

# Sustainability

## at Mobico Group

We are playing a significant role in accelerating modal shift, decarbonising travel, and building greener, more liveable cities. Our culture and purpose-led approach is at the heart of our ESG commitments.



### We respect the planet

**Link to Evolve strategy:**  
Environmental leadership

**Our work so far:**

- Zero emission fleet target page 55
- Sustainability Committee report page 109
- New Science-Based Targets page 76
- TCFD pages 65 to 78

### We connect places and transform communities

**Link to evolve strategy:**  
Most reliable  
Most satisfied customers

**Our work so far:**

- Connecting communities for the future page 58
- On Time Performance page 17

### We move people safely and responsibly

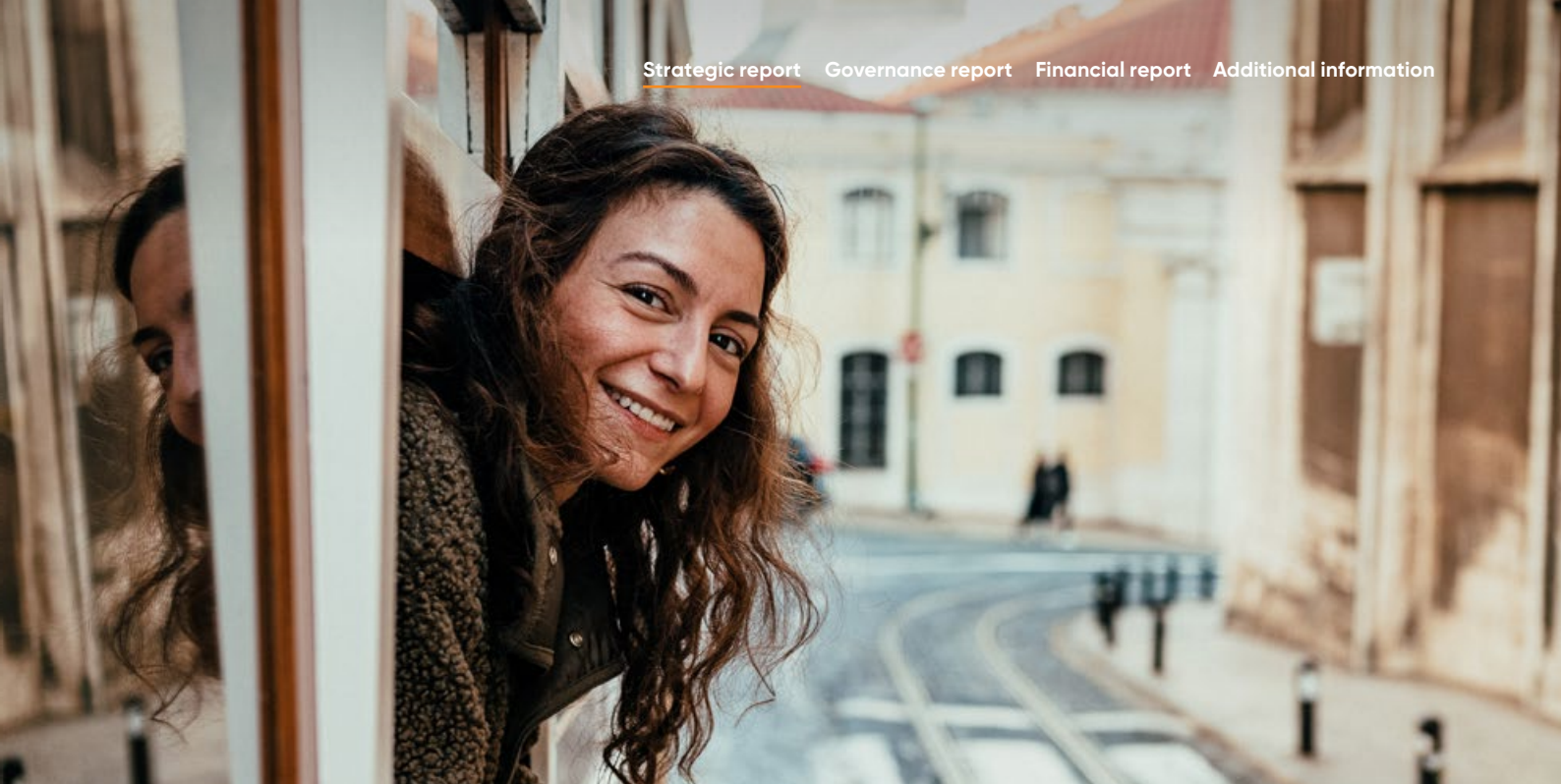
**Link to evolve strategy:**  
Most satisfied customers  
Safest

**Our work so far:**

- People strategy pages 62 and 63
- Policies page 49
- Safety page 84



Read more on [Principal Risks](#) on pages 42 to 47



## Planet

EVs currently on Order

**264**

Total ZEVs in operation

**651**

## Places

**1 billion**

Passenger journeys in 2023

**1 million**

euros donated to Moroccan earthquake disaster fund

## People

Engagement survey participation rate

**73%**

eNPS

**+11**

### Rethinking transportation

At Mobico, we believe our mission: to drive modal shift from private car to mass transportation, is key to managing climate change and delivering cleaner, more workable, liveable cities.

### Leading modal shift

We are committed to our purpose of leading the modal shift from cars to shared mobility, which is central to our business model, our Evolve strategy, our approach to sustainability and to our engagement with our stakeholders.

Modal shift is about choice- choices that respect the planet, connect places and move people.

### Sustainably driven

Sustainability at Mobico is about respecting the planet, connecting places, moving people and acting responsibly.

Our Evolve strategy sets out our Mobico vision, to be the world's premier shared mobility operator.

This means that we are committed to being the best: leading in safety, reliability, environmental leadership, customer satisfaction and – in the eyes of our 47,700 colleagues – to being the employer of choice.

### Mass transportation has many benefits over using a private car

The benefits to people, places and planet, from mass transportation over using a private car, are well researched and documented, these include:

- **reductions in air pollution** with positive impacts on health;
- **reductions in GHG emissions** per passenger kilometer;
- **improvements in congestion** with positive impacts on economic productivity;
- **improvements in wellbeing as congestion**, particularly in large cities, has a very negative impact on people's wellbeing, and on stress. Increases in time taken to travel leads to less time for families, leisure and social connections; and
- **improvements in social mobility**, when our services connect people to each other and to the places they need to travel to – places of work, education and healthcare, there are connected improvements in social mobility, reductions in inequality.

# We respect the planet



Our purpose, to drive modal shift, is at the heart of the Evolve strategy and is a key differentiator with our customers.

We have continued to make excellent progress on our ZEV transition plan during the year. Each of the Mobico Operating Divisions are focused on leading ZEV migration in each of our markets. Plans are in place to secure 1,500 ZEVs by 2024, increasing to 14,500 by 2030.

Sustainable Development Goals (SDGs) that align with our priorities:



## Progress against our targets

Global trends	Definition	Our response
Air quality/GHG emissions	<p><b>Sustainable cities and communities</b> <b>SDG 11</b> 11.2 – as most reliable</p> <p>11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and other waste management.</p> <p><b>Responsible production and consumption</b> <b>SDG 12</b> 12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.</p> <p><b>Climate action</b> <b>SDG 13</b> 13.2 Integrate climate change measures into national policies, strategies and planning.</p>	<ul style="list-style-type: none"> <li>• Our On Time Performance result is 90.7%</li> <li>• Our waste reduction target has been met</li> </ul>



## Environmental leadership

### Modal shift to mass transportation helps improve air pollution and the climate crisis.

We are also committed to our own climate action plans and improvements.

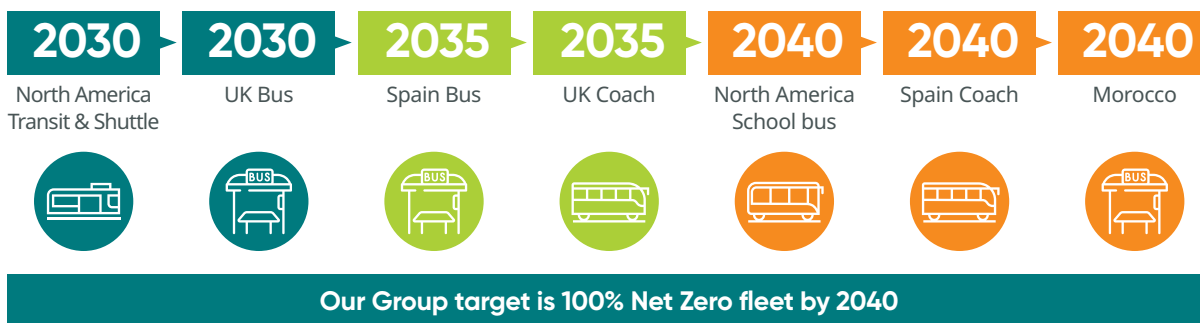
Today we operate 27,700 vehicles, and although the majority are diesel, we have worked to reduce our emissions from our current fleet. Today, most of our existing diesel vehicles already emit lower emissions than the average family car, and we have clear targets and a roadmap to transition the fleet to ZEVs.

