

# Directors' Report

The information set out on pages 165 to 170 (inclusive), together with the information referred to below which is incorporated by reference, comprises the Directors' Report for the Company's financial year ended 31 December 2022.

The Company has chosen, in accordance with Section 414(C)(11) of the Companies Act 2006 (as amended), to set out certain information required to be included in this Directors' Report in the Strategic Report. The Company has also set out certain other information required to be included in this Directors' Report in the Corporate Governance Report and the Consolidated Financial Statements. The location of such information is shown in the table below:

Information	Annual Report section	Annual Report page no(s)
Business model and future business developments	Strategic Report	18 and 23
Principal risks and uncertainties	Strategic Report	56 to 61
Fostering relationships with suppliers, customers and others <sup>1</sup>	Strategic Report Corporate Governance Report	66 and 67 109 to 110, 113 and 117
Engagement with and other matters relating to employees <sup>2</sup>	Strategic Report Corporate Governance Report	77 to 79 114 to 116
Financial instruments	Consolidated Financial Statements	244 to 249
Governance matters, including Corporate Governance Statement <sup>3</sup> and a description of the composition and operation of the company's administrative, management and supervisory bodies and their committees	Corporate Governance Report	95 to 164
Description of diversity policies, objectives, implementation, and results	Nominations Committee Report	120 to 122
Internal control and risk management arrangements for financial reporting	Audit Committee Report	128 to 135
Streamlined Energy and Carbon Reporting (SECR) <sup>4</sup>	Additional Information	288

<sup>1</sup> The Company is not obliged to provide this information in accordance with paragraph 11B of Part 4 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended by the Companies (Miscellaneous Reporting) Regulations 2018) (the 'Regulations'). This is because it is exempted in accordance with paragraph 11C of Part 4 of the Regulations as the qualifying conditions are met because the Company, as a holding company, does not have a turnover nor does it have more than 250 employees. However, the Company has voluntarily provided this information

<sup>2</sup> The Company is obliged to provide certain of this information in accordance with paragraph 11 of Part 4 of the Regulations as the Company is the parent company of the Group and the average number of persons employed by the Group within the United Kingdom during the year ended 31 December 2022 was more than 250. It is not however obliged to provide the information in accordance with paragraph 10 of Part 4 of the Regulations as the average number of persons employed by the Company itself does not exceed 250. The Company has therefore voluntarily provided this information

<sup>3</sup> The Company is obliged to make a Corporate Governance Statement pursuant to DTR 7.2. The Company is therefore exempted from the requirements of Part 8 of the Regulations in accordance with paragraph 22(a) of the Regulations

<sup>4</sup> The Company is obliged to provide this information in accordance with Part 7 of Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended by the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018)

This Directors' Report and the Strategic Report together form the Management Report for the purposes of Rule 4.1.8 of the Disclosure Guidance and Transparency Rules.

The relevant information required to be disclosed under Rule 9.8.4 of the Listing Rules is as follows:

Listing Rule	Nature of information	Section and page(s) of Annual Report
LR 9.8.4(12)	Dividend waivers by shareholders	Directors' Report, page 167

# Directors' Report continued

## Company status and branches

National Express Group PLC (the 'Company') is the holding company of the National Express group of companies (the 'Group').

The Company is a public limited company incorporated under the laws of England and Wales. It has a premium listing on the London Stock Exchange main market for listed securities (LON:NEX) and is a constituent member of the FTSE 250 Index.

Neither the Company nor any member of its Group has any branches, save that one of the Company's Spanish subsidiaries, NEX Continental Holdings, S.L.U., has a branch in Portugal, NEX Continental Holdings S.L., Sucursal Em Portugal which was set up in 2021.

## Results and dividends

The Company's and the Group's results for the year ended 31 December 2022 are set out in the Company Financial Statements and the Consolidated Financial Statements on pages 183 to 283.

## Important events since the end of the financial year

There have been no important events which have affected the Company or the Group since 31 December 2022, save for those disclosed in note 40 to the Consolidated Financial Statements.

## Dividends

The Board has recommended a full year dividend for the year ended 31 December 2022 of 5.0 pence per ordinary share (2021: 0.0p). Subject to shareholder approval, the final dividend will be paid on 15 May 2023 to holders of ordinary shares on the register of members at the close of business on 14 April 2023. As the Board did not pay an interim dividend in respect of its financial year ended 31 December 2022, the total dividend for the 2022 year is 5.0p per share (2021: 0.0p).

