

# Enabling powerful **connections**



## About Eversholt Rail

As a leading owner of UK railway rolling stock, we invest in maintaining the safety, quality and reliability of our assets, and in innovations that will support the UK's 2050 net zero goal. Through our technical expertise, strong relationships with our suppliers that help us foresee technological developments and our understanding of our customers' commercial priorities, we are uniquely positioned to help the UK Government deliver this ambition.

## About this report

While sustainability has always been embedded in how we run our business, this year is the first time we are publishing a stand-alone report. This publication will help our stakeholders better understand how we govern and manage environmental, social and governance (ESG) risks and opportunities as we contribute to building a future-fit rail industry.

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# CEO foreword

During 2021, the world continued to see disruption in global movement and supply chains due to the ongoing impact of COVID-19. Like any business, we needed to regularly review our practices to ensure business continuity and the wellbeing of our employees in a COVID-safe work environment. Nevertheless, neither our maintenance activities nor the delivery of our new-build fleets were impacted through the course of the pandemic.

More broadly for the railway industry, after the understandable fall in passenger numbers during the pandemic, ridership has started picking up again. While the pandemic has delayed new-build investment demand in the industry, the pressing need to decarbonise all forms of domestic transport modes is likely to encourage investment. Although rail only contributed 1.4% of the total domestic transport emissions in the UK, and is already to be considered to be a 'green' form of transport, as always, we remain committed to driving the UK's net zero transport networks by 2050 ambition, both through innovation and enabling modal shift.

The Network Rail-led Traction Decarbonisation Network Strategy (TDNS)<sup>1</sup> sets out a vision for net zero emissions. This includes large-scale electrification, and for diesel-only trains to be displaced by electrification, battery and hydrogen rolling stock deployment by 2040. In addition, TDNS is supported by the UK's Transport Decarbonisation Plan, which aims for all forms of domestic transport to achieve net zero carbon emissions by 2050.

<sup>1</sup> Traction Decarbonisation Network Strategy – Interim Programme Business Case ([networkrail.co.uk](https://networkrail.co.uk))

The rail industry can play a significant role in delivering this – not only because rail is already one of the lowest emitting industries in the UK transport sector but also by enabling a modal shift, away from roads and air. Our investment and sustainability strategies align with this ambition, and position us well to help our stakeholders define the roadmap to net zero.

### Driving the net zero agenda for transport

Our approach to this is twofold: to decarbonise our existing assets and to look for opportunities to grow a greener portfolio. This will then enable us to support the rail industry in being the transport mode of choice for commuter, leisure and freight customers. More people and goods on tracks mean fewer in cars and trucks, with a potential for notable carbon savings and an improvement in air quality.

In line with this, we have been working to identify ways to modify and repurpose our assets to extend their life cycles. While this depends on commercial and technical feasibility, the innovations we are exploring are already gaining pace. For example, our partnership with Hitachi Rail to design and deliver an electric-diesel-battery (tri-mode) modification on our Class 802s, which would offer zero emission running of these units in non-electrified areas and help improve air quality.

The second focus area is our investment in first-in-class innovation, with a spotlight on exploring alternative fuels. We are bringing systems-thinking to this, as we explore the feasibility of the UK's first-ever, brand-new hydrogen fleet with our partner Alstom, and with H2 Green to develop hydrogen supply solutions.

### Strengthening our sustainability approach

Sustainability has always been embedded in how we work. And this year, we are improving the visibility around how we maintain sustainable business practices and drive innovation to support the transport decarbonisation journey. This is in anticipation of increased interest from our stakeholders, as well as to demonstrate how the decarbonisation agenda is well integrated in our investment plans.

Our strategy is already enabling us to have an impact across four sustainability areas. These are:



Innovating to support transport decarbonisation journey



Leading as a responsible asset owner



Providing a great workplace



Delivering results with integrity

This is how we've always done business, but through our strategy, we can now target our expertise to have a truly transformational impact on our industry, in support of the UK's net zero ambition.

We are keen to help shape this journey, and look forward to sharing our progress with you.



**Mary Kenny**  
Chief Executive Officer

## Resilience in the business model

We deliver improvements whilst meeting the needs of our diverse stakeholders.

Eversholt Rail is a UK passenger and freight rolling stock owner, committed to embedding sustainability into everything we do across our entire value chain. With over 25 years of experience in the rail industry, we have invested more than £3 billion in new trains since privatisation. We lead our industry through investing in innovation, creating great workplaces, operating with integrity and close collaboration with customers and suppliers to anticipate developments.



### We maintain sustainable business practices

We act responsibly towards our staff, investors, business partners and society, and in how we manage data.



### We deliver effective and responsible asset management

We play an important role in supporting the railway industry to run passenger and freight services efficiently and safely.

**Our commitment to sustainability underpins our business at every stage of our value chain**

Each of these ESG areas are covered throughout this report to further explain our commitment across our value chain.

#### Our business operations



Supporting our people in building fulfilling careers



Fostering a culture of diversity and inclusion



Safeguarding employee safety and wellbeing



Promoting cybersecurity and protecting data privacy

#### Our products and services



Driving innovation while protecting residual value



Supporting safe and efficient rail services



Aligning with industry-leading standards







Playing our part in a circular economy



## SUSTAINABILITY AGENDA PILLARS

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### We foster partnerships across the industry




We understand the industry and stakeholder requirements to 'build back better' and deliver net zero transport networks of the future.






