



Carolyn

Flowers

“The transport industry has a responsibility to reduce emissions which it can achieve by actions on its own fleet, but also by driving modal shift from private car to mass transit. When we provide the best and safest service for our passengers, we can ensure social mobility for the communities we serve.”

Sustainability Committee Report

Primary role

To oversee and provide feedback and direction to the Board on matters relating to the Group’s sustainability, specifically by reference to environmental and social matters, and the governance thereof

The Committee’s terms of reference, reviewed and approved annually, are available on the Company’s website at www.nationalexpressgroup.com

Key responsibilities

- Review and assess the appropriateness of the Group’s sustainability roadmaps, programmes, initiatives and targets
- Monitor the implementation and operation of the Group’s sustainability strategies, policies and standards and review the Group’s sustainability performance
- Consider the emergence of new risks or opportunities to the Group’s sustainability approach and oversee the development and maintenance of new sustainability policies, standards or action plans designed to mitigate or capitalise on such sustainability risks or opportunities
- Assess the Group’s reputation in relation to sustainability and the way it communicates and reports on its sustainability strategies, policies, initiatives and credentials

Activity highlights

- Assessed the Group’s performance against its sustainability targets and reviewed the plans for achieving its sustainability ambitions, which included a review of the Group’s Sustainability road map and the Group’s ZEV transition road map
- Reviewed and approved the Group’s first Group-wide Sustainability Report published in July 2022
- Monitored the Group’s plans to align with the Paris Agreement target of limiting global warming to 1.5 degrees above pre-industrial levels
- Reviewed and approved the Group’s sustainability disclosures reported in this Annual Report
- Considered the results of the Global Your Voice engagement survey and reviewed the key actions deriving from that survey

Membership, meetings and attendance

Committee member	Appointed	Resigned	Meetings attended/ meeting held ²
Carolyn Flowers (Chair) ¹	11.05.22	–	2/2
Jorge Cosmen	11.05.22	–	2/2
Karen Geary ¹	11.05.22	–	2/2

¹ Independent Non-Executive Director

² The Committee was formed in May 2022 and had two Committee meetings during the remainder of 2022. In the future, the intention is to have three Committee meetings per year.

Other attendees: Group General Counsel and Company Secretary, Executive Directors, Group Sustainability Director, Group HR Director, Group Financial Controller and Head of ESG Reporting

Further information about the Committee members is set out on pages 98 and 101

Dear fellow shareholder

I am pleased to present our first Sustainability Committee Report following the creation of our dedicated Sustainability Committee in May 2022. The creation of this dedicated committee demonstrates how core sustainability is to National Express, permeating our purpose and our strategy in our drive to become the world's premier shared mobility operator and to lead the modal shift in mobility towards cleaner and greener forms of mass transit, with clear benefits for both society and the environment.

Sustainability overview

Governance

The Company's Executive Directors are the sponsors of the Group's sustainability ambitions and responsible for the delivery of the Group's strategies relating to sustainability, supported by the Group Sustainability Director, the Group Human Resources Director, divisional CEOs and divisional sustainability specialists.

The Committee's role is to review the appropriateness of the Group's sustainability ambitions and strategies in the context of its broader strategy, to monitor the Group's progress in achieving those ambitions and delivering those strategies and to report to the Board on the same. It also plays a key role in overseeing the Group's sustainability reporting, as referred to below.

Reporting and communication

The Group's external report on climate-related risks and opportunities in line with the recommendations of the Taskforce on Climate-related Disclosures (TCFD) for 2022 is set out on pages 81 to 94 of this Annual Report. Its mandatory disclosures on energy consumption and carbon emissions, including under the Streamlined Energy and Carbon Reporting Regulations (SECR) can be found on pages 285 to 288 of this Annual Report. In addition, the Group reports against the Sustainability

Accounting Standards Board's (SASB's) Materiality Map® and the United Nations Sustainable Development Goals (SDGs) as set out on pages 70 to 71 of the Strategic Report. All of these disclosures have been reviewed and approved by the Committee.

During the year in review, the Group published its first group wide Sustainability Report outlining its sustainability strategies, the progress achieved so far and its sustainability ambitions for the future. It is available on the Company's website at: www.nationalexpressgroup.com/media/2w2hg3wi/national-express-sustainability-report-2022.pdf. This report was reviewed and approved by the Committee as part of its role in overseeing the way the Group communicates and reports on sustainability matters to its stakeholders. Following feedback from the Committee, the structure of future reports will be adapted to include case studies from around the business and progress in key areas so that stakeholders can track progress more easily.

