



Driving Net Zero Better Places to Live and Work

Sustainability Strategy, 2021



Who we are and what we do

Overview

Stagecoach is one of Britain’s leading public transport businesses, helping connect communities for over 40 years. Our team of 24,000 people and our 8,300 buses, coaches and trams are part of the fabric of daily life. We connect people sustainably with jobs, skills and training, bring customers to our high streets, connect tourists with visitor attractions, and draw families, friends and communities together.

Independent research conducted by the Centre for Economics and Business Research (CEBR) before the Covid-19 pandemic shows the scope of our importance to the UK’s economy and our communities. This page summarises the data from that research and other Stagecoach statistics preceding the pandemic. Looking ahead, we have an opportunity to further enhance our positive impact.




Bus and Coach (regional)

Employees

20,000

Buses and Coaches

7,100



Bus (London)

Employees

4,000

Buses

1,200



Tram

Employees

350

Trams

32

Our customers




c2.5m

Number of passenger journeys we delivered a day before the pandemic

- **Great value travel:** amongst the lowest weekly bus fares in the UK
- **Making journeys better:** investing in improvements and new technology to make travel easier
- **High customer satisfaction:** 100% focus on our customers

Our employees



Number of employees

24,000

- **Supporting jobs:** we support 1 in every 1,000 jobs in the UK
- **Boosting skills:** 800 people trained through our industry-leading apprenticeship programme
- **Promoting diversity and inclusion:** we’ve established new employee support networks to reflect our diverse workforce

How we support Britain’s economy and communities



£1.63bn

Stagecoach’s aggregate contribution to the country

Powering the economy:

- Stagecoach’s aggregate contribution to the country is £1.63bn a year in Gross Value Added (GVA), with £930m coming from Stagecoach directly.



£220m

Stagecoach and our employees directly pay in tax

Paying our way:

- Stagecoach and our employees directly pay around £220m in tax to the UK Exchequer each year, through payroll and corporation tax.



7,000

small, medium and large businesses supported

Supporting the supply chain:

- We support around 7,000 small, medium and large businesses, investing over £580m a year through our supply chain.



£343m

in potential congestion-related savings from reducing road mileage

Building stronger and healthier communities:

- Our sustainable public transport services deliver significant wider social and environmental benefits, saving millions of pounds every year in costs associated with healthcare, emissions and congestion.



Introduction from Chief Executive Martin Griffiths



Stagecoach is part of the fabric of daily life in the UK and we're proud to have served communities across the UK for more than 40 years.

We connect people with jobs, bring customers to high streets, help young people access education and build new skills, and draw families, friends and communities together.

We're a force for good, and prior to the Covid-19 pandemic we supported more than £1.6bn a year in value to the economy. As the country recovers from the pandemic, we are continuing to support our regions up and down the country.

As the country looks to a brighter future beyond the Covid-19 pandemic, what we do and how we do it is more important than ever.

Our new sustainability strategy is our vision to help create a greener, smarter, safer, healthier and fairer country by leveraging our power to connect communities sustainably and achieve our collective economic, social and environmental objectives.

We want to build on the progress we've made in recent years on tackling climate change, becoming more energy efficient, reducing waste and conserving water. Our ambition is to go further and faster, particularly as we look ahead to our country hosting the COP26 UN Climate Change Conference in November 2021.

Driving Net Zero: Better Places to Live and Work is our long-term vision to make a difference for our planet, the people we employ, the communities we serve, and the health and wellbeing of us all.

It sets out our roadmap to become a carbon neutral business by 2050. The next stage on our sustainability journey is set out with detailed plans, priorities and targets for our business for the five years to 2025–26. Moving forward, we will continue to review our strategy and develop similar detailed plans for the next phase beyond.

Sustainability is at the core of our wider business strategy, and our Environmental, Social and Governance (ESG) roadmap is aligned with UN Sustainable Development Goals and addresses materiality in our business.

Our plan starts with steps to improve the sustainability of our own business – but it brings wider benefits to our planet, our communities, our customers and our employees. We will:

- Help the country on its journey to net zero and protect our natural resources.
- Make our business safer for our employees, our customers and others.

- Give back and play our part in delivering more sustainable communities.
- Support happy and engaged people in our workforce.
- Embed sustainability in our business and measure our performance.

As part of our strategy, we plan to sign up to the global Race to Zero campaign and have also started working towards setting science based targets for ratification by the Science Based Targets initiative, consistent with the 2015 Paris Agreement to limit global warming to 1.5°C by 2050.

But we can't meet our ambition on our own. Maximising the opportunities requires:

- Partnership, supportive policy and targeted funding from governments at national and local level to reward businesses and citizens who do the right thing.
- Making changes individually in how we live, work and travel, changing our behaviour as well as the technology we use.
- Alignment and supportive measures by partners in our supply chain and other stakeholders.
- Economic recovery from the Covid-19 pandemic to underpin the substantial investment required to transition toward net zero.

Our plans are rooted in the values that guide us every day in supporting our people to deliver a great personal travel experience for our customers, and create sustainable growth for our investors and our communities. We do things differently. We work as one team, keeping things simple.

Most importantly, we care about our people, our customers and our communities – and we always aim to do the right thing.

Join us in Driving Net Zero so we can work together to create Better Places to Live and Work.

Our vision, strategy and values

Our vision

A greener, smarter, safer, healthier and fairer country

Greener: Helping people lead more sustainable lives

Smarter: Harnessing new technology to make travel simpler and easier for our customers

Safer: Protecting the safety of customers, communities and colleagues

Healthier: Improving the health and wellbeing of the country through our public transport services

Fairer: Improving equality of access to our public transport services

**Driving Net Zero:
Better Places to
Live and Work**

Our strategy

People: Diversity, inclusion, safety, health and wellbeing, development, giving back, sustainable communities

Planet: Reducing Green House Gas (GHG) emissions, protecting natural resources, cutting waste, promoting recycling

Prosperity: Employment and wealth generation, taxes paid, investment, research and development

Governance: Purpose, strategy, compliance, accountability, risk and opportunity, performance management, ethical behaviour

Underpinned by our values



We're go-getting

We always look for new opportunities and ideas that drive our business forward and create great experiences for our customers



We do the right thing

We treat our colleagues, our customers and our environment with warmth, honesty and respect



We're in it together

We're stronger together. We are one team who believe and trust in one another, where everyone's contribution is valued



We keep it simple

We're at our best when we keep things simple. We strive for clarity at every stage, removing complication wherever we find it



We care

We take pride in caring for every one of our customers and colleagues every single day

Key principles

Sustainability is at the heart of our business strategy. Our new Environmental, Social and Governance (ESG) roadmap will guide our business through to 2035. It is closely aligned with United Nations Sustainable Development Goals and designed to address the core materiality in our business.



What this means to us



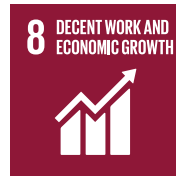
Air Quality

Transitioning our fleet to cleaner technologies and maximising the use of our assets to drive modal shift to mass transit.



People

Becoming an employer of choice by continuing to advocate for diversity in the workplace, and providing our people with development opportunities.



Policy

Respected influencer of public policy to support sustainable development of public transport solutions.

Community

A community force for good, transporting key workers, creating social inclusion, preventing loneliness, allowing people and communities to thrive.



Value Chain

Being responsible managers and users of natural resources, reducing waste, moving up the waste hierarchy.

Authenticity

Integration of sustainable principles into the core business model.



Carbon Strategy

Goal of a zero-emission UK bus fleet by 2035.



Stakeholders

Working with stakeholders to achieve more sustainable outcomes.

