





## Contents

We are Hector Rail Group .....	2
Our guiding principles .....	2
Our Stakeholders.....	3
Our Customers.....	3
Our Employees .....	3
Our owners.....	3
Our Business partners .....	3
Regulatory bodies.....	3
2022 – operating in a changing world.....	4
ESG highlights from 2022 .....	4
The Hector Rail Sustainability Ambition.....	5
The Global goals for sustainable development.....	5
The Hector Rail KPIs and indicators.....	7
Safety first .....	8
Green Value Creation.....	12
Promoting Diversity and Inclusiveness.....	14
Sound Business Ethics .....	17
Promoting Rail Transportation.....	18



## We are Hector Rail Group

Hector Rail is celebrating its twentieth anniversary in business, as the largest private rail freight provider in Scandinavia, with a continuously growing presence in Germany, Europe’s largest freight market.

Hector Rail Group consists of Hector Rail AB (HRAB) and Hector Rail GmbH (HRGmbH), a German-based private rail freight company servicing both international traffic to Scandinavia and the domestic German market.

By offering sustainable, environmentally friendly transportation services of heavy industry products, raw and refined materials, intermodal freight, cross border goods as well as passenger traffic, at a fraction of the carbon footprint of road, sea, or air freight alternatives, Hector Rail Group plays an important role in the growth and decarbonisation of the European economy.

Our ongoing Environmental, Social and Governance (ESG) efforts are outlined in this report.

### Our guiding principles

Hector Rail’s mission and vision are reflected in our guiding principles:

- **Safety** – we lead the way without taking shortcuts. Safety always comes first.
- **Commitment** – we prove our commitment through high quality transportation to our customers with low environmental impact, where we contribute to strengthening the competitive advantage of rail services.
- **Flexibility** – our flexible mindset allows us to do more. Even if rail transport is an environmentally friendly alternative to transportation by road or sea, there are opportunities for individual providers like us to further reduce their environmental impact.
- **Efficiency** – through efficient planning, a modernized fleet, and by combining volumes, we contribute to better capacity utilization, where fully loaded trains reduce the emissions per gross ton kilometre.

### Our Mission

Through **fast, smart,** and **safe** rail transport, we connect Scandinavia and the continent and make it easy for industries and travellers to reduce their climate footprint

### Our Vision

We make the **railway** the **obvious transport solution**

**SAFETY**

**COMMITMENT**

**FLEXIBILITY**

**EFFICIENCY**





## Our Stakeholders

### Our Customers

Our customers are key. It is through their belief in us as a trusted supplier that we succeed. Our customers expect us to deliver reliable services in accordance with our agreements. We hold regular customer meetings and perform customer surveys to stay ahead of their demands.

### Our Employees

Our employees are our most valuable assets. Without locomotive drivers, shunters, and onboard personnel, to planners, engineers, and our other core functions, we would not be Hector Rail.

### Our owners

Hector Rail Group is owned by Ancala Partners (Ancala) who emphasize sustainable business practices in their investments. Ancala recognises their role in contributing to the global sustainable agenda as set out by the United Nations' Sustainable Development Goals and supports the transition to a net-zero emissions economy and the goals set out in the 2015 Paris Agreement on climate change and recommendations of the Taskforce for Climate-related Financial Disclosures. Ancala has been a signatory of UNPRI<sup>1</sup> (Principles for Responsible Investment) since 2018<sup>2</sup>.

### Our Business partners

Our strategic suppliers help us deliver on our promise by their products, services, and commitment. To follow up on supplier performance, we audit our critical suppliers to improve quality and cooperation.

### Regulatory bodies

Regulatory oversight is primarily handled through governmental bodies, both in Scandinavia and Germany and is complemented through additional audits for ISO and SQAS certifications.



<sup>1</sup> <https://www.unpri.org/>

<sup>2</sup> <https://ancala.com/sustainability/>



## 2022 – operating in a changing world

Last years' ever-present Covid-19 threat began to gradually retreat as vaccines became more readily available. Countries started to lessen restrictions on businesses and travel. Some customers saw demand in transport declining while some saw it increase, depending on the type of business and transport needed. Then, in February, Russia made an unprovoked attack on Ukraine, leading to war.

The above events contributed to global supply chain challenges, rising global inflation, together with heightened fuel and electricity costs.

As an example, the war in Ukraine had a strong impact, particularly on the German energy market as market prices increased up to 1,700 % in August of 2022. Still, HRGmbH ordered green energy in 2022 to achieve our effort for climate friendly driving.

Furthermore, global warming led to an increase in forest fires as well as winter and summer storms, which in turn affected the railway.

Despite the bleak global outlook, there were highlights.

