

TCFD Disclosure

The Task Force on Climate-related Financial Disclosures

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

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

Governance

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

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

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

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

Board Reporting

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

Board Training and Development

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

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

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



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

Board of Directors

Responsible for reviewing the Group's strategy and its management of risk and ensuring that there is a robust system of internal control in place, including for climate risks.

Sustainability Committee

A remit to cover the governance of environmental and wider sustainability matters. Key activities in the year are set out on page 109.

Audit Committee

Reviews the Annual Report and TCFD disclosures each year

Nominations Committee

Considered and recommended the appointment of a Director, Nigel Pocklington, to the Sustainability Committee, who brings significant ESG experience

Remuneration Committee

Reviewed and approved the inclusion of ESG targets within the Executive Directors' and senior management remuneration to ensure alignment with strategy and performance, the progress of which is discussed twice a year.

Company Executive Management (Group CEO & CFO)

- Delivery of the Group's overall strategy, including its ZEV fleet transition strategy and management of other climate-related risks and opportunities
- Ensure effectiveness of the Group's risk management system, including for climate-related risks at least twice annually

Group Sustainability Director

Supports Company Executive Management in developing and delivering a sustainability strategy, consistent with the Evolve strategy, all year round

Group Head of Compliance and Risk

Supports Company Executive Management in ensuring there is an effective risk management system throughout the year

Functional Managers

Assist with identifying and managing climate-related risk, for example by:

- Group General Counsel: advising on regulatory changes driving net-zero transitional risks throughout the year
- Group Insurance Manager: securing insurance coverage, including for physical climate risks
- Group Maintenance and Operations Director: devising new safety policies and procedures to mitigate physical climate risks when necessary
- Group Procurement Director: negotiating and building partnerships with ZEV manufacturers for the best obtainable terms for each contract throughout the year. Additionally, works closely with infrastructure and power utility organisations regarding cost and availability of powering new ZEVs
- Group Head of Internal Audit: providing independent assessment of the effectiveness of climate-related risk management activities and of other functions' climate-related activities at least every three years, but as requested

Global Sustainability Steering Group (GSSG)

Attendees include the Group Sustainability Director, Group Procurement Director, and representatives from each division who are primarily responsible for environmental and sustainability matters.

Company ZEV Steering Group

Membership: Group CEO, Group CFO, Divisional CEOs, Divisional ZEV Leads, Group Procurement Director, Group Commercial Director. The steering groups are tasked with:

1. Setting the global strategic framework for our sustainability strategy
2. Establishing how to communicate our ESG strategy, vision, and purpose externally
3. Sharing best practice and collective learning, including mitigation plans
4. Communicating our successes to our stakeholders – particularly shareholders

Divisional Executive Management (Divisional CEOs and CFOs)

- Build climate-related risks and opportunities into divisional business plans, allocate resources for their delivery, and manage and track their delivery
- Build the financial implications of climate-related risks and opportunities into divisional budgets and track these through forecasts

Divisional Commercial and Operations/Service Delivery Managers

- Develop and implement contingency plans to mitigate physical risks
- Deliver commercial arrangements to capitalise on climate-related opportunities, for example, by arranging road services to cover disruption caused by physical risks to rail infrastructure
- Assist in identifying new climate-related risks and opportunities

Divisional ZEV Steering Groups (x3)

Membership: Divisional CEOs, Divisional ZEV Leads, Divisional Procurement Directors, Divisional Commercial Directors. Climate-related activities:

- Develop and track progress against divisional ZEV transition plans and financial impact of ZEV initiatives
- Review customer (passenger and contract counterparty) demand for ZEVs, ZEV supply chain relationships, ZEV funding options, technological advancements

Divisional Risk Owners

Assists in identifying and reporting climate-related risks and opportunities all year round

Risk Management

Identifying and Assessing Climate Risks within the Overall Risk Framework

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

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

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

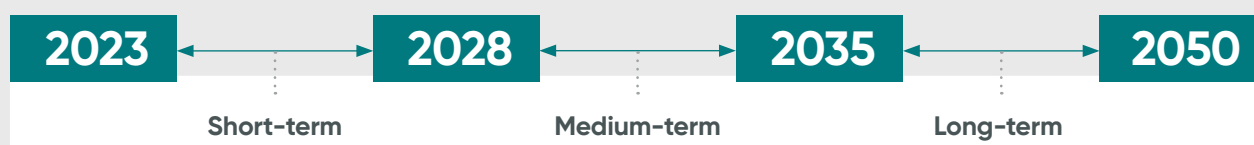
The key features of the specific climate-related risk assessment were as follows:

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

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

Time Horizons

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



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

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

Materiality

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

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



Strategy

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

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

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

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

Physical risks

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

Transition risks

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

Key



Low

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



Medium

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



High

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

Mitigating actions as part of our strategic planning and financial impact

Metrics to track progress

Mitigation plans include:

