

Govia Thameslink Railway Limited (the “Company”)

The following Section 172(1) Statement and corporate governance arrangements disclosure have been extracted from pages 9 to 14 and from pages 15 to 18 respectively of the Company’s Annual Report and Financial Statements for the year ended 2 July 2022 (the “Annual Report”). All page references relate to the Annual Report (available at Companies House).

Section 172(1) of the Companies Act 2006 Statement

In their discussions and decisions during the year, the directors of the Company acted in a way that they considered, in good faith, was most likely to promote the success of the Company for the benefit of its sole member. In doing so, they had regard to the Company’s key stakeholders and the matters set out in section 172(1)(a)-(f) of the Companies Act 2006 as explained below.

The likely consequences of any decision in the long term:

The directors recognise that their decisions will have an impact on the Company’s long-term success. Board discussions take account of all stakeholder interests, and the decision-making process includes balancing competing interests, whether short or long term. Decisions may benefit some stakeholders more than others, and the impact on each stakeholder group forms an integral part of board debate. In particular, board decisions take into account and seek to align with, the purpose and strategy set by the Company’s parent, The Go-Ahead Group Limited (the “Group”), for the Go-Ahead Group as a whole. The membership of the Board also includes representatives from Keolis (UK) Limited owing to their status as a significant shareholder. Further information on stakeholder engagement and its impact on principal decisions made during the year is set out in the respective sections below.

The interests of the Company’s employees:

The Company’s employees are fundamental to its success, both in the short and long term, and their health, safety and wellbeing is a top priority for the directors. “Health and safety”, “People and engagement” and “Industrial relations” have been mandated by the Group as items to be considered at each scheduled board meeting of every operating company within the Group, supported by detailed briefing papers circulated in advance of each meeting. The Company’s employees are a key stakeholder group, and further information on workforce engagement, outcomes from that engagement and any impact on principal decisions is set out in the stakeholder engagement and principal decisions sections below.

The need to foster the Company’s business relationships with suppliers, customers and others:

Positive business relationships with suppliers, customers, government and other key stakeholders underpin the Company’s delivery of services. Relations with suppliers, particularly in relation to dealings with smaller suppliers, are guided by the Group’s Sustainable Suppliers policy, which can be found, together with other related policies, on the Group website www.go-ahead.com/sustainability/policies. The Board regularly reviews how the Company maintains positive relationships with all stakeholders, including suppliers, customers and others. Details of stakeholders are set out in Principle 6 of the Corporate Governance Report. Please refer to the Corporate Governance Report on page 15 for further details on how GTR engages with its suppliers, customers and others.

The impact of the Company’s operations on the community and the environment:

As an operator of public transport, the Company aims to enhance the lives and wellbeing of every community where it operates by providing them with vital transport services. Communities are a key stakeholder group and further information on community engagement and outcomes is set out in the stakeholder engagement section. Environmental considerations are central to the strategy of the Group, and therefore to the Company. The Group has committed to reduce carbon emissions by 75% by 2035 and consolidating zero emissions capabilities is one of five key enablers underpinning the Group’s strategic priorities. Further information on the Group’s approach to environmental considerations can be found in the Group’s Annual Report & Accounts 2022 published on www.go-ahead.com.

GTR is the UK’s largest operator of electric trains with 98 per cent of its fleet comprised of electric trains. The Company’s electric fleet includes Siemens Class 700 trains, which recycle 15.8GWh of energy each month from its braking system and return it to the network. GTR has also worked in partnership with Network Rail to install solar film at Denmark Hill station.

The Company aims to align its business values, purpose and strategy with the social, economic and environmental needs of its stakeholders, embedding responsible and ethical business policies and practices in everything it does.

With many people using GTR's trains every day to get to work, school or see friends, GTR understands the importance of rail to passengers, communities, its colleagues and the economy. Therefore, the Company's commitment is to strengthen its contribution to the economy, increase customer satisfaction, focus on adding value in local communities through sustainability schemes, safety awareness and wellbeing, and by giving community members the opportunity to access training and a rewarding career in rail.