Our progress so far

Good progress on carbon, energy, waste and water

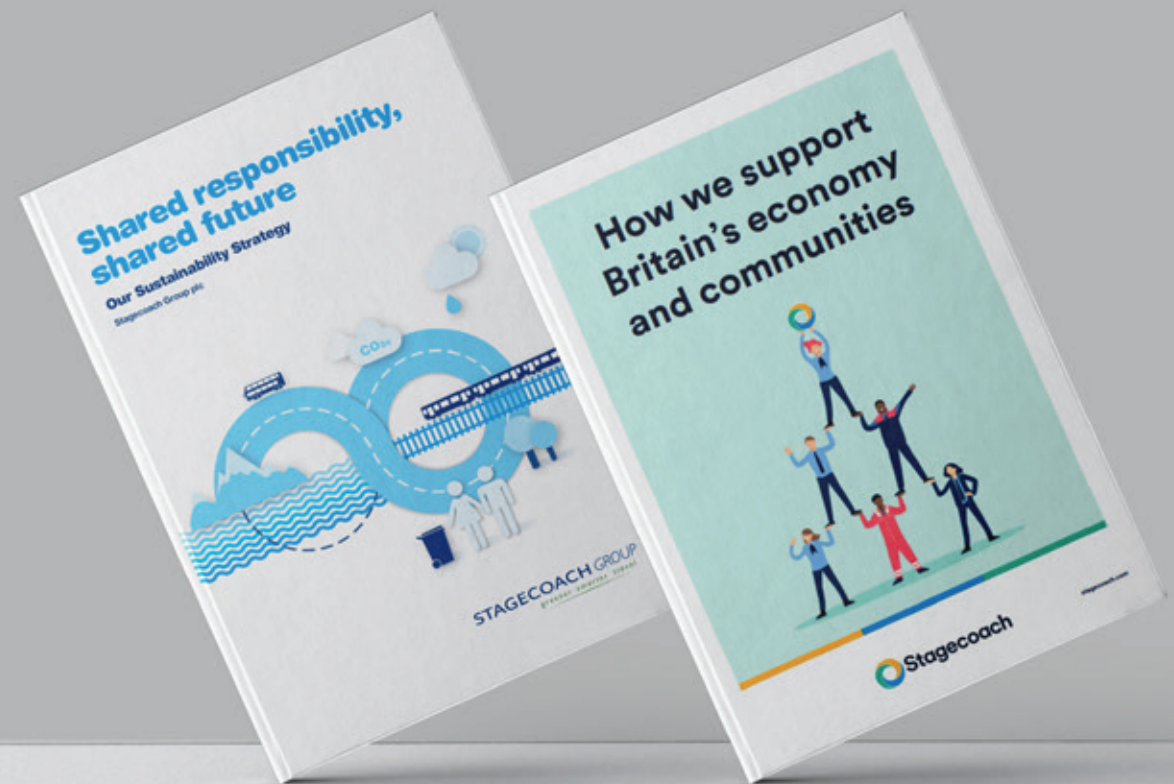
- 14% reduction in carbon emissions between 2014 and 2019 (7% vehicles and 21% buildings).
- £1bn invested in 7,000 new greener vehicles in the last decade.
- Estate investments in LED lighting, intelligent building heating control systems, and renewables.
- 28% reduction in water consumption between 2013-14 and 2018-19*.
- 92% waste diverted from landfill (2020-21).

A force for good in our communities**

- **Safer communities:** £44.2m saved annually in costs associated with road traffic accidents such as loss of earnings, medical costs, emergency services and damage to vehicles.
- **Healthier communities:** £13.3m a year saved in healthcare costs.
- **Cleaner communities:** £12.4m saved annually in emissions costs. Without Stagecoach bus services, there would be an annual increase of 190,000 tonnes of CO₂ through passengers using alternative transport, mainly cars.
- **More mobile communities:** £343m in potential annual congestion-related savings from a reduction of 1.22 billion miles of traffic. Each double decker bus can take more than 70 cars off the road.

High independent ESG ratings

- “A” ESG rating from MSCI and “low risk” rating from Sustainalytics.
- Constituent of the FTSE4Good Index series for around 20 years, with a ranking in the top 3% of companies assessed within the Travel and Leisure sector***.



* High quality data metered sites.

** All data in this section is pre-Covid-19. Source: Study by the Centre for Economic and Business Research published in 2020.

*** Rating date: 21 June 2021.

Our stakeholder partnerships

We work closely with a range of stakeholders in developing our strategy and seeking to grow our business in a sustainable way.

These stakeholders have a key role in helping shape our services and supporting our drive to get a better deal for sustainable public transport.

Government policies and the work of other organisations also influence our ability to make improvements and deliver what our customers want.



Developing our new plan

Insight and drivers

To understand the key sustainability issues, risks and opportunities that face our business in the immediate and longer term, we have used the following insight and drivers:

- **Customer insight/needs** – there is evidence that consumers want brands which help them to be more environmentally friendly and ethical. Our research shows that younger customers particularly value a sustainable and ethical brand.
- **Climate emergency** – climate change is real, demanding increased and more urgent focus by governments and investors.
 - rising investor expectations for companies to have non-financial priorities.
 - more extreme weather is impacting travel habits and affecting the infrastructure our services use.
- **General regulation** – trend of new legislation to tax dirtier technologies and unsustainable behaviours.
- **Transport policy** – transport is key to recovery from the Covid-19 pandemic but is also one of the biggest sources of carbon. Government policies are increasingly aimed at reducing transport emissions.
- **Cost control** – fleet fuel and buildings energy consumption are amongst our biggest costs and need to be actively managed.
- **Green technology** – rapidly changing technology brings opportunities to deliver a long-term net zero business.
- **People development** – working for an inclusive company is important to attracting and retaining talented people. Generation Z want to work for ethical companies with purpose.
- **Business strategy** – opportunity to influence national and regional policy to drive passenger revenue and reduce costs.

Our reputation and our ability to address the opportunities and risks from the ESG agenda will be undermined if we cannot demonstrate our own positive credentials and do not actively manage these issues.

Dependencies

Delivery of our ambitions requires strong partnership and support from our stakeholders. We have a shared responsibility for our future, and can share the benefits of joint and collaborative action.

The speed and extent of our progress depends on several factors:

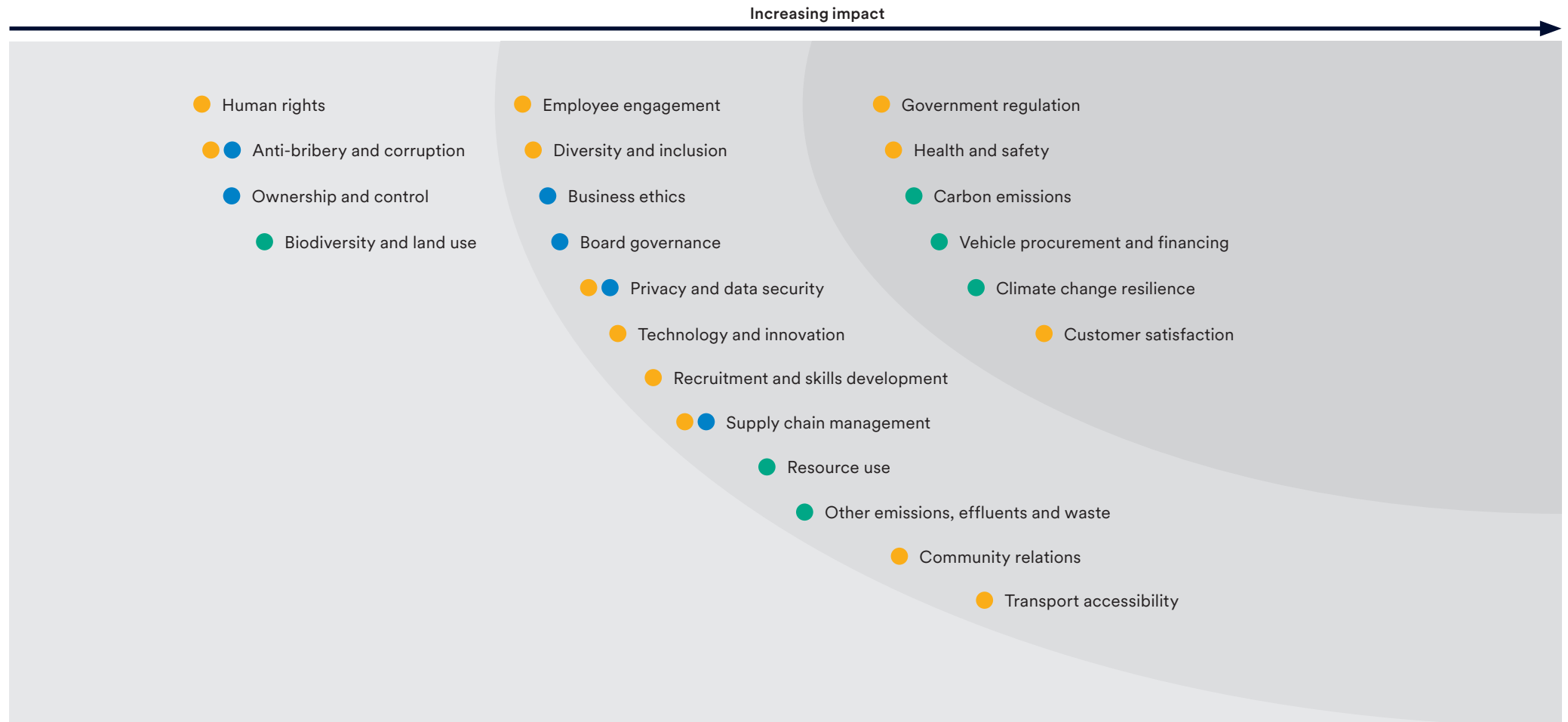
- The speed of recovery from Covid-19 and rebuilding of consumer confidence in public transport.
- Government investment to support the transition out of the pandemic and the transition to cleaner technologies as has been done for private vehicles.
- Restored and growing passenger demand for our services, which provides the revenue to invest in electric vehicles and the charging infrastructure that supports them.
- A policy environment which is supportive of public transport and specifically ensures:
 - Practical follow-through on the National Bus Strategy for England by central and regional government.
 - Scottish and Welsh Governments tackling road congestion and car use reduction as a priority.
- Business cases supporting investment in energy efficiency and renewable schemes.
- Development of technology to support carbon reduction on vehicles and in our buildings.

