintain our competitiveness and efficiency when bidding for routes. As a trusted supplier we are pleased to operate the first fully electric bus depot and can support TfL achieve its air quality targets.



27%  
Rail market share

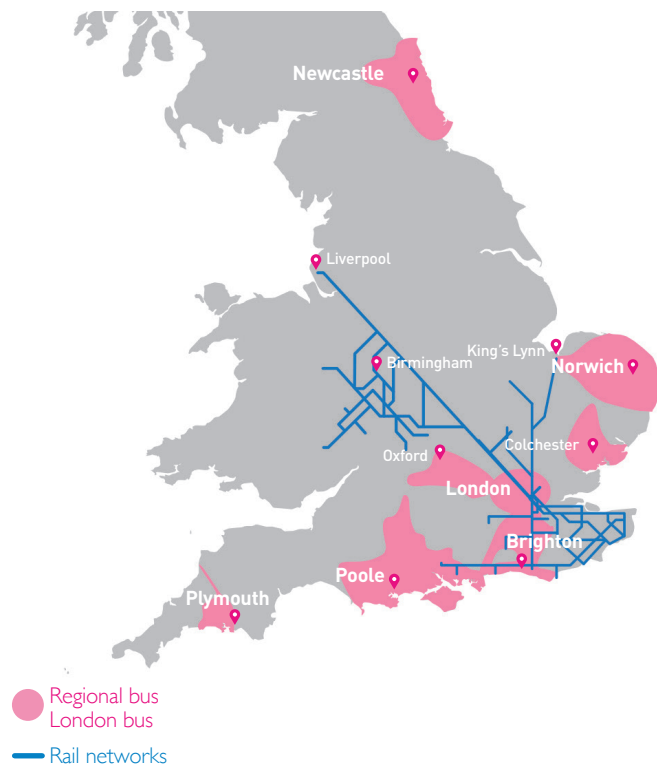
### Rail

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.

## United Kingdom

Our operations are primarily based in the south east of the UK



### New overseas business

We believe there is significant opportunity globally for the services we provide, and we actively monitor a range of markets for opportunities. In 2016 Go-Ahead won business in two overseas markets: Singapore and Germany.

# Creating value for our stakeholders

## Our business model

Our business model is robust and provides long term earnings resilience across the economic cycle. In addition to delivering sustainable returns for our shareholders we create value for our customers, our people and the communities we serve.



 Find out more about our business model online at [www.go-ahead.com/about-us](http://www.go-ahead.com/about-us)

## Our approach to sustainability

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.



We believe it is important to deliver shared value to our stakeholders. Our bus and rail operations generate value for our people, communities and passengers. We provide high levels of service to our transport authority customers and are a reliable partner to our industry colleagues. We also make a strong contribution to the UK economy through the employment of 27,500 people, the taxes we pay, the revenue we generate for our suppliers and the contribution our rail franchises make to Government finances.

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 performed 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.

This year we have started two processes that will ensure we stay relevant in the long term: a refresh for our company vision and values and a sustainability materiality review. Our new company vision helps employees from across the Group work towards a common purpose. Similarly, reviewing our material issues and KPIs in collaboration with key stakeholders ensures we have the relevant metrics across the business and long term vision for those.



For more information on our four sustainability areas see pages 8 to 23

### Measuring our performance

The KPIs presented are the measures we use in the business to assess the Group's performance against our strategic objectives.

The 2020 targets use 2014 performance as a baseline for measurement.

These KPIs are currently under review to ensure we are focusing on the right areas of performance.



Read more about our sustainability materiality review on page 24

### Directors' remuneration policy

The directors' remuneration policy is designed to reflect the Group's performance, with elements of remuneration linked to our strategic priorities, particularly health and safety, customer satisfaction, and operating profit and cashflow.



Read our full directors' remuneration report on page 84 of our 2016 Annual Report

# Working collaboratively

Collaboration with stakeholders and partnership-working is fundamental in our approach to sustainability and to the way we run our business

## Working together with our stakeholders

As a leading provider of transport in the UK, we face a wide range of complex issues. Some of those issues are within our control, some we seek to influence and others are more challenging to manage and require partnering with forward-looking groups. At every level of our organisation collaborative working relationships both internally across our operating companies and externally with industry partners, allows us to be stronger together and can be seen to give us a positive advantage.

We always endeavour to listen to our stakeholders and respond positively to their concerns and aspirations. We analyse information we gather from research, meetings, surveys, and local forums with our stakeholders, which informs our strategy.

For example we included sustainability related questions in our employee and customer surveys, as well as in our investor and stakeholder meetings to ensure we meet their expectations. This feedback enables us to understand key issues for different groups, define the most material issues for the Group and use it to plan our sustainability strategy and targets for all sustainability areas, including our community activities.



▶ For more about our relationships with our stakeholders, visit: [www.go-ahead.com/sustainability](http://www.go-ahead.com/sustainability)



## Our new vision, beliefs and attitudes

Having a vision that resonates with our key stakeholders ensures that we will meet their expectations in the long term. For that reason we have also conducted a sustainability materiality review along with our annual risk assessment to review our key performance indicators and ensure we have challenging targets that will help us achieve our vision.

### Our company vision



Our vision

Our new vision 'a world where every journey is taken care of' was created in collaboration with employees at different levels across the Group and external stakeholders. It shapes how we make decisions and how we behave.



For more about our vision see page 17



Our beliefs

Today we are striving to provide a reliable service people can trust. Tomorrow we will be building stress-free, predictive and seamless connected journeys.



Our attitudes



### Managing risk

The Group's risk and governance framework allows the Board to understand the Group's most significant risk exposures and manage them accordingly within agreed levels of risk appetite and tolerance. Go-Ahead takes a conservative view of risk and attempts to minimise its exposure to undue risk. This is reflected in the Group's strategy.

#### External risks

1. Economic environment
2. Political and regulatory framework

#### Strategic risks

3. Sustainability of rail profits or loss of franchise
4. Inappropriate strategy or investment
5. Competition

#### Operational risks

6. Catastrophic incident or severe infrastructure failure
7. Large scale infrastructure projects
8. Labour costs, employee relations and resource planning
9. Information technology failure or interruption, or security breach



Read more about how we manage risk on [www.go-ahead.com/investors](http://www.go-ahead.com/investors)



### Sustainability materiality review

These are the main issues facing The Go-Ahead Group in the short and long term as identified by stakeholders.

We are working hard to ensure we have the right performance metrics and challenging targets for our operating companies.

1. Customer satisfaction
2. Accessibility and affordability
3. Greener travel and carbon emissions
4. Technology and innovation

5. Employee engagement
6. Public policy
7. Safety and security (passengers, employees and contractors)
8. Impact on local communities
9. Regulatory compliance
10. Corporate governance
11. Waste disposal
12. Water usage
13. Supply chain management



For more information see page 24



## Society

To operate our services in a sustainable manner, reduce our environmental impact and be an outstanding member of the communities in which we operate

### 2015/16 ACHIEVEMENTS

- Four-star rating in Business in the Community sustainability index
- Our rail companies have achieved ISO 14,001 certification
- Carbon Trust Standard triple accreditation
- Highest Carbon Disclosure Project score amongst our peers
- 100% of our operating companies use the LBG (London Benchmarking Group) model to measure community investment activities

### 2016/17 TARGETS

- To continue working on our sustainability materiality review and non-financial KPIs target-setting
- To achieve ISO 14,001 certification in all our operating companies
- To maintain our Carbon Trust Standard triple accreditation for carbon, water and waste
- To consistently reduce underlying carbon emissions per passenger journey
- To continue to work with LBG to develop our measurement system for the impact of our community investment activities
- To optimise the relationships with our corporate partnerships: Transaid and Railway Children
- To continue to explore value adding opportunities in the supply chain including reviewing our ethical procurement policy

# Focused on our communities

For Go-Ahead sustainability means operating our business in a way that ensures it is viable for the long term. Our shareholders expect us to make good decisions to contribute to the long term sustainability of the organisation.