Highlights for the period ending 31 March 2022 were as follows:

- Thousands of children educated in railway safety
- Suicide Prevention Training rolled out to stakeholder and community rail partners to mark World Suicide Prevention Day
- Mental health awareness campaign collaborating with Stevenage Football Club launched
- Several young people commenced their 6-month work placements across the business through the government's Kickstart scheme
- 12-month pilot recycling initiative launched at Brighton station with The Green Block
- Your Station Your Community webinar series launched, providing community partners with access to expert speakers on key themes such as biodiversity and third-party funding applications
- Abandoned bikes donated to community partner to support upcycle and upskilling programmes
- Multiple station partnerships making local stations more welcoming and vibrant

The desirability of the Company maintaining a reputation for high standards of business conduct:

The directors acknowledge their responsibility for setting and monitoring the Company's culture, values and reputation. This is undertaken in line with the Group's purpose and values and the Group policies for responsible business management, which can be found at www.go-ahead.com/sustainability/policies.

The need to act fairly as between members of the Company:

The Company is owned by Govia Limited which is a joint venture between the [Group](#) (65%) and [Keolis \(UK\) Limited](#) (35%). The Group is structured around a devolved operating model and the Company is managed by its board of directors as a standalone business unit in accordance with the joint venture arrangements established by the shareholders of Govia Limited. Further details are set out in the corporate governance arrangements section of the Directors' Report.

For details of how the Company engages with the Group, please refer to Principle 6 in the Corporate Governance Report on page 15.

Stakeholder Engagement

GTR's relationships with its stakeholders are key to its success. By engaging meaningfully, the Company gains insights into their needs. This feedback forms part of the Company's decision-making process at every level of the business, from the Board to its' local management teams. The examples which follow demonstrate consideration of the matters set out in Section 172 of the Companies Act 2006.

Stakeholders	Why we engage	How we engage	Key topics of engagement during 2022 financial period	How we responded
<p>Our people</p> <p>Our business is built by colleagues whose commitment, innovation and ambition help deliver the best possible transport service to our customers. We have an experienced, diverse and dedicated workforce who we recognise as a key asset of our business and to whom we have a strong commitment to personal development.</p>	To maintain a highly engaged and motivated workforce	Defined new values and behaviours for leadership	Health, safety and wellbeing	Increased participation in our annual colleague survey.
	To create a constructive, two-way dialogue, ensuring colleagues have a platform to have their voices heard	Colleague engagement surveys	Diversity and inclusion	Development of health and wellbeing initiatives
	To promote wellbeing and ensure the safety of our people	Effective leadership and line management	Maintaining and continually improving colleague engagement	Continued dialogue to understand likely scenarios around return to office working
	To understand how we can best provide a supportive and collaborative workplace	Communication through the Company intranet, newsletters, forums and ad hoc meetings	Development and training opportunities	Continued focus on diversity and inclusion.
	To ensure alignment between people agenda and business strategy	Performance and development reviews	Opportunities for progression	Increases to female and BME apprenticeship applications.
	To encourage equal opportunities and a more diverse workforce	Colleague training programmes and workshops	Opportunity to share ideas and make a difference	Employee apps across operations for safer and more efficient working
	To ensure we develop colleagues through professional development and training	Focus on development and succession planning	Flexible working	Support for remote working practices to balance childcare/home-schooling, etc. where appropriate
		Lunch and learn sessions	Modernising and transforming working environments	
		Business update presentations	Colleague recognition and reward	
		Board and senior management site visits	Working throughout the COVID-19 pandemic, job security and pay	
	Management conferences.			
	Engagement with trade unions			
	Reinstated annual long service and retirement awards.			
<p>Customers</p> <p>Customers are at the heart of GTR and we are dedicated to providing them with safe, convenient and reliable services. We understand our local markets and strive to exceed our customers' expectations.</p>	To identify priority areas for improvement in order to maintain our high level of customer satisfaction	Online communications – website, newsletters, emails and social media	Reliability and punctuality of services	Enhanced safety features and cleaning regimes
	To respond quickly and effectively to meet changes in customers' needs and preferences	Customer satisfaction surveys	Safety measures	Local interaction regarding timetable changes
	To fully understand the needs of our different and diverse customer groups	Continual review of customer feedback	Overall on-board experience	Continued rollout of tap-on/tap-off contactless ticketing, and increasing emphasis on non-cash transactions
	To improve or maintain a high quality, reliable and safe passenger transport service	Customer-facing colleague feedback	Value for money, including ticket price	Rail station improvements with significant cycle hubs to make active travel easier
	To enable us to deliver new and innovative products and integrated, customer-focused solutions	Customer panels and focus groups	Quality and amount of delay and disruption information including timetable changes	Access Advisory Panel continued to meet, helping GTR enhance on board and station accessibility.
	To maintain a reputation for high standards of business conduct	Customer, industry and on-site events	Station amenities	Disability awareness courses delivered to customer-facing colleagues.
			Route and timetable enquiries	
			Colleague training and development	
		Accessibility and support for passengers with different needs		
		Active travel initiatives		