## Share capital

The Company has a single class of shares in issue in its capital comprising ordinary shares of nominal value 5 pence each, all ranking pari passu. As at 31 December 2022, there were 614,086,377 ordinary shares in issue and fully paid. The rights attached to the ordinary shares of the Company are defined in the Company's Articles of Association (the 'Articles'). Further details about the Company's share capital can be found in note 32 to the Consolidated Financial Statements.

## Share rights, obligations and restrictions on transfer of shares

Shareholders are entitled to participate in dividends paid or declared by the Company and any return of capital made by the Company in proportion to their holdings of ordinary shares in the Company. Shareholders are also entitled to attend and vote at all general meetings of the Company (subject to the powers under Regulation 74 of the Articles which authorise the Company's Chair, Directors or any person authorised by the Directors to take such action as thought fit to secure the safety of people attending the meeting). Every shareholder has one vote on a show of hands and one vote for each ordinary share held on a poll on each resolution put before a general meeting. Electronic and paper proxy appointments, and voting instructions, must be received by the Company's registrar not less than 48 hours before a general meeting.

Shareholders are subject to the obligations set out in the Articles, including the principal obligation to pay up any unpaid amount on their ordinary shares.

There are no limitations on the holding of the Company's shares. There are also no restrictions on the transfer of the Company's shares other than: (i) the typical restrictions set out in the Articles (for example, in respect of non-fully paid shares); (ii) restrictions imposed by law (such as insider trading laws); and (iii) restrictions imposed on the Directors and

certain other employees of the Company and members of its Group pursuant to the Company's share dealing code.

Full details of the rights, obligations and restrictions attaching to the Company's ordinary shares, including in relation to voting rights and restrictions on transfer, are set out in the Articles, which are available at: [www.nationalexpressgroup.com/media/upyaaiob/articles-11-may-2022.pdf](http://www.nationalexpressgroup.com/media/upyaaiob/articles-11-may-2022.pdf).

The Company is not aware of any agreements between existing shareholders that may result in restrictions on the voting rights attaching to, or the transfer of, the Company's ordinary shares.

## Special control rights over shares

There are no special control rights attaching to the Company's shares, save that the Company can direct the Company's Employee Benefit Trust to release the shares that it holds in the Company to satisfy the vesting of outstanding awards under the Company's various share incentive plans (see Employee Benefit Trust).

## Authority to issue shares

The Directors were granted the authority at the Company's 2022 Annual General Meeting to allot new shares in the Company up to a nominal value of £10,234,772 representing one third of its issued share capital or, in the case of a rights issue only, new shares up to a nominal value of £20,469,545 representing two thirds of its issued share capital. The Directors were further authorised to disapply pre-emption rights on the issue of shares of up to a nominal value £1,535,215, representing approximately 5% of its issued share capital. No new shares were issued by Directors under the authorities granted to them at the Company's 2022 Annual General Meeting during the year ended 31 December 2022 or up to 1 March 2023, being the date this Directors' Report was approved. Such authorities remain valid until the Company's 2023 Annual General Meeting or 30 June 2023, whichever is

earlier. The Directors propose to renew the Directors' authorities to issue and allot new shares and to disapply pre-emption rights on such issue and allotment at the Company's 2023 Annual General Meeting in line with the revised Statement of Principles issued by the Financial Reporting Council on behalf of the Pre-Emption Group to give the Company flexibility to respond to circumstances and opportunities as they arise.

### Authority to purchase own shares

The Company was granted authority at its 2022 Annual General Meeting to make market purchases of up to 61,408,637 of its own shares, representing approximately 10% of its issued share capital. No shares were purchased under this authority during the year ended 31 December 2022 or up to 1 March 2023, being the date this Directors' Report was approved. Such authority remains valid until the Company's 2023 Annual General Meeting or 30 June 2023, whichever is earlier. The Directors propose to renew this authority at the 2023 Annual General Meeting to give the Company the ability to return value to

shareholders in this way in appropriate circumstances.