## Contributing to national and local economies

Public transport is vital to building a strong and sustainable economy. Our services have continued 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 27,500 people we employ, the £222.4m generated by our rail operations for the government, and £24.8m paid in corporation tax. We are also pleased to be introducing the voluntary Living Wage as a minimum, irrespective of age, across the entire Group.

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 different needs that different passengers have.

We have long-standing partnerships with community organisations in the areas where our companies provide transport services. Our operating companies make a big 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.

Activities such as these demonstrate the importance of measuring the impact of our community activities across the Group so we can further develop our community investment programmes.

## Making our community investment matter

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. These are supported by individual operating companies on an ad hoc basis by company initiatives like fund matching or sponsorships

As one of the UK's leading transport companies we have chosen organisations that work in the transport sector as our nominated corporate charities. We think it is important that there is resonance between the work that we do and our charity partners. We review our working partnership on an ongoing basis to ensure the relationship is beneficial for both parts. This connection helps employees and other stakeholders to understand why it is these particular charities receive our support.

Our relationship with the charities is in line with our general business philosophy. 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.



### Measuring our community activities

Having a devolved business structure means that our local companies are better placed to make a positive contribution to the communities they serve. But it is important for us that all our companies measure their community investment activities. For this reason, we have implemented the London Benchmarking Group (LBG) model to measure in order to maximise the benefits of their contribution



### Working with our corporate charities

We are pleased to have strategic working partnerships with our corporate charities: Railway Children and Transaid. At this year's Group's annual management conference both corporate charities conducted thought-provoking interactive sessions with senior managers from across the Group. These workshops included training on identifying vulnerable children at stations and a case study on developing medical transport services in Madagascar.

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

## Our strategy and key performance indicators continued

### Society

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

#### SPADs per million miles

**What does it mean?** Across the rail industry train operating companies report signals passed at danger (SPAD). A SPAD could be a precursor to a catastrophic accident and every SPAD is treated as a serious incident. Many SPADs happen each year and most have little or no potential to cause harm and are the result of minor misjudgements of braking distance. All SPADs are given a risk ranking which considers the actual and possible consequences of each incident.

**Why is it important?** It helps us to measure against our commitment to provide a safe rail passenger service.

**Risks** Poor performance in this metric could impact on operational performance, resulting in a poor safety record and reputation.

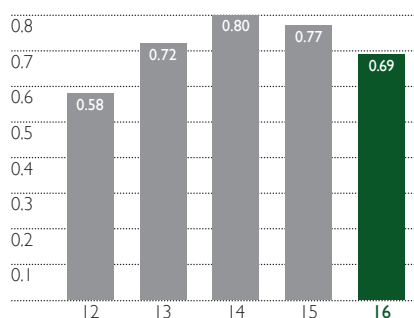
**2016 performance** The number of SPADs per million miles has decreased by nearly 10.4% to 0.69. Overall, we have achieved an improvement of 44.35% against our original 2007/08 baseline.

This result should be viewed in the context of many years of improvement in this metric across the industry. Performance is tracked against a very good baseline performance. We have tight controls around safety and high standards of driver training which minimise the likelihood of SPADs occurring. We also work closely with Network Rail to minimise the risk of SPADs and actively encourage accurate and timely reporting of incidents.

Due to the nature of these occurrences and high sensitivity to data changes, relative performance can fluctuate from one year to the next.

**2020 target** To maintain low levels of SPADs per million miles, delivering continuous improvement.

#### SPADs per million miles



#### RIDDOR accidents per 100 employees

**What does it mean?** RIDDOR (reporting of injuries, diseases and dangerous occurrences regulations) is a statutory requirement for all companies and relates to any work place incident that results in any absence from work for over seven days or any legally reportable incident to the Health and Safety Executive.

**Why is it important?** It helps us to measure against our commitment to provide a safe working environment for our employees.

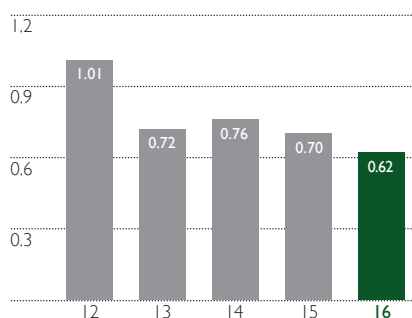
**Risks** Failing to provide a safe working environment for our people goes against our objective to be the employer of choice in the sector. Poor performance could lead to issues around employee relations, including satisfaction and productivity, and could also increase employer's liability insurance claim costs.

**2016 performance** The number of RIDDOR accidents per 100 employees reduced by 11.43% to 0.62. Overall, we have achieved an improvement of 68.69% against our original 2007/08 baseline, exceeding our 2015 target of 60%.

We take our responsibility for the safety of our people very seriously and ensure our employees have the necessary equipment and training to do their jobs properly and safely. During the year, we continued to invest in staff training and upgrades to our facilities to ensure a safe working environment for our people. We investigate every accident and encourage accurate and timely reporting of incidents.

**2020 target** To maintain low levels of RIDDOR accidents per 100 employees, delivering continuous improvement.

#### RIDDOR accidents per 100 employees



#### Bus accidents per million miles

**What does it mean?** We monitor the number of bus accidents which result in a notification to a claims handler for every million miles we operate, including cases where we are not at fault.

**Why is it important?** It helps us to measure against our commitment to provide a safe and positive travel experience for our bus passengers and minimise risk to the general public. Good performance in this area can also reduce cost through lower insurance claim costs.

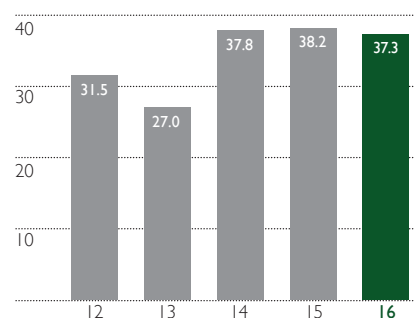
**Risks** Our objective to run our companies in a safe manner would be impacted by poor performance against this KPI. Risks associated with this include reputational risk and higher insurance claim costs.

**2016 performance** The number of bus accidents per million miles decreased by 2.35% to 37.3. Overall, we have achieved an improvement of 34.65% against our original 2007/08 baseline.

Bus accidents have reduced since 2011 as a result of action we have taken, despite an increase in accidents where we are not at fault. We invest heavily in training, monitor driving behaviour and encourage our drivers to improve their standards of driving through a range of initiatives across the division. We have improved end to end processes in place from accident prevention to claims management. We investigate every accident and encourage accurate and timely reporting of incidents.

**2020 target** To maintain low levels of bus accidents per million miles, delivering continuous improvement.

#### Bus accidents per million miles





## Carbon emissions per passenger journey

**What does it mean?** We monitor all of the energy used within our operations and calculate our CO<sub>2</sub> emissions resulting from this energy use by using the appropriate CO<sub>2</sub> conversion factor. We divide our CO<sub>2</sub> emissions by the number of passenger journeys made to establish CO<sub>2</sub> per passenger journey and we use this metric to measure our performance.