Stakeholders	Why we engage	How we engage	Key topics of engagement during 2022 financial period	How we responded
				Rail journey planning tools launched to help customers find quieter services.
<p>Strategic partners and suppliers</p> <p>Collaborative strategic partnerships are core to our business model. We build strong relationships with transport authorities and industry bodies to deliver efficient, high quality services. Our suppliers, which range from large multinational companies to small independently run businesses, partner with us in delivering innovative solutions for our customers.</p>	<p>To develop strong relationships</p> <p>To ensure closer alignment of values</p> <p>To provide collaborative and innovative solutions to societal challenges</p> <p>To ensure those with whom we work demonstrate a commitment to sustainability, employee wellness and diversity</p> <p>To ensure the effective delivery of contracts</p> <p>To enhance competitive advantage</p> <p>To effectively monitor, manage and mitigate risks in our supply chain</p>	<p>Joint membership of industry groups</p> <p>Collaborative working with partners to deliver specific solutions</p> <p>Engagement groups to build long term relationships</p> <p>Periodic surveys of our current suppliers</p> <p>Regular meetings to discuss supplier performance and areas for improvement, identifying risk and mitigation plans</p>	<p>Specific industry solutions</p> <p>Long term partnerships</p> <p>Collaborative approach</p> <p>Raising standards and delivering long term goals</p> <p>Delivering value, consistency, engagement and better planning</p> <p>Sustainability challenges</p> <p>Open terms of business</p> <p>Fair contract and payment terms</p> <p>Prompt payment</p> <p>Supply chain disruption contingency planning</p>	<p>Maintained key principles introduced last year to our pre-qualification and tender documents in relation to ethical employment practices, the environment, health and wellbeing and community cohesion</p> <p>Set targets on payment performance and complied with the Prompt Payment Code</p> <p>Continued engagement with Network Rail and local transport authority providers at multiple levels</p>
<p>Government</p> <p>Policy and regulatory change directly affects our business and creates the framework through which we operate. Working closely with both central and local government enables us to contribute our private sector experience and expertise to the public agenda and produce better policy outcomes and service delivery.</p>	<p>To secure recovery in passenger volumes that support economic development, environmental targets and social priorities</p> <p>To raise public transport higher up government agendas</p> <p>To influence and inform policy making</p> <p>To represent the views of other stakeholders: customers, colleagues, communities and shareholders</p> <p>We operate services on behalf of the Government via the DfT and continually engage on matters relating to the contracts we operate</p>	<p>Ongoing engagement with government bodies and clients, notably the Department for Transport (DfT)</p> <p>Group membership of the All Party Parliamentary Group on rail</p> <p>Participating in various expert working groups, select committees and government consultations</p> <p>Engaging in policy discussions over key industry topics and advising on delivery implementation</p> <p>Ongoing dialogue with local MPs</p> <p>Partnering with campaign groups such as Campaign for Better Transport and Sustrans</p>	<p>Passenger volume recovery</p> <p>Negotiation of a National Rail Contract</p> <p>Contractual arrangements and features</p> <p>National rail reform</p> <p>Environmental policy and compliance, including climate change and transition to zero-emissions</p> <p>Apprenticeships, skills and diversity</p> <p>Proactive engagement with local authorities</p> <p>Support for local economic plans and strategies</p> <p>Sharing experience and expertise</p>	<p>Engagement with DfT and industry partners on rail reform</p> <p>Campaigns on customer recovery and confidence</p>

