

**Govia Thameslink Railway Limited
(the “Company”)**

The following Section 172(1) Statement and corporate governance arrangements disclosure have been extracted from pages 13 to 17 and pages 18 to 21 respectively of the Company’s Annual Report and Financial Statements for the year ended 31 March 2024 (the “Annual Report”). All page references in the extract which follows refer to the Annual Report which is available at Companies House.

Compliance with Section 172(1) of the Companies Act 2006

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 stakeholder interests, and the decision-making process includes balancing competing interests, whether short or long term. 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 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 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 18 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 help our communities to thrive by connecting communities via vital transport services. 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 published on www.go-ahead.com.

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. GTR has a variety of programmes aimed at recruiting and upskilling, through work experience, employability schemes and apprenticeships programmes. GTR also focuses on giving people the confidence they need to use public transport, to connect them to society as GTR knows just

how important it is to take down those barriers. GTR's industry-leading Try a Train programme and Mobile Assistance Teams have helped people grow in confidence to use rail and have proven to be an efficient route for colleagues to provide assistance at smaller stations.

With many people using GTR's trains everyday 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 by connecting communities, increase customer satisfaction through reliable services that meet the needs of passengers, and focus on helping communities to thrive through schemes and projects like the Your Station, Your Community fund and working with station partners and community rail partners to increase safety awareness and wellbeing.

Highlights for the year ending 31 March 2024 were as follows:

- 3,000 children participated in rail safety discussions since April 2022
- 3,000 children learnt how to use the railway network, buy a ticket and choose a train
- 1,700 children visited stations and trains, creating Social value of about £18m since 2022
- Suicide Prevention Training was rolled out to 400 members of staff
- GTR currently has 530 apprentices, and 1/3 of new apprentices are women
- In 2023, the youngest apprentice was 18 years old, and the oldest was 58
- Apprenticeships created Social value of £14m since October 2022
- 'Try a Train' events was held to build confidence in using the train with a variety of disadvantaged community groups
- "Your Station, Your Community Fund provided £339,000 grant funding in 2023/24 to community groups based in and around GTR stations. GTR received 370 applications, with 19 schemes receiving funding. A third grant round is to be launched later this year."
- Abandoned bikes donated to community partners to support upcycle and upskilling programmes.
- Multiple station partnerships making local stations more welcoming and vibrant.
- Involvement of stakeholders in the development of a new timetable for services on the West Coastway

(all figures taken from the GTR Measuring Social Value report 2023)

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 between members of the Company:

The Company is owned by Govia Limited which is itself owned by 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 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 18.

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 diagram below shows how GTR has engaged with its key stakeholders in the past year, whilst contemplating a potential change of government.



Internal and external stakeholders



Principal Decisions

The Board's principal decisions for the year ended 31 March 2024 addressed the following areas:

Actions necessary to address poor operational performance and a change to the Company's operating model

During the prior year, as GTR learned more about the requirements and dynamics of the NRC contract and the need to have a central focus on PBF delivery, GTR concluded that our devolved structure was no longer fit for purpose. After an extended period of under-performance in relation to train cancellations and poor punctuality during the year, and to give the matter clear focus outside the day-to-day train and service management, GTR decided to create a centralised taskforce under discrete leadership. Through this team GTR developed and successfully delivered a Remedial Plan to address operational performance.

The decision to centralise Train Service leadership under the Chief Operating Officer and focus on delivery and optimisation of the Performance Based Fee was a trigger to revisit GTR's operating model to one of centralised control of Business Plan delivery. The changes introduced to GTR's high level organisation structure enabled stronger focus on NRC delivery and led to much improved performance, as illustrated by the increase in PBF.

Stations workforce reform

The Williams-Shapps Plan for Rail highlighted the need for fares and ticketing reform to grow customer satisfaction. Stations Workforce Reform was born out of this requirement to serve the customer better. As part of that, during the year, private sector owning groups and Train Operating Companies undertook analysis to determine how best to implement the overall strategy for reform of station service models. Subsequently, GTR entered into an agreement with DfT to consult on these plans with customers and stakeholders, then to determine the best way forward. A national Public Consultation by the Industry Bodies, London TravelWatch and Transport Focus took place during the Summer and Autumn of 2023 in order to gather views of customers and stakeholders. Following this process, a ministerial statement was published on 31st October 2023 with the Secretary of State for Transport announcing that Government had asked "train operators to withdraw their proposals".

