

VolkerRail Group Limited

Section 172(1) statement

for the year ended 31 December 2020

This statement has been prepared solely to provide information to assess how the Directors ("Board") have performed their duty to promote the success of the Group. Any forward-looking statements are made in good faith, based on the information available up to the time of their approval of this report and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

The VolkerRail Board continues to take account of the impact of its decisions on all of our stakeholders, who include employees, customers, suppliers, shareholders, regulators, charities and local community. The Board believes that part of that responsibility includes understanding the views of those stakeholders and building constructive relationships with them. Further details on how we communicate and engage with our different stakeholders is included in the relevant sections below. During the year we have continued to ensure that the health, safety and wellbeing of our people and stakeholders has remained central to everything we do.

The Directors have acted in good faith and in a way that they are most likely to promote the success of the Group for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

(a) the likely consequences of any decision in the long term

Strategy

Despite the challenges in the market and more generally across the UK and beyond in these exceptional times, our strategy of prioritising cash-backed profits ahead of turnover growth, and of maintaining our measured and selective approach to bidding and winning work has continued to serve us well. Our careful, measured approach has enabled us to maintain our credibility among our peers and continue our focus on solutions for long term value. We pride ourselves on being grounded, stable and dependable. As well as being selective on contracts, and ensuring robust governance, we're also strong on cost control, and our strategic investments in the future are considered and targeted. The Board are heavily involved in capital allocation decisions and all capital expenditure over £10,000 is approved by a member of the Board. This ensures that the Board considers the likely long term consequences of their investment decisions.

Our business model is formed of four pillars of growth: Exceeding Expectations; Driving Innovation and Digital Transformation; Encouraging Entrepreneurship; and Enhancing Collaboration. By continuing to deliver successfully on these, we will meet our business goals to satisfy our clients' requirements and gain advantage in the marketplace. Our pillars of growth are underpinned by the essential foundations of excellence on which our leading business is built and support the success of our strategy. The foundations cover the way we operate - delivering excellence in engineering and operational delivery, supported by our systems, processes and risk management, the behavioural standards and values of our people, and our approach to corporate responsibility.

A robust set of pragmatic core values supports our business model and helps shape and guide our behaviours, decisions, and activities. These are: Integrity; Passion; Innovation; Collaboration; and Winning. Delivering to the highest standards is simply embedded in our way of working, and our goal is to continually exceed our clients' expectations and deliver advantage together. We promote a culture which is authentic, honest and dependable. We have a selective approach to taking on new work, which means that we bring our absolute best in the projects we deliver.

We work to exceed the expectations of all our stakeholders in everything we do, ensuring we seek out and deliver continuous improvement, not least through the delivery of innovation and digital solutions. We encourage and empower originality and entrepreneurship in our people, teams and businesses, and seek out opportunities for collaboration-in-house, and with our external partners and supply chain.

At VolkerRail, our culture is down to earth, but as a business we are delivering excellence. We have a measured approach; we maintain high standards and we deliver on our promises. We are very proud of our business and what we are achieving together. Delivering to the highest standards is simply embedded in our way of working, and our goal is to continually exceed our clients' expectations, do all we can to add value and deliver our projects to the highest possible standard.

Board governance structure

Our UK Group Board decision making processes and governance structure ensure that we are able to make appropriate and informed decisions rapidly within a fundamental framework of sensible checks and balances. VolkerRail is represented on the VolkerWessels UK Board and the wider Executive Committee which means that the needs of all parts of VolkerRail Group are considered. All decisions to enter into transactions will be reviewed by at least two people to ensure independence and our delegated authorities are set out clearly within each company with a number of structured review processes for new bids and tenders, entering into new markets, project risk control and governance, across our business.

The VolkerWessels UK Operations Board plays an important role in focussing on excellence in operational delivery. It is a cross-business Leadership Team, which helps advise the business and takes action on matters that have a potential impact on our operations. The VolkerWessels UK Health, Safety and Sustainability Leadership Groups bring together the Managing Directors, Operational Directors, Health and Safety, Corporate Responsibility and Environmental leads from each of VolkerWessels UK businesses on a quarterly basis to review Health, Safety and Sustainability performance and key issues or items of strategic significance. The VolkerWessels UK Risk Management Board reviews and advises on operational and commercial risk management. The VolkerWessels UK Strategic Transformation Programme Board bring together digital and technology developments and ensure that our approach to improvement is rooted firmly in ensuring that our people are at the forefront enabling us to be powered by data, driven by people. These Boards and Leadership Groups enable information-based decision-making by the Board Directors on key strategic matters.

Understanding the market in which we operate

Regular VolkerRail Group business review meetings provide a forum for the VolkerWessels UK Board to understand and challenge business leadership on areas such as customer engagement and satisfaction, operational and commercial performance, and customer initiatives. Market outlook is a standing item on the agenda for each of these meetings and the Board regularly assess the impact of external factors on their long term business strategy.

External factors, for example of a political, economic and technological nature, are continuously monitored by the Board ensuring short- and long-term implications are understood, and strategy adjusted accordingly. The breadth and diversity of the Group provides good resilience to cope with fluctuations in particular markets which may be caused by the factors above.

Corporate responsibility

At VolkerRail, corporate responsibility means ensuring the health, safety and wellbeing of all those impacted by our operations; minimising our impact on the natural environment; operating in a way which is sustainable; and ensuring that we contribute to the communities where we work and wider

society, offering social value through all of our activities. Safety will always remain the number one priority for our business and our sector. Ensuring that our people, our subcontractors, members of the public, and all of our stakeholders go home safely each day is our guiding principle.