While our performance in the shift to zero emission vehicles is gaining momentum, we still have a long way to go. However, we have clear net zero fleet targets and a roadmap cascaded to our divisions, which is set out below.

We have set KPIs on traction energy usage, traction carbon emissions and total Scope 1 and 2 carbon emissions, all on a per million passenger kilometer basis for the period 2019 to 2025, from a 2018 baseline using the Sectoral Decarbonisation Approach (SDA) methodology. We stated at the time, our intention to review these targets on a regular basis as climate science, technology and forecasting methods improved. We recognise that best practice reporting has since moved on and we have therefore submitted revised targets, aligned to the Paris Agreement to control the increase in global warming to below 1.5 degree celcius, to the Science Based Target Initiative (SBTI) for validation. These include a near-term emissions reduction target for Scope 1, 2 and 3 and a net zero target and were approved in January 2024. Our commitment is set out on page 76. These targets have subsequently been validated by SBTi.

We are also committed to improvement across a range of key environmental targets, which can also be found in more detail on page 76.

### Zero emission fleet target



**We participate with ...**

**We are preparing to be compliant with ...**

**We have verified targets from ...**

**We are proud to be ranked by ...**

**We also won these in 2023 ...**

## Case study



### All-Electric Bus City Coventry

We are constantly striving to innovate and share knowledge across the Group.

Our Coventry depot will operate an entirely electric bus fleet by the end of 2025. National Express Coventry received a batch of 130 new double decker zero emission buses, which were fully operational by September 2023, in addition to the 10 buses delivered previously. In 2024, we are looking forward to procuring the remaining vehicles to fully electrify the depot.

All 140 Enviro400 electric buses are UK-built in Falkirk by Alexander Dennis. The buses produce zero carbon emissions at the tailpipe and are powered by renewable energy thanks to solar panels, a second-life battery and charge-point infrastructure installed at National Express Coventry's bus depot by electrification specialist Zenobē. The electric buses take four hours to charge and can run for up to 175 miles depending on the time of year.

The transition to an entirely electric operation has required close partnership between teams both within the business

and with external stakeholders. The transition has involved infrastructure adaptations, including upgraded electricity capacity and new chargers, as well as significant operational changes to our business. Our focus on mandatory driver training for the new ZEVs has led to benefits of improved range, extended battery life and slower battery degradation, while also improving our safety performance.

To date, National Express Coventry's electric buses have operated over 2.5 million miles since their first introduction in August 2020, saving 4,000 tonnes of carbon dioxide and contributing towards the achievement of Coventry Council's objectives to reduce vehicle emissions within the city.

The vehicles have telematics for driver continuous improvement and battery charging and degradation has so far been better than expected.

# 130

new double decker zero emission buses

# 20%

of vehicles in UK Bus will be ZEV when the current orders are delivered

# We connect **places** and transform communities



The Evolve strategy commits us to being the safest, being the most reliable and having the most satisfied customers.

Sustainable Development Goals (SDGs) that align with our priorities:



## Progress against our targets

Global Trends	Definition	Our response
Car pooling and using public transport instead of private	<p><b>Sustainable cities and communities SDG 11</b></p> <p>11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons.</p>	<ul style="list-style-type: none"> <li>In 2023, the number of customer journeys we provided hit a record high of over 1 billion</li> <li>In 2023, we won 43 new contracts to help expand public transport networks</li> </ul>

## We connect places and transform communities continued

### We connect places

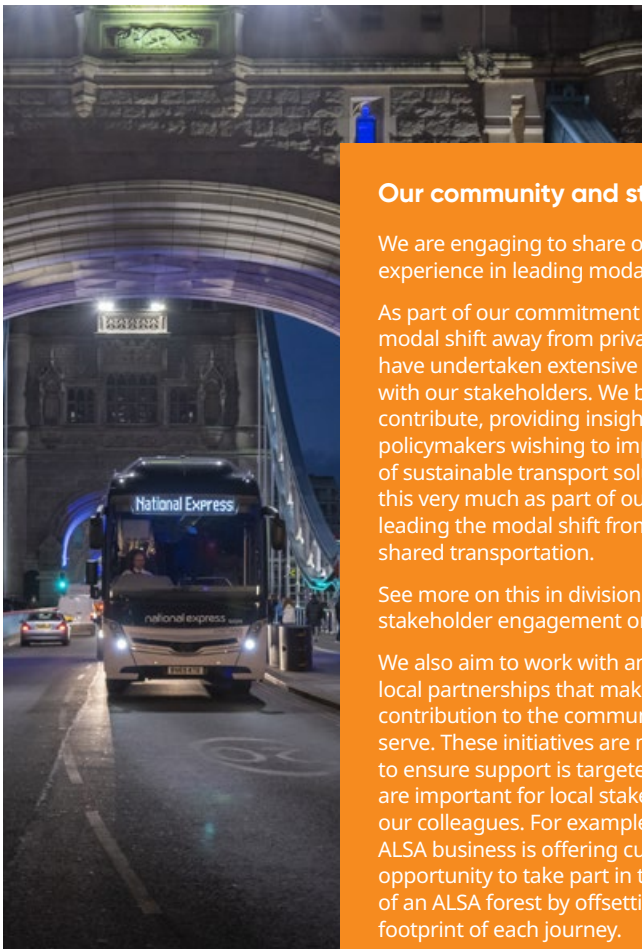
Our services connect places improving social mobility. Our services provide access to a range of workplaces, healthcare, education providers or social connections that they need or want to have access to. When people can't get to a job interview, or to a place of work via mass transportation and have no other way to get there, they often take lower paid work locally, or face unemployment.

Our Evolve strategy focuses on leading modal shift through improving the services we offer and the places we connect. We develop new ways to reinvigorate, innovate and improve transport services.

We have a strong reputation for successful mobilisation of new contracts and services and are recognised by local passenger transport authorities in our markets.

To an individual, the cost of using the bus is around 20% of that of car ownership. That is why, during the current cost of living crisis, we are engaging with supportive governments internationally to develop sustainable transport solutions in the most effective and cost efficient way.

This year highlights in our progress in diversification by mode and location, which is covered in more detail in the divisional updates in pages 24, 27 and 30.



### Our community and stakeholder engagement

We are engaging to share our skills and experience in leading modal shift.

As part of our commitment to leading the modal shift away from private cars, we have undertaken extensive engagement with our stakeholders. We believe we can contribute, providing insight and guidance to policymakers wishing to improve provision of sustainable transport solutions. We see this very much as part of our commitment to leading the modal shift from private cars to shared transportation.

See more on this in division updates and in stakeholder engagement on page 50.

We also aim to work with and develop local partnerships that make a positive contribution to the communities that we serve. These initiatives are managed locally to ensure support is targeted to areas that are important for local stakeholders and our colleagues. For example, in Spain, our ALSA business is offering customers the opportunity to take part in the development of an ALSA forest by offsetting the carbon footprint of each journey.

This is helping ALSA to reforest in Palencia, Spain, an area of high ecological value that suffered deforestation after a fire in 2020. To date, more than 53,000 trees have been

replanted across almost 60 hectares, with an estimated 82,000 tonnes of life-cycle CO<sub>2</sub> absorbed, on completion of the project.

In North America, our businesses support a diverse range of local partnerships including 'Partners beyond the Bus' a volunteering initiative that saw 70% of customer service centres participating in one or more community outreach programmes. The School Bus business also continued its practice of donating buses to the community, most recently to Hutchinson Community College which will use the donated bus for driver training.

At the Group level, we once again supported Transaid, which has been a long-standing partnership since 2012. In the UK, the National Express Foundation has provided more than £1.5 million of funding to community organisations that work alongside young people, helping them to develop key skills and gain valuable life experiences. The Foundation's grant programme for 2023 received over 600 applications, with 32 being successful. ALSA has continued with a range of community activities including the flagship reforestation programme as well as supporting the Moroccan earthquake disaster fund.

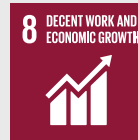
# We move **people** safely and responsibly



As well as the role public transport plays to support decarbonisation, the industry also has a key role to play in driving social mobility.

This has never been more important than in the current economic environment where public transport provides affordable access to work opportunities, healthcare and leisure. A previous review undertaken for the Department of Transport (DfT) noted that transport is an important facilitator of social inclusion and wellbeing which can affect social and economic outcomes and therefore inequality. Mobico is proud of the role it plays in local communities.

