

Governance





Helen

Weir

“I am delighted and honoured to have joined the Board and am immensely grateful to my predecessor, Sir John Armit, for assembling a Board with the depth of knowledge, skill, and experience to lead the Group through challenges and to capitalise on opportunities. Part of Sir John’s legacy is the strong system of corporate governance in place at National Express.”

Chair’s Introduction to Corporate Governance

Governance at a glance

Effective decision-making, including in accordance with our s.172(1) duty – see the Board’s activities on pages 102 to 104 and our s.172(1) statement on pages 109 to 110.

A focus on the appointments of a new Chair and Group CFO to the Board and Board and senior management succession planning, talent development and diversity – see our Nominations Committee Report on pages 118 to 127.

Robust and ever-evolving risk management and internal controls – see our Audit Committee Report on pages 128 to 135.

A drive to be an environmental leader and the employer of choice – see our Sustainability Committee Report on pages 136 to 139.

Carefully balanced Director pay decisions, having regard to all relevant considerations – see our Annual Statement by the Remuneration Committee Chair and Directors’ Remuneration Report on pages 140 to 164.

Corporate Governance Compliance Statement

The Board is pleased to report that, with one limited exception which has now been resolved, the Company has applied the Principles and complied with the Provisions of the UK Corporate Governance Code issued by the FRC in July 2018 (which can be found at: www.frc.org.uk) for its financial year ended 31 December 2022.

The limited exception related to Provision 38 where the previous Group CFO’s pension did not align with the UK majority workforce rate. While it had always been agreed that the pension would align from 1 January 2023, that alignment has been achieved earlier following the appointment of a new Group CFO, as further explained in the Directors’ Remuneration Report.

This Corporate Governance Report as a whole explains how the Company has applied the Principles and complied with the Provisions of the UK Corporate Governance Code, but below is a guide to where the most relevant explanations are given for each of the Principles:

Board leadership and Company purpose

Principles A, B, C, D and E

Pages 98 to 104 and pages 109 to 117

Division of responsibilities

Principles F, G and H

Pages 105 to 108

Composition, succession and evaluation

Principles I, J, K and L

Pages 118 to 127

Audit, risk and internal control

Principles M, N and O

Pages 128 to 135

Remuneration

Principles P, Q and R

Pages 140 to 164

Dear fellow shareholder

I am delighted and honoured to have joined the Board and am immensely grateful to my predecessor, Sir John Armit, for assembling a Board with the depth of knowledge, skill, and experience to lead the Group through challenges and to capitalise on opportunities. Part of Sir John's legacy is the strong system of corporate governance in place at National Express. It gives me great pleasure, as a result, to present our 2022 Corporate Governance Report.

Strong corporate governance underpinning our purpose

In a year which started with Omicron and ended with high rates of inflation, interest rates and mounting wage and cost pressures, our well-established corporate governance system has helped the Board lead the Group through these challenges. More than ever, we can see that our corporate purpose, of leading the modal shift from cars to mass transit, remains critical to the customers and communities we serve. This Corporate Governance Report describes our governance practices. Our corporate governance framework within which those practices operate is set out on page 105.

Strategy, risk management, internal control, and safety & environmental leadership

The Board is responsible for reviewing the Group's strategy and its management of risk and ensuring that there is a robust system of internal control in place. The Board, supported by its Audit Committee, has been active during 2022 in discharging these responsibilities, by reviewing progress against the Evolve strategy, conducting 'deep dive' reviews of Group-wide and divisional risks, including climate-related risks, and monitoring the Group's overall compliance and safety programmes.

The Board's newly formed Sustainability Committee has reviewed the Group's progress against its environmental ambitions, which centres around our transition to zero emission vehicles, reinforced by the adoption of zero emission fleet targets by each division in the Group, and the Group's social ambitions, with a focus in 2022 on the Group's people.

Further details of these matters are set out throughout the Strategic Report and in the Audit and Sustainability Committee Reports.

Board and senior management composition, succession, talent and diversity

As mentioned in my introduction, I joined the Board in October 2022 and became Chair on 1 January 2023. I succeeded Sir John Armit who had provided

strong and effective leadership since his appointment as Chairman in February 2013. During that time the Group had faced a number of challenges and opportunities and Sir John had led effectively through those ensuring that good corporate governance was observed at all times. He leaves behind a strong legacy and has set high standards for us to uphold and improve on. On behalf of the Group and of the Board I want to thank Sir John and acknowledge his tremendous contribution to the success of National Express and wish him all the very best for the future.

We also said goodbye to Chris Davies as Group CFO who stepped down in October 2022 after five and a half years on the Board. We thank him for his valued contribution during his tenure and we wish him all the success with his next role. We were delighted to welcome James Stamp as the new Group CFO in December 2022, after his stepping in on an interim basis from November 2022. The Nominations Committee Report provides further detail on my and James' recruitment and the Q&A on pages 122 to 123 provides some of my initial insights since joining the Board.

The Board undertook an internal evaluation for the year in review, the outcome of which showed that we have made good progress on the actions arising from the external Board evaluation conducted in 2021 and highlighted areas for continued focus as noted in the Nominations Committee Report. I am pleased that the feedback received confirms our view that the Board works effectively and that we have a strong and stable Board composed of Directors with a wide range of relevant knowledge, skills and experience, all of which is more fully explained in our Nominations Committee Report.

Further information about the Board's and its Committees' composition, succession plans and evaluation, senior management succession and talent development plans, and how diversity and inclusion are being fostered on the Board and across the Group, can be found in our Nominations Committee Report.

Remuneration balance between reward and restraint

The Board, through its Remuneration Committee, is responsible for ensuring appropriate arrangements are in place for rewarding and incentivising management in the context of Company and individual performance as well as the workforce, shareholder and wider stakeholder experience.

The Remuneration Committee has sought to achieve the right balance between rewarding the Executive Directors and incentivising them to continue their work on leading the Company's recovery and exercising

restraint on their total pay. In doing so, the Remuneration Committee has taken regard of the wider stakeholder experience, particularly in respect of energy prices, interest rates and inflation, and further consultation undertaken with major shareholders in advance of this year's pay decisions.

Further information about the Remuneration Committee's decisions on Executive Director pay, alongside the regulated information about all Directors' pay, can be found in the Directors' Remuneration Report.

Stakeholder relations

Considerations relating to stakeholders have remained high on the Board's agenda in 2022, including through: direct engagement with equity and debt investors on key matters; direct engagement with the workforce; and opportunities to hear other stakeholders' views either directly or via the Group's businesses, as described on pages 113 to 117 of this Report. The Board remains committed to open channels of communication with all stakeholders to be able to hear their views to aid its decision-making. Our s. 172 statement provides examples of how the Board has considered stakeholders in making Board decisions.

Annual General Meeting

Our Annual General Meeting ('AGM') will be held at 2pm on Wednesday, 10 May 2023 in the Bevan Suite at BMA House, British Medical Association, Tavistock Square, London WC1H 9JP. Further information will be in the Notice of AGM. As the AGM provides an opportunity for you to meet with and ask questions of your Directors regarding the Group, this Annual Report and the matters before the meeting, I would encourage you to attend and look forward to meeting you.

Conclusion

I am extremely impressed with what I have seen of the Group so far. I have been taken, in particular, with how everyone from our colleagues to our customers, suppliers and many of our other stakeholders have contributed to, and supported, the Group during 2022 enabling it to continue to grow despite the uncertainties caused by the current macro political and economic factors and any lingering effects from the pandemic. I thank them all and extend my thanks to the Group Executive and to my fellow Board members for continuing to provide strong leadership in such ever-changing times. I'm sure the coming year will bring its own share of challenges, but also many opportunities. We, as a Board, look forward to 2023 with confidence.



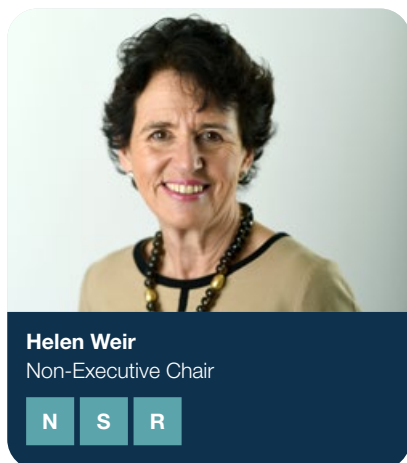
Helen Weir
Chair

1 March 2023

Board Leadership and Company Purpose

Board of Directors

The Company is led by its Board of Directors, comprised as follows:



Appointed: October 2022 and Chair from January 2023

Experience: Helen has extensive financial and listed company experience, having been the former CFO of Marks & Spencer and previously held positions as Group Finance Director at John Lewis Partnership and Lloyds Banking Group, where she was also CEO of the retail bank. Helen also enjoyed successful and varied roles in leading businesses such as Kingfisher, B&Q and McKinsey and Co.

A Fellow of the Chartered Institute of Management Accounts, Helen was awarded a CBE for services to Finance in the 2008 honours list. Having previously served as a Non-Executive Director of Just Eat PLC, SABMiller PLC, Royal Mail Holdings PLC and Greencore Group PLC, Helen currently holds a number of other Non-Executive Director roles.

Key strengths in support of the Company's strategy:

- Provides effective leadership of the Board in its robust review and careful monitoring of the delivery of the Company's strategy and management of risk
- Promotes strong corporate governance, including by promoting the Board's understanding of stakeholders' views, aiding its assessment of whether the Company is achieving the six desired stakeholder outcomes of the Evolve strategy
- Contributes extensive executive and non-executive experience in supporting and challenging executive management in their delivery of the Company's Evolve strategy
- Provides added strength to oversight of the Company's financial reporting, risk management and controls, mitigating risks to the delivery of the Company's strategy
- Utilises her technology expertise to support the Company in the digital enablement of the five customer propositions on which the Evolve strategy is built

Current external appointments:

- Supervisory Board Member, Koninklijke Ahold Delhaize N.V.
- Senior Independent Director, Superdry PLC



Appointed: November 2020

Experience: Ignacio has more than 27 years' strategic, commercial, operational and business transformation experience in the freight and logistics industry. Previous roles include CEO Spain & Portugal and CEO Brazil at TNT and Senior Vice President for Southern Europe, France and Benelux at FedEx. He has a track record of leading international, complex, operational businesses to achieve clear strategic purposes, adopting an inclusive management culture in doing so aided by his focus on people.

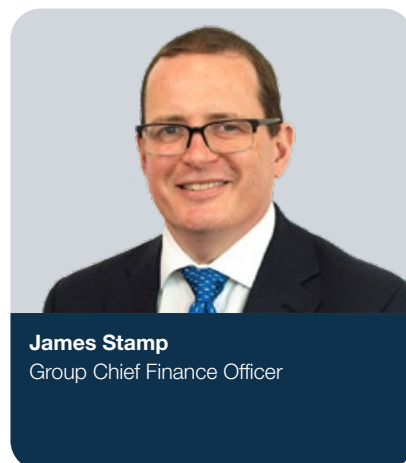
Ignacio has a degree in international business from the American University of Paris and a postgraduate diploma in management and business studies from the University of Warwick.

Key strengths in support of the Company's strategy:

- Provides strategic and operational leadership for all five of the customer propositions comprised in the Evolve strategy, leveraging his previous management experience of delivering operational transformation and his commercial acumen to exploit new and profitable growth opportunities
- Champions all six of the desired stakeholder outcomes of the Evolve strategy, including by maintaining a dedicated focus on the Company being the safest and the most reliable passenger transport operator, and having the most satisfied customers, including through prioritising the digital agenda and driving the Group's focus on being an environmental leader and achieving its wider sustainability ambitions
- Drives culture transformation fostering a strong sense of purpose, including by empowering people and developing talent, advancing the Company's ambition to be the employer of choice within passenger transport

Current external appointments:

- None



Appointed: November 2022 and Group CFO from December 2022

Experience: With over 25 years' experience, James comes from a background in finance with significant experience in strategy, M&A, advisory, audit and consulting.

James joined the Company in July 2017 from KPMG where he was a Partner and UK Head of Transport & Global Head of Aviation at KPMG LLP.

James initially served on the Group Executive as Group Commercial and Strategy Director, where James led work on the Evolve strategy and then in early 2022 he was appointed Chief Financial Officer of National Express UK & Germany Division.

James is a qualified chartered accountant.

Key strengths in support of the Company's strategy:

- Provides effective financial support for the development and delivery of Company strategy
- Maintains robust management of internal controls, including risk management, providing a sound control and risk environment within which strategy can be delivered
- Builds strong relationships with the Company's equity and debt investors helping to ensure their understanding of the Company's strategy and performance against it
- Alongside the CEO, champions the Company's sustainability ambitions which are linked to the stakeholder outcomes of the Evolve strategy, including the Group's focus on being an environmental leader

Current external appointments:

- None

Committee membership key (Committee membership is shown as at 1 March 2023)

Further details about Directors' independence, conflicts of interest and commitment are set out on pages 107 to 108 of this Corporate Governance Report.

 Committee Chair
 A Audit
 N Nominations
 R Remuneration
 S Sustainability



Jorge Cosmen
Non-Independent Deputy Chair

N S

Appointed: December 2005

Experience: Jorge has accumulated a wealth of experience in international business. He currently serves as the Non-Executive Chair of the Group's ALSA holding company, having also held that role in an executive capacity until ALSA was acquired by National Express in 2005. Prior to that, he was Corporate Manager of the ALSA Group and worked in banking, sales and distribution. He also served for several years as a Non-Executive Director at Bankia prior to its merger with Caixabank.

Jorge has an international MBA from the Instituto de Empresa in Madrid.

Key strengths in support of the Company's strategy:

- Deploys the breadth and depth of his knowledge of the Group's business in supporting executive management in their delivery of strategy and management of risk
- Uses his insights into the international passenger transport sector to assist executive management in identifying and assessing opportunities and risks
- Supports the Chair in assisting the Board to better understand stakeholders' views and track the delivery of the six desired stakeholder outcomes of the Evolve strategy

Current external appointments:

- None



Carolyn Flowers
Independent Non-Executive Director

A N S

Appointed: June 2021

Experience: Carolyn has held several significant leadership roles in the North American passenger transport industry, in both the private and public sectors. She served for many years as Chief Operations Officer for Los Angeles Metro and the CEO of the Charlotte Area Transit System, following which she worked for the US Federal Transit Administration. She currently serves on several transportation industry and trade non-profit boards and advises on US infrastructure development at InfraStrategies.

Key strengths in support of the Company's strategy:

- Deploys her significant experience of and expertise in North American transit operations to support and challenge executive management in applying the Company's consolidate and compound customer proposition as comprised in its Evolve strategy to the Company's North American transit business
- Uses her experience of being a customer of North American transit services to support executive management and the Company on its pathway to achieving the most satisfied customer outcome of its Evolve strategy

Current external appointments:

- Partner and Managing Principal at InfraStrategies LLC



Karen Geary
Independent Non-Executive Director

N R S

Appointed: October 2019

Experience: Karen is a former FTSE 100 HR Director with an extensive track record. She brings over 20 years' of leadership experience, including of international HR and business transformation, from across a variety of industries in the UK, US and Europe. She held an executive committee role as Group HR Director at The Sage Group PLC for more than 10 years. After this, she held executive roles with a US-based software business, followed by a FTSE 100 software company which she originally joined as a Non-Executive Director and Chair of its Remuneration Committee. Karen was a Non-Executive Director and Chair of the Remuneration Committee at ASOS PLC from 2019 until December 2022. Since 2019, Karen has pursued a Non-Executive portfolio career.

Key strengths in support of the Company's strategy:


- Puts people, their wellbeing, inclusion, recognition, reward and development at the heart of the Board's discussions, supporting the Company on its pathway to achieving the employer of choice outcome of its Evolve strategy
- Uses her deep experience of supporting organisations undertaking M&A and transformation to support the Company in the delivery of its Evolve strategy

Current external appointments:

- Non-Executive Director, Sabre Insurance Group PLC
- Non-Executive Director, PageGroup PLC

Board Leadership and Company Purpose continued

Board of Directors



Ana de Pro Gonzalo
Independent Non-Executive Director

A R

Appointed: October 2019

Experience: Ana has extensive financial and general management experience, having worked for a number of multi-national companies across a variety of industries. She was Chief Financial Officer at Amadeus, the travel technology company, for over 10 years and, prior to that, was General Manager of Sacyr Vallehermoso, Chief Financial Officer of Metrovacesa and held a Non-Executive Director position at Merlin Properties. She also currently holds a number of other Non-Executive Director roles.