Our approach to materiality

In developing our strategy, we have considered the ESG factors that could have a material impact – both positive and negative – on our business model and value drivers. As a major transport company, we are central to a strong economy and inclusive society. We prioritise the safety, health and wellbeing of the people who work and travel with us. We are also strongly focused on the planet and steps to de-carbonise our business.

Around 95% of our carbon footprint is from running our fleet of buses, coaches and trams. Less than 5% of our carbon impact is from our depots and other buildings, and less than 1% comes from waste and business travel. In seeking to maximise the benefit of our business, we leverage new technology and innovation, as well as investing in developing the skills of our people.

- Social
- Environment
- Governance



Protecting the planet: our baseline footprint

We provide important public transport services which help reduce the personal impact of millions of people on the planet. This includes preventing the negative impacts of carbon emissions from cars by encouraging people to switch to greener public transport.

In running our business, we recognise it is important to understand our own impact, including the natural resources that we use. These can have a significant cost to the planet and our business if poorly managed.

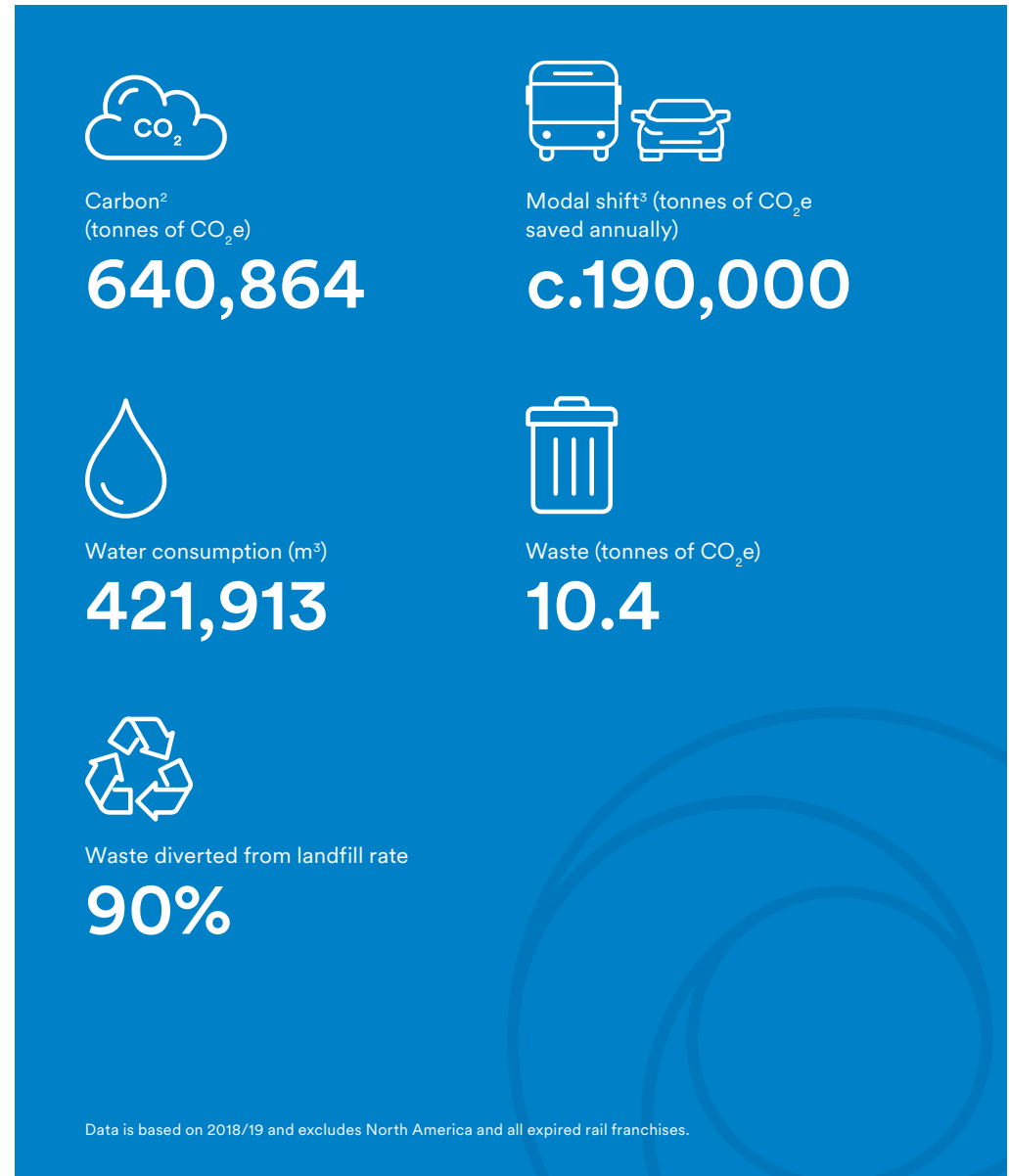
Reducing the products and resources we use will benefit the environment and makes good business sense, leading to savings in both procurement and disposal costs.

This is an overview of our carbon, water and waste footprint, which we have used as the baseline¹ for our environmental improvement targets.

¹ The baseline for targets in our sustainability strategy is performance in financial year 2018-19. We have used this as the data is not impacted by the variations driven in more recent years by the Covid-19 pandemic.

² Total CO₂e across Scopes 1, 2 and 3 on a location basis.

³ Source: Centre for Economics and Business Research, 2020.



Climate change: managing opportunity and risk

Climate change, air quality and the drive for a net zero, more ethical and equitable world present significant opportunities for our business. Key to tackling the climate emergency is a reduction in emissions to meet the goals of the Paris Climate Agreement, limiting global warming to well below 2°C above pre-industrial levels and pursuing efforts to limit warming to 1.5°C. Government carbon targets can only be achieved if there is modal shift from private car journeys to sustainable mass transit services which are our core business. At the same time, we are focused on managing financial, regulatory, physical and other risks of climate change.

Climate change: managing opportunity and risk

Climate-related opportunities

- **Government laws:** the UK Government is committed to a legally binding target of net zero emissions by 2050. In Scotland, the date has been set as 2045. These targets cannot be achieved without a reduction in car journeys and an increased use of public transport.
- **Advantages of public transport:** we can play a major role in addressing climate change, poor air quality and crippling road congestion. Public transport is highly efficient in moving large numbers of people and we contribute to a reduction in overall emissions from transport by replacing car trips with bus, coach and tram journeys.
- **Pro-bus policies:** the UK, Scottish and Welsh Governments have all stated their ambitions for increased bus use, and fewer car journeys. By working in partnership with government, we see a significant opportunity for growing demand for public transport services.
- **Public investment:** policies to drive up bus use have been backed by significant government investment in England, Scotland and Wales.
- **Consumer attitudes and behaviour:** as public concern grows about the climate emergency and the need to protect our environment, we expect individuals to make greener travel choices and align with our brands.