The Board ensures that its decision making enables and supports this objective in both current activities and in the long term, through active monitoring, challenging and review of key elements of the strategy which are set out in more detail in the relevant sections below.

All aspects of corporate responsibility are high on the Board agenda and regular reporting is reviewed, interrogated and further actions and initiatives delivered through a process of continuous improvement. The Health, Safety and Sustainability leadership groups, which are comprised of Board members from VolkerWessels UK and its businesses, ensure delivery of this continuous improvement programme and maintain oversight of the our approach to health and safety, sustainability and environment.

During 2020 VolkerWessels UK published its sustainability strategy based on the key themes of People - Planet - Purpose. This sets out clearly the goals and ambitions of VolkerWessels UK in this very important arena which we support and sets out the longer term aspirations for each aspect. Each year the VolkerWessels UK Board will ensure that there is a published update to the achievements against stated objectives in each of these areas.

Investing in enterprise systems, innovation and digital technology

Through its Strategic Transformation Board, Operations Board and Advance Programme Board, VolkerWessels UK is investing in its digital footprint and bringing innovation to the fore.

The Strategic Transformation Board brings together all of our businesses and functions to ensure we have a systems and data strategy that will set us up well for the future. This is underpinned by strong governance, appropriate cyber and other IT security arrangements and a programme of business as well as technology change.

The Operations Board oversee the site-specific digital enhancements which range from specialist tactical applications to support specific site productivity objectives, through to strategic applications such as our site induction systems, common data environment and dynamic management systems tool.

The Advance Programme Board are focussing on oversight of the roll out of a replacement ERP system across all our businesses over the next two years. This will bring a web based look and feel to our core back office systems as we introduce Microsoft Business Central and associated construction-specific functionality to all of our businesses, enabling also more interactive sharing of data with our supply chain and our client base.

During 2020 VolkerWessels UK have gained Cyber Essentials+ accreditation and achieved the latest industry leading building information modelling (BIM) accreditation to ISO19650 for VWUK, covering all companies. VolkerWessels UK are also currently working towards ISO27001 accreditation in 2021.

Dividend policy

Our dividend policy is to consider first and foremost our financial strength, ensuring that where capital investment or additional working capital requirements are identified, that those are satisfied. We would expect to pay dividends up to 100% of net profit having taken those priorities first into consideration.

(b) the interests of the company's employees

At VolkerRail, we are proud of our people and their commitment to consistently delivering excellence to our clients. We strive to create a balanced and sustainable business to the benefit of all stakeholders. We have established a people first business, and we promote a 'can-do' culture. We believe our people and our business are collaborative to the core, always authentic, naturally nurturing, distinctly dependable and open for originality.

All of our people are given the opportunity to develop and grow, with significant investment being made in our workforce to learn new skills. We are focused on providing diverse access to a broad range of learning routes to ensure our workforce have the required skills to support the growth of the Group.

We are also investing significantly in our People systems, in order to attract and retain the best talent available and support the employee life cycle as comprehensively as possible.

A clear strategy for people

To continue to deliver a successful and growing business, it is vital that as a Group we are able to attract and recruit the top talent in our sector, engage and retain our workforce at all levels and develop the core skills required to ensure we maintain a successful business. The Board actively drive this strategy through a number of focussed and specific actions delivered across the Group and within each business.

Last year we developed and launched our Employee Value Proposition to enable access to the key talent throughout our sector, and this year we have built upon that to adopt the latest resourcing tools, including social media, to broaden the range of candidates we engage with. We regularly benchmark our reward and recognition to ensure we are competitive in our markets and are actively exploring ways of creating more agile and flexible working practices as we focus on creating a truly inclusive culture.

Providing an inclusive culture where all of our employees can contribute and prosper is a priority for the Group, and there has been a particular focus on further developing our diverse business to represent the communities we work with and the clients we service.

A key focus of the People Plan, is the utilisation of improved systems and digital technology to ensure our data is managed accurately and our processes are effective in enabling an efficient business. In 2022 a new Recruitment, HR and Payroll system will be introduced, which will include self-service functionality. This will provide access to, and ownership of, personal data for all employees. For new employees and candidates this will also provide direct access throughout the recruitment and onboarding process, giving prospective and future employees the right information at the right time, delivered electronically.

The challenge of maintaining our operations following the COVID-19 pandemic has resulted in a significant shift towards more agile working, and improved use of technology where appropriate. This new way of working required a significant focus on communication, including targeted staff surveys to understand the engagement and wellbeing of our employees, and the benefits have been realised with a high level of productivity maintained and employee levels of engagement remaining at a high level.

Health and safety

Central to our corporate responsibility approach is having a culture where our people consistently demonstrate the right behaviours and apply best practice, especially as it relates to health and safety. We continually strive to prevent work related injuries and the ill health of our employees and anyone associated with our activities, while also improving their wellbeing. We maintain the right culture, combined with effective systems, to deliver quality projects in a safe and sustainable manner.

Well established behavioural programmes have enabled our workforce, employees and supply chain, to actively engage in maintaining a safe working environment; introducing a range of proactive and preventive improvements to how we conduct our operations.

In 2020 we continued to build upon prior achievements across the range of safety performance. There has been an increase in the number of RIDDOR reportable injuries this year which is reflected through the increase in our AFR from 0.02 to 0.07. This led to all projects participating in a Reflect, Reset and Review engagement session to take a moment to reflect on their current activities, review the hazards, risks and working arrangements on their sites, and reset their thinking to ensure that health and safety is in the forefront of their minds.