Key strengths in support of the Company's strategy:

- Provides added strength to oversight of the Company's financial reporting, risk management and controls, mitigating risks to the delivery of the Company's Evolve strategy
- Provides relevant insights from her recent experience in the online travel services industry to support the Company in the digital enablement of the five customer propositions on which the Evolve strategy is built

Current external appointments:

- Non-Executive Director, Novartis AG
- Non-Executive Director, ST Microelectronics NV
- Independent Director, National Advisory Board representing Spain before the Global Steering Group for Impact Investment



Mike McKeon
Independent Non-Executive Director

A

Appointed: July 2015

Experience: Mike has wide-ranging international experience in financial and business management across a number of sectors, having previously served as Chief Financial Officer at Severn Trent and Chief Financial Officer at Novar. Earlier in his career, he held various senior management or advisory roles at Rolls-Royce, CarnaudMetalbox, Elf Atochem and PwC. He has also previously held non-executive roles, including as Senior Independent Director, at The Merchants Trust PLC.

Mike is a chartered accountant.

Key strengths in support of the Company's strategy:

- Provides strong oversight of the Company's financial and other internal controls, helping to sustain a controlled environment in which the Company's Evolve strategy can be delivered
- Uses his previous executive experience of developing and delivering strategy in regulated and complex international operational businesses to support and challenge the strategic plans and initiatives to achieve the Evolve strategy customer propositions of reinvigorating public transport and delivering operational transformation

Current external appointments:

- None



Matthew Crummack
Senior Independent Director

R N

Appointed: May 2015

Experience: Matthew has extensive international management experience across multiple functions in the consumer product and digital services industries, including online travel, financial services and consumer goods. He has held executive management roles including Group Chief Executive Officer at GoCo Group PLC and Chief Executive Officer at lastminute.com. Prior to those, he was Senior Vice President (Lodging, Europe and US) at Expedia and he held various senior roles at Nestlé UK and Procter & Gamble. He is currently CEO at Domestic & General Ltd.

Key strengths in support of the Company's strategy:

- Uses his extensive and current executive management experience of developing and delivering strategy to support and challenge executive management in their delivery of the Company's strategy
- Provides advice and support to the Company on its delivery of the five customer propositions on which the Evolve strategy is built through their digital enablement
- In his role as Senior Independent Director, facilitates healthy debate among, and effective decision-making by, the Board on strategic matters

Current external appointments:

- Chief Executive Officer, Domestic & General Limited



Sir John Armitt CBE
Non-Executive Chairman

Appointed: January 2013 and as Chair February 2013

Resigned: December 2022

Experience: Sir John has extensive experience in the transport, engineering and construction sectors, including of working with government at ministerial level. He also has significant board-level experience both as a Chairman and Chief Executive, having held Chair roles at the Government Commission on the Thames Estuary, Olympic Delivery Authority and Engineering and Physical Science Research Council, and Chief Executive roles at Network Rail, Costain Group and Union Railways. Sir John was awarded a CBE in 1996 for his contribution to the rail industry and a knighthood in 2012 for services to engineering and construction.

Key strengths in support of the Company's strategy up to 31 December 2022:

- Provided effective leadership of the Board in its robust review and careful monitoring of the delivery of the Company's strategy and management of risk
- Offered valuable insights into UK government policy and priorities on public transport and infrastructure
- Promoted strong corporate governance, including by promoting the Board's understanding of stakeholders' views, aiding its assessment of whether the Company is achieving the six desired stakeholder outcomes of the Evolve strategy

External appointments as at 31 December 2022:

- Chairman, National Infrastructure Commission-
- Non-Executive Director, Berkeley Group Holdings PLC



Chris Davies
Group Chief Finance Officer

Appointed: May 2017

Resigned: October 2022

Experience: Chris has more than 26 years' financial, commercial, treasury and IT management experience. He has a strong track record working with international organisations in these fields in both established and emerging markets, including in his work with Andersen Consulting, The Boots Company PLC and Marakon Associates. He previously served as Group Financial Controller and Treasurer and then interim Group Chief Financial Officer at Inchcape PLC, and Chief Financial Officer for North America at Diageo PLC, where he also held several other senior roles. Chris is a qualified management accountant.

Key strengths in support of the Company's strategy up to 31 October 2022:

- Provided effective financial support for the development and delivery of Company strategy
- Maintained robust management of internal controls, including risk management, providing a sound control and risk environment within which strategy can be delivered
- Championed the Company's environmental leadership comprising one of the stakeholder outcomes of the Evolve strategy
- Built strong relationships with the Company's equity and debt investors helping to ensure their understanding of the Company's strategy

External appointments as at 31 October 2022:

- Non-Executive Director, Motability Operations Group PLC

Board Activity in 2022

The Board's principal activities in 2022 are set out in the table below:

Strategy, business and operational performance	<ul style="list-style-type: none"> Reviewed progress against the Group's Evolve strategy and assessed opportunities to accelerate Evolve Reviewed the performance of each of the Group's divisional businesses, including receiving reports from the divisions on their performance versus strategy and their priorities and initiatives Reviewed and approved bids for significant opportunities to provide transportation services Monitored the performance of the OPERATE programme across the Group Monitored trading performance and returns in the light of changing market conditions and evaluated strategic options Carefully considered and approved the response to the DWS counter offer for Stagecoach
Financial performance	<ul style="list-style-type: none"> Received reports from the Audit Committee on the integrity and reasonableness of, and reviewed and confirmed, the Company's and its Group's full year and half year financial results, the going concern basis on which they were prepared and the Company's viability Approved the Group's annual budget and reviewed the Group's performance against both budget and forecasts in light of changing market conditions, particularly in respect of energy prices, labour costs and availability, interest rates and inflation Reviewed and agreed the Group's financing requirements, including headroom against Board-set liquidity requirements and bank-set covenants, and approved the renewal of its £1.5 bn Euro Medium Term Note programme and a number of other debt facilities, including the bridge facility in respect of the £400m bond Considered the Company's dividend policy and the potential for reinstatement and payment of a full year 2022 dividend
Risk management and internal control	<ul style="list-style-type: none"> Reviewed the Group's risk appetite and its management of principal and emerging Group-wide risks Received reports from the Audit Committee on its reviews of cyber risk and divisional risk management Received reports from the Audit Committee on, and reached its own conclusion about, the effectiveness of the Group's system of internal control, including the findings and effectiveness of the internal audit function and the work of the auditor Reviewed the Group's guarantees register and approved the annual renewal of the Group's insurances Received regular updates on legal and regulatory matters, including material legal claims brought by and against the Group's companies
Sustainability	<ul style="list-style-type: none"> Received reports from the Sustainability Committee on the progress against the Group's sustainability ambitions, including progress against the Group's environmental targets and strategy and the Group's people targets and strategy Considered the Group's approach to climate change scenario modelling and reviewed the financial impact of the two chosen climate scenarios over different time periods Discussed the results of the Group's first global engagement survey and received reports from the Sustainability Committee on action plans arising from the survey Reviewed people reports for updates on driver shortages, trade union relations and other matters affecting the workforce Participated in a number of workforce engagement activities, as further described on pages 114 to 116 of this Corporate Governance Report Received reports from the Safety & Environment Committee on its reviews of the Group's safety performance and any major safety incidents until that Committee was disbanded in May 2022, following which the Board had direct oversight of the Group's safety performance¹.
Leadership and remuneration	<ul style="list-style-type: none"> Received and approved recommendations from the Nominations Committee on the appointment of a new Non-Executive Director and Chair Designate and a new Group Chief Finance Officer, the proposed size and composition of the Board and each of its Committees and the annual re-election, or new election, of Directors at the next AGM Received a report from the Nominations Committee on senior management succession plans, talent identification and development programmes Received reports from the Remuneration Committee on its activities, including Chair, Executive and senior management pay awards, bonus awards, targets and out-turns, long-term incentive grants, performance conditions and vestings and overall pay conditions across the Group Consulted with shareholders on Executive Directors' remuneration to ensure shareholder views were understood Reviewed and approved Non-Executive Director fees
Governance	<ul style="list-style-type: none"> Approved the Company's Annual Report, including its fair, balanced and understandable nature Considered developments in corporate governance and reporting, and how best to implement such developments Reviewed the results of the internal Board and Committee effectiveness evaluation Reviewed the Board's terms of reference, its Committees' terms of reference and the Group's delegated authorities framework Reviewed and approved the Group's modern slavery statement

Further details about the Board and Committee meetings held during 2022, Directors' attendance at those meetings and the Board and its Committees' processes are set out on pages 107 to 108 of this Corporate Governance Report.

¹ See pages 103 to 104 of this Corporate Governance Report for a detailed review of the Board's activity during 2022 in relation to safety.

Safety

The Group CEO has overall responsibility for the Group's safety systems and performance, supported by the Group Safety Director, Divisional CEOs and Divisional Safety Directors.

The Safety & Environment Committee previously had responsibility for reviewing the effectiveness of the Group's safety system, but since May 2022 the Board has assumed direct oversight of the Group's safety system, receiving a safety report at each Board meeting, with 'deep dive' safety sessions scheduled throughout the year.

Safety system

The Company has a well-defined and developed safety system which operates across its global businesses. This system has its foundations in the Company's 'Driving Out Harm' programme which originated in 2011 and comprised the creation and implementation of a wide variety of driver and vehicle safety standards and constantly evolving safety initiatives. It was built upon in 2017 with the introduction of five new Global Safety Policies relating to speed management, driving evaluation, competence of driving evaluators, driver monitoring and driver performance management. These were fully implemented across the majority of the Group's operations by the end of 2020 but continue to be implemented in those cities and countries in which the Group has more recently commenced operations. The Board is pleased with the progress made to date in these locations where the safety programme is already transforming the safety of passenger transport for the citizens and visitors to such cities. Following a fatal accident in Tangiers at the end of 2021, the Group introduced a sixth Global Safety Policy on road vehicle shunting which is in the process of implementation across the Group.

Safety performance

The Board assesses the Group's safety performance by reference to a number of KPIs, the principal one being a FWI Index score which measures and weights, according to severity, all preventable major, minor and lost time injuries and any preventable fatalities and a preventable accident score which counts the number of vehicle accidents that should, by compliance with the safety system, have been capable of being prevented.

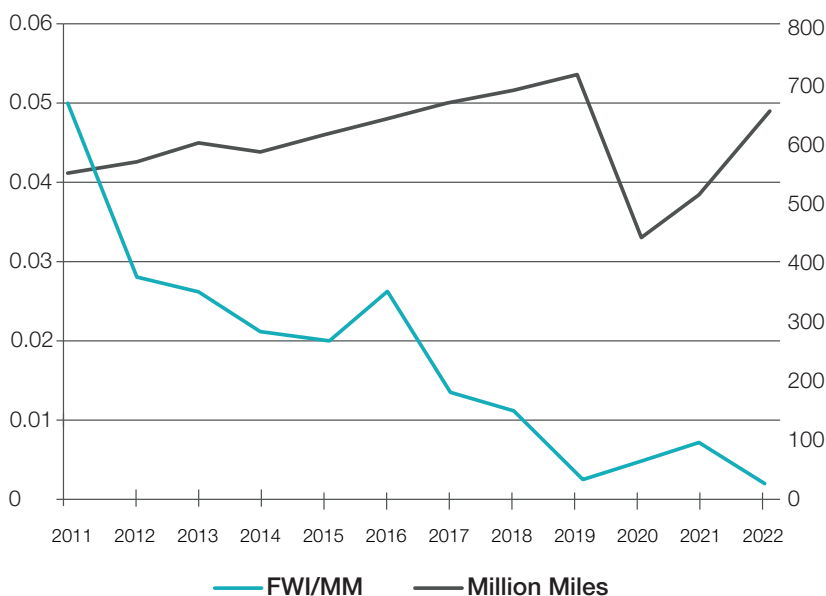
To ensure continued focus on the Group's safety performance, a portion of the bonuses for Executive Directors and members of the Group Executive Committee is based on the Group FWI Index score, with the threshold for pay-out only being met if there are no responsible fatalities during 2022. The on-target target was set by reference to the Group's average FWI score from the previous three years (excluding 2020 which was a year of unusually low operations due to the pandemic) and the maximum target by reference to the Group's best ever FWI score achieved in 2019. The actual score achieved for 2022 is set out in the table below:

KPI Target and 2022 Bonus Target	Bonus Weighting	Target Score	Actual Score
Group FWI Index score (per million miles)	15%	0.006	0.003

The Board was delighted in 2022 to match its best ever Group FWI Index score (previously achieved in 2019), which is a significant achievement, reflecting the Group's relentless focus, and continuous investment, in safety. The graph below illustrates the impressive impact of that focus and investment.

To demonstrate the Group's ongoing focus and commitment to safety, the Remuneration Committee of the Board will continue to include safety metrics within the Executive Directors and senior management bonus plans for 2023, as set out in the Directors' Remuneration Report.

FWI per million miles operated



Board Activity in 2022 continued

In addition to assessing safety performance by reference to KPIs, the Board also reviewed all major safety incidents affecting the Group, their root causes and any lessons to be learned, together with action plans implemented in response to them. It also received updates about a number of specific and new aspects of the Group's safety system, for example:

- the process of fitting Azimut systems to some of the buses in the ALSA division, on a pilot basis, to assess whether a technical solution could effectively alert drivers to the presence of pedestrians and cyclists. This followed an increase in incidents as the road layouts become more complex to navigate, alongside an increase in more vulnerable road users. This is also an example of how the Company continues to be alert to new and emerging risks and devises plans to mitigate their effects.

- the launch in 2022 of two new bus simulators within the UK division with the Board having an opportunity to experience one of the simulators in action during its visit to Birmingham (as described further in the box below).
- the Group's plan to achieve the Evolve outcome of being the safest, where the Board was interested to learn of the future ambitions aimed at achieving a safer vehicle, a safer workplace and lower driver risk, further demonstrating the Company's focus on continuous improvement.

The Group's safety excellence also continued to be recognised externally during 2022, for example the UK Coach and Bus divisions had 5* BSI safety audits, UK Bus was awarded the Sword of Honour in 2022 and ALSA was awarded the Golden Badge for Safety by Securitas Direct.

The Board believes that the Company's approach to safety, and commitment to continually learning and improving through innovation, ensures it meets and will continue to meet its overall strategic ambition of being the safest operator in the industry.



Bus Simulators

ALSA in certain of their Spanish and Moroccan operations, and more recently the UK Bus division, use bus simulators to train drivers on high-risk manoeuvres and situations, which often require a time critical response to keep themselves, customers and other road users safe. Prior to the introduction of simulators, there was no way of providing this training to drivers without importing significant operational and safety risk.

Helen Weir and Sir John Armit had the opportunity to undertake training on one of the simulators. They, along with the rest of the Board, were impressed to hear the range of training scenarios and manoeuvres which the simulator offered, including driving in severe weather or at night as well as emergency situations, such as having to brake quickly in response to pedestrian or cyclist actions. A key benefit of these simulators is that drivers can be trained and coached on how to drive and how to respond to

such situations from the safety of a simulator without putting anyone at risk of harm.

The simulators also had the unexpected benefit of improving employee engagement and assisting with recruitment efforts; the UK Bus division found that 100% of the drivers who have received training on the simulator recommended it and the mobile simulator has supported their recruitment efforts through easing anxiety of potential recruits at the thought of driving larger vehicles.

The simulators are being used alongside a new training programme to improve drivers non-technical skills to build our operational safety resilience into the ever-changing operating environment. Additionally, the Group continues to evaluate whether other operations would benefit from the introduction of simulators into their training programmes.

Corporate Governance Framework

The Company's corporate governance framework, and its core component parts, are explained below:

Shareholders

The owners of the Company to whom the Board is ultimately responsible.

Chair

Responsible for the leadership of the Board and ensuring that it operates and governs effectively.

Board

Collectively responsible for the long-term sustainable success of the Company, by providing effective leadership, establishing the Company's purpose, values and commitment to safety, monitoring its culture, setting the Company's strategy and overseeing its delivery within a system of internal control, setting the Company's risk appetite and reviewing its principal and emerging risks and taking other decisions reserved to it. Responsible for taking into account the interests of a range of stakeholders and other factors in accordance with their duties, including under section 172(1) of the Companies Act 2006.

Further information about the Board's activities in the year under review can be found on pages 102 to 104

Board Committees

Committees operate under the delegated authority of the Board and within formal terms of reference. Their key responsibilities are set out below:

Nominations Committee

Reviews the structure, size, composition and effectiveness of the Board and its Committees. Oversees succession planning for the Board and senior management, the development of talent and the promotion of diversity, and makes recommendations to the Board for the nomination of new Directors.

Audit Committee

Reviews and monitors the Group's financial accounting and reporting processes and the integrity of published financial statements. Reviews the Group's system of internal control, including the effectiveness of its internal audit function and the independence and effectiveness of its external auditor.

Sustainability Committee

Reviews and monitors the Group's strategies, policies, standards and performance in relation to the Group's sustainability specifically by reference to environmental and social matters, and the governance thereof.

Remuneration Committee

Reviews and recommends to the Board the framework and policy for the remuneration of the Chair, Executive Directors and senior management. Makes decisions within that framework and implements that policy.