Stakeholders	Why we engage	How we engage	Key topics of engagement during 2022 financial period	How we responded
<p>Communities</p> <p>As an operator of public transport, we provide a vital service to communities, transporting passengers to work, education, facilities and services. We strive to provide the social and economic benefits of affordable and accessible travel in the towns and cities in which we operate.</p>	<p>To maintain our role at the heart of our communities and play our part in helping communities thrive</p> <p>To address economic, social and environmental issues and priorities</p> <p>To find the best solutions for connecting people with family, friends, work and facilities</p> <p>To enable us to respond appropriately to the needs of our communities</p> <p>To maintain our focus on operating responsibly within society</p> <p>To achieve our environmental objectives and targets</p> <p>To support social inclusion and tackle isolation</p>	<p>Meetings with councillors, planning officers and other key officials to work in partnership for common community goals</p> <p>Continual two-way communication with local businesses and organisations</p> <p>Onsite community engagement events to understand the needs of the local community</p> <p>Collaboration with local charities, participating in volunteering and fundraising initiatives</p> <p>Regular updates through social media, our website and apps to keep communities informed</p>	<p>Effectively managing our environmental impact</p> <p>Investment in local infrastructure</p> <p>Engaging and responding to community needs</p> <p>Direct contributions through utilising local suppliers, community volunteering, sponsorship and fundraising</p> <p>Providing timely and accurate travel information to ensure safety and adherence to government guidelines on public transport</p> <p>Providing safe and affordable public transport solutions to support social mobility</p>	<p>Direct community investment through volunteering, sponsorship and fundraising</p> <p>Local meetings with MPs, the Chamber of Commerce and Local Economic Partnership Boards and BIDs</p> <p>MP drop-in events</p> <p>Regular stakeholder newsletters</p> <p>Contributed to policy discussion</p> <p>Developed active travel plans for customers at rail stations</p> <p>Try a Train events for local communities to build confidence in rail travel</p>
<p>Shareholders</p> <p>We provide our shareholders with open and transparent information and encourage two-way communication. Feedback from our shareholders forms part of the strategic board discussions. We operate our business responsibly and with strong financial discipline to protect the interests of our investors.</p>	<p>To ensure that our long term strategy is aligned with the interests of shareholders</p> <p>To explain how we aim to deliver sustainable growth and maximise the growth potential of the business</p> <p>To provide updates relating to the financial performance and position of the business</p> <p>To ensure the views of shareholders are considered in policy setting and aligned to their ESG investment criteria</p>	<p>Face-to-face meetings and phone calls</p> <p>Board meetings and focus topic discussions</p> <p>Annual Report</p>	<p>Leadership changes and board succession planning</p> <p>Corporate governance and internal controls</p> <p>Strategy and business model</p> <p>Financial performance</p> <p>Risk management</p> <p>Passenger demand and travel pattern</p> <p>Future of UK Rail franchising</p> <p>ESG performance</p> <p>Political environment</p>	<p>Commitment to transparent reporting with clear communications at regular intervals throughout the year</p>

Principal Decisions

The Board's principal decisions for the period ended 31 March 2022 addressed the following areas:

Governance

In the previous year, the Group Board identified a number of areas to enhance the Group's corporate governance and internal controls. Primarily identified as a consequence of franchise matters in LSER and International Rail, the Group Board committed to a series of improvements, including Group Board and leadership changes, improvements in bid investment decision making and ongoing contract compliance monitoring. Whilst progress has already been observed throughout 2022, such as the enhanced governance structure in GTR (including the appointment of independent directors to the GTR Board), the Group Board is cognisant that further improvements are required and that these will continue to be of focus in the coming year. The impact of the new Group leadership team will take time to embed and the change of ownership of the Group will also bring a fresh perspective to the control environment.