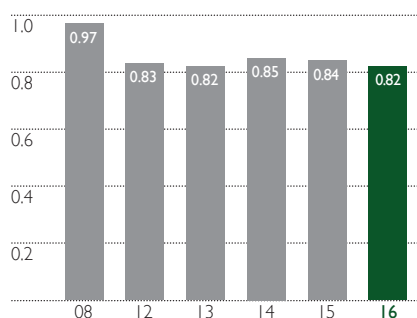
**Why is it important?** It helps us to measure against our commitment to improve energy efficiency while contributing to government's and local authorities' carbon reduction targets and providing a greener way for our passengers to travel. Good performance in this area also reduces cost through fuel efficiency.

**Risks** Our objective to run our companies in an environmentally responsible manner would be impacted by poor performance against this KPI. Poor performance could result in reputational risk for the Group and higher costs.

**2016 performance** The year-on-year rate in this metric has improved by 2.34% and we continue to make progress towards our 10% reduction target by 2018.

**2018 target** To reduce like-for-like carbon emissions per passenger journey by 10% on a 2014/15 baseline. This is a challenging target as we have already made significant improvements in this area. Carbon emissions per passenger journey have reduced 16.11% on a like-for-like basis from our original 2007/08 baseline.

## Carbon emissions per passenger journey (kgs)



## 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 DEFRA/DECC GHG conversion factors for Company Reporting 2015. In line with this guidance, we have reported the emissions sources\* that are required. These sources fall within 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 kilograms of CO<sub>2</sub>e emissions per passenger journey.

Overall, CO<sub>2</sub> emissions in absolute terms have increased as a result of business acquisitions but CO<sub>2</sub> emissions per passenger journey have decreased largely due to improved efficiency in the use of traction 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.

	2015/16		2014/15	
	CO <sub>2</sub> e tonnes ('000)		CO <sub>2</sub> e tonnes ('000)	
<b>Scope 1</b>				
Passenger journeys (m)	1,297.23		1,241.20	
Gas (buses) kwhs (m)	6.3		6.9	1.3
Gas (premises) kwhs (m)	51.0	9.4	54.5	10
Bus diesel (10% bio-diesel blend) ltrs (m)	130.3	340.2	127.6	329.8
Rail diesel ltrs (m)	18.6	55.1	18.4	53.5
<b>Scope 2</b>				
Traction electricity kwhs <sup>1</sup> (m)	1,368.9	564.1	1,169.3	540.4
Site electricity kwhs (m)	104.8	43.2	100.3	39.4
Electric buses kwhs (m)	0.07	0.03	n/a	n/a
<b>Scope 3</b>				
Electricity – transmission and distribution losses within the grid		54.9		44.6
<b>Sub-total</b>	<b>1,066.93</b>		1,019.0	
<b>Outside of scopes</b>				
Biogenic content of bio-diesel <sup>2</sup>		7.9		11.0
<b>Total</b>	<b>1,074.83</b>		1,030.00	

1. Traction electricity consumption data relates to the period from 1 April 2015 to 31 March 2016. This provides the most accurate figure for consumption.
2. The biogenic content of bio-diesel is considered outside scope as there is no conversion factor for our baseline year. Emissions from this source are reported for 2015/16 but are excluded from the calculation of our relative performance metric as comparative data is not available. We define our organisational reporting boundary by applying the financial control approach with a materiality threshold set at 5%.

	2015/16	2014/15
Kgs CO <sub>2</sub> per passenger journey	0.82	0.84
Kgs CO <sub>2</sub> per passenger journey only includes scopes 1-3 CO <sub>2</sub>		



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



## Customers

To attract more passengers to our services each year by providing a high quality service that is reliable and offers value for money

### 2015/16 ACHIEVEMENTS

- Sector leading 89% customer satisfaction score in the National Bus Passenger survey
- Over 850,000 smart cards issued outside London
- Two million passenger journeys made on our bus services every day
- 27% of all UK rail journeys made on our train services

### 2016/17 TARGETS

- To increase online ticket sales through Go-Ahead's own OnTrack Retail ticketing system
- To maintain sector leading bus customer satisfaction scores and improve levels of passenger satisfaction in our rail businesses
- To improve multi operator, multimodal ticketing solutions
- To increase levels of punctuality in line with industry targets

# Focused on customer experience

With the help of passengers and colleagues, we have created comprehensive maps of our customers' bus and rail journeys from the very start to the very end of their journey.

## Improving every customers' journey

Walking in our customers' shoes, we have identified where we can improve the experience they have of our services. We have detailed action plans to deliver enhancements across:

- planning and researching journey options
- buying tickets
- boarding the bus or train
- getting help from our staff or through information channels
- completing the onward journey
- contacting customer services, clearing delay repay or locating lost property

Our new vision helps the Group to create an aspirational version of what the future will be like for customers; the ideal customer experience where every journey is taken care of. Our commercial bus companies work hard to attract and retain customers and we are proud that for another year we have achieved leading national ratings of 89% customer satisfaction in the National Bus Passenger Survey. Features that many of our services outside London have, such as onboard wifi, USB phone charging points, and new navigation apps all assist to increase satisfaction. As expectations increase we need to be agile and find new ways to take care of every aspect of journeys and deliver even better experiences.

We also appreciate that every customer is unique, and has different needs and expectations; increasing personalisation is key to people feeling taken care of. Whether it is an app remembering a passenger's

home station, a customer service system automatically calculating a refund that is due, or a bus driver recognising the signs that a customer may have dementia and responding appropriately, it is increasingly important to offer a personal service that suits the needs of the individual.

We are investing in technology, and through our industry groups, working with information technology companies to build a substantial portfolio of innovative transport apps. Providing information at people's fingertips helps people make decisions about their journeys from start to finish. We know every minute counts for many of our customers, and providing people with the best information is essential to building trust.

## Increasing accessibility

An important element of public transport is providing an inclusive service. Whether customers are using wheelchairs or mobility scooters, have difficulty walking, are pregnant or travelling with young children, or have learning difficulties or mental health issues – all our bus and rail companies strive to make their services as accessible as possible to everyone.

We invest approximately up to £70m per annum in new buses and this year all vehicles acquired have audible announcements and electronic visual signage (AV) onboard: we have also made a commitment that future purchases will be fitted with AV. Our bus companies have signed up to the RNIB charter, using the 'Stop for Me, Speak to Me' training material to help drivers appreciate some of the experiences and problems blind and partially sighted people face.

We continue to deepen our people's understanding of the issues facing customers with dementia and – particularly in the coastal areas we serve which have higher percentages of elderly people – have used the Dementia Friend training along with other accessibility training to positive effect. Practical ways to assist passengers with hidden disabilities, such as the introduction of 'helping hand cards' at many of our operating companies, enables us to provide a more personal service. The Samaritans work with our train companies to promote mental health and wellbeing and also, as part of their 'safeguarding' programme, to assist identifying young people who may be vulnerable and at risk.

All our trains are wholly accessible for users of wheelchairs, but there is still some way to go before most stations have step-free access as many stations were built at a time when step-free accessibility was not a consideration. However, many of the barriers to increasing accessibility of our bus and train services are not physical ones, and can be overcome with increased employee awareness and training.