### ESG highlights from 2022

- HRAB were among the first Swedish companies to receive the new Single Safety Certificate (SSC), issued by the European union Agency for Railways (ERA) for the next five years. The SSC includes transport of dangerous goods in Scandinavia.
- The ISO certification for ISO 9001 (HRAB and HRGmbH), 14001 (HRAB) and 27001 (HRAB) was upheld.
- HRAB and HRGmbH received the ECM Certificate (Certificate of conformity of entity in charge of maintenance) for the next five years.
- HRAB received a Certificate of training and education for the next five years.
- HRAB and HRGmbH renewed the permission to transport dangerous waste.





## The Hector Rail Sustainability Ambition

Hector Rails sustainability goal setting is based on an annual Leadership materiality assessment, where environmental, social, governance, human rights, anti-corruption, and other factors are evaluated. The evaluation is done from the perspective of our own operations, together with the potential impact to stakeholders in terms of economic, environmental, and societal factors.

Key priorities in the materiality assessment for 2022 are an increased focus on Diversity and Inclusion, promoting Eco driving and lessening Greenhouse Gas (GhG) emissions. The remaining factors stand unchanged from the assessment in 2021.

The Hector Rail sustainability ambition is grouped into five areas, each consisting of several KPIs:

- Safety First
- Green Value Creation
- Promoting Diversity & Inclusion
- Sound Business Ethics
- Promoting Rail Transportation

HRAB and HRGmbH report on KPI performance per focus area to keep the Board of directors informed of progress against set targets.

## The Global goals for sustainable development

The Global Goals are a set of seventeen commitments made by 193 world leaders, to end extreme poverty, inequality, and climate change by 2030.

At Hector Rail, we believe we can best align our ESG work and targets with goal 7: “Affordable and clean energy” and 8: “Decent work and economic growth”. How we can contribute towards these two goals is taken into consideration when performing our materiality assessment.



### Affordable and clean energy

*Ensure access to affordable, reliable, sustainable, and modern energy for all.*



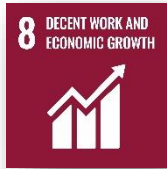
Renewable energy solutions are becoming cheaper, more reliable, and more efficient every day. Our current reliance on fossil fuels is unsustainable and harmful to the planet, which is why we have to change the way we produce and consume energy. Implementing these new energy solutions as fast as possible is essential to counter climate change, one of the biggest threats to our own survival.<sup>3</sup>

<sup>3</sup> <https://www.globalgoals.org/goals/7-affordable-and-clean-energy/>



Decent work and economic growth

*Promote sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all.*



Economic growth should be a positive force for the whole planet. This is why we must make sure that financial progress creates decent and fulfilling jobs while not harming the environment. We must protect labour rights and once and for all put a stop to modern slavery and child labour. If we promote job creation with expanded access to banking and financial services, we can make sure that everybody gets the benefits of entrepreneurship and innovation. <sup>4</sup>

	HEALTH AND SAFETY	ENVIRONMENT	EMPLOYEES & SOCIAL RESPONSIBILITY	ANTI-CORRUPTION & HUMAN RIGHTS	REGULATORY & INFRASTRUCTURE
<b>GLOBAL GOAL ALIGNMENT</b>					
<b>IMPACT ACCORDING TO MATERIALITY ASSESSMENT</b>	High 	High 	High 	Medium 	High 
<b>KEY RISK FACTORS</b>	<ul style="list-style-type: none"> <li>Traffic and worker safety, through:                             <ul style="list-style-type: none"> <li>Incident &amp; accident reporting</li> <li>Safety compliance</li> <li>Trespassing &amp; suicides</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Energy efficiency</li> <li>GHG emissions</li> <li>Road and Sea vs Rail</li> <li>Fleet age</li> <li>Green value proposition</li> </ul>	<ul style="list-style-type: none"> <li>Employee satisfaction &amp; retention</li> <li>Diversity</li> <li>Drivers' working environment</li> <li>Worker health</li> </ul>	<ul style="list-style-type: none"> <li>Ethics &amp; Anti-corruption</li> <li>Legal compliance</li> </ul>	<ul style="list-style-type: none"> <li>Rail infrastructure maintenance &amp; management</li> <li>Unfair competition</li> <li>Road and Sea vs Rail</li> </ul>
<b>HECTOR RAIL SUSTAINABILITY AMBITION</b>	<b>Safety First</b>	<b>Green Value Creation</b>	<b>Promoting Diversity &amp; Inclusion</b>	<b>Sound Business Ethics</b>	<b>Promoting Rail Transportation</b>
<b>KPIS (GROUP)</b>	<ul style="list-style-type: none"> <li>Serious accidents</li> <li>Lost Time Injuries (LTI)</li> </ul>	<ul style="list-style-type: none"> <li>GHG emissions</li> <li>Energy usage</li> </ul>	<ul style="list-style-type: none"> <li>Gender diversity</li> <li>Employee satisfaction</li> </ul>	<ul style="list-style-type: none"> <li>Supplier audits (new)</li> </ul>	<ul style="list-style-type: none"> <li>Infrastructure waiting time (HRAB)</li> <li>Reduced infrastructure costs</li> </ul>
<b>FOCUS AREAS</b>	<ul style="list-style-type: none"> <li>Maintaining a culture where safety comes first</li> <li>Continuous improvements, based on detailed safety targets in each company</li> <li>Safety process and management system improvements</li> </ul>	<ul style="list-style-type: none"> <li>Continue to develop and implement eco driving</li> <li>Strengthening rail competitiveness through longer and heavier trains</li> <li>Long term plan for fleet modernization</li> </ul>	<ul style="list-style-type: none"> <li>Ensuring worker health across the organisation</li> <li>Promoting increased diversification in the recruitment process</li> </ul>	<ul style="list-style-type: none"> <li>Zero tolerance for bribery and corruption on all levels of the organization</li> <li>Performed Supplier audits</li> </ul>	<ul style="list-style-type: none"> <li>Promoting rail freight under fair market conditions towards decision makers</li> <li>Working with infrastructure owners on better utilization of the infrastructure</li> </ul>