### Employee Benefit Trust

IQ EQ Corporate Services (Jersey) Ltd is a shareholder in the Company and acts as the trustee (the 'Trustee') of the National Express Group Employee Benefit Trust (the 'EBT'). It is used to purchase Company shares in the market from time to time and hold them for the benefit of employees, including for satisfying awards that vest under the Company's various share incentive plans. The EBT also holds some Company shares in particular ringfenced accounts for specific employees who have had options over such shares vest to them under the Company's share incentive plans but have not yet exercised those options. The EBT purchased a total of 120,082 shares in the market during the year ended 31 December 2022 for an aggregate consideration of £290,698.87 (including dealing costs) and released 251,606 shares to satisfy vested share plan awards and 89,242 shares to the Executive Directors who purchased these shares from the EBT using the cash element of their 2021 annual bonus awards.

As at 31 December 2022, the EBT held 1,268,303 Company shares in trust (representing 0.21% of the Company's issued share capital). The Trustee may vote the shares it holds in the Company at its discretion, but where it holds any shares in a ringfenced account for particular employees it will seek their instructions on how it exercises the votes attached to those shares. A dividend waiver is in place from the Trustee in respect of dividends payable by the Company on the shares in the Company held in the EBT, except the shares it holds in ringfenced accounts for particular employees where it receives the dividends on such shares and passes them through to such employees.

### Major shareholdings

As at 31 December 2022, the Company had been notified under DTR 5 of the following interests in its shares representing 3% or more of the voting rights in its issued share capital:

Shareholder	Number of ordinary shares	Percentage of total voting rights <sup>1</sup>
European Express Enterprises Ltd	73,778,153	12.01%
M&G PLC	42,091,624	6.85%
JP Morgan Asset Management Holdings Limited <sup>2</sup>	41,082,956	6.69%
Liontrust Investment Partners PLC	39,306,348	6.40%
abrdn PLC <sup>3</sup>	31,239,316	5.09%
Newton Investment Management Ltd	29,583,062	4.82%
J O Hambro Capital Management Ltd	25,165,433	4.10%
Nortrust Noms Ltd re Greater Manchester Pension Fund	19,016,950	3.10%

<sup>1</sup> The total number of voting rights attaching to the issued share capital of the Company on 31 December 2022 was 614,086,377.

<sup>2</sup> A notification under DTR 5 was received from JP Morgan Asset Management Holdings Limited ('JP Morgan') on 12 May 2020, which set out the position disclosed in the table above. However, the last notification under DTR 5 was received from JP Morgan on 8 December 2021, which noted that it has gone "below the minimum threshold", but that notification did not state the new position.

<sup>3</sup> A notification under DTR 5 was received from abrdn PLC ('abrdn') on 9 June 2022, which set out the position disclosed in the table above. A further notification under DTR 5 was received from abrdn on 28 June 2022 which noted that it has gone 'below 5%', but that notification did not state the new position.

It should be noted that these holdings may have changed since the Company was notified of them as notification of any change is not required until the next notifiable threshold is crossed.

The Company received no further notifications in accordance with DTR 5, by way of change to the above information or otherwise, between 31 December 2022 and 1 March 2023, being the period from the end of the Company's last financial year to the date on which this Directors' Report was approved.

# Directors' Report continued

## Directors

The names of the persons who were Directors of the Company at any time during the Company's financial year ended 31 December 2022, together with the periods during which they served as Directors, are:

Director	Period served during 2022
Sir John Armitt CBE	1.01.2022 – 31.12.2022
Helen Weir	1.10.2022 – 31.12.2022
Jorge Cosmen	1.01.2022 – 31.12.2022
Ignacio Garat	1.01.2022 – 31.12.2022
James Stamp	1.11.2022 – 31.12.2022
Matthew Crummack	1.01.2022 – 31.12.2022
Carolyn Flowers	1.01.2022 – 31.12.2022
Karen Geary	1.01.2022 – 31.12.2022
Mike McKeon	1.01.2022 – 31.12.2022
Ana de Pro Gonzalo	1.01.2022 – 31.12.2022
Chris Davies	1.01.2022 – 31.10.2022

### Directors' interests

Save as disclosed:

- (a) in the Directors' Remuneration Report, none of the Directors, nor any person closely associated with them, has any interest in the Company's shares, debt instruments, derivatives or other linked financial instruments and there has been no change in the information in the Directors' Remuneration Report regarding such interests between 31 December 2022 and 1 March 2023, being the date this Directors' Report was approved (and also being a date which is not more than one month before the date of the Notice of the Company's 2023 AGM); and
- (b) in note 36 to the Consolidated Financial Statements, none of the Directors has or had at any time during the year ended 31 December 2022 a material interest, directly or indirectly, in any contract of significance with the Company or any of its subsidiary undertakings (other than the Executive Directors in relation to their Service Agreements).