There has been a lot of progress on sustainability internally during 2022, including the establishment of a Global Sustainability Steering Group to better coordinate sustainability initiatives across the Group and to share best practice. At its first meeting, the Committee requested that a sustainability dashboard be presented so it could monitor the progress of key sustainability KPIs and projects. This dashboard is, and will continue to be, reported on and reviewed by the Committee at each meeting. The Committee was also pleased to hear the Group continued to refine and enhance its internal data collection approach and verification processes, including in relation to Scope 3 emissions, ensuring these are streamlined Group-wide, as it moves towards external verification and assurance.

Environment

Environment ambitions

The Group's environment strategy is centred around transitioning its fleet of vehicles across its operating subsidiaries to zero emission vehicles (ZEVs). Building on the Group's commitment to never buy another diesel bus in the UK and its ambition to have zero carbon emission fleets in UK Bus by 2030 and UK Coach by 2035, in 2021 the Group adopted wider ambitions to have zero carbon emission fleets in Spain Bus by 2035 and in each of Spain Coach, Morocco Bus and North America School Bus and Transit by 2040. 95% of the Group's Scope 1 and 2 carbon emissions originate from its fleet so this transition to ZEVs will have the greatest effect in reducing the Group's impact on the environment and improving air quality in the communities we serve.

The Committee has monitored progress against these ambitions during 2022 through reviewing the Group's Sustainability road map which sets out the key priorities and the Group's ZEV transition road map which included an update on progress against the fleet ambitions. Given the scale and complexity of the transformational change programme which requires new capabilities to be developed and new partnerships formed, both with vehicle manufacturers and funders, the Committee is pleased to see the progress made during 2022 across all of the divisions in the Group, with the UK Bus division being on track to be the first 50% ZEV operation within the Group by 2025. See page 72 of the Strategic Report for more information on the Group's progress with its fleet transition ambitions.

Sustainability Committee Report continued

Environment performance

The Group monitors six key performance indicators (KPIs) with related targets to track the Group's progress in reducing its impact on the environment over the seven-year period 2019-2025, in terms of carbon emissions (which targets were set using the SDA approach), water consumption and waste to landfill production. These targets were chosen to meet the then-prevailing IPCC goal of controlling the increase in global warming to below 2 degrees, meaning that the existing targets are not yet aligned to the more ambitious Paris Agreement target of limiting annual average temperature increases to 1.5 degrees above pre-industrial levels. The Committee notes that the Group intends to set new targets aligned to this approach during 2023, using 2022 as the new baseline year and has been monitoring the Group's progress with this.

In the meantime, the Group will continue to report against the existing targets. The Committee has reviewed progress against the existing targets at the end of 2022 which is shown by the table on page 285.

Progress against traction energy, traction carbon and total (Scope 1 and 2) emissions – which were set as intensity measures – was subdued in 2020 and 2021, due to lower occupancy and changes in travel behaviour caused by the Covid-19 pandemic. 2022 was a year of getting back on track, and now that patronage is building back to pre-pandemic levels performance, the intensity metrics are now moving in the right direction (albeit there remains work to be done to reach the existing targets by 2025).

The Committee was pleased to note the progress on the absolute metrics relating to site emissions, water use and water to landfill given the increase in activity during 2022 compared to 2020 and 2021 (as the businesses returned to normal). In the absence of action, the expectation would have been for these metrics to have been significantly worse in 2022, however, both site emissions and waste to landfill improved year on year, with water usage only marginally increasing on 2021.

The Group is beginning to see some of the benefit arising from its fleet transition ambitions, with the expectation that this will continue to improve over the coming years as the transition to ZEVs continues and environmental management at depots improves. The completion of the Perry Barr depot which opened in December 2022 will showcase the Group's best-practice approach to environmental management and performance.

As also explained in previous Annual Reports, the Remuneration Committee has set environmental performance metrics in each of the last three annual long-term incentive plan (LTIP) awards made to Executive Directors and certain senior managers. The vesting level of the 2020 LTIP is as set out in the Directors' Remuneration Report, with the ZEVs performance metric achieved at maximum vesting and the carbon emission reduction metric not achieved as a result of the impact of Covid-19 on the Group's intensity metrics. The Committee notes that progress against the 2022 LTIP number of ZEVs performance metric is currently on-track to be achieved at maximum vesting level and the 2021 and 2022 carbon emission reduction metrics are currently behind 2019 levels at this time and therefore likely to result in zero vesting.