### We provide expertise to support industry change

We support the industry to achieve decarbonisation and facilitate a modal shift to the railway.

#### Our supply chain

-  Building insight-driven relationships
-  Enabling modal shift for passengers and freight
-  Using systems-thinking to explore hydrogen as an alternative fuel

#### Our wider industry

-  Exploring impactful battery technologies
-  Enabling modal shift for passengers and freight
-  Investing in new technologies

## Our approach to sustainability

Our approach to sustainability, including how we manage ESG topics, supports our investment strategy – from optimising maintenance and repurposing existing assets to enabling innovations – and aligns with the UK's decarbonisation agenda. We are also committed to managing our assets responsibly, providing a great workplace for our people and delivering results effectively and ethically.

In late 2020, we engaged a third party to conduct a materiality assessment, including a desktop review process, to identify relevant ESG topics in line with the Sustainability Accounting Standards Board (SASB) and

Global Reporting Initiative (GRI) frameworks. These were then assessed for their impact on Eversholt Rail and their importance to key stakeholder groups.

This process helped to shape our sustainability agenda, which closely aligns with the United Nations Sustainable Development Goals (SDGs). As we work to support the decarbonisation journey of the transport industry, we most notably contribute to SDG 13, Climate Action, which calls for urgent action to combat climate change and its impacts. Challenges around driving climate action can most effectively be addressed through partnerships with technology and infrastructure companies and local and

### SUSTAINABILITY AGENDA PILLARS

#### Innovating to support transport decarbonisation journey

We seek to deliver low-carbon solutions to position rail as the preferred method of transport – both for passengers and freight.



#### Leading as a responsible asset owner

With decades of through-life asset management expertise, we leverage our purchasing power to own, lease and manage assets responsibly.



### VALUE CREATED FOR OUR STAKEHOLDERS



#### Shareholders and investors

Confidently investing in a business where growth is delivered with sustainability at the core.



#### Passenger and freight operators

Targeted investment to meet customer and future needs, with notable ESG benefits.

central government bodies, as well as customers. These are well aligned with SDG 9, Industry, Innovation and Infrastructure, and SDG 17, Partnerships for the Goals. In addition, by investing in solutions to enable modal shift and connect rural areas, we support SDG 8, Decent Work and Economic Growth. You can read more about our proposed solutions, including Revolution Very Light Rail (RVLR), on [page 10](#).

We will continue to draw upon the industry insights that we gain from participating in industry bodies, such as various working groups of the Rail Safety and Standards Board (RSSB), and engagement with our suppliers and customers.

### Strengthening ESG governance

ESG governance is overseen by the Leadership Team (LT) of Eversholt Rail Limited, which approves our ESG strategy, and receives monthly updates on our progress. Specific ESG topics are monitored by the LT's individual operational committees, under the guidance of our sustainability policy, which is available here: <https://eversholtrail.co.uk/sustainability>.

### Providing a great workplace

Great people are key to our business strategy, and we want to be a great place to work.



### Delivering results with integrity

We deliver results, and always strive to do so responsibly.



### Employees

An engaged workforce who are experts in their fields and want to thrive in our company.



### Government and society

Driving the UK Government's decarbonisation agenda and enabling a modal shift to railway, as a highly technical, responsible rolling stock owner.



## MISSION

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We seek to deliver low-carbon solutions to position railway as the preferred method of transport – both for passengers and freight.

# Innovating to support transport decarbonisation journey



As an asset owner with through-life asset management expertise, we have a strong understanding of customer requirements, technology developments and availability, as well as commercial feasibility. We are leveraging our proud history of innovation, targeted investment experience, technical expertise and industry insights. This is how we will help shape a railway industry that is future-fit and also support the UK's net zero transport networks ambition for 2050.

## Driving future-fit railway

Although railway only accounts for 1.4% of total domestic transport emissions<sup>2</sup>, it presents an immense opportunity to facilitate a modal shift away from roads and air and support the UK's net zero ambitions. The TDNS was launched by Network Rail in September 2020 and outlines how this potential will be unleashed.

We will help power this transformation across our industry through our unique strengths. In particular, the supplier and customer relationships we have fostered will help us stay abreast of engineering excellence, which will drive considered investment in sustainable technology.

These strengths, and our through-life asset management expertise have positioned us well in working towards a future-fit rail and driving the UK Government's net zero ambition for the transport industry.

### As set out by our sustainability policy



#### Driving innovation while protecting residual value

We are exploring opportunities to future-proof our existing assets and developing greener solutions, from hybridising diesel trains to extending the electric network range by adding batteries to electric trains.



#### Investing in new technologies

We are supporting a modal shift for passengers and freight by developing innovative solutions, such as Revolution Very Light Rail (RVLR) and Swift Express Freight.

We are bringing systems-thinking as we explore alternative fuels like hydrogen. We do this through partnerships with both train manufacturers and hydrogen network operators.