Table 1: Summary of Hector Rail sustainability assessment and ambition

<sup>4</sup> <https://www.globalgoals.org/goals/8-decent-work-and-economic-growth/>





The Hector Rail KPIs and indicators

The KPI and results per year for each focus area are summarised in the below table. We are continuously working towards our long-term targets:

	2020	2021	2022	Trend	Long Term Target
<b>SAFETY FIRST</b>					
Traffic safety: Number of serious accidents	0	1	2	↗	0
Employee safety: LTIs per 100 000 working hours below 2	-	2,3	1,6	↘	< 2
<b>GREEN VALUE CREATION</b>					
Decrease in GHG emissions (CO2e/gross ton-km) by 2% per annum	3,05	1,0	0,91	↘	0,90
Decrease in Energy usage (Wh/gross ton- km) by 2% per annum	16,80	17,99	17,53	↘	15
<b>PROMOTING DIVERSITY AND INCLUSION</b>					
Women (%) in Management positions: above 40%	28,6%	26,7%	27,8%	↗	> 40%
Women (%) in Hector Rail Group: above 25%	20,0%	21,3%	21,3%	→	> 25%
Employee satisfaction: above 75%	71%	71,6%	71,6%	→	> 75%
<b>SOUND BUSINESS ETHICS</b>					
Perform all planned supplier audits	-	-	71%	→	100%
<b>PROMOTING RAIL TRANSPORTATION</b>					
Decrease Infrastructure waiting time by 10% per annum (HRAB)	-	12,1	N/A	N/A	8%
<i>The below indicator is calculated for the upcoming year.</i>	<b>2021</b>	<b>2022</b>	<b>2023</b>		<b>Long Term Target</b>
Stable or reduced Infrastructure fees from 2020 level HRAB	113	123	132	↗	2020 Index 100
Stable or reduced Infrastructure fees from 2020 level HRGmbH	102	103	105	↗	2020 Index 100

*Table 2: Summary of the Hector Rail ESG KPIs.  
– means KPI not in place at the time.*





## Safety first

Safety comes first at Hector Rail, as reflected in our policies, guiding principles, our sustainability goals as well as in our day-to-day operations. Our dedicated safety functions continuously monitor the regulatory environment and safety management system in Scandinavia and Germany, to ensure compliance with laws and regulations in the markets where we operate. Processes, management controls and KPIs are set to drive continuous improvement of traffic and employee safety. The KPIs for safety performance are closely monitored, and incidents are followed by detailed root-cause analysis and action plans. Audit plans are updated at least yearly, and internal and external audits are carried out regularly throughout the year.



The ambition of reaching an accident-free working environment has been divided into the areas of Traffic safety and Employee safety.

### KPI Target

#### **Traffic safety: No serious accidents**

For traffic safety, the Swedish definition of serious accidents, “Allvarlig olycka”<sup>5</sup> is used, which is also in accordance with the German definition by the Federal Railway Authority<sup>6</sup>.

Furthermore, the cause of those serious accidents must be within Hector Rails responsibility to be included in the summary. The definition is as follows:

1. At least one person died
2. At least one person seriously injured enough to require hospital care for more than 24 hours
3. Damages to railway vehicles, railway infrastructure, environment, or property amount to more than 150 000 EUR

#### **Employee safety: Number of LTIs/100 000 working hours <2**

LTIs – Lost Time Injuries – are work accidents that result in employee downtime, absence due to injuries, medical leaves, hospitalisation or in the worst case the death of an employee.