Further information about the activities of the Board's principal Committees can be found on pages 118 to 164

Disclosure Committee

Committee comprised of the Chair, the Group Chief Executive Officer and Group Chief Financial Officer operating under the delegated authority of the Board and within formal terms of reference. It acts to maintain procedures and controls for the identification, treatment and disclosure of inside information in accordance with applicable laws and compliance of disclosed information with the UK Listing Rules and DTRs.

Board Executive Committee

A Committee comprised of the Group Chief Executive Officer and Group Chief Financial Officer operating under the delegated authority of the Board and within formal terms of reference. It acts to review and approve various matters, including bids and contracts, acquisitions and disposals, financing arrangements, and capital and operating expenditure within the levels reserved to it.

Group Executive Committee

An advisory and reporting body to the Group Chief Executive Officer comprised of divisional management and Group heads of function. It acts to review and oversee the safety, operational and financial performance of the Group and discuss, formulate and approve proposals in respect of strategy and operational performance for onward consideration by the Board or its Committees.

Division of Responsibilities

Roles and responsibilities

The Board has agreed a clear division of responsibilities between the Chair and Group Chief Executive. Other roles are also clearly defined to enhance Board effectiveness. A summary of those roles and responsibilities is set out below:

Chair Helen Weir¹	<ul style="list-style-type: none"> • Provides overall leadership to, and ensures the effectiveness, of the Board • Sets the agenda, character and tone of Board meetings and discussions • Maintains an effective working relationship with the Group Chief Executive Officer • Leads the annual performance evaluation of the Board and its Committees and ensures Non-Executive Directors make effective contributions • Assists the Board in understanding stakeholders', including shareholders', views
Deputy Chair Jorge Cosmen²	<ul style="list-style-type: none"> • Maintains a close dialogue with the Chair and the Group Chief Executive Officer • Supports and deputises for the Chair as required • Assists the Group Chief Executive Officer in developing strategy, in view of his deep knowledge of the Company and the passenger transport sector
Group Chief Executive Officer Ignacio Garat³	<ul style="list-style-type: none"> • Develops the Company's strategy for consideration and approval by the Board and provides effective leadership to the Group Executive Committee ('GEC') in the delivery of that strategy • Responsible for the management of the Group's operations, including the Group's safety and sustainability activities • Manages, with the GEC members, relationships with key stakeholders, from shareholders to key customers and suppliers • Communicates the Group's progress against strategy and operational performance to investors and analysts • Leads the workforce and sets the Company's culture 'from the top'
Group Chief Finance Officer James Stamp^{3,4}	<ul style="list-style-type: none"> • Works closely with the Group Chief Executive Officer in the development and delivery of the Company's strategy • Responsible for the financial stewardship of the Company and management of its resources through appropriate accounting, financial and other internal controls • Directs and manages the Group's finance, risk management, internal audit, insurance, tax and treasury functions • Manages investor relations, including by communicating the Group's financial performance to investors and analysts
Senior Independent Non-Executive Director Matthew Crummack	<ul style="list-style-type: none"> • Acts as a sounding Board for the Chair and a trusted intermediary for other Directors • Available to investors to discuss any concerns that cannot be resolved through the normal Chair or Executive Director channels • Leads the Board in the annual performance evaluation of the Chair and in developing Chair succession plans
Independent Non-Executive Directors Mike McKeon, Karen Geary, Ana de Pro Gonzalo and Carolyn Flowers	<ul style="list-style-type: none"> • Monitor and scrutinise the Company's performance against its strategic goals and financial plans • Bring objective perspective to the Board's deliberations and decision-making, drawing on their collective experience and individual expertise and insights • Chair and otherwise play lead roles in the functioning of the Board's Committees • Monitor and assess the Company's culture, use appropriate and effective means to engage with the workforce and acquire an understanding of stakeholders' views • Monitor and assess the effectiveness of, and support and constructively challenge, the Executive Directors
Group General Counsel & Company Secretary Simon Callander⁵	<ul style="list-style-type: none"> • Provides advice and support to the Board, its Committees, the Chair and other Directors individually as required, primarily in relation to corporate governance matters • Responsible, with the Chair, for setting the agenda for Board meetings and for high quality and timely information and communication between the Board and its Committees, and between the Directors and senior management as required • Ensures that Board and Committee procedures are complied with

¹ Independent on appointment. Helen Weir became Chair of the Board on 1 January 2023 (having been appointed to the Board on 1 October 2022), following Sir John Armit standing down as Chair of the Board on 31 December 2022

² Non-independent Non-Executive Director

³ Executive Director

⁴ Appointed to the Board on 1 November 2022 (as the interim Group CFO initially and then as Group CFO from 5 December 2022), following Chris Davies standing down from the Board as Group CFO on 31 October 2022

⁵ Appointed as Group General Counsel and Company Secretary on 13 June 2022

Board and Committee meeting attendance

The Board and its Committees conduct their business at scheduled meetings during the year. Additional meetings are held, and other arrangements made, to consider and decide ad hoc matters outside of scheduled meetings. The table below sets out the attendance by Directors and Committee members at the scheduled meetings of the Board and its standing Committees in 2022:

Attendance at meetings	Board	Nominations Committee	Audit Committee	Remuneration Committee	Safety & Environment Committee ³	Sustainability Committee ³
Total meetings in 2022 ¹	9	3	4	5	1	2
Executive Directors						
Ignacio Garat, Group Chief Executive Officer	9	–	–	–	–	–
James Stamp, Group Chief Financial Officer ²	1	–	–	–	–	–
Chris Davies, Group Chief Financial Officer ²	8	–	–	–	–	–
Chair and Non-Executive Directors						
Sir John Armit	*9	3	–	–	*1	–
Jorge Cosmen	9	*3	–	–	1	2
Matthew Crummack	9	3	–	5	1	–
Carolyn Flowers	9	3	4	–	1	*2
Karen Geary	9	3	–	*5	1	2
Mike McKeon	9	–	*4	–	1	–
Ana de Pro Gonzalo	9	–	4	5	1	–
Helen Weir ⁴	1	–	–	–	–	–

¹ Some of the Board and Committee decisions were taken outside of scheduled meetings during the year and the Chair of the Board and the Executive Directors were also invited to attend certain meetings of the standing Committees of the Board where appropriate, neither of which are shown in the table above. The Disclosure Committee and Executive Committee of the Board met during 2022 as and when required, neither of which are reflected in the table above given the nature of these committees means that such meetings are not scheduled.

² Chris Davies stood down from the Board as Group CFO on 31 October 2022 and attended all meetings of the Board held during the year prior to this. James Stamp was appointed to the Board on 1 November 2022 (as interim Group CFO initially, and then as Group CFO from 5 December 2022) and attended all the meetings of the Board held after he was appointed

³ The Safety & Environment Committee was disbanded in May 2022, following the creation of the Sustainability Committee on 11 May 2022

⁴ Helen Weir was appointed to the Board on 1 October 2022 as a Non-Executive Director and Chair Designate and attended all the meetings of the Board held after she was so appointed

* Board Chair or Committee Chair

Director independence

The Board reviews the independence of its Non-Executive Directors annually in advance of proposing Directors for election or re-election at the AGM. The Nominations Committee also considers Non-Executive Director independence on an ongoing basis as part of its consideration of the composition of the Board.

Both Sir John Armit and Helen Weir were considered independent on appointment as Chair. Mr Cosmen, the Deputy Chairman, is not considered independent due to his long tenure on the Board (17 years), his close links with Group's business (especially

the ALSA business) and the interests the Cosmen family hold in shares in the Company. However, Mr Cosmen's extensive experience in the passenger transport industry and deep understanding of the Group's business enables him to provide the Board with valuable support when reviewing strategic and operational matters.

On the advice of the Nominations Committee, the Board considers all other serving Non-Executive Directors to be independent.

Director conflicts of interest

The Board operates a policy to identify and manage situations declared by Directors (in accordance with their legal duty to do so) in which they or their connected persons have, or may have, an actual or potential conflict of interest with the Company. The Board considers such situations as they arise and decides whether to authorise any conflict based on the overriding principle that a Director must at all times be able to exercise independent judgement to promote the success of the Company.

A register of Directors' actual and potential conflicts of interest, together with authorisations previously given by the Board, is maintained by the Group General Counsel and Company Secretary. Following review by the Nominations Committee of the application of this policy during the year under review, the Board is satisfied that no Director conflict situation currently exists.

Director commitment and external appointments

The Directors ability to commit sufficient time and attention to the Company, including having regard to their external appointments, is reviewed by the Board annually in advance of Directors being proposed for election or re-election at the AGM, following recommendation from the Nominations Committee. All Directors are expected, and required by their appointment terms, to commit sufficient time to the Board and the Company in order to carry out their duties. They are also required, by their appointment terms, to seek the Board's approval to taking on significant new commitments.

In 2021, the Board introduced a policy on Directors' commitment and external appointments to give guidance on what constitutes a significant commitment outside the Company and the process to follow to seek approval for new external appointments. The policy guides that the Board will not normally approve Executive Directors holding more than one other significant commitment, such as a non-executive directorship in another publicly traded company and will not normally approve Non-Executive Directors holding more than five 'mandates' as defined in the policy.

Division of Responsibilities continued

A register of Directors' external appointments is maintained by the Group General Counsel and Company Secretary. Details of all Directors' current significant external appointments are included in their biographies on pages 98 to 101 of this Corporate Governance Report. Following recommendation by the Nominations Committee the Board considers, taking into account Directors' attendance at Board and Committee meetings, their contributions to the Company outside the Boardroom and their other current significant commitments, including external appointments, that all the Directors are able to devote sufficient time and attention to the Company.

Board and Committee processes

The Board has a formal schedule of matters reserved for its approval, which matters include: strategy review, risk appetite and Group-wide principal and emerging risk review; major acquisitions, disposals, bids and contracts; share capital changes and debt financing; review of financial results and approval of business plans and budgets; setting and changes to key corporate policies; Board and Committee membership; and corporate governance arrangements. Other responsibilities and authorities have been delegated by the Board to its standing Committees, comprising its Nominations, Audit, Remuneration, Sustainability, Executive and Disclosure Committees.

The schedule of matters reserved to the Board and the terms of reference of each of its standing Committees, which are reviewed and approved by the Board annually, can be found on the Company's website at www.nationalexpressgroup.com. Matters that fall outside of those reserved to the Board or its standing Committees fall within the responsibility and authority of the Group Chief Executive Officer and/or the Group Chief Financial Officer and are either reserved to them or delegated by them further pursuant to a Group Delegated Authorities Framework which is also reviewed and approved by the Board.

The Chair of the Board and Group General Counsel and Company Secretary, in consultation with the Chief Executive Officer and Chairs of the Committees, maintain a scheduled 12-month programme of business for the Board and its standing Committees. This incorporates flexibility for additional business to be discussed as required either at those scheduled or additional ad hoc meetings of the Board or its standing Committees or other Committees established for specific purposes. The scheduled programme of business and flexibility around it ensures that all necessary matters are covered and appropriate time is given for discussion and, if thought fit, approval of relevant business.

At each scheduled Board meeting, the Board rigorously reviews updates from the Executive Directors on the Company's safety, strategic, operating and financial performance, and from and other members of the Group Executive including the Group General Counsel and Company Secretary on legal compliance and corporate governance. Other regular Board agenda items include decisions relevant to strategy (such as those relating to acquisitions and disposals, major contract bids and capital allocation), risk management (including reviews of risk appetite and Group-level risks) and those relevant to stakeholders (such as decisions relating to investor relations, employee relations, talent development, diversity promotion and workforce and stakeholder engagement).

Committee Chairs provide summaries of the main decisions and recommendations arising from Committee meetings to ensure non-members are kept up to date with the work undertaken by each Committee. Senior management and external advisers regularly attend both Board and Committee meetings where detailed discussions on specific matters on which their input or advice is needed take place. The Board also seeks to bring external viewpoints into the Boardroom, including from customers, suppliers, government or regulatory officials and experts in areas relevant to the Company's delivery of strategy or management of risk.

In advance of each Board and Committee meeting, Directors receive, via a secure web portal, high quality papers on the agenda items to be discussed. The secure web portal also gives Directors access to a range of other resources, including previous meeting papers, minutes, financial reports, business presentations, investor reports, Company policies and governance guidelines, and details of Board and Committee procedures.

If a Director is unable to attend a meeting due to illness or exceptional circumstances, they will still receive all supporting papers in advance of the meeting and are invited to discuss with, and provide input to, the Chair of the Board, relevant Committee Chair or the Group General Counsel and Company Secretary on the business to be considered at that meeting. Feedback is provided to any absent Director on the key decisions taken at the meeting.

The Board has access to the Group General Counsel and Company Secretary, for support and advice as required, and the Company operates a policy which allows Directors to obtain, at the Company's expense, independent professional advice where required to enable them to fulfil their duties effectively.









In addition to Board and Committee meetings, Non-Executive Directors hold private meetings without the Executive Directors present, including to discuss Executive Director performance. There are also opportunities during the year for Directors to have informal discussions outside the Boardroom, either between themselves or with senior management or external advisers.




















Further, and as explained on pages 113 to 117 of this Corporate Governance Report, Non-Executive Directors participate in a number of stakeholder engagement activities during the year and they have the opportunity, throughout the year, to attend seminars and discussion groups on matters relevant to their roles and responsibilities or on topics of interest to the Company, including through the Deloitte Academy and Chapter Zero.

Section 172(1) Statement

The Board makes decisions after careful consideration of all relevant factors which include, but are not limited to, those specified in s.172(1) Companies Act 2006. Examples of some of the decisions taken by the Board during the year and an explanation of which factors the Directors had regard to when reaching such decisions, including those set out in Section 172(1)(a) to (f) of the Companies Act 2006, are set out in the table below:









Key of factors considered:

















-  long-term impact
-  fostering business relationships
-  reputation
-  financial implications
-  employees
-  community and environment
-  acting fairly between members
-  advancing the purpose

Board decision	Directors' consideration of factors in accordance with s. 172(1)
<p>Approved recommendations from the Nominations Committee on the appointments of a new Non-Executive Director and Chair Designate and a new Group Chief Finance Officer to the Board and the appointments of a new Group General Counsel and Company Secretary and Group Chief Information Officer ('Group CIO') to the Group Executive Committee</p>	<div style="display: flex; align-items: flex-start;"> <div style="margin-right: 10px;">     </div> <ul style="list-style-type: none"> the appointments support the long-term success of the Group, as suitably experienced and qualified individuals have been appointed to the Board and Group Executive, who have strong reputations for delivery of strategic ambitions and/or their area of expertise to help deliver stronger financial outcomes the strengthening of the Group's digital expertise through the appointment of a new Group CIO will advance our strategy, as the customer propositions which will deliver our strategy are underpinned by technology </div>
<p>Approved the renewal of the Company's £1.5 bn Euro Medium Term Note ('EMTN') programme and the execution of a new bridge facility in respect of the Company's maturing £400m sterling bond</p>	<div style="display: flex; align-items: flex-start;"> <div style="margin-right: 10px;">  </div> <ul style="list-style-type: none"> colleagues will benefit from a strong leadership team being in place, including through enhancements to culture </div>
<p>Approved the renewal of the Company's £1.5 bn Euro Medium Term Note ('EMTN') programme and the execution of a new bridge facility in respect of the Company's maturing £400m sterling bond</p>	<div style="display: flex; align-items: flex-start;"> <div style="margin-right: 10px;">   </div> <ul style="list-style-type: none"> the renewal of the EMTN programme facilitates the Group's access to the debt capital markets enabling it to execute its strategic plans and advancing the purpose </div>
<p>Approved the decision on the dividend</p>	<div style="display: flex; align-items: flex-start;"> <div style="margin-right: 10px;">     </div> <ul style="list-style-type: none"> given the volatility of the debt markets, the bridge facility allows the Company flexibility as the maturity of the bond approaches to refinance at a time in future when markets should be more stable </div>
<p>Approved the decision on the dividend</p>	<div style="display: flex; align-items: flex-start;"> <div style="margin-right: 10px;">  </div> <ul style="list-style-type: none"> the bridge facility enables to the Company to build on its relationships with debt investors, and once notes are issued under the EMTN programme, there is an opportunity to develop new, and build on existing, relationships with debt investors </div>
<p>Approved the decision on the dividend</p>	<div style="display: flex; align-items: flex-start;"> <div style="margin-right: 10px;">  </div> <ul style="list-style-type: none"> the decision to renew the EMTN programme allows access to debt, rather than equity funding. This helps to ensure that shareholders, particularly small shareholders who may not be able to take up their rights in a rights issue and would therefore be diluted, are treated equally </div>
<p>Approved the decision on the dividend</p>	<div style="display: flex; align-items: flex-start;"> <div style="margin-right: 10px;">       </div> <ul style="list-style-type: none"> in determining whether or not to pay a dividend, the Board considered the financial implications and long term impact of recommencing such a dividend, acting fairly between members who had expressed different views as to the importance and quantum of any dividend payment, its obligations to the broader community (including the need to repay furlough monies to the UK government), alternative applications of those monies (including reinvestment and paying down debt) and previous indications that had been given and the impact on the Company's reputation </div>

