Karen

Geary

"With encouraging growth across our operations, along with decisive actions implemented to help deal with a challenging operating environment, the Committee was pleased that remuneration outcomes were fair, balanced and aligned to shareholder experience, and continue to align well with supporting the delivery of the Evolve strategy."

Remuneration Committee Report

Primary role

To recommend to the Board the remuneration strategy and framework for Executive Directors and senior management[1] and to determine and apply within that framework the remuneration policy and remuneration practices. In doing so, have regard to the Group's overall performance, wider workforce pay practices, the need to fairly reward individual contributions for past and future performance and align reward to sustainable success.

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

Key responsibilities

- Determine the remuneration of Executive Directors in accordance with the Directors' Remuneration Policy and with due regard to workforce pay and related policies and practices across the Group
- Determine the remuneration of senior management, also having regard to workforce pay and related policies and practices across the Group and succession plans
- Determine the Chair's fees
- Oversee pay/related policies and practices across the Group's workforce

Activity highlights

- Engaged with the Company's stakeholders to understand the views of on executive remuneration matters.
- Tracked the Company's financial results and remuneration outcomes for Executive Directors and senior management.
- Reviewed and confirmed the 2022 annual bonus and 2020 LTIP award outturns for Executive Directors and Senior Management.
- Reviewed the Chairman's, Executive Directors' and senior managers' pay and benefits for 2022, in the context of their performance, the Company's performance and the Group's stakeholder experiences.
- Considered and set targets and performance conditions for the 2023 annual bonus and the 2023 LTIP awards, to be made to Executive Directors and senior management.
- Ongoing executive remuneration environment/best practice governance review.

1 The Company's senior management whose remuneration is determined by the Committee is comprised of the divisional managing directors and the Group functional heads who are direct reports to the Group CEO and/or Group CFO and who together form the Group Executive Committee.

Membership, meetings and attendance

Committee member	Appointed to Committee	Resigned	Meetings attended/ meeting held
Karen Geary (Chair)[1]	01.10.19	–	5/5
Matthew Crummack[1]	01.05.16	–	5/5
Ana de Pro Gonzalo[1]	04.12.21	–	5/5

1 Independent Non-Executive Director

Other attendees: Group General Counsel and Company Secretary, Group Chief Executive Officer, Group Chief Financial Officer, Chair of the Board, Group HR & Communications Director, Group Employee Experience Director and representatives from Korn Ferry (independent remuneration advisers)

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

Dear fellow shareholder

On behalf of the Board and as Chair of the Remuneration Committee, I am pleased to present the 2022 Annual Report on Remuneration. The report aims to set out simply and transparently how remuneration has operated across the Group in 2022, including the decisions made by the Committee on Chair, Executive Director and senior management remuneration, the associated rationale for these decisions, and how the Committee intends to operate the Directors' Remuneration Policy in the year ahead.

2022 AGM and engagement with shareholders

I would like to thank those shareholders who shared feedback on the 2021 Directors' Remuneration Report during the extensive shareholder consultation exercise ahead of the publication of the 2021 results and the 2022 AGM. I was pleased that 94.3% of votes were in favour of the report, reflecting ongoing support for the Group's remuneration structure and the Committee's approach to implementation of the Directors' Remuneration Policy in a challenging environment.

Those meetings held were invaluable in better understanding views and shaping the Committee's decision-making ahead of the 2022 AGM.

As Chair, I am always keen to maintain this productive and collaborative relationship regarding remuneration decisions. As such and ahead of the publication of this report, I once more wrote to our Top 20 shareholders to gather views and feedback.

Once again, I am extremely grateful for the responses I received and the level of engagement from shareholders, having had direct engagement with 17 of our Top 20 and received responses to my letter from two more, in total accounting for 62.7% of our share capital. Once again, these meetings have been invaluable in shaping the Committee's decision-making set out in this report (in particular in relation to 2022 implementation, as described later in this letter and in the report), as well as maintaining our productive relationship.

Board changes

Following the announcement in August that Chris Davies would be leaving the Group, James Stamp, the CFO of our UK and Germany Division, was appointed Interim Chief Financial Officer ('CFO') from 1 November 2022 at which point Chris stood down from the Board and left the Group.

Following a successful period as interim CFO, and an extensive search process which considered both internal and external candidates, the Board was pleased to appoint James as the Group's permanent CFO.

Full details of Chris' leaving arrangements, along with details of James' remuneration (both of which are in line with our Policy), can be found in this report.

2022 business performance

Before summarising 2022 performance, I confirmed in my letter last year that the Company intended to repay the Coronavirus Job Retention Scheme (CJRS) support received in respect of its financial year ended 31 December 2021 at the same time as it reinstates dividends. With the announcement of the reinstatement of a dividend for the 2022 financial year, I am pleased to confirm that the Board has approved repayment of the 2021 CJRS funds, which will be returned shortly.

Turning to 2022, it was a year of significant progress, building on the progress in 2021.

As you will have read earlier, we delivered strong growth across each of our businesses but particularly so in ALSA and the UK, as passenger demand rebounded strongly across both businesses. This continued recovery in demand led to growth in passenger numbers increasing 23% across the Group and Group revenue of £2.8bn, representing growth of 29% and above pre-pandemic levels.

We are seeing the benefits of our disciplined approach to operational leverage, cost controls and pricing power. Group Underlying Operating Profit of £197.3m was more than double the level in 2021 and this improved profit performance has converted to cash, with cash conversion increased to 81% and the Group delivering free cash flow of £160.5 million in the year.

This performance has been achieved amid a uniquely challenging operating environment in a number of our markets, not least the pressure of rising cost inflation and driver shortages in addition to the impact of the Omicron COVID-19 variant in the first part of 2022.

As you may have seen earlier, we are making further improvements in safety, and as a result of innovative approaches to driver training, drivers are able to enter in to service earlier than with traditional training. Encouragingly, we have seen a 15% reduction in risk profile. In the UK we have again been recognised with the award of a sixth Sword of Honour by the British Safety Council, and we also had the best ever year in North America with a 25% reduction in speeding events.

We have also made further progress towards our goal to become 'the environmental leader' with plans approved for 1,500 ZEVs across the Group by 2024. We are seeing early signs that electric buses are helping to drive modal shift, with both patronage and customer satisfaction higher on our ZEVs. Strong progress on electrification in the UK has been mirrored elsewhere. In North America where ZEV funding schemes are becoming more widely available, we have secured our first funding award of $30 million for nearly 80 electric school buses. We will continue to target further funding opportunities in the coming year.

Remuneration Committee Report continued

Wider workforce context

The Committee's responsibilities in respect of overseeing remuneration across the business has been a major part of the Committee's activities during the year. I, and a number of my Board colleagues, have taken part in listening forums with colleagues across our operations during 2022, which have provided incredibly valuable insights.

Whilst, there is an ongoing commitment of National Express to continue to be a real Living Wage accredited employer in the UK, the Committee is conscious that following the Covid-19 pandemic which caused significant issues for many of our colleagues in 2021 and the first half of 2022, the rising cost of living is posing fresh challenges.

Given the range of operations and geographies within the Group, there are differing salary increases that are being awarded. UK salary increases awarded to non-unionised colleagues up to the date of the Annual report have ranged between 3.75% and 6.75%.

For anyone earning under £35,000, the average salary increase was 6.75% with those earning over this level receiving between 3.75% and 4.75%. It was felt that targeting increases at the lowest earners was important given the rising cost of living. In addition, we have a number of different discussions ongoing with unions.

The Group also operates a number of support packages for colleagues such as access to hardship loans, employee discounts and financial education webinars, in addition to wider health and wellbeing support through the provision of apps and seminars.

We were pleased that despite the challenges, many of our colleagues recognise the progress made toward the 'Employer of Choice' Evolve outcome, with a positive group-wide ENPS score of +7. This followed the roll-out of a new people strategy in 2022, "Being part of the future today", with 3 pillars at its heart – 'Embrace' (our approach to Equality, Diversity and Inclusion), 'Energise' (our approach to creating an inspiring, energetic culture that our colleagues want to be part of) and 'Elevate' (our approach to career and self-development). The Committee was pleased that the efforts made during 2022 on people initiatives were recognised by the Workforce Disclosure Initiative in their Workforce Transparency Awards, winning the "Most Improved" category along with being specially mentioned in the "Workforce Action' category.

2022 activity and remuneration outcomes

In determining annual and long-term incentive outcomes, the Committee reviews not only the financial outcomes against targets set, but also considers wider performance. As an example, these factors include progress against Evolve outcomes, growth in passenger numbers, employee engagement, shareholder experience and wider stakeholder experience.

Following this review, the Committee concluded that the financial measure outcomes for both the annual and long-term incentives were fair reflections of overall performance in testing conditions during the relevant performance periods. Consequently, the Committee did not exercise discretion to alter the incentive outcomes.

The Committee believes that the incentive plans continue to drive the desired behaviours to support the company's values and strategy, are aligned with stakeholder experience and that the Directors' Remuneration Policy has operated as intended in 2022.

Annual bonus

The out-turn of the annual bonus was 69.0% of maximum for the CEO and 70.2% (before pro-rating) for the CFO. This outcome was driven by Profit Before Tax targets being partially met, Free Cash Flow and Safety target being at maximum, along with near maximum achievement on personal objectives.

It should be noted that following the increased deferral requirements, which included paying all of the bonus in shares, that were applied to the FY21 annual bonus, for FY22 the deferral requirements have reverted back to those within the shareholder approved Directors' Remuneration Policy (i.e. 50% of any bonus award to be deferred as shares for one year - see page 147).

LTIP vesting

The 2020 LTIP targets were set, and the plan granted, before the Covid-19 pandemic had really taken hold and therefore reflect the outlook at that time.