<sup>5</sup> TSFS 2011:86 ([https://www.transportstyrelsen.se/tsfs/TSFS%202011\\_86.pdf](https://www.transportstyrelsen.se/tsfs/TSFS%202011_86.pdf))

<sup>6</sup> [https://www.eba.bund.de/SharedDocs/Downloads/DE/Bahnbetrieb/Sicherheitsbericht/10\\_leitfaden\\_sicherheitsbericht.pdf?\\_\\_blob=publicationFile&v=8](https://www.eba.bund.de/SharedDocs/Downloads/DE/Bahnbetrieb/Sicherheitsbericht/10_leitfaden_sicherheitsbericht.pdf?__blob=publicationFile&v=8)



LTIs tend to occur in and around traffic in Hector Rail Group and much less so in and around offices as operating locos and shunting wagons are higher risk activities in nature.

Result in 2022

#### *Traffic Safety*

HRAB recorded one serious accident in 2022, a major derailment of a timber train leaving a terminal that led to both material damages to wagons and to infrastructure damages to the track.

HRGmbH recorded one serious accident in 2022 in which a locomotive derailed during a shunting movement due to a human error. No person was injured, though significant infrastructure damage occurred. An investigation was launched with the infrastructure owner as well as internally to prevent such accidents occurring again in the future.

Although not part of the above statistics we feel the need to include another accident, one with the worst possible outcome. In the autumn of 2022, one of our trains collided with a truck at a railway crossing during shunting. This resulted in the death of one of our drivers. Hector Rail immediately activated our crisis team to support our own employees and the investigators on scene. At the time of writing, Swedish Police and Haverikommissionen (Swedish Accident Investigation Authority) are investigating the accident. HRAB are doing everything possible in aiding those investigations.

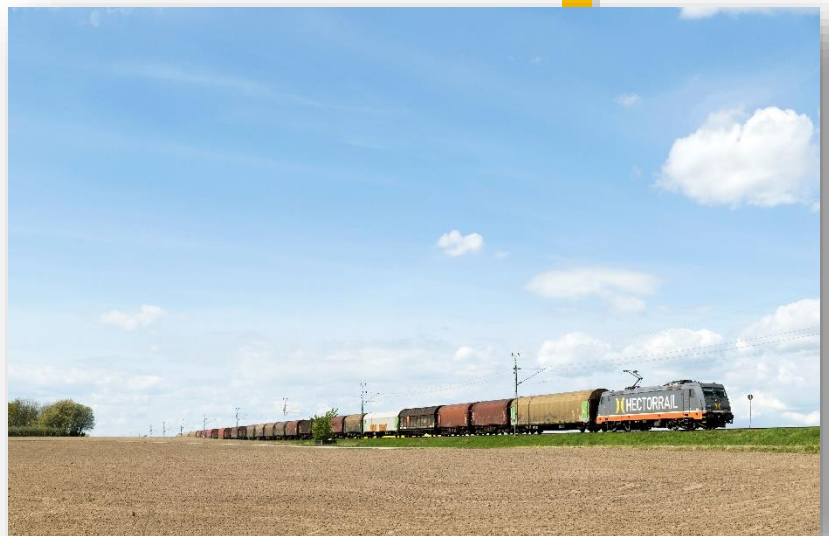
#### *Employee safety*

Both HRAB and HRGmbH recorded LTIs during 2022. Based on the index per 100 000 working hours, the result for 2022 was 1,6. The target of less than 2 was thereby reached during 2022.

Some examples of LTIs for 2022 include slipping and bruising, twisted or broken limbs and minor head injuries from bumping into equipment.

HRAB and HRGmbH are continuously working on improving the work environment for locomotive drivers, e.g. by ensuring that work equipment meets or exceeds regulatory requirements. The HR Group maintains a constant dialogue with authorities, customers, infrastructure provider and suppliers to record safety-hazards within the rail network.

Furthermore, at Hector Rail, each incident and accident are recorded, analysed, and reviewed together with the operational staff to raise awareness and sensitise to avoid incidents and accidents as much as possible.



Key activities performed in 2022

- Hector Rail AB were among the first Swedish companies to receive the new Single Safety Certificate (SSC), issued by the European Union Agency for Railways (ERA) for the next five years. The SSC includes transport of dangerous goods in Scandinavia.
- HRAB and HRGmbH obtained the ECM Certification (Entity in Charge of Maintenance) in 2022.



- ISO certifications for ISO 9001 (HRAB and HRGmbH), 14001 (HRAB) and 27001 (HRAB) were upheld.
- A Crisis training session with the Leadership team was held in HRAB in Q1.
- HRGmbH improved the Process for Event Reporting, as required by the EBU (Bundesstelle für Eisenbahnunfalluntersuchung / Federal Bureau for Railway), where the process to report safety events, near misses and similar occurrences, was simplified through a system that allows all personnel to swiftly summarize and submit information about events. Reported events and associated consequences/measures, as analyzed and formulated by the Security Panel, were recorded, tracked and resolved within an interactive system, resulting in improved transparency and traceability, and aimed at assisting with improved safety standards and safer operations.
- At HRGmbH, yearly training sessions for operational staff are conducted. Within these sessions, recorded safety events and incidents are reviewed and discussed, to raise overall awareness.
- The Software for Process- and Quality Management – to define and record processes, aimed at ensuring qualitative results and provide guidelines to employees – was migrated to a cloud-based system, allowing more flexibility and access for all personnel.
- To ensure safety of transportation, the European Chemical Industry Council (CEPIC) introduced the SQAS (Safety and Quality Assessment System for the Chemical Industry) as a means to “evaluate the performance of [...] providers” and to provide a “tool for risk management in logistics processes” . In Q4 2022, a SQAS Assessment was conducted at HRGmbH, resulting in a score of 70%.