Section 172(1) Statement continued

Key of factors considered:

-  long-term impact
-  fostering business relationships
-  reputation
-  financial implications
-  employees
-  community and environment
-  acting fairly between members
-  advancing the purpose

Board decision	Directors' consideration of factors in accordance with s. 172(1)
Reviewed and approved the Group's five year strategic plan and opportunities to accelerate the Evolve strategy	<div style="display: flex; align-items: center;"> <div style="margin-right: 10px;">       </div> <ul style="list-style-type: none"> the achievement of our strategy through execution of our customer propositions and delivery of our outcomes will have positive outcomes for all; our colleagues will benefit from financial, career and development opportunities resulting from our growth; our business relationships will benefit through strengthening existing relationships and developing new relationships with our customers, suppliers, debt providers and our partnerships with local governments; the community and environment will benefit as we transition to zero emissions vehicles and seek to keep local communities well connected with safe and reliable transportation services; and all of our members will benefit from our growth and increased profitability through returns on their investment the achievement of our strategy will improve our reputation in the long-term, because we will be: the safest, most reliable operator with the most satisfied customers; an employer of choice; and an environmental leader, with strong financial returns, which will advance our purpose </div>
Approved bids for significant opportunities to provide transportation services	<div style="display: flex; align-items: center;"> <div style="margin-right: 10px;">      </div> <ul style="list-style-type: none"> the bids would, if successful, generate revenue and profit and contribute to the Group's growth strategy and align with its purpose, including through access to new markets and strengthening our presence in existing markets which could create further opportunities in the long-term. Our members will all benefit from our growth and increased profitability through returns on their investment as will our existing colleagues from the increased financial stability within the Group </div>
	<div style="display: flex; align-items: center;"> <div style="margin-right: 10px;">   </div> <ul style="list-style-type: none"> additional colleagues would join the Group (either via new recruitment or through being the incumbent operator employees), if the bids are successful. They would benefit from our training programmes and application of our Group Safety Policies, which would teach them new skills and procedures aimed at reducing risk profiles the local communities served could benefit from either a new or continued service operated to the exceptionally high standards set by the Group, particularly in terms of safety and in line with the Group's environmental ambitions to transition its global fleet to zero emissions vehicles </div>
	<div style="display: flex; align-items: center;"> <div style="margin-right: 10px;">  </div> <ul style="list-style-type: none"> the Group chose to partner with others in some of its bid submissions, which enabled the Group to form new, or strengthen existing, stakeholder relationships </div>
Approved the Group's modern slavery statement	<div style="display: flex; align-items: center;"> <div style="margin-right: 10px;">     </div> <ul style="list-style-type: none"> the statement confirms the Group's zero-tolerance approach to slavery and human trafficking and sets out the steps taken by the Group during the year to ensure there was no modern slavery or human trafficking in any part of its business or supply chain, and in approving such statement, consideration was given to the Group's reputation for conducting its business in an ethical manner and with integrity and the importance of working with trusted suppliers who operate to the same high standards with respect to conduct of their business and management of their social and ethical issues </div>

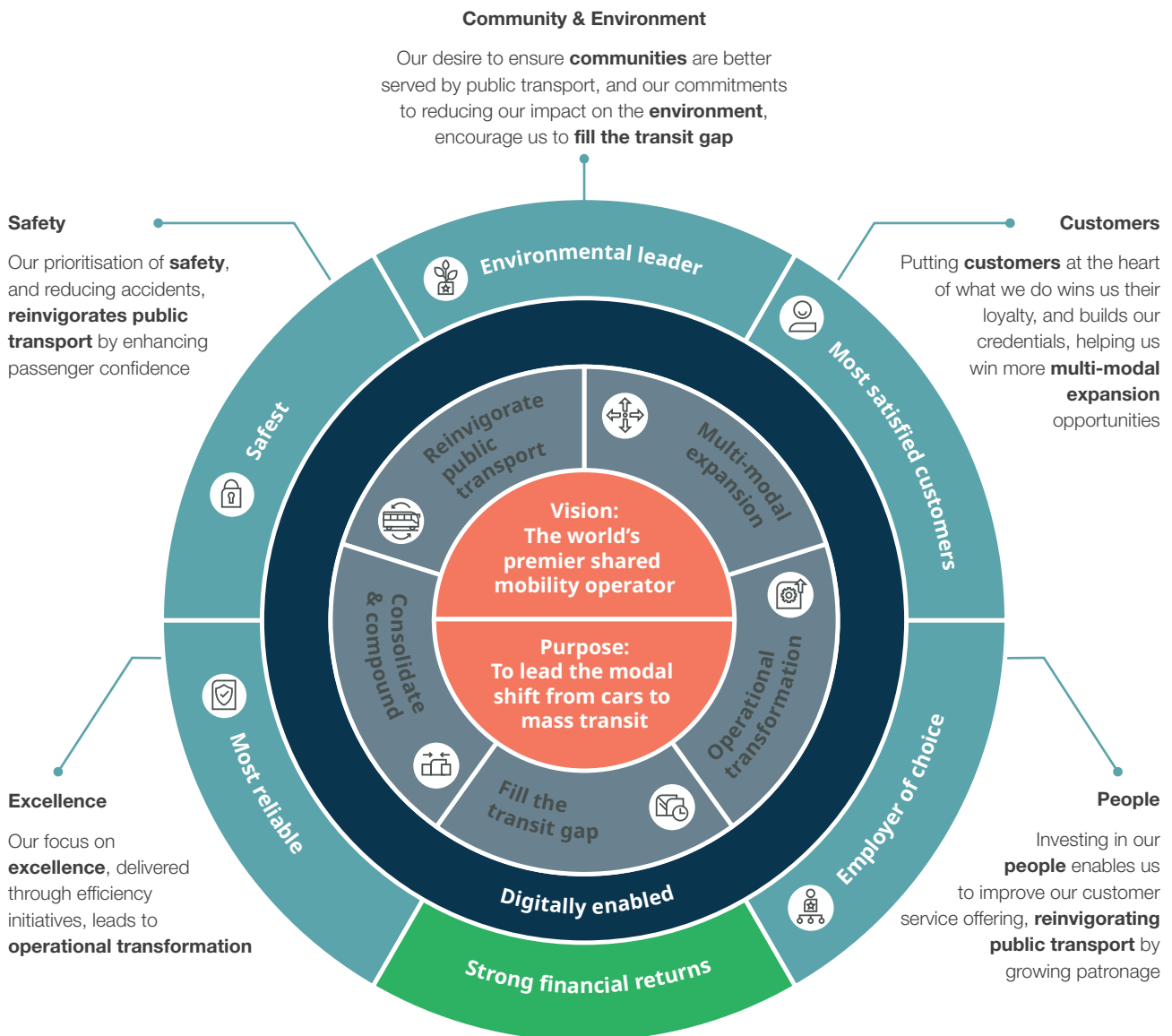
Purpose, Value and Culture

Purpose, vision and strategy

The Company has a clear purpose and vision to be achieved through the execution of the Company's Evolve strategy. This strategy is built upon five customer propositions, each underpinned by the focused application of technology, to deliver six outcomes for stakeholders, all as more particularly explained on pages 16 to 17 of the Strategic Report.

Aligning our purpose, vision, values and strategy

The Company's traditional values - Safety, Excellence, Customers, People and Community & Environment – support the execution of the Evolve strategy as they are directly aligned with the six outcomes for stakeholders, as illustrated by examples of this alignment in the diagram below:



Purpose, Value and Culture continued

Culture

The below table sets out the framework of policies and practices which support our culture and explains how the Board monitors culture:

Culture framework	Board methods of monitoring culture
<p>Our safety priority</p> <p>The Company's prioritisation of safety, led from the top, ensures it remains central to all business decisions and operational practices. The Company's global safety policies and systems set high and consistent standards across our operations worldwide. The inclusion of stretching safety targets in short-term incentive arrangements maintains this continued focus.</p>	<ul style="list-style-type: none"> • The Board monitors the development, implementation and compliance with the Company's global safety policies and reviews major safety incidents, their root causes and any lessons to be learned from them. • The Board performs or commissions safety tours to assess safety compliance and safety culture across different parts of the business and reports on them to the Board. • The Group CEO, supported by the Group Safety Director, constantly monitors the Group's safety performance, including by reference to a series of KPIs, including FWI and preventable accidents scores, and reports on such performance to the Board at every Board meeting.
<p>Our environmental strategy and ambitions</p> <p>The Company's environmental strategy, centred on the transition of the Group's fleet to ZEVs, and its environmental ambition to achieve zero emission fleets within each of its current business divisions, is driving a focus on their achievement. Its seven-year environmental KPIs enable progress against ambitions to be tracked and the inclusion of carbon reduction targets in long-term incentive arrangements maintains focus.</p>	<ul style="list-style-type: none"> • The Sustainability Committee monitors progress against the Group's environmental strategy and ambitions. • The Group CEO and Group CFO, assisted by the Group Sustainability Director, the Global Sustainability Steering Group and the Zero Emission Vehicle Steering Group, regularly assess the development and delivery of zero emission fleet and other environmental initiatives, track progress against the environmental KPIs and report on such performance to the Sustainability Committee of the Board.
<p>Our people strategy and employee policies and practices</p> <p>The Company adopted a new people strategy during 2022 which is based around three key priorities: Embrace, Energise and Elevate further explained in the Strategic Report on page 77. The Company also adopted people KPIs focusing on employee engagement and eNPS as described on page 138.</p> <p>Fair and transparent employee policies and practices ensure that our colleagues' rights are respected in accordance with applicable laws, their contracts and recognised collective bargaining agreements. A number of programmes and initiatives also support their health and wellbeing, develop their talent, recognise their excellence, encourage innovation and promote diversity and inclusion among them.</p>	<ul style="list-style-type: none"> • The Sustainability Committee monitors progress against the people strategy and ambitions, including tracking progress against the people KPIs. • The Sustainability Committee and the Board receive people reports, on all key people data and trends, including levels of establishment, levels of engagement, outcome of staff surveys and the progress of trade union relations. • The Nominations Committee performs 'deep dive' reviews into the effectiveness of senior management succession plans, talent identification and development plan and diversity & inclusion initiatives. • Directors engage directly with colleagues via engagement events as described on pages 114 to 116.
<p>Our corporate policies</p> <p>The Company's corporate policies, including those on anti-bribery and corruption, anti-slavery and human trafficking, data protection and whistleblowing, set clear expectations, and mandates, for every member of the workforce to perform the Company's business with integrity and in accordance with applicable laws.</p> <p>The Group Compliance & Risk Officer champions compliance, and a compliance framework has been developed to bring greater alignment to corporate policies.</p>	<ul style="list-style-type: none"> • The Company's compliance framework, and the corporate policies which form part of it, are reviewed and approved by Board or the Audit Committee. • The Group Compliance & Risk Officer sponsors the Company's compliance programme, manages its development and enforcement and reports to the Audit Committee of the Board on its effectiveness. • Any serious allegations of breach of corporate policy or other wrongdoing, whether identified through internal audits, the whistleblowing hotline (via which colleagues can raise concerns in confidence and anonymously if they wish) or otherwise, are duly investigated, acted upon and brought to the Board's attention.
<p>Our supplier protocols and procedures</p> <p>Standard supplier protocols and procedures, standard contractual terms and audits of suppliers ensure that key suppliers operate their businesses and respect their workers' rights in the same way that we do. Building long-term, mutually beneficial, relationships with core suppliers also enables the Company and its suppliers to understand and assist in the achievement of what is important to the other.</p>	<ul style="list-style-type: none"> • The Board receives stakeholder reports and presentations from core suppliers from time to time. • The Group Procurement team monitors compliance by key suppliers with the Company's policies, protocols and procedures, and the Board receives reports from the Group Procurement Director from time to time.
<p>Our values</p> <p>The Company has an embedded set of values which all our colleagues are encouraged to live by. The identification in the Evolve strategy of the six stakeholder outcomes, by which the Company will measure whether it is delivering on its strategy and achieving its purpose, is serving to further reinforce the importance of the values. The alignment between the values and the outcomes is explained on page 111.</p>	<ul style="list-style-type: none"> • The Board's engagement with our colleagues, through the means described on pages 114 to 116, enables the Board to assess first hand whether our colleagues are living by our values. • The Board also hears customer, supplier and other stakeholder views, through the means described on pages 113 and 117, facilitating a further assessment of whether our stakeholders consider we are living by our values

Through its monitoring activities, the Board is satisfied that the Company's culture is strongly aligned with its values, purpose and strategy.

Stakeholder Relations

Board engagement with shareholders, analysts, potential investors and debt providers

The Board is committed to maintaining a two-way dialogue with its key financial stakeholders. The Chair, supported by the Senior Independent Director and the Executive Directors, has overall responsibility for ensuring this communication is effective.

The Executive Directors, with the support of the investor relations team, undertook their traditional investor relations programme during the year. The programme, which is aligned to the Company's financial reporting calendar, includes holding meetings with and giving presentations to existing and prospective equity investors, participating in analyst-arranged investor conferences and investment bank sales desk meetings. These events are shown by the [blue text](#) in the investor relations programme below.

Further, the Executive Directors, supported by the Company's brokers and financial advisers and treasury team, the Chair and members of the Remuneration Committee

also undertook additional engagement throughout 2022 in connection with:

- communications and one-on-one discussions with major shareholders about the 2021 Directors' Remuneration Report in advance of the 2022 AGM, to ensure the Remuneration Committee and the Board understood the views of the shareholders before making decisions on Executive Directors' remuneration, as shown by the [green text](#);
- a round of amendments to the Company's financial covenants in its major debt facilities and private placement note programmes, which involved discussions with equity and debt investors as shown by the [purple text](#); and
- updates in relation to the potential all-share combination with Stagecoach prior to and following its lapse, as shown by the [orange text](#).

The Board is kept fully informed of the views of shareholders via regular reports from the Executive Directors on their investor relations activities and via feedback from the Chair and other Non-Executive Directors on their engagement. The

Company's brokers and investor relations advisers also provide regular confidential feedback on investor views, perceptions and opinions which are shared with the Board.

The AGM also gives shareholders the opportunity to engage with the Company and its Board regarding the matters before the meeting and the Company was pleased to welcome shareholders in-person at the 2022 AGM for the first time since the pandemic.

The Company's 2023 AGM is also being organised as an in-person meeting; further details are in the Notice of 2023 AGM.

During 2022, 11 analysts published equity research notes covering the Company, although only 10 analysts are currently providing coverage. Details of the analysts that currently provide coverage in relation to the Company appear on the investor section of the Company's website.

More information about the Company's investor relations approach can be found on the Company's website at www.nationalexpressgroup.com/investors.

2022 Investor Relations Programme:

January	<ul style="list-style-type: none"> • Letters sent to major shareholders on executive remuneration matters in advance of the 2022 AGM 	May	<ul style="list-style-type: none"> • 2022 AGM • Update on all-share combination with Stagecoach following lapse
February	<ul style="list-style-type: none"> • Discussions with debt investors on sixth amendment to financial covenants • One-on-one discussions with major shareholders who wished to engage in discussion on executive remuneration matters in advance of the 2022 AGM 	June	<ul style="list-style-type: none"> • Trading update • Ad hoc meetings with investors and investment bank sales desks post trading update • Berenberg SDG investor conference
March	<ul style="list-style-type: none"> • 2021 full year results announcement and investor roadshow • Meetings with investment bank sales desks • Berenberg UK corporate investors conference • Fireside investors chat hosted by Berenberg • Further letters sent to major shareholders on executive remuneration matters in advance of 2022 AGM • Announcement in response to DWS bid for Stagecoach 	July	<ul style="list-style-type: none"> • 2022 half year results announcement
		August	<ul style="list-style-type: none"> • 2022 half year investor roadshow
April	<ul style="list-style-type: none"> • Ad hoc investor meetings • Q1 trading update 	September	<ul style="list-style-type: none"> • 2022 half year results investor roadshow • UBS Business, Transport and Leisure investor conference • Citi Mid-cap and growth investor conference
		October	<ul style="list-style-type: none"> • Q3 trading update • Ad hoc investor meetings
		November	<ul style="list-style-type: none"> • Ad hoc investor meetings • Investec Best Ideas investor conference
		December	<ul style="list-style-type: none"> • Jefferies ESG investor webinar

Stakeholder Relations continued

Board engagement with the workforce

The Board undertook two site visits during the year in review, the first in June 2022 to Madrid to hear how ALSA has been focusing on growth and then to Birmingham in November 2022 for a showcase on how technology is used as an enabler within the UK division. Further information on the site visits is shown below. As in recent years, this programme of site visits was supplemented by Directors participating in workforce engagement events, which for the year in review was undertaken through online listening forums and in-person engagement during site visits. Further details of these events can be found on page 116.