New Business

Towards the end of the year, GTR was given the opportunity to bid for a National Rail Contract, the successor to the previous Franchise Agreement. The Board decided to pursue this opportunity and was ultimately successful in its bid.

The National Rail Contract (NRC) commenced on 1 April 2022 and will run until at least 1 April 2025, with up to a further three years at the Secretary of State's discretion. The agreement of the NRC provides significant continuity for employees, stakeholders and suppliers. The contract is designed to build on GTR's experience to date and to partner with Network Rail and the Department for Transport to encourage customers back to the railways. The contract is designed as a bridge to the future Passenger Services Contracts intended to be let and managed by Great British Railways in line with the Williams-Shapps Plan for Rail, announced in May 2021.

Corporate governance report

During the period ended 31 March 2022, the Company applied the Wates Corporate Governance Principles for Large Private Companies (the “Wates Principles”). The Wates Principles are published by the Financial Reporting Council (the “FRC”) and are available on its website. The way in which the Company applied the Wates Principles during the period is set out below.

Principle 1 – Purpose and Leadership

The Board continued during the year, to embed and reinforce the Company purpose which is: “Bringing people together”. The Company is focused on the communities it serves and has effective and longstanding partnerships with local user groups, commuter associations, local authorities and elected representatives. Within the Company, we are continuing to bring improvements to our services and customer experiences across our network, so that our customers feel we are with them.

The Company has worked closely with industry groups and partners to develop its thinking around purpose and the strategy to deliver to its maximum potential. This has taken the form of canvassing views and opinions in forums and meetings and has been briefed out to colleagues and stakeholders in business wide events.

The purpose of the Company and the three strategic pillars of “brilliant basics, strong partnerships and shifting perceptions” are now embedded in the corporate governance of the business, with business cases, organisational design and resource prioritisation reflecting these pillars. The strategic objectives of the Company remain:

- Advancing the business – targeting scarce resource and investment in key strategic areas.
- Providing robust governance – recognising the growing importance of capturing, storing and providing secure, effective access to data that is growing exponentially year on year.
- Supporting operational excellence – providing structural solutions that support the business and various departmental service excellence initiatives.
- Simplifying system complexity and supporting one version of the truth – reducing the burden of maintaining and evolving existing systems and services, thereby making resources available to further deliver advances to the business.

The Company is additionally required to produce an Annual Business Plan for the Department for Transport (DfT), aligned to the DfT’s rail sector objectives. This Business Plan not only establishes financial parameters for our operations but also articulates a number of Business Plan Commitments and performance measures that are jointly monitored with the DfT.

Our purpose is supported by a set of values (continuous improvement; dedicated to safety; excellence; working together and committed to customer) and behavioural frameworks. All of these aspects are aligned to the strategic objectives and embedded and integrated throughout the employee life cycle through recruitment, induction, training, internal communications, performance development reviews, colleague engagement surveys, HR policies and procedures, and the Investors in People accreditation process. Initiatives such as the Excellence award recognition scheme are directly aligned to our values and behaviours and provide useful measures of how our people bring the value of our culture to life in their day-to-day roles.

The Company’s three-year People Strategy was approved by the Board in February 2020. Our ambition is to have the highest levels of employee engagement and customer satisfaction in the industry. The Company believes that if we care for our people and they love to work at the Company, they will care for our customers and help the Company build a sustainable, high-performance organisation. In line with its People Strategy, the Company’s focus has therefore been on the following:

- *Leadership provides a strong strategic narrative*; repeated and amplified so all colleagues understand who we are, what we are seeking to achieve and where their contribution fits in – we continued to hold monthly management forums to provide a regular platform for employee-director communication
- *Get the best from our operating model*; decentralised, agile and responsive, ensuring that we continuously learn and improve our business – we continued to hold senior leadership meetings at a brand level, empowered to undertake their own localised projects