### Activities in focus 2023

- Continuous improvements based on annual safety targets, KPIs, audits and action plans made in each company. The safety targets and action plans are rigorous, and the active work with these are key to continue to improve our health and safety performance.
- The results of the HRGmbH SQAS assessment are being analyzed and will be used to formulate a package of measures, to be implemented over the next three years, until the next SQAS-Audit. The package of measures aims at further implementing SQAS focus areas within HR's value chain and processes.
- Preparations for recertifications:
  - ISO certifications in HRGmbH and HRAB
  - Safety Certificate in accord with EU VO 2018/762 in HRGmbH
- HRGmbH are preparing for an ECM monitoring audit.
- Starting on 1<sup>st</sup> January 2023, HRGmbH offers all employees free psychological support, counselling and consultation to support their mental health, prevent illnesses and provide an anonymous safe space with trained psychologists to discuss all topics, both work-related and private, that cause strain or stress. HRAB are reviewing the same type of services and is currently running a pilot within the Swedish Operating center.
- HRGmbH is extending the internal emergency plans across the organization. This is already in place for operating personnel, the planned extension is to cover all functions.







## Green Value Creation

To get on track with the Net Zero Emissions by 2050 Scenario, emissions will need to decline by about 6% annually, a goal which requires the electrification of diesel operations wherever viable, as well as blending biodiesel and implementing a wide range of other efficiency measures. [...] On a “well-to-wheels” (wing/wake) basis, rail emissions per passenger kilometre are currently on average around one-sixth those of air travel, according to an IEA tracking report from 2022<sup>7</sup>

Hector Rail focuses on reducing the overall energy usage as well as reducing emissions by using sustainable energy sources. We set targets both for energy usage, which measures the total consumption, and for GHG emissions, where CO<sub>2</sub>e neutral emissions can be excluded.

100% of Hector Rail’s electricity supplying our train operations come from sustainable CO<sub>2</sub>e neutral energy sources (wind and hydro power). GHG emissions in our markets will therefore be fully limited to the operation of diesel locos in areas without electrified tracks.



## KPI Target

**GHG emissions (CO<sub>2</sub>e/gross ton-km): Decrease by 2% per annum**

Emissions are divided into scope 1-3<sup>8</sup>.

- Scope 1 is defined as direct emissions through burning of fuels of the emitter, whereas
- Scope 2 is focused on indirect emissions generated by purchased electricity for own use.
- Scope 3 is production of, among other things, purchased services and materials and business travel. They occur from sources not owned or controlled by the company reporting them but are indirectly the responsibility of the company.

The measurement of GHG at Hector Rail is based on total CO<sub>2</sub>e emissions in metric tons and includes Scope 1 and 2 emissions for HRAB and HRGmbH, defined as diesel and electricity for train operations. Scope 2 emissions from our offices are excluded as they are deemed to be a negligible part of the total. All offices are rented, and energy use is mostly included in the rent.

<sup>7</sup> IEA (2022), Rail, IEA, Paris <https://www.iea.org/reports/rail>, License: CC BY 4.0

<sup>8</sup> <https://ghgprotocol.org/sites/default/files/standards/ghg-protocol-revised.pdf>



Scope 3 emissions are also excluded. Calculated emissions have not been verified by a third party.

### **Energy usage (Wh/gross ton-km): Decrease by 2% per annum**

Energy usage is defined as Wh based on electricity and diesel for train operations. Diesel consumption is converted to kWh using the Swedish SCB conversion rate (1 litre diesel = 9,9633 kWh)<sup>9</sup> and a German conversion rate (1 litre diesel= 9,96 kWh) for HRAB and HRGmbH respectively.

We use gross ton-km as a denominator to measure both KPIs to be able to capture improvements made from running longer and heavier trains.

#### Result in 2022

##### *GHG emissions*

The GHG emissions came to 0.91 metric tons CO<sub>2</sub>e per 1 000 000 gross ton-km in 2022. Since last year, our electricity comes solely from sustainable sources for both HRAB and HRGmbH, hence the rather sharp dip in usage between 2020 and 2021.