Based on performance against those targets, the vesting outcome of the 2020 LTIP was assessed as 10% of maximum.

Whilst there are many factors that could have been taken into account to adjust the formulaic outcome, the Committee did not feel it was right to make any such adjustments in light of the shareholder experience during this period. This approach is consistent with the approach to vesting the 2018 and 2019 LTIPs, where vesting was determined at 6.5% and 0% of maximum respectively.

2023 activity and remuneration outcomes

As noted above, the Committee is mindful that there is still significant uncertainty in the macroeconomic climate in 2023, however it is satisfied that the targets that have been set are robust and stretching, and recognise the potential performance that can be achieved.

Remuneration arrangements for the CEO

As highlighted in last year's report, the Committee is conscious that upon Ignacio Garat's appointment as CEO, his base salary and bonus opportunity were significantly below that of his predecessor and mid-market levels for comparable FTSE companies. The Committee set the initial remuneration mindful of the economic environment at the time and stated that it expected to increase remuneration over time reflecting Ignacio's development in role.

The Committee had originally committed to reviewing the CEO's remuneration from 1 January 2022 to better align it to market and his progress in the role, but felt it appropriate to postpone the review in recognition of the economic environment. As a result, base salaries for both the CEO and the then CFO remained unchanged.

The Committee remained mindful of its commitments and during 2022 undertook a review of remuneration arrangements for the CEO. Based on this review, the Committee feels that it is the correct time to start aligning the CEO's remuneration to the market rate for the role, and to better reflect his performance and experience.

The Committee is therefore proposing the following changes. It should be noted these changes are fully within the Directors' Remuneration Policy approved by shareholders at the 2021 AGM and results in remuneration that remains lower than his predecessor on departure.

Base salary – to be increased from the current level of £575,000 to between £625,000 and £650,000 by 1 January 2024. The increase will be made in two stages. An increase of £25,000 (4.3%) will be made for 2023 followed by a potentially larger increase for 2024 should appropriate levels of performance be maintained. The increase of 4.3% is below the increase for the wider workforce for 2023 as set out earlier.

Given the current economic environment, the CEO intends to voluntarily waive his increase in base salary for 2023 meaning his salary will remain the same as 2022 and 2021. This would include the calculation of his pension allowance but the new salary will apply to any bonus and LTIP awards in 2023.

Annual bonus – the opportunity is to return to 200% of salary for 2023, from 150%. The original bonus opportunity was implemented during the first year of the pandemic when Ignacio joined the business and was due to return to 200% in 2022. However, the Committee felt at the beginning of last year that delaying by one further year was warranted to take into account a number of factors associated with the wider stakeholder experience at the time, including the ongoing recovery from Covid-19.

Having delayed by a year, the Committee believes now is an appropriate time to restore the bonus level, which is in line with our Policy. The increase in bonus opportunity will also be set in the context of the Committee agreeing performance targets that continue to stretch and build on the targets that were set for 2022.

LTIP – the maximum LTIP opportunity for the CEO will remain unchanged for 2023 and will be 200% of salary.

Remuneration arrangements for the CFO

The CFO will receive a base salary of £425,000, and a workforce-aligned pension allowance of 3%. Both the annual bonus and maximum LTIP opportunity are unchanged from his predecessor at 150% of salary. This is below the policy maximum on LTIP of 200%, aligned to the reduction applied to his predecessor in 2022.

Annual bonus

As stated, above, the annual bonus opportunity will be 200% and 150% of salary for the CEO and CFO respectively.

The Committee has set stretching performance targets against which the annual bonus will be measured.

- 50% Group Underlying Profit Before Tax
- 25% Group free cash flow
- 15% Group Safety – Fatality and Weighted Injuries (FWI) Index score, including an underpin such that this element will not pay out if there are any responsible fatalities
- Specific strategic and risk management targets, with an aggregate weighting of 10%

LTIP

The LTIP opportunity for the CEO and CFO will remain unchanged for 2023 and will be 200% and 150% of salary respectively.

It is proposed that the measures used for the 2022 LTIP grant will be retained for 2023:

- an earnings per share measure, with a 25% weighting;
- a return on capital employed measure, with a 25% weighting;
- a single total shareholder return measure relative to the FTSE 250, with a 25% weighting; and
- an environmental measure with a 25% weighting, split equally between the Group's global carbon emissions per million passenger kilometres and the transition of our road fleet to carbon neutral vehicles (both consistent with the 2022 LTIP).

Full details of these performance criteria are set out on page 149.

In the event that the share price at the time of grant is less than 185p (a 23% reduction on the price at the time of the 2022 LTIP grant) the Committee will scale back grants to all recipients. The Committee will also include a provision that it will assess if there has been a windfall gain following the granting of awards.

Concluding thoughts

The Committee is keen to hear the views of shareholders and their representative bodies and values their ongoing engagement on remuneration matters.

Our Directors' Remuneration Policy is due for renewal at the 2024 AGM, in advance of which I look forward to engaging with shareholders and representative bodies.

Finally, as a Committee we wish to thank all of our colleagues throughout the business for their continued hard work and dedication.

Karen Geary
Remuneration Committee Chair

1 March 2023

Remuneration Committee Report continued

Directors' Remuneration Policy

Alignment to strategy and culture, ensuring risk mitigation and supporting clarity, simplicity, proportionality, and predictability

Ensuring that our Directors' remuneration arrangements support the delivery of the Evolve strategy is important to the Committee, and this is achieved through aligning the performance measures and targets used in our incentive schemes with our key strategic priorities. The Committee also ensures that the right behaviours and actions are driven through the organisation by focussing on measures and targets that are balanced across financial and non-financial outcomes, for example the inclusion of employee, customer, and health, safety and environment metrics in both the personal element of the annual bonus and the LTIP. The Committee also takes into consideration the Group's financial and non-financial performance and environment when reviewing formulaic outcomes of metrics across all incentives, which is evidenced throughout this report.

The table below explains how the Directors' Remuneration Policy, and the Committee's practice in applying it over the year under review, address the factors set out in Provision 40 of the UK Corporate Governance Code, as well as how they are aligned with the Company's culture:

Clarity	Simplicity	Risk
• This report sets out a summary of the Remuneration Policy and how it has operated during the year. • Clarity and transparency are achieved through a combination of explanations for decisions taken and disclosure of the nature and weighting of Annual Bonus targets and LTIP performance measures. • The Remuneration Policy and its implementation looks to support the wider National Express business strategy.	• Achieved by directors' remuneration being composed of a limited number of elements designed to balance the retention and incentivisation of directors with the delivery of strategy and shareholder returns. • Executive Director remuneration is composed of only four elements: base salary, pension and other benefits, annual bonus and LTIP. • The annual bonus and LTIP structure operated are market typical and are well understood by shareholders and executives alike.	• A range of features of directors' remuneration assist in mitigating the risks of excessive rewards and inappropriate behaviour. • Executives are expected to build a material shareholding which must be maintained for a period following departure, which aligns themselves to the long-term interests of National Express. • Additionally, variable remuneration is subject to malus and clawback provisions ensuring that there is long-term alignment of the executives to any risks the business may have been exposed to during their period as an executive.
Predictability	**Proportionality**	**Alignment to culture**
• Some of the same features of directors' remuneration arrangements that mitigate risk also ensure that outcomes are within a predictable range. • Shareholders are provided with potential values which can be awarded to executive directors under the Annual Bonus and LTIP.	• Achieved through the use of variable remuneration arrangements which links remuneration outcomes and the financial and non-financial performance of National Express. • The Remuneration Committee has the ability to apply discretion to variable remuneration to ensure that they are proportionate and reflect the performance of the business.	• Achieved through strong links between directors' remuneration and the Company's values. • National Express' values are Safety, Excellence, Customers, People and Community & Environment. • Elements of the Remuneration Policy for executives are cascaded through the business.

Wider workforce context

Comparison with approach to remuneration across the Group

The Group operates across a number of countries and accordingly sets terms and conditions for employees which reflect the different legislative requirements and labour market conditions that exist in each country.

We have a framework for recognition and rewards internationally. We will always meet or exceed national minimum standards of employment in all our business divisions, offering pay and other terms and conditions that are appropriate to each labour market in which we operate. In particular, we are committed to adhering to the real Living Wage in the UK and to at least the national minimum wage in each of the other countries in which we operate. Base pay is set at a level that allows us to recruit and retain colleagues in each relevant labour market and performance-related pay arrangements are based on the achievement of business division and team or individual goals, objectively assessed. The Company believes in the value of continuous improvement, for both the individual and the Company.

Given the range of operations and geographies within the Group, there are differing salary increases that are being awarded. However overall, the average UK salary increase awarded up to the date of the annual report has been 4.5%. Within the UK Group business (i.e., excluding UK Bus & Coach) the average salary increase on this basis was 3.75%, although an increase of 6.75% was applied to those earning under £35,000, as it was felt that targeting increases at the lowest earners was important given the rising cost of living.

The Group offers pension and pension savings arrangements to its employees appropriate for the labour markets in which it operates. In the UK, in line with market practice, employees are offered membership of a defined contribution plan, with employer contributions for the majority of employees equal to 3% of base salary. The Group also has a legacy defined benefit scheme in its UK Bus division, with employer contributions of 35% of base salary. In the UK, employees also receive death-in-service benefits and free travel on the Company's transport services, and middle and senior managers may also receive car or travel allowances and/or private medical insurance, subject to their employee grade.