Maintaining the mental and physical health of employees is the cornerstone of our occupational health strategy, delivered through a directly employed occupational health team. In addition to health surveillance, we place particular focus on raising awareness and the importance of maintaining good mental health. This includes training for line managers and supervisors on tackling health risks specific to construction while providing any support and guidance required.

Relevant statistics - health and safety

- 250% increase in Accident Frequency Rate (AFR)¹ from 0.02 to 0.07
- 10% decrease in Lost Time Injury Frequency Rate² (LTIFR) from 0.20 to 0.18
- 215% increase in Accident Incidence Rate (AIR)³ from 54 to 170
- 24% decrease in Minor Injury Frequency Rate (IFR)⁴ from 1.15 to 0.87
- 21% decrease in All Reported Injury Rate (ARI)⁵ from 1.17 to 0.93
- 6% decrease in the total number of incidents⁶ from 126 to 119
- 30% decrease in hazard / near miss / close calls⁷ reported from 13,592 to 9,453
- VolkerWessels UK achieved FORS Bronze
- 1 British Safety Council 'International Safety' Awards - Distinction
- Two ROSPA Gold Medals; Occupational Health & Safety (seventh consecutive year), Management of Road Risk (ninth consecutive year)
- Brake Fleet Award Winner in the Medium Size Fleet category for excellence in fleet safety awarded to VolkerRail Group

¹ Accident Frequency Rate (AFR) - RIDDOR reportable injuries (excluding dangerous occurrences) are used in the Accident Frequency Rate (AFR) calculation. The AFR is the most commonly used measure for benchmarking safety performance in the UK. $Accident\ Frequency\ Rate\ (AFR) = (number\ of\ RIDDOR\ reportable\ injuries \div total\ work\ hours) \times 100,000$.

² Lost Time Injury Frequency Rate (LTIFR) - all lost time injuries are used in the LTIFR calculation. LTIFR is a slightly newer calculation to measure performance based on all lost time events, not just RIDDOR events. $LTIFR = (number\ of\ lost\ time\ injuries \div total\ hours\ worked) \times 100,000$.

³ Accident Incidence Rate (AIR) - RIDDOR reportable injuries (excluding dangerous occurrences) are used in the Accident Incidence Rate (AIR) calculation. $Accident\ Incidence\ Rate\ (AIR) = (number\ of\ RIDDOR\ reportable\ injuries \div average\ headcount) \times 100,000$.

⁴ Minor Injury Frequency Rate (IFR) - Includes all minor injuries and accident book entries not reportable under RIDDOR. $IFR = (number\ of\ minor\ injuries \div total\ work\ hours) \times 100,000$.

⁵ All Reported Injury Rate (ARI) - Combines RIDDOR reportable injuries and minor injuries to give an all-encompassing indicator. $ARI = (all\ injuries \div total\ work\ hours) \times 100,000$.

⁶ Total number of incidents - The grand total of all reported incidents (e.g. events involving damage but no physical harm to workforce), excluding Road Traffic Collisions.

⁷ Hazard/near miss/close calls - Total number of events that did not result in injury or damage, but could have if the circumstances were slightly different.

Developing and retaining our people

We continue to review employee performance on a regular basis and agree individual development plans for all staff. Our workforce is encouraged to seek development opportunities in all areas of work activity, with a focus on learning 'on the job' rather than relying only on formal training courses. We are also investing in more active learning delivery channels, utilising our available technology, to help our staff access the training they need when they need it.

The wide range of disciplines across the Group provides an opportunity for new talent to gain experience on a variety of exciting projects. We actively promote opportunities internally to make sure team members gain the right experience on some of the largest infrastructure projects in the country.

We work closely with industry based educational organisations such as the National Skills Academy for Rail (NSAR) and the Construction Industry Training Board (CITB) to help our people achieve professional accreditation. Through these relationships we are able to identify the right work placement candidates, apprentices and graduates who are in the process of getting qualified. Many of these individuals ultimately work with us permanently.

We have an established network of Universities with whom we work in partnership, and can offer industrial training placements (ITPs) to their students to support them as they work towards their degree. In addition, through these relationships we are able to offer in house support, bespoke seminars and development opportunities to employees at every stage in their career to enable their continued professional development.

Despite operating in a very different environment this year, we have continued to actively support and develop our people across the Group. The annual development reviews commenced in the Autumn as planned, and a significant investment in Learning and Development has continued. The current environment has accelerated the trend towards a more agile delivery of training that was already underway, through the use of digital courses and just-in-time learning. However more traditional classroom training has still been available where appropriate and has been adapted to align with COVID-19 safe working practices.

Although the economic environment has been uncertain this year, as a Group, our strong commitment to creating a strong pipeline of talent joining the industry has remained strongly supported by the Board. There has therefore been continued significant investment in trainees and graduates for the Autumn intake, and we have further developed partnerships with our supply chain to maximise the benefit of our apprenticeship levy.

Employee engagement

We regularly measure the engagement levels of our workforce, and all employees are given the opportunity to share their thoughts on the Group and how they feel about working for VolkerRail. Our employee engagement is significantly higher than our benchmark companies. By 2019, our engagement score was 82%, with all key engagement drivers demonstrating improvement since the prior years.