Climate-related risks

Transitional impacts

- **Changing customer habits:** in response to climate change concerns, the Covid-19 pandemic and developments in working patterns, there may be less overall travel. At the same time, there is an opportunity for public transport to secure a greater share of those journeys.
- **New technology:** there remains uncertainty about the full-life costs of new low and zero-carbon technologies. The transition costs of new vehicles and associated infrastructure are also significant, which may

impact the Group's profitability. However, a number of factors, including government pro-public transport policy and funding, can reduce the likelihood and severity of those risks.

- **Public policy and legislative changes:** regulatory changes responding to climate change concerns could be positive or negative. These include decisions on the scope of clean air zones, no longer permitting diesel buses to be sold or operated, or mandating certain commitments to bid for public contracts.
- **Operational risks:** the transition from diesel vehicles to zero-emission vehicles presents several operational considerations and risks. These includes impact on costs, capacity, depot efficiency and vehicle scheduling.
- **Accounting risks:** climate change considerations mean there is uncertainty in estimating the useful lives of passenger service vehicles. Changes in regulation around the use of vehicles could result in impairment losses or increased depreciation charges.

Physical impacts – acute and chronic physical risks

- **Weather patterns:** demand for our bus and tram services is lower in poor weather, such as heavy rainfall, snow and strong winds. Extreme weather can impair our ability to reliably operate all of our services, while flooding can disrupt our depots. These factors can adversely affect our revenue and operating costs.
- **Strategy, financial planning and climate change scenarios:** Our corporate strategy, which takes account of climate-related risks and opportunities, is designed to grow demand for our services over time by replacing car trips with more carbon-efficient bus, coach and tram journeys. We generally prepare financial forecasts for the short term, up to three years. We take account of medium to long-term risks in financial planning through scenario modelling. In addition, we have undertaken a climate change scenario planning exercise in accordance with the requirements of the Task Force on Climate-related Financial Disclosures (TCFD). We see the principal climate-related risks we face being primarily transition risks related to public policy, regulatory change, technology and customer habits. While we are exposed to physical risks, such as those related to weather, we see the potential financial impact on the Group to be greater from transition risks than physical risks.



Further information on the actual and potential impacts of climate-related risks and opportunities on the Group's businesses, strategy and financial planning can be found in section 1.8.7.4 of the 2021 Stagecoach Group Annual Report at <https://www.stagecoachgroup.com/~media/Files/S/Stagecoach-Group/Attachments/investors/aggm/annual-report-2021.pdf>

Our journey to net zero

For many years we have been actively managing our business to reduce greenhouse gas (GHG) emissions. This has included modernising our transport fleets, making our buildings more efficient, addressing waste and other aspects of our operations, as well as working on improvements with our supply chain.

But we recognise the need to go further and faster. Under our new strategy, we are committed to purchasing renewable energy across all our businesses, as well as targeting a zero-emission UK bus fleet by 2035.

Achieving our ultimate goal of becoming a fully net zero business by 2050 will take further significant investment and changes to build on these commitments – but we recognise the urgency of action.

As part of our strategy, we plan to join the global Race to Zero campaign, which is seeking to rally leadership and support from businesses, cities, regions and investors, particularly in the run-up to COP26 in Glasgow in November 2021.

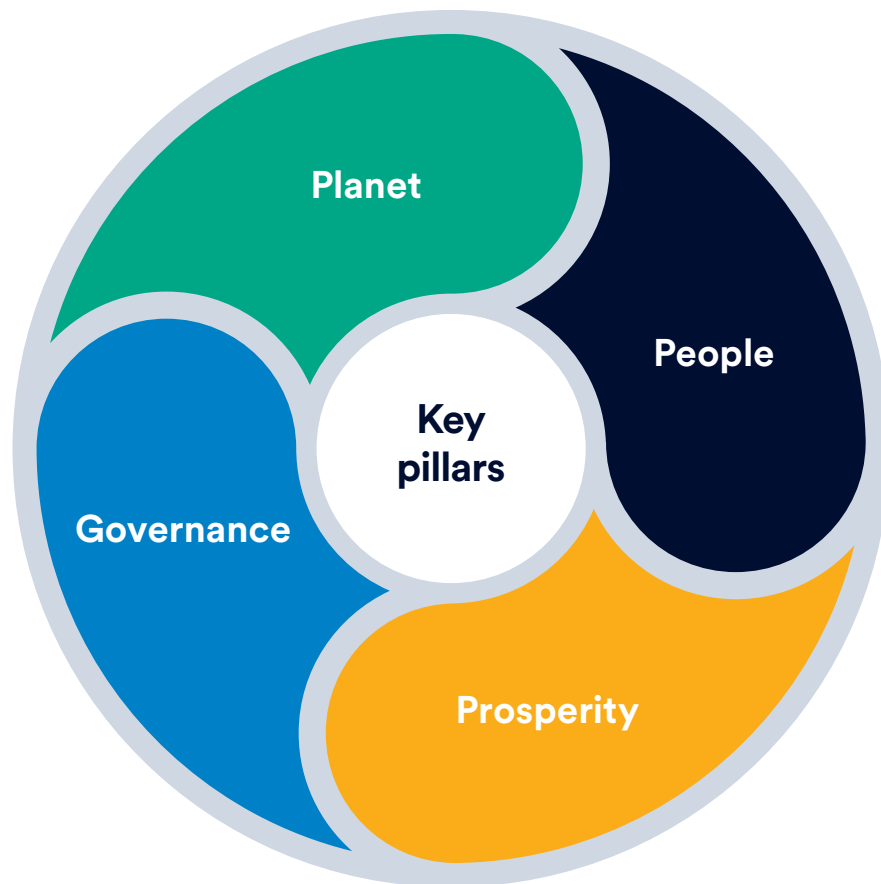
We have also started working towards setting science based targets for ratification by the Science Based Targets initiative. These provide a clearly defined pathway for companies to reduce GHG emissions in line with what is necessary to meet the goals of the Paris Agreement – limiting global warming to well below 2°C above pre-industrial levels and pursuing efforts to limit warming to 1.5°C.

We will continue to play our part in helping prevent the worst impacts of climate change, including through the considerable benefit we bring in encouraging modal shift from cars, and take steps to future-proof business growth.



Proud to serve: our key pillars

At Stagecoach, we are Proud to Serve. Making a difference for the planet and our people. Creating prosperity in our communities. And driven by core principles and governance that turn strategy into positive change.



Planet

We have a responsibility to understand our corporate and individual impacts on our planet and take steps to protect our environment for future generations. Our role includes working with our stakeholders to address climate change, deliver cleaner air, minimise waste, conserve water, and protect biodiversity and natural resources. Technology alone will not achieve these aims. We need to change our collective behaviours.



People

Our people are fundamental to our success. Their skills, talent, health and wellbeing, are critical to our business performance and we have a duty to develop a diverse and inclusive team that reflects the communities we serve. It is also central to delivering for our customers and maximising the benefit from our wider value chain as we look to shape and transform future mobility for everyone.



Prosperity

We want to play our part in building sustainable communities. Our aim is to generate long-term value through employment and wealth generation, paying our way in taxes which fund vital public services, contributing to a fairer society, challenging convention, and championing new ideas.



Governance

The Stagecoach Board is responsible for defining our purpose, managing risk and promoting ethical behaviours across the business. We are continually reviewing our approach to promote strong governance practices. Our focus is on doing the right thing and sharing our success with our customers, our communities, our people, and our investors.



Planet: our goals and initiatives

Encourage modal shift and continue to invest in cleaner, zero-emission vehicles

- Deliver attractive, affordable and sustainable services to encourage modal shift from private cars to more sustainable public transport.
- Seek to influence national, regional and local government policy and funding mechanisms to drive up use of public transport patronage to deliver benefits for the environment and generate revenue to invest in zero-emission vehicles.
- Continue to invest in cleaner, zero-emission vehicles as we work towards a fully zero-emission UK bus fleet by 2035.
- Work with vehicle manufacturers on bringing forward technology to provide a net zero-emissions vehicle solution for coaches.
- Make our new Enterprise Asset Management System (new predictive engineering maintenance system) operational across our operating companies.