Sustainable Development Goals (SDGs) that align with our priorities:



## Progress against targets

Global trends	Definition	Our response
Access & affordability/ Quality & safety Employee H&S Critical incident risk management	<p><b>Sustainable cities and communities SDG 11</b>                      11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons.</p> <p><b>Good Health and Wellbeing SDG 3</b>                      3.6 By 2020, halve the number of global deaths and injuries from road traffic accidents.</p>	<ul style="list-style-type: none"> <li>• Zero responsible fatalities</li> <li>• FWI/million miles</li> <li>• Leading safety credentials in each market</li> </ul>
Labour practices/ Employee H&S	<p><b>Decent Work and Economic Growth SDG 8</b>                      8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.</p> <p>8.8: Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment.</p>	<ul style="list-style-type: none"> <li>• Commitment to real Living Wage (or 10% above national minimum wage where Living Wage does not exist)</li> <li>• FWI/million miles</li> </ul>



## We move people safely and responsibly continued

### We move people

We moved over 1 billion people where they want to go in 2023.

We put our customers at the heart of what we do to provide safe, reliable, clean, accessible and affordable mass transit services for them.

Clearly, responsibility for moving people is key to our approach to sustainability and central to our business model. To achieve our vision and be the world's premier shared mobility operator we need to look after our passengers on their journeys with us and provide them with the best possible experience.

We do this with our partners well before the first passenger has even stepped foot on one of our vehicles. We work to design, mobilise and operate safe, reliable transport networks as a trusted partner, everywhere we choose to compete.

Once we have operationalised our services, we aim to have the most satisfied customers, to provide the most reliable service, to be the safest, enabled by the best use of technology. We have strong processes and systems in place in each of our businesses to achieve these outcomes.

We continually invest in safety, reliability and customer satisfaction and have clear KPIs and standard operating procedures in place, aligned to global policies and governance to ensure we deliver on our Evolve outcomes.

Our services are for all. We aim to provide access to those in vulnerable circumstances, women, children, persons with disabilities and older persons.

### We act responsibly

#### Our people

We want to be an employer of choice for all our 47,700 colleagues.

As an international and growing business, we know how critical our people are to the delivery of our performance and the achievement of our Evolve ambitions. How we treat our people is a cornerstone of our business and our approach to sustainability.

This year we have continued to work on our journey to becoming a high trust, listening culture, as reflected in our new People strategy, Be Part of the Future Today, highlighting the pillars of Embrace, Energise and Elevate, underpinned by great processes and policies (see People section on page 62 and 63).

Our people are proud of their contribution to their local community and are committed to engagement and support for community activities.



## Safest

### Safety remains our number one priority and is a key outcome of the Evolve strategy: To be the Safest.

The Group FWI result has increased from 2022. This is primarily because the 2023 result includes two fatalities (versus zero fatalities in 2022). These fatalities – as well as the other preventable injuries which are included within the result – have been thoroughly investigated and appropriate actions have been taken. As a result, the Group FWI bonus metric for Executive Directors will not pay out. See more on page 84.

The Company has a robust range of safety systems that are anchored in our 'Driving Out Harm' safety programme which was put in place in 2011 and is continually updated.

Examples of how we continue to refresh and innovate include: in the UK, the introduction of new Golden Safety Rules, which puts greater emphasis on looking after physical and mental wellbeing and on speaking out if something doesn't feel right. National Express West Midlands is the first company in the UK to invest in four driver simulators and has seen a 20% reduction in preventable accidents and a 75% reduction in risk. In Portugal, where we introduced new services, we implemented a comprehensive safety induction programme resulting in a 50% reduction of traffic accident rates in 2023 compares to 2022.

We incorporated 44 electric buses into the Lisbon fleet requiring the adoption of new safety measures. In our new partnership in Saudi, KSA, the focus has been on defensive driver training to more than 425 drivers and the certification of 200 drivers in high altitude driving through mountain routes. In the 2.5 months of operation in 2023 we had zero casualty accidents.

The Board believes that the Group's approach to safety and commitment to continually learning and improving through innovation, ensures it will continue to meet its overall strategic ambition to be the safest operator in the industry.

#### Safety is in our DNA

We are proud to be externally recognised for our approach to safety.

In North America School Bus, our operating authorities have maintained the highest safety rating. ALSA once again achieved the AENOR certification for road safety for the 11th year.



## Employer of choice

The Group launched its diversity and inclusion strategy in 2020, which included the incorporation of the Company's Global Diversity & Inclusion Council. As part of this, there were three strategic ambitions:

1. Reflecting the communities we serve by increasing those in underrepresented groups at all levels of the workforce, with a key emphasis on those in management roles, in order that we better reflect the communities we operate in
2. Creating inclusive and accessible working environments, free of racism or any other form of discrimination, where people respect and value each other's diversity and the contribution they make
3. Driving a culture of empowerment by empowering leaders at all levels to take effective ownership of diversity and inclusion and deliver demonstrable change
  - Embraces diversity, equality and inclusion
  - Sets the tone for us as a purpose-led organisation
  - Helps us win the war for talent
  - Enables our people to grow and develop in a high-performance culture.

The strategy is organised around three pillars and underpinned by Essentials; colleagues are encouraged to participate in a wide range of community activities that have a positive impact on the diverse communities that we serve.

See the Your Voice survey results for 2023 on page 110.

Mobico Group was the first UK private transport group to become an accredited Living Wage Foundation employer and continue to be; we are conscious that the cost of living continues to pose challenges for our colleagues in 2023.

**73%**

Response rate

**66%**

I can get the training and development I need to do my job

**+11**

eNPS

**70%**

Colleagues are proud to work for Mobico Group

### Equal Opportunities

The Company and all members of its Group are equal opportunities employers and are committed to ensuring that all members of staff in the Group are treated fairly and are valued irrespective of disability, race, gender, sexual orientation, marital status, nationality, religion, employment status, age or membership or non-membership of a Trade Union. Please see our Human Rights and Diversity Policy (available on our website <https://www.mobicogroup.com/about-us/our-policies/>) for further information. For the avoidance of doubt, this also applies to, and therefore sets out our policy in respect of, disabled employees.





## Employer of choice

### People strategy

Our Evolve strategy commits us to being the employer of choice. This year we have taken the time to work with the divisional representatives to put in place the foundations to create a high trust, listening culture. Our new People strategy, Be Part of the Future Today, has three pillars underpinned by 'Essentials':



As noted in the Sustainability Committee Report (page 109), we are pleased to have made good progress under each of our People Strategy pillars during 2023 summarised below.



During the year the focus has been on improving female representation across the business.

Since last year at executive level this has increased from 28% to 30%. Female leadership has increased across the senior leadership team across North America from 18% to 26% and in ALSA from 25% to 33%. A D, E & I census was undertaken covering 95% of the senior leadership population and a D&I task force has been established to drive further improvements. Other initiatives included the introduction of an Inclusion 'Playbook' in the UK, the continued support of Pride in Germany and the UK, and Black History month under the theme of Saluting our Sisters and the celebration of the second year of the Women's Inspiration Network in North America.



We undertook our second global employee survey in 2023.

Specific initiatives under this pillar included a new recruitment campaign in North America that resulted in 34% more applications and a 16% increase in driver training hires over the prior year. In the UK the introduction of a GP Hero – a free consultation service for all employees. A new reward and recognition initiative was put in place to supplement extensive local front-line recognition schemes.

ALSA became the first Spanish mobility company certified as a Top Employer in 2023 and Bahrain gained a Great Place to work certification.



There has been a focus on talent development during the year with 139 talent assessments undertaken across the senior leadership and business critical roles.

As a result 38 new successors have been identified since last year. Over the last year 36% of the Group Executive team and 20% of the wider leadership team have been replaced to further strengthen the capability of our business. We have put in place a senior leadership academy and introduced training in change management as well as establishing a global talent taskforce.



Essentials underpins the pillars and is focused on putting in place the foundations required to optimise our processes and policies.

Enhancements this year include: the creation of a global people dashboard to enable us to track and monitor across a arrange of metrics; the implementation of a new mobile application in North America to support the recruitment drive and the launch of a global intranet MobiconX, connecting 300 senior leaders across the Group to improve communication, cross functional collaboration and productivity and efficiency.



## Case study



### National Express to deploy new electric school buses across the US through EPA clean school bus grants

Our School Bus business is proud to announce that its school district partners have been named recipients of the 2023 US. Environmental Protection Agency (EPA) Clean School Bus Grant Program Round Two Award. These newly awarded grants will allow NEXS to add 141 new electric school buses to our growing fleet of zero-emission vehicles and further bolster our goal of achieving 100% zero emission vehicles by 2035.