During 2020 we decided to pause our annual employee engagement survey for the year to focus instead on more targeted employee surveys to assess the wellbeing of our teams during the exceptional and potentially stressful working situations caused by the pandemic, whether our site teams, who were working in challenging conditions through successive lockdowns, or our office based teams who had moved to working from home and working in a more remote and potentially isolated environment.

These surveys provided insights to enable the board to ensure that appropriate measures were being taken throughout different stages of the pandemic, from the point of initial lockdown where our site teams adapted to new working guidelines, with increased personal protective equipment, social distancing rules and new ways of working coming to the fore, to the maturing of those processes into the 'new norm'. Our office teams also

very rapidly adapted, moving from office-based and often paper-centric processes to more innovative and digital solutions, to consistently deliver support to our teams out on site.

Throughout this period the board reflected on the quality and the dedication of our people, from those placed on furlough, in the early days of the pandemic, to those who continued to work, despite considerable uncertainty in these unprecedented circumstances. Following survey feedback from employees across the company, the board also listened to the concerns of our teams, particularly those who were finding the lack of social interaction to be challenging. The business set up a range of support and communication mechanisms, such as regular newsletters and messages from senior leaders, online forums, where employees could ask questions or raise issues, and a dedicated section of the group intranet, providing information, FAQs, and resources, regarding the pandemic, as well as access to mental health support. We also provided a number of interactive initiatives to overcome concerns of isolation, such as fitness and yoga sessions every week, and team quizzes and online 'social' evenings.

During the year, we also picked up on the areas of focus that had been identified in previous engagement surveys. These included the desire to improve flexibility in the way we work; continuing to develop our strategy for recognising and rewarding the performance of our employees, and regular and timely communication about the group's overall strategy and objectives.

How the Board engages with employees

The Board engages with employees in a number of ways. There are regular informal meetings as the Board are all very involved directly in the direct running of specific areas of the business.

We also survey our workforce in order to understand their thoughts on a number of issues. Recent examples include the employee well-being surveys undertaken during the pandemic and the Investors in Diversity survey.

The Board considers regular engagement with employees as a critical requirement for ensuring the business remains successful.

The Group holds regular engagement events, such as business updates and staff briefings, which allow Board members to communicate directly with their teams and for employees to raise questions with the Directors. The Board also conduct site visits on a regular basis which provide an opportunity to closely engage with our operations teams.

There are also VolkerWessels UK Group-wide forums on specific issues which include National Digital Disruption Call, the Equality, Diversity & Inclusion Champions forum, and Inclusive Leadership roundtable discussions where members of the board open the floor to questions from any employee.

The Board's focus on future skills and new talent

VolkerRail recognises the challenges in the industry to fill the skills gap, especially as the government's infrastructure plan is adapted to current circumstances. Our response is to continue our apprentice and graduate programmes, developing early careers in the industry to support the next generation of engineers and other team members.

The VolkerWessels UK Group are members of the 5% club, which is a group of employers committed to earn & learn as part of building and developing the workforce they need to play their part as a member of a socially mobile, prosperous and cohesive nation. The Club exists to help its members and all employers increase further the number, quality and range of earn & learn opportunities across the UK. By joining the 5% Club, members aspire to achieve 5% of their workforce in earn and learn positions (including apprentices, sponsored students and graduates on formalised training schemes) within five years of joining. VolkerRail Group currently have 9% of our workforce in earn and learn positions within five years of joining.

We support the Careers and Enterprise Company and other similar organisations, providing volunteered help and advice to a number of schools and colleges to promote engineering and construction careers and raise awareness. We encourage our employees to become STEM Ambassadors and are proud to have numerous members of this programme.

Each business is charged with developing and implementing a clear plan to ensure there are long term solutions for future skills requirements in place and the Board reviews this at a strategic level, ensuring that there is a balanced focus with a particular focus on supporting training and ensuring opportunities are fully available for all.

The recruitment and retention of key talent is essential for the success of the Group.

There has been significant investment in systems this year, including a new recruitment system and a digital candidate onboarding tool. The latter delivers a far more engaging candidate experience and supports the strategy to attract the highest calibre of talent for the business.

The internal resourcing team provides a focused service to key businesses, working with hiring managers to provide an end-to-end service from workforce planning and talent mapping through to effective development and application of our employee value proposition, and offer management to ensure our recruitment activities attract the best talent available.

Our Early Careers strategy is to focus on bringing through a wide range of people from diverse backgrounds, representing the communities in which we operate, ensuring that we broaden our pool of recruitment and that we recruit at all levels, from apprentices and placement students to undergraduates. We also drive our school engagement activity through a dedicated steering committee and working group, to drive through the delivery of our commitments as set out in our Sustainability Strategy.

Investment in training and development

Investing in emerging talent is seen as a key business priority and our emerging talent programmes continue to grow, and we now offer a range of apprentice, industrial placement and graduate level opportunities to support our Early Careers strategy. We have also developed successful strategic partnerships with key education partners, as well as introducing new qualification routes to enable our teams to mature and develop further from within their roles.

Beyond these emerging talent programmes, VolkerRail have developed a full suite of management training which takes our employees on a journey from first line managers to the executive leaders of tomorrow and these programmes have continued throughout 2020. There is also a large investment in behavioural safety, compliance and professional training and a suite of e-learning covering topics ranging from integrity to IT. In addition to our broad offering of statutory and compliance training, we have also developed a range of agile learning opportunities to ensure our teams can continue to develop key skills even when more traditional training was somewhat restricted by the lock down challenges faced during the year.