## Strong governance for decarbonising our assets

Our asset management planning process sets out key technical and commercial feasibility considerations. This means that funding of decarbonisation projects is considered alongside potential impacts on asset life and associated revenue streams. The process also helps us identify opportunities to improve air quality and promote circular economy principles.

As an asset owner, evaluating risk is a fundamental part of what we do. Climate-related risks are increasingly featured in these assessments, including in our strategic risk register. The Group's strategic risk register is reviewed by our Leadership Team (LT) and the Risk and Compliance Committee (RCC) of the LT. The RCC also receives quarterly reports on emerging ESG-related risks. Our approach to managing climate-related risk and opportunities is supported by our Product Development Forum, a working group that monitors and assesses the technical feasibility of deploying innovative technologies. The forum then reports any recommendations around which technologies to consider investing in to the UK Rolling Stock and Balance Sheet Committee of the Leadership Team for further review and approvals.

Our tools and procedures outline how we review commercial and technical feasibility of innovations, and also include environmental considerations. These include our Asset Management Planning tool, produced for each asset to consider various scenarios over the expected useful economic life of that asset, and Product Development Procedure, which governs how we manage our innovations pipeline and future opportunities.

<sup>2</sup> Decarbonising Transport – A Better, Greener Britain, 2021. Department for Transport ([publishing.service.co.uk](https://publishing.service.co.uk))

## Supporting the UK's net zero ambitions

Rail is already a low-carbon transport solution for moving people and heavy goods. This puts rail ahead of the game in supporting the UK Government's net zero by 2050 ambition for the transport industry.

The opportunities for rail go far beyond decarbonising existing infrastructure. By enabling modal shift, we can create a much more impactful transition to net zero. Our extensive engagement with the industry and strong supplier and customer relationships place us in a unique position to drive this transition.

Our approach is twofold: decarbonising existing assets and delivering on further growth opportunities.

### Driving innovation while protecting residual value

Our existing portfolio has a whole-life asset management process built on systems-thinking that aims to manage the residual value of our assets. Our portfolio of innovations – from exploring battery technologies, driving maintenance optimisations and cost efficiencies to repurposing end-of-life units – enable us to minimise environmental impact by reducing carbon emissions and improving air quality.

### CASE STUDY



#### Exploring impactful battery technologies

Battery technologies offer significant opportunities; both as a supplementary power source for diesel trains and for extending the range of electric trains to be able to operate them where part of a route isn't electrified. We are exploring these through key partnerships. With Hitachi Rail, we are now in the advanced stages of designing and engineering a tri-mode train. Our partnership with CAF on our Class 331 trains focuses on extending their range. We're also collaborating with our sister company UK Power Networks to help the rail industry develop early operational experience of battery trains and charging facilities.

### CASE STUDY



#### Enabling modal shift for freight

Our new Swift Express Freight product offers a cost-effective and low-carbon solution for transporting parcels around the UK, which can support the country's rapidly growing delivery needs. This product is a repurpose of our Class 321 trains, where we removed passenger features and installed new flooring and a retention system. With one unit on trial, and four additional units in production, it is receiving great interest from an ever-increasing number of freight operators that are seeking to help tackle the shortage of heavy goods vehicle (HGV) drivers, as well as the environmental issues in the supply chain. We are also investigating further improvements through the addition of battery technology. This would enable us to extend the product to the areas of non-electrified network, including to move the unit in and out of depots or freight storage warehouses where tracks may not be electrified.

### Investing in new technologies

Our future-fit thinking means that we are selective about any new assets we procure, accounting for both robust long-term value potential and positive environmental credentials. In addition, even when we procure a greener new build, we continue to innovate and explore additional opportunities to reduce carbon emissions and improve air quality throughout its life. One example is our partnership with CAF, as we introduced the Class 195 trains in our fleet. These new-generation diesel trains are notably more sustainable and cleaner, with 90% less NOx emissions and no particulate matter (PM) emissions. We are now exploring the feasibility of adding batteries on these.



#### Find out more about:

- our Scope 1, 2 and 3 carbon emissions on [page 21](#); and
- our responses to the Task Force on Climate-related Financial Disclosures (TCFD) requirements on [page 22](#).

## CASE STUDY



### Enabling modal shift for passengers

Revolution Very Light Rail (RVLR) – developed jointly by us and a consortium of organisations – can facilitate enhanced connectivity for new and re-opened lines in rural areas. Launched in September 2021, the demonstrator unit is equipped with hybrid diesel-electric powerpacks, enabling zero-emission operation. At 40% lighter weight than trains of similar capacity, RVLR can help boost connectivity effectively in remote and rural areas, where setting traditional rail tracks could be very costly for short distances.

## The journey continues

While it's encouraging that rail only contributes to 1.4% of UK transport emissions, we still need to be proactive in reducing carbon emissions to remain ahead of competing modes of transport. With a clear pipeline of innovations, our portfolio includes the most modern, cleanest-possible diesel trains. That's why train operators are using our more efficient diesel trains, like the Class 195, to replace those with higher emissions rates on routes where there is no electric infrastructure. This will support the achievement of interim emissions targets between now and 2050.