Madrid and Birmingham Site Tours

Madrid site tour

The Board visited Madrid in June 2022 and:

1

Received an update on ALSA's international growth strategy, including a review of the principal territories of interest



2

Learned about ALSA's long haul recovery and its return to growth through revenue management, marketing and operational initiatives



3

Was given a demonstration of how ALSA uses technology to provide connected mobility services, including ALSA's Mobi4U app, designed to drive patronage and revenue growth



4

Learned how the OPERATE programme was used to deliver efficiencies and cost savings to drive growth



5

Saw illustrations of the applicability of artificial intelligence and explored the benefits of GOAL as an optimisation tool



These touchpoints for the Board with the workforce are not just an important means of monitoring the Company's culture but they also serve to deepen Directors' understanding of how the Group's operations function in practice and allow them to hear directly from colleagues about matters that can either be directly relevant to the Board's decision-making or can give better context to that decision-making.

Birmingham site tour

The Board visited Birmingham in November 2022 for a digital showcase on how technology is used as an enabler throughout the customer journey in the UK division. During the visit, the Board:

1



Met with the digital team who spoke about using website optimisation to help customers find us and how we use our CRM system to better understand and build relationships with our customers

2



Spoke with the operations team about the use of technology within revenue management and yield maximisation when selling tickets

3



Saw how timetable and schedule optimisation allowed improved operational performance and provided a service which customers can rely on

4



Experienced one of our new driver simulator buses, where Helen Weir volunteered to take part in one of our simulator training exercises designed to improve driver skills and keep customers safe with us

5



Was given a briefing on other technology which is used to support the customer experience and how innovative technology and data may be used in the future to further improve the customer experience



Stakeholder Relations continued

Online listening forums

Online listening forums take the form of roundtable discussions between one or two Non-Executive Directors and 15-20 members of the workforce drawn from a variety of roles from bus drivers to middle managers. These forums have been positively received by those attending them who have commented, in particular, that the videocall format encourages a free-flowing dialogue.

Three online listening forums were held in 2022, one for colleagues from each of the Company's principal business divisions of UK & Germany, North America and ALSA. The UK event was attended by Karen Geary, the North American event by Carolyn Flowers and Matthew Crummack and the ALSA event by Jorge Cosmen and Ana de Pro Gonzalo.

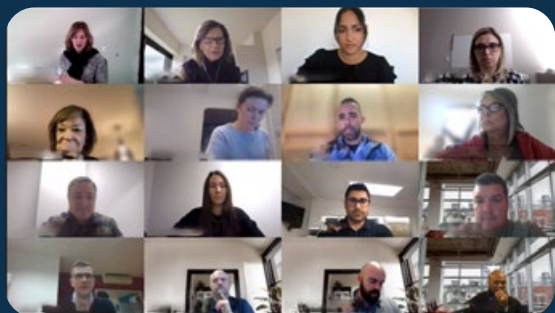
The topics of recognition, talent and career development emerged in all three forums as areas for consideration. These topics echo through the results of the global engagement survey, and are being addressed through the survey action plans, as further described on pages 78 and 138. Pleasingly, the other key theme that emerged from the forums was about the Company's culture, where the feedback was generally very positive.

Ms Flowers observed that:

"It was illuminating to hear from our colleagues, especially on how to incentivise and retain our key people and cultivate the culture we want to have."

Mr Cosmen noted that:

"There is a sense that the culture is good here" and he found it encouraging that "our people are very passionate and have a real sense of belonging; they really care about the Company."



In-person engagement during site visits

During Board site visits to ALSA and the UK division during 2022, the Non-Executive Directors hosted informal lunches with around 25 colleagues at different levels within their respective divisions. The colleagues in question were drawn from the Company's talent development programme and the lunches were an excellent opportunity for members of the Board to informally communicate directly with those colleagues to better understand their goals and aspirations, their views on the performance of their division and their proposed solutions to some of the challenges which are regularly discussed in the Boardroom. 'Growing our own' is a key feature of the Group's people strategy, and these lunches were well received particularly given the talent and career development themes emerging from the global engagement survey.

The Board also had the opportunity to engage with members of the senior leadership team from each of the ALSA and UK divisions over a dinner. The dinner enabled conversations, which had begun during the site visits or the divisional business presentations, to be continued in a more informal setting and for longer to be spent exploring and discussing individual issues.

Mr McKeon said that:

"The future looks bright – everyone I spoke to was very engaging and a real sense of pride shines through."

Ms de Pro Gonzalo was encouraged noting that:

"It is always very interesting to hear directly from our people; they bring some great ideas to the conversation that give us a different perspective".



Our Board workforce engagement methodology

The Company's workforce engagement events are a variant of the UK Corporate Governance Code recommended 'designated non-executive director' method of engaging with the workforce. Because they give more of the Directors and more colleagues the opportunity to speak directly with each other; they take due account of the size, geographic expanse, and cultural diversity of the Company's workforce; and the relative informality of their nature encourages open and honest discussion, they are considered by the Board to be more effective than that of the other Code recommended methods.

Understanding other stakeholder views

Most engagement the Company has with its other stakeholders, such as customers and passengers, suppliers, governments and regulators, takes place at the divisional level where a variety of well-established methods are used to ensure that divisional management understand their business' stakeholders' views. These views are passed to the Board through divisional business updates and dedicated stakeholder reports.

To supplement those updates and reports and to allow the Board more direct opportunities to understand stakeholder views, the Board also engages directly with wider stakeholders where there is appropriate opportunity to do so. In June 2022, the Board was pleased to meet with Jaime Moreno, the General Director of Land Transport from the Spanish Ministry of Transport, and Mr Khalid Alhogail, the president of UITP and CEO of SAPTCO, and in November 2022, the Board had the opportunity to speak with Andy Street, the Mayor for the West Midlands.

The key theme emerging from all three stakeholder meetings was the importance of partnerships, as further explained in the boxes below.

Further information about who the Company's key stakeholders, and how the Company engage with them, is set out on pages 66 and 67 of the Strategic Report. Further examples of how different stakeholders' interests have been taken into account by the Board in its decision-making are also set out on pages 109 to 110 of this Corporate Governance Report.



As Mayor for the West Midlands, Mr Street is a key stakeholder for the UK Bus division. He explained to the Board that he believes the success of the partnership between the West Midlands Combined Authority (WMCA) and National Express is rooted in their joint commitment to provide reliable, convenient, affordable and green services to the local residents. This joint commitment was evidenced by how the network was protected during and in the course of the recovery from the pandemic. And through partnership, significant funding

was obtained to freeze fares and drive growth through increased patronage, and to purchase new zero emission vehicles, with Coventry set to become the UK's first electric city. Explaining that hundreds of millions would be available through the West Midlands Bus Service Improvement Plan and other funding streams, Mr Street observed that the WMCA will need their partnerships with operators to help them deliver on that plan and he sees National Express as one of those key partnerships.



Mr Alhogail is the president of UITP (Union Internationale des Transports Publics) and CEO of SAPTCO. UITP is the only worldwide network to bring together all public transport stakeholders and all sustainable transport modes. SAPTCO holds 85% of a stake in a joint venture with ALSA, which joint venture company is bidding for the Intercity Bus concession tender in the Kingdom of Saudi Arabia (KSA). Having given an overview of key

global transport trends observed by UITP, Mr Alhogail lead a discussion with the Board on the importance of building partnerships when providing mobility solutions and noted that the success of ALSA in Morocco was a determining factor for SAPTCO in deciding ALSA was the right urban operator to partner with in bidding for the KSA Intercity Bus concession.



Mr Moreno is the General Director of Land Transport at the Spanish Ministry of Transport, one of ALSA's key stakeholders. He provided an update to the Board on the changes to the tendering process and the new map of public transport services in Spain as well as on the introduction of a new Spanish mobility law. When discussing the impact of these changes on operators, Mr Moreno emphasised that although price was important, it was not the only

consideration with safety and quality also being key. In this respect, Mr Moreno concluded that ALSA's reputation in the industry was such that the Spanish Ministry could be confident when partnering with ALSA that these important service elements would be of a very high standard and that ALSA would be a very reliable partner.

Nominations Committee Report



Jorge

Cosmen

“2022 was another busy year for the Nominations Committee as we progressed the succession plans in relation to our Chair and responded to the need to appoint a new Group Chief Financial Officer. We were delighted to announce the appointment of Helen Weir as Independent Non-Executive Director and Chair Designate on 8 September 2022 and to confirm James Stamp as the permanent Group Chief Financial Officer on 5 December 2022”

Primary role

To monitor the balance of knowledge, experience, skills, independence and diversity of the Board and its Committees, to ensure that appropriate procedures are in place for the nomination and evaluation of Directors and to develop and facilitate the implementation of succession plans regarding the Executive Directors and senior management.

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

Key responsibilities

- Monitor the structure, size and composition (including the knowledge, experience, skills, independence and diversity) of the Board and its Committees and make recommendations to the Board regarding any changes to such matters
- Develop and implement effective succession plans for the Board, its Committees and senior management, having regard to the skills and expertise needed to ensure the long-term sustainable success of the Company, including by overseeing the development of a diverse talent pipeline and monitoring the Company’s diversity policies and initiatives and their effectiveness
- Lead a rigorous and transparent process for identifying, interviewing and selecting candidates to serve as Directors on the Board and its Committees and making recommendations to the Board for their appointment
- Assist the Chair with the annual evaluation of the effectiveness of the Board, its Committees and the Directors

Activity highlights

- Kept the Board and Committee composition under review, re-commenced and concluded a Chair succession process and considered future Board and Committee succession planning in light of forthcoming Director term limits
- Considered the resignation of Chris Davies as Group Chief Financial Officer and put in place arrangements to identify and appoint his replacement, James Stamp, including appointing external search consultants to assist with those arrangements
- Continued to review updated and more detailed senior management succession plans and reviewed proposals for the enhancement of talent identification and development programmes across the Group
- Reviewed the diversity of the Group’s senior leadership teams and the Group’s broader workforce, and the diversity and inclusion initiatives taken across the Group

Membership, meetings and attendance

Committee member	Appointed	Resigned	Meetings attended/ meeting held
Jorge Cosmen (Chair)	01.12.05	–	3/3
Sir John Armit	01.01.13	31.12.22	3/3
Karen Geary ¹	01.10.19	–	3/3
Matthew Crummack ¹	28.01.20	–	3/3
Carolyn Flowers ¹	30.11.21	–	3/3

¹ Independent Non-Executive Director

Other attendees: Group General Counsel and Company Secretary, Group Chief Executive Officer and Group HR & Communications Director

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

Dear fellow shareholder

I am pleased to present the Nominations Committee Report for the year under review. 2022 was another busy year for the Nominations Committee as we progressed the succession plans in relation to our Chair and responded to the need to appoint a new Group Chief Financial Officer following Chris Davies' resignation. We also continued our work considering Board succession more broadly as a number of Directors approach their current term limits and continued our review of the Group's senior management succession and talent development plans, which are key to the Group's growth and success.

Board and Committee composition during the year under review

Throughout 2022, the Committee has kept the composition of the Board and its Committees under review.

Succession planning for Sir John Armit, who reached his nine-year tenure as Company Chairman in February 2022, had commenced in early 2021 but was paused as a result of discussions with Stagecoach on the potential combination. Once it became clear that the potential combination would lapse, the Committee recommenced a succession process engaging with independent consultancy Sam Allen Associates to assist it in that process.

Following a thorough review of the market place and an interview process that involved all of the Non-Executive Directors, the Executive Directors and a number of members of the Group Executive Committee, we were delighted to announce the appointment of Helen Weir as Independent Non-Executive Director and Chair Designate on 8 September 2022. Helen commenced her role on 1 October 2022 and stepped up to the role of Chair with effect from 1 January 2023. Sir John remained as Chairman until 31 December 2022 to provide continuity of leadership to the Company and the Board pending the selection of his successor.

Helen has undertaken a bespoke induction programme which has seen her make site visits to each of our major divisions, spend time with each Director and each member of the Group Executive team and also provided access to a number of key members of senior management within both the Group and each of our divisions. Introductions to, and briefings from, our key financial and other advisers have been provided and engagement with our most significant shareholders has commenced. Helen is also participating in The Board Advisory Partnership's 'Chairing in Practice' programme during the first half of 2023 where a small group of new or incoming Chairs have sessions on various topics from building relationships with stakeholders to leading the Board

under adversity, each led by experienced Chairs. This programme will provide Helen with a network of fellow Chairs who have a wealth of experience for guidance and support. A Q&A with Helen, in which she shares her initial observations and views on modal shift, is set out in Appendix 1 to this Report.

In August 2022, Chris Davies informed the Board that he wished to resign from the business to take up another role. Chris had joined National Express in May 2017 as a member of the Board and Group Executive team, and played a key role in developing the Company's Evolve strategy, as well as its strong recovery post pandemic. Following Chris' resignation he remained with us until October 2022 working with Ignacio, James Stamp and the rest of the Group Executive to ensure a smooth hand over of responsibilities. We wish Chris all the best for the future.

Following Chris' resignation, we appointed independent search consultancy Russell Reynolds to assist us with the process for the selection of a permanent Group CFO. We also appointed James Stamp to the role of Interim Group Chief Financial Officer and he joined the Board on 1 November 2022. James joined the Company in July 2017 and had previously served on the Group Executive as Group Commercial and Strategy Director and as the CFO for the UK and Germany.

Having reviewed and interviewed a strong field of external and internal candidates and in light of his strong performance in the interim role, we were delighted to recommend to the Board that James be appointed as permanent Group Chief Financial Officer. His appointment was announced on 5 December 2022.

Following these changes, the Board is now comprised of nine Directors who, as described in their biographies on pages 98 to 101 and as shown by the table below, have, between them, a wide range of highly relevant knowledge, skills, and experience. This table is used by the Committee when considering for Board succession planning.

The Committee has reviewed the membership of all the Board's Committees to ensure that each Director's knowledge, skill and experience was being put to best use and that Non-Executive Directors were maintaining an appropriate share of Committee responsibilities.

The Remuneration and Audit Committees are each composed of three independent Non-Executive Directors who between them have both the requisite disciplinary experience and wider relevant experience. The Nominations Committee remains composed of a majority of independent Non-Executive Directors who, between them, have a good balance of relevant skills and experience.

Name and role of Director	Passenger transport industry experience ¹	Closely adjacent industry experience	UK listed company experience ¹	Operational/management experience	International business experience	Finance/accounting experience ¹	People/remuneration experience ¹	IT/Digital experience ¹
Helen Weir, Chair			●	●	●	●		●
Jorge Cosmen, Deputy Chairman and Nominations Committee Chair	●			●	●			
Ignacio Garat, Group Chief Executive Officer		●		●	●		●	●
James Stamp, Group Chief Financial Officer	●			●	●	●		
Matthew Crummack, Senior Independent Non-Executive Director		●	●	●	●			●
Mike McKeon, Non-Executive Director and Audit Committee Chair			●	●	●	●		
Karen Geary, Non-Executive Director and Remuneration Committee Chair	●		●	●	●		●	
Ana de Pro Gonzalo, Non-Executive Director		●		●	●	●		●
Carolyn Flowers, Non-Executive Director and Sustainability Committee Chair	●			●	●			

¹ For all Directors, excluding via their directorships with the Company

Composition, succession and evaluation

Nominations Committee Report continued

Board, Committee and Director effectiveness

To assess the effectiveness of the Board, its Committees and of individual Directors for the year in question, an internal evaluation was conducted by the Group General Counsel and Company Secretary by way of individual interviews with Directors.

The findings of that evaluation are summarised in Appendix 2 to this Report.

The focus areas for 2023 will be: 1. on Board succession and composition as some Directors approach their 9-year tenure, 2. to build a 12-month rolling agenda to ensure there are appropriate opportunities to 'deep-dive' into strategic topics, 3. on ensuring there is broader Board stakeholder engagement. Progress against these objectives will be reviewed on a regular basis through the year.

Senior management succession planning

During 2022, the Committee undertook its second 'deep dive' into senior management succession planning, undertaking a comprehensive assessment of the health of succession planning across the Group to assess how much progress had been made since the first 'deep-dive' conducted in 2021. This assessment covered 182 management roles and considered the succession pipeline for all such roles over four different time horizons. It also considered the diversity within the pipeline.

