

**CALEDONIAN SLEEPER LIMITED (CSL)****MINUTES OF BOARD MEETING****Wednesday 1 October 2025, 13:00 – 17:45**
Pacific House / Microsoft Teams

Present: Hannah Ross – Chair (from 13.30)
Graham Kelly - Managing Director
Graham Eastwood - Operations Director
Sam Price - General Counsel
Hugh Anderson – Finance Director
Carolyn Griffiths – Non-Executive Director and Chair of SHEC*
Neil Amner – Non-Executive Director, Company Secretary and SRH General Counsel

In Attendance: Jackie Robertson - SRH Rail Management Lead
[REDACTED] – Board Secretary

Apologies: None

Agenda Item 1: Welcome

1. SRH General Counsel said that the Chair would be joining the meeting later due to other urgent commitments and he would Chair the meeting until then. He welcomed everyone to the meeting.

Agenda Item 2: Apologies and Quorum

2. The meeting was quorate.

Agenda Item 3: Declaration of Interest

3. There were no declarations of interest.

Agenda Item 4: Minutes of previous meeting

4. The Board approved the minutes of the meeting held on 3 September 2025. The Board approved the minutes of the joint meeting held with SRH Board on 9 September 2025.

Agenda Item 5: Actions and Matters Arising

5. In relation to paragraph six of the minutes of the meeting on 3 September 2025, the Board noted that the letter of assurance from CAF in relation to the yaw damper crack had not yet been received. *(Post meeting note: the letter was received from CAF on 2 October 2025 and circulated to the Board by email).*

6. The Board considered the list of actions arising from previous meetings.

Action 59/2025: Timescale to resolve onboard CCTV connectivity issues

The Board noted that this would be covered under agenda item 14, Fleet issues update. The Board agreed to close this action.

7. The Board agreed to close actions 38/2025, 42/2025, 57/2025, 58/2025, 60/2025 and 63/2025 as these had been completed or were covered under the agenda.

Items were taken out of line with the agenda pending the arrival of the Chair.

Agenda Item 9: Audit and Risk Committee Terms of Reference Review

8. The Board considered the revised terms of reference for the Audit and Risk Committee and noted the Committee's recommendation for the Board to approve the terms of reference.

9. The Board noted that the terms of reference had been considered by the Audit and Risk Committee under the annual review and revised to bring them into line with the terms of reference for the SRH Audit and Risk Committee as recently approved by the SRH Board.

10. Carolyn Griffiths referred to the internal and external audit plans being considered by the Audit and Risk Committee and the Committee recommending these to the Board for approval and asked how the SHEC safety audit plan would fit in with this. She asked whether SHEC would be required to report to the Audit and Risk Committee or whether SHEC and the Audit and Risk Committee would put a joint proposal to the Board for the Board to decide on external and internal audit priorities.

11. CSL General Counsel said that the SHEC safety audit plan has been approved by the Board, and the safety audit work will be taken forward by CSL's in-house internal auditors, not the internal audit resource for the SRH Group, Azets. He said that external audit assistance may be engaged to assist with the safety audits, but this is different from the external audit referred to in the Audit and Risk Committee terms of reference which relates to the formally appointed external auditors who will audit the annual report and accounts. SRH General Counsel said that the Audit and Risk Committee Chair can be asked for clarification on whether the SHEC safety audit plan for 2026/27 and beyond should be considered and submitted to the Board as part of the strategic audit plan.

12. Carolyn Griffiths referred to the reporting route from the Audit and Risk Committee to the Board and said that the SRH Chair and SRH Chief Executive should be informed quickly of any urgent risks for the group. She said that risks relating to safety should be reported to the Boards by the Managing Directors. SRH General Counsel said that any serious and urgent matters should be reported to the SRH Chief Executive rather than waiting for quarterly committee meetings of SHEC and or the Audit and Risk Committee.

13. The Board approved the revised terms of reference for the Audit and Risk Committee.

Agenda Item 10: CSL Strategic Internal Audit Plan

14. The Board considered the strategic internal audit plan and noted that the Audit and Risk Committee had recommended the 2025/26 plan for the Board's approval.

15. CSL General Counsel said that the 2025/26 plan was aligned with the rest of the SRH Group and the longer-term plans would likely change and come back to the Board for approval prior to the start of the next financial year so that plans were in place for the full year.