To demonstrate the Group's ongoing commitment to reducing carbon emissions and to increasing vehicle occupancy levels, as well as achieving its zero emission fleet transition strategy, the Remuneration Committee intends to include further carbon reduction and ZEV increase metrics in the 2023 LTIP award. Further details are in the Directors' Remuneration Report.

Social Social ambitions

A number of the Group's social ambitions are intrinsically linked to our Evolve strategy; the employer of choice, the safest, the most reliable and the most satisfied customers. Further information is provided within the Strategic Report on pages 68 to 80 of this Annual Report and the Group Sustainability Report available on the Company's website.

The social focus for the Committee during 2022 has been on the Group's people, recognising them as a key asset which drives the Evolve outcome of being the employer of choice. A new people strategy called 'Being Part of the Future Today', was launched during 2022. This strategy is based around three key priorities: Embrace, Energise and Elevate and is further explained in the Strategic Report on page 77. The Committee has been monitoring progress of the people strategy, particularly on the Energise and Elevate pillars as further described below.

As part of the 'Your Voice Matters Campaign' (a key component of the Energise pillar of the people strategy), the Group carried out its first global employee survey in 2022. In reviewing the survey results, the Committee observed some key themes: (i) reward and recognition, where the focus was on recognition and feeling valued, (ii) talent and staffing, where it was felt that the Group needs to do more to retain the best people, and (iii) career development which featured strongly with a desire for more consistent career pathways. These same themes permeated the online discussion forums attended by the Board, as further explained on page 116 of this Annual Report. The Committee also reviewed the key actions derived from the survey results both at Group level and locally within the divisions.

The Group launched a new global talent and career development tool during 2022 as part of the Elevate pillar of the people strategy. This is being used to identify suitable candidates for the Group's talent programmes and initiatives. The Committee noted this initiative was a positive step forward, particularly given talent and career pathways were two key themes arising from the Your Voice survey.

In the future, the Group intends to develop a broader overarching sustainability strategy from which it can set wider sustainability ambitions, which will be reviewed and monitored by the Committee. See the Sustainability Peer Review in the box on page 139 for further information.



Sustainability Peer Review

Duncan Gray from BRODIE, an international sustainability and responsible business consultancy, attended the November Committee meeting to share his insights on the current sustainability landscape and provide an expert external assessment of how the Group's current sustainability commitments and activities sit within peer sustainability landscape.

The key takeaways for the Committee following that review were:

- validation of the Group's approach to decarbonisation with clear targets, performance metrics and activation; and
- the identification of opportunities for the Group to develop a more rounded approach to sustainability, accompanied by more detailed stakeholder communications.

The Committee welcomed the insights gained, with a key action arising from the review being a desire to establish a realistic but broader overarching Group sustainability strategy to be developed and presented to the Committee during 2023. The Committee will also consider what further actions can be taken to best progress opportunities identified during the review and will report on this in subsequent Committee Reports.

Social performance

In the first global employee survey undertaken in 2022, the Group was pleased to achieve a 77% response rate against a target of 65%, which equates to 35,574 employees responding to the survey. Our Group employee net promoter score (eNPS) was 7.

The 2022 survey results are the benchmark from which the Group will set future engagement targets and target eNPS. In relation to the planned 2023 Your Voice survey, the Group will be targeting an engagement score of 60 and an eNPS of 12, both of which represent a five point increase from 2022. The Committee will review progress against these new targets.

The key themes to improve the Group's engagement scores following the survey are discussed above. It is also important to highlight where the Group scored well on the survey; 80% of the respondents to the survey thought the Group was safe, 76% were positive about the Group's diversity and inclusion, 65% indicated they were proud of the Group's brands and 69% recognised the Group's commitment to customers.

To demonstrate the Group's ongoing commitment to its people, the Remuneration Committee has included a requirement for specific employee engagement targets based on eNPS to be part of the senior leaders' bonus schemes for 2023.

For more information on the Group's social performance, see pages 68 to 80 of the Strategic Report and pages 103 to 104 of the Corporate Governance Report.

Carolyn Flowers
Sustainability Committee Chair
1 March 2023