##### *Energy usage*

Energy usage in 2022 was 17.53 Wh per gross ton-km, a decrease compared to 2021. With the ongoing modernization of the fleet and the optimization of locomotives for each type of traffic, the goal of a 2% reduction of energy per annum is deemed achievable.

#### Key activities performed in 2022

- HRAB continued to refine the long-term locomotive strategy for ensuring the ongoing acquisition and rental of efficient and environmentally friendly locomotives.
- HRGmbH performed revisions of two diesel locomotives, aiming to achieve higher efficiency, reduced energy consumption as well as reduced locomotive downtimes.
- HR Group continued to promote eco-driving that included training drivers and improving on the emission feedback to drivers.

#### Activities in focus 2023

- Continue implementing/selecting the most economical routes for roundtrips/traffics to actively manage and ensure energy efficient operations.
- Work together with infrastructure owners to lobby for electrifying tracks that require diesel locomotives today.
- Continue to modernize the diesel fleet and aim for a high utilization of the modern electrical fleet, which will enable more energy efficient operations.
- Develop of a replacement plan to substitute old electric locomotive models with modern and more efficient models.
- Continued application of Eco driving across all our operations. This is spearheaded through simulator training, and direct feedback to drivers on use of energy per trip made.

---

<sup>9</sup> Rate utilised in several SCB publications. For instance:  
[https://miljobarometern.stockholm.se/content/docs/tema/trafik/Berakningsmodell\\_SCB.pdf](https://miljobarometern.stockholm.se/content/docs/tema/trafik/Berakningsmodell_SCB.pdf)



## Promoting Diversity and Inclusiveness

At Hector Rail, we believe that the business should reflect the society we live in. A diversified workforce and inclusive practices should therefore increase job satisfaction and quality of life for our employees, and we are convinced this also has a positive effect on the quality of services delivered to our customers. Hector Rail strives to achieve diversity with regards to gender, age, ethnicity, nationality, as well as in all other respects that contribute to stimulating equal opportunities in the workplace. We also work with our steering documents, such as the Code of Conduct, to fully reflect the work environment we are striving to create.

We work proactively to achieve greater gender equality in the male dominated rail transport market. When looking at the industry average in Sweden, 82% of loco drivers are male, and 84% of ground staff<sup>10</sup>, and a similar pattern exists in all markets where Hector Rail operates. Our goal is to be more diverse than the industry average, by encouraging female applicants as well as fostering a culture of equal opportunities, where discrimination – on any grounds – does not occur.



KPI Target - Promoting diversity

**Women (%) in Hector Rail Group: Long-term target: 25%**

The gender diversity KPIs are measured as the number of female employees divided by total number of employees. We currently do not track the number of non-binary employees.

**Women (%) in Management positions: Long-term target: 40%**

Management is defined as directors as well as management staff reporting directly to a director and includes all Managers with direct reports.

**Employee satisfaction: above 75%**

Employee satisfaction is measured as a weighted index based on the latest employee engagement survey.

The diversity KPIs are long-term targets for Hector Rail, as they are partly dependent on attracting more women to the industry overall, and partly on the existence of vacancies to be filled within Hector Rail.

<sup>10</sup> [https://www.statistikdatabasen.scb.se/pxweb/sv/ssd/START\\_\\_AM\\_\\_AM0208\\_\\_AM0208B/YREG61N/](https://www.statistikdatabasen.scb.se/pxweb/sv/ssd/START__AM__AM0208__AM0208B/YREG61N/)



## Result in 2022

### *Management positions*

For management positions, the share of women increased to 27.8%, from 26.7% in 2021. We are seeing a steady increase towards the long-term goal of 40%.

### *Women in Hector Rail Group*

Counting all employees, the share of female employees was 21%, unchanged compared to 21 % in 2021. Activities, such as locomotive driver school visits, are ongoing to attract a diversified workforce and to reach the long-term target.

### *Employee satisfaction*

We did not perform any employee survey in 2022 as the majority of Hector Rail Group employees completed a survey at the end of 2021. We therefore continue to use the score from previous year's report. The next survey is planned for 2023."

### Key Activities performed 2022

- In HRAB, monthly information meetings with the CEO are held, where all employees are given the opportunity to ask questions directly to the CEO.
- HRAB updated the entire external website and developed a career section outlining or employee offer.
- HRGmbH continued the weekly advanced training sessions and frequent meetings between Loco Drivers and the Management Staff to ensure close alignment, feedback, and idea exchange, as well as capturing employee satisfaction.
- Other internal and external communication key activities in HRGmbH entail:
  - Creation of a Content & Communication Manager position.
  - Implementation of a consistent corporate design utilized in all communications.
  - Enhanced external communication by regular communication campaigns and press releases via Social Media.
  - Intensified internal communication by means of regular newsletter and other communication channels.
- Throughout the year HRAB's and HRGmbH's management teams conducted strategy workshops to reassess and realign the long-term strategy.
- HRGmbH continued promoting job opportunities, also aimed at those new to or interested in the rail industry, by continuously advertising and by engaging with educational institutions to attract and develop new talents.
  - In 2022, HRGmbH employed 24 interns during their apprenticeship, to complement their formal education with first hands-on and practical experiences. A total of 10 former interns subsequently have been employed by HRGmbH.