Reduce the carbon footprint of our operations

- 100% electricity procured from renewable sources by April 2022.
- Implementation of energy management system aligned to requirements of ISO50001.
- Engage with our people regularly to encourage energy efficient behaviours.
- Develop business cases for renewable energy and energy efficiency options to service the new electric bus fleet and replacement of oil and gas fired heating systems. This will include exploring opportunities for incentives/support grants.

Minimise our use of natural resources and eliminate waste wherever possible

- Act as responsible managers of natural resources, minimising consumption, eliminating waste wherever possible, and promoting recycling.
- Digitise our systems to target paper use in our businesses. Where this is not possible, source Forest Stewardship Council accredited paper.
- Work with suppliers to reduce packaging waste, encourage use of recycled material, eliminate single use plastic, and identify opportunities for “circular” products.
- 95% of waste diverted from landfill by 2026 and include waste in Scope 3 reporting by April 2023.
- Improve understanding of water usage and identify opportunities to improve metering.

Link to Sustainable Development Goals





Planet:

our goals and initiatives continued

Total carbon emissions (Scope 1 & 2 location based)

Metric	Measurement	Baseline								
		2018/19	2021/22	2022/23	2023/24	2024/25	2025/26	2030/31	2034/35	2050/51
Forecast Stagecoach carbon emissions	Total Scope 1 & 2 emissions (% reduction)	512,241 tCO ₂ e	9%	14%	19%	25%	30%	59%	69%	Net zero

Carbon intensity and other metrics (Scope 1 & 2 location based)

Metric	Measurement	2021/22	2022/23	2023/24	2030/31	2050/51
Emissions per £ of revenue	Total Scope 1 & 2 emissions (kgCO ₂ e/£ of revenue)	0.39	0.34	0.31	0.13	Net zero
Emissions per vehicle mile	Total Scope 1 & 2 emissions (kgCO ₂ e/vehicle mile)	1.27	1.21	1.13	0.57	Net zero
Emissions per passenger journey	Total Scope 1 & 2 emissions (kgCO ₂ e/passenger journey)	0.71	0.56	0.49	0.25	Net zero
Fleet composition	Percentage of bus and coach fleet which is zero emission	2.2%	9.5%	17.4%	70.4%	100.0%



People:

our goals and initiatives

Protect the health and safety of our people, partners and customers

- Aim to achieve the international standard ISO45001 by 2026 which will allow us to benchmark ourselves against the best companies globally for occupational health and safety.
- GreenRoad low bridge warning system installed on all our double-decker vehicles by end of 2021.
- 15% reduction in avoidable accidents by 2026.
- Make our new Enterprise Asset Management System (new predictive engineering maintenance system) operational across our operating companies.

Continue to invest in the wellbeing and development of our people

- Develop a plan of wellbeing activity which includes programmes to support mental, physical and financial wellbeing, building on the success of existing initiatives.
- Continue the roll-out of mental health first aid training to our wellbeing champions and leaders.
- Development and implementation of “Share your skill” mentoring programme.
- Launch mentoring platform which offers our leaders the opportunity to connect with mentors which can help them thrive in their roles.

Foster a diverse and inclusive working environment

- Develop and implement a plan to attract, recruit and retain a diverse workforce.
- Targeting 40% of females in leadership roles by 2026.
- 25% of our workforce identifying as being from ethnic minorities by 2026.
- Develop employee-led diversity and inclusion networks, including those supporting women, multi-cultural employees, parents and carers, LGBTQ+ colleagues and ex-Forces personnel.
- Deliver a programme of events aimed at raising awareness of and educating about different cultures and communities.
- Offer quality experience of work through work placements for 16-24-year-olds in our local communities.

Link to Sustainable Development Goals





Prosperity: our goals and initiatives

Contribute to the success of the communities we serve

- Leverage our position as market leader to positively influence policy in each of the UK nations in which we operate to drive a step change in transport policy which delivers economic, social and environmental benefits to the communities we serve.
- Work in partnership with the UK, Scottish and Welsh Governments and local transport authorities to deliver as broad a network of high quality, accessible and sustainable transport services as possible.
- Undertake regular customer and stakeholder engagement surveys to improve advocacy and increase our Net Promoter Scores.

Promote social inclusion through our services and operations

- Seek to protect and grow our transport networks through a balance of commercial and subsidised operations.
- Build on our leading investment in contactless technology to deliver simpler fares and introduce best price guarantees through price capping schemes in partnership with local transport authorities and other operators.
- Work with other modes (light rail and national rail) to offer multi-modal capped journeys.
- Evolve our products to respond to changing consumer needs, delivering a digital first retail strategy while ensuring that no-one is left behind.
- Ensure all of our vehicles offer on board audio-visual systems in line with statutory deadlines.
- Ensure our digital enhancements are developed in line with Web Content Accessibility Guidelines.
- Maintain a UK based customer service centre to provide customer information seven days a week to allow customers to speak to someone to resolve their queries.

Foster community development through our charitable activities

- Continue to make a significant contribution towards the communities we serve through time, resource, money and sponsorship, both centrally and within our local operating companies.
- Undertake a programme of voluntary and charitable activities focused on key issues identified through our research and stakeholder engagement: health and wellbeing; young people, skills and employment; loneliness and social isolation; accessibility and opportunity.
- Establish a new Stagecoach Cares charity committee.
- Allocate 0.5% of profit before tax to charities and other good causes.

Link to Sustainable Development Goals





Governance: our goals and initiatives

Embed sustainability into every aspect of our business

- Use our Sustainability Group to provide oversight and accountability for strategy delivery.
- Establish cross functional working groups to plan and deliver change for key areas of climate change, plus set up a new Stagecoach Cares charitable committee.
- Recruit a new sustainability lead to provide key support and co-ordination for our strategy.
- Continued compliance with the new Task Force on Climate-related Financial Disclosures (TCFD) governance and reporting framework.
- Use the TCFD framework to further integrate climate change risks into Stagecoach strategic risk management processes.
- Integrate ESG risk assessment into business development processes.
- Set targets and metrics at an operating company level and include in Balanced Scorecards.
- Report publicly on the progress of the delivery of our sustainability plan.
- Participation in and improvement of scoring in external ESG indices and ratings.
- Proactively build key sustainability messages into internal and external communications plans.

Our key targets

Environment		Social			Governance
Net zero carbon	Responsible resource management	Safety excellence	Sustainable communities	Happy and engaged people	Embedding sustainability
<ol style="list-style-type: none"> Fully net zero business by 2050 Target zero-emission UK bus fleet by 2035 Purchase 100% renewable energy for our buildings and fleet Energy use: a forecast reduction in Stagecoach GHG emissions (Scope 1 and 2) of 30% by 2026 and 69% by 2035 Energy management systems: ISO50001 aligned by 2027 Science based targets: work towards setting targets for ratification by the Science Based Targets Initiative 	<ol style="list-style-type: none"> Waste: 95% of waste diverted from landfill by 2026 and 98% by 2031 Reporting: begin reporting waste in Scope 3 emissions by 2023 Reduce resource use: further digitalise systems to reduce use of paper Climate adaptation programme: to risk assess our sites and plan how to protect them 	<ol style="list-style-type: none"> Health & Safety Systems: ISO45001 certificated by 2026 Safety performance: further 15% reduction in passenger and staff accidents by 2025-26 versus 2018-19 Safety maturity: year-on-year improvement across all our businesses measured via assurance process 	<ol style="list-style-type: none"> Customer advocacy: improving our year-on-year net promoter score Stakeholder advocacy: improved year-on-year annual stakeholder survey results Policy influencer at local and national level Giving back: focused on initiatives around: health & wellbeing; young people, skills & employment; loneliness & social isolation; accessibility & opportunity Sharing success: allocate 0.5% of profit before tax to charities and other good causes 	<ol style="list-style-type: none"> Inclusive and equitable workforce: 40% of leaders female and 25% of workforce identifying as from ethnic minorities by 2026 Training and development: increase workforce in “earn and learn” positions and widen mentoring Diversity and inclusion: achieve independent company accreditations 	<ol style="list-style-type: none"> Sustainability Group in place to drive and monitor change Integration of sustainability principles across the Group Continued compliance with Task Force on Climate-related Financial Disclosures from 2021 Achieve Carbon Disclosure Project “A” rating with annual goals to improve performance
Benefits				Dependencies	
<ul style="list-style-type: none"> Reducing climate change Cleaner air Safer and healthier citizens Green recovery Economic prosperity Skilled, diverse and inclusive workforce Happy customers and more sustainable communities 				<ul style="list-style-type: none"> Speed of recovery from Covid-19 and ability to invest Policy environment nationally and regionally New technology availability/speed of development Business cases for investment 	