We also have an integrity suite of training modules, offering a core platform of knowledge for all employees, which, for new employees, must be completed upon joining the organisation.

Relevant statistics - Investment in training and development

- We currently employ 8 (2019: 10) graduates and 61 (2019: 59) apprentices across the VolkerRail Group
- In 2020 VolkerRail Group employees attended 3,147 (2019: 6295) days of formal training courses. This number of formal classroom based training courses is down circa 50% on 2019 due to the social distancing and travel restrictions brought about by the pandemic, however due to

the creativity and innovation of our Learning and Development Teams we saw a 5 fold increase in the number of training programmes delivered and accessed on line. The total number of courses delivered in VolkerRail was over 11,000

- 1 in every 15 (2019: 16) VolkerRail Group employees completed or were undertaking an apprenticeship funded by the Apprentice Levy in 2020 (based on 955 employees or 6.5%).
- Our drawdown levels from the Apprentice levy increased significantly in 2020
- 151 staff changed their roles in 2020 either being promoted, retrained or changing career within the business
- As part of our overall training plan we complete 83.3% of the training identified in our annual performance review process
- Our functional specific development academies grew during the year and we have recognised development programmes now in all functions

Gender Pay Gap

We recognise that in our particular industry of engineering, there is a significant improvement that is required to increase the number of senior women across the industry. The Board actively reviews and monitors remuneration practices to ensure a fair approach is adopted across the Group.

Led by the VolkerWessels UK Board, we are working with the wider industry to encourage more women into construction and we are looking at

The VolkerWessels UK Board understand that in order to continue to attract and retain a diverse workforce and address the Gender Pay Gap, in both our business and our industry, we need to act and embed an inclusive culture for the long term. It is imperative that we are successful in introducing diverse talent into our industry and this is a commitment which is being led by representatives from across the VolkerWessels UK Group.

We are pleased that the proportion of the female VolkerWessels UK population has increased in the past year and this is reflected in the female representation in our upper pay quartile increasing to 10.4%.

Equality, diversity and inclusion

We understand that a diverse workforce is key to the future of our business and our focus is on building valuable experienced teams and attracting a diverse pool of talent.

In 2020 VolkerWessels UK won Best Engineering Company and Most Improved Company - in the Investors in Diversity UK wide awards.

The VolkerWessels UK Steering Group continues to set the EDI agenda for the business and are supported in delivering real change through a network of EDI Champions in all Businesses at all levels of the organisation. Our champions are our driving force and are key to engagement at the coal face.

We also work in partnership with several organisations to support our EDI activities, and this external expertise is enabling us to develop our leading approach to improving the diversity throughout the Group.

We are actively developing our leaders to ensure we drive a fully inclusive environment across our business and in 2020 the Board and VolkerWessels UK Steering group attended our pilot Inclusive Leadership training ahead of a national roll-out in 2021.

Recent investment in our systems is enabling more effective monitoring of diversity data, and this improved analysis will help to inform our decision-making and support the development of our EDI strategy.

In other areas, we are working closely with our industry partners Department for Transport, Transport for London, High Speed Two (HS2) and Network Rail on a number of initiatives such as Routes into Rail, The Sector Deal and the Transport Industry Skills Strategy, and the WISE campaign all of which are aimed at increasing awareness of the industry in diverse social groups and making firm plans and commitments which will create a more diverse industry wide workforce for the future.

During 2020 VolkerRail has signed up to a new Equality, Diversity and Inclusion (EDI) Charter to champion EDI in the UK railway industry. The Railway Industry Association (RIA) and Women in Rail (WR) launched the joint 'Equality, Diversity and Inclusion Charter' as a commitment to working together to build a more balanced, higher performing sector. The Charter is open to all companies, clients and organisations working in the UK railway industry and seeks to recognise and build upon the progress which has already taken place, providing the basis to encourage further collaboration and action across the sector.

Ensuring adequate and competent resources

The Board receives and reviews holistic business reports from each area of the business based on the Key Performance Indicators most pertinent to them. At the top of the agenda on every meeting is safety as the health, safety and wellbeing of our people is our top priority. Each project and programme is monitored locally in terms of its delivery and progress, the quality of the work, the productivity of the sites and financial performance and also by the board as part of the wider business reviews. We ensure through our resourcing approach that we have the ability to direct our resources to address any issues and ensure that we are positioned for success.

We report our workforce planning forecasts on a regular basis at Board level and these requirements are proactively monitored by each business directly. These forecasts are determined through a range of sources such as project plans, workload reviews, business pipelines, resourcing activities and supply chain management.

(c) the need to foster the company's business relationships with suppliers, customers and others

Supply chain

Our 600+ supply chain partners form an integral part of the VolkerRail Group's commitment to offering our clients a quality service, in line with our Strategic Pillars of Growth. We establish mutually rewarding, ongoing relationships with our suppliers and sub-contractors, and today work with many organisations with which we have a long and successful history of co-operation. Our supply chain is thoroughly assessed against key indicators including health and safety performance, design and technical capability, financial strength and sustainable ethical working practices with an active encouragement of micro, small and medium enterprises alike. We always seek feedback from our supply chain during meetings and supplier days.

The Board approves large orders in accordance with an agreed authorisation matrix. Business to Business meetings are held with our largest suppliers and subcontractors prior to the start of a large project and periodically, as appropriate. The Group does not engage in reverse factoring or other supplier financing arrangements.