16. Carolyn Griffiths asked if the audit plan for 2026/27 could be used to review the quality issues that have been found on trains and how safety matters are dealt with, as there may be benefit in having an external resource to look at these areas to provide assurance and support for dealing with any future matters that may arise. CSL General Counsel said that the executive team can give thought to this for next year's audit plan.

The Chair joined the meeting at 13.30

17. Carolyn Griffiths said that assurance was not just gained from internal audit work and there were other routes of assurance through SHEC discussions etc. The Chair said that the Audit and Risk Committee Chair had asked the internal auditors, at the meeting on 24 September, to include in the internal audit plans going forward the detail of all routes of assurance that are in place.

18. The Board approved the strategic internal audit plan for 2025/26.

Agenda item 6: Grant Agreement Report

19. The Board considered the Grant Agreement Report.

20. The Managing Director said that sales for Birmingham International Airport were being launched today, and this was a significant achievement having delivered the first new calling point for the sleeper service in many years. He said that the collaboration with Network Rail and ScotRail to help deliver this new service had been very good.

21. The Managing Director said that operational performance in the period was the lowest level in recent years, which in the main was due to Network Rail infrastructure issues. He said that an operational meeting would be held soon to discuss these matters with Network Rail. He said that CSL performance shortfalls mainly related to boarding issues and a range of actions being taken to address this was detailed in the Grant Agreement report. He said that once these actions have been completed this should make improvement in performance on the issues that CSL was accountable for. He agreed to bring a report on these matters back to the Board in January to look at the impact on performance.

22. The Managing Director said that some safety KPIs were above threshold but these in the main related to the Euston incident last year and as this starts to drop off the graphs the trends will be moving in the right direction.

23. The Managing Director said that absence rates had increased in the period and one further case of work related stress had been reported [REDACTED]

24. Carolyn Griffiths referred to the number of absences per person graph and asked how the actual number of people absent could be determined from this graph. The Managing Director said that the graph shows normalised data by the number of people in each department. He said that he would obtain the actual number of people and report back to the Board.

25. The Managing Director confirmed that the issue with the auxiliary power supply units had been resolved as all capacitors had been replaced and work was continuing with the modification to seal all units.

26. The Managing Director said that the business plan commitment for the new lounge at Glasgow Central has a significant block as the Network Rail delivery team has now withdrawn from doing the work. He said that his understanding is that Network Rail don't have the capacity to do this and could not do it any cheaper than the original CPMS quote received. He said that he has escalated the matter to the Network Rail Scotland Managing Director for confirmation that Network Rail cannot do this work and if so, how to take this work forward. The Board discussed the matter and the need for documented agreements and timelines with Network Rail for projects. The Chair said that in her capacity as SRH Chief Executive she would discuss this further with the Managing Director when he had obtained more information and would then escalate the matter with Network Rail.

27. Carolyn Griffiths referred to the patronage graph and asked if there were no defects what the target of maximum room availability to passengers would be. The Managing Director said he would look into this and report back to the Board.

28. Carolyn Griffiths asked if the self-assessment using the RSSB sustainability tool had been undertaken yet. The Operations Director said that this had been done, and he would submit this to the Board.

29. Carolyn Griffiths referred to the environmental performance graphs showing CO2 per passenger kilometer and said that she would like to see the data per train kilometer and how CO2 emissions this year compared to last year. The Operations Director said that he would speak to the ESSG Manager and report back on this. The Chair asked if monitoring this data drives change in behaviours. Carolyn Griffiths said that in other train operating companies the

data is used to instruct drivers differently eg shutting engines down in stations. CSL General Counsel said that environmental KPIs are based on matters that CSL can influence, and he would invite the ESSG Manager to provide an update to the Board at a future Board meeting.

Agenda Item 7: Fares Change Proposal for January 2026

30. The Board considered the paper setting out options for the fares increases to be implemented by CSL from 1 January 2026.

31. The Board discussed all of the options in full and noted that an independent market research exercise was being undertaken to help understand consumer demand and different buying habits better.

32. After discussion the Board approved the paper for submission to SRH Board and Transport Scotland, subject to the comments from the SRH Executive being incorporated and subject to any significant outcomes from the market research work.

Agenda Item 8: Financial Approvals

33. There were no financial approvals for the Board to consider.

Agenda Item 11: Update to Bank and Credit Card Signatories

34. The Board noted the paper setting out changes to the bank and credit card signatories.

Agenda Item 12: Market Growth Strategy

35. CSL General Counsel said that a two-step approach was being taken in developing the market growth strategy. He said that insight work on current revenue and patronage trends and market research work were being undertaken which will inform short-term market growth initiatives which will be presented at the next meeting of the Board. He said that the Board was being asked at this meeting to consider ideas and whether there is an appetite for the longer-term market growth strategy which is closely associated with evaluating the case for additional rolling stock/service expansion.