# 89%

Joint highest regional bus passenger satisfaction score of the large transport groups in the UK



## Customers

To provide high quality, locally focused passenger transport services.

### Like for like passenger volume growth

**What does it mean?** We measure the number of passenger journeys taken on our regional bus and rail services compared with the previous year. This is measured on a like-for-like basis, adjusting for acquisitions, new franchises and the effect of the 53 week.

As we are contracted on the basis of mileage in our London bus division, we do not measure passenger numbers.

**Why is it important?** We track this metric closely as performance against our rail franchise bid assumptions and progress towards our bus operating profit targets are significantly impacted by passenger volumes.

**Risks** Decreasing volumes could be an indication of performance issues within our operations or changes in economic or market conditions, all of which could impact on the Group's overall performance.

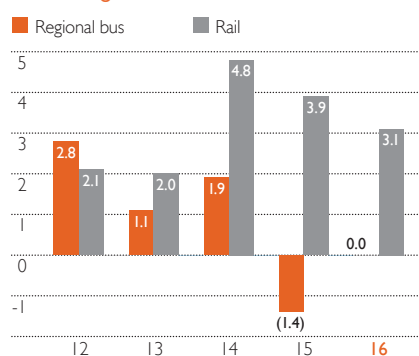
**2016 performance** In regional bus, like for like volumes remained steady with ongoing weakness in the north east economy and redevelopment roadworks around Oxford. This decline follows many years of consistent growth, against a backdrop of declining volumes in the wider UK bus industry, outside London. This growth has been supported by our geographical focus in more economically resilient areas and our approach to marketing our high quality services.

In rail, we continued to deliver consistent growth throughout the challenging economic period from 2008 and this has continued in the year; with like for like growth of 3.1%.

We have made improvements over a period of time including sales channels, off-peak services and marketing.

**2020 target** To maintain growth at broadly similar levels to those consistently delivered in recent years.

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



### Customer satisfaction

**What does it mean?** Customer satisfaction is measured by the independent passenger watchdog Transport Focus. Surveys are conducted twice a year for our rail franchises and annually for our regional bus operations. Our primary customer in London bus is TfL. We measure satisfaction by performance against TfL performance targets, such as excess waiting time.

**Why is it important?** Providing high quality service is a strategic priority for the Group and monitoring customer satisfaction is a key measure of our performance. Identifying potential issues allows us to take action to improve our services.

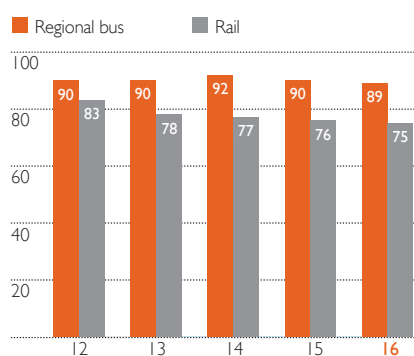
**Risks** If customers are not satisfied with the service they receive, they may switch to other operators or other modes of transport. The satisfaction figures receive media attention and our reputation can be harmed if these are low. Our rail franchise contracts have satisfaction targets and our operating companies could face penalties if the targets are not achieved.

**2016 performance** In bus, we achieved the joint highest passenger satisfaction score of the large transport groups in the UK at 89%.

Rail scores declined a percentage point to 75.3% as a result of significant disruption for both Southeastern and GTR franchises, primarily due to the £6.5bn government funded Thameslink Programme upgrade and resulting lack of resilience in the network. London Midland, which is not impacted by significant infrastructure work, achieved 85.8%. The average score for train operators in London and the south east is 80%.

**2020 target** To maintain our sector-leading bus passenger satisfaction scores and improve on levels of customer satisfaction in the rail division, bringing them in line with the industry average for the London and south east network.

### Customer satisfaction (%)



### Regional bus punctuality

**What does it mean?** 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.

**Why is it important?** Service punctuality is important to our passengers and is key to helping us grow passenger numbers.

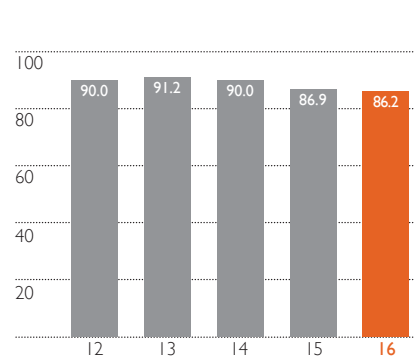
**Risks** Punctuality is a key driver of customer satisfaction. If our customers are not satisfied with the service they receive they may switch to other operators or other modes of transport. There is a direct correlation between journey times lengthening and fewer passengers travelling.\*

**2016 performance** 86.2% of our regional bus services ran on time. This is in line with last year's performance, lower than previous years due to congestion and roadworks in some of our operating areas preventing punctual service running.

**2020 target** Achieve regional bus punctuality of over 95% in line with industry targets.

\* The Impact of Congestion on Bus Passengers report (Greener Journeys, 2016).

### Regional bus punctuality (%)







### London bus punctuality

**What does it mean?** The punctuality of London bus operations is measured by excess waiting time. This 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.

**Why is it important?** Service punctuality is important to the passengers we carry on behalf of TfL. We earn extra revenue through Quality Incentive Contract (QIC) bonus payments if we exceed TfL punctuality targets, on a contract route basis. Contract extensions are based on performance.

**Risks** Poor performance could result in lower QIC bonus payments and contracts not being extended.

**2016 performance** Average excess waiting time held at a similar level to last year at 1.22 minutes in excess of the average scheduled wait time. The industry average excess wait is 1.15 minutes.

Performance has been impacted by roadworks and congestion associated with public realm improvements, affecting our ability to run services in line with targets.

**2020 target** Achieve low average excess waiting time of below one minute, in line with TfL's targets.

### Rail punctuality

**What does it mean?** 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?** Service punctuality is important to our passengers. It is the strongest indicator of passenger satisfaction with the service and is fundamental to building trust and advocacy among customers. PPM performance forms part of our franchise agreements with the DfT.

**Risks** Punctuality is a key driver of customer satisfaction. Poor performance could result in customers stopping using our services and harm to our reputation. Breach of franchise agreement terms could lead to financial penalties or ultimately result in the loss of a franchise.

**2016 performance** Overall PPM for our rail companies was 82.8%. This is a significant decline of 4.6ppt against the prior year. This metric has been impacted for the last few years by weak network resilience in the Southeastern and GTR networks, which saw a decline of 3.6ppt and 9.7ppt respectively. Conversely, London Midland's PPM saw an increase of 1ppt taking it to 88.5% and average for the year. We continue to work closely with Network Rail to improve performance on the networks on which we operate, but infrastructure will remain restricted during the Thameslink upgrade programme and it will not be until the end of 2018 that the full benefits of the investment will be realised.

**2020 target** Increase levels of punctuality in all our franchises to meet 90% PPM in accordance with the ORR's Network Rail and London and south east operators' 2019 target. The industry is currently reviewing how it measures performance from 2018 to 2022.

### Key drivers of satisfaction

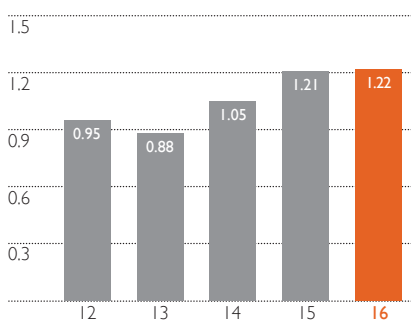
Research strongly demonstrates that what bus and rail passengers want first and foremost is a punctual, reliable service that offers value for money. A reliable network is fundamental to both bus and train services running on time.