The COVID-19 pandemic has had VolkerRail engage with our suppliers in ways and on subjects that previously would have appeared unheard of; obviously the high demand for COVID-19 related personal protective equipment with the face masks and antibacterial products were just a couple of examples that were essential for the ongoing running of our sites. As the true challenges of working within the limitations of the pandemic took a hold and the supply of face masks were overwhelmed by demand, we reached out to our suppliers who due to long standing relationships with VolkerRail, were able to prioritise our needs, resulting in our ability to maintain a store of personal protective equipment that secured the equivalent of 12 weeks' worth of operational delivery.

Despite the challenges of the pandemic our supply chain partners including specialist labour, plant providers, our travel company and subcontractors have provided us with exceptional service which has been tracked with respect to COVID-19 infections in a very transparent way so that risks were mitigated and not imported into our business whilst maintaining the level of project delivery in excess of 98% of planned works.

During the year, due to COVID-19 and the general disruption to everyday working lives whilst we have continued to maintain strong and proactive one to one dialogue with our many supply chain partners, we have been unable to run our usual supply chain forums. In 2021 we intend to re-commence these again, initially with online versions and then hopefully later in the year with face to face meetings and events. Historically we have run a number of supplier forums and specialist workshops with suppliers and staff in attendance promoting specific contracts, innovation or areas of mutual interest. Many more contract focused meetings and communications have also been held on a one to one basis as part of our strategy to closely engage with and support our supply chain throughout the year. During 2022 we will be introducing an improved Enterprise Resource Planning system based on a construction specific version of Microsoft Business Central. We will be sharing our plans with our supply chain in this area during 2021 such that we can work together with them to further improve the quality of our supplier engagement.

VolkerRail's two subsidiaries VolkerRail Limited and VolkerRail Specialist Businesses Limited are signatories to the Prompt Payment Code sponsored by the Department for Business, Energy & Industrial Strategy. As signatories we undertake to:

- Provide suppliers with clear and easily accessible guidance on payment procedures
- Pay suppliers on time within the terms agreed at the outset of the contract and without attempting to change payment terms retrospectively on correctly presented invoices
- Ensure there is a clearly communicated system for dealing with queries, complaints and disputes
- Advise promptly if there is a valid reason why an invoice will not be paid to the agreed terms
- Encourage best practice in everything we do not only in financial and compliance terms but also EDI, sustainability, design management and innovation
- Request that our suppliers encourage adoption of the code throughout their own supply chains.

Relevant statistics - supply chain

- Supplier payment performance for the year showed that the average time to pay an invoice was 28 days (2019: 32)
- 98% of invoices were paid within 60 days (2019: 92.6%)
- Supplier days excluding accruals were 44 (2019: 51)

Customers

The VolkerWessels UK Board has an established framework whereby business units are required and empowered to develop their own business plans for subsequent review and endorsement by the Board.

Each business develops a five-year plan setting out, amongst other things, its proposed sector focus and customer base. From these plans we identify key customers and establish relationship management plans in order to coordinate our interactions and monitor customer satisfaction levels.

Lookahead business pipelines are reviewed at both at VolkerRail business level and Board level where predicted trends are evaluated which may influence future business direction. A common governance process has been established across the VolkerWessels UK Group whereby opportunities must, in the first instance, meet stringent selectivity criteria. Thereafter, additional review and approval mechanisms are in place to ensure risks are understood and mitigated.

Regular customer contact is undertaken at all levels through the organisation, where we seek to understand customer objectives and priorities, and gather feedback on our performance. This guides the development of our solutions and highlights opportunities for investment and further research and development (R&D). Consistent with one of our core values, Innovation is integral to us maintaining a market leading position in our chosen sectors. All employees receive mandatory training using our Integrity Suite of learning modules in areas such as anti-corruption and modern slavery.

Customer satisfaction is measured on a more formal basis through tailored interviews, the results of which are fed back to senior management and actions implemented as necessary.

In the year, the VolkerRail has further developed its key account management plans for strategic customers in rail. These plans provide a structured approach to developing relationships at all levels, from Board members to project teams.

Other Stakeholders

We engage with our Shareholders and broader group through many informal as well as formal routes with a quarterly business review and reports. Our objectives are set and agreed through our five-year rolling business planning process and we review our sustainability and other non-financial targets as well as financial targets with them on a regular basis.

We maintain strong relationships with our financial stakeholders with both our bankers and our bonders, through regular and structured meetings, transparent reporting and ongoing informal relationships.

Members of the Board participate in industry bodies and as a key member of the Railway Industry Association (RIA) we enable our industry to be appropriately represented as a whole.

We actively participate as members of a number of other industry bodies including: Build UK, Chartered Quality Institute, Rail Industry Supplier Qualification Scheme (RISQS), Brake Road Safety, Construction Plant Association, RoSPA, British Safety Council, Supply Chain Sustainability School, Infrastructure Safety Liaison Group (ISLG), Rail Principal Contractors Group (RPCG), Rail Industry Sustainability Forum (RISF), Rail Plant Association (RPA), Rail Wellbeing Alliance, National Skills Academy for Rail (NSAR) and the Traffic Operation and Management Standards Committee (TOMSC). In addition, we take part in numerous industry-related forums.

We recognise that it is important that we have strong relationships with the numerous regulatory and professional bodies that we interact with. Many of these relate to employees and customers, and have been mentioned also in previous sections. We ensure we are compliant with statutory regulations and legislation, and aim for best practise under voluntary codes and initiatives. Our Board members are on the Boards of a number of these associations and the Board takes an active approach towards participation in and support of industry initiatives.

We have a corporate website where stakeholders can find out more about who we are and what we do.

