

**Strategic report (continued)
For the Year Ended 31 December 2022**

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

The impact of changes in passenger numbers on this risk was mitigated by the introduction of the EMA and subsequently the OCFA, subject to the company acting as a good and efficient operator.

Major Incidents

As with any operator of public transportation there is the risk that the company is involved in a major incident, which could result in injuries to the public or staff. Resulting risks include damage to the company's reputation and possible claims against the company. No major incidents has occurred during the year.

Turnover

Risks and uncertainties affecting the company are considered to relate to local and national competition and some factors which could cause a decline in the market. No major incidents has occurred during the year.

On 31 March 2020 the company and the DfT entered into an Emergency Measures Agreement (EMA), which was a deed of amendment to the franchise agreement and remained in force until the end of the Direct Award Franchise Agreement (DAFA) on 18 October 2020, and beyond, into the new franchise term. The EMA introduced a revised franchise payment mechanism, which mitigated the company's revenue risk exposure from changes in passenger volumes during the period of its operation. This payment mechanism was retained in the OCFA.

Further discussion of the risks and uncertainties in the context of the group as a whole, is provided in the annual report of the UK intermediate parent company, Arriva plc, which does not form part of this report.

FINANCIAL KEY PERFORMANCE INDICATORS

The Management Board of Deutsche Bahn AG (DB), the ultimate parent company, manage the group's operations on a divisional basis. For this reason, the company's directors believe that analysis using key performance indicators for the company is not necessary or appropriate for an understanding of the development, performance or position of the business of the company. The development, performance and position of the Arriva group, including this company, is discussed in the Deutsche Bahn AG group's 2022 Integrated Report which does not form part of this report.

SECTION 172 STATEMENT

Section 172 of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its members as a whole. In doing this, section 172 requires a director to have regard to (amongst other matters):

- the likely consequences of any decisions in the long-term;
- the interests of the company's employees;
- the need to foster the company's business relationships with suppliers, customers and others;
- the impact of the company's operations on the community and environment;
- the desirability of the company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the company.

The directors of the Company have regard to their Section 172 obligations and work to promote the success of the Company, by considering the impact that their decisions may have on the Company, along with the Company's stakeholders. The issues and factors which have guided the directors' decisions are outlined in the 'Review of Business' and the 'Principal Risks and Uncertainties' sections of this report.

**Strategic report (continued)
For the Year Ended 31 December 2022**

SECTION 172 STATEMENT (CONTINUED)

The Company's currently runs an Operating Contract Franchise Agreement (OCFA) with the Department for Transport (DfT). This is a three-year agreement providing contracted passenger railway services which commenced on 18 October 2020 and expires on 15 October 2023. Under the terms of the OCFA the DfT have the option to extend the franchise term by up to a further year at their discretion until 15 September 2023. The DfT have indicated to the company that they have no plans to exercise this option.

During the last two years, the Arriva group has worked on facilitating a comprehensive review of the Arriva group, called Project Revitalise; a series of programmes aimed at building a stronger, more competitive Arriva group. The object of the project was to ensure that the purpose of the business was clearly promoted, and that the Arriva group's values, strategy and culture were all aligned, and that the Arriva group continued to meet the needs of its customers, clients and society as a whole.

As part of Project Revitalise, the Arriva group embarked on a review of its vision, mission, purpose and strategic plan, which also included a review of the organisational values. This process included using support from an external business partner, and employees from all parts of the Arriva group were engaged. The aim of the process was to build a strategic plan that would provide the Arriva group with both objectives and direction for the next three to five years. This included developing a new set of Values and Behaviours that could be used to help the Company effectively execute the Arriva group's strategy.

The implementation of the strategy and policies of the Company, including those relating to its relationships with key stakeholders, are managed by the Management Board of the Company, which includes directors from the Arriva UK Trains Leadership team as well as the Company's statutory directors. Any major matters of interest are then communicated to the Arriva Management Board (the "AMB"), a subcommittee of the board of Arriva plc. The membership of the AMB includes the Managing Director of the Arriva UK Trains division.

The directors of the Company aim to meet at least quarterly in each financial year to discuss the matters that cannot be delegated under the Companies Act 2006. The role of the Company's board of directors (the Board) is to be collectively responsible for the Company's long-term sustainable success, providing strategic leadership, direction and governance within a framework of effective controls. The Board recognises that it is accountable to its stakeholders for ensuring that the Company is appropriately managed and achieves its objectives in a way that is supported by the right culture and behaviours.

During the financial year ended 31 December 2022, the Company has and continues to engage with its client (the DfT), customers and customer groups to ensure a positive customer experience. Two-way communication is a key focus area for the Company as it believes that it helps the Company to build trust and rapport with its stakeholders. The Company's engagement with customers includes the following:

- Ongoing and frequent engagement with the DfT including periodic financial and operational review meetings
- A dedicated passenger contact centre and a social media team, who are available to support passengers with their queries and take on board any feedback.
- Passenger surveys, travel reviews and organised focus groups.

The company takes payment practice commitments to suppliers seriously and seeks to ensure prompt payment of invoices (in line with Arriva group's defined policies) and a clear process in event of any invoice dispute. The company believes that prompt payment of invoices is key to facilitating a good relationship with suppliers.

The Company is committed to the communities that it serves. At the forefront of this has been the continuing collaboration with Community Rail Partnerships, with three additional partnerships supported (Robin Hood, Reading-Basingstoke and 6VT CRPs, the latter being the only youth-led partnership in the UK). These partnerships continue to play an important role in supporting their communities, throughout the pandemic by supporting food distribution efforts and helping people cope with the challenges of social restrictions, and now by helping groups and neighbourhoods recover from the lingering social and economic effects and supporting efforts to get people back to travelling by train.

**Strategic report (continued)
For the Year Ended 31 December 2022**

SECTION 172 STATEMENT (CONTINUED)

Reflecting society's recognition of a need to support and educate future generations, another big part of this year's work has been on projects that promote education. These have included schemes to raise awareness of the social and environmental benefits of rail travel, and dedicated Science, Technology, Engineering and Math (STEM) projects promoting education and career opportunities in the rail sector.

The Company continues to work with Primary Engineers, with courses starting in Oxfordshire and plans for more in Devon, and have maintained the partnership with The Prince's Trust, welcoming two cohorts of young people and providing an insight into its business and the wider rail industry. There has also been work on ventures to enhance stations for a better experience and promoted projects to increase inclusion, and support for the transport plans for the Commonwealth Games that helped contribute to its success.

Further information on engagement with employees during the financial year ended 31 December 2022, including monitoring how the Company is performing against the Arriva group's strategy in relation to employees, is provided in the 'Employee engagement' section of the Directors' report.

Further information on engagement with customers during the financial year ended 31 December 2022, is provided in the 'Engagement with suppliers, customers and others' section of the Directors' report.