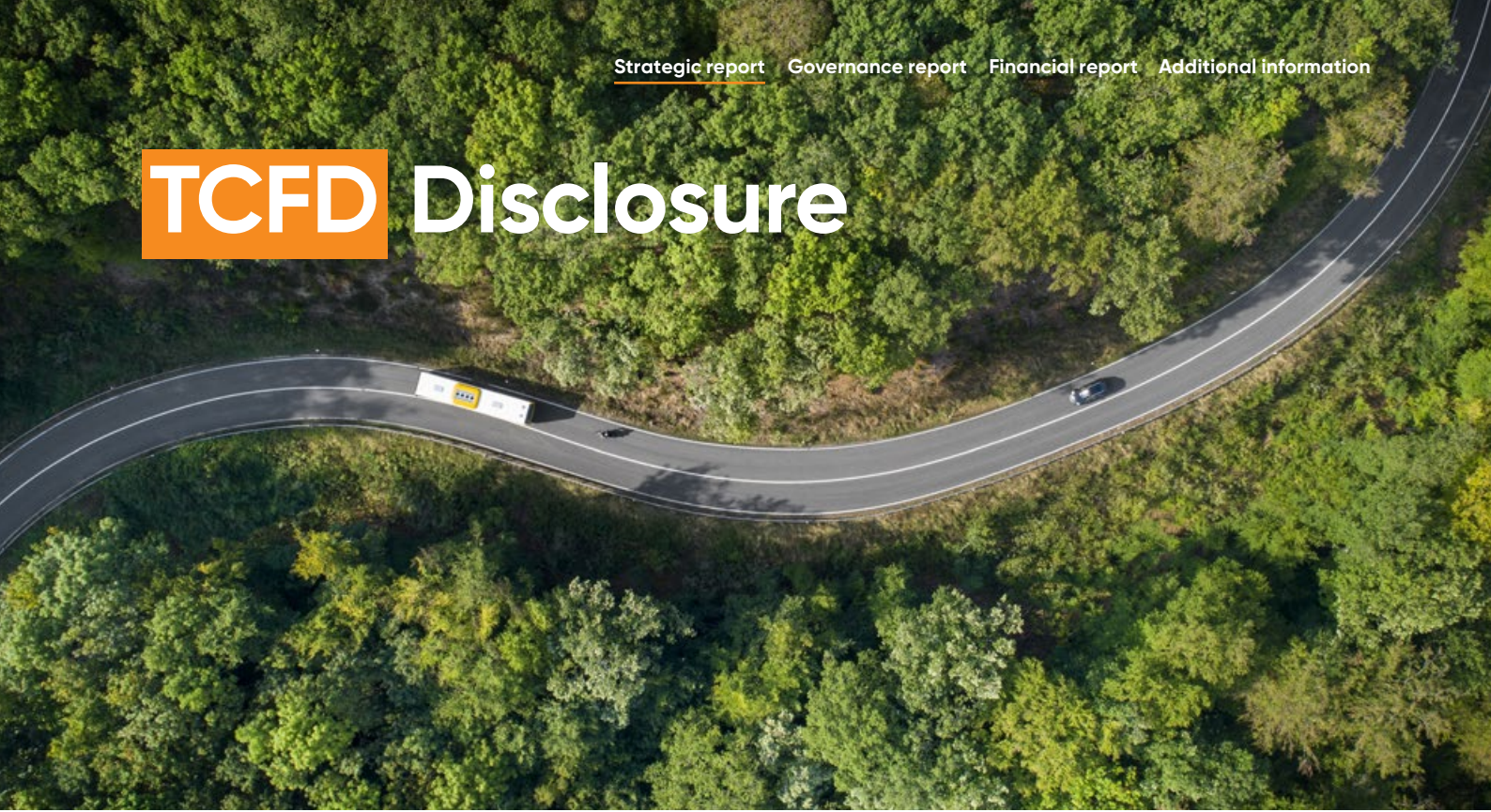
The new electric vehicles will begin to be deployed this year across Florida, Illinois, Louisiana, Michigan, Mississippi, Ohio, Tennessee, and Washington.



**We are thrilled by the grant awards, as the funds will greatly assist us in providing our partners with best-in-class “clean-fuelled” vehicles,” said the Senior Director of Electric Vehicles, National Express LLC. “As we continue to shift our focus towards electrification and sustainability initiatives, the positive outcomes of zero emissions school buses are both inspiring and reinforced by a growing wealth of supportive data and studies. As such, we are excited to embark on these new journeys with our partners and look forward to the healthier and more sustainable futures we are building for our students and communities.”**



# TCFD Disclosure



## The Task Force on Climate-related Financial Disclosures

The Group has complied with the requirements of LR 9.8.6 R by including climate-related financial disclosures consistent with all 11 of the TCFD recommendations and recommended disclosures. These disclosures also incorporate the new mandatory climate-related financial disclosure requirements under the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022 issued by the Department of Business, Energy and Industrial Strategy ('BEIS').

TCFD Recommendation	Recommended disclosures	Further information
<b>Governance</b>	a. Describe the board's oversight of climate-related risks and opportunities.	See pages 66 and 67 See also our Sustainability Committee Report on page 109.
	b. Describe management's role in assessing and managing climate-related risks and opportunities.	
<b>Strategy</b>	a. Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	See pages 70 to 75
	b. Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	See pages 70 to 75
	c. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	See page 75
<b>Risk Management</b>	a. Describe the organisation's processes for identifying and assessing climate-related risks.	See page 68
	b. Describe the organisation's processes for managing climate-related risks.	See more detail in our Group Risk Management disclosures from pages 40 to 47.
	c. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	
<b>Metrics and Targets</b>	a. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	See page 76
	b. Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks.	See pages 77 and 78 See more detail in our Environmental Performance Report on page 247
	c. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	

## Governance

### Board's Oversight and Review of Climate-Related Risks and Opportunities

The Board's oversight of climate-related risks and opportunities is through its dedicated Sustainability Committee, with a remit to cover the governance of environmental and sustainability matters. The Sustainability Committee met three times during 2023. The terms of reference can be found on the Company's website at <https://www.mobicogroup.com/about-us/corporate-governance/committees/>. The key activities of the Sustainability Committee during 2023 can be found on page 109. On behalf of the Board, the Committee also monitors progress against our goals and targets, primarily through monitoring and reviewing a KPI dashboard.

During the year, a new director with significant environmental experience and CEO of Good Energy, Nigel Pocklington, was appointed to the committee.

One of the key outcomes of the Group's Evolve strategy is to be an Environmental Leader, by delivering our fleet transition to Zero Emission Vehicles (ZEVs). To monitor operational progress against this strategy and the related financial impact, the Board performs an annual review of both the long-term strategic plan, of which the latest runs until 2028, and the annual budget, the most recent of which is for FY 24. Both exercises consider the transition to a low carbon economy and the potential impact of physical risks from climate change, which are discussed in detail in the Strategy section of this disclosure. Please refer to the Risk Management section of this disclosure for how the Board exercises oversight regarding incorporating climate-related issues into the risk management processes.

### Board Reporting

The Sustainability Committee reports to the Board of Directors, with the Committee Chair providing updates to the Board after each Committee meeting on the matters discussed. Climate risks and opportunities form part of the Group's overall risk management process, which the full Board is specifically updated as described in the Risk Management section. The Sustainability Committee also produces a formal written report each year to the Company's Shareholders, which is approved by the Board. This year's report is set out on pages 109 and 110 of this Annual Report.

### Board Training and Development

To assist them in both discharging their oversight responsibilities on the Group's Environmental Leader strategy and having the ability to give direction and raise challenges, the Committee received a Future Reporting Landscapes presentation from Ernst and Young's ESG specialists during 2023. Individual Committee members have also participated in training webinars provided by Deloitte Global Board Training Program. Additionally, Committee members can access to climate-related resources, including Chapter Zero.

### Management's Role in Assessing and Managing Climate-Related Risks and Opportunities

The Company's Executive Directors are responsible for the delivery of the Group's "Environmental Leader" strategy (see pages 54 to 56 for more information) and are the sponsors of its overall 2040 ambitions to achieve net zero for Scope 1 and 2 emissions.



The below diagram explains the role both Board committees and different senior leaders play in having oversight of assessing and managing climate-related risks and opportunities:





**Risk Management**

**Identifying and Assessing Climate Risks within the Overall Risk Framework**

The Group applies a two-pronged approach to identifying and assessing climate-related risks and opportunities. Firstly, climate risks are considered as part of the Group's risk management system to identify and assess on all business risks (see pages 40 to 47 for more detail), which is presented to the Board at least twice annually. These risks are cascaded from down to divisional Executive Management. Both existing and emerging transitional and physical climate-related risks, like any principal risks, feed into the divisional and Group risk registers. They are assigned to risk owners, who are responsible for continuously capturing and reporting any developments to the Group risk register, from which a register is made of the most significant risks with the support of Group. Any necessary actions required to respond to climate-related risks (for example increased investment or other actions to mitigate the risks) are discussed and approved as per the Group's delegated authority framework in the diagram shown on the next page and those most significant are discussed at Board meetings per the Governance section above (frequently ZEV transition and infrastructure). Deep dives into specific topics within the divisional risk registers and their mitigations are conducted by the Board every year.

Secondly, in 2021, a specific climate-related risks and opportunities divisional self-assessment was introduced for the first time, which was re-performed fully in 2022 and reported up to and rereviewed by Group for any material changes by all the Group's operating divisions during 2023. This process enabled the Group to assess the potential size and scope of climate-related risks and opportunities identified across the Group. It is the Group's intention to re-perform the scenario modelling at least every three years, in line with the suggested cadence within the UK

Climate-related Financial Disclosure regulations. The outcomes are presented in the strategy section on the next page.