(d) the impact of the company's operations on the community and the environment

Giving back to the community

At VolkerRail, we are committed to making a positive impact in the communities where we work. We strive to leave a legacy, not only through the projects that we deliver - be they infrastructure or buildings - but also a less tangible legacy by supporting local communities, through engagement with schools, through charitable activity and by supporting local organisations.

Our offices and sites work actively to become part of the communities in which they work. We respect people and their local environment. Our aim is to add value to our society, inspire others and support colleagues, clients and suppliers in their own efforts to share time, skills and resources in their chosen way. We provide careers advice and support to local schools and higher education facilities, to encourage more people into the wide range of careers construction has to offer.

Due to the restrictions placed upon us by COVID-19, the amount of support we've been able to offer to schools has reduced but, where possible, we have moved many of our events online. These have included virtual careers fairs and online sessions and webinars with university students and other educational establishments. The nature of the support we've offered to communities has also changed during 2020, with more of a focus on supporting those affected by the effects of COVID-19 including food banks and donations for charities that haven't been able to hold fundraising events.

We are also committed to working with a number of charities across the Group, with VolkerWessels UK supporting the work of The Samaritans as our charity of choice during 2020.

Relevant statistics - giving back to the community

- Across the VolkerWessels UK Group business wide close call reporting led to donations of £14k to the Samaritans (2019: £21k to Macmillan Cancer support) and £14k (2019: £21k) to various other charities
- Within VolkerRail 61 hours engaging with young people to support their education and career development (85% reduction due to COVID-19)
- 72 hours volunteering during our working week to support environmental and community initiatives (77% reduction due to COVID-19)
- £5k (2019: £5k) donation to Bluebell Wood Hospice raised through Close Call Reporting
- Other charitable donations of £10k (2019: £21k) in support of Doncaster Demons Women's Rugby, Bluebell Wood Children's Hospice, Railway Children, Bumblebee Conservation Trust, MacMillan, Peak Park Conservation Volunteers and DN5 Community Food Bank

Our environmental impact

Our business strategy seeks to ensure ongoing environmental, social and business sustainability. Construction has a significant effect on the environment. We continually strive to be as socially and environmentally responsible as possible, maximising opportunities for enhancement and mitigating adverse impacts on the environment.

In this current uncertain environmental and economic climate, our capacity to endure, be agile and be resilient will be fundamental to our long-term growth and our ability to future proof our business. Notably, the world is facing a climate emergency. Climate change is progressing even faster than the world's top scientists have predicted and is outpacing our efforts to address it. Bold action with far greater ambition than ever before is needed to address climate change if we are to meet the goals of the Paris Agreement. We will build this adaptive capacity by making decisions informed by our inherent culture to do business in the right way, as well as recognising that social and environmental risks have interdependencies that touch every part of our business and our supply chain.

In 2020 VolkerWessels UK Group consolidated the achievements from the past decade and launched our refreshed sustainability strategy. 2020-2030 will be our 'Decade of Action'. We have built on our existing foundations and sound culture and have created a framework that supports our workforce and supply chain in understanding the Group's desire to grow responsibly, with respect for communities and the natural environment, and to leave a legacy we are proud of.

Being a responsible sustainable business embraces everything we do, be it safety, quality, the way we conduct ourselves, the way we respect our surroundings and the way we preserve the future for ourselves, our families, our colleagues and our communities. This framework builds on existing great foundations, aligns our collective ambitions, and enables us to unlock the social value in our operations.

The three pillars of our responsible and sustainable business are set out below, along with the key areas of focus for each.

1. People - putting people at the heart of our approach

This pillar respects the fact that our workforce is fundamental to the delivery of our framework, and the need to empower our people to be the drivers of sustainable and responsible change. Our people are the foundation of our business, so their safety and wellbeing will remain our priority, as will our desire to ensure our workplace is an inclusive and inspiring place to be.

- **Safety and wellbeing** - The provision of a safe working environment which prevents incidents or injury to our workforce and anyone else affected by our work. Our workforce will be guided to maintaining good mental and physical wellbeing, free from ill-health.
- **Equality, Diversity and Inclusion** - We will ensure that VolkerWessels UK is thoroughly inclusive of people from all lifestyles and is enriched by a diversity of perspectives, cultures and backgrounds, characterised by fairness and equality of opportunity.
- **Empowering sustainable leaders** - Our people will be supported in their ambitions to enhance their own skills, knowledge and experience in order to embrace and instigate sustainable and responsible change and inspire others to follow.

2. Planet - protecting and enhancing our natural environment

Each of our projects is unique and, as such, the environmental risks and opportunities that they present are unique. Our ability to address these risks professionally, combined with creatively assessing the opportunities available to us to deliver no net loss or, better still, net positive solutions, will ensure we act responsibly and proactively.

- **Climate, energy and emissions** - Translating and taking positive action to reduce or, wherever possible, eliminate our adverse impacts on climate change.
- **Responsible management of the environment** - Environmental risks and opportunities will be managed professionally, responsibly and innovatively.
- **Circular economy** - A fully embedded approach to a circular economy which aims to design for sustainability, minimises waste and make the most of resources

3. Purpose - being a trusted, forward thinking and respected business of choice by delivering long-term social value

Making responsible and forward-thinking choices about the way our projects are executed, and how they will deliver social value, will support our overall vision to be the contractor of choice and encourage us to be a good neighbour in the communities in which we work.

