

VolkerRail Group Limited

Strategic Report

for the year ended 31 December 2020

Principal activities

The principal activities of the Group are the engineering construction of all types of track systems together with whole life asset management, maintenance and renewals services for railways, metros and light rail networks. The Group also provides specialist rail infrastructure services. This includes the hire of specialist plant and equipment, high and low voltage engineering services and overhead line system construction, design and implementation of signalling systems, maintenance and renewal of infrastructure, and track welding services.

Business Review

The financial highlights and key performance indicators of the Group are summarised as follows:

Financial key performance indicators

	2020 £000	2019 (As restated) £000
Revenue ¹	192,056	215,389
Gross profit	24,283	29,870
Gross profit margin	12.6%	13.9%
Operating result	10,954	14,929
Operating result margin	5.7%	6.9%
Profit before tax	10,719	14,916
Profit before tax margin	5.6%	6.9%
Cash and cash equivalents	47,371	52,864
Net assets	29,081	32,456
Forward secured order book ²	358,550	140,143

Non-financial key performance indicators

	2020	2019
Health and wellbeing		
Safety	Accident frequency rate (AFR) ³	
	0.07	0.02
Natural environment		
Raw material	Waste diverted from landfill (percentage)	
	98%	93%
CO ₂ emissions (scope 1 & 2)	Carbon dioxide footprint in kilotons (tonnes/million revenue) ⁴	
	21.1	19.1
People and culture		
Employee engagement	Employee survey score across 4 key engagement metrics ⁵	
	N/A	82%

Footnote

¹ Revenue in 2019 has been adjusted due to the previous incorrect treatment of complex internal trading arrangements.

² Forward secured order book is calculated by taking the value of future secured work, where the relevant contract or letter of intent has been received, the terms are agreed and the contract has been executed or will in all certainty be executed by both parties.

³ The Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013 (RIDDOR) excluding dangerous occurrences are used in the Accident Frequency Rate (AFR) calculation. The AFR is the most commonly used measure for benchmarking safety performance in the UK. Accident Frequency Rate (AFR) = (number of RIDDOR reportable injuries + total work hours) x 100,000.

⁴ The data contained in the table above is 'non-normalised'; this means that we are reporting the total emissions within the reporting period. Normalised data reflects a like-for-like comparison on the data and emission sources between 2019 and 2020. On a normalised basis our carbon dioxide footprint for 2020 was 21.1 (2019: 11.9). The non-normalised CO₂ emissions figure for 2019 has been restated to incorporate the most recent set of fully audited data.

⁵ We have not undertaken a new full employee engagement survey during 2020, therefore no score is available this year. We have however undertaken a number of pulse surveys focussed on the specific challenges being met by our employees during these unprecedented times of COVID-19, which are detailed further below in the Business Review section.

VolkerRail Group Limited

Strategic Report

for the year ended 31 December 2020

Section 172(1) statement (continued)

Our environmental impact (continued)

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

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

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

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

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

2. Planet - protecting and enhancing our natural environment

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

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

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

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

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

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

Relevant statistics - sustainability

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