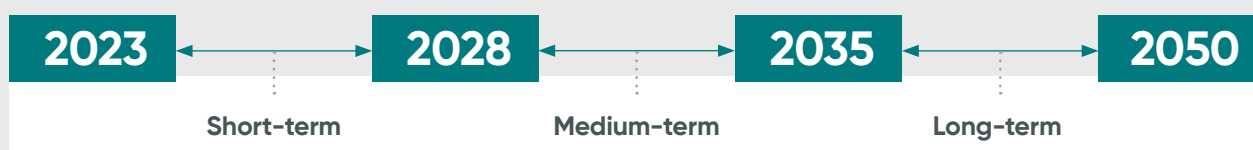
The key features of the specific climate-related risk assessment were as follows:

- The assessment consisted of two components: physical risks (such as extreme weather events); and risks related to the transition to a lower carbon society (such as the operational challenges with transitioning rapidly to a ZEV fleet).
- Divisional teams assigned both a probability of occurrence and an estimated financial impact score against each of the risks and opportunities identified, in order for the Group to assess the priority and materiality of each climate-related risk.
- For each risk and opportunity, divisional teams assessed the expected frequency of occurrence, the activities and controls in place to mitigate the risk, and the effectiveness of those controls.
- The risk assessments were reviewed by the Group Financial Controller, Group Head of Compliance and Group Sustainability Director, with a summary presented to the Board, who duly challenged the conclusions, enabling an assessment of the relative significance of the risks posed by climate change compared to other risks.

There is a clear interrelationship between addressing climate-related risks and Group strategy, primarily through the transition to ZEVs. As a further control over the completeness and accuracy of the divisional and Group risk registers, a cross-check is performed from the detailed climate-related risks self-assessment exercise to ensure it is consistent with the risk register process.

**Time Horizons**

In order to assess the impact of climate-related risks over time, the Group has set short, medium and long term time horizons as set out in the diagram below.



The short-term time horizon to 2028 aligns with the five-year forecast period used for the Group's strategic financial planning process. The medium-term end date of 2035 aligns with the assumed ban on use of diesel vehicles that we have applied in the 'extreme transition' scenario (as described below), and is also a key milestone date for the Group's zero emission targets. The long-term assessment considers a period to 2050, to align with the Paris Agreement Net Zero Goal.

Please refer to page 55 for our net zero goals, timeline and plan.

**Materiality**

In assessing these risks and opportunities, we have set materiality thresholds in line with TCFD guidance. For short to medium-term risks, we have applied a level of materiality consistent with the approach of our Financial Statement audit (the higher of (i) 5% of the Group's Adjusted Operating Profit in the respective year of the Group's long term strategic plan; or (ii) £10 million). For longer-term risks, we apply a higher materiality of 10% of a long-term estimate of the Group's Adjusted Operating Profit, as the risks are less certain, and the Group has longer to develop mitigation plans.

We applied this assessment to both the climate change scenario modelling analysis and the divisional assessments, to determine material risks and opportunities arising from climate change.



## Strategy

Two climate scenarios were selected for modelling. The rationale for selecting these two scenarios was in order to model the potential impacts at the opposite end of the spectrum of likely outcomes: the extreme transition scenario (consistent with significant, co-ordinated intervention) increases transition risk, but minimises physical risks associated with climate change, whereas the opposite can be said for the extreme physical climate change scenario. We also analysed a third scenario (based on the IPCC's 'RCP 4.5' scenario) to confirm that it sat within the spectrum of outcomes of our two extreme scenarios.

A summary of the two scenarios is set out in the table below.

Extreme physical climate change scenario	Extreme transition scenario
<p><b>Scenario outline</b></p> <p>An extreme physical climate change scenario assuming a lack of co-ordinated governmental action and intervention to reduce emissions, ultimately resulting in more extreme weather events. This scenario assumes the current warming rate continues unabated; rising to c.+4°C by the end of the century, as forecast by the Intergovernmental Panel on Climate Change (IPCC) in its worst case 'RCP 8.5' scenario.</p>	<p><b>Scenario outline</b></p> <p>An extreme transition scenario, including an assumed ban on internal combustion engines to limit the global temperature increase to 1.5°C above pre-industrial levels, as projected by the IPCC's 'RCP 2.6' scenario.</p>
<p><b>Physical climate change pathway</b></p> <p>RCP 8.5 degrees celsius</p>	<p><b>Physical climate change pathway</b></p> <p>RCP 2.6 degrees celsius</p>
<p><b>Modelling approach</b></p> <p>In this scenario, we assumed a range of extreme weather events occurring with increasing frequency through the time horizons under consideration, which included damage to depots from flooding or fires and business disruption from extreme heat or cold. We considered the impact of these before and after mitigations.</p>	<p><b>Modelling approach</b></p> <p>We considered the risk of regulatory change requiring a transition to zero emission public transport in a shorter period of time. Specifically, assuming a global ban on the use of internal combustion engine vehicles from 1 January 2035, and the Group's plans to transition to a low carbon economy to address the Group's existing net zero targets.</p>

The output of the climate scenario analysis was the identification of climate-related risks and opportunities by time horizon, as defined in the Risk Management section above. The table below summarises these, together with their impact on the Group's strategy and resilience thereof, and the impact on financial planning.

**Physical risks**

Risk	Unmitigated risk	Time horizon and impact			Divisions most affected
		Short	Medium	Long	
<b>Disruption from extreme weather events</b>	<p>Extreme weather events have historically always had some impact on our operations; in 2023, the financial impact from extreme weather events was £3m (2022: £5m), mostly being disruption from snow fall in North America and this was broadly consistent with that experienced in prior years.</p> <p>Under the extreme climate change scenario, our climate modelling showed that the financial impact caused by an increased magnitude and severity of extreme climate events will grow, and from 2028, before any offset from mitigating actions and modal shift opportunities that would arise under this extreme scenario, could be in the order of c.£50m annual profit, <b>as calculated by our modelling exercise.</b></p> <p>A physical risk assessment of approximately 200 of the Group's major locations performed in 2022 identified that sites in central USA, largely from drought and high temperatures; and southern Spain, from extreme rainfall, are the sites at the highest risk of impact from climate change in 2030 and 2040, using both RCP 2.6 and RCP 8.5 scenarios. Detailed results of this are available in 2022 TCFD at <a href="https://www.mobicogroup.com/sustainability/task-force-on-climate-related-financial-disclosures/">https://www.mobicogroup.com/sustainability/task-force-on-climate-related-financial-disclosures/</a>.</p>				North America, ALSA

**Transition risks**

Risk	Unmitigated risk	Time horizon and impact			Divisions most affected
		Short	Medium	Long	
<b>Availability of zero emission vehicles</b>	<p>Whether there will be sufficient volume of vehicles available in the market to achieve our divisional ZEV target dates. Some locations are already experiencing longer than usual lead times.</p> <p>Similarly, in particular for our long haul operations, having a suitable zero emission vehicle in the marketplace in time to transition the full fleet is a risk.</p>				School Bus – North America Long-Haul Coach – UK and ALSA
<b>Commercial viability of zero emission vehicles</b>	<p>Unfavourable changes to market prices for vehicles.</p> <p>Funding arrangements being available and changes to input costs such as electricity or hydrogen fuel costs and/or operational maintenance costs could affect the commercial viability of zero emission vehicles.</p>				School Bus – North America Long-Haul Coach – UK and ALSA

Key



Low

Potential for a <£10m financial impact and/or requiring minor adjustments to our strategy



Medium

Potential for a £10m – £30m financial impact and/or requiring moderate adjustments to our strategy



High

Potential for a £30m+ financial impact and/or requiring significant adjustments to our strategy

Mitigating actions as part of our strategic planning and financial impact

Metrics to track progress

Mitigation plans include:

- Maintaining a diverse portfolio of geographical locations across the globe, providing a natural mitigation from having a large number of individual locations, reducing the impact that any single weather event has on the Group reducing the likelihood of a material financial impact, post mitigations;
- Relocating assets away from localised affected area;
- Adjustments built into our contracts, meaning we have access to reimbursement of infrastructure costs and penalty reductions, as is the case in Germany; and
- The Group continues to evolve insurance policies to cover many of the risks of physical damage, as well as the cost of business interruption.

We already operate vehicles in both the coldest large city in the USA (Fairbanks, Alaska, with a mean January temperature of -22°C), and Bahrain, which has an average high temperature of 38°C in the summer. As a result, we are already prepared to operate in extreme weather conditions, and have the accumulated experience to manage it.

Whilst based on calculated materiality, a £50m annual profit impact from 2028 would represent a material impact on Group profit, it would not affect our ongoing viability nor cause any issue for our key lender covenant tests, based on our latest five-year strategic plan; and in any case, the £50m amount is calculated before any mitigations. In reality, storms and other weather events often come with advanced warning, so mitigating actions can be implemented to reduce the impact, and the Group already has various other general mitigations as described above.

Annual financial impact from extreme weather events

Mitigating actions as part of our strategic planning and financial impact

Metrics to track progress

There is good supply of suitable vehicles in many of the areas in which we operate in order to enable the transition, particularly for those divisions with the earliest net zero target. In some divisions the transition will take longer. North America School Bus is seeing some short-term delays in the supply chain arising from very significant sums of grant funding for vehicles becoming available in a short time frame, stimulating high demand. Nonetheless, we have been able to secure orders for over 141 electric school buses from the first two tranches of funding awards.