In action

We are backing up our strategy with practical initiatives designed to improve the sustainability of our business. This section contains a selection of case studies that demonstrate our commitment in action. You can find more information on our initiatives at:

www.stagecoachgroup.com/sustainability

Environment

 Read more on pages 20 to 22

Innovation

 Read more on page 23

People

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Inclusion

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In action: Environment



Working with our suppliers

We rely on a range of suppliers to provide goods and services linked to our transport operations. These include vehicle manufacturers, fuel suppliers, IT companies and uniform manufacturers. We are constantly looking to develop new solutions and ways of making our operations more sustainable.

We are sensitive to the fact that noise from transport operations may impact people living near our services and our facilities. As part of working hard to be good community neighbours, we have worked with tyre supplier Bridgestone on the trial and roll-out of their quietest bus and coach tyre.

Now in service on our electric bus fleet in Manchester, the new tyre comes with decreased rolling resistance and extended mileage to reduce fuel consumption and CO₂ emissions and fulfil the requirements of electric and hybrid bus fleets.

We are also working directly with bus manufacturers and through our trade association, the Confederation of Passenger Transport, to reduce the weight of vehicles without compromising on the safety of our people and our passengers.

Next generation light-weight components will deliver lighter buses, which will assist in improving the fuel consumption of our fleet and reducing carbon emissions.



100% electric tram services

Our Supertram network which operates in Sheffield and Rotherham is 100% electric. We pride ourselves on a clean, quiet and reliable service, running four routes covering 21 miles.

Each of our trams can carry around 250 passengers, helping provide a zero carbon alternative to the car. Our new tram-train services, which were the first of their kind in the UK when they were introduced in 2018, are also 100% electric.

In addition, to help our maintenance staff easily and quickly get to all parts of our network, we have introduced electric maintenance vans and charging points on depots with the electricity all coming from renewable sources.



Electric bus investment

We are continuing to invest in cleaner, zero-emission vehicles as we target a fully zero-emission UK bus fleet by 2035 and deliver cleaner air for our communities. By the end of 2022, we expect to have 200 e-buses in our fleet.

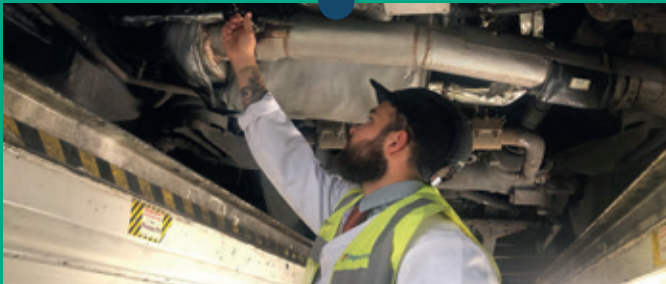
We are proud to be working with Transport for West Midlands on the ground-breaking project to make Coventry the country's first all-electric Bus City. Through this initiative, every bus in Coventry is planned to be electric powered by 2025, leading to improved air quality and reduced greenhouse gas emissions.

Already our fleet of 32 electric double-decker buses in Manchester represents one of the single biggest investments in this technology in Europe. Introduced in March 2020, these e-buses are designed to reduce annual nitrous oxide (Nox) by the equivalent of 4.4 tonnes of carbon a year.

We have also introduced Cambridge's first electric buses in a joint initiative with the Greater Cambridge Partnership. The two buses are operating on the popular Citi 6 route between Cambridge, Girton and Oakington and only use around 2kWhr of electricity per mile, which is the same as running a conventional oven for an hour.

During 2021, we will be introducing a further 46 new fully electric buses in our key Scottish transport networks in Aberdeen, Kilmarnock and Perth. Delivered through the Scottish Ultra-Low Emission Bus Scheme, this will help to improve air quality and advance Scotland's ambition for a net zero economy.

In action: Environment



Clean air retrofit programme

Our strategy includes a vehicle procurement strategy to transition our fleet away from internal combustion engine technology to electric and other zero tailpipe emission models.

While we roll out our investment programme, we are also working to make our existing vehicles even cleaner. Our clean air retrofit programme is continuing at pace, with over 900 vehicles now retrofitted with either Euro VI engines or new exhaust systems, both of which now mean that they have 95% less emissions than standard buses.

The latest Euro VI buses emit fewer emissions overall than a Euro 6 car, as well as having up to 20 times the carrying capacity, significantly helping towns and cities deliver on air quality targets.

This programme, which is being carried out in partnership with our government and local authority partners, builds on the industry-leading investment we have made in greener buses over the past decade.



Conserving water

Water is a growing resource challenge for large parts of our planet. Stagecoach operates a large fleet of vehicles and we are proud of keeping them clean, attractive and comfortable for our customers.

At the same time, we focus on practical water management at sites and promote responsible water use among our local managers and employees.

We recycle a significant proportion of our waste water from our vehicle cleaning activities through reclaim/recycling units in our bus wash facilities. Our new bus wash facilities use less power and less water per wash cycle, lowering their through life footprint.

In addition, we have achieved significant reductions in water consumption as a result of installing urinal cistern controls at bus depots, using lower flush toilets and push taps. The introduction of automated meter readers has also helped identify and address leaks from the water supply system.



Reducing waste through digital technology

Digitisation of internal processes is helping reduce our consumption of natural resources, particularly paper. Instead of relying on paper documents we are able to use digital copies to provide information.

With around 24,000 employees based all over the UK and many people paid on a weekly basis, the cost and impact of producing paper payslips has traditionally been significant.

We have moved all of our employees onto electronic payslips, all easily accessible on our secure employee app, Blink. This has saved 1.2 million payslips having to be printed every year as well as 15,000 polythene mail bags.

Like other companies, we are also making use of the benefits of digitalisation for meetings which are not necessary to be conducted face-to-face.

For our customers, too, our on bus contactless technology means they can use electronic tickets stored on their mobile phone instead of requiring a printed ticket.

In action: Environment

First solar panels installed on UK coaches

As part of a £13m investment, we have rolled out five brand new Plaxton Panorama double deck coaches in East Scotland that have been fitted with solar panel systems. The 3mm solar panels provide clean solar energy to power all on-board electrical equipment, reducing the vehicles' requirement to create electrical energy via the burning of diesel.

The technology, which is being used by a UK coach operator for the first time, aims to save up to 1,500 litres of fuel and over 4 tonnes of CO₂ per coach. Across the five vehicles fitted, there is a combined annual saving of up to 7,500 litres of fuel and 20 tonnes of CO₂. A total of 331 trees would need to be planted and grown for 10 years to offset this level of carbon emissions.



In action: Innovation



Autonomous bus technology

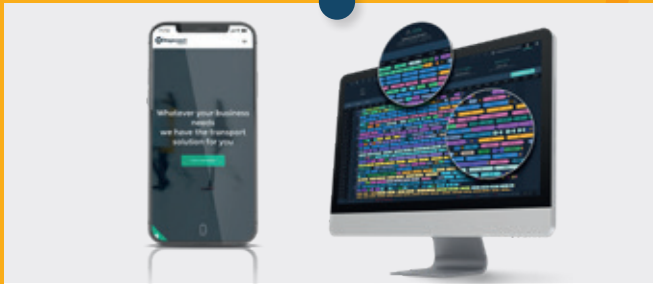
Stagecoach is working with Alexander Dennis, Fusion Processing Ltd, Transport Scotland, Bristol Robotics Laboratory and Napier University to trial the UK's full-sized autonomous bus.