### Directors' service agreements and letters of appointment

The Executive Directors are party to service agreements with the Company which contain a rolling service term subject to the giving by the Company or relevant Executive Director of the relevant notice to terminate. All the Non-Executive Directors are party to letters of appointment with the Company which contain a fixed term of appointment of between three and six years, extendable by agreement, subject to the giving by the Company or the Non-Executive Director of the relevant notice to terminate. All Directors' continued appointments are also subject to annual election or re-election by shareholders and the powers of shareholders to remove Directors.

These Directors' service agreements and letters of appointment are available for inspection at the Company's registered office. Further details of these agreements and letters are included in the current Directors' Remuneration Policy, a copy of which is available on the Company's website at [www.nationalexpressgroup.com/media/tqjpu44g/directors-remuneration.policy.pdf](http://www.nationalexpressgroup.com/media/tqjpu44g/directors-remuneration.policy.pdf).

### Directors' powers

Subject to the Companies Act 2006 (the Act), the Articles and any directions given by special resolution of the shareholders, the business of the Company is managed by the Board which may exercise all the powers of the Company. The Articles may be amended by a special resolution of the shareholders.

The Directors may pay interim dividends where, in their opinion, the financial position of the Company justifies such payment and the Directors may recommend that shareholders declare dividends and, if so declared by ordinary resolution of shareholders, arrange for payment of such dividends. Where authorised to do so by ordinary resolution of the shareholders, the Directors may issue shares or rights to subscribe for shares or securities convertible into shares in the Company. Where the Company is authorised to do so by special resolution of the shareholders, the Directors may arrange for the Company to purchase its own shares, up to any limits specified in such resolution. The Directors may also appoint other Directors in the circumstances described on the next page.

## Appointment and replacement of Directors

The rules for the appointment and replacement of Directors are set out in the Act and related legislation and the Articles.

The Board may appoint a Director either to fill a casual vacancy or as an additional Director provided that the total number of Directors does not exceed any maximum number of Directors prescribed in the Articles. A Director so appointed by the Board must retire and seek election to office at the next Annual General Meeting of the Company. Each incumbent Director must also retire and seek re-election to office at each Annual General Meeting of the Company.

In addition to the powers of removal conferred by the Act, the Company may by ordinary resolution of which special notice is given remove any Director before the expiry of their period of office and may by ordinary resolution appoint another person who is willing to act in their place. The Company may also by ordinary resolution appoint a Director either to fill a casual vacancy or as an additional Director.

In accordance with the Articles and the provisions of the UK Corporate Governance Code, all the current Directors will retire at the Company's 2023 Annual General Meeting and offer themselves for election or re-election. The Board is satisfied that each of the Directors is qualified for election or re-election to office by their contribution and commitment to the Board, their key strengths in support of the Company's strategy as set out on pages 98 to 101 and for the reasons given on page 122 of the Nominations Committee Report.

## Directors' indemnities and insurance

The Company has granted qualifying third party indemnities to each Director and the Company Secretary to the extent permitted by law. Qualifying third party indemnities (as defined by section 234 of the Companies Act 2006) in relation to losses or liabilities incurred by the Company's Directors and Company Secretary to third parties in the actual or purported execution or discharge of their duties as officers of the Company and of its associated companies were in force during the year ended 31 December

2022 and remain in force as at 1 March 2023, being the date this Directors' Report was approved. The Company also maintains Directors' and Officers' liability insurance which provides appropriate cover in respect of legal action brought against its Directors and Company Secretary.

## Significant agreements affected by a change of control

The Company is party to the following significant agreements that could be altered or terminate on a change of control of the Company following a takeover bid.

Under the terms of the Company's revolving credit facilities, the Company would upon a change of control have five days to notify the lenders of such change of control and if, following 10 days of negotiations to either confirm or alter the terms of such facilities, no agreement has been reached, outstanding balances under such facilities could become repayable.

Under the terms of the Company's £1.5 bn Euro Medium Term Note ('EMTN') programme (as last updated on 13 June 2022), there is a change of control put option such that, upon a change of control put event, any holder of EMTNs issued under the programme may require the Company to redeem or purchase such EMTNs.