- *Fix the basics for our colleagues*; to demonstrate that they are valued and respected – in the current year we've continued to encourage engagement through our intranet postings and our internal social media platform
- *Make diversity and inclusion part of our DNA*; ensure that we are representative of the communities we serve and that all colleagues can succeed and thrive in our inclusive culture – in the current year we have seen an increase in female and BME candidates applying for roles
- *Foster a culture of life-long learning*; colleagues are encouraged to take ownership of their own development and access to on-line development resources are available to all – in the current year we continued to invest in our online training portal
- *Develop capable and engaging managers*; our managers are empowered; we expect them to care, coach, support, resolve problems and develop their people
- *Ensure our colleagues have a voice – and show we are listening*; we seek feedback from our colleagues and check-in regularly to know how they are feeling and hear their ideas for improvement – in the period we relaunched our annual employee survey which had been paused in 2019
- *Recognise and celebrate our everyday heroes*; we ensure our colleagues feel valued and recognised for a job well done – in the current year we have implemented an employee recognition scheme

Principle 2 – Board Composition

Chair

Meetings of the Company's board of directors were chaired by the Company's CEO, H Verwer.

Balance and diversity

The Board comprises representatives from both The Go-Ahead Group Limited and Keolis (UK) Limited as well as other members with a range of skills and knowledge, and includes key operational roles – the Chief Executive Officer, Chief Operating Officer and Chief Financial Officer. Appointments to these roles are based on merit, and each individual appointed is experienced both in their field of expertise and in the wider transport industry in which the Company operates. As a subsidiary within the Group, the Company applies the Group Equal Opportunities, Diversity & Inclusion policy, further details of which can be found on the Group's website www.go-ahead.com/sustainability/policies. Diversity in appointments to the Company's board is promoted by GTR.

Size and structure

The number of directors appointed to the Company's board is calibrated to the size and complexity of the Company's operations. As the Board benefits from the support of the Group's executive directors and representatives from Keolis (UK) Limited, it considers the appointment of independent non-executive directors to be unnecessary. However, with effect from 1 April 2022, the Group's audit committee chair was appointed to the Company's board to provide an enhanced connection between the boards of the Company and the Group.

Board meetings continue to be held on a monthly basis, with longer deep dive review meetings held every quarter. The Group's Audit Committee Chair was appointed to the board of GTR with effect from 1 April 2022, the date of the new National Rail Contract, and provides a clear line of sight to the Group Audit Committee and Group Board.

Effectiveness

The Company's board held monthly and quarterly deep dive review meetings during the year. In accordance with the Group's operating company board procedures manual (the "Board Manual"), board meetings addressed standing agenda items, and meeting papers were circulated to all directors in the week prior to each meeting to allow sufficient time for preparation. All directors are expected to attend all meetings of the Company's board. Attendance and contribution to board discussions is a key element of the Company's senior leadership roles. Explanation and guidance on the role and statutory duties of a director are provided to the board in the Board Manual, and further support is available to the directors from both the Group's Company Secretary and its Legal Director.

As a result of the Group's decision to appoint independent directors, the Board has applied increased scrutiny to the operational performance and decisions of the Company, and this has resulted in greater challenge and improved effectiveness of board meetings.

GTR was awarded a National Rail Contract by the Department for Transport which commenced on 1 April 2022. Undertaking an extensive review of the contract terms formed a key focus area during the year and, in doing so, the Board received regular training on NRC contract compliance from external counsel to support their assessment of compliance requirements.

Principle 3 – Director Responsibilities

The Board holds eleven scheduled meetings a year with all directors expected, wherever possible, to attend all Board meetings. The Board receives regular and timely information (at least every four weeks) on all key aspects of the business including financial performance and KPIs, capital expenditure, contracts and tendering, health and safety, operating and engineering performance, people and engagement, market and competition and industrial relations. The Board continuously challenges itself and its governance procedures against the strategy set out in Principle 1 (Purpose and Leadership).