For our long haul operations in the UK and ALSA, there is not currently a suitable vehicle on the market but we are proactively working very closely with our vehicle suppliers to have prototype hydrogen coach vehicles available. There is a clear direction of travel within the vehicle manufacturing industry to develop hydrogen powered coaches suitable for the long distance range many of our services operate. We are confident there will be suitable vehicles coming onto the market to enable us to transition these operations to zero emission. In the meantime, hybrid vehicles are a successful solution to temporarily lower emissions.

Number of zero emission vehicles in service or on order


% of total fleet that is zero emission vehicles (including on order)

The pipeline of new ZEVs over the next five years has been reflected in the financial forecasts within the Group's latest strategic plan, which runs to 2028. A combination of funding models, from outright capital purchase and on balance sheet leasing, to new ownership models (including variable leasing) and the availability of funding are expected to hold replacement costs down.







Number of zero emission vehicles in service or on order

% of total fleet that is zero emission vehicles (including on order)

**Transition risks**

Risk	Unmitigated risk	Time horizon and impact			Divisions most affected
		Short	Medium	Long	
<b>Infrastructure requirements to enable operation of zero emission vehicles</b>	Group's reliance on the required infrastructure being in place in each locality that we operate, to enable us to operate our services using zero emission vehicles, including electricity availability and speed for charging, and supply of hydrogen.				Long-Haul Coach - UK and ALSA
<b>Requirement for an accelerated transition due to increased regulation</b>	If there is significant intervention from governments and other public bodies to restrict or ban the use of diesel and other emitting vehicles, the Group may need to transition faster to ZEV to comply with local and national regulations, which could have implications for the net book value of existing diesel vehicles.				All except German Rail

**Opportunities**

Opportunity	Opportunity explained	Time horizon and impact			Divisions most affected
		Short	Medium	Long	
<b>Modal shift: driving customers to use public transport</b>	An increase in government and other public bodies' intervention to introduce congestion and/or pollution measures to disincentivise or even ban the use of private transport could enable modal shift by increasing users of public transport in the future. For example, the California Climate Act disallows the purchase of some diesel vehicles from 2024. This presents us an enhanced opportunity to become an Environmental Leader per our Evolve strategy on page 10.				All
<b>Operational efficiency</b>	Increased operational efficiencies (both planned and reactive) from operating zero emission vehicles perpetuate or grow from the early experience we have seen across the Group. The customer experience is much better in ZEVs than diesel vehicles.				All

Key



Low

Potential for a <£10m financial impact and/or requiring minor adjustments to our strategy



Medium

Potential for a £10m – £30m financial impact and/or requiring moderate adjustments to our strategy



High

Potential for a £30m+ financial impact and/or requiring significant adjustments to our strategy

Mitigating actions as part of our strategic planning and financial impact

Metrics to track progress

We have a significant level of engagement with public bodies to help drive the agenda forward, particularly with regard to hydrogen infrastructure. In 2023, the UK Government launched an open call for evidence regarding infrastructure for zero emission heavy goods vehicles and coaches, thus including the Coach operation in the wider Government plans for zero emission transport. A full updated strategy is expected to be published in 2024 including refuelling and recharging requirements.

The Group is proactively engaging with external stakeholders to make beneficial changes, such as looking to reduce the costs of hydrogen supply, and exploring alternative supply options such as on-site hydrolisers.

We will be closely following emerging solutions for the considerably larger haulage industry, which will likely accelerate the emergence of technology and infrastructure solutions into the market.

The Group will continue to take mitigating actions where we can, primarily via engagement with a wide range of stakeholders and seeking a wide range of possible different solutions, in particular for long-haul services. However, the Group will be reliant on a number of factors outside of our control, including the need for local and national government policies to drive forward the availability of infrastructure through policy action and making funding available, and for the wider industry to be able to support this through provision of the required infrastructure.

Please refer to the transition plan section below for our long haul operations for further detail.

Number of zero emission vehicles in service or on order  
% of total fleet that is zero emission vehicles (including on order)

We have already set out our divisional net zero target dates which range from 2030 to 2040. In that regard we therefore expect to be very well progressed in the transition by 2035, which was the year in which we modelled the impact of a ban on the use of diesel vehicles in our climate modelling. We consider this the main mitigation by being a leader in the transition such that the financial and operational impact of any regulation being introduced on our existing transition plan is relatively minimal.

Some ZEV suppliers are actively buying back diesel vehicles to accelerate the introduction of electric vehicles. There is also a secondhand market (especially large in the North America Transit business) enabling recovery of any net book value of diesel vehicles.

The net book value of diesel vehicles at 2035, would be £18m, and so the impact of accelerated depreciation on annual profit from 2024 would be c. £1.5m if there was a ban on the use of diesel vehicles from 2035 as assumed in our modelling scenario; an immaterial amount.

Please refer to note 15 in the Notes to the Consolidated Accounts for further information. Similarly, the impact of this on impairment assessments is set out in note 14 to the Consolidated Accounts.

Number of zero emission vehicles in service or on order  
% of total fleet that is zero emission vehicles (including on order)  
Net book value of diesel vehicles at 2035 and 2040

Strategic and financial impacts

Metrics to track progress

It is likely that local government authorities or transport authorities would unilaterally impose measures to address congestion and pollution in cities (to help the drive for a clean air environment) and simultaneously meet their countries' own carbon reduction targets, particularly under the extreme transition scenario which we have modelled. Our shorter routes and School Bus business model perfectly lends itself to ample mid-day or overnight charging.

The UK's Climate Change Committee predicts that 9-12% of car journeys could be switched to bus by 2030, with 17-24% being switched by 2050. According to our analysis of the Department for Transport's 'Passenger transport by mode' 2019 statistics, a modal shift of 1% from car to bus would result in an increase of 23% bus passenger kilometres.

We see that the benefits of modal shift far outweighs the costs of having to comply with new regulations.

Million passenger kilometres

There are several operational benefits from using ZEVs, including the ability to optimise maintenance (both planned and reactive), and experience to date has shown further operational benefits such as fewer breakdowns. Our investment in driver training is enabling high quality driving of the vehicles, which in turn is generating benefits such as lower maintenance and repair spend and also higher regenerative braking, resulting in lower energy use.

There is the opportunity to see further operational benefits and battery performance to the business as the transition progresses and we gain more experience in operating the vehicles.

Group operating expenses

### The Group Transition Plan

The Group's ability to transition the fleet to ZEVs to meet our own net zero targets, and to mitigate risk in the extreme transition scenario, is dependent on the ability to transition to and operate ZEVs across all divisions, with the exception of Germany, which already operates a fully electric fleet of trains. Vehicle emissions currently represent 93% of Scope 1 emissions and therefore transitioning the fleet to ZEVs is the key driver of achieving our net zero target. We therefore currently anticipate that carbon offsetting will represent only a minor part of the strategy to reach net zero. We recognise that as part of an industry sector with currently high emissions, delivery of this strategy is critical to significantly reducing our contribution to the current level of global emissions, in addition to contributing to avoided emissions by providing public transport services.

As noted in the risks table above, one of the most significant priority risks, amplified by our goal to be the Environmental Leader in our sector, is the Group's ability to manage this transition. The Group has a proactive approach to transition challenges and we continuously engage with our suppliers, partners and customers to drive the agenda.

A summary of each divisional transition plan is set out in detail below.

### Urban Bus – UK

The Group is most progressed in the UK Bus division with 20% of the fleet already zero-emission or with a zero-emission replacement on order. Our experience from operating electric vehicles has been extremely positive to date, with lower maintenance costs (both planned and reactive) and running costs. We have also seen significantly fewer breakdowns than on a diesel bus, and lower energy usage than expected thanks to the increased regenerative braking and our significant investment in driver training.

We are able to mitigate the small remaining technology transition risks by negotiating with supply chain partners and West Midlands Combined Authority, by obtaining extended warranties on battery performance, for example. Secondly, the Office for Zero Emission Vehicles is accelerating the ease of installing charging points for businesses. Lastly, we have three depots fully designed to accommodate ZEVs already, and have a pipeline of future redesigns in place for more depots. We do not expect our vehicle purchasing requirements to comprise a significant portion of the market capacity for the manufacture of these vehicles, and electricity network connections in our depot locations have been strong enough for our needs.



### Urban Bus – Spain and Morocco

In Spain and Morocco, we expect our Urban Bus operations to transition on a slightly longer timescale than in the UK as a result of three key factors: (i) operating conditions, including route length, and ambient temperatures being more challenging than in the UK; (ii) the contracted nature of the services means that the transition timetable needs to be agreed with the contract counterparty; and (iii) the extent to which electricity is available to power entire depots' charging points. While there is more uncertainty than in the UK, the availability of suitable vehicles in the market is more than sufficient to meet our transition plan and the support for vehicles and infrastructure is high on the agenda of the public authorities. We expect to see similar operational benefits to those we have seen in the UK as the transition progresses. In the meantime, hybrid vehicles and a range of alternative fuel types are used to lower emissions on the diesel fleet.