The Group's divisions operate various cash bonus incentive schemes for appropriate individuals, incentivising the delivery of particular divisional strategic, operational, safety and personal objectives. Senior management participates in a bonus scheme which is broadly aligned with Executive Directors' annual bonuses, where targets may relate to divisional rather than Group-wide performance and/or place more emphasis on divisional strategic or safety objectives and/or personal objectives. LTIP awards are also granted to selected senior managers to incentivise and reward them for delivering long-term value for the Company and its shareholders.

Measures for bonus arrangements across the Group are based on different measures depending on the nature of the business unit, and typically, outcomes were between target and maximum.

In addition to this, the Group operates a number of support packages for colleagues such as access to hardship loans, employee discounts and financial education webinars, in addition to wider health and wellbeing support through the provision of apps and seminars.

We were pleased, despite challenges, that many of our colleagues recognise the progress made toward the 'Employer of Choice' Evolve outcome, with a positive group-wide ENPS score of +7. This followed the roll-out of a new people strategy in 2022, "Being part of the future today", with 3 pillars at its heart – 'Embrace' (our approach to Equality, Diversity and Inclusion), 'Energise' (our approach to creating an inspiring, energetic culture that our colleagues want to be part of) and 'Elevate' (our approach to career and self-development). The Committee was pleased that the efforts made during 2022 on people initiatives were recognised by the Workforce Disclosure Initiative in their Workforce Transparency Awards, winning the "Most Improved" category along with being specially mentioned in the "Workforce Action' category.

Remuneration Committee Report continued

1. Remuneration Policy for Executive Directors

The table below sets out an abridged version of the Remuneration Policy for the Company which was approved by shareholders at the 2021 AGM. The Policy took effect from the date of approval and is intended to apply until the 2024 AGM.

The full Directors' Remuneration Policy can be found within the Governance section of the National Express website.

Element and link to strategy	Operation	Maximum opportunity and performance conditions
Base salary – To recruit, reward and retain Executive Directors of a suitable calibre for the role and duties.	Salaries for Executive Directors are reviewed annually by the Remuneration Committee with effect from 1 January. Reviews cover individual performance, experience, development in the role and market comparisons.	When reviewing Executive Directors' salaries, consideration will always be given to the general performance of the Company and the approach to employee pay across the Group. Therefore, salary increases will not normally exceed the general employee increase. Larger increases may be necessary in exceptional circumstances. No increase will exceed 10% above RPI in any one year, except for internal promotion or where the Executive Director's salary is below the market level.
Pension – To provide fair benefits, in line with the wider workforce, to allow individuals to work towards saving for retirement.	Executive Directors receive a cash allowance in lieu of a pension provision. Executive Directors' pensions are aligned with those of the majority of the UK workforce (which is currently 3% of salary).	From 1 November 2020, the annual cash allowance payable in lieu of a pension is equal to the wider workforce pension contribution rate.
Benefits – To provide competitive benefits as part of fixed remuneration to enable the Group to recruit and retain high performing Executive Directors.	Executive Directors receive a combination of family private healthcare, death-in-service and life assurance cover (4x base salary), long-term sickness and disability insurance, car allowance, free travel on the Company's services and professional membership subscriptions.	The cost to the Company of providing the benefits may vary from year to year in accordance with market conditions. This will therefore determine the maximum amount that will be paid in the form of benefits to Executive Directors during the Policy period.

Element and link to strategy	Operation	Maximum opportunity and performance conditions
Annual Bonus – To incentivise delivery of near-term performance objectives which are directly linked to the financial, strategic delivery and risk management priorities of the Group.	Performance conditions are a combination of financial and non-financial (including strategic delivery, risk management and personal) objectives set at the beginning of each year. Performance conditions will not be disclosed in advance (except for any numerical safety performance conditions) as the Committee considers this information commercially sensitive. Performance outcomes will be reported retrospectively. 50% of the bonus earned is subject to mandatory deferral into shares for one year from award. The annual bonus includes the ability for the Committee to use its discretion to adjust the bonus outcome if outcomes are not reflective of overall corporate performance and/or individual performance. Malus and clawback provisions also apply during the two-year period post award, including following cessation of employment. Bonus payments are paid following announcement of the Company's audited year end results and are not pensionable.	The maximum bonus award is equal to 200% of base salary for the Group Chief Executive Officer and 150% of base salary for other Executive Directors. The financial performance conditions will typically relate to profit and/or cash generation, are set on an annual basis and are intended to be achievable at threshold and stretching at maximum. The non-financial performance conditions will be set annually based on objectives for the year. These may include safety, operational and business development objectives, customer-related developments or metrics, colleague related developments or metrics, and environmental, social and governance (ESG) developments or metrics, as determined by the Committee on an annual basis. Normally, the proportion of the bonus determined by non-financial performance conditions will only become payable when the Company achieves a threshold level of normalised profit but the Committee has discretion to vary this in appropriate circumstances.
Long-Term Incentive Plan ('LTIP') – to encourage strong and sustained improvements in financial performance, in line with the Company's strategy to align executives to the long-term interest of shareholders.	LTIP awards (in the form of conditional shares, nil cost options or forfeitable shares) are granted annually with vesting subject to the achievement of performance conditions measured over a three-year consecutive financial period commencing with the year of award. An additional two-year holding period for vested shares exists post vesting for the Executive Directors. Dividend equivalents and dividends can be paid on vested shares, in shares, in respect of both the performance and holding periods. Awards are reviewed annually to ensure that grant levels, performance criteria and other features remain appropriate to the Company's current circumstances. The LTIP includes the ability for the Committee to use its discretion to adjust the LTIP outcomes if such outcome is not reflective of overall corporate performance and/or individual performance. Malus and clawback provisions also apply during the two-year period post vesting, including following cessation of employment.	The maximum LTIP award is equal to 200% of base salary, per annum, for all Executive Directors. For FY23 the LTIP awards will have performance conditions relating to EPS, ROCE, TSR and ESG measures. The threshold vesting level will be no more than 25% and may vary by performance condition and from year to year. There is no ability to retest any of the performance conditions. To the extent that legal, regulatory or other investigations or proceedings are ongoing in relation to such an event, the Committee has the discretion to delay the vesting of an LTIP award (in whole or in part) until those investigations or proceedings are completed. The Committee also retains discretion under the LTIP rules to amend existing performance conditions to take account of any events that may arise which would mean in its opinion, if such adjustments were not made, the performance condition would not constitute a fair measure of the Company's performance over the measurement period.

Remuneration Committee Report continued

1.1 Shareholding requirement for Executive Directors

Executive Directors are required to build up a shareholding to a value equal to 200% of base salary over a five-year period commencing from the later of the 2021 AGM or their date of appointment. Compliance with this requirement is a condition of continued participation in the Company's LTIP and other equity incentive arrangements.

A shareholding requirement will continue to apply to an Executive Director after the cessation of employment.

Only shares derived from the 2021 LTIP awards and other share awards granted after the Policy comes into effect will be included in the post-cessation shareholding requirement. Shares held by an Executive Director prior to the Policy coming into effect or vesting under an award granted to an Executive Director prior to the Policy coming into effect (other than the 2021 LTIP award), and shares independently acquired by an Executive Director will not be included.

1.2 Performance conditions under the annual bonus and LTIP

Performance measures for the Annual Bonus are selected annually to align with the business goals for the year. 'Target' performance is typically set in line with the business plan for the year. If the Committee materially changes the LTIP performance conditions within the life of the Policy, it will consult with shareholders in advance on the changes to be made and the reasons for doing so.

1.3 Malus and clawback provisions

Executive Directors' annual bonus awards and LTIP awards are subject to malus and clawback provision and will be applied in the following circumstances:

- the discovery of a material misstatement resulting in an adjustment in the audited consolidated accounts of the Company for a period that was wholly or partly before the end of the period over which the performance target applicable to an award was assessed (or was due to be assessed);
- the discovery that the assessment of any performance target, measure or condition in respect of an award was based on error, or inaccurate or misleading information;
- the discovery that any information used to determine any performance target, measure or condition in respect of an award (or to determine the number of shares over which an award was granted) was based on error, or inaccurate or misleading information;
- there is action, inaction or conduct of an award holder which, in the reasonable option of the Committee, amounts to fraud or gross misconduct;
- there is action, inaction or conduct of an award holder which has had a significant detrimental impact on the reputation of the Company; or
- the Company becomes insolvent or otherwise suffers a corporate failure in connection with which the value of the Company's shares is materially reduced, provided the Committee is satisfied after due investigation that the award holder should be held responsible (in whole or in part) for that insolvency or corporate failure.

1.4 Previous arrangements

For the avoidance of doubt the Committee holds the authority to honour any outstanding commitments (subject to existing terms, conditions and plan rules, as applicable) entered into with current or former Directors (as previously disclosed to shareholders) before this Policy took effect or before they became a Director.

1.5 Executive Directors' service agreements

The Executive Directors have service agreements with the Company and the table below shows the dates of those agreements and the relevant notice period to be provided by the parties to them in normal circumstances:

Executive Director	Date of service agreement	Date of appointment	Notice period from Company	Notice period from Director
Ignacio Garat	11.10.20	01.11.20	12 months	6 months
Chris Davies	17.01.17	10.05.17	12 months	6 months
James Stamp	27.10.22	01.11.22	12 months	6 months

As stated in previous Annual Reports, Ignacio Garat's notice was extended from 6 months to 12 months effective from 1 May 2021. The Committee regularly reviews its policies on executive remuneration and severance in the best interests of shareholders. Guidance on best practice expectations is taken into account prior to agreeing Executive Directors' contractual provisions.

Chris Davies departed on 1 November 2022, and was replaced by James Stamp.

1.6 Approach to the remuneration of newly appointed Executive Directors

When determining the remuneration arrangements for a newly appointed Executive Director, the Committee will take into consideration all relevant factors to ensure that arrangements made are in the best interests of both the Company and its shareholders.