The Project CavForth trial will see five autonomous buses operating over the Forth Road Bridge between Ferrytoll Park and Ride in Fife and the Edinburgh Park Train and Tram interchange. The buses will see additional autonomous technology installed that enables them to run on selected roads without the safety driver having to intervene or take control. It follows successful depot based trials.

The buses will provide a service capable of carrying up to 42 passengers the 14 miles across the bridge, with capacity for up to 10,000 passengers a week.

Autonomous technology has the potential to improve the safety and efficiency of bus services for the benefit of customers. Currently over 90% of road traffic accidents are caused by human error and it is anticipated that autonomous technology will significantly reduce this risk by removing the human element of driving. It is also expected that the technology will deliver improvements in fuel efficiency through gentler acceleration and reduced harsh braking.

The buses will operate to Level 4 standard which means that a driver will remain on board during any journey in line with UK regulations, but the technology will have backup safety systems so that the driver will not be required to intervene in the event of a system failure.



More efficient transport networks

Our new Stagecoach Solutions service offers a range of specialist transport options including business bus services to help businesses get their employees to work, corporate ticketing, on-demand solutions, education bus services, rail replacement services and special event services to help connect people to festivals and sporting occasions.

We have also made a major investment in new technology that will help plan the bus networks of the future to match the changes in how people travel coming out of the Covid-19 pandemic.

The Optibus software platform uses a combination of state-of-the-art artificial intelligence, advanced algorithms and cloud computing to deliver smarter timetables and networks and keep up with the continually evolving demand for travel.

It will help deliver the most efficient timetables and rosters that offer customers both attractive frequencies and reliability and help keep fares low.



Demand responsive transport

Efficient connectivity is vital to ensure people in our local communities have access to jobs, the services they need and can play a full part in society. We have taken a leading role in the development of demand responsive transport services, helping to serve people in rural areas or those employed in specialist sectors. We launched the UK's first dedicated app based demand responsive bus service for NHS workers in partnership with Hull University Teaching Hospitals NHS Trust and our technology partner, ViaVan. It aims to encourage modal shift from single-use car journeys and reduce pressure on car parking space.

NHS staff can book journeys to and from work via the app on the demand responsive shuttles. These quick and efficient shared trips run early in the morning and late into the evening hours and users can track the location of their bus, change or cancel a booking or pre-book to match their upcoming shift schedules. Around 400 employees regularly use the Stagecoach Connect shuttle each week and staff consistently rate the service highly.

Working with the Tees Valley Mayor, we have introduced Tees Flex, an on-demand bus service for residents in more isolated communities across the Tees Valley. Passengers can pre-book the bus via a smartphone app, a website or over the telephone. Pick-up and drop-off points can be requested within the serviced areas and to destinations including train and stations along with hospitals in the area. These buses have also helped to support the Covid-19 vaccination effort by providing a free shuttle service to get local people to vaccination appointments.

In action: People



Supporting our colleagues and communities

In memory of the members of the Stagecoach team we have lost to Covid-19, and all the other valued members of the family who are no longer with us, we have tied up with the Woodland Trust to create special memorial areas within an acre of woodland in England, Scotland and Wales, with around 300 trees planted.

During the Covid-19 pandemic, we have worked hard to keep our customers and colleagues safe with additional measures put in place to help everyone feel confident using our services. One measure was the introduction of an exact fare policy which saw any excess payment received as a result of not giving change donated to the NHS Charities Together Appeal, helping to raise over £122k to support NHS staff, volunteers and patients.

We have also taken a major step forward in our diversity pledge with the launch of new employee networks designed to continue to create a truly inclusive workplace and give our people a bigger voice in the future of our business. Six new employee networks have been created to represent different groups of employees across Stagecoach. The themes were chosen as part of a colleague forum involving employees from across the country and include Carers, LGBTQ+, Ex-Forces, Multi-cultural, Parents and Women@Stagecoach. The new employee networks are designed to be a volunteer-led community within Stagecoach who are given the freedom to push boundaries, encourage change, support colleagues and be a collective voice to continue to make Stagecoach a great place to work.



Building the country's skills base

Stagecoach has been at the forefront of helping to build the country's skills base, championing apprentices in our workforce, and helping young people kick-start their careers. We have 800 apprentices across our companies in England, Scotland and Wales. As well as ensuring that our workforce represents the communities we serve, apprenticeships provide opportunities for internal development and succession planning.

We were the first to introduce new bus driver apprenticeships in England. Our apprenticeship scheme offers opportunities across a range of different roles such as engineering, driving and non-technical roles, and also covers new technology to ensure we have the right people trained to deal with the fleets of the future.

Our "Trade Up" scheme is helping people to pursue new opportunities internally and our target is for a minimum of 5% of our workforce enrolled on formalised apprenticeship programmes within five years.

Stagecoach has also been supporting the Scottish Government's Developing the Young Workforce (DYW) initiative, which is designed to better prepare young people for the world of work. As well as providing apprenticeships, Stagecoach has been involved with DYW regional groups set up to connect employers with education, as well as providing mentors, work experience opportunities and career insight sessions.



Discounted travel

Independent research by transport consultants has consistently found that Stagecoach offers the lowest average weekly bus fares of Britain's four main national operators, including lower weekly bus travel than in London where fares are subsidised.

But we continue to look for ways to improve the affordability and accessibility of our services, particularly for more socially excluded groups.

Stagecoach is proud to offer the UK's first and only national discounted travel scheme for jobseekers to help them get back on board and back into work. Jobseekers with a Jobcentre Plus travel card can get half price single and return tickets, helping them get to interviews and take an important step into employment.

We also provide discounts of 10% on standard fares to all NHS Scotland employees. Working with NHS Staff Benefits, the initiative uses Stagecoach's corporate ticketing app and the NHS Staff Benefits portal to give workers access to even better value travel.

As well as working with local authority partners to deliver concessionary travel for senior citizens and other groups and providing our own discounts for young people, we have also supported other schemes. In Greater Manchester, we have supported the Mayor's Our Pass pilot. For a one-off administration fee, Our Pass provides free travel on local buses across Greater Manchester, as well as other benefits.

In action: Inclusion



Promoting health, wellbeing and inclusion

Stagecoach was the first national bus operator to sign the “Time to Change” pledge and vow to tackle workplace stigma around mental health.

We have set up a network of mental health and wellbeing champions across the county as part of a commitment to deliver a comprehensive plan to encourage our people to talk more openly about these important issues.

We also understand that social isolation and loneliness can have significant health and wellbeing impacts in the community.

To help address this issue we partnered with friendship charity Re-engage and the People’s Friend magazine to run a special bus in parts of the UK to send a message of friendship to those shielding or feeling lonely due to the Covid-19 pandemic.

Decorated with hundreds of hand-made bunting triangles which had been sent in by the nation’s knitters, the bus visited Torquay, Barnsley, Cumbria and Dundee to deliver a colourful pick-me-up to people in care homes and residential streets. It also helped raise funds for Re-engage’s telephone befriending service.

More accessible journeys for everyone

As the UK’s biggest bus, coach and tram operator, we want the experience of using our services to be as easy as possible for all customers, including people with hidden and physical disabilities.

In addition to investing in new, modern buses and coaches, we’re also using smarter technology to provide easier journeys and working closely with users who represent a wide variety of disability groups.

All of our local bus fleets in the UK are fully accessible as a result of significant investment over many years. Our new vehicles feature CCTV and USB charging points, and “talking bus” audio visual systems are fitted as standard, providing next-stop information. This is designed to improve accessibility for blind and partially sighted people.

Stagecoach has signed a charter with sight loss charity RNIB that commits to meeting the needs of passengers with a visual impairment. We have also worked with partners – including Guide Dogs – on “Swap with Me” initiatives to raise awareness among our employees of potential barriers to travel among excluded groups.

Automatic vehicle location technology is fully deployed across our UK regional bus fleet, providing real time service information to customers via our smartphone app and online. In response to the Covid-19 pandemic, we have enhanced our Stagecoach bus app with the launch of a “busy bus” indicator to help customers plan their journeys with confidence. The feature uses extensive data and artificial intelligence to provide a traffic light indicator to help customers choose quieter services and maintain social distancing.