### School Bus – North America

School bus operations are well suited to ZEVs given relatively short operating distances and ample time for mid-day recharging. However, the longer transition target date in North America is reflective of two key factors: (i) ZEVs for the school bus market are currently expensive, reflecting the short-term impact on market prices from high levels of funding being made available; and (ii) contracted procurement practices at school board level needing to adapt to accommodate ZEV introduction.

Nevertheless, we are seeing increased demand for ZEVs (particularly as parents embrace the clean air agenda), and funding is becoming increasingly available, such as winning \$31m in grants last year from the \$5bn Clean School Bus programme, which has enabled the funding of 53 electric school buses and the required infrastructure, which will be delivered in early 2024. In early 2024, funding for 91 more electric school buses was granted. While the availability of 100% funding for both vehicles and infrastructure is clearly an enabler of the transition, it is to some extent currently having a negative effect on the market price of a ZEV, which remains high compared to the equivalent diesel vehicle, and limiting other market options. This is expected to reduce over time as the initial effects of launching the large funds programme on the market starts to recede.

Additionally, our own assessment shows that the market capacity for ZEVs that we expect to consume is not notably larger than our proportionate market share and there is a significant second-hand market for the sale of diesel vehicles before their useful life expires.

### Transit and Shuttle – North America

Introduction of future regulations such as the Clean Air Act in California is expected to drive the need for change by phasing out the sale of diesel vehicles through increased regulation. We lead a Zero Emission Leadership Coalition (ZELC) that brings together a number of our key customers, industry experts and vehicle providers to share knowledge and experience to also help to drive the transition agenda. Although lead times for vehicle delivery are currently longer than in other areas of the business, there is ample capacity in the vehicle market to enable transition by the target date.

### Long haul coach – UK and ALSA

The vehicle replacement cycle in coach operations is much faster, due to the intensive operational nature of the vehicle. For example, in our UK Coach division, each vehicle is typically used for 5 to 7 years before being replaced, meaning there is a longer time window from now in which to develop a ZEV solution for this market and ensure the necessary infrastructure is in place to achieve the ZEV target date.

Our UK suppliers are working on a hydrogen coach vehicle that meets our specification requirements which we are expecting to see the first of in 2024. However, while hydrogen power produces a better range than battery ZEV, the technology is less developed, and fuel costs are currently too high to compete economically with diesel or electric power, making the solution more uncertain as we have reliance on the required infrastructure being in place to support our vehicle operations. In the meantime, while battery ZEV may be impractical for long distance journeys, it is likely to be the ideal solution for shorter coach services like our airport operations, and we are already using electric vehicles on a private hire contract in the UK.

In ALSA, we are exploring options for electric superchargers at stations to coincide with mandatory driver breaks. The Confederation for Passenger Transport (CPT) ZEV taskforce in UK and the International Federation of Public Transport (UITP) are working on further solutions.

Ultimately, we anticipate that we will be able to procure ZEVs suited to short and long- distance journeys to enable us to achieve full transition by the target date, given our progress in engaging with suppliers and the wider industry thus far. We would expect that, particularly under the extreme transition scenario, a combination of government support and private investment would ensure the requisite infrastructure was in place to enable the wider use of hydrogen vehicles, including with the UK's updated ZEV HGV Infrastructure Strategy expected to be published in early 2024.

### German Rail

While German Rail already operates a full electric fleet of trains, plans are ongoing to reduce energy usage and hence Scope 2 emissions in the future, for example the development and planned deployment of a driver assistance system which gives recommendations for energy-optimised driving behaviour.

### Resilience of the Group's strategy

Collectively, across governments, our customers and the general public, there is a desire and a need to reduce emissions to tackle the risks posed by climate change. We believe this will accelerate both modal shift into public transport and the need to transition away from diesel vehicles; and that this would happen more quickly under the extreme physical climate change scenario. As we have set out, although physical risks from climate change will undoubtedly provide more challenges to the business, we see greater opportunities from the vehicle transition and modal shift which are both key to our strategy. Therefore, we believe our strategy is resilient to these likely challenges, and we do not foresee having to adjust the operations of the business in the future due to climate risks.



**Metrics and Targets**

In 2019, the Group was an early adopter of a set of intensity-based metrics which were measured year-on-year and were used as the basis for a set of emission reduction targets, using the Sectoral Decarbonisation Approach (SDA) methodology. These targets were chosen to meet the then-prevailing IPCC goal of controlling the increase in global warming to below 2 degrees, and were based on intensity metrics widely used in the transport industry, and aimed to be achieved over a seven-year performance period, 2019 to 2025, with 2018 being the baseline year. These are shown in the table below.

During 2023, the Group submitted new near-term carbon reduction targets covering Scope 1, 2 and 3 emissions to the Science Based Targets Initiative (SBTi) in order to both obtain external validation of our targets and most critically, to ensure alignment with the Paris agreement of controlling the increase in global warming to below 1.5 degrees. The SBTi completed their validation process in January 2024 and the approved targets are as follows:

Mobico Group PLC commits to reduce absolute Scope 1 and 2 GHG emissions 55% by 2033 from a 2022 base year.

Mobico Group PLC commits to reduce absolute Scope 3 GHG emissions 33% by 2033 from a 2022 base year.

*The target boundary includes biogenic land-related emissions and removals from bioenergy livestock.*

The Group will commence reporting against the new targets from 2024.

The Group already has incentives in place across all divisions to lower our carbon footprint in our operations, for example being embedded within bonus targets and employee objectives. In addition to this, capital investment requests and bid models are already scrutinised for their environmental impact. Given that these processes already meet the aim of using a carbon price, we are not currently utilising one in our internal reporting at this stage; however, this will be kept under review.

The Group has reviewed the full list of metrics in tables A1.1, A1.2 and A2.1 in the TCFD guidance and set out the relevant metrics and KPIs, which the Group will use to track climate-related risks and opportunities in the following table. Please refer to the climate-related risks and opportunities table in the Strategy section for which risk and opportunity each metric is linked to. The Group considers the remaining metrics to not be relevant nor meaningful to the Group at the current time, but the Group will continue to monitor this. The Group monitor progress against these metrics by the way of quarterly reporting of Scope 1 and 2 emissions from each of our operating divisions.

**Metrics and Targets Dashboard**

	Base year		Target year		2022 Result (PY)	2023 Result (CY)	% change from base year	% change YOY (2022-2023)	% change to meet target
	Year	Result	Year	Result					
Scope 1 & 2 absolute carbon emissions (tCO <sub>2</sub> e) (our net zero tracking metric)- SBTi approved target	2022	913,864	2033	411,239	913,864	<b>913,937</b>	0.01%	0.01%	-55.0%
Scope 3 absolute carbon emissions (tCO <sub>2</sub> e)- SBTi approved target	2022	600,400	2033	402,268	600,400	<b>497,280</b>	-17.2%	-17.2%	-19.1%
Traction Energy: (vehicle fuel and electricity) MWh/mpkm*	2018	66.92	2025	58.72	83.82	<b>85.50</b>	27.8%	2.6%	-31.3%
Traction Carbon Emissions (Scope 1 & 2) tCO <sub>2</sub> e/mpkm*	2018	17.67	2025	15.45	23.38	<b>22.84</b>	29.3%	-2.3%	-32.4%
Total Scope 1 & 2 Emissions tCO <sub>2</sub> e/mpkm*	2018	19.26	2025	16.45	24.17	<b>23.57</b>	22.4%	-2.5%	-30.2%
Site Scope 1 & 2 Emissions (building use only) tCO <sub>2</sub> e	2018	41,656	2025	38,199	29,839	<b>28,165</b>	-32.4%	-5.6%	Met
Landfill Waste Disposal tonnes	2018	7,711	2025	5,783	4,215	<b>883</b>	-88.5%	-79.0%*	Met
Water consumption m <sup>3</sup>	2018	478,956	2025	439,209	429,170	<b>411,692</b>	-14.0%	-4.1%	Met
Number of zero emission vehicles in service or on order	n/a	n/a	2024	1,500	491	<b>915</b>	86.4%	86.4%	64%
			2030	14,500					
% of total fleet that is zero emission vehicles (including on order)	2023	2%	2040	100%	2%	<b>3.3%</b>	1.3%	1.3%	96.4%
Scope 1 and 2 emissions (in kg CO <sub>2</sub> e) per £ revenue	n/a	n/a	n/a	n/a	0.3264	<b>0.2891</b>	-11.4%	-11.4%	n/a
Impact on operating profit from extreme weather events					£5m	<b>£3m</b>			
Net book value of diesel vehicles at 2035					£14m	<b>£18m</b>			
Net book value of diesel vehicles at 2040	No specific targets set currently				£0m	<b>£0m</b>	No specific targets set currently		
Proportion of LTIP remuneration targets based on ESG metrics (see page 121 for more detail on ESG Directors Remuneration)					25%	<b>25%</b>			

\* mpkm: million passenger kilometres is defined in the Glossary to this annual report

## Scope 1, 2 and 3 emissions

We measure and report our Scope 1, 2 and 3 greenhouse gas emissions in line with the GHG protocol methodology which are summarised in the table below and split by division on the Environmental Performance Report on page 247.