Following its second assessment, the Committee was pleased to see the progress made during 2022 noting that there are now succession plans and talented individuals in the pipeline for the majority of the roles over most of the time horizons. We observed that there is more work to do in developing our high potential candidates. A particular highlight was the improvement of the gender succession pipeline which at the time of the review was 31% female (versus 19% in the 2021 review). The Committee was also pleased to observe that a consistent and standard talent identification tool has been implemented during 2022, with all members of the senior leadership team having been assessed using the tool and trained on how to identify talent in their teams. The tool will now be rolled out to all levels of management to help identify long-term successors. The Committee will continue to conduct 'deep dives' in future years to assess progress.

Board and Company commitment to diversity and inclusion

The Board and Company remain committed to enhancing diversity at all levels of the Group's organisation, from the Board and senior management team to those working in front-line roles. The reasons for this commitment are those cited previously, as set out in the box below. They in turn help support the delivery of our Evolve strategy by contributing directly to our desired outcome to be the employer of choice.

They also contribute indirectly to other desired outcomes, such as to be the safest and most reliable operator and have the most satisfied customers.

The Company is committed to ensuring diversity in all its forms among, and inclusion of, its colleagues as these can:

- improve decision-making at all levels of business by ensuring that diverse perspectives are brought to bear in those decisions;
- attract, retain and promote the best talent by developing a culture of inclusion where all individuals are respected and supported to reach their full potential; and
- better serve our customers, other stakeholders and the communities in which we work by ensuring the diversity of our workforce is representative of the diversity of our stakeholders.

The Board's own diversity policy is set out in the box below which has been updated this year as shown in italics and, following review, the Committee believes this remains the right policy by specifically promoting gender and ethnic diversity among Board members as well as diversity of thought while also ensuring all Board members have the right experience and skills. Committee members are drawn from the Board, and therefore these policy considerations have already been taken into account when considering Committee membership.

The Board's policy on diversity and inclusion is:

- to achieve and then maintain at least 40% female representation on the Board;
 - to achieve and then maintain ethnic minority representation on the Board;
 - to ensure that its membership reflects the diversity of the geographies and customers that the Group serves *and takes into account wider diversity characteristics*; and
 - to respect the differences of its members and value and encourage the diversity of thought that such differences can bring,
- in each case and always within the context of Board members having, between them, the experience and skills required to support the development, oversight and delivery of the Company's strategy.

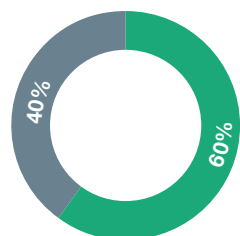
The Company is also pleased to report its progress on the new board diversity targets which were introduced in the Listing Rules in 2022. The chosen reference date is 31 December 2022 and, as at that date, the Company had met two board diversity targets of having 40% women on the Board and at least one ethnic minority director on the Board, and was on track to achieving the third target, of having a woman in at least one senior board role, through the appointment of Helen Weir in October 2022 as the Chair designate. Since the reference date, and as noted above, Sir John Armitt stepped down from the Board on 31 December 2022 and Helen Weir has taken over as Chair from 1 January 2023. As a result, and as at the date of this Report, the Company has met all three of the new board diversity targets.

The table set out in Appendix 3 to this report sets out the numerical data on diversity as at 31 December 2022 in the standardised table format as required by the Listing Rules. We engaged with the individual members of the Board and the Group Executive Committee ('GEC') to verify their diversity data which was collated for the purposes of making the disclosures and providing the numerical data required by the Listing Rules. The gender and ethnic diversity of the Board as at 31 December 2022 is also shown by the pie charts below.

Board

Gender

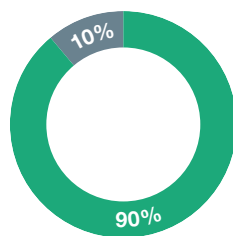
as at 31 December 2022



● Men
● Women

Ethnicity

as at 31 December 2022



● White
● Ethnic Minority

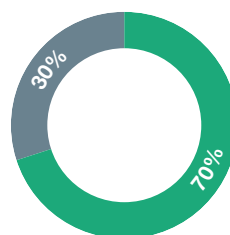
Diversity is also a key consideration in senior management succession planning and, as noted before, diversity within the current senior management team and the talent pipeline was considered as part of the 'deep dive' review.

The gender diversity of the GEC and GEC direct reports, as well as the gender diversity across our whole workforce, are illustrated by the pie charts shown at the top of the next column. As is shown by these pie charts, gender diversity remains strong from the senior management level across the entire workforce as a whole. We believe we have good ethnic diversity across the workforce as a whole given that we operate in many countries and ethnically diverse cities and our workforce is drawn from these vibrant communities.

Gender

GEC

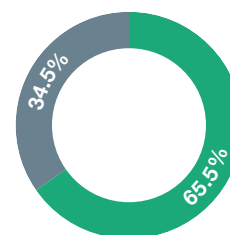
as at 31 December 2022



● Men
● Women

Direct reports to GEC

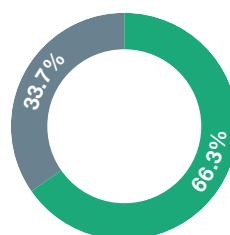
as at 31 October 2022



● Men
● Women

All colleagues

as at 31 December 2022



● Men
● Women

The Group launched its diversity and inclusion strategy in 2020. As part of this, there were three strategic ambitions:

- 1. Reflecting the communities we serve** by increasing those in under-represented groups at all levels of the workforce, with a key emphasis on those in management roles, in order that we better reflect the communities we operate in.
- 2. Creating inclusive and accessible working environments,** free of racism or any other form of discrimination, where people respect and value each other's diversity and the contribution they make.
- 3. Driving a culture of empowerment** by empowering leaders at all levels to take effective ownership of diversity and inclusion and deliver demonstrable change.

Since 2020, progress has been made across all three strategic aims. Particular highlights include: in our North America division, a number of internal programmes have been developed to support commitment to diversity, equity and inclusion ('DE&I'), including 'Unidos for National Express' and 'Women's Inspiration Network ('WIN') both of which were launched in 2022; in ALSA, the focus has been on increasing the number of women in the workforce and in senior management roles, where it has set ambitious gender targets; and Morocco has set up an Equality Commission. Page 79 of the Strategic Report provides further information on all of these initiatives.

Composition, succession and evaluation

Nominations Committee Report continued

In 2022, the Group launched a new global people strategy with three key pillars – one of these, Embrace, is our approach to DE&I. The Group's Internal Audit function has been tasked with providing an objective review of progress against the strategic aims and wider progress of the 2020 DE&I strategy. Using the outputs from this audit, a new strategy will be launched to refresh our approach to DE&I as part of the Embrace pillar; this is a crucial enabler of the Evolve outcome of being an 'Employer of Choice'.

Proposed re-election and election of Directors

Having regard to the outcome of the Board, Committee and Director internal evaluation, and in particular its finding that Board members have, between them, highly relevant knowledge and experience, a broad range of skills and a collective deep understanding of passenger transport, the Committee is satisfied that the Board and its Committees function effectively and that each Director contributes well to the Company.

The Committee has also considered the independence of each individual Director and the overall independent balance of the Board and its Committees. The Board, on the Committee's advice, is satisfied that there is an appropriate balance of independence on the Board and all its Committees and that each Director who is identified as being independent on pages 98 to 100 is so independent.

The Committee further considered each individual Director's commitment to the Company, their external commitments and any actual and potential conflicts of interest in line with the refreshed policies adopted by the Board during the year, as referred to on page 107. The Board, on the Committee's advice, is also satisfied that each Director has dedicated, and is able to dedicate, sufficient time and attention to their duties to the Company.

Accordingly, the Board, on the Committee's advice, is recommending that shareholders re-elect, or elect, all the current Directors of the Company at the 2023 AGM.



Jorge Cosmen

Nominations Committee Chair

1 March 2023

Appendix 1



Q&A with

Helen Weir

Q. What are your first impressions of National Express?

A. I've been really impressed; there is a great strength in the Group's diverse global operations. Our core purpose of leading modal shift provides us with an opportunity to make a real difference to the customers and communities that we serve not just now, but also in the future.

It is also very clear to me that a relentless focus on safety is strongly embedded in our culture. With ever more vulnerable road users and complex road layouts, safety remains a top priority at every level of the business, from the Board where we receive a safety report at every meeting to colleagues on the ground implementing our action plans.

The Group's people have also stood out for me as another real strength. It is a very welcoming and open culture, and it has been very powerful for me to hear the sense of pride and positivity from our colleagues.

Q. In your first few months, what operations have you visited?

A. I am a great believer in getting out and about to really get to know a business, so I've been visiting a number of depots and sites right across our operations.

In November, we had a Board visit to Birmingham. Further details of this visit are on page 115. Since becoming Chair, I've also visited ALSA's Torrejon depot, the Coventry and Perry Barr depots and Victoria Coach Station in the UK, our school bus division and shuttle and transit offices across San Francisco and Chicago. These visits have given me the opportunity to speak to a good mix of our colleagues across our global operations and understand what matters to them, as well as providing opportunities to speak with a number of our customers.

Q. What will you bring to the Chair role?

A. I will bring depth of business experience and a customer focus; I've served on a number of UK listed Boards over the last 20 years in a variety of primarily customer facing sectors. I have a real understanding of solving business problems, meeting customer needs and doing so efficiently, while delivering for our colleagues, shareholders and other stakeholders.

I am a big believer in teamwork as the basis for success of any business. And I believe that a key role of the Board is to agree the direction of the business, and ensure that resources are appropriately allocated to deliver its objectives, working alongside and as a critical friend to our Group Executive Committee.

Q. What challenges and opportunities do you think are ahead?

A. The current macro political and economic backdrop is tough and presents a number of challenges. These include higher interest rates, rising costs, labour shortages and wage pressures. Like many other businesses, we are spending a significant amount of time responding to these external factors.

As a market leader, we have a significant and diverse pipeline of new territories and new cities within our existing territories, which provide opportunities for growth; the key will be positioning ourselves to take full advantage of these and addressing the current leverage on our balance sheet to provide headroom for the pursuit of those growth opportunities.

Q. What excites you about National Express' Evolve strategy?

A. One of the strengths of the Evolve strategy is that it sets out not only where we have opportunities for growth in our customer propositions but how we will deliver on them through the strategic outcomes. It is clear that we are very well positioned to benefit – and drive – modal shift in transportation which is essential to deliver on global emission reduction targets. To be successful in this, we need every person in the Group to be engaged with our purpose and to have a clear sense of the role they can play in delivering modal shift. The Evolve strategy achieves this.

Q. What are your views on modal shift?

A. Modal shift is a big opportunity for National Express. Getting more people out of their cars and into public transport will be vital to reducing climate change. The Confederation of Passenger Transport predicts that a 1% modal shift away from cars and onto buses would result in an increase of bus passenger journeys of 27%. For us to be at the forefront of this shift is very inspiring.

However, we mustn't take the opportunity for granted; to achieve our purpose of leading modal shift, we need to encourage people out of their cars and into mass transit by providing them with a great customer experience. That's why our Evolve focus on delivering the 'most satisfied customer' and providing services which are the 'most reliable' and the 'safest' is so important.

Q. What do you think of National Express' approach to diversity?

A. I'm a big believer in having a diverse Board and a diverse workforce. Not only will it ensure that we attract the best talent, but it is also reflective of the customers we serve so will allow us to better understand their needs.

I'm pleased that the Board now meets the new diversity criteria set out in the Listing Rules. More generally, and notwithstanding that we are in a sector which has traditionally been male dominated, we have reasonable female representation at senior management levels - although there is still more to be done.

I am encouraged that 76% of colleagues who responded to our Your Voice survey were positive about the Group's approach to diversity and inclusion. I'm a big believer in 'what gets measured gets done', so I'm keen that we find a way of improving our measurement of ethnic diversity data across the business so that we can be sure that we are providing opportunities for colleagues from all backgrounds to develop and progress in the business. That said, from my site visits and discussions with the senior management team, I've heard about the many diversity initiatives that are happening in each of our territories and know that this is something which is taken very seriously.

Composition, succession and evaluation

Nominations Committee Report continued

Appendix 2 – Board and Committee Evaluation

An internal evaluation of the Board and its Committees was undertaken in relation to 2022 with the evaluation being conducted by the Group General Counsel and Company Secretary. It focussed on how the Board (and its Committees) had operated in 2022 and the progress made in relation to the actions agreed with regard to the 2021 evaluation. The table below summarises the key findings of the 2021 evaluation, the actions to be taken to follow up on them and a measurement of progress in implementing those actions:

Key strengths	Areas for continued focus in 2021	Follow up actions from 2021	Progress in implementing those actions in 2022
A highly experienced, knowledgeable and diverse Board with, among its members, a broad range of skills and a collective deep understanding of passenger transport, benefitting also from strong diversity in both members' backgrounds and thoughts	<ul style="list-style-type: none"> – Ensure individual Directors' experience and knowledge is leveraged to the best benefit of the Company – Enhance the Board's skills and experience in areas such as digital, cyber and Environment, Social and Governance (ESG) – Ensure there are protocols and procedures to ensure Board decision-making is as efficient and effective as possible in view of the increasing Board agenda 	<ul style="list-style-type: none"> – Continue to closely monitor Board and Committee composition to assess if Board members' collective experience and skills are continuing to meet the Company's needs, having particular regard to transformation in the industry, the Group's international reach and its entrepreneurial spirit – Provide more Board training and bring in external advisers or specialist speakers to enhance Board skills and inspire thinking – Create Board meeting protocols to facilitate more efficient decision-making, and clarify the actions required of the Board in executive summaries in Board papers 	<ul style="list-style-type: none"> – The Nominations Committee managed the process of Chair succession and a new Group CFO. It also put in place plans for future Board succession as a number of Non-Executive Directors reach their term limits – Both the Board and a number of its Committees have engaged with external speakers and advisers (see for example Sustainability Committee and Board discussions in Spain and with Andy Street) – Board members believe there have been better quality discussions, leveraging individual Directors' experience and knowledge
Open and collegiate style of Board discussions, enabled by the Chair's and CEO's approach	Ensure all discussions are goal-orientated and achieve a better balance between key Board discussions on strategy, risks and opportunities versus all other business	<ul style="list-style-type: none"> – Follow new Board meeting protocols to ensure decision-making is as efficient as possible – Dedicate more Board time to tracking progress against strategy and incorporate a strategy KPI dashboard into Board papers to facilitate this 	<ul style="list-style-type: none"> – Time has been allocated in the rolling agenda for the Board to review the style and manner of Board operations – A new KPI dashboard will be launched in the first part of 2023

Key strengths	Areas for continued focus in 2021	Follow up actions from 2021	Progress in implementing those actions in 2022
Appropriate attention given to succession planning, with the focus in recent years on CEO and Chair succession planning	Focus more on below Board level succession planning, including by reviewing the talent pipeline deeper down in the organisation	<ul style="list-style-type: none"> – Nominations Committee ‘deep dives’ into senior management succession planning, initiated in 2021, to continue going forwards and to be expanded to cover more middle management roles and provide more detailed assessments of the Group’s talent identification and development programmes 	<ul style="list-style-type: none"> – The Nominations Committee has continued to monitor and focus on succession both at Board level, within senior management planning and looking further into the Group’s talent identification and development programmes
Excellent established programme of Board visits to the Group’s operations and workforce engagement opportunities for Board members	Strengthen other stakeholder relations, through more Chair and Non-Executive Director shareholder engagement and through new ways of hearing from other stakeholders	<ul style="list-style-type: none"> – Engage more with shareholders at appropriate opportunities – Identify new opportunities for the Board to hear directly from more customer, supplier, regulator and other key stakeholders 	<ul style="list-style-type: none"> – The Chair of the Remuneration Committee has engaged on Executive Directors remuneration during 2022 – Opportunities have been taken to hear directly from joint venture partners, customers and national transport regulators in a number of markets within which the Group operates
Effective Board Committees discharging their extensive duties	Each Committee to dedicate appropriate time to both core and non-core matters within their remits and seek specialist management or external views where appropriate	<ul style="list-style-type: none"> – Ensure Committee meeting agendas dedicate sufficient time to both core and non-core matters – Bring more specialist and external views into Committee meetings 	<ul style="list-style-type: none"> – Committee agendas are reviewed suitably far enough in advance to ensure the right topics are included for discussion – Specialist and external view points have been brought into meetings where appropriate, for example, BRODIE attended the November meeting of the Sustainability Committee in 2022. See page 139 of this Corporate Governance Report.