The Committee will generally seek to align the remuneration of any new Executive Director following the same principles as for the current Executive Directors.

The Committee may also make awards on the appointment of an Executive Director to 'buy out' remuneration arrangements being forfeited by the individual on leaving a previous employer. Awards made by way of compensation for forfeited awards would be made on a comparable basis, taking account of performance conditions and achievements (or likely achievements), the proportion of the performance period remaining and the form of the award.

Annual Report on Remuneration

Statement of implementation of current Directors' Remuneration Policy in 2023

(a) Executive Directors' fixed remuneration

As set out in the Chair's letter, Ignacio Garat's salary increases by £25,000 for 2023 to £600,000, but he has declined to receive the cash value of this increase, including the associated impact on his pension allowance. As a result, base salary payments are to remain the same for the year commencing 1 January 2023.

Ignacio Garat, Group Chief Executive Officer	£575,000
James Stamp, Group Chief Financial Officer	£425,000

Pension and benefits will operate in line with the Directors' Remuneration Policy.

(b) Executive Directors' annual bonus

Executive Directors' annual bonuses for the 2023 financial year will provide a maximum opportunity of 200% and 150% of salary for the CEO (based on the new salary of £600,000) and CFO (£425,000) respectively.

Performance will be assessed by reference to the following performance measures, with weightings indicated in brackets:

- Financial, Group Profit before Tax (50%)
- Financial, Group Free Cash Flow (25%)
- Group Safety, Fatalities Weighed Injuries (FWI) Index score (15%)
- Personal Objectives, Strategic and Risk (10%)

A zero responsible fatality underpin will also apply to the full 15% safety element.

When considering the bonus structure and setting the bonus targets for 2023, the Committee has taken into account:

- The need to continue to set robust and stretching targets, especially in the context of the CEO's increased bonus opportunity.
- The need to ensure that annual bonus measures and targets fully align to the business strategy.
- That both profit before tax and free cash flow are key financial measures of the overall financial performance of the business and linked directly to our financial KPIs – see page 25. The Committee is keen to ensure that Executive Directors are focused on driving growth in profit in order to generate higher and sustainable returns for our shareholders and provide the platform for further growth for all our stakeholders including our employees, our customers and our partners.
- The importance of safety to the Group and all its stakeholders. On-target FWI performance has been set as equal to or better than the Group's normalised four-year average FWI score (excluding 2020), with maximum payout requiring performance that is equal to or better than the Group's best normalised FWI score in the last four years (excluding 2020).
- Personal objectives have been specifically selected in order to drive recovery following the impact of the pandemic, drive delivery of the Evolve strategy and position the business for future growth.

The Committee will disclose the exact targets, the threshold to maximum performance ranges and the strategic and risk management objectives (which are considered commercially sensitive), and the actual performance against these financial targets and the non-financial bonus objectives, in next year's report.

(c) Executive Directors' 2023 Long-Term Incentive Plan (LTIP) awards

Executive Directors' LTIP grants for the 2023 financial year will provide a maximum opportunity of 200% of salary for the CEO (£600,000)and 150% of salary for the CFO (£425,000). In the event that the share price at the time of grant is less than 185p (a 23% reduction on the price at the time of the 2022 grant) the Committee will scale back grants to all recipients. The Committee will also include a provision that it will assess if there has been a windfall gain following the granting of awards. Performance measures are unchanged from the 2022 LTIP awards. The targets are as follows:

Performance condition	Weighting	Threshold (25% vesting for TSR and EPS, 0% for others)	Target (50% vesting)	Maximum (100% vesting)
TSR[1] vs. FTSE 250 Index	25%	Median	–	Upper quintile
EPS[2,3]	25%	21.6p	24.0p	26.4p
ROCE[2,4]	25%	9.0%	10.5%	12.5%
tCO_2e / million passenger km[5]	12.5%	-5.0%	-5.5%	-6.0%
ZEV transition[6]	12.5%	2,000	2,200	2,400

1 For TSR measures, straight-line vesting will occur between threshold and the maximum level of performance
2 For EPS, ROCE and ESG measures, straight-line vesting will occur between threshold and target, and between target and maximum levels of performance
3 EPS is fully diluted underlying earnings per share in 2025
4 ROCE is return on capital employed in 2025
5 Calculated as reduction in measure as at the end of measurement period vs YE 2022 baseline
6 Measured as the absolute number of vehicles in service, or on order, at the end of the measurement period

Remuneration Committee Report continued

Following a review of the approach to the TSR peer group, the Committee determined that in line with the 2022 LTIP, the 2023 LTIP award will be subject to a single TSR condition, relative to the FTSE 250 Index only.

The 2023 LTIP EPS performance range has been set in accordance with long-term financial guidance set out by the Group, which includes a target to achieve significantly more than £100m EBIT in 2027 compared to 2022.

The 2022 LTIP ROCE performance range (threshold at 9%, 10.5%, maximum at 12%) increased from that of previous LTIP awards where both the 2020 and 2021 LTIP awards adopted a threshold of 8%, on-target of 9% and maximum at 11%. The 2023 LTIP is consistent with the 2022 LTIP at threshold and target but has a higher maximum at 12.5%. This reflects the ambitions of the Evolve strategy to grow profit and cash whilst also containing the balance sheet impact from the ambitious zero emission fleet transition targets.

Recognising the 'Environmental leader' outcome of Evolve, the Committee reviewed the ESG measures to ensure they are appropriate. During consultation with shareholders at the start of 2022 and 2023, many highlighted their desire for ESG measures to remain a key part of Executive Directors' overall remuneration but also emphasised a desire that any metrics remain objective, measurable and stretching. The Committee concluded that the overall weighting of the ESG element, 25% of the total award, along with the two constituent measures, was appropriate.

The Committee continues to review best practice in this area and evolve the incorporation of ESG measures into variable remuneration arrangements.

In the event that the share price at the time of grant is less than 185p (a 23% reduction on the price at the time of the 2022 LTIP grant) the Committee will scale back grants to all recipients. The Committee will also include a provision that it will assess if there has been a windfall gain following the granting of awards.

The performance conditions will be measured over the three-year financial period ending 31 December 2025, awards will be subject to a compulsory two-year holding period post vesting and malus and clawback will apply for two years from the date of vesting, including post termination of employment. Dividend equivalent entitlements will attach to any vested shares over the vesting period and during the holding period while options remain unexercised and will be satisfied in shares rather than cash.

(d) Chair's and Non-Executive Directors' 2023 fees

Non-Executive Director fees will operate in line with Directors' Remuneration Policy.

With effect from 1 January 2023, the Committee determined for the Chair, and the Board determined for the Non-Executive Directors, that there would be no change to fee levels, which would remain as follows:

Role	Fees (gross)
Chair	£259,32
Senior Independent Director (additional fee)	£11,000
Non-Executive Director (base fee)	£56,000
Committee Chair (additional fee)	£12,000

Non-Executive Directors' dates of appointment and notice periods

The current Chair's and Non-Executive Directors' dates of appointment and current notice periods are shown in the table below.

Director	Date of appointment	Notice period from either party (months)
Sir John Armitt (left)	01.01.13	3
Jorge Cosmen	01.12.05	1
Matthew Crummack	06.05.15	1
Mike McKeon	03.07.15	1
Karen Geary	01.10.19	1
Ana de Pro Gonzalo	01.10.19	1
Carolyn Flowers	01.06.21	1
Helen Weir	01.10.22	3

The letters of appointment for the Chair and the Non Executive Directors, together with the service agreements for the Executive Directors, are available for inspection at the Company's registered office.

Helen Weir's fee received during her period as Chair Designate from 1 October 2022 to 31 December 2022 was £56,000 per annum pro-rated.

Annual Report on Remuneration (Audited Information)

2. Single total figure of remuneration for Executive Directors

The table directly below sets out the single total figure of remuneration and breakdown for each Executive Director who served during the financial year ended 31 December 2022 (with comparative figures provided for 2021). The subsequent information and tables in this section 2 give more detail on various elements of the Executive Directors' remuneration.

£'000		Base salary[1]	Benefits[2]	Pension allowance	Total fixed remuneration	Annual bonus[3]	Vested LTIPs[4]	Total variable remuneration	Total
Ignacio Garat	**2022**	**575**	**31**	**17**	**623**	**595**	**0**	**0**	**1,218**
	2021	575	48	17	640	410	0	410	1050
Chris Davies[5]	**2022**	**354**	**11**	**89**	**454**	**0**	**0**	**0**	**454**
	2021	425	13	106	544	303	0	303	847
James Stamp[5]	**2022**	**71**	**2**	**2**	**75**	**75**	**23**	**0**	**173**
	2021	–	–	–	0	–	–	0	0

1 The 2022 base salaries of Mr Davies and Mr Stamp reflects the period served as a Director during 2022

2 Benefits comprise the gross of tax value of car allowance and private medical insurance. Benefits for Mr Garat also include the reimbursement of the cost of preparation of Mr Garat's UK and Spanish tax returns

3 Full disclosure of the annual bonus amounts and delivery mechanism are set out in section 2(a) Annual bonus below

4 Mr Garat did not receive a 2020 LTIP award as he joined the Company after grant. Vested LTIP for Mr Stamp reflects the 2020 LTIP grant made to him in the period prior to becoming CFO

5 Mr Stamp became an Executive Director from the date of appointment as interim CFO, 1 November 2022; on this date Mr Davies stood down from the Board and left the Group

(a) Annual bonus

The table below summarises the 2022 bonus potential for the Executive Directors that the Remuneration Committee set for 2022.