To further support this, we're working on a roadmap towards setting a science-based carbon emissions reduction target for our business and value chain. However, as the Rail Safety and Standards Board (RSSB) also notes<sup>3</sup>, setting these targets is uniquely complex for our industry. This is because whilst we finance and lease rolling stock, we are neither manufacturers nor operators. We therefore do not have direct control over the upstream or downstream

<sup>3</sup> RSSB: [DECARB Carbon Measurements Report T1197](#)  
January 2021

## CASE STUDY



### Using systems-thinking to explore hydrogen as an alternative fuel

In an industry-first partnership, we have signed a memorandum of understanding with Alstom, one of Britain's leading train manufacturer and maintenance providers. Through this, we will explore the technical and commercial feasibility to build the UK's first-ever, brand-new hydrogen fleet.

While hydrogen trains will play a notable role in decarbonisation, roll out will require systems-thinking. This is why we partnered with the hydrogen network operator H2 Green. Through this, we are collaborating to develop hydrogen supply solutions. The project will determine the design of the production and refuelling infrastructure that will be required to support a wide scale hydrogen-powered rail fleet.

Scope 3 emissions generated by leased-out rolling stock. We are, however, already working with our suppliers and customers to help our industry expand the scope of embodied carbon reporting.

In addition, in 2021 our parent company, CKI, initiated a strategic review of energy transition trends, during which they assessed sustainability risks and opportunities across their whole portfolio, including Eversholt Rail. This forms part of CKI's energy transition strategy, giving Eversholt Rail encouragement to explore opportunities within the energy transition thematic as well as a powerful opportunity to collaborate with our sister companies in the portfolio. Together we can leverage systems-thinking and knowledge sharing to drive greener infrastructure.





## MISSION

With decades of through-life asset management expertise, we leverage our purchasing power to own, lease and manage assets responsibly.

Leading as a  
**responsible**  
asset owner



Managing our assets responsibly is key to our performance. To protect residual value and further extend the useful operational life of our rolling stock, we optimise maintenance that also enable us to reduce waste. This is matched by our commitment to ensure the safety of our assets.

## Responsibly delivering a future-fit rail

For us, being a responsible asset owner includes driving developments that will shape a safe and future-fit transport system for millions. We carefully consider opportunities to modify our existing rolling stock with a focus on safety, reliability and extending the life cycle of our trains.

Our lease contracts determine whether we, or the operators, are responsible for maintaining our rolling stock. Where we directly contract asset maintenance services, we only work with suppliers and conduct extensive due diligence around their safety and quality management approaches. Where our customers are responsible for procuring maintenance, we ensure that appropriate due diligence is performed on any third-party providers.

### Strong governance for responsible asset management

Responsible asset management is paramount in our governance culture. While we don't operate our rolling stock, both their safety and using circular economy principles to extend their life cycle are embedded in our approach.

Our monthly Operational Safety Committee (OSC), chaired by our Client Services Director, is tasked with ensuring the effectiveness of our safety risk management and key controls. We also have an external Safety Panel that meets on a quarterly basis and is chaired by an independent industry expert. The Safety Panel oversees the work of the OSC to ensure its effectiveness.

With suppliers of heavy maintenance, we encourage them to achieve industry-leading Railway Industry Supplier Approval Scheme (RISAS) certification for safety critical suppliers. We also assess our suppliers for any financial and business ethics risk exposure, using our Procurement, Know Your Counterparty and other procedures.

In addition, decisions around end-of-life asset management are maintained through our internal governance processes, such as our UK Rolling Stock and Balance Sheet Investment Committee, chaired by our CFO.

Trains are up to

92%

recyclable at end of life

#### As set out by our sustainability policy



##### Supporting safe and efficient rail services

We deploy strong standards and processes that promote and continuously assess asset safety and safe working practices of our suppliers.



##### Building insight-driven relationships

We have processes and procedures that enable us to build and maintain insight-driven relationships that keep us aligned with industry developments.



##### Playing our part in driving a circular economy

We have standards and processes to efficiently store end-of-lease assets, explore ways to extend their life cycle and manage their safe disposal and recycling.



## Turning experience into industry impact

Our strong understanding of our customers' requirements and the technical capabilities of our suppliers informs our responsible asset management approach. This is underpinned by the robust safety and quality practices that we require from suppliers.

### Supporting safe and efficient rail services

All safety-critical suppliers must go through our due diligence process and be included on our approved critical suppliers' list before we contract them. Once a contract is in place, the OSC continuously monitors suppliers' safety performance and reviews any potential safety issues. This also helps us identify outliers from normalised performance, which are then discussed with suppliers to assess opportunities for improvement.

In addition, we vet suppliers against our Group Supplier Approval and Management Procedure. We check the maturity of our suppliers' systems and processes against our Supplier Safety Assurance Assessment Roadmap – from their safety risk management to ensuring staff competency.

For safety-critical work, we strongly encourage our suppliers to align their approaches with RISAS – a proven, reliable way for the RSSB to assess and approve critical product suppliers.

### Building insight-driven relationships

As battery and hydrogen technologies continue to rapidly evolve, strong supplier relationships keep us ahead of the industry curve, helping us prepare our assets to meet future demands. We know that while the industry will work towards the net zero ambition, the roadmap to this is still being formalised. Having these strong relationships positions us well in shaping this, with our suite of innovative solutions that can be scaled to meet industry demands. In addition, our standard practice of tracking and measuring supplier performance provides critical insight, transparency and assurance for our customers.