36. The Board discussed the suggestions to take forward the longer-term market growth strategy and noted the following:

- The suggestions for service expansion and different train interior layouts are innovative and show good forward thinking
- While service expansion could demonstrate good economic impact, in the current economic climate it may be difficult to secure a commitment to increased subsidy for many years to come
- The ongoing work with Visit Scotland on tourism is a good initiative to build a wider picture for the benefit of rail services, and other similar areas could be explored that would support an expansion of CSL's service
- Growth suggestions need to be cognisant of the recently withdrawn night services in Europe due to the high level of government subsidy needed to run the services
- Strategic policy direction may be needed from Transport Scotland to give meaningful consideration to developing the suggestions
- A discussion session could be held on the longer-term growth strategy with all relevant parties

The Board noted that the next stage would be for CSL to build into their business and budget planning the requirements for a feasibility study on longer term growth. The Board congratulated CSL on this work.

Agenda Item 13: Strategic Risk Register Review and Update on Risk Management Policy

37. The Board considered the strategic risk register. The Chair said that this had been considered by the Audit and Risk Committee at its meeting on 24 September 2025.

38. CSL General Counsel said that work has been undertaken on the risk process and risk scoring to align with SRH. He said that work is ongoing to re-score risks using the descriptors from the SRH Audit and Risk Manager, to assess likelihood and impact and using the SRH risk appetite statement which CSL endorses. He said that the descriptors have been useful in discussions with management and there has been more communication on risk throughout the business.

39. CSL General Counsel said that the key planned actions and mitigations have been included in the information security risk register, and the strategic and safety risk registers will be developed to also include this information.

40. Carolyn Griffiths asked how the risk management process provides for alignment of the strategic risks to the risk appetite statement and said that a consistent approach is needed on this. CSL General Counsel said that the risk appetite descriptors are set out in the risk appetite statement, and each risk is assessed against those descriptors. The Chair said that the SRH Audit and Risk Manager is working with CSL and ScotRail on a consistent approach to risk management and said that she would ask the SRH Audit and Risk Manager to provide Carolyn Griffiths with a note on the process for alignment of strategic risks to the risk appetite statement.

41. The Board noted that the risk management policy, including the risk appetite statement, had been recommended by the Audit and Risk Committee to the Board for approval. Carolyn Griffiths said that she had a number of comments on the risk management policy that she would send by email to the Board and to the SRH Audit and Risk Manager.

Agenda Item 14: Fleet Issues Update

42. The Operations Director gave the Board a presentation on fleet issues. The Board noted the following:

- Water quality continues to be the biggest impactor on berth availability, two proposed solutions are a flushing regime and continuous dosing at Polmadie.
- Work continues to address issues with the HVAC systems.
- Material from CAF for the secondary retention system has been delayed until mid-October, it should have been received by the end of September.
- Aegis has been appointed for ISA assessment of CSO management.
- Work continues on the design life solution and the final design and review is scheduled for March 2026.
- Capacitors have been replaced on all auxiliary power supply units, conduit sealing work should be completed by December.
- The 61 way jumper connector has been fitted to the first coach and will be installed in all coaches at a rate of two to three per week. The biggest risk is dormant faults and a testing plan is being put in place.
- 18 coaches have had wheelset overhauls completed but the programme has been delayed by production and material delays through Spain.
- There continues to be issues with CCTV connectivity issues on board. A programme is in place for software development, testing and implementation to resolve these issues.
- Recent quality issues, including overhaul components, have highlighted the need for a more robust and structured approach to CSL's quality management. CSL currently undertake quality checks and inspections on an ad-hoc basis, however, key contractual suppliers and CSL's internal processes are now undergoing Continuous Improvement reviews with the aim of implementing a practical, bottom-up approach to increasing quality management engagement and output.

Agenda Item 15: Draft Annual Report and Accounts 2024/25

43. The Board noted the draft annual report and accounts for 2024/25. The Finance Director said that comments on the draft must be submitted within the next two weeks. He said that the final version will be submitted to the Audit and Risk Committee for consideration at its meeting on 31 October 2025 for the Committee to recommend the report and accounts to the Board for signing at its meeting on 10 November.