Under the terms of a Note Purchase Agreement entered into on 29 October 2019 relating to the issue by the Company of £134,000,000 2.38% Series A Senior Notes due 10 June 2027, €43,000,000 1.11% Series B Senior Notes due 7 May 2027, €137,000,000 1.33% Series C Senior Notes due 7 May 2030, €60,000,000 1.46% Series D Senior Notes due 7 May 2032 and \$81,000,000 3.11% Series E Senior Notes due 10 June 2027, the Company is required to offer to repay the holders of all such Notes the entire unpaid principal and interest on such Notes on a change of control of the Company.

Under the terms of the Company's £500,000,000 Perpetual Subordinated Non-Call 5.25 Fixed Rate Reset Notes issued on 24 November 2020 there is a change of control option such that, upon a change of control event, the Company may redeem such Notes (in whole but not in part) plus accrued interest, or otherwise incur an

interest rate step-up of 5% on the prevailing interest rate effective from the date on which the change of control event occurs.

Under the terms of some of the Group's vehicle leasing facilities, where the Company is a guarantor of such facilities, a change of control of the Company may amount to an event of default which could result in outstanding balances under such leasing facilities becoming repayable.

Under the rules of each of the Group's active share schemes, following a change of control of the Company the vesting of awards made under such schemes will be accelerated and, where performance targets are attached to the awards, the number of awards to vest will be determined according to the extent to which performance targets have been met. Each of the share schemes also allows, under certain circumstances and where the acquiring company has agreed, new awards to be granted in the acquiring company in place of the original awards to give substantially equivalent value to the awardees.

Due to the size of certain of the Company's credit facilities, note purchase agreements and leasing facilities, absent consent from the relevant lenders, noteholders and lessors to a change of control following a takeover bid or the bidder being able to refinance such facilities and borrowings upon its takeover bid being accepted and taking effect, their repayment, termination or default upon such change of control could create significant liquidity issues for the Company and could also trigger cross-defaults into other of the Company's and the Group's credit and leasing facilities.

There are no agreements between the Company and its Directors or employees providing for compensation for loss of office or employment that occurs because of a takeover bid, save that the provisions of the Group's active share incentive schemes may cause awards made under them to Directors and employees in the form of share options to vest on a takeover bid being accepted and taking effect, or, under certain circumstances and where the acquiring company agrees, new awards to be made in the acquiring company in place of the original awards to give substantially equivalent value to the awardees.

# Directors' Report continued

## Employee matters

Pages 68 to 80 of this Annual Report set out how the Company: engages with its workforce and takes their views into account; involves employees in Company performance; promotes common awareness among employees of financial and economic factors affecting the Company performance; and summarises how the Company is an equal opportunities employer.

## Political donations, contributions and expenditure

The Company did not make any political donations or contributions or incur any political expenditure during the year ended 31 December 2022 (2021: nil political donations, contributions and political expenditure). The Company's policy is that neither it nor its subsidiaries make what are commonly regarded as donations or contributions to political parties. However, the Act's definition of political donations includes expenditure that could capture other business activities which would not normally be thought of as political donations or contributions, such as subscriptions, payment of expenses and support for bodies representing either the transport industry specifically or the business community in general in policy review or reform. The resolution being proposed at the Company's 2023 Annual General Meeting to authorise political donations, contributions and expenditure is to ensure that these normal business activities are permitted and that neither the Company nor its UK subsidiaries commit any technical breach of the Act.

## Audit information

Each of the persons who are Directors as at 1 March 2023, being the date this Directors' Report was approved, confirms that, so far as he/she is aware, there is no relevant audit information of which the Company's auditor, Deloitte LLP, is unaware and that he/she has taken all the steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

## Annual General Meeting

The Company's 2023 Annual General Meeting ('AGM' or 'Meeting') will be held at BMA House, British Medical Association, Tavistock Square, London WC1H 9JP at 2pm on Wednesday, 10 May 2023. A separate circular, comprising a letter from the Chair, Notice of the Meeting and explanatory notes on the resolutions proposed, accompanies this Annual Report. Both documents can also be found on the Company's website at: [www.nationalexpressgroup.com](http://www.nationalexpressgroup.com).

## Approval

The Directors' Report was approved by the Board on 1 March 2023.

By Order of the Board



### Simon Callander

Group General Counsel and Company Secretary  
National Express Group PLC  
Company number 2590560