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

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

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

Annual financial impact from extreme weather events

Mitigating actions as part of our strategic planning and financial impact

Metrics to track progress

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

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

Number of zero emission vehicles in service or on order

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

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

Number of zero emission vehicles in service or on order

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

Transition risks

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

Opportunities

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

Key



Low

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



Medium

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



High

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

Mitigating actions as part of our strategic planning and financial impact

Metrics to track progress

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

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

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

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

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

Number of zero emission vehicles in service or on order

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

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

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

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

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

Number of zero emission vehicles in service or on order

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

Net book value of diesel vehicles at 2035 and 2040

Strategic and financial impacts

Metrics to track progress

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

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

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

Million passenger kilometres

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

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

Group operating expenses

The Group Transition Plan

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

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

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

Urban Bus – UK

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

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



Urban Bus – Spain and Morocco

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

School Bus – North America

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

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

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

Transit and Shuttle – North America

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

Long haul coach – UK and ALSA

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

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

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

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

German Rail

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

Resilience of the Group's strategy

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

Metrics and Targets

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

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

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

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

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

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

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

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

Metrics and Targets Dashboard

	Base year		Target year		2022	2023	% change	% change	% change
	Year	Result	Year	Result	Result (PY)	Result (CY)	from base year	YOY (2022-2023)	to meet target
Scope 1 & 2 absolute carbon emissions (tCO ₂ e) (our net zero tracking metric)- SBTi approved target	2022	913,864	2033	411,239	913,864	913,937	0.01%	0.01%	-55.0%
Scope 3 absolute carbon emissions (tCO ₂ e)- SBTi approved target	2022	600,400	2033	402,268	600,400	497,280	-17.2%	-17.2%	-19.1%
Traction Energy: (vehicle fuel and electricity) MWh/mpkm*	2018	66.92	2025	58.72	83.82	85.50	27.8%	2.6%	-31.3%
Traction Carbon Emissions (Scope 1 & 2) tCO ₂ e/mpkm*	2018	17.67	2025	15.45	23.38	22.84	29.3%	-2.3%	-32.4%
Total Scope 1 & 2 Emissions tCO ₂ e/mpkm*	2018	19.26	2025	16.45	24.17	23.57	22.4%	-2.5%	-30.2%
Site Scope 1 & 2 Emissions (building use only) tCO ₂ e	2018	41,656	2025	38,199	29,839	28,165	-32.4%	-5.6%	Met
Landfill Waste Disposal tonnes	2018	7,711	2025	5,783	4,215	883	-88.5%	-79.0%*	Met
Water consumption m ³	2018	478,956	2025	439,209	429,170	411,692	-14.0%	-4.1%	Met
Number of zero emission vehicles in service or on order	n/a	n/a	2024	1,500	491	915	86.4%	86.4%	64%
			2030	14,500					
% of total fleet that is zero emission vehicles (including on order)	2023	2%	2040	100%	2%	3.3%	1.3%	1.3%	96.4%
Scope 1 and 2 emissions (in kg CO ₂ e) per £ revenue	n/a	n/a	n/a	n/a	0.3264	0.2891	-11.4%	-11.4%	n/a
Impact on operating profit from extreme weather events					£5m	£3m			
Net book value of diesel vehicles at 2035					£14m	£18m			
Net book value of diesel vehicles at 2040					£0m	£0m			
Proportion of LTIP remuneration targets based on ESG metrics (see page 121 for more detail on ESG Directors Remuneration)					25%	25%			

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

Scope 1, 2 and 3 emissions

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

Reporting Boundaries & Recalculation Policy

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

A breakdown of scope 3 tCO₂e emissions by category is shown in the following table:

Category	2023	2022	% change YOY
1. Purchased goods and services	138,835	221,783	-37.4%
2. Capital goods	92,435	92,680	-0.3%
3. Upstream fuel and energy production and distribution	201,723	214,893	-6.1%
4. Upstream transportation and distribution	n/a	n/a	n/a
5. Waste and water	683	1,967	-65.3%
6. Business travel	2,390	2,349	1.7%
7. Employee commuting	43,062	41,819	3.0%
8. Upstream leased assets	15,533	10,543	47.3%
9. Downstream transportation and distribution	n/a	n/a	n/a
10. Processing of sold products	n/a	n/a	n/a
11. Use of sold products	n/a	n/a	n/a
12. End-of-life treatment of sold products	n/a	n/a	n/a
13. Downstream leased assets	1,194	1,118	6.85%
14. Franchises	n/a	n/a	n/a
15. Investments	1,425	13,248	-89.2%
TOTAL tCO₂e	497,280	600,400	-17.2%

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

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

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

Data Quality and Assurance

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

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

Future developments

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

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

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

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