### Activities in focus 2023

- Continue to improve internal communication through both live and digital channels, so that all employees are consistently kept up to date with and can actively communicate and contribute to company developments.
- Perform employee satisfaction surveys in HRGmbH and HRAB.
- Conduct competence mapping to create a competence development program on all levels of HRAB.
- Further utilization of Social Media, also as a recruiting-tool in HRAB and HRGmbH.





- Implementing a new HR and recruitment system in HRAB to streamline and improve recruitment processes and employee management.
- Strengthening of the brand Hector Rail GmbH, focused on Hector Rail as a logistics provider and employer. Further intensification of HRGmbH's external and internal communications.
- HRGmbH plans to partner with educational providers to actively promote and facilitate the apprenticeships of new talents within the rail industry and complement their formal education with first hands-on and practical experiences. It is planned to continuously employ up to 5 interns simultaneously.
- Starting on 1<sup>st</sup> January 2023, all HRGmbH employees receive digital vouchers on monthly basis, as part of an "inflationary adjustment package".



## Sound Business Ethics

Hector Rail operates exclusively on regulated markets in Germany and Scandinavia and predominantly uses large, well established, and well-known European suppliers with their own sourcing strategies in place. Based on this, the risk of corruption and violation of human rights is limited, as assessed by the Group.

Nevertheless, questions of equality, moral judgement and integrity of decision making are relevant in all workplaces, and sound business ethics and equal rights are important to Hector Rail. To facilitate discussions and ensure awareness on all relevant levels, the expectations on managers, employees and suppliers are detailed in the Codes of Conduct for HRAB and HRGmbH. The documents cover improper payments, supplier relations, anti-money laundering and competition law, as well as information security and environmental goals and is part of the onboarding program for new employees. Hector Rail also perform regular supplier audits, mainly with our maintenance suppliers servicing wagons and locomotives.

### Whistleblowing

To ensure the availability for all employees to raise concerns, Hector Rail Group maintains an externally managed whistleblowing service. This service allows any person to remain completely anonymous, and concerns raised through this channel will automatically reach the highest level of management and members of the board. The service can be found at: <https://report.whistleb.com/en/hectorrail>

## KPI Target – Sound Business Ethics

### **Perform all planned supplier audits**

During 2020 and 2021, both HRAB and HRGmbH updated their Codes of Conduct while the earlier joint Code was phased out. The goal of fully rolling out the Code of Conduct in each company has therefore been replaced with a new supplier audit KPI in this year's Sustainability report.

### Result in 2022

#### *Supplier audits performed*

HRAB focused their supplier audit efforts on maintenance providers as they are assessed as the most critical type of provider. HRAB performed two out of two planned audits during 2022. HRGmbH performed eight out of twelve planned audits during 2022. The focus areas of the audits were Organization & management, internal and external communication, safety, emergency, and incident management, employee and advanced employee training.

Various suggestions for improvement in the focus areas have been identified, summarized, and communicated to our suppliers and partners with the goal to optimize cooperation going forward.

### Activities in focus 2023

- Continued focus on sound business ethics to be followed up in supplier and customer audits for HRGmbH and HRAB.



## Promoting Rail Transportation

With the Hector Rail sustainability ambition *Green Value Creation*, we focus on what Hector Rail can do within rail transportation, to reduce the environmental impact of our operations. To achieve a sufficient shift to reach the global climate and emissions targets, however, it is necessary to also promote rail transportation over road and air for both freight and passenger services.

The rail sector globally carries 8% of all passengers and 9% of total freight volume but represent only 3% of total transport energy demand. Promoting a shift from road to rail therefore has potential to drastically reduce emissions<sup>11</sup>.

The Swedish climate target is to reduce greenhouse gas emissions from domestic transports by 70% between 2010 to 2030, with a mere 21% achieved by 2021. The transport sector is important, as emissions from transports constitute one third of the



total Swedish emissions of greenhouse gas<sup>12</sup>. While there is ongoing political focus on promoting rail transportation, there are several key challenges to create a sustainable and level playing field on the market.

Infrastructure charges have increased – partly significantly – over time, to cover the cost for rail infrastructure maintenance, while road transportation does not carry corresponding costs for maintenance of the road network. As customers evaluate transport modes also based on cost, this relative cost increase for rail transport reduces competitiveness, and therefore comes at an additional cost for the environment.

In Germany, rail transports amounted to 20,2% of all transports in 2021. The German government aims to drastically increase the share of rail transports within the transport sector, to 25% by 2030<sup>13</sup>.