	Weighting	At threshold performance (% of salary)	At target performance (% of salary)	At maximum performance (% of salary)
Potential bonus in respect of financial objectives	75%	0%	56.25%	112.5%
Potential bonus in respect of safety objectives	15%	0%	11.25%	22.5%
Potential bonus in respect of personal objectives	10%	0%	7.5%	15%
Bonus potential for 2022	**100%**	**0%**	**75%**	**150%**

It was a pre-condition to the award of any element of the 2022 bonus, that the Committee was satisfied that a significant negative event had not occurred, and there was no material adverse impact on either the reputation of the Company or its share price as a result of the systematic failure of management to put in place and operate effective safety processes (the 'safety underpin'). The Committee determined that no significant negative event or material adverse impact had occurred.

In addition, 50% of the bonus earned is subject to mandatory deferral into shares for one year from award (as per the Remuneration Policy (see page 147).

Remuneration Committee Report continued

(i) 2022 bonus out-turn

The formulaic out-turn of Executive Directors' bonuses was 69.0% of maximum for the CEO and 70.2% of maximum (before pro-rating) for the CFO. As outlined in the Committee Chair's statement, the Committee was comfortable that the formulaic outcome provided an accurate reflection of financial and non-financial performance achieved during the year, and therefore no adjustments were applied to the formulaic bonus out-turn.

Mr Davies was not eligible to receive a bonus in respect of 2022 due to his departure from the business. In line with Mr Davies, Mr Stamp's bonus opportunity was 150% of salary, pro-rated for time spent on the Board. The measures on which this was based were the same as Mr Davies, other than personal objectives which are set out below.

	2022 salary	Bonus opportunity (% of salary)	Formulaic outcome (% of max)	Formulaic outcome (£'000)
CEO	£575,000	150%	69.0%	£594,940
CFO	£425,000	150%	70.2%[1]	£76,565

1 Reflects full-year equivalent - amount received after pro-rating, to reflect period since appointment, is 11.7%.

In line with the approved Remuneration Policy, 50% of all bonus payments will be deferred in to shares for one year (see page 147).

(ii) 2022 bonus performance conditions

The following table sets out performance conditions that were attached to Executive Directors' 2022 bonus and the associated outcomes.

Category	Measure	Threshold	Target	Max	Weighting	Outcome achieved	Bonus Achieved
Financial[1]	Group profit before tax (£m)	133.8	148.7	153.5	50%	145.9	20.2%
	Free cash flow (£m)	106.9	118.8	130.7	25%	160.5	25.0%
Safety	FWI	Zero Responsible Fatality	0.006	0.003	15%	0.003	15.0%
Personal (CEO)					10%	See below	8.8%
Personal (CFO)					10%	See below	10.0%
			CEO formulaic 2022 bonus outcome (% of maximum)				69.0%
			CFO formulaic 2022 bonus outcome (% of maximum)				70.2%

1 Consistent with previous years and associated disclosures, the Group Underlying Profit Before Tax and free cash flow targets are adjusted to align the method of calculation to the basis on which the performance outturn is calculated. The original Group Underlying Profit Before Tax target was set at £140.6m. After adjustment to reflect foreign exchange movements and variances in acquisition investment (compared to budgeted levels), the revised target was £148.7m, with the threshold and maximum amounts adjusted accordingly. The original Group free cash flow target was £114.0m. After adjustment to reflect foreign exchange movements and timing of capital expenditure payments (to align with the budgeted assumptions), the revised target was £118.8m, with the threshold and maximum amounts (set at -/+ 10% of the target) adjusted accordingly.

	Personal performance objectives (10% of maximum total weighting)	Performance against objective
CEO	**Embed & Execute Evolve Strategy** • Ensure purpose, outcomes & KPIS of our Evolve Strategy are cascaded and embedded throughout the Company. • Implement the first global engagement survey with 65% participation rate & build effective action plan to ensure our culture and environment supports Employer of Choice	**Fully Met** • Evolve launch event with Senior Leadership Team (SLT) followed by regular monthly cadence of SLT sessions to embed, in addition to divisional launch events with leaders completed in Q1 2022. • First global engagement survey completed with participation significantly ahead of target (completion 12% over and above) • 3 'E's People Strategy developed & launched to SLT.
	Drive North America Recovery • Improve the driver shortage in NA by reducing open vacancies & stabilising retention	**Partially Met** • Recruitment process re-engineered (including additional recruiters hire) to improve candidate time-to-apply. • Best year for recruitment in North America. • Strong progress made on driver shortage with retention levels returning to pre pandemic levels. • Overall encouraging base to continue progress in 2023
	Build a High Performing Executive Team • Review the Executive Team and develop skills to create a High Performing Team to drive business results.	**Fully Met** • Significant key hires in the format of Chief Information Officer and General Counsel/Company Secretary. • Team profiling completed with external 3rd party in addition to regular executive group development sessions, with associated roll-out of psychometric profiling from same 3rd party to top 200 leaders globally. • Refreshed approach to executive meetings infrastructure, cadence and structure.
CEO Bonus achieved (out of 10% of maximum)		**8.8%**
CFO	**Successfully Complete Induction & Transition Plan** • Successfully completed induction and transition plan with outgoing CFO – support the Q3 Trading Statement process and announcement. • Meet key shareholders to build engagement. • Meet key analysts to build engagement. • Build relationship & engagement with Audit Chair.	**Fully Met** • Induction & transition plan completed. • Led the Q3 trading process with the outgoing CFO supporting the process. • Met key shareholders. • Met key analysts • Induction meetings/time spent with Audit Chair to build relationship over important period
	Develop & Deliver 2023 Budget Process & Plan • Drive Budget Planning Process with Divisional & Functional Budgets • Set Budget Planning Principles • Present Plan to the Board & gain approval for 23 plan	**Fully Met** • Plan for 2023 completed and approved by the Board.
	Build High Performing Finance Function • Fill key vacancy gaps within Group Finance Team.	**Fully Met** • Significant recruitment activity completed with a number of key senior finance roles in place filled by experienced, credible candidates including Group Financial Controller/ Deputy CFO, Financial Planning & Analysis Director and Investor Relations Director
CFO Bonus achieved (out of 10% of maximum)		**10%**

Remuneration Committee Report continued

(b) Long-Term Incentive Plan (LTIP) vesting and awards
(i) LTIP awards vesting in 2023

The three-year LTIP awards granted to Executive Directors in 2020 are scheduled to vest in March 2023 as the measurement period relating to them ended on 31 December 2022. The formulaic out-turn was 10% of maximum. As outlined in the Committee Chair's statement, the Committee was comfortable that the formulaic outcome provided an accurate reflection of financial and non-financial performance achieved during the performance period. Whilst there are many factors that could have been taken into account to adjust the formulaic outcome, the Committee did not feel it was appropriate to make any such adjustments in light of the shareholder experience during this period.

All inflight awards held by Chris Davies, including the LTIP award granted in 2020, lapsed on his departure.

Details of the performance conditions attaching to the 2020 LTIP awards, which were granted as nil cost options, and the extent to which they have been met, are set out in the table below:

Performance condition	Weighting	Threshold (25% vesting for TSR and EPS, 0% for ROCE)	Target (50% vesting)	Maximum (100% vesting)	Actual	Percentage vesting
TSR[1] vs. FTSE 250 Index	12.5%	Median	–	Upper Quintile	Below Median 202 out of 221 companies	0%
TSR[1] vs. Bespoke Index[2]	12.5%	Equal to Index	–	≥ Index + 10% p.a.	Below Index	0%
EPS[3, 4]	25%	37.6p	39.8p	43.3p	15.0p	0%
ROCE[3, 5]	25%	8%	9%	11%	3.2%	0%
tCO_2e/million passenger km	15%	4.6% reduction in tCO_2e/ million passenger km by 2022 relative to 2019 base year	5.4% reduction in tCO_2e/ million passenger km by 2022 relative to 2019 base year	6.2% reduction in tCO_2e/ million passenger km by 2022 relative to 2019 base year	+40.3%	0%
UK zero emissions vehicles	10%	200 additional zero emission vehicles in service or on order by 31 December 2022	240 additional zero emission vehicles in service or on order by 31 December 2022	300 additional zero emission vehicles in service or on order by 31 December 2022	324	100%
Total vesting						10%

1 For TSR performance measures, straight-line vesting occurs between threshold and maximum performance

2 The Bespoke Index comprised three other UK-based passenger transport groups: FirstGroup PLC; Stagecoach Group PLC; and Go-Ahead Group PLC

3 For EPS and ROCE performance measures, straight-line vesting occurs between threshold and target performance, and between target and maximum performance

4 Actual EPS is the fully diluted underlying earnings per share in the last year of the performance period

5 Actual ROCE is the average return on capital employed over the three-year performance period

(ii) Vesting details

The table below shows details of the 2020 LTIP nil cost option award:

Executive Director	Number of shares over which option was awarded	Number of shares scheduled to vest	Amount of award to vest	Amount of award to vest attributed to share price appreciation	Cash dividend payable on vesting
James Stamp	142,781	14,278	£23,299	(£25,043)	0

1 James Stamp received an LTIP grant during 2020 prior to joining the Board. The amount of the 2020 LTIP award to vest to Mr Stamp, and the part of that amount attributable to share price appreciation, are estimated based on the Company's average share price over the three months to 31 December 2022 (of 163.09p per share). The actual amount, which will be determined by reference to the Company's share price at the relevant vesting date in 2023, will be set out in next year's report

(iii) LTIP awards granted in 2022

Details of LTIP awards granted to Executive Directors in 2022 are set out in the table below:

