Corporate Governance

Corporate Governance

Sir John Armitt CBE
Chairman

"It is a testament to our Company, our people, our strong Values and the relationships we have built with our stakeholders, as well as our strong corporate governance, that we have been able to weather the pandemic as we have."

Looking back

2020 has been an extraordinarily challenging year for many companies, including ours, due to the significant impact of the Covid-19 pandemic and resulting measures taken by governments around the world to seek to control the spread of the virus, specifically those restricting mobility.

The Board of Directors has therefore needed to be agile and, during 2020, we have met significantly more often and via new means to quickly and effectively take the decisions necessary to enable the Company to respond to these challenges.

Our management teams and indeed all our colleagues, particularly those working on the frontline who have continued to provide vital transport services to key workers during lockdowns and to all others needing to travel outside of lockdowns, have also demonstrated incredible dedication and professionalism.

I believe it is a testament to our Company, our people, our strong Values and the relationships we have built with our stakeholders, as well as our strong corporate governance, that we have been able to weather the pandemic as we have.

Vision, Values, Purpose and culture

While the Board is conscious that the pandemic has caused many people's travel behaviours to change in the short-term, it also believes that providing transport solutions which connect people to their schools, work, family, friends and leisure activities in a safe, reliable and environmentally friendly way remains of critical importance to people's lives.

As such, our Vision, Values and Purpose endure, as leading a modal shift away from cars to high quality mass transit remains critical to balancing the need for social mobility with concern for the environment.

An assessment of how our Values have served us well during the pandemic and why our Purpose remains the right one is set out on page 64 of this Corporate Governance Report. How we, as a Board, have continued to monitor our culture during this critical time is also explained on page 65.

The Company's culture is one of safety first, which has benefitted our people, passengers and other stakeholders alike. We also greatly value diversity and inclusion and are taking proactive steps to ensure that inclusion is another embedded feature of our culture.

We, as others, witnessed during 2020 the way in which racial tensions around the world, exacerbated by the impact of Covid-19, created division and distrust in communities. Through our Diversity & Inclusion Council, the activities of which are described in the Nominations Committee Report, we are actively promoting diversity and inclusion across our global businesses to guard against division and distrust and reap the rewards that diversity and inclusion can bring to all.

Board composition and succession

2020 was a year of the change for the Board.

We were of course sorry to see our former Group CEO, Dean Finch, leave the Company at the end of August and, before him, Matt Ashley, both of whom left to pursue new opportunities. We are grateful to our Group CFO, Chris Davies, for his sound leadership as interim Group CEO and we were delighted, in November, to welcome our new Group CEO, Ignacio Garat. Ignacio brings with him a wealth of experience from an adjacent industry as well as strong commitment to the same Values the Company holds dear, including Safety, People and Customers. Ignacio's biography is included on page 59 and further information about his recruitment and induction are contained on pages 78 and 71, respectively.

Lee Sander and Chris Muntwyler also left the Board at the end of December after nearly 10 years of dedicated and valued service to the Company, although Mr Muntwyler continues in the role of an adviser to the Board on safety and environmental matters.

As part of the Board's ongoing succession plans, we intend to engage one additional Non-Executive Director in the year ahead to enhance our Board's diversity and, as I approach my nine-year tenure as Chairman, the Nominations Committee has also commenced the work to identify my successor. More information about Board and Senior Management succession plans is set out in the Nominations Committee Report.

Risk and internal control

The Company's principal and emerging risk registers were reviewed by the Board and updated in 2020 to take account of Covid-19 and other developments, as explained on page 36 of the Strategic Report. Through its Audit and Safety & Environment Committees, the Board also reviewed new risks arising from the rapidly changing trading environment and working practices across the Company caused by Covid-19 and whether the Company's internal controls were appropriate or otherwise how they were being adapted to manage these new risks. Further information about the Company's management of risk and internal controls and the outcomes of such reviews are set out in the Audit and Safety & Environment Committee Reports.

Director and Senior Management remuneration

The challenges faced by the Company during the pandemic have naturally created focus on Executive and Senior Management remuneration. I am pleased that all Board members and our most Senior Managers voluntarily offered to take pay reductions at the height of the first wave of the pandemic and both our CFO and former CEO offered to forgo their 2020 pay increases.

The Board's Remuneration Committee also sought to achieve an appropriate balance between retaining and incentivising Executive Directors and Senior Management and exerting restraint on pay in the decisions it took in the year on the new CEO's, the CFO's and Senior Managers' remuneration, further details of which are set out in the Annual Statement by the Remuneration Committee Chair.

This year we are proposing a new Directors' Remuneration Policy for approval by shareholders, about which we have consulted with over 70% of our shareholders. The new Policy is set out on pages 104 to 112 and a summary of the changes from the current Policy is included on page 101.