Governance:

ensuring we deliver on our commitments

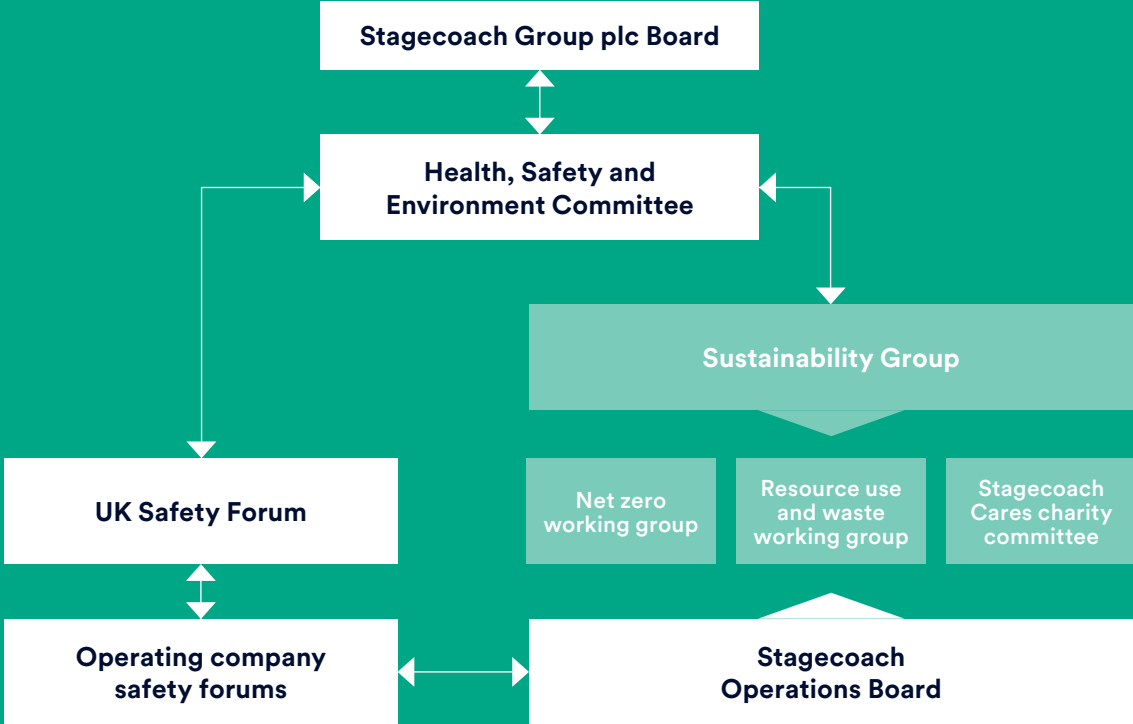
Responsibility and accountability are an integral part of our strategy, helping to drive performance and deliver improvements. Group-wide responsibility for our sustainability strategy and policy commitments rests with our Chief Executive, reporting into the Stagecoach Board.

The Group Health, Safety and Environment Committee – chaired by a Non-Executive Director – reports regularly to the Stagecoach Board on safety, health and environmental matters. It also tracks the Group’s internal key performance indicators and progress on meeting our health, safety and environmental targets. The Committee also monitors the work of our UK Safety Forum.

We have established a new Sustainability Group, which oversees the day-to-day delivery of our operational plans. Its work is underpinned by working groups on net zero, and resource use and waste, as well as our Stagecoach Cares charity committee.

The Stagecoach Operations Board provides the link between the work of the Sustainability Steering Group and our operating companies. Managing Directors at each of our businesses are responsible for ensuring compliance with the sustainability strategy at a local level, reporting on progress and monitoring local risks and opportunities.

In addition, we work with independent, external partners to assess and benchmark our performance. We participate in various ESG indices and are also committed to transparency and reporting regularly on the delivery of our strategy.



Governance:

business buy-in and engagement

Central to the success of our plans are a series of processes to ensure buy-in across our business and effective engagement with the external partners who are critical to the delivery of our strategy.

This starts with leadership from our senior team and is also focused closely on how we will engage with and inspire our people and our partners to make the goals we have set a reality.

Strategy and direction setting

Group Board (including through Health, Safety and Environment Committee):

- Strategic direction and leadership.
- Challenge and target setting.

Technical specialist leadership

Finance, health and safety, HR, engineering, commercial, communications teams:

- Technical leadership and plan development.
- Monitoring of risk and opportunities by specialism.
- Setting, reporting and monitoring of key performance indicators and targets.

Sustainability specialist support

- ESG indices reporting.
- Annual Plan reporting.
- Energy management system and business cases for clean technology.
- Horizon scanning and technical specialist insight on trends.
- Creating and tracking key performance metrics and ensuring plan delivery.

Implementation

Regional Directors and Managing Directors:

- Development and delivery of local plans.
- Visible leadership.
- Building relationships with key delivery partners.

Communication and engagement

External and internal communications:

- Employee communications and forums.
- Political and stakeholder engagement.
- Customer communications.
- Investor relations.

Glossary

Environmental terms

Carbon Intensity: this defines GHG emissions in the context of an organisation-specific metric, such as kg CO₂e/£ of revenue. In combination with absolute GHG emissions data, GHG emissions intensity helps to communicate the organisation's efficiency.

CO₂e (carbon dioxide equivalent): a universal unit of measurement under the Greenhouse Gas (GHG) Protocol. It is used to indicate the global warming potential of each of the six greenhouse gases expressed as one unit of carbon dioxide.

COP26: The 26th annual UN global climate summit – 'Conference of the Parties' – which will be held in Glasgow in November 2021.

Energy Saving Opportunity Scheme (ESOS): a mandatory energy assessment scheme.

Greenhouse gas (GHG) emissions: these are categorised into three groups under the international accounting tool, the Greenhouse Gas (GHG) Protocol. Scope 1 covers direct emissions from owned or controlled sources. Scope 2 covers indirect emissions from the generation of purchased electricity, steam, heating and cooling consumed by a company. Scope 3 includes all other indirect emissions that occur in a company's value chain.

Location based carbon reporting: this method of calculating carbon reflects the average emissions intensity of electricity from the national grid.

Market based carbon reporting: this method of calculating carbon reflects emissions from electricity that companies have purposefully chosen (e.g. contract for a renewable tariff).

Mandatory carbon reporting: quoted companies must report on their global energy use and large businesses must disclose their UK annual energy use and greenhouse gas emissions. This covers Scope 1 & 2 emissions. Scope 3 is voluntary best practice.

Materiality: the economic, social and environmental issues that are most important to our business and our stakeholders.

Net zero carbon emissions: carbon neutrality is achieved when emissions of CO₂e equals CO₂e removed from the atmosphere. The UK has adopted a target of achieving net zero carbon emissions by 2050.

Race to Zero: a global campaign to rally leadership and support from businesses, cities, regions, investors for a healthy, resilient, zero carbon recovery that prevents future threats, creates decent jobs, and unlocks inclusive, sustainable growth.

Science based targets: a methodology for calculating company targets for reducing CO₂e that link to limiting global temperatures to 1.5°C or <2°C.

Task Force for Climate Related Disclosure (TCFD): a framework for climate-related financial information. The UK Government is expected to make the reporting of this information mandatory for publicly quoted companies, large private companies and limited liability partnerships (LLPs).

Sustainability Terminology

Carbon Disclosure Project (CDP): a not-for-profit charity that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts.

ESG: a short form for Environment, Social and (Corporate) Governance. It is a framework used by the investment community for assessing the impact of the sustainability and ethical practices of a company.

Global Reporting Initiative (GRI): an independent standards organisation that enables organisations to report on and take responsibility for their sustainability impacts.

ISO50001: an international standard for energy management.

Sustainable Development Goals (SDG): a set of 17 interlinked global goals set by the United Nations and designed to deliver a more sustainable future for all. Many corporates link their non-financial reporting to the relevant SDGs.

Safety Definitions

Avoidable Road Traffic Accidents: any incident/accident where a management or driver intervention could have avoided the accident occurring.

ISO45001: an international standard for Safety Excellence.



For more case studies and further information about our sustainability commitment in action, go to **www.stagecoachgroup.com/sustainability**



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