### Playing our part in driving a circular economy

We are promoting circular economy principles in our industry by extending the life of end-of-lease assets and responsibly decommissioning life-expired trains. This includes exploring new lease or repurposing opportunities.

For example, we have facilitated the repurposing of rolling stock from passenger to freight units, as well as delivering our Swift Express Freight conversion. We are also exploring opportunities to donate rolling stock to schools and heritage societies.

Based on information from our suppliers, end-of-life trains are up to 92% recyclable, depending on the fleet material composition. When we scrap our assets, we use one of two core providers, which have been vetted through our due diligence processes and are able to demonstrate relevant environmental credentials. These include certification against ISO 9001, ISO 14001 and the Railway Industry Supplier Qualification Scheme (RISQS) Waste Disposal.

We also maintain hazardous materials data sheets to check that specialist contracting is employed by each site for the testing and handling of hazardous materials.

### The journey continues

We believe that our robust asset management and thorough safety processes support our business ambitions. We will continue to leverage these, together with our network of insight-driven relationships, to promote a circular economy and support the UK's net zero ambitions for the transport industry. In addition, together with RSSB, we are working towards raising the bar in setting air quality standards and targets for the industry<sup>4</sup>.



#### Find out more about:

- how we innovate to support transport decarbonisation journey on [page 7](#).

<sup>4</sup> RSSB: [Air Quality Strategic Framework](#) July 2021



## MISSION

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Great people are key to our business strategy, and we take pride in providing a diverse, inclusive and engaged workplace.

Providing  
a great  
workplace



We aspire to find and retain the best talent by offering a great workplace. Through our ‘one team’ culture, we recognise that our success is a Group-wide effort, and we all contribute to this. We are committed to providing our employees an engaged, inclusive workplace where they can realise their potential. We reinforce this culture through continuous and open engagement, using direct feedback to build a workplace that allows our employees to thrive.

## Helping build a more inclusive industry

A diverse and inclusive business can more effectively develop the right solutions for customers and deliver a future-fit UK rail industry.

Our people are at the heart of our innovation, and how we build strong relationships with customers and suppliers. These elements are vital to keeping us ahead of the developments required to drive decarbonisation opportunities. So, we are investing in our people – who are experts in their fields – to effectively drive our strategy and support the UK’s sharpened focus on the green agenda and mobility.

### Strong governance for a great workplace

We want all our employees to have a clear understanding of the behaviour we expect from them, including acting with integrity and respecting our differences. We issue our Employee Handbook to all new starters and support all our employees in working in line with it through relevant training.

The Group Health and Safety Policy is endorsed by our CEO and outlines the Leadership Team’s (LT) commitment to health and safety. It is reviewed annually, or more often if significant changes are required. In addition, our LT receives a monthly briefing on people-related topics from our Head of HR. Remuneration-related matters, including short- and long-term incentive plans for company directors, are reviewed at the Compensation and HR Committee of our Parent Board, formed by two members of the management team at CKI, with our CEO.

#### As set out by our sustainability policy



##### Supporting our people in building fulfilling careers

We are maintaining targeted learning and development initiatives that support growth for employees.



##### Fostering a culture of diversity and inclusion (D&I)

We continuously explore and implement ways to make our workplace more diverse and inclusive, including training and open engagement for employee feedback.



##### Safeguarding employee safety and wellbeing

We strive to provide safe workspaces and invest in programmes and benefits that enhance the wellbeing of our people.

## Enabling one team

To help us build a workplace that we all feel proud to work in, we have developed policies and procedures that set out our ways of working. These help us ensure all employees are treated fairly and equally. We strive to give employees a clear understanding of the behaviours we expect of them, including high safety standards and respect for colleagues. We also look to identify and support development opportunities to leverage full skill sets, experience and potential.

### Supporting our people in building fulfilling careers

Through a structured performance and career conversation process, each employee is encouraged to have regular catch ups with their line manager, in addition to biannual reviews. We believe having these open discussions is an essential ingredient in maintaining our ‘one team’ culture and helping employees to explore their interests and wider potential.



We also offer an internal mentoring programme throughout the year, with informal, confidential career guidance, advice and support to participants. In addition, we host lunch-and-learn sessions delivered by different departments, enabling employees to connect and share their expertise with others.

## Fostering a culture of diversity and inclusion

In late 2020, we signed up to the Railway Industry Association and Women in Rail's joint Equality, Diversity and Inclusion Charter. The Charter has seen over 100 organisations commit to working together to build a more balanced and higher performing sector.

Currently, 43% of our senior roles and 34% of our workforce are women<sup>5</sup>. We continue to explore opportunities to attract and retain diverse talent. To support this, we offer benefits such as maternity, shared parental and adoption enhanced pay for 19 weeks, which are all above the legal minimum, and childcare vouchers. In addition, all new hires are introduced to our anti-discrimination policies as part of their induction, followed by annual mandatory training for all employees.