Stakeholder engagement

The Covid-19 pandemic has made engaging with and understanding the views of our stakeholders more important than ever. By doing so, we have been able to respond to the needs of our customers, take care of our colleagues and partner effectively with other stakeholders through the pandemic. It has also ensured that we, as a Board, have taken account of our stakeholders in all our decisions and thereby properly discharged our duties under section 172(1) Companies Act 2006.

More information about our stakeholders and our section 172(1) statement are set out on pages 44 and 45 and pages 46 and 47 of the Strategic Report, respectively.

Annual General Meeting

This year's Annual General Meeting (AGM) is scheduled to be held at, and broadcast from, Ashurst LLP, London Fruit & Wool Exchange, 1 Duval Square, London E1 6PW at 2.00pm on Wednesday, 12 May 2021.

The Company is conducting the 2021 Annual General Meeting as a 'hybrid' meeting as permitted by our revised Articles of Association adopted at our 2020 AGM. A hybrid meeting would ordinarily gives shareholders (or their proxies or corporate representatives) the opportunity to attend and participate in the meeting both physically and virtually. However, in line with the UK government's roadmap out of the current UK national lockdown, it is unlikely that indoor public gatherings will be permitted on the date of the meeting. Accordingly, we currently expect to hold it as a 'closed' meeting with physical shareholder presence at the AGM venue restricted to the necessary quorum. Nevertheless, shareholders will still be able to attend and participate in the meeting virtually. Full details on how to attend and vote at the meeting virtually can be found in the Notice of Meeting. Any updates to the arrangements for the conduct of the meeting will be given by market announcement and communicated via our website: www.nationalexpressgroup.com/investors/agm/2021

Looking ahead

Before looking ahead, I wish to pause and remember once again the valued colleagues we have lost as a result of Covid-19 and to extend the Board's deepest sympathies to their families and friends. We will miss them.

We also remember that Covid-19 has affected many of our people's lives in other ways, with many hardships experienced and sacrifices made. We thank them for their endurance and commitment.

While the pandemic is not yet over and there are undoubtedly challenges still to come, I remain positive about the Company's ability to continue to respond to these challenges and ultimately to restore the Company's financial performance to match its continued exceptional operational performance.

Sir John Armitt CBE
Chairman
18 March 2021

Our Corporate Governance Compliance Statement

The Board is pleased to report that the Company has applied the Principles and complied with the Provisions of the UK Corporate Governance Code issued by the Financial Reporting Council in July 2018 (which can be found at www.frc.org.uk) for its financial year ended 31 December 2020, except in relation to:

- Provision 21 (by delaying its external Board evaluation beyond the normal three-year cycle, for the reasons explained on page 81); and
- Parts of Provisions 36 (formal post-employment shareholding policy for executive directors), 37 (general discretion to override formulaic outcomes in remuneration schemes) and 38 (alignment of executive directors' pensions with those available to the workforce), compliance with which will be achieved through the new Directors' Remuneration Policy if approved by shareholders (as explained on page 99).

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

Board leadership and company purpose
Principles A, B, C, D and E
Pages 59 to 72

Division of responsibilities
Principles F, G and H
Pages 73 to 75

Composition, succession and evaluation
Principles I, J, K and L
Pages 76 to 82

Audit, risk and internal control
Principles M, N and O
Pages 83 to 94

Remuneration
Principles P, Q and R
Pages 95 to 103

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.

Chairman

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

Board

Collectively responsible to the Company's shareholders for the long-term sustainable success of the Company, by providing effective leadership, establishing the Company's Purpose and Values and monitoring its culture, setting the Company's strategy and overseeing its delivery within a framework of internal controls, setting the Company's risk appetite and reviewing its principal and emerging risks and taking other decisions reserved to it. Board members act for the benefit of shareholders while taking into account the interests of a range of other 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 62 to 63

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.
Safety & Environment Committee	Reviews and monitors the Group's strategies, policies and standards, and its risk exposures and opportunities, in relation to safety and environmental matters and the Group's performance of such matters.
Remuneration Committee	Reviews and recommends to the Board the framework and policy for the remuneration of the Chairman, Executive Directors and Senior Management. Makes decisions within that framework and implements that policy.
Disclosure Committee	Maintains governance 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.

+ Further information about the activities of the Board's principal Committees can be found on pages 76 to 103

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 executive matters, including bids and contracts, acquisitions and disposals, financing arrangements, and capital and operating expenditure below the levels reserved to the Board.

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 for onward consideration by the Board or its Committees.