Executive Director	Grant Date	Number of shares awarded[1]	Award type	Award amount	Face value of award £'000	Performance period	Performance conditions
Ignacio Garat	21.03.2022	478,369	Nil cost option	200% of base salary	1150	01.01.22–31.12.24	See below
Chris Davies[3]	21.03.2022	265,183	Nil cost option	150% of base salary	637.5	01.01.22–31.12.24	
James Stamp	21.03.2022	201,581	Nil cost option	150% of base salary	484.6	01.01.22–31.12.24	

1 The number of shares subject to the LTIP awards was determined by dividing the award amount, being the relevant multiple of the Executive Directors' base salaries, by the Company's MMQ share price on the last business day preceding the date of grant, being 240.4p on 18 March 2022

2 The face value of the LTIP awards is the number of (adjusted) Company shares over which awards were made multiplied by the Company's MMQ share price on the last business day preceding the date of grant, being 240.4p on 18 March 2022

3 Mr Davies' LTIP award granted in 2022, lapsed in full when he left the Company

(iv) Performance conditions attaching to 2022 LTIP awards

Performance condition	Weighting	Threshold (25% vesting for TSR and EPS, 0% for others)	Target (50% vesting)	Maximum (100% vesting)
TSR[1] vs. FTSE 250 Index	25%	Median	–	Upper quintile
EPS[2]	25%	21.7	24.9	26.5
ROCE[2]	25%	9%	10.5%	12%
tCO_2e / million passenger km[2]	12.5%	8.4% reduction in tCO_2e/ million passenger km by 2023 relative to 2019 base year	9.0% reduction in tCO_2e/ million passenger km by 2023 relative to 2019 base year	9.6% reduction in tCO_2e/ million passenger km by 2023 relative to 2019 base year
Fleet transition[2]	12.5%	400 additional zero emission vehicles in service or on order by 31 December 2024	600 additional zero emission vehicles in service or on order by 31 December 2024	1,000 additional zero emission vehicles in service or on order by 31 December 2024

1 For TSR performance measures, straight-line vesting occurs between threshold and maximum performance

2 For EPS, ROCE and ESG performance measures, straight-line vesting occurs between threshold and target performance, and between target and maximum performance

Vested shares (except those granted to Mr Stamp's award which was granted before he was appointed to the Board) will be subject to a compulsory two-year holding period and malus and clawback will apply for two years from the date of vesting, including post termination of employment. Dividend equivalents are payable in cash on vested shares over the vesting period and during the holding period while options remain unexercised.

(v) Executive Deferred Bonus Plan (EDBP)

The table below sets out the awards under the 2022 EDBP in the form of forfeitable shares in the Company which were granted to the Executive Directors on 17 March 2022 and relate to the one-year deferred element of their bonuses for the financial year ended 31 December 2021. No awards were made under the EDBP in 2021, as no bonus was paid to the Executive Directors in respect of the financial year ended 31 December 2020, which means no EDBP awards vested in 2022.

As set out in the 2021 Report, over and above the deferral requirements set out in the Policy (50% of the total bonus being deferred into shares for one year), for the bonus payable in respect of 2021, the additional amounts (net of tax) were used to buy shares by the Executive Directors (55,440 by Mr Garat and 33,802 by Mr Davies) which will be held for three years. In addition, shares that vest from the EDBP award will be held for a further two years to meet these obligations.

The table below details those awards subject to mandatory deferral under the Policy.

Remuneration Committee Report continued

Executive director	As at 1 January 2022	Vested 18 March 2022	Granted in 2022	Lapsed	As at 31 December 2022	Market price at date of vesting	Date of grant
Ignacio Garat	–	–	86,315	–	86,315	–	17.03.22
Chris Davies[1]	–	–	63,798	63,798	–	–	17.03.22
James Stamp	–	–	–	–	–	–	–

3 Mr Davies' EDBP award lapsed in full when he left the Company

3. Single total figure of remuneration for Non-Executive Directors

The table below sets out the single total figure of remuneration (fees) for the Non-Executive Directors who served during the financial year ended 31 December 2022 (with comparative figures provided for 2021):

Non-Executive Director	2022 fees £'000	2021 fees[1] £'000
Sir John Armitt (Chair)	**259**	260
Jorge Cosmen (Deputy Chairman and Nominations Committee Chair from 4 November 2020)[1]	**68**	68
Matthew Crummack (Senior Independent Director from 3 April 2020)	**67**	67
Mike McKeon (Audit Committee Chair)	**68**	68
Ana de Pro Gonzalo (Independent Non-Executive Director)	**56**	56
Carolyn Flowers (Independent Non-Executive Director from 1st June 2021)[2, 3]	**70**	35
Karen Geary (Remuneration Committee Chair from 3rd December 2021)[4]	**68**	57
Helen Weir (Chair Designate)[5]	**14**	–

1 When Mr Cosmen assumed the chairmanship of the Nominations Committee from 4 November 2020, he waived any additional fee for acting as chair of the Nominations Committee

2 Carolyn Flowers joined the Board on 1 June 2021 so her 2021 fee reflects the pro-rated proportion of her annual base fee for the year. Her 2022 fee reflects a full year base fee, plus a pro-rated Committee Chair fee reflecting her appointment as Chair of the Sustainability Committee in May 2022

3 A travel allowance is also paid to Carolyn Flowers for each Board meeting or other Board-related matter she attends outside the North American continent, in an amount per such meeting or matter of £1,000. For 2021, Ms Flowers received £6,000 in respect of this allowance in addition to her base fee

4 Karen Geary was appointed as Remuneration Committee Chair in December 2021 and as such, her 2021 fees include a pro-rated element of this fee for one month only

5 Helen Weir's fee received during her period as Chair Designate from 1 October 2022 to 31 December 2022 was £56,000 per annum pro-rated

4. Payments to past Directors and payments for loss of office

(a) Payments to past Directors

No payments were made to past Directors during or in respect of the financial year ended 31 December 2022.

(b) Payments for loss of office

No payments were made to any former Directors for loss of office during or in respect of the financial year ended 31 December 2022.

5. Statement of Directors' shareholdings and share interests

(a) Executive Directors' interests in shares

Details of the Executive Directors' and their connected persons' beneficial interests in the Company's shares, and of the Executive Directors' other interests in shares, as at 31 December 2022 (or in the case of Chris Davies on his departure date of 1 November 2022) are shown in the table below:

	Shares held directly			Other share interests	
Executive Director	**Shareholding target (% salary)**	**Shareholding value (% salary)[1]**	**Beneficially owned**	**Forfeitable shares held under the EDBP not subject to performance conditions**	**Outstanding LTIP share option awards subject to performance conditions**
Ignacio Garat	200%[2]	33.43%	61,540	86,315	845,312
James Stamp	200%[3]	5.27%	17,223	–	498,989
Chris Davies[4]	n/a	n/a	301,833	–	–

1 The Company's closing share price of 130.00p as at 31 December 2022 has been used for the purposes of this calculation and has been applied to the beneficially owned shares in arriving at the shareholding value as at 31 December 2022

2 Mr Garat's current shareholding requirement applies to the five-year period commencing from the later of the approval of the Directors' Remuneration Policy or his date of appointment and therefore Mr Garat has until 12 May 2026 to reach his shareholding requirement

3 Mr Stamp's current shareholding requirement applies to the five-year period commencing from the later of the approval of the Directors' Remuneration Policy or his date of appointment and therefore Mr Stamp has until 5 December 2027 to reach his shareholding requirement

4 Mr Davies ceased to be an Executive Director on 31 October 2022, which is the date as at which his beneficial shareholdings are shown. No shareholding requirement applies to him post-termination of employment but certain shares he holds as a result of the previous vesting of LTIP awards remain subject to compulsory holding periods, including post-termination of employment

More information about current and former Executive Directors' interests in forfeitable shares held under the EDBP are set out in section 2bv) above. Pages 128-159 provides more information about current and former Executive Directors' interests in shares under outstanding LTIP awards.

Remuneration Committee Report continued

Share interests

The table below sets out the share awards granted to current and former Executive Directors under the rules of the Company's 2015 LTIP which either vested or lapsed during 2022 or remain outstanding as at 31 December 2022:

LTIP award year/type	Date of grant	Awards held at 01.01.22	During 2022 Granted	During 2022 Exercised/ Eligible for exercise	During 2022 Lapsed	Awards held at 31.12.22	Vesting date	Latest exercise date[1]
Ignacio Garat								
LTIP 3-year	22.03.21	366,943	–	–	–	366,943	22.03.24	22.03.26
LTIP 3-year (Approved CSOP)[2]	22.03.21	9,572[3]	–	–	–	9,572[3]	22.03.24	22.03.26
LTIP 3-year	21.03.22	–	478,369	–	–	478,369	21.03.25	21.03.27
		366,943[3]	**478,369**	**–**	**–**	**845,312[3]**		
James Stamp								
LTIP 3-year	03.04.18	7,766	–	7,766[5]	–	–	03.04.21	–
LTIP 3-year (Approved CSOP)[2]	03.04.18	7,751[3]	–	–	7,751[3, 5]	–	03.04.21	–
LTIP 3-year	15.04.19	114,198	–	–	114,198[6]	–	15.04.22	–
LTIP 3-year	12.03.20	142,781	–	–	–	142,781	12.03.23	12.03.25
LTIP 3-year	22.03.21	154,627	–	–	–	154,627	22.03.24	22.03.26
LTIP 3-year	21.03.22	–	201,581	–	–	201,581	21.03.25	21.03.27
LTIP 3-year (Approved CSOP)[2]	21.03.22	–	12,479[3]	–	–	12,479[3]	21.03.25	21.03.27
		419,372	**201,581**	**7,766**	**114,198**	**498,989**		
Chris Davies								
LTIP 3-year	15.04.19	133,624	–	–	133,624[6]	–	15.04.22	–
LTIP 3-year	12.03.20	162,993	–	–	162,993[4]	–	–	–
LTIP 3-year	22.03.21	271,218	–	–	271,218[4]	–	–	–
LTIP 3-year (Approved CSOP)[2]	22.03.21	9,572[3]	–	–	9,572[3,4]	–	–	–
LTIP 3-year	21.03.22	–	265,183	–	265,183[4]	–	–	–
		567,835	**265,183[3]**	**–**	**833,018[4]**	**–**		