Decision to adopt the Revenue Outturn Mechanism (ROM)

After a period of focus solely on cost efficiency measures the Company, with other owning groups and Train Operating Companies, made the case with the DfT to broaden the scope of the NRC and consider how best to incentivise performance across the whole profit and loss account, including incentives for revenue growth. GTR worked closely with industry partners and the DfT to develop appropriate mechanisms to provide suitable rewards for revenue generating initiatives, which took effect in the second half of the financial year. This is discussed further in the Business Review section of the Strategic Report.

Corporate governance report

During the year ended 31 March 2024, 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 year 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, GTR is continuing to bring improvements to its services and customer experiences across the network, so that customers feel GTR is with them.

The Company has worked closely with industry groups and partners to develop its thinking around the purpose and 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 DfT, aligned to the DfT’s rail sector objectives. This Business Plan not only establishes financial parameters for operations but also articulates a number of Business Plan Commitments and performance measures that are jointly monitored with the DfT.

GTR’s purpose is supported by a set of values (Accountable, Transparent, Collaborative, Agile, Open Minded) 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 a National Equality Standard (NES) accreditation process. Initiatives such as the Star Awards recognition scheme are directly aligned to these values and behaviours and provide useful measures of how GTR’s people bring the value of the Company’s culture to life in their day-to-day roles.

The Company’s three-year People Strategy was approved by the Board in April 2023. This replaced the previous three-year People Strategy which was approved by the Board in February 2020. The company’s ambition is to have a highly-capable, engaged and inclusive workforce delivering its promises. GTR believes that if it looks after its people, they will grow and love to work at GTR, they will deliver GTR’s promises and help build an inclusive and high-performing organisation. In line with its People Strategy, the Company’s focus has therefore been on the following:

- *Leadership provides a strong strategic narrative*; a clearly expressed purpose so all colleagues understand who we are, what we are seeking to achieve and where their contribution fits in – GTR 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 GTR continuously learns and improve its business – GTR continued to hold senior leadership meetings at a brand level, empowered to undertake their own localised projects
- *Provide the basics for our colleagues*; to demonstrate that they are valued and respected – in the current year GTR continued to encourage engagement through intranet postings and internal social media platform
- *Make diversity and inclusion part of our DNA*; ensure that GTR is representative of the communities it serves and that all colleagues can succeed and thrive in its inclusive culture – in the current year GTR has 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 GTR continued to invest in its online training portal
- *Develop capable and engaging managers*; managers are empowered; GTR expects them to care, coach, support, resolve problems and develop their people
- *Ensure our colleagues have a voice – and show we are listening*; GTR seeks feedback from colleagues and check-in regularly to know how they are feeling and hear their ideas for improvement – in the year GTR ran a company-wide colleague engagement survey and developed and delivered actions plans in response to the findings
- *Recognise and celebrate our everyday heroes*; GTR ensures colleagues feel valued and recognised for a job well done – in the prior year GTR implemented an employee recognition scheme

Principle 2 – Board Composition

Chair

Meetings of the Company’s board of directors were chaired by Christian Schreyer up until his departure from the Group, after which meetings were chaired by Hendrikus 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, Chief Financial Officer and, since July 2023, the Chief Customer 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.

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.

The Board continues to receive regular training on NRC contract compliance and contract changes 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 NRC however mitigates against long term value excepting that delivery of good results and performance is important in securing future 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 for 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 coordinates a quarterly review and update of the corporate risk register for board approval.

The assessment of 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 a residual risk perspective. These reports are then discussed with the Group executive directors at quarterly Board meetings with discussion focused on the most important risk and control areas within the business.

A summary of the Company's principal risks and mitigations are 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. 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 GTR operates.

For the Group's Chief Executive Officer, Chief Finance Officer, Chief Operating Officer and Chief Customer Officer, 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. Directors' remuneration is disclosed within note six of the financial statements.

Station staff, workshop and cleaning staff at depots received back-dated pay awards for 2022. This was paid in December 2023. Remuneration for 2023, along with remuneration for drivers for 2022 and 2023 is under discussion with relevant trade unions led by industry group RDG. This process is on hold while the Rail Delivery Group seeks resolution to the current disputes. Per the NRC, DfT approval is required for all pay increases, bonus payments and discretionary benefits. Bonus payments and most discretionary benefits are currently suspended.

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 its vision and protect the Company's brand, reputation and relationships with all its stakeholders.

A full commentary on the Company's stakeholder engagement is contained in the Section 172 statement as part of the Strategic report.