Sir John Armitt CBE

Non-Executive Chairman Independent on Appointment

Appointed: January 2013 and as Chairman February 2013

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 Chairman 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 Company strategy:

- Maintains effective leadership of the Board in its oversight of strategy and risk management by facilitating healthy debate, robust review and decisive direction by and from the Board
- Ensures appropriate support for and challenge of Executive management by Non-Executive Directors
- Manages robust corporate governance processes, including engagement with colleagues and understanding of wider stakeholder views

Current external appointments:

- Non-Executive Director, Berkeley Group Holdings PLC
- Non-Executive Director, Expo 2020
- Chairman, City & Guilds Group
- Chairman, National Infrastructure Commission

Committee membership:

N SE

Jorge Cosmen

Non-Independent Deputy Chairman

Appointed: December 2005

Experience: Jorge has accumulated vast experience in international business. He currently serves as the Non-Executive Chairman of the Company'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 has worked in banking, sales and distribution.

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

Key strengths in support of Company strategy:

- Deploys his extensive experience and deep knowledge of the Group's business in supporting Executive management to deliver strategy
- Provides invaluable insight into international transport matters and assists in identifying opportunities and risks
- Assists the Company in building and maintaining strong stakeholder relationships

Current external appointments:

- Non-Executive Director, Bankia S.A.

Committee membership:

N SE

Ignacio Garat

Group Chief Executive Officer

Appointed: November 2020

Experience: Ignacio has more than 25 years' management, operational, commercial, strategic and transformational growth experience within the freight and logistics industry. Previous roles include CEO Spain & Portugal, CEO Brazil at TNT and Senior Vice President for Southern Europe, France and Benelux at FedEx. In his last position, Ignacio had responsibility for a business operating in over 22 countries, with 22,000 employees and generating annual revenues of over €4.5bn. He has a track record of leading international, complex businesses with a clear strategic purpose and inclusive management culture.

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 Company strategy:

- Dynamic catalyst of transformation into high performing culture
- Strong strategic and operational leadership with clear financial and service improvements delivered
- Experience of leading large-scale complex businesses across many different countries and continents, assisted by being multilingual
- Has a focus on safety and using data analytics and technology to innovate and drive service efficiency, customer experience and excellence
- Has a strong focus on people and culture and solid credentials in M&A and business integration

Current external appointments:

- None

Chris Davies

Group Chief Financial Officer

Appointed: May 2017

Experience: Chris has more than 25 years' financial, treasury, commercial and IT experience. He has a strong global track record in these fields across developed and emerging markets, having previously served as Group Financial Controller and Treasurer and then interim Group Chief Financial Officer at Inchcape plc, and Chief Financial Officer (North America) at Diageo plc until 2012, where he held several other senior roles.

Chris is a qualified management accountant and has international strategy and IT consulting experience from working with Andersen Consulting, The Boots Company plc and Marakon Associates.

Key strengths in support of Company strategy:

- Strong financial support for the development and delivery of strategy, including clear direction for the allocation of capital and setting of parameters for achieving returns on capital
- Leadership of key internal control and risk management functions, including spearheading the Group's cyber security programme, providing a sound control and risk environment within which strategy can be delivered
- Has developed strong relationships with the Company's equity and debt investors, ensuring a clear understanding among them of the Company's strategy and performance against it

Current external appointments:

- Non-Executive Director, Motability Operations Group PLC (see page 75 for details)

Matthew Crummack
Senior Independent Non-Executive Director

Appointed: May 2015

Experience: Matthew has extensive international management experience across multiple functions in consumer product and digital service industries. He has held a number of 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.

Key strengths in support of Company strategy:
- Has extensive and recent executive management and operational experience, enabling him to provide advice and challenge to Executive management in their delivery of strategy
- Has proficiency in the management of technical operations and online customer sales and marketing platforms, supporting the Company's operational excellence and technology strategic pillars
- In his role as Senior Independent Director, contributes to Board dynamics to facilitate effective decision-making in setting strategy and overseeing its delivery

Current external appointments:
- None

Committee membership:
N R SE

Mike McKeon
Independent Non-Executive Director

Appointed: July 2015

Experience: Mike has wide-ranging international experience in financial and business management across a number of different sectors, having previously served as Chief Financial Officer at Severn Trent plc and Chief Financial Officer at Novar plc. Earlier in his career, he held various senior business roles both in the UK and overseas at Rolls-Royce plc, CarnaudMetalbox, Elf Atochem and PwC. He also held the positions of Senior Independent Director and Chairman of the Audit Committee at The Merchants Trust PLC from 2008 to 2017.

Mike is a chartered accountant.