1 Awards vesting under the 2015 LTIP are subject to a two-year exercise period and holding period which run concurrently, save for Mr Stamp's LTIP awards between 2018 and 2022, which are not subject to any holding period as these were granted prior to him being appointed as an Executive Director. Latest exercise dates are shown only for those LTIP awards which have either yet to vest, or which have vested and are yet to be exercised

2 All LTIP awards are granted in the form of nil-cost options, save for LTIP approved CSOP awards which are granted as market value share options with an exercise price per share equal to the share price at grant. Mr Stamp' 2022 CSOP award was granted with an exercise price of 240.4p per share. LTIP approved CSOP awards comply with the requirements of Schedule 4 to the Income Tax (Earnings and Pensions) Act 2003 and can be exercised by way of effective set-off against any shares vesting under the corresponding LTIP award

3 Due to the effective set-off arrangements explained in the note above, the number of shares subject to LTIP approved CSOP awards are not counted in the total number of awards held as this would result in a double-count

4 Mr Davies' 2020, 2021 and 2022 LTIPs (and related 2021 CSOP award) lapsed in full on his leaving the Company on 31 October 2022

5 Mr Stamp's 2018 LTIP award vested on 3 April 2021 and was exercised on 18 March 2022 (when his associated 2018 CSOP lapsed due to the share price at vesting being lower than the exercise price). Mr Stamp sold sufficient shares to satisfy his tax liabilities arising on such exercise. The share price on exercise was 235.72p per share

6 The 2019 LTIP lapsed in full with no vesting as a result of performance conditions not being met

(b) Non-Executive Directors' interests in shares

The details of the Non-Executive Directors' and their connected persons' interests in shares, for current Non-Executive Directors as at 31 December 2022, all of which are held beneficially, are shown in the table below:

Non-Executive Director	Beneficially owned
Sir John Armitt	27,937
Jorge Cosmen	47,826
Matthew Crummack	18,844
Mike McKeon	20,869
Ana de Pro Gonzalo	4,347
Carolyn Flowers	10,000
Karen Geary	14,347
Helen Weir	31,000

1 Neither Jorge Cosmen nor his connected persons are now sufficiently closely connected with any of the Cosmen family companies which hold shares in the Company (including European Express Enterprises Ltd which is a major shareholder in the Company) for such family companies' shareholdings to be considered his or his connected persons' interests in Company shares

(c) Other information

The Register of Directors' interests maintained by the Company contains full details of the Directors' holdings in shares and options over shares in the Company.

The closing price of a Company ordinary share at 31 December 2022 was 130.00p (2021: 257.20p) and the range during the year ended 31 December 2022 was highest 284.20p to lowest 127.10p per share.

(d) Changes since year end

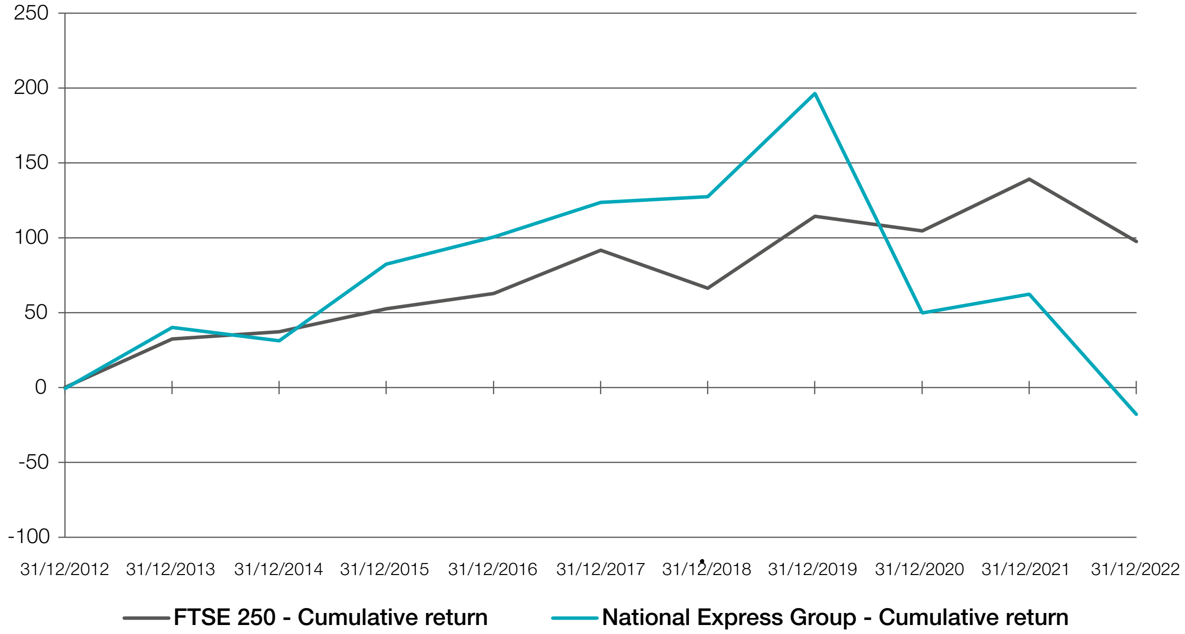
There have been no changes in current Directors' shareholdings between 31 December 2022 and the date of this Report.

Remuneration Committee Report continued

6. Comparison of overall performance

The graph below shows a comparison of the Company's cumulative total shareholder return (i.e. share price growth plus dividends paid) and annual return against the FTSE 250 Index over the last 10 years. The FTSE 250 Index has been selected as the Company is a constituent of that Index.

Shareholder returns (%) – 10-year history



Source: Refinitiv Eikon Datastream

7. Context of Director pay

The following table sets out the actual percentage changes between 2019 and 2022 for certain elements of the remuneration for the persons who served as Directors during 2022, compared with the average percentage change in those same elements of remuneration for the Company's employees. It also sets out, by way of voluntary disclosure, a comparison with the Group's whole UK employee population as this provides a more meaningful comparison in view of the fact that the Company itself only employs a small proportion of the Group's employees.

The elements of each Executive Director's remuneration included in the table below comprise base salary, benefits and annual bonus calculated in the same way as in the single total figure of remuneration table on page 151. The Chairman and Non-Executive Directors' fees included in the table below are calculated in the same way as in the single total figure of remuneration table on page 156.

	Actual/Average percentage increase/(decrease) from 2019 to 2020			Actual/Average percentage increase/(decrease) from 2020 to 2021			Actual/Average percentage increase/(decrease) from 2021 to 2022		
	Base salary/fees	Benefits[1]	Performance related bonus[2]	Base salary/fees	Benefits[1]	Performance related bonus[2]	Base salary/fees	Benefits[1]	Performance related bonus[2]
Ignacio Garat, current CEO	n/a	n/a	n/a	499.0%[1]	200.6%[1]	100.0%[2]	0%	-35.4%	45.1%
Chris Davies, (previous CFO)	(0.8)%	0.0%	(100)%	16.1%[3]	0.0%	100.0%[2]	-16.7%	-12.0%	-100%
James Stamp (current CFO)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Sir John Armitt	(5.9)%	n/a	n/a	8.8%[4]	n/a	n/a	0%	n/a	n/a
Jorge Cosmen	0.0%	n/a	n/a	25.9%[4, 5]	n/a	n/a	0%	n/a	n/a
Matthew Crummack	14.8%	n/a	n/a	8.1%[4]	n/a	n/a	0%	n/a	n/a
Mike McKeon	1.5%	n/a	n/a	3.0%[4]	n/a	n/a	0%	n/a	n/a
Ana de Pro Gonzalo	315.4%[7]	n/a	n/a	(5.9)%[4]	n/a	n/a	0%	n/a	n/a
Carolyn Flowers	n/a	n/a	n/a	n/a[8]	n/a	n/a	99.0%[9]	n/a	n/a
Karen Geary	315.4%[7]	n/a	n/a	(5.9)% [4, 6]	n/a	n/a	17.5%[10]	n/a	n/a
Helen Weir	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Company employees	5.7%	(0.09)%	(100)%	4.4%[11]	(8.2%)[12]	100%[2]	7.2%	-1.2%	-12.1%
Company Group UK employees	1.7%[11]	(0.09)%	(100)%	2.3%[11]	(17.0%)[13]	100%[2]	8.5%	4.6%	-10.1%

1 Mr Garat joined in November 2020 and the % increase from 2020 to 2021 reflects this joining date. No increase in base salary was given for 2021

2 No bonuses were awarded for 2020

3 Reflects the salary increase to £425,000 from 1 January 2021 and the salary sacrifice made in April and May 2020, in light of the pandemic

4 The year-on-year increase reflects salary sacrifices made in April and May 2020 in the light of the pandemic

5 Received an additional £12,000 chair fee from 2021

6 Appointed Chair of the Remuneration Committee on 3 December 2021

7 The significant year-on-year percentage increases in the fees payable to Karen Geary and Ana de Pro Gonzalo reflect that they both joined the Company in October 2019 so only received fees for 3 months of the 2019 year

8 Appointed on 1 June 2021

9 Increase reflects the fact Carolyn Flowers joined the Board on 1 June 2021, so her fee reflects the pro-rated proportion of her annual base fee for the year. Her 2022 fee reflects a pro-rated committee chair fee fee associated with her appointment as Chair of the Sustainability Committee in May 2022.