The Group Board reviews governance processes, including policies and procedures, on at least an annual basis to ensure that these remain fit for purpose and strengthen the governance of the Company. The Company complies with the Group Policies and Procedures Manual and reports its compliance to the Group annually on a self-certification basis. This includes an Operating Company Board Procedures Manual which sets out formal procedures for the working of the Board, delegated authorities, the timely provision of appropriate information and the duties and responsibilities of directors, including standards of conduct and compliance. The Company's HR policy sets out, amongst other things, policies on code of conduct, conflicts of interests and public interest disclosure.

The Board has established robust procedures for ensuring that its power to authorise conflicts of interest is operated in accordance with the Companies Act 2006. All directors are required to make the Board aware of any other commitments and actual/potential conflicts of interest that could interfere with their ability to act in the best interests of the Company. The authorisations given by the Board in respect of such actual/ potential conflicts of interests are for an indefinite period, but the Board retains the power to vary or terminate the authorisation at any time. The Board believes that this system operates effectively.

The Board believes in equal opportunities and applies fair and equitable employment practices. Our Code of Conduct states that all employees should be treated with respect and that their health, safety and basic human rights should be protected. All our colleagues are required to adhere to our Anti-bribery and Corruption policy.

Principle 4 – Opportunity and Risk

The Board seeks out opportunity whilst mitigating risk. The Company produces a corporate plan which includes identified risks and opportunities. The time limited structure of the franchise however mitigates against long term value excepting that delivery of good results and performance is important in securing future franchises or management contracts. Risk appetite is set at Group level and is monitored in aggregate for operating companies. Risk tolerance is advised to operating companies and is included in the Group's annual report.

Ultimate accountability of risk identification and management lies with the Company's Chief Executive Officer, supported by all other directors on the Board. The Head of Internal Audit and Compliance co-ordinates a quarterly review and update of the corporate risk register for board approval.

The assessment of key principal and emerging risks is embedded within the day to day operations of the Company. Such assessments are consolidated and reviewed as part of periodic board reporting and reported to the Group. As part of this reporting process, risk reports are completed which outline the key principal and emerging risks facing the Company, provide an explanation of the procedures in place to mitigate and manage such risks and prioritise the most important risks from both an inherent and residual perspective. These reports are then discussed with the Group executive directors at bi-annual risk Board meetings with discussion focused on the most important risk and control areas within the business.

A summary of the Company's key principal risks and mitigations are as outlined in the Strategic report.

Principle 5 – Remuneration

Remuneration arrangements are based on the principles that reward should be sufficient to attract and retain high calibre directors, senior management and the wider workforce.

For the Chief Executive Officer, Chief Finance Officer and Chief Operating Officer (the Group directors), remuneration is determined by the Group Board in line with the Group's Senior Management Remuneration Policy. Remuneration is structured to support both the financial objectives and the strategic priorities of the Group in a manner which is aligned with shareholders' and stakeholders' long-term interests. The Group directors' remuneration, is disclosed within note six of the financial statements.

Remuneration for senior management and administrative roles is reviewed annually and is linked to job performance. Total remuneration for these roles is linked to level, contract of employment and market forces. Remuneration for the wider workforce such as drivers and engineers is collectively bargained with trade unions. As a principle, all salaries, benefits, pensions and other elements of remuneration are benchmarked regularly to ensure they remain competitive in the markets in which we operate. Per the EMA, ERMA and NRC contracts, DfT approval is required for all pay increases, bonus payments and discretionary benefits with the exception of a multi-year pay deal agreed before the Company entered into the EMA. Following the government's announcement of a public sector pay freeze in November 2020, the Company is currently operating a mandated pay freeze for rail workers and has suspended bonus payments and most discretionary benefits with the exception of the multi-year pay deal referred to above.

Following a review of Gender Pay Reporting in the previous financial year, the Board made changes to the Company's recruitment process to attract a more diverse range of applicants, supporting network groups and training for all managers on how to address unconscious bias.

Principle 6 – Stakeholder Relationships and Engagement

The Board is clear that good governance and effective communication are essential on a day-to-day basis to deliver our vision and protect the Company's brand, reputation and relationships with all our stakeholders.

A full commentary on the Company's stakeholder engagement is contained in the S172 statement as part of the Strategic report.