Over the past year roadworks in places such as London and Oxford have caused congestion leading to an increase in journey times and decrease in bus reliability which has impacted on the number of passengers travelling. A 2016 study\* into congestion describes the impact of slower speeds leading to higher costs, higher fares, increased journey times, punctuality and reliability decline and service decline; all leading to fewer passengers. Go-Ahead's bus companies work in partnership with local authorities in their regions to ensure that both operators and local authority planners can mitigate as much as possible against the deterioration experienced through necessary roadworks.

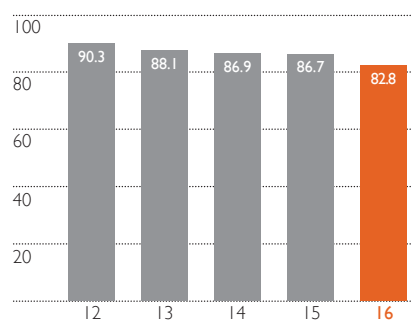
It has been accepted that after years of underinvestment and increasing passenger numbers the London and south east network is not providing the reliable network trains companies need to operate a punctual service and this is having an effect on overall customer satisfaction. The spring 2016 rail passenger survey included pilot survey where an 'emotional tracker' was used to monitor commuter experiences through a period of disruption linked to London Bridge rebuild and the Thameslink Programme. The two factors strongly affected passengers' sentiment were being on time and the ability to get a seat. The Thameslink Programme will create additional capacity and stabilise the network supporting a more reliable train service which will improve customer satisfaction.

\* The impact of Congestions on Bus Passengers (Greener Journeys, 2016).

London bus punctuality (minutes)



Rail punctuality (%)





## Our people

To be the employer of choice in our sector by continuing to invest in training and developing our people.

### 2015/16 ACHIEVEMENTS

- Investors in People (IiP) accreditation across our operating companies including rail company Southeastern which retained Champion status, the highest IiP level
- 10% increase in number of female employees across the Group
- £18.4m invested in training and development this year

### 2016/17 TARGETS

- To maintain practices and processes that work to reduce levels of absenteeism
- To improve levels of employee engagement across the business
- To increase the diversity of our workforce and become more representative of the communities we serve
- To maintain consistently low levels of employee turnover

# Focused on our vision

Our new behaviours and attitudes have been created in collaboration with colleagues and stakeholders. They capture in words the spirit of what we stand for, guiding our decision making and our actions and are how we are going to achieve our vision.

## Living our vision

A world where every journey is taken care of – is our new Group vision. It is future focused, aspirational and puts customers at the heart of our business. It sets out where we want to be.

Creating our vision has been a collaboration between colleagues across the organisation and external stakeholders including customers. We know it is important that this is not just an exercise to refresh the words we use but that they make a tangible difference to how our people feel about working at Group, how customers experience the service we offer and a point of differentiation from our peers.

The vision is a continual reminder that we are an organisation that provides a valuable public transport service for people, rather than just being operational logistics experts. The act of taking care of people's journeys resonates with our employees and is a common purpose for everyone in the Group.

Embedding the new vision, behaviours and attitudes across the organisation is underway – our policies, procedures, KPIs and contracts are all being re-drafted to align the organisation with our vision so that we are agile and responsive to meeting our customer needs. We have launched a programme entitled 'going forward together' to deliver the key changes we need to put in place in all our operating companies to continue to grow, deliver better value for money and provide a good service for customers. Facilitated workshop sessions

have been held at all operating companies to ensure consistency of approach and language throughout the business. Action plans and commitments are part of our 'better together' sessions with leaders and managers accountable for overseeing delivery.

The new vision, beliefs and attitudes help us meet our shared goals and objectives in a way that we have mutually agreed is how we wish to behave and be seen to behave. With these strong values in place, the organisation will support the right behaviours and challenge those that go against them. Like other successful organisations we will use our values and behaviours to govern decision making. Our leaders and senior managers play a crucial role in assisting others to do this.

Delivering improved efficiencies and greater agility will help us to be one step ahead of the competition and continue to invest in the future. We know that by working together we will be able to create a truly customer-focused collaborative workplace and through that deliver growth. Passengers will benefit from better services; customers and our supply chain will benefit from increased responsiveness and improved value for money; our people will benefit through greater opportunities across the Group; and our shareholders will benefit in our success.

## Next generation

Succession planning is an important part of running a responsible sustainable business and our people plans include several schemes to ensure colleagues have opportunities for

full and successful careers within the Group. We have a strong talent programme where individuals with potential are encouraged to work on projects and take secondments in other areas of the Group to deepen their understanding of the industry.

Go-Ahead bus division's two year graduate scheme, launched in 2013, has now successfully seen 21 graduates go through the programme and six take management roles. The scheme built on the Group's well established engineering scheme and broadened the scope to include high calibre individuals enthusiastic about transport, who were commercially aware with strong leadership potential. Participants focus on the operational aspects of company management and have the opportunity to work across all areas of the business including driving, contract and project management, marketing and stakeholder relations. A coaching approach underpins the scheme and MDs and operations directors act as mentors for the graduates.

For the past few years our rail division has taken part in the industry's 'track and train' scheme providing all-round experience for graduates. In the past year we have introduced our own Govia graduate scheme with five graduates in 2015/16, and in line with our effort to increase gender diversity across our business, two women are part of the cohort.

Our new vision, beliefs and attitudes are:



A world where every journey is taken care of



We believe in  
Trusting people  
Being can-do people  
Building relationships  
Being one step ahead



We are  
Accountable  
Down-to-earth  
Collaborative  
Agile

## Our strategy and key performance indicators continued

### Our people

## To be a leading employer in the transport sector.

#### Employee engagement

**What does it mean?** Since 2012 we have measured how engaged our people are through annual independent employee surveys, conducted across our businesses.

**Why is it important?** Go-Ahead strives to be a good, respected employer and we appreciate the experience and opinions of our people and insight gained from their feedback. Whenever possible we make changes as a result of feedback received to build trust and foster an environment where the employee voice is valued.

In addition to making Go-Ahead an attractive place to work, high levels of employee engagement will contribute to the success of the Group.

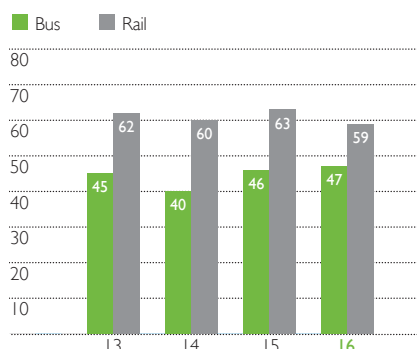
**Risks** Low levels of employee engagement could result in reduced productivity and higher levels of absence or staff turnover, all of which would impact on resource planning across the business.

**2016 performance** In the year our overall engagement score for the Group was 53%. Our bus division recorded levels of employee engagement of 47%, and our rail division averaged scores of 59%.

As the largest employer in the Group, Go-Ahead London's relatively low score of 46% brought down the bus division average significantly. GTR's score of 40% has also negatively impacted the rail division results significantly. Improving engagement at both these operating companies will be a particular focus for the management teams.

**2020 target** 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.

#### Employee engagement index (%)



#### Absenteeism

**What does it mean?** We measure employee absence by the percentage of scheduled hours not worked due to unplanned absence from work.