The Federal Ministry for Digital and Transport (Bundesministerium für Verkehr und digitale Infrastruktur (BMVI)) introduced the “TraFög” (Trassenpreisförderung im Güterverkehr) to subsidize train slot fees for rail transport companies. Introduced in 2018, the “TraFög”-Initiative aims at promoting freight transports via rail as a feasible, competitive, and eco-friendly alternative to other transportation modes, while stimulating further innovations within the rail industry. The “TraFög”-

<sup>11</sup> IEA (2021), The Future of Rail, IEA, Paris IEA (2021), Rail, IEA, Paris <https://www.iea.org/reports/rail>

<sup>12</sup> <https://www.naturvardsverket.se/Sa-mar-miljon/Statistik-A-O/Vaxthugaser-utslapp-fran-inrikes-transporter/>

<sup>13</sup> <https://die-gueterbahnen.com/news/zahl-des-tages/202.html>





Initiative does not reduce infrastructure fees but helps rail transport companies that qualify for subsidization to offset increasing fees within Germany and is set until 30<sup>th</sup> June 2023.<sup>14</sup>

KPI Target – Regulatory & infrastructure

**Infrastructure waiting time: Decrease by 10% per annum (measured for HRAB)**

It is critical to use the infrastructure in an efficient way and that freight transportation is treated fairly. Due to the generally lower speed of freight trains, they are often pushed aside to prioritize the passenger side of train transports. The infrastructure waiting time (“skogstid” (lit. “forest time”)) is typically 15 % of the total transportation time for freight trains and is a focus area in our Scandinavian operations, particularly in Sweden. This results in higher production cost and delayed customer services. In addition, there is an environmental impact, as braking leads to energy losses that would otherwise not have happened.

The Scandinavian rail transport market has limited competition. State owned incumbents have ongoing profitability issues, partly due to the structural issues described above. When targeted support to state-owned companies is used as a solution to the profitability problem, it risks pushing out the private alternatives that do not benefit from such support. This is not a level playing field and comes at a cost for the end customer with fewer options. As the largest private rail freight transport provider on the Scandinavian market, Hector Rail therefore works through industry organisations and in the public debate, to achieve support mechanisms that promote competition and create a level playing field.



<sup>14</sup> <https://www.bmvi.de/SharedDocs/DE/Artikel/E/schiene-schienengueterverkehr/trassenpreisfoerderung.html>





### **Infrastructure fees: Stable or reduced from the 2020 level**

This is more of an indicator than an actual target as infrastructure fees are set by Trafikverket (The Swedish Transport Administration).

Contacts with key decision makers within the Swedish government and the Traffic Committee of the Parliament and Trafikverket are always ongoing. The MD of HRAB sits on the Board of Tågföretagen (ASTOC), a trade organization for the Swedish train operators. HRGmbH is a member of the NEE (Netzwerk Europäischer Eisenbahnen – Network of European Railways), Allianz pro Schiene (“Pro Rail Alliance”), the VDV (Verband deutscher Verkehrsunternehmen – Association of German Transport Companies) and LIHH (Logistik Initiative Hamburg – Logistics Initiative Hamburg).

Result in 2022

#### *Infrastructure waiting time*

The Infrastructure waiting time goal is measured for HRAB only as this is the part of the group where reduced waiting time would drastically improve energy usage and arrival times.

Infrastructure waiting time for the agreed 2022 timetable (T22) from the Swedish Transport Administration was at 12,1% as reported last year. At the time of writing, we cannot calculate the corresponding T23 result as we have not received the necessary data from Trafikverket. We will continue to lobby for less waiting time in timetables to come and for Trafikverket to deliver the required data in order to monitor and evaluate the development.

#### *Infrastructure fees*

Infrastructure fees are not comparable between countries, so the annual change in base slot prices is calculated for HRAB and HRGmbH separately. To eliminate the effect of changes in the traffic mix from year to year, such as the passenger and freight ratio, the costs were calculated for each year (2021-2023) based on the traffic mix from 2020 as the index.

The base slot fees have increased by more than 10% per year in Sweden, while rising by about 2% per year in Germany. While the target was stable fees from the 2020 levels, the fees have continued to increase. The result of this continued cost increase is that it continues to reduce the overall competitiveness for rail transports.

Activities in focus 2023

- Hector Rail will continue to promote the railway as the preferred solution for freight transportation and highlight the need for fair market conditions.
- HRAB to continue
  - arguing for reduced infrastructure fees together with Tågföretagen to make rail freight more competitive versus road transportation.
  - working with Trafikverket for better utilization of the infrastructure in general and assure that the application for Hector Rail T24 (timetable for 2024 traffic) has as little waiting time as possible.
- HRGmbH to continue campaigning with the mentioned NEE, Pro Rail Alliance, VDV and LIHH to establish a sustainable and fair playing field for rail within the logistics sector.