Our biennial employee engagement survey featured 87 participants and revealed that 100% of respondents found Eversholt Rail to be a good place to work and 88.5% confirmed Eversholt Rail provides support and encouragement for career development.

While 80% of our colleagues thought we provide an inclusive work environment, 20% were unsure how to respond to this question. In response, we commissioned an expert third party to conduct an anonymous Let's Talk About Inclusion survey and an employee workshop. These helped us gather employee perspectives, including what inclusion looks like when we get it right and examples of desired behaviours to support an inclusive environment.

We will continue to further develop and articulate our company's position on diversity and inclusion and how our employees can continue to be part of this conversation.

## Safeguarding employee safety and wellbeing

A safe workplace is non-negotiable. We maintain policies and processes to protect employees and embed a culture of safe working at all levels of the company. As we do not operate trains, the health and safety risks within our business are mostly around office-based activities. Still, some of our fleet engineers may visit depots or maintenance sites and oversee heavy maintenance activities, so our approach accounts for a variety of risks.

<sup>5</sup> 'Senior roles' in this context is defined as the CEO, Leadership Team (LT) and their direct reports. With the exception of two colleagues who are in junior roles, the LT's direct reports are at Head of Function level or similar.



### Find out more about:

- our approach to managing the safety of our assets and suppliers on [page 11](#).

## CASE STUDY

### Our wellbeing benefits

In 2021, as part of the Benefits & Wellness calendar, we continued to partner with several external wellbeing suppliers to facilitate in-house workshops and activities. These included a series of yoga and other exercise classes to promote physical health, in addition to the reduced gym membership fees that are part of our wellness benefits. To extend our efforts to the wider industry, we co-sponsored the Rail Wellbeing Live event in late 2021.

We also continued to offer private medical insurance to employees and their immediate families. In addition, employees aged over 40 can take an annual health check with a private healthcare provider or a biennial check if they are younger than 40. In addition, we provide an employee assistance programme, holiday purchase schemes, development and collaboration day allowances, long service awards and a cycle-to-work scheme.

This includes site-specific safety books for offices and depots and a one-on-one induction document covering health and safety measures for all new starters.

### The journey continues

We know we can only play our part in building a future-fit rail industry if we have the right people with the right skill sets. As we invest in our team, we also invest in the sustainability of our company and of rail transport in the UK.

That's why we are continuing our D&I journey and building on our engagement with employees. As we work towards supporting a net zero transport industry, we aim to develop a focused action plan that includes measurable performance indicators that we can use to drive greater transformation.

We will also develop and conduct enhanced training, building on our existing anti-discrimination training, while promoting a diverse and inclusive culture that supports employees to reach their full potential.



## MISSION

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We deliver results, and always strive to do so responsibly.

Delivering  
results with  
**integrity**

How we work is fundamentally based on doing everything responsibly – in how we invest, how we engage and how we operate. We have always applied the highest standards of ethical conduct across our business activities and are proud of our culture of integrity, where all employees drive how we uphold our standards.

## An ethical approach

Modern slavery is a crime and a violation of fundamental human rights. It takes various forms, such as slavery, servitude, forced and compulsory labour and human trafficking.

We are committed to implementing and enforcing effective systems and controls to ensure modern slavery does not take place anywhere in our business or supply chains.

We have a zero-tolerance approach to unethical practices, such as bribery and corruption, anti-competitive practices and modern slavery. Using our respective policies and our Employee Handbook as a guide, we empower all our employees to drive ethical behaviour in all areas of their work.

### Strong governance for responsible business

Our Risk and Compliance Committee monitors existing and emerging risks, including those relating to the Know Your Counterparty processes, the Bribery Act and the Modern Slavery Act, as well as cybersecurity. It also ensures that there are appropriate systems and procedures to identify, assess, manage and report these risks. The Committee is chaired by our Legal Director, and attended by our Business Process Director, CFO and Head of Corporate Services, as well as other risk owners, where relevant.

We maintain several cybersecurity-related policies, including the Cyber Incident Response, Information Security, Vulnerability Management and Acceptable Use Policies. In accordance with UK law, we also publish an annual [Modern Slavery Statement](#) and continuously review measures in place.

# 100%

of employees complete business ethics training each year

#### As set out by our sustainability policy



##### Aligning with industry-leading standards

To sustain our culture of integrity, we govern robustly through policies and controls in place, overseen by our management.



##### Promoting cybersecurity and protecting data privacy

We adopt a suite of procedures and checks, and equip our employees with tools and knowledge to help us effectively manage any risk.



#### Find out more about our policies and approach to maintaining ethical business practices:

- the scope of our [Anti-Bribery Policy](#), including our due diligence and record-keeping requirements, as well as how to confidentially report any concerns; and
- our service commitment to our customers, our complaints procedure for any breaches of our Code and the anti-competitive measures we take as set out in our [Code of Practice](#).



#### Find out more about:

- our approach to promoting business ethics in our supply chain on [page 19](#); and
- our community investment work with our partner Back Up on our [website](#).

## Maintaining a culture of integrity

Being an ethical company is core to maintaining the trust of our customers, suppliers, employees and other stakeholders. For us, this goes beyond compliance and demands that we embed a strong culture of integrity in our workplace based on accountability, engagement and living our values.