**Why is it important?** High levels of absenteeism could be reflective of low levels of staff satisfaction and engagement. By monitoring levels of absence we are able to identify areas of the business with potential employee relations or staff shortage issues. Monitoring also helps us with our resource planning and allocation.

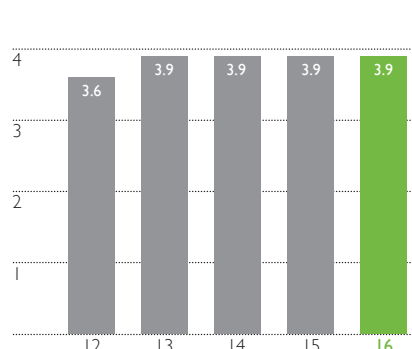
**Risks** Staff shortages could impact on our ability to deliver our services at the frequency, level of punctuality and standard we aim to achieve. It potentially puts additional pressure on colleagues in the workplace and impacts on employee morale, engagement and stress levels. There is a significant cost to the business of absenteeism; the national estimated average cost of an absent employee is £554 per year (CIPD 2015 survey).

**2016 performance** In the year, the overall rate of Group absence was 3.9% of working hours lost to sickness, with 3.5% in our bus division and 4.3% in rail. This is higher than the national sector average (3.5% CIPD 2015 survey).

Our local management teams are focused on establishing workplaces with a positive working atmosphere and consider wellbeing when making operational business decisions. Line manager training is aimed at assisting our people's capability to manage absence through identifying and managing stress in their teams and adhering to attendance procedures.

**2020 target** Achieve low levels of absenteeism, below the national average.

#### Absenteeism (% of working hours)



#### Employee turnover

**What does it mean?** Employee turnover is measured by the percentage of employees who leave the business in year.

**Why is it important?** High levels of employee turnover could be reflective of low levels of staff satisfaction and engagement. By monitoring levels of turnover we are able to identify areas of the business with potential employee relations issues. This also helps to identify issues such as staff shortage and assists us in resource planning and allocation.

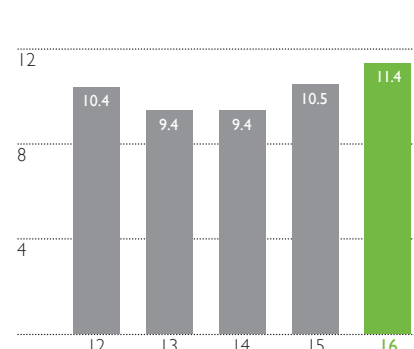
**Risks** Employee shortages could impact our ability to deliver our services at the frequency, level of punctuality and standard we aim to achieve. Some roles, such as train drivers, take more than a year to train and we have a disproportionate number of employees in those roles likely to be nearing the end of their career.

**2016 performance** The overall rate of employee turnover was 11.4% for the Group, with 14.8% in our bus division and 7.9% in rail.

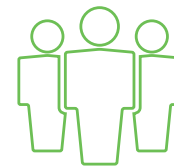
Levels of turnover are regularly monitored by local management teams who we believe are best placed to respond to changing levels and address local issues as they arise. It is important to consider the economic climate in relation to this KPI as the wider job market can impact turnover levels. Our rail division is recruiting and training an unprecedented number of new drivers to operate increased numbers of train services, and to fill vacancies left by retiring colleagues.

**2020 target** Maintain consistently low levels of employee turnover.

#### Employee turnover (%)



Due to the timing of surveys 2015's rail figures show data from 2014/15 for Southeastern and 2012/13 for Southern and London Midland.



### Focus on our people

Our aim is to be the employer of choice in the sector. 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. We have refreshed our organisation's vision and values to better encourage an environment where our people develop and have the opportunity for fulfilling careers with us.

We seek to provide opportunities for personal and professional development and to recognise and reward excellence. We are committed to protecting the rights of our people and believe in equal opportunities at all levels of the business. We use a range of means to ensure that the voice of employees is heard across the Group including: employee surveys, informal feedback sessions and discussions, internal social media, phone-ins, newsletters and more.

During the year, we continued the development of our people and succession plans across the organisation from the boardroom to customer-facing colleagues. Our central HR function runs 'talent', 'rising star' and mentoring programmes for individuals identified as having potential for promotion. It also develops training courses and provides access to a suite of learning and development resources for managers and teams across all our operating companies.

We believe it is important employees can benefit from the Group's success alongside shareholders. In the past year we have introduced a Sharesave scheme, the second scheme in the past four years, aimed at encouraging our people to increase their vested interest in the Group's success.

#### Diversity and equal opportunities

Go-Ahead recognises the value of diversity in all areas and at all levels of the business. Over the past two years we have established a Group diversity forum, comprising individuals from across the Group, with a particular focus on increasing gender diversity. 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 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.

In the past year we have embarked on a training programme, that will ultimately include all operating companies, helping managers of people to be aware of issues such as unconscious bias to ensure all people are treated fairly and equitably.

#### 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

It has been established that retaining engaged and motivated employees is important to the success of the business. We seek to engage effectively with teams and individuals at a local level, while maintaining a Group approach with consistent values and behaviours. We appreciate the experience and opinions of our people and conduct annual employee engagement surveys across the Group. The majority of our workforce is represented by trade unions and we strive to foster good relationships with union representatives, acknowledging the impact that poor employee relations has on our success. It is clear that the response of unions to modernisation changes being introduced at rail company GTR has created a difficult climate for some particular roles and improving relations in this matter is one of the main focuses of the management team.

#### Our local approach

Go-Ahead has always operated through a devolved management structure, with local teams entrusted and empowered to run their businesses effectively. We believe our operating company management teams are best placed to respond to the needs of local customers and communities. 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 **83%**  
● Female: 11 **17%**

### Overall Group gender diversity



● Male: 23,617 **86%**  
● Female: 3,908 **14%**



## Finance

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

### 2015/16 ACHIEVEMENTS

- Adjusted operating profit was up 16.9%
- Sector leading regional bus margins of 14.2%
- Increase of 6.5% in the full year dividend to 95.85p, in line with our progressive dividend policy
- Continued strong free cashflow and robust balance sheet
- Most effective communications of overall investment proposition and best website (Investor Relations Society Awards)
- Began operating bus services in Singapore and won rail contracts in Germany

### 2016/17 TARGETS

- To maintain our strong performance and sector leading margins in regional bus
- To deliver value from existing rail franchises, and secure future profitability through franchise wins
- To maintain adequate dividend cover throughout the economic cycle
- To continue to explore value adding opportunities in overseas markets

# Focused on accountability

Go-Ahead is committed to accountability in its finances, maintaining a strong and effective financial control environment.

We have a disciplined financial framework operating Group wide. A key part of our business model is to focus on customer service to improve customer retention and satisfaction and to invest in capability, processes and performance measures to reduce costs by making our operations reliable, effective and efficient.

We continue to be one of the few FTSE 250 companies with the Fair Tax Mark – something that we were the first in the FTSE 350 to be accredited with at the scheme's launch in 2014. The Board continues to work towards being assessed as 'low risk' by HMRC and ensures that we adhere to our policy of not undertaking tax planning or making use of tax havens.

## Our devolved approach

Our devolved approach enables us to build management accountability at operating company level. It means that decisions can be taken locally about where to re-invest to deliver the maximum benefit for customers.