10 Increase reflects the fact Karen Geary was appointed as Remuneration Committee Chair in December 2021 so her 2021 fee reflects only one month as committee Chair

11 No general pay rise in 2020, so increase reflective of some employees taking on additional responsibilities during the year and some impact of salary sacrifices in 2020

12 Driven by the net impact of the cost to the Company of providing certain benefits decreasing and the cost of providing others increasing

13 Driven by the net impact of the cost to the Company of providing certain benefits decreasing and the cost of providing others increasing, and the impact of job role changes and promotions

Remuneration Committee Report continued

8. History of CEO pay

The table below sets out the total remuneration paid to the Chief Executive Officer over the last 10 years, valued using the methodology applied to the single total figure of remuneration:

Year	2013	2014	2015	2016	2017	2018	2019	**2020[1]**	**2020[2]**	**2021**	**2022**
Chief Executive Officer	D Finch	D Finch	D Finch	D Finch	D Finch	D Finch	D Finch	**D Finch**	**I Garat**	**I Garat**	**I Garat**
Single figure total remuneration (£'000)	1,553	1,562	3,661	3,887	4,225	4,318	3,048	**531**	**137**	**1,050**	**1,218**
Annual bonus payment (as % of maximum opportunity)	95%	93%	96%	83.5%	95%	90%	100%	**0%**	**n/a[3]**	**47.5%**	**69.0%**
LTIP vesting level achieved (as % of maximum opportunity)	0%	0%	73.4%	80.8%	86.9%	96%	91.53%	**0%**	**n/a[3]**	**n/a[4]**	**n/a[4]**

1 Mr Finch served as Chief Executive Officer from 1 January 2020 to 31 August 2020

2 Mr Garat served as Chief Executive Officer from 1 November 2020 to 31 December 2020

3 In 2020, Mr Garat was not entitled to any bonus award or LTIP award subject to performance conditions whose final year of performance ended during that year

4 In 2021 and 2022, Mr Garat was not entitled to any LTIP award subject to performance conditions whose final year of performance ended during those years

9. CEO pay ratios

The Committee reviewed the Company's CEO pay ratios and the Group's employee pay policies and practices when formulating the Directors' Remuneration Policy, and is satisfied that the structure and quantum of remuneration for the Executive Directors is appropriate in view of their relative roles and responsibilities.

The following table sets out ratios which compare the CEO's total remuneration in the Company's financial year ended 31 December 2022 to that of the Group's UK employees whose full time equivalent remuneration ranks them at the lower quartile, median and upper quartile of pay for all of the Group's UK employees (together with that data for the Company's previous two financial years):

Year	Methodology	25th percentile (lower quartile) pay ratio	50% percentile (median) pay ratio	75th percentile (upper quartile) pay ratio
2022	**Option A**	**46:1**	**39:1**	**31:1**
2021	Option A	43:1	37:1	31:1
2020	Option A	31:1	26:1	23:1

Option A was used to calculate the pay ratios as it is the most statistically accurate method and the relevant pay data was available to the Company in time for the preparation of this Report. The UK employees at the lower quartile, median and upper quartiles were identified as at 31 December 2022 and their full-time equivalent total remuneration was calculated in respect of the 12 months ended 31 December 2022 on the basis explained further below. The employee at the 25th percentile is employed as a cleaner and the employees at the 50th and 75th percentiles are employed as bus drivers, with their different pay reflecting overtime and different pension contributions.

The CEO's remuneration for 2020 was calculated by:

- combining the total remuneration of the former CEO (Mr Finch) and the new permanent CEO (Mr Garat) as set out in the single total figure of remuneration table on page 114 of the 2020 Annual Report and aggregating that sum with the proportion of Mr Davies' total remuneration as derived from the single total figure of remuneration table on the same page which relates to the two-month period during which he served as interim CEO (including the whole of the fixed salary supplement paid to Mr Davies during that period for acting in that capacity).

The CEO's remuneration for 2021 and 2022 was calculated as per the single total figure, shown earlier.

The total remuneration of the UK employees (including those at the lower quartile, median and upper quartiles) has been calculated using the same methodology as for the CEO's single total figure of remuneration, noting that:

- a large number of the Group's UK employees, such as bus and coach drivers and customer service centre staff, work full time but are paid by the hour (rather than having an annual fixed base salary). Their wages have been calculated as the actual number of hours worked in the year multiplied by the relevant hourly rates of pay applicable during the year; and
- a number of the Group's UK employees work part time. Those who are paid on a salaried basis have had their salaries and benefits grossed up to the full time equivalent salary for their role.

Although similar to the approach used for 2022, for further details on the calculation methodology for previous years please refer to the Annual Report for that year. Note for 2020 and 2021, where the Group's UK employees were placed on furlough during any part of 2021, the amounts actually paid to them have been included, including amounts subsequently reimbursed to the Company and its UK subsidiaries by the UK government under the Coronavirus Job Retention Scheme and topped-up amounts funded by the Company's Group.

The table below shows the CEO's total remuneration and the salary component of that total remuneration and that of each of the UK employees at the lower, median and upper quartiles of the Group's UK employee population for 2022:

Year	Pay data	Group Chief Executive	25th (lower quartile) percentile	50th (median) percentile	75th (upper quartile) percentile
2022	**Salary**	**£575,000**	**£26,475**	**£29,676**	**£35,754**
2022	**Total pay**	**£1,217,953**	**£26,546**	**£31,354**	**£38,962**

The Committee considers that the median pay ratio is consistent with the Company's pay, reward and progression policies. This is because, when setting CEO pay, the Committee has regard to the same core considerations as those taken into account by the UK management team when setting UK employee pay, including the Company's policy to pay market rates of pay that reward employees fairly for work done and that have due regard to individual performance and Company performance where the individual has the ability to influence wider Company performance. The CEO has ultimate responsibility for, and the greatest ability to influence, the Company's performance and returns to shareholders and, to reflect this, a much higher proportion of the CEO's remuneration is comprised of performance-related pay (in the form of an annual bonus and LTIP award vesting) compared with the majority of UK employees. This means that the pay ratios will fluctuate depending on the outcomes of incentive plans each year, reflecting that the CEO's pay was higher in line with the Company's performance and delivery of returns to shareholders, whereas UK employees' pay increased in line with their reduced ability to influence Company performance.

10. Relative importance of spend on pay

The table below sets out the total spend on pay in 2022 compared with distributions made to shareholders in 2022 and the figures for such values in 2021 for further comparison:

Measure	2022 £m	2021 £m	% increase from 2021 to 2022
Overall Group spend on pay including Directors	**1,395.5**	1,156.4	**20.7%**[1]
Profit distributed by way of dividend[2]	**30.6**	–	**100%**

1 Overall Group spend on pay was calculated by aggregating the Group's costs of salaries and wages, social security costs, pension costs and share-based payments for all the Group's employees whether employed in the UK or overseas in the relevant year. For 2021, the figure shown is calculated net of wages and social security costs which were refunded to the Group via UK government furlough and equivalent schemes in other countries in which the Group operates. On a like for like basis, the 2021 figure is £1,277.6, allowing for fx impact and these refunded costs of £54.3m, and the increase from 2021 to 2022 is 9.2%

2 Profit distributed by way of dividend has been used as the comparator measure as it permits a comparison between the Group's annual investment in its employed workforce and its annual cost of returning value to shareholders. In respect of 2021, this amount was zero as no interim or final dividends were paid

Remuneration Committee Report continued

11. Historical results of shareholder voting on remuneration matters

The votes cast on the resolution seeking approval of the Annual Report on Remuneration at the 2022 AGM were as follows:

Resolution	% of votes For	% of votes Against	Number of votes withheld
To approve the Annual Report on Remuneration for the year ended 31 December 2021 (advisory vote only)	94.33	5.67	1,907,416

The votes cast on the resolution seeking approval of the current Policy at the 2021 AGM were as follows:

Resolution	% of votes For	% of votes Against	Number of votes withheld
To approve the Directors' Remuneration Policy (binding vote)	72.57	27.43	27,540,836

[1] A vote withheld is not a vote at law and is not counted in the calculation of votes For or Against a resolution.

12. Retained advisers to the Committee

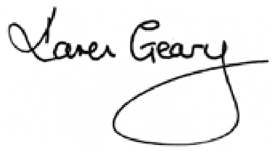
Korn Ferry was appointed as external remuneration adviser to the Remuneration Committee during 2021 following a review of potential advisers by the Committee.

Korn Ferry did not provide any services other than in relation to advising the Remuneration Committee during the year – the Committee is satisfied that no conflict of interest can arise as a result of these services. Korn Ferry has voluntarily signed up to the Remuneration Consultants Group Code of Conduct. In view of these factors, the Committee is satisfied that the advice it receives from Korn Ferry is objective and independent. For the year under review, Korn Ferry received fees of £96,211, which were charged on a time cost basis.

13. Dilution

The Company has permitted share dilution authority reserved to it under the rules of its 2015 Long-Term Incentive Plan (LTIP), as previously approved by shareholders and in line with the Investment Association's guidelines. However, as the Company's funding strategy has been and continues to be to satisfy all outstanding share incentive awards granted under the LTIP (and its other incentive plans) through the delivery of market purchased shares via the Company's Employee Benefit Trust, as opposed to by the issue and allotment of new shares, the Company has not to date used any of its permitted share dilution authority under the 2015 LTIP.

On behalf of the Board



Karen Geary
Remuneration Committee Chair
1 March 2023