Agenda Item 16: Approvals Tracker

44. The Board noted the approvals tracker.

Agenda Item 17: Finance Report

45. The Board noted the finance report and noted that the Q2 forecast would be submitted to the next meeting of the Board.

Agenda Item 18: Change of Registered Office

46. CSL General Counsel informed the Board of the intent to change CSL's registered office from Inverness to Glasgow as an administrative change as the directors were predominantly based in Glasgow. He said that he will find out the process for this and inform the Board when the change will be made. SRH General Counsel said to let him know the timescale for Companies House filing purposes. The Chair said that the Transport Scotland Director of Rail Delivery should also be informed.

Agenda Item 19: Quarterly Review of Directors' Register of Interests

47. The Board confirmed that the register of interests was correct.

Agenda Item 20: Committee Updates

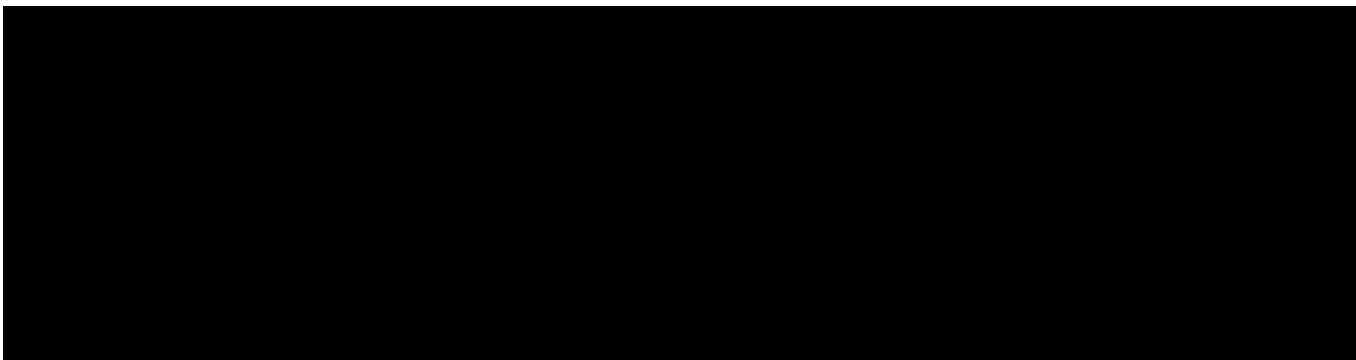
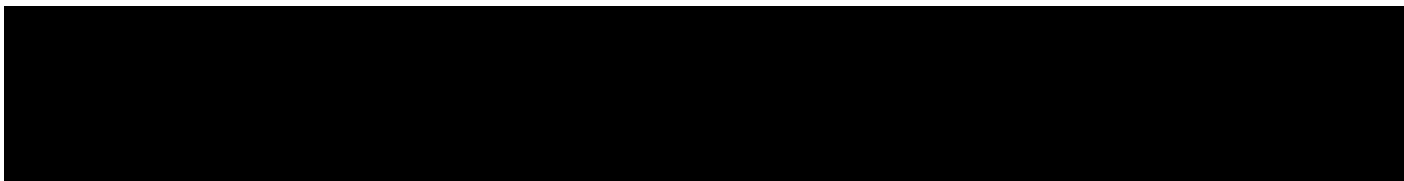
48. The Board noted the draft minutes of the SHEC meeting on 29 August 2025.

Agenda Item 21: Any Other Business

49. The Chair said that the SRH Board, at its meeting on 18 September 2025, had requested that a lessons learned review should be undertaken on the coach cracking secondary retention system and the delays caused by suppliers. She said that the CSL executive should consider the scope for the review and submit this to the CSL Board for consideration in due course.

50. The Chair said that reporting of high risk signals passed at danger (SPADS) was also discussed at the SRH Board. She said that SPADS that are categorised as high risk should be reported as soon as possible to her and covered in the monthly grant agreement reports from the Managing Director. She said that she would then report these to the SRH Board. Carolyn Griffiths said that the causal factor information should also be included in the grant agreement report.

51. Carolyn Griffiths said that she used the sleeper service recently and was refused access to the lounge at Glasgow on the early morning arrival. She said that this is not a good service for passengers and needs to be resolved. She said that the platform at Euston station is in a dreadful state and not a good image for passengers. The Managing Director said that he would do what he can to address these matters.





Date of Next Meeting

54. The next meeting of the Board will be held on 29 October 2025.