- **Education and Employability** - Raising awareness of the opportunities that exist within VolkerWessels UK and the wider construction industry.
- **Charity, volunteering and community engagement** - Establishing meaningful relationships with charitable bodies and local communities which provide mutually beneficial opportunities.
- **Sustainable supply chain and ethical procurement** - To operate in a fair and ethical manner and publicise our desire to work alongside a network of like minded supply chain partners.

We maintain clearly defined management systems, interfaces and responsibilities that are understood and accepted by all our people and those working with us. It is imperative we maintain a systematic approach to improving business performance in order to achieve our objectives. This includes managing and optimising our activities, to make our processes more effective, more efficient and more capable of adapting to an ever-changing business environment.

Relevant statistics - sustainability

- Planet Mark™ Certificate¹ achieved for continuous improvement in reducing carbon emissions from Planet First, an international sustainability certification organisation.
- Between 2019 and 2020, using normalised scope 1 and scope 2 data, CO₂ emissions increased from 11.9tCO₂e/£m of revenue to 21.1tCO₂e/£m. Whilst this appears to be an increase relative to the revenue metric, in absolute terms there was a reduction of around 270 tCO₂e a 7% normalised reduction in scopes 1 and 2 emissions.
- The largest normalised reduction in scopes 1 and 2 was almost 99% for gas, due to a shift to REGO certified energy sources during 2020.
- We have increased the number of electric and hybrid vehicles to 32% of the overall fleet total, 12% ahead of our projected target for 2020
- In 2020, 98% of waste was diverted from landfill.
- In 2020, we were recognised for our 'Excellence in Corporate, Social and Environmental Responsibility, at the Doncaster Business Awards, Rail Business Awards and Global Light Rail Awards.

Footnotes

¹ The Planet Mark is a certification programme that recognises commitment to continuous improvement in sustainability. The Programme helps to measure and reduce carbon emissions, energy and water consumption, travel, and the amount of waste members create. Holders of The Planet Mark Business Certification are required to measure and reduce their annual carbon emissions associated with business operations. Each year the new carbon footprint becomes the next year's baseline, thus driving continuous improvement and helping generate our outstanding results.

² Normalised data that reflects a like-for-like comparison on the data and emission sources between 2019 and 2020. This means we only use the data sources that are common between last year and the current year.

³ The CCS assessments are an industry standard. CCS is a not-for-profit, independent organisation founded to raise standards in the construction industry. Construction sites, companies and suppliers voluntarily register with the Scheme and agree to abide by the Code of Considerate Practice, designed to encourage best practice beyond statutory requirements. To establish compliance, and recognise performance beyond compliance, Scheme Monitors will visit offices, depots and individual projects or work areas, and will use the appropriate Checklist to confirm a score against each of the five Code headings – appearance, community, environment, safety and workforce.

(e) the desirability of the company maintaining a reputation for high standards of business conduct

Integrity

Maintaining a reputation for high standards of business conduct is of paramount importance to us and we expect all employees and all members of our supply chain to behave with integrity at all times. Indeed, integrity is one of our core values and this underpins all of our decisions, actions and behaviours.

Every one of our employees and those who work closely with us are accountable. We expect our people to be open and honest, to run our business ethically and to be morally strong. Long term success is dependent on the recruitment, development, wellbeing and retention of exceptional people that share the right core values and culture.

We have a zero-tolerance attitude towards fraud and unethical behaviour. We consistently maintain effective oversight and scrutiny processes, carried out with independence and impartiality. This is supported by a full suite of policies to ensure that all our activities are conducted to the highest ethical standards.

Our integrity policies (which include expected behaviours in relation to all matters relating to integrity, anti-bribery and corruption, data protection, equality, diversity and inclusion, modern slavery, fraud and whistleblowing), together with our core values, set out the standards and policies under which all of our employees must operate. These combined with our corporate responsibility commitments, provide the framework and guidance for operating in an open, honest, ethical and principled way. Our core values and policies explain how we should behave in the workplace, the marketplace and the communities in which we operate. They also describe how we should handle various legal and ethical matters. Our suppliers and contractors are required to comply with the standards of behaviour set out in these policies via suitable provisions included in their contracts with us. All members of staff, including Directors must complete mandatory online integrity training and our suite of policies relating to integrity matters have all been approved by the Directors.

Our decision making is linked to ethical values, compliance with corporate, legislative and other requirements, and we are always prepared to seek further improvements.

Whistle blowing

VolkerRail is committed to conducting the business with honesty and integrity which we believe is necessary to ensure the future success of the company. It is therefore important to us that any malpractice in relation to the activities we undertake is reported and properly dealt with. We therefore encourage all individuals to raise concerns that they may have about the conduct of others in our business or in the way that the business is run via their line management or through our whistleblowing hotline. Any concerns raised are investigated and dealt with by VolkerWessels UK compliance officer who reports in to the VVUK Board.

Our behaviour defines our reputation and we urge employees and stakeholders to raise concerns and any situations where they believe any of our integrity policies have been breached. This can be done via our whistleblowing hotline or through contacting our Compliance Officer directly.

(f) the need to act fairly as between members of the company

VolkerRail is wholly owned by VolkerWessels UK Limited and therefore acts solely for its 100% shareholder. As a member of the Dutch group, Koninklijke VolkerWessels B.V., VolkerWessels UK also applies the internal regulations set out by the group to ensure that it acts fairly as between members of that company.

Approved by the Board of Directors and signed on behalf of the Board:

SJ Cocliff
Director

15 November 2021
Company registered number: 04930080

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