### Reporting Boundaries & Recalculation Policy

The Group applies an operational control approach to reporting emissions for collecting this data, thereby covering 100% of our business activities. A regular review is undertaken to ensure any changes to the Group structure are reflected in capturing emissions data. The Group's GHG Emissions Recalculation Policy was approved by the Board Sustainability Committee during the year and can be found at <https://www.mobico.com/about-us/our-policies/>.

tCO <sub>2</sub> e emissions by scope	2017	2018	2019	2020	2021	2022	2023	% change YOY (2022–2023)
1	801,061	808,650	823,582	514,106	657,239	830,287	<b>834,815</b>	0.5%
2 (location based)	60,682	48,583	49,938	67,879	73,649	83,577	<b>79,122</b>	-5.3%
3**	6,127	7,627	8,221	8,641	5,762	600,400	<b>497,280</b>	-17.2%
Total Scope 1, 2 and 3 (location based)	867,870	864,860	881,741	590,626	736,650	1,514,264	<b>1,411,217</b>	-6.8%

\*\*The Group completed a full baseline assessment of Scope 3 emissions in 2022, including all relevant categories. Prior to 2022, Scope 3 included only business travel, waste, water and certain other upstream emissions.

Scope 1 emissions (from combustion of fuels, and use of natural gas and refrigerant gases) represent the largest category for emissions, with vehicle emissions representing 93% of Scope 1 emissions. Scope 2 emissions (from electricity usage) represent energy usage both in our buildings, in our German Rail operations and electric vehicles in operation in other divisions.

An increase in electricity consumption, particularly in our German Rail operation due to the award of new contracts, drove an increase in the Traction Energy metric. Whilst we remain adrift of the 2025 targets for traction energy and carbon emissions, as can be seen in the table below, Traction Carbon Emissions and Total Emissions both improved year on year per million passenger km, as both patronage improved over the year and starting to see the positive impact of the ZEV transition achieved. As we expect the growth in ZEVs to gain pace in future years, there remains potential for material improvement in these intensity metrics as this progresses.

The remaining three metrics for Site Emissions, Water Consumption and Landfill Waste Disposal had already been met in previous years but it was pleasing to see that all three metrics improved on last year. It should be noted that the majority, but not all of the reduction in Landfill Waste Disposal, was from revising the methodology for calculating waste in our North America division, which is described in more detail below.

Scope 1 emissions were broadly flat on 2022, a good result considering the increase in operations in 2023 and the increase in million passenger kilometers as a result. The scope 1 performance was benefitted by an over 10% decrease in emissions year on year in our UK Bus business, which is seeing the benefit of being most progressed in ZEV transition.

Scope 2 emissions decreased by 5.3%, as an increase in electricity consumption in our German Rail operation was more than offset by a lower emissions factor for 2023 for Germany electricity compared to 2022.

A breakdown of Scope 1, 2 and 3 by division is included in the Environmental Performance Report on page 247.

Scope 3 emissions have been calculated based on the guidance in the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Standard.

For categories 1 and 2 (purchased goods and services and capital goods), the calculation methodology is based on actual spend data, which was then applied to emissions factors by spend

category, as supplier-specific data is not yet available. The same methodology was used within category 8 for emissions from the manufacture of leased vehicles, which includes the optional disclosure of life cycle emissions associated with manufacturing leased assets.

We aim to transition to a supplier-specific approach over time, starting with the most material suppliers, for example the companies who manufacture and produce our vehicles, some of which have committed to Scope 1 and 2 Science-Based Targets already. The UK division is actively engaging with an initial six suppliers, selected based on spend and size of carbon footprint in order to obtain supplier-specific emissions data and embed climate elements into contracts and policies. We will continue to improve the methodology for calculating supplier emissions, and therefore, category 1 may see more significant year-on-year movements in the future. Additionally, following feedback from the SBTi received during our validation process, we will also work towards being able to disaggregate the transportation and distribution element of Category 1 Scope 3 in future reporting, to enable disclosure of these emissions under category 4.

For category 5, actual data is used where available, and if not, a best estimate is made. The methodology used in previous years for estimating waste in our North American division, where actual waste data is not currently available, was significantly revised in 2023, as the previous methodology based on estimated waste per employee was found to result in an overestimate of total landfill waste. A new methodology, using actual data available in other divisions and applying this to the size and operation of the North America division has been utilised in 2023 and has resulted in a significant year on year reduction in the amount of landfill waste disposal in both the division, and also the total Group, in 2023.

For employee commuting (category 7), reasonable assumptions have been made around commuting patterns applied to the actual number of employees at each location. This category includes the optional emissions arising from home working.

For investments (category 15), the 'average data' method is used, based on the sector the investee company operates in, which drives the sector specific emission factor used, applied to revenue data, and our proportional share of equity held.

For all other Scope 3 categories (3, 4, 6 and 13), actual usage data has been obtained.

A breakdown of scope 3 tCO<sub>2</sub>e emissions by category is shown in the following table:

Category	2023	2022	% change YOY
1. Purchased goods and services	138,835	221,783	-37.4%
2. Capital goods	92,435	92,680	-0.3%
3. Upstream fuel and energy production and distribution	201,723	214,893	-6.1%
4. Upstream transportation and distribution	n/a	n/a	n/a
5. Waste and water	683	1,967	-65.3%
6. Business travel	2,390	2,349	1.7%
7. Employee commuting	43,062	41,819	3.0%
8. Upstream leased assets	15,533	10,543	47.3%
9. Downstream transportation and distribution	n/a	n/a	n/a
10. Processing of sold products	n/a	n/a	n/a
11. Use of sold products	n/a	n/a	n/a
12. End-of-life treatment of sold products	n/a	n/a	n/a
13. Downstream leased assets	1,194	1,118	6.85%
14. Franchises	n/a	n/a	n/a
15. Investments	1,425	13,248	-89.2%
<b>TOTAL tCO<sub>2</sub>e</b>	<b>497,280</b>	<b>600,400</b>	<b>-17.2%</b>

Scope 3 emissions decreased by 17.2% primarily driven by a 37.4% reduction in category 1, purchased goods and services. This was a result of lower 2023 emission factors applied to the spend across the Group in this category, and Group-wide spend reductions, particularly in higher emitting activities such as vehicle repairs and maintenance, mostly within the North America division.

Category 5, waste and water, decreased significantly in percentage terms; albeit a low absolute reduction, due to lower water usage and the methodology for estimating waste in our North American division being revisited in the year, as explained above.

Category 8, upstream leased assets, increased by 47.3% year on year due to an increase in the number of new leased vehicles procured in the year, mainly in our UK Coach division, as category 8 includes the optional upstream emissions from the manufacture of leased vehicles.

### Data Quality and Assurance

We recognise the importance of emissions data, and the quality of data underpinning it. Accordingly, we have continued to enhance our approach and processes in line with expectations by continuing to utilise external support in the calculation and compilation of the Group's emissions.

Additionally, external assurance from Carbon Responsible Limited has been obtained over the Group's 2023 environmental data underpinning absolute Scope 1, 2 and 3 emissions, to a limited level of assurance to the ISO14064-3 standard. The 2023 assurance report can be found at <https://www.mobicogroup.com/sustainability/performance-reports-and-data/>.

### Future developments

The Group continuously monitors future regulation and reporting requirements affecting all territories that it operates in. The most significant future requirements that we expect to impact on the Group are described below:

- During 2023, the International Sustainability Standards Board ('ISSB') published its first two IFRS Sustainability Disclosure Standards, which are effective 1 January 2024, and at the time of writing awaiting formal adoption by the UK. These are:
  - IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information*; and
  - IFRS S2 *Climate-related disclosures*

The requirements in IFRS S2 are consistent with the four core recommendations and 11 recommended disclosures published by the TCFD. There are some additional reporting requirements in IFRS S2 over and above the existing TCFD requirements and the Group will focus on these areas in order to prepare for the required disclosures.

- The UK Transition Plan Taskforce ('TPT') published its final disclosure framework on climate transition plans, setting out good practice for robust and credible transition plans as part of a company's annual reporting. The expectation is for new requirements in relation to transition plan disclosures to be effective 1 January 2025, thus first being applied in the Group's FY 25 Annual Report. The Group will commence preparatory work during 2024.
- The Corporate Sustainability Reporting Directive ('CSRD') was adopted by the European Parliament and European Council in December 2022. The Group is in scope for this legislation due to our subsidiary operations in the EU, principally in Spain and Germany. The scope and impact of the CSRD is complex and the Group plans to perform a detailed assessment of the impact on the Group and its subsidiaries in 2024 and thereafter establish a Group-wide working group to plan for and deliver compliance with the reporting requirements.