Composition, succession and evaluation

Nominations Committee Report continued

Key strengths	Areas for continued focus in 2021	Follow up actions from 2021	Progress in implementing those actions in 2022
<p>Continued strong focus on the Group's health & safety agenda and increasing focus on the Group's wider ESG agenda and culture</p>	<p>Create more opportunity to monitor the continued development and delivery of the Group's environment strategy and the effectiveness of the Group's people initiatives, including particularly those that underpin and support the Group's culture</p>	<ul style="list-style-type: none"> - Consider whether the existing Safety & Environment Committee should be restructured into a Committee with a wider ESG remit, ensuring sufficient time is given to these matters but that the focus on safety is also maintained. - Identify further ways to monitor the Group's culture, including by a review of the outcome of the first Group-wide staff engagement survey to be conducted in 2022 	<ul style="list-style-type: none"> - In May 2022 the decision was taken to establish a Sustainability Committee which has a wider ESG remit (see the Committee's Report on pages 136 to 139). Safety remains a priority for National Express and is at the heart of its culture - it is a standing Board agenda item with the Group Safety Director invited to attend every Board discussion on safety. See pages 103 to 104 of this Corporate Governance Report - The Board reviewed the outcome of the first Group-wide employee survey and the Sustainability Committee reviewed progress of implementing action plans. These Group-wide surveys will be used again in future as a useful tool for monitoring culture

Appendix 3 – Numerical Diversity Data as at 31 December 2022

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number of executive management	Percentage of executive management
Men	6	60%	4	7	70%
Women	4	40%	–	3	30%
Other categories	–	–	–	–	–
Not specified/ prefer not to say	–	–	–	–	–

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number of executive management	Percentage of executive management
White British or other White (including minority – White groups)	9	90%	4	10	100%
Mixed/Multiple Ethnic Groups	–	–	–	–	–
Asian/Asian British	–	–	–	–	–
Black/African/Caribbean/Black British	1	10%	–	–	–
Other ethnic group, including Arab	–	–	–	–	–
Not specified/ prefer not to say	–	–	–	–	–



Mike

McKeon

“Whilst the impact of Covid-19 has significantly subsided compared to the previous two years, the macroeconomic and geopolitical backdrop has brought other challenges to be navigated and the Committee has monitored the impact of these closely during the year”

Audit Committee Report

Primary role

To assist the Board in fulfilling its oversight responsibilities by reviewing and monitoring the integrity of published financial information, the adequacy and robustness of the system of internal control and management of risk and the adequacy and effectiveness of the internal audit function and external audit

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

Key responsibilities

- Monitor the integrity of the Group's published financial information and review and challenge as appropriate any significant financial judgements and estimates made by management
- Evaluate the adequacy, robustness and effectiveness of the Group's internal financial and other controls
- Support the Board in evaluating the adequacy, robustness and effectiveness of the Group's management of risk, in terms of identifying, managing and mitigating principal risks and identifying and mitigating where possible emerging risks
- Review the Group's policies, processes and controls for the detection and prevention of fraud, and for compliance with applicable laws, regulations and internal policies, including relating to anti-bribery, anti-slavery and data protection
- Approve the activities, review the findings and assess the effectiveness of the Company's internal audit function
- Monitor the activities, consider the opinions and assess the independence and effectiveness of the external auditor
- Review the Company's Annual Report and advise the Board whether, taken as a whole, it is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy

Activity highlights

- Reviewed and satisfied itself as to the integrity and fairness of the Group's half and full year financial statements and the appropriateness of their being prepared on a going concern basis
- Assessed and challenged the appropriateness of the Company's viability statement
- Assessed and challenged management's approach to key accounting judgements and estimates including the impairment of goodwill in respect of the ALSA division
- Reviewed the findings and monitored the effectiveness of the internal audit function, and reviewed the programme of internal audits for the year ahead
- Review of effectiveness of risk management and internal control systems
- Reviewed the opinions and monitored the independence and effectiveness of the external auditor
- Supported the Board in its management of risk by its continued programme of 'deep dive' reviews into divisional risk and its ongoing review of cyber risk
- Reviewed the framework of the Group's compliance programme and the corporate policies comprised within it

Membership, meetings and attendance

Committee member	Appointed	Resigned	Meetings attended/ meetings held
Mike McKeon (Chair) ¹	03.07.15	–	4/4
Ana de Pro Gonzalo ¹	01.10.19	–	4/4
Carolyn Flowers ¹	04.12.21	–	4/4

¹ Independent Non-Executive Director

Other attendees: Group General Counsel and Company Secretary, the Chair of the Board, Group Chief Executive Officer, Group Chief Financial Officer, Group Financial Controller, Group Head of Internal Audit, Group Head of Compliance & Risk and representatives of the external auditor, Deloitte LLP

In addition to the 4 scheduled meetings recorded above, the Committee held additional dedicated meetings to review the divisions' principal and emerging risks and their management of such risks, as further explained on page 130

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

Dear fellow shareholder

I am pleased to present the Audit Committee Report for 2022. During the year under review, the Audit Committee's core duties remained unchanged. While the impact of Covid-19 has significantly subsided compared to the previous two years, the macroeconomic and geopolitical backdrop has brought other challenges to be navigated and the Committee has monitored the impact of these closely during the year. A total of four meetings were held during the year, as well as four deep dive divisional risk register reviews.

Financial reporting

The Committee is responsible for considering and satisfying itself, after consultation with the Company's external auditor, that the Company and its Group have adopted suitable accounting policies and appropriately applied the same, that management has made appropriate accounting judgements and estimates, that the adoption by the Company of the going concern basis of accounting is appropriate and that its viability statement is reasonable.

Key accounting matters

Details of the key accounting matters addressed by management when preparing the Consolidated Financial Statements, together with information about how the Committee assessed, challenged where appropriate and satisfied itself that the

judgements and estimates made by management in relation to them were reasonable, are set out in Appendix 1 to this Report.

Going concern assessment

As the Group emerged from the more significant impacts of Covid-19, the Committee reviewed and robustly challenged management's assessment that the Group's financial statements for the six-month period ended 30 June 2022 and for the financial year ended 31 December 2022 should be prepared on a going concern basis.

Management developed both base case and reasonable worst case financial scenarios over a 12-month look forward period using assumptions about trading drawn from the Group's strategic plan, budget and latest financial projections.

They then applied stress tests to both those scenarios to determine whether the Company would be able to meet its liabilities as they fell due, having regard to the Group's liquidity and covenant tests; the latter reverting to pre-amended levels for all covenant tests from 2023 onwards. The Committee satisfied itself that, in both the base case and reasonable worst case scenarios, the Group would have sufficient liquidity and be able to comply with its debt covenants and there was no more

than a remote possibility that it would not be able to do so even after the application of the further stress tests. Accordingly, the Committee recommended to the Board that the Company's, and its Group's, financial statements at the half and full year be prepared on a going concern basis.

Viability assessment

The Committee also carefully considered management's view of the Company's viability for the three-year period ending 31 December 2025, including the rationale for assessing viability over a three-year period. The testing of viability involved the analysis of base case and reasonable worst case scenarios projected forwards over this three-year period by reference to trading assumptions drawn from the Group's strategic plan, and factored in the impact of risks including known and likely future climate risks that could materialise over this three-year period, offset by reasonable mitigations. The Committee satisfied itself that, in both the base case and reasonable worst case scenarios, the Group should be able to continue in operation and meet its liabilities as they fall due. Accordingly, the Committee recommended to the Board that the Company make its viability statement as set out on pages 62 to 63 of the Strategic Report.

Risk management

The Board has overall responsibility for risk management. The Committee supports the Board by conducting 'deep dive' reviews into the Group's divisions' risk management activities (as explained in the section below on divisional risk reviews) as well as certain specific Group-wide risks, and by reviewing the Group's compliance programme.

Group risk appetite and principal and emerging risk review

The Board's risk appetite and assessment of the Group's principal and emerging risks, as well as a description of how the Group manages risk, are set out on pages 56 to 61 of the Strategic Report. The Group's climate-related risks and opportunities are considered in more detail in the TCFD disclosures on pages 81 to 94.

Audit Committee Report continued

Divisional risk reviews

During 2022, the Committee reviewed the Group's divisions' principal and emerging risks and their management of such risks. These were undertaken during additional dedicated meetings of the Committee at which risk and senior managers from each of the divisions presented their principal and emerging risk registers and explained how they were managing, and where possible, mitigating risk. Mirroring the Company's approved approach to Group-wide risk, the divisions record their risks in the form of heat maps which categorise both their likelihood and potential severity according to Group developed guidance. Each risk is then assigned a business owner who develops and oversees the delivery of mitigating actions, that are tracked at regular divisional management meetings.

The Committee observed that the Group's divisions had included both current and emerging strategic, compliance, financial, operational and reputational risks in their registers and had developed action plans to manage such risks over the different time profiles over which such risks could materialise. It was also pleased to note that certain matters identified as risks were also viewed as opportunities. Additionally, following the detailed exercise in 2021 to identify climate-related risks and opportunities, environmental risks had been identified and classified in all divisions' risk registers. Using insights gained from the Board's work on overseeing Group-wide risks and the Committee's work on reviewing divisional risks, the Committee was able to challenge each division on whether it had identified and appropriately classified its risks and whether it was adopting the most effective mitigation plans, and share best practices the Committee had observed within each division.

Through its reviews, the Committee has continued to be assured that each of the divisions has a robust risk identification and management process and was pleased to see that risk management has become embedded in the day-to-day business activities and culture of the divisions. Such reviews have also served to deepen Committee members' understanding of the risks the Group's different businesses face and, through the Committee sharing this understanding with the wider Board, they have informed the Board's ability to appropriately set the Group's risk appetite, assess the Group's principal and emerging risks and weigh up risks with opportunities when taking key business decisions.

Cyber risk review

Cyber risk remained a standing item on the Committee's agenda in 2022, with the Group's ongoing cyber security programme, and the progress being made against the specific deliverables comprised in such programme, assessed at each of the regularly scheduled Committee meetings.

Compliance risk

The Group has a range of existing policies and procedures for ensuring compliance with applicable laws and regulations and relevant codes of conduct, including Group-wide policies on business ethics, anti-bribery and corruption, modern slavery and whistleblowing, and divisional policies and procedures which either implement or supplement the Group policies having regard to local laws, regulations and best practice. The Group's whistleblowing procedures include access to an independently managed whistleblowing hotline via which the Group's stakeholders, including employees, can raise concerns, anonymously if they so wish. Reported concerns are duly investigated and acted upon by management or the functional support teams as appropriate, with serious cases and their outcomes reported to the Board.

In 2021 the Group engaged a new dedicated Group Head of Compliance and Risk. During 2022 the work of this role included developing a Policy Compliance Management Framework that: establishes a common approach globally for all policy owners to manage their policies; sets out the minimum requirements across all divisions; provides guidance on policy creation and review; and provides ongoing awareness and training against these. Additionally, the Group Head of Compliance and Risk has been managing the Risk Management Framework globally and continuously improving the second line of assurance. The Group Head of Compliance and Risk, working with the Group Chief Financial Officer and Group General Counsel and their teams, has also been keeping the proposed reforms on audit and corporate governance under review and has made recommendations to the Committee on how to comply with the new requirements and implement best practice recommendations. At the request of the Committee, the Group Head of Compliance and Risk attends all Committee meetings to both report on progress in her area and to have an understanding of other aspects of the Committee's work.

Internal control

The Committee is responsible for monitoring the adequacy and effectiveness of the Company's system of internal control and subsequently reporting on this to the Board.

System of internal control

The Company's system of internal control is based on a three lines of defence model, with a number of component controls operating at each of those lines, as illustrated in Appendix 2 to this Report.

The Committee assesses the performance of the three lines of defence model, as well as the operation of internal controls through the year and up to the date of approval of the annual report and accounts, through its review and challenge of the work performed by the internal audit function. In addition the Committee requests follow-up updates from management on controls in specific areas, for example in response to the findings from internal audits or risk reviews.

In light of the BEIS white paper on restoring trust in audit and corporate governance, the Committee reviewed management's plans to prepare for what the eventual requirements may be. While the requirements are not yet certain, the Committee and management agreed that steps should be taken to further strengthen the Company's internal control environment.

Management's progress during the year, reviewed by the Committee, included:

- Conducting a scoping exercise, supported by EY, to determine the scope of internal controls framework that should apply to each entity, under an enhanced internal controls requirement.
- Engaging an internal controls and SOX specialist, on an interim basis, to review and document the internal controls in the UK division, including the outsourced shared services centre in India.
- Developing a roadmap for implementing a group-wide enhanced internal control environment.

The Committee will continue to evaluate future developments in this space.

Internal audit

The internal audit function acts as the third line of defence and provides the Committee with assurance on the effectiveness of the Company's first and second line internal controls, including financial controls and controls designed to prevent incidents of fraud. It does this through the independent observation and objective assessment of such controls via a programme of audits undertaken throughout the year against a plan reviewed and approved by the Committee.

The 2022 audit plan included: audits of standard divisional financial controls; audits of key safety and operational controls; reviews of newly acquired businesses, such as Gumidafe in the Canary Islands, Rober in Granada, and Dublin; audits of particular operational initiatives including the driver recruitment process in North America; and audits on core Group-wide controls and initiatives such as the delivery of the Group's cyber security programme and the ESG agenda.

Internal audit reported all the findings from its audits and recommendations for follow-up management actions to the Committee.

During the year, Internal Audit also conducted a review to confirm that, in a context of a global shortage of key goods and materials, increased supply chain disruptions, and increased logistical and shipping costs, the Group has reviewed its third party supply chain and taken appropriate steps to reduce the impact of those risks.

Internal audit effectiveness

The Committee is responsible for monitoring the effectiveness of the internal audit function. In respect of its work in 2022, the Committee monitored this effectiveness by reviewing the scores that colleagues, whose work or controls were subject to internal audit, awarded to the function on a 'value scorecard' and by making its own assessment of the quality of that work. The Committee is satisfied that the Company's internal audit function continues to be effective.

Significant weaknesses or control failures

Following its review of and conclusions from all elements of assurance, the Committee is satisfied that there are no significant weaknesses or control failures to report in respect of the Company's financial year ended 31 December 2022 other than in respect of deferred tax. During the year a couple of errors were identified in respect of previous periods that were collectively material and as such were corrected as a prior year adjustment. A review of the Group's controls over deferred tax has been initiated and will be concluded during the first half of 2023, with enhanced controls implemented and operating before the tax balances for the year ended 31 December 2023 are determined.

External audit

Deloitte LLP is the Company's auditor. Deloitte was first appointed as auditor in 2011 and, following its selection in the Company's audit tender conducted in 2020 and shareholders' approval given at the

Company's 2022 AGM, was re-appointed in 2022. Deloitte's continued appointment will be subject to shareholders' annual approval at prospective Company AGMs. Jane Whitlock is the Company's audit partner, completing her second year in that role, following the mandatory rotation of the previous Deloitte audit partner in 2021. The Company has therefore complied with the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014.

External audit plan and fee

The 2022 external audit plan, which was prepared by Deloitte and reviewed and approved by the Committee, comprised full scope audit procedures for the Group's UK, ALSA and North America divisions and a limited scope audit on the German Rail division. It included: the review by Deloitte of the Consolidated Financial Statements; its challenge of management's significant judgements and estimates; its review of certain of the Group's key financial and fraud controls and of the risk of management override of controls; and its consideration of certain aspects of the Group's non-financial reporting, including the Group's TCFD disclosures. Deloitte's fee for undertaking the 2022 audit, of £2.45m, was also approved by the Committee.

As part of the external audit plan, Deloitte also presented to the Committee a proposed set of audit quality indicators. These were agreed by the Committee and the results will be reviewed following completion of the 2022 year-end audit process.

External audit effectiveness

The Committee is responsible for reviewing the effectiveness of the Company's external audit. The Committee did so by considering the outcome of colleagues' evaluation of the quality and efficiency of Deloitte's work, using an audit quality indicator framework developed in the year in line with the framework set out by the Financial Reporting Council, and is satisfied

Audit Committee Report continued

that Deloitte performed its work to a high standard. As noted above, Deloitte's performance against its audit quality indicators will be reviewed at the next Audit Committee meeting.

External auditor provision of non-audit services and independence

The Committee is also responsible for reviewing the auditor's independence and objectivity. The Company operates a non-audit services policy which sets out the permitted and prohibited non-audit services its auditor may be engaged to provide, for the purpose of safeguarding the auditor's objectivity. The Committee reviewed the policy during the year and determined it remained fit for purpose. It also reviewed the Company's compliance with the policy, which was confirmed as Deloitte performed only permitted non-audit services during 2022 for which its fees totalled £0.3 m, representing 12% of the total audit fee. The non-audit services during 2022 principally comprised the

2022 half year review and comfort letters in respect of the European Medium Term Note renewal. The Committee concurred with management that the auditor was best placed to undertake these services given that both services are aided by knowledge gained during the annual external audit.

Having regard to the operation of the non-audit services policy during 2022, together with Deloitte's reports to the Committee confirming its independence at the half and full year, the Committee assured itself of Deloitte's ongoing independence.

Board assessment of effectiveness

Taking account of the Committee's work on assessing the effectiveness of the Company's system of internal control, and both the Committee's and its own work on assessing the Group's management of risk, the Board is satisfied that these are effective and have been over the year.