### Aligning with industry-leading standards

We have a robust set of policies to ensure we align with best practice and legislative requirements. From tailored training to help our employees enact our policies to management-level monitoring, we have a range of controls in place to uphold our culture of integrity:

#### Risk assessment procedures

To ensure alignment with best practice and the latest legislative requirements, our processes include risk assessment procedures such as checks on corporate hospitality and promotional expenditure, considered approvals of transactions, financial and commercial controls and transparency of transactions and their approvals.

#### Independent reporting channels

Our speak up procedure is available in our Employee Handbook, issued to all employees at the start of their employment. This includes details of Safecall, an independent, confidential external reporting service, available 24 hours a day, seven days a week. An employee reporting a concern has the ability to remain anonymous throughout the process, if they prefer to do so.

#### Management monitoring

Procurement processes, and other bribery or business ethics-related risks, are reviewed by relevant levels of our management. We also have formal reporting and approval channels in place. For example, all gifts and corporate hospitality offered to or by our employees must be reported monthly and are reviewed by line managers.

#### Director-level monitoring

We prohibit giving or receiving gifts and corporate hospitality to influence decision-making. The Leadership Team (LT) receives monthly updates on topics around business ethics, including reviewing any gifts and corporate hospitality offered to employees. We did not have any cases reported via our speak up channels in 2021. In instances where cases are reported to the channels, these would be reported to the CEO in the first instance for further review and mitigation, where needed. If Safecall does not deem this suitable due to the nature of the report received, the Company's Senior Independent Director would be issued the report to investigate appropriately.

## CASE STUDY

### Practicing due diligence

As a responsible asset owner, we know performing business ethics with due diligence is key to maintaining a sustainable, successful company. To this end, we continuously monitor for ethics-based risks, conducting in-depth assessments and reviews that engage executive leadership. Assessments are then used to build recommendations for improvements in our practice.

In the fourth quarter of 2021, we conducted a Bribery Act Risk Assessment for the Group, which included a due diligence exercise involving interviews with senior management members. In the wake of the assessment, recommendations were developed, which included continuing assessments, training and due diligence processes. These findings were presented to the RCC.

### Mandatory training

We provide mandatory annual business ethics training for all employees, covering competition law, anti-bribery, anti-money laundering, modern slavery and data protection. In addition, the mandatory training includes responsible tax practices for relevant roles. As part of our commitment to continuous improvement, we further improved our anti-bribery training in 2021, with changes that emphasise specific supplier risks.





## Promoting cybersecurity and protecting data privacy

As the transition towards digitisation grows, cybersecurity and protecting data privacy have become essential aspects of robust ESG risk management. At Eversholt Rail, we are committed to managing these risks as a responsible business, and in compliance with UK law. Our Leadership Team's Risk and Compliance Committee have oversight of critical threats and incidents through quarterly updates.

Cyber risks are covered under our Technology Risk Register and include risks around obsolete or legacy systems and software vulnerabilities, such as phishing, data leaks and ransomware. We monitor cybersecurity risks monthly and, when new needs or risks arise, deliver tailored training to staff. In addition, all new IT service providers are screened against multiple risk management criteria.

Simulated attacks are also performed at least once a year. To help our colleagues better manage risks, we perform regular phishing tests and provide personalised training. We also have a dedicated procedure that outlines both cyber incident response and business continuity management steps for multiple threat levels.

Our management systems are externally audited annually and recertified for [Cyber Essentials Plus](#), covering the external infrastructure and processes in place to manage any cybersecurity risk.

## The journey continues

The landscape of ethics is constantly evolving, and new risks emerge as demands on companies change. To ensure we manage these robustly, we maintain a risk assessment of the Group's anti-bribery controls and mitigations at least once every two years. Most recently, our Bribery Act Risk Assessment for the Group found our procedures and mitigation measures recommended by the Bribery Act guidance are already in place across the business. We believe that this positions us well to continue to act responsibly and with integrity in the current climate. In addition, we will continue to conduct training on the Bribery Act to new joiners and annually to all staff, on a compulsory basis, via an online tutorial and test.



## KPIs and disclosures

### Our carbon emissions

#### Scope 1 & 2 emissions<sup>6</sup>

	FY 2021	FY 2020	FY 2019
Scope 1 GHG emissions (tCO <sub>2</sub> e)	0	0	0
Scope 2 GHG emissions (tCO <sub>2</sub> e)	50.81	39.18	62.15

#### Scope 3 emissions<sup>6</sup>

	FY 2021	FY 2020	FY 2019
Scope 3 GHG emissions (tCO <sub>2</sub> e)	9.94	27.01	74.03

### Our workforce profile<sup>7</sup>

#### Total workforce by gender, employment type, age group and geographical region and continent

##### 1. Number of employees by employment type

	FY 2021	FY 2020	FY 2019
Full time	92	99	100
Part time (include contracted staff)	10	8	9

##### 2. Number of full-time employees by gender

	FY 2021	FY 2020	FY 2019
Men	59	65	64
Women	33	34	36

### 3. Employee turnover

The Group monitors staff turnover rates. Turnover rate is calculated as the percentage of full-time employees who left the organisation by resignation or retirement during the year.