A significant portion of our profits are reinvested in the business to increase opportunities for growth as well as drive further efficiency. Organisational efficiency programmes include upgrading IT systems and moving all Group companies to one enterprise platform. Our central procurement department achieves cost savings through negotiations on behalf of our operating companies and our central marketing function adds value by negotiating advertising space nationally rather than at individual company level.

## Delivering savings

Our central procurement division has successfully delivered savings in the region of £4m across a range of contracts. For example the team has negotiated a telecommunications data contract leveraging the scale of our UK wide operations and the growing desirability of having wifi service onboard our buses and trains and at stations.

Our suppliers play a strong role in helping us deliver our strategy and we aim to get the most from them. We aim to choose companies who act ethically and responsibly and by working in partnership with our suppliers we have continued to reduce our carbon, water and waste emissions. We have also signed up to the prompt payment code and follow the principles of the government's better payment practice code.

Over the last few years we have invested in establishing a central services IT helpdesk team offering our operating companies 24 hour technical support. This shared service centre allows employees to log all faults ranging from a problem with equipment such as station ticket vending machines through to getting assistance over the phone or via online chat with a computer software problem or query.



## Fair Tax

First in FTSE 350  
to achieve Fair Tax Mark



In the top 10 'UK's most trustworthy companies 2016' – Forbes List.

Companies that, "Consistently demonstrated transparent accounting practices and solid corporate governance"

## Our strategy and key performance indicators continued

### Finance

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

#### Like for like revenue growth

**What does it mean?** 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 we measure total revenue instead.

**Why is it important?** Growing revenue through a combination of growth in passenger numbers and modest fare increases drives operating profit growth.

**Risks** Inadequate levels of revenue growth can impact on profitability, reducing our ability to invest in the business and make returns to shareholders.

**2016 performance** In regional bus, like for like revenue growth was 2.4%, down on 2015 performance (2.6%). London bus like for like revenue increased by 2.6% despite a significant reduction in Quality Incentive Contract bonus revenue resulting from roadworks and congestion in the capital. Like for like growth in rail revenue of 4.6% is the result of growth in passenger numbers and regulated rail fares set by the government. Regulated rail fare increases are passed back to the government through the premium or subsidy payment of each franchise.

**2020 target** To maintain growth at broadly similar levels to those consistently delivered over recent years.

#### Adjusted operating profit

**What does it mean?** Adjusted operating profit excludes the incremental impact of IAS 19 (revised) and also amortisation, goodwill impairment and exceptional operating costs to provide more comparable year on year information.

**Why is it important?** Adjusted 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.

**Risks** Inadequate levels of profitability can reduce our ability to invest in the business and make returns to shareholders.

**2016 performance** Total adjusted Group operating profit was £157.4m, up 16.9%. Adjusted bus operating profit of £100.4m was up 8.0% in the year and in line with our expectations, enabling us to achieve our target of £100m of bus operating profit this financial year. Our rail division performance was ahead of our initial expectations with adjusted operating profit for the year of £57.0m, up 36.7%, helped by improved insurance claims costs and lower fuel costs.

**Bus target** To maintain industry leading margins.

**Rail target** Deliver value from existing franchises and achieve margins nearer the industry average of 3%.

#### Adjusted NET DEBT/EBITDA

**What does it mean?** This ratio is used to indicate the Group's ability to pay down its debt from earnings. Adjusted net debt, which is total net debt plus restricted cash in our rail division, is measured against earnings before interest, tax, depreciation and amortisation (EBITDA).

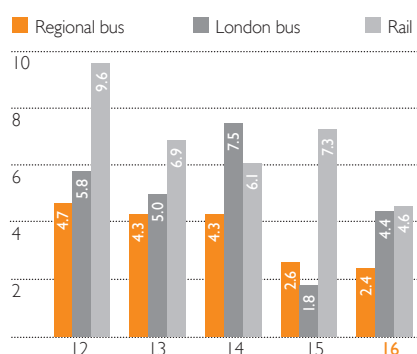
**Why is it important?** We have a bank covenant limit of 3.5x and are required to remain below this level. This ratio also helps us measure against our commitment to preserve a strong capital structure and maintain our investment grade credit ratings.

**Risks** Exceeding the bank covenant limit of 3.5x cover.

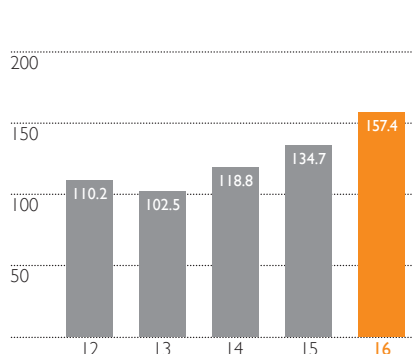
**2016 performance** In line with management's expectations, adjusted net debt to EBITDA was 1.36x, slightly below our target range. Adjusted net debt reduced by £5.4m to £239.3m in the year, while EBITDA was down by £9.6m to £175.6m.

**2020 target** To maintain adjusted net debt/EBITDA within our target range of 1.5x and 2.5x throughout the economic cycle.

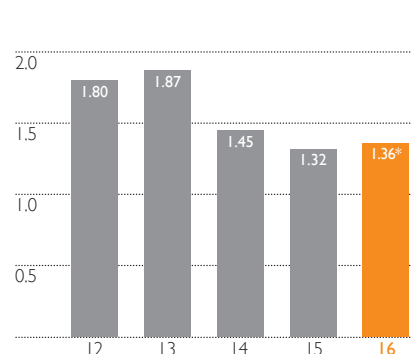
#### Like for like revenue growth (%)



#### Adjusted operating profit (£m)



#### Adjusted net debt/EBITDA (X)



\* Not adjusted for the incremental impact of IAS 19 (revised), in line with the 2021 revolving credit facility.





### Cashflow/Adjusted EBITDA

**What does it mean?** This ratio is used to monitor the conversion of operating profit into operating cash.

**Why is it important?** Good performance against this KPI demonstrates strong working capital management and financial discipline. Strong cash generation provides liquidity.

**Risks** Not generating sufficient earnings to reinvest in the business.

**2016 performance** Cashflow generated from operations\* was 1.00 times EBITDA\*\*. Negative working capital after adjusting for restricted cash in 2014/15 was predominately in the rail business and reflects changes in the London Midland and Southern franchise agreement. The nature of our rail business can lead to large working capital movements at certain times of year, which can result in some fluctuations from year to year due to timing of payments and receipts. Our London bus contracts run for five years with a possible two year extension. Capital expenditure requirements in this division are impacted by the timing of contract renewals.

**2020 target** To match or exceed cashflow generated from operations to EBITDA.

\* excluding restricted cash movement.

\*\* adjusted for the incremental impact of IAS 19 (revised).

### Dividend cover

**What does it mean?** We measure the level by which our dividend payments can be covered by earnings (adjusted earnings per share divided by dividend per share).

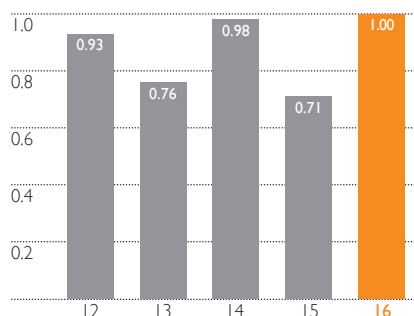
**Why is it important?** We are committed to delivering shareholder value through our dividend policy. We measure our dividend cover to help us assess how much of our profits we can pay to shareholders as a dividend whilst allowing sufficient retained earnings to invest in the business.