Fair, balanced and understandable

Having carefully reviewed the Company's 2022 Annual Report, and considered management's approach to its preparation, including in compliance with applicable laws and having regard to the UK Corporate Governance Code, the FRC's best practice guidance, and having heard the views of its auditor, the Committee recommended, and in turn the Board confirmed, that this Report, taken as a whole, is fair, balanced and understandable, and provides the necessary information for shareholders to assess the Company's position and performance, business model and strategy.



Mike McKeon
Audit Committee Chair
1 March 2023



Appendix 1 – Key accounting matters

The Committee considered the following key accounting matters as part of its review of the Consolidated Financial Statements:

Key accounting matter		Committee action and conclusion
Impairment of goodwill (see note 14 to the Consolidated Financial Statements)	<p>In determining whether assets are impaired or, in the case of ALSA, the quantum of impairment to be made, management is required to make a number of estimations and assumptions, including on future cash flow projections, discount rates and perpetual growth rates.</p>	<p>The Committee carefully considered management's work on the impairment analysis and testing of the value of the Group's goodwill balances, applying particular focus to the value of the impairment of the ALSA division's goodwill.</p> <p>These impairment assessments were based on modelled forecast cash flows, discounted using a country-specific weighted average cost of capital (WACC) and a terminal value based on a perpetual growth rate (PGR). The WACCs increased significantly in the year, principally due to increases in the risk-free rate and the cost of debt.</p> <p>After considering the assumptions made by management in forecasting cash flows, which remained largely unchanged, and its rationale for the WACCs and PGR, and taking into account the auditor's views on these matters, the Committee concurred with management's view that an impairment of £260.6m of ALSA's goodwill was required and that no impairment was required to goodwill attributable to other cash generating units. In arriving at the conclusion on the impairment of ALSA's goodwill, the Committee also reviewed management's assessment that its value-in-use calculation of the recoverable amount was not lower than the fair value less costs of disposal. A full explanation for the rationale behind why ALSA's goodwill was deemed to be impaired is set out in note 14.</p>
Insurance and other claims provisions (see note 26 to the Consolidated Financial Statements)	<p>The adequacy of the provisions associated with claims arising predominantly from traffic accidents and employee incidents in North America is subject to estimation based on an assessment of the expected settlement value of known claims together with an estimate of settlement values that could be made in respect of incidents that have occurred but not yet given rise to a claim at the balance sheet date.</p> <p>Given the level of uncertainty, complexity and judgement involved in making these estimations, there is a risk that the eventual outcome could be materially different from that estimated and provided for.</p>	<p>The Committee considered the information provided by management on the status of the North America and other material open claims⁵ made against the Group, together with advice from external actuaries and legal counsel on the likely outcome of such claims, as well as management's explanation of the methodology used to determine the value of provisions for such claims.</p> <p>After challenging whether management had considered all material open claims and incidents that could give rise to claims and the external advice given in connection with them, the Committee concluded that management's estimation of the value of such claims was within an acceptable range of the potential outcomes and accordingly was fairly stated.</p>
WeDriveU put option liability (see note 24 to the Consolidated Financial Statements)	<p>The value of the liability of the put option over the shares in WeDriveU Holdings Inc. not already owned by the Group is subject to estimation of future earnings performance.</p>	<p>The Committee considered management's valuation of the put option liability. This took account of the fact that options over a cumulative 20% of the shares had been exercised during 2021 and 2022, and the option over the remaining 20% shares is expected to be exercised in 2023. The valuation is based on WeDriveU Inc.'s 2022 EBITDA performance and net debt position, adjusted for certain items as agreed between the Group and the put option holders. Following this review, the Committee concluded that management's valuation was reasonable.</p>

Audit Committee Report continued

	Key accounting matter	Committee action and conclusion
Separately disclosed items (see note 5 to the Consolidated Financial Statements)	<p>The Group presents profits and earnings per share measures before separately disclosed items to provide more meaningful information to shareholders on the Group's underlying performance. The classification of separately disclosed items requires management judgement having regard to the nature and intention of the transactions to which they relate.</p>	<p>The Committee considered the nature and extent of the separately disclosed items identified by management and its rationale for why they did not form part of the Group's Underlying Operating Profit (a key APM).</p> <p>The Committee noted that this was the third year that certain Covid-19 related incremental costs were separately disclosed, but satisfied itself that these only represented the re-assessment of estimations in respect of items recorded as separately disclosed items in the prior year, and in any case were materially lower than the preceding two years. The Committee also noted that a charge of £31.4m had been made in respect of new onerous contract provisions and impairments directly attributable to the post-Covid market-wide issue of driver shortages in North America, and that this was material in nature and quantum, and hence was appropriate to be separately disclosed.</p> <p>After discussion with management and the external auditor, the Committee concurred with the approach taken.</p>
Onerous contract provisions (see note 26 to the Consolidated Financial Statements)	<p>The Committee reviewed the approach taken by management in retaining an onerous contract provision in respect of its RRX German rail concession, in re-assessing Covid-19-related onerous contract provisions recorded in previous years, and in recording new onerous contract provisions in respect of driver shortages in North America.</p>	<p>The Committee reviewed management's assessment and concurred with the onerous contract provisions recorded.</p>
Recoverability of deferred tax assets (see note 27 to the Consolidated Financial Statements)	<p>Over the last few years the Group's deferred tax assets in respect of tax losses have increased due to the impact of the pandemic on profitability. Furthermore, the impact of the pandemic has created consecutive periods of losses. In determining whether it is appropriate to recognise deferred tax assets management is required to consider whether there are sufficient deferred tax liabilities against which to offset these deferred tax assets and, where this is not the case, to satisfy itself both that the recent history of consecutive losses can be explained as being due to the temporary impact of the pandemic and its aftermath (and is therefore not expected to be recurring) and that there are sufficient taxable profits projected in order to utilise these losses in an appropriate timeframe.</p>	<p>The Committee considered management's assessment of the causes of the recent history of losses and its assessment of future profit projections, including ensuring that these projections were derived from the long-term financial planning projections reviewed as part of the Board's annual strategic plan review. After considering the above, the Committee concurred with management's view that it remained appropriate to recognise these deferred tax assets.</p>
Pension liabilities (see note 33 to the Consolidated Financial Statements)	<p>The determination of the defined benefit obligation of the UK defined benefit pension scheme depends on the selection of certain assumptions. In particular, a key area of estimation uncertainty is in respect of the discount rate.</p>	<p>The Committee reviewed the assumptions made by management in determining the defined benefit obligation, including considering the advice from independent qualified actuaries, and concluded that they were appropriate.</p>

Appendix 2 – System of internal control

Third line of defence	<p>Board of Directors Sets and monitors delivery of Group strategy, sets Group risk appetite, assesses the Group's principal and emerging risks and approves significant matters reserved to it</p>		
	<p>Audit Committee Assists the Board in assessing risk management and reviews the effectiveness of the internal audit function and the external audit</p>		
	<p>Internal Audit Function Audits the effectiveness of the Company's first and second line internal controls through the independent observation and objective assessment of such controls</p>		
Second line of defence	<p>Group Executive Committee which monitors the frameworks, policies & procedures and effectiveness of the functions referred to below</p>		
	<p>Group Compliance Framework under which corporate policies, such as those on anti-bribery and anti-slavery, are created and enforced</p>		<p>Group Whistleblowing Procedures by which internal and external stakeholders can raise concerns about wrongdoing</p>
	<p>Group Safety Policies set minimum expectations for safety outcomes, such as speeding and driver risk monitoring</p>		<p>Group Standard Operating Procedures set minimum standards for operations, such as vehicle maintenance and driver rostering</p>
	<p>Group Risk Management Reporting Guidelines & Group Head of Compliance and Risk which help track the management and, where possible, mitigation of risks and calibrate the severity and likelihood of risks</p>	<p>Group Cyber Security Programme & Group Cyber Security Team which set cyber security strategy and control and monitor progress against that strategy and compliance with those controls</p>	<p>Group Environmental Data Reporting Guidelines & Group Sustainability Director which help track delivery of environment strategy and ensure the integrity and consistency of environmental data collection and its reporting</p>
	<p>Group Consolidated Financial Reporting & Group Finance Team which consolidate and review Group financial results</p>	<p>Group Treasury & Tax Functions which centrally manage Group treasury activities and set Group tax strategy and review tax compliance</p>	<p>Group Legal Reporting & Group General Counsel which monitor, report and provide legal advice on Group legal risks</p>
	<p>Divisional Executive Committees which monitor the policies and procedures and the effectiveness of the functions referred to below</p>		
	<p>Divisional Safety, Operational, Cyber and Environmental Policies and/or Procedures which implement Group policies and/or procedures</p>		
First line of defence	<p>Divisional Risk Registers & Management which track divisional risks and develop mitigations</p>	<p>Divisional Budgets & Forecasting which set divisional financial expectations and monitor delivery</p>	
	<p>Divisional Finance Teams maintain the financial ledgers and prepare divisional accounts</p>	<p>Divisional Legal Teams provide legal advice and assistance on divisional legal risks</p>	



Carolyn

Flowers

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

Sustainability Committee Report

Primary role

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

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

Key responsibilities

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

Activity highlights

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

Membership, meetings and attendance

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

¹ Independent Non-Executive Director

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

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

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

Dear fellow shareholder

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

Sustainability overview

Governance

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

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

Reporting and communication

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

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

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

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

Environment

Environment ambitions

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

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

Sustainability Committee Report continued

Environment performance

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

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

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

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

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

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

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

Social Social ambitions

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

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

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

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

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



Sustainability Peer Review

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

The key takeaways for the Committee following that review were:

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

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

Social performance

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

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

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

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

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

Carolyn Flowers
Sustainability Committee Chair
1 March 2023



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 management¹ 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
<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> 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
<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> 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
<p>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.</p>	<p>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.</p> <p>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.</p> <p>50% of the bonus earned is subject to mandatory deferral into shares for one year from award.</p> <p>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.</p> <p>Bonus payments are paid following announcement of the Company's audited year end results and are not pensionable.</p>	<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>
<p>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.</p>	<p>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.</p> <p>An additional two-year holding period for vested shares exists post vesting for the Executive Directors.</p> <p>Dividend equivalents and dividends can be paid on vested shares, in shares, in respect of both the performance and holding periods.</p> <p>Awards are reviewed annually to ensure that grant levels, performance criteria and other features remain appropriate to the Company's current circumstances.</p> <p>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.</p>	<p>The maximum LTIP award is equal to 200% of base salary, per annum, for all Executive Directors.</p> <p>For FY23 the LTIP awards will have performance conditions relating to EPS, ROCE, TSR and ESG measures.</p> <p>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.</p> <p>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.</p> <p>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.</p>

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.

(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 ₂ e / 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

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.

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 Davies⁵	2022	354	11	89	454	0	0	0	454
	2021	425	13	106	544	303	0	303	847
James Stamp⁵	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	0.006	0.003	15%	0.003	15.0%
	Responsible Fatality						
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 <ul style="list-style-type: none"> 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 <ul style="list-style-type: none"> 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 <ul style="list-style-type: none"> Improve the driver shortage in NA by reducing open vacancies & stabilising retention 	Partially Met <ul style="list-style-type: none"> 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 <ul style="list-style-type: none"> Review the Executive Team and develop skills to create a High Performing Team to drive business results. 	Fully Met <ul style="list-style-type: none"> 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 <ul style="list-style-type: none"> 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 <ul style="list-style-type: none"> 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 <ul style="list-style-type: none"> Drive Budget Planning Process with Divisional & Functional Budgets Set Budget Planning Principles Present Plan to the Board & gain approval for 23 plan 	Fully Met <ul style="list-style-type: none"> Plan for 2023 completed and approved by the Board.
	Build High Performing Finance Function <ul style="list-style-type: none"> Fill key vacancy gaps within Group Finance Team. 	Fully Met <ul style="list-style-type: none"> 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 in-flight 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 ₂ e/million passenger km	15%	4.6% reduction in tCO ₂ e/ million passenger km by 2022 relative to 2019 base year	5.4% reduction in tCO ₂ e/ million passenger km by 2022 relative to 2019 base year	6.2% reduction in tCO ₂ e/ 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 ₂ e / million passenger km ²	12.5%	8.4% reduction in tCO ₂ e/ million passenger km by 2023 relative to 2019 base year	9.0% reduction in tCO ₂ e/ million passenger km by 2023 relative to 2019 base year	9.6% reduction in tCO ₂ e/ 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	–	–	–	–	–	–	–

¹ 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 Armit (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:

Executive Director	Shares held directly			Other share interests	
	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	Granted	During 2022		Awards held at 31.12.22	Vesting date	Latest exercise date ¹
				Exercised/Eligible for exercise	Lapsed			
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
		366,943³	478,369	–	–	845,312³		
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	265,183³	–	833,018⁴	–		

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's 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

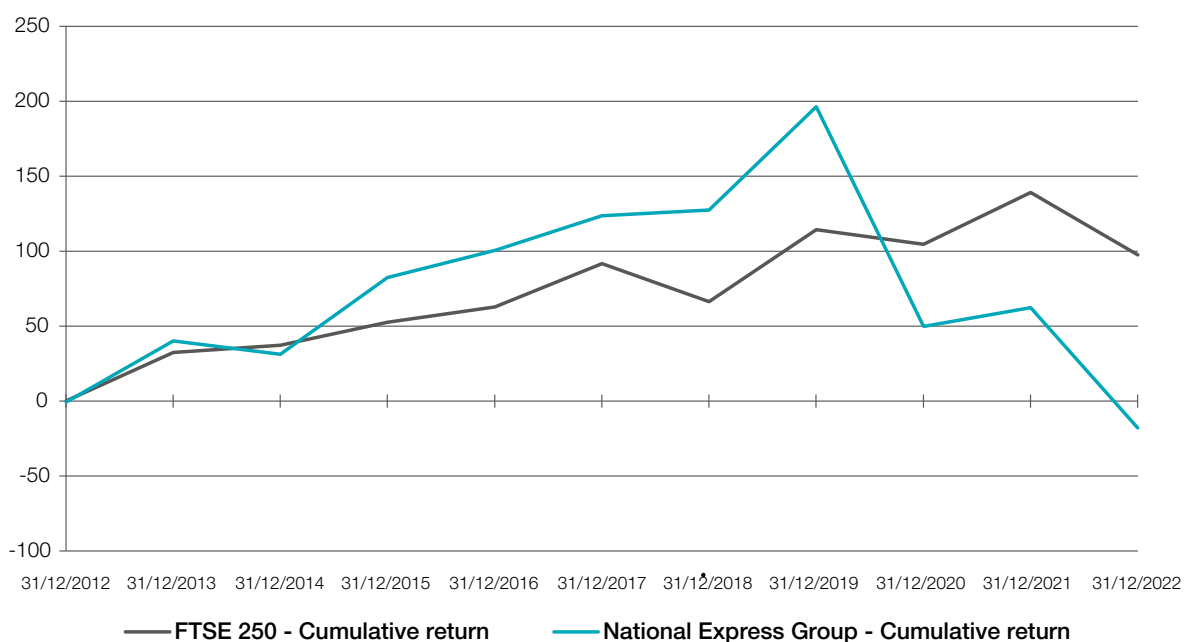
There have been no changes in current Directors' shareholdings between 31 December 2022 and the date of this Report.

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 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/a³	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/a³	n/a⁴	n/a⁴

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

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 ¹	Strategic Report Corporate Governance Report	66 and 67 109 to 110, 113 and 117
Engagement with and other matters relating to employees ²	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 ³ 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) ⁴	Additional Information	288

¹ 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

² 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

³ 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

⁴ 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.

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 ¹
European Express Enterprises Ltd	73,778,153	12.01%
M&G PLC	42,091,624	6.85%
JP Morgan Asset Management Holdings Limited ²	41,082,956	6.69%
Liontrust Investment Partners PLC	39,306,348	6.40%
abrdn PLC ³	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%

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

² 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.

³ 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.

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.

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

Directors' Responsibilities

Legal and regulatory framework

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors are required to prepare the Group Financial Statements in accordance with International Financial Reporting Standards (IFRS), adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and Article 4 of the International Accounting Standards Regulation, and have elected to prepare the parent Company Financial Statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, including FRS 101 'Reduced Disclosure Framework'. Under company law, the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period.

In preparing the Group Financial Statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

In preparing the Company Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare such financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that comply with applicable law and regulations.

The Directors are also responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

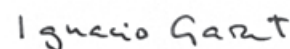
Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement

We confirm that to the best of our knowledge:

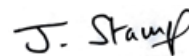
- the Financial Statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Strategic Report and Directors' Report, taken together, include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's and the Group's position and performance, business model and strategy.

This responsibility statement was approved by the Board of Directors and is signed on its behalf by:



Ignacio Garat

Group Chief Executive Officer
1 March 2023



James Stamp

Group Chief Financial Officer
1 March 2023