	FY 2021	FY 2020	FY 2019
Employee turnover rate	8.4%	4.7%	9.8%

#### Employee turnover rate in 2021, broken down by gender, employee category and age group

##### Full-time employees' turnover rate by gender

Men	16.95%
Women	6.06%

##### Full-time employees' turnover rate by employee category

Managers	11.43%
Non-managers	14.04%

##### Full-time employees' turnover rate by age group

19 or below	0.00%
20–29	9.09%
30–39	23.08%
40–49	14.81%
50–59	4.55%
60 or above	0.00%

### 4. Training

4.75 training hours per employee in 2021

£825 investment in training per employee in 2021

<sup>6</sup> All tCO<sub>2</sub>e emissions have been calculated using the UK Government greenhouse gas (GHG) conversion factors for company reporting for respective years. Further detail on the methodology can be found in our Streamlined Energy and Carbon Reporting under Eversholt UK Rails (Holding) Limited (Security group) Non-statutory annual report and financial statements at <http://eversholt.co.uk/investors>. Scope 2 data is reported as location-based. Currently, we only report against Category 6 of the GHG Protocol, which covers business travel. The notable reduction in Scope 3 emissions over the last two years is mostly from reduced travel due to COVID-19 restrictions.

<sup>7</sup> All data sets are as of year-end, 31 December, for each respective year.

## Reporting against the Task Force on Climate-related Financial Disclosures

The TCFD provides companies with a framework to disclose how they assess their risks and profitability against the impacts of climate change. The nature of our work at Eversholt Rail means we're always thinking decades ahead and have built climate-based risk analysis into our assessment processes.

TCFD Requirement	Eversholt Rail Response
Disclose actual and potential impacts of climate-related risks and opportunities on the business, strategy, and financial planning	<p><b>Transition risk</b></p> <p>Only a small proportion of our fleet is diesel-only, and demand for fleets with higher emissions is expected to diminish over time. We already have a series of 'live' projects across our major diesel fleets to reduce their carbon, gaseous and particulate emissions.</p> <p>Electrification infrastructure may not be fully available in time to meet UK targets or be an attractive investment. Our investment both in battery-augmented electric trains and hydrogen trains will assist in providing sponsors and train operators with alternative options should the scope of route electrification be curtailed for any reason.</p> <p>It may not be cost-effective to upgrade existing diesel trains to be more carbon efficient. Technological advancements could make new zero-emission trains a more attractive proposition to customers.</p> <p>Find out more on pages <a href="#">9</a> and <a href="#">10</a>.</p> <hr/> <p><b>Physical risk</b></p> <p>As we do not operate trains or provide passenger services, the impact of physical risk is more prominent for our customers. By facilitating modal shift and net zero transport networks of the future, we can help the industry mitigate climate change impacts.</p> <p>Find out more on pages <a href="#">8</a>, <a href="#">9</a> and <a href="#">10</a>.</p> <hr/> <p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>• New-build assets can provide a more diverse portfolio with a range of innovative, low- and zero-carbon asset options to future-proof our business.</li> <li>• Extending the life span of existing rolling stock through green technologies.</li> <li>• Diversifying our solutions so we're ready to reach net zero.</li> </ul> <p>Find out more on pages <a href="#">9</a>, <a href="#">10</a>, <a href="#">12</a> and <a href="#">13</a>.</p> <hr/>
Disclose governance around climate-related risks and opportunities	<p>Our investment strategy builds in assessments of climate risks and opportunities, such as enabling modal shift and net zero carbon solutions while also accounting for financial and competition risks. We mitigate them in several ways, including:</p> <ul style="list-style-type: none"> <li>• continuously reviewing alternative finance, such as access to green bonds; and</li> <li>• promoting our asset management and new-build procurement experience.</li> </ul> <p>Find out more on page <a href="#">8</a>.</p> <hr/>
Disclose how climate-related risks are identified, assessed and managed	<p><b>Physical risk management</b></p> <p>While operators have the ultimate responsibility to protect their assets, we actively support them by attending technical forums, sharing key learnings and continuing to build insight-driven relationships. We are also assessing if there are any immediate asset upgrades or management actions to make our rolling stock more adaptable to different climates.</p> <p><b>Energy use management</b></p> <p>Operators of our rolling stock can track how driving patterns impact on energy usage, and we support passenger and freight operators with information on how to adopt driving styles that will minimise energy consumption.</p> <p>Find out more on page <a href="#">10</a>.</p> <hr/>

To find out more about our ongoing ESG work, please contact us at  
<https://eversholtrail.co.uk/contact/>

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<sup>10</sup> The Eversholt UK Rails Group comprises Eversholt UK Rails Limited, a company incorporated in England and Wales with registered company number 10779525, whose registered office is at Ground Floor, WeWork 1 Waterhouse Square, 138-142 Holborn, London, England, EC1N 2ST and its subsidiaries, and whose principal subsidiaries, for the purposes of this report, as at the date of its publication, comprise Eversholt Finance Holdings Limited, Eversholt Funding plc, Eversholt Rail Leasing Limited, Eversholt Depot Finance Limited and Eversholt Rail Limited.