

Our Section 172(1) Statement

In accordance with Section 172(1) Companies Act 2006, the Company's Directors must act in a way that they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:



Long-term consequences

The likely consequences of any decision in the long term



Other stakeholders

The need to foster the Company's business relationships with suppliers, customers and others



Reputation

The desirability of the Company maintaining a reputation for high standards of business conduct



Employees

The interests of the Company's employees



Community and Environment

The impact of the Company's operations on the community and environment



Acting fairly between shareholders

The need to act fairly as between members of the Company.

Board decision

Section 172(1) factor

> **Further investment in health and safety**

From early in the pandemic, the Board approved the implementation of additional health and safety measures to protect customers and colleagues from Covid-19. These included the distribution of PPE, enhanced cleaning regimes, social distancing measures and working from home measures. More detail of these measures is included in the Safety & Environment Committee Report.

This was particularly important for customers using, and colleagues providing, essential transport services throughout the pandemic.



> **Temporary shut-down of certain operations and furlough or lay-offs of colleagues**

During lockdowns in the UK and Spain, the Board endorsed the shut-down or significant reduction of those of the Group's operations which involve discretionary travel, including the UK coach network and parts of the ALSA long haul coach network.

During these times, the Board also endorsed use of the UK Government furlough scheme and the similar Spanish Government scheme for colleagues working in businesses affected by government-mandated travel restrictions.

Where North America school boards, transit authorities and shuttle customers requested reduced services, the Board endorsed the reduction of these operations, with colleagues temporarily laid off with access to government enhanced unemployment benefits.



> **Strong liquidity and Balance Sheet protection, via increased debt facilities, equity placing, debt covenant amendments and hybrid issuance**

In March 2020, the Board approved the Group securing £600 million of additional short-term standby debt facilities.

In May 2020, the Board resolved to undertake a placing of new shares, raising £235 million of new equity funding.

In May and July 2020, the Board approved amendments to the covenants in the Group's principal debt facilities and note programmes.

In late September 2020, the Board approved the issue of a hybrid instrument, raising £500 million of new debt funding, treated as equity for accounting and debt covenant purposes.



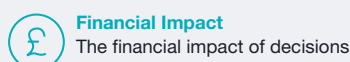
> **Careful capital allocation via investment in core businesses and cessation or sale of non-core businesses**

The Board approved a selected number of new investments by the Company in its core businesses and the cessation or sale of non-core assets.

It also approved the cessation of trading or sale of certain non-core assets.



The Board's decisions are naturally made only after careful consideration of all relevant factors which include, but are not limited to, those specified in Section 172(1) Companies Act 2006. They also naturally include:



In a year dominated by the challenges of the Covid-19 pandemic, many of the Board's principal decisions were taken in direct response to those challenges and the table below demonstrates which factors were considered and how those factors influenced the decisions taken.

Nature and impact of consideration of Section 172(1) factors

The Board believed that, as a direct result of decisions to invest more in Covid-19 related health and safety measures:

- fewer customers and colleagues would be exposed to Covid-19 in the short term;
- the Group's reputation as a trusted service provider and responsible employer would be maintained; and
- the Group would play its part in the vital efforts to reduce the spread of Coronavirus in the community.

such that:

- in the longer term, customer loyalty would be better preserved, and colleagues' physical and mental wellbeing would be better protected; and
- the additional costs involved in taking such measures would be more than offset by the benefits derived.

The Board decided that the temporary shut-down of certain transport services:

- was vital to reduce the variable costs and cash outflow connected with such services whilst the revenue from them was severely curtailed; and
- was in direct response to reduced customer demand and, where appropriate, after discussion and agreement with customers.

Both measures were crucial self-help measures, the taking of which were key to our ability to maintain support from our debt and equity investors.

As shut-downs and associated furloughs/lay-offs could result in the Group losing market share and the goodwill and loyalty of customers and colleagues alike in the longer term, the Board further authorised the resumption of the majority of its transport services as quickly as possible.

The Board also approved the use of furlough schemes or temporary lay-off of colleagues as this was key to the prospect of saving colleagues' jobs in the longer term and protecting local communities in this way.

Early in the pandemic when it was unclear how severe its impact might be, the Board determined that the Group should:

- raise additional short-term standby debt facilities to enhance access to cash should the need arise; and
- raise the maximum equity capital it could in accordance with Pre-Emption Group Guidelines (19.99%) via the quickest, most efficient means (a placing) to bolster the Balance Sheet and place the Group in the best possible position in the short and longer-term. In doing so:
 - it mandated its placing agents to comply with the Pre-Emption Group's and the FRC's guidelines on placing new shares as far as possible with institutional shareholders in proportion to their existing shareholdings; and
 - proceeded with the placing at a price of 230 pence per share, which was not at a discount to the market price so did not disadvantage retail shareholders unable to participate in the placing.

As the pandemic continued, the Board further determined that the Group should:

- secure amendments to its debt covenants to protect against their potential breach and secure ongoing access to the Group's major longer-term debt; and
- issue a new hybrid instrument to provide longer-term funding to refinance some of its maturing debt, to reduce gearing and strengthen the Balance Sheet

both of which measures:

- maintained the Group's ability to fund both its short-term response to the pandemic and its longer-term strategy; and
- reduced the prospect having to turn again to the equity markets for access to capital, potentially via a rights issue which would have diluted the holdings of those shareholders unable to take up their rights.

Throughout the pandemic, the Board was selective about how limited capital was allocated.

It approved the successful bids for, and capital investment in new North America school bus contracts in Alaska, Idaho and New York, ALSA's successful bids for new contracts in Lisbon and Porto and the UK bus business' successful bid for funding for new electric vehicles, as:

- contract wins would assist in delivering the Group's long-term strategy of growth and also enable us to foster relationships with new school board and transit authority customers and create new job opportunities; and
- investment in electric vehicles would assist in achieving the Group's targets to reduce its global carbon emission and to deliver on its promise never to buy another diesel bus in the UK.

The Board also approved the cessation of trading by the Group's small North America coach business, the cancellation of certain loss-making contracts and the sale of the Dundee bus business, as such decisions were important for the longer term ensuring the Group's more constrained capital resources could be dedicated to, and its US and UK management teams could focus on, our core businesses.