**Risks** Insufficient or unsustainable dividend cover could result in the dividend being reduced.

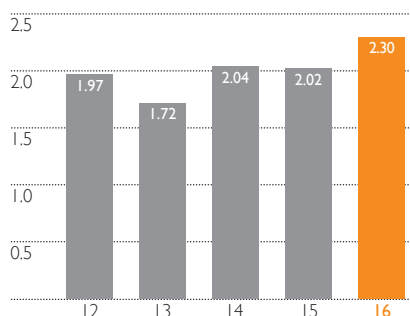
**2016 performance** Dividend cover was in line with our policy at 2.30 times earnings on a pre-IAS 19 basis. Further to a 6.5% increase in the interim dividend, the Board has proposed a final dividend of 67.52 per share, increasing the full year dividend to 95.85p, up 6.5%, from 90.0p.

**2020 target** Maintain adequate dividend cover throughout the economic cycle, in line with our policy of 2x cover, excluding the incremental impact of IAS 19 (revised).

Cashflow/EBITDA (X)



Dividend cover (X)



# Focused on sustainability

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

Collaboration and partnership working with stakeholders is fundamental in our approach to sustainability and to the way we run our business.

For Go-Ahead sustainability means operating our business in a way that ensures it is viable for the long term. Our shareholders expect us to make good decisions to ensure to the long term profitability of the organisation.

## Sustainability materiality review

To continue to demonstrate to our stakeholders – both internal and external – that we are a responsible, forward looking organisation, we have conducted a materiality review to ensure we meet our stakeholders' expectations now and in the future.

In collaboration with colleagues and key external stakeholders such as the DfT, TfL, the financial community and passenger groups, we have sought to find out which issues are considered significant, relevant and material to both the Group and our stakeholders. This

materiality assessment is based on gathering a range of internal and external perspectives to determine Go-Ahead's most critical issues. The exercise, which included a benchmark mapping against peers and competitors, has identified issues that impact on the business and are also important to stakeholders, and prioritises those that are rated highly against both criteria.

In the coming year we will be reviewing our non-financial key performance indicators (KPIs) to ensure they reflect the outcomes of the assessment and are aligned with our new vision, beliefs and attitudes. Our KPIs will be strategic, measurable and impactful – challenging us to improve our performance and demonstrate our commitment to stakeholders.

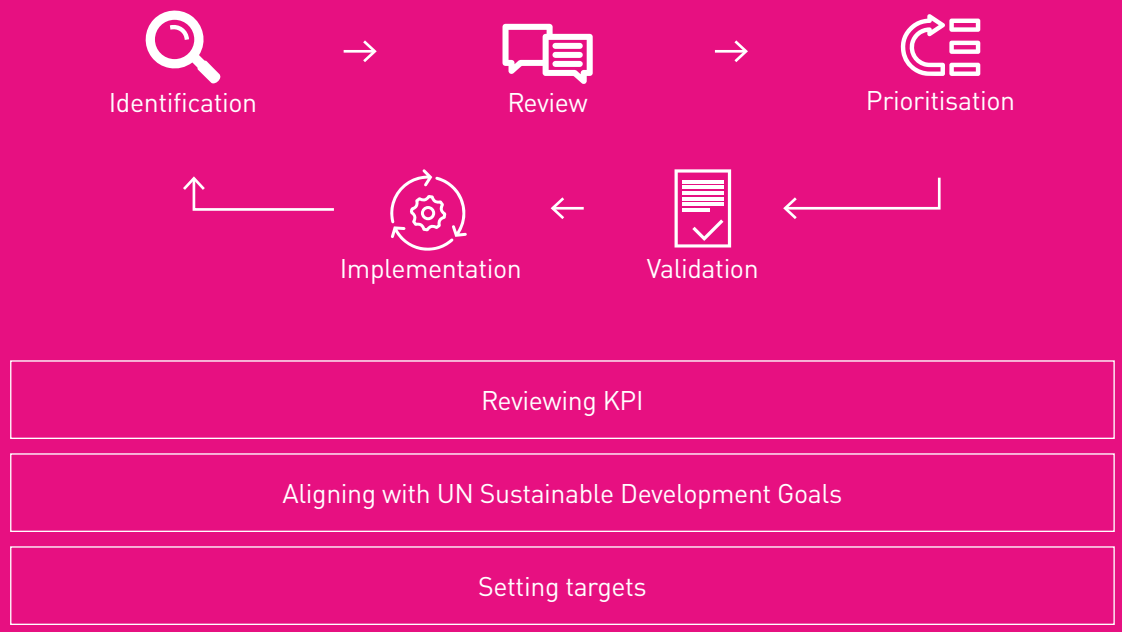
## Sustainability materiality review

Conducting a sustainability materiality review enables us to focus on the issues that are relevant for our key stakeholders. It is important that we minimise any potential gaps between our stakeholders' expectations and our companies' performance. We are now putting the right mechanisms in place so we measure what matters and focus on what will help us achieve our vision.

Of the 30 or more issues reviewed during the process, the issues below are ones identified as both key to the business and stakeholders.



## Sustainability materiality review methodology



## Sustainable reputation

Go-Ahead's reputation is based on how we conduct ourselves, and how we are viewed to be responding to issues of concern to our stakeholders and issues in the public interest. Building the trust and understanding of stakeholders is very important. We engage actively with them to ensure they have an appreciation of the issues affecting our business and have the opportunity to discuss them openly with us.

Despite fewer passengers travelling by train than bus in the UK on a daily basis, rail services have a higher public profile in the media – and the scrutiny on London commuter services operated by the Group's rail division give significantly greater opportunities for reputational risk and contribute to a more challenging operating environment. In a highly regulated marketplace such as the rail industry there are issues impacting on service delivery that are outside the direct control of our operating companies and this increases the risk to our reputation. In instances such as this we focus on working constructively with industry partners such as Network Rail to minimise

the impact of any disruption on our passengers. It is here that focusing and prioritising strong engagement with our stakeholders is key to maintaining good relationships and enabling effective communication with colleagues, customers, local authorities, industry bodies and the media. Together with the DfT and Network Rail we have agreed joint narratives to explain the multi-faceted nature of the rail industry, positively promoting its often unreported successes and actively engaging with commentators and critics.

The industrial relations issues and other challenges at rail operating company GTR's Southern services have diminished its reputation and so too the reputation of the Group. Our priority is to continue to modernise the franchise while embedding the right culture and values throughout the organisation and work to increase employee engagement, repair relationships to ensure all employees are customer focused and delivering a sustained good service for passengers.

## Key areas of focus for 2016/17

- Embedding our new company vision across our businesses
- Finalising our sustainability materiality review by further engaging with key stakeholders
- Reviewing our current KPIs and set challenging targets
- Retaining sector leading levels of customer satisfaction in bus and improve in rail
- Continue developing an integrated reporting system
- Improve employee engagement through training and inclusive workplaces
- Keep looking for growth opportunities in stable overseas markets



Summary verification statement from  
Bureau Veritas UK Ltd

Bureau Veritas UK Ltd has provided verification for  
The Go-Ahead Group plc over selected sustainability  
Key Performance Indicators (KPI) data contained  
within the Group's annual report covering the  
period 28 June 2015 to 2 July 2016.

The full verification statement including the verification  
scope and 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:



Full Independent Verification Statement  
online at [www.go-ahead.com](http://www.go-ahead.com)

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