Key strengths in support of Company strategy:
- Provides strong oversight of the Company's financial management and internal controls, helping to sustain a controlled environment in which the Company's strategy can be delivered
- Has experience developing and delivering strategy in organisations with a strong customer focus and has oversight of operational excellence programmes designed to enhance customer service and manage cost, supporting the operational excellence pillar of the Company's strategy

Current external appointments:
- None

Committee membership:
N A SE

Dr Ashley Steel
Independent Non-Executive Director

Appointed: January 2016

Experience: Ashley has significant international experience gained with KPMG at board and global executive level. She has acted as an adviser to FTSE listed and Fortune 500 boards, including in relation to strategy development, M&A, organisation effectiveness, risk management and HR, across multiple sectors including transport, infrastructure, technology, media, professional services and business services. She was previously a Non-Executive Director of the Civil Aviation Authority, the British Broadcasting Corporation (BBC) and GoCo Group plc.

Ashley has a PhD in management from Henley Business School.

Key strengths in support of Company strategy:
- Has significant experience consulting on the development and implementation of strategy, including for organisations in growth mode and operating in the technology sector, supporting the Company's growth and technology strategic pillars
- Offers wide-ranging insights based on the breadth of industries she has advised
- Has a strong focus on the retention, reward and incentivisation of management in the delivery of strategy

Current external appointments:
- None

Committee membership:
N A R SE

Committee membership[1] key
- ◯ Committee Chair
- A Audit
- N Nominations
- R Remuneration
- SE Safety & Environment

[1] Committee membership is shown as at 18 March 2021

Karen Geary

Independent Non-Executive Director

Appointed: October 2019

Experience: Karen is an experienced human resources professional, having served in a number of senior and executive HR roles in international transport and technology companies, including Stena Line Limited, The Sage Group PLC, WANdisco plc and Micro Focus International plc. She also served as a Non-Executive Director and Chair of the Remuneration Committee at Micro Focus prior to taking on the executive role there. She currently holds a number of other Non-Executive Director positions.

Key strengths in support of Company strategy:

- Maintains a crucial focus on people in the Boardroom, helping to ensure that the Company is retaining and rewarding people, developing their talent and promoting diversity among them, supporting the people who can deliver all three pillars of the Company's strategy
- Has implemented people management in organisations as they go through transition and growth, supporting the Company's growth strategy

Current external appointments:

- Non-Executive Director and Chair of the Remuneration Committee, ASOS PLC
- Non-Executive Director, Sabre Insurance Group plc

Committee membership:

N R SE

Ana de Pro Gonzalo

Independent Non-Executive Director

Appointed: October 2019

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

Key strengths in support of Company strategy:

- Adds strength to oversight of the Company's financial reporting, risk management and control environments supporting the delivery of Company strategy
- Offers valuable insights into the development of the Company's technology strategy
- Has implemented strategy in organisations as they go through growth, supporting the Company's growth strategy

Current external appointments:

- Non-Executive Director and member of the Audit and Compliance Committees, Indra Sistemas, S.A.
- Non-Executive Director and Chair of the Audit Committee, ST Microelectronics NV
- Independent Director, National Advisory Board representing Spain before the Global Steering Group for Impact Investment

Committee membership:

N A SE

Chris Muntwyler

Non-Executive Director Until 30/12/20

Appointed: May 2011

Resigned: December 2020

Experience: Chris has extensive international experience in the transport and logistics sectors. Having previously held various senior executive roles at Swiss Air and the positions of Chief Executive of DHL Express (UK) Limited and Managing Director (Switzerland, Germany and Central Europe) at DHL Express, he is now a management consultant, specialising in strategy development, leadership guidance and customer and process orientation.

Key strengths in support of Company strategy until 30/12/20:

- Provided strong oversight of the Company's safety and environment programmes which support the sustainability of Company's business model and delivery of its strategy
- Brought his experience of corporate acquisitions, integrations and technology innovation to the Board, supporting the growth and technology pillars of the Company's strategy

Current external appointments:

- President and CEO, Conlogic AG
- Non-Executive Director, Österreichische Post AG
- Non-Executive Director, Descartes Systems Group Inc.

Lee Sander

Non-Executive Director Until 30/12/20

Appointed: June 2011

Resigned: December 2020

Experience: Lee has a wealth of experience in the transportation, engineering and construction sectors. He currently serves as Senior Vice President (Americas) at Alstom and, prior to that, held a number of roles including President (Americas) at Bombardier Transportation (until it was acquired by Alstom), Group Chief Executive (Global Transportation) at AECOM and Chief Executive Officer at the Metropolitan Transportation Authority of New York.

Key strengths in support of Company strategy until 30/12/20:

- Deployed his extensive experience in North American transport in support of Executive management's development and delivery of strategy in North America
- Provided valuable insights into North American school board and transit authority customer relationships, supporting the growth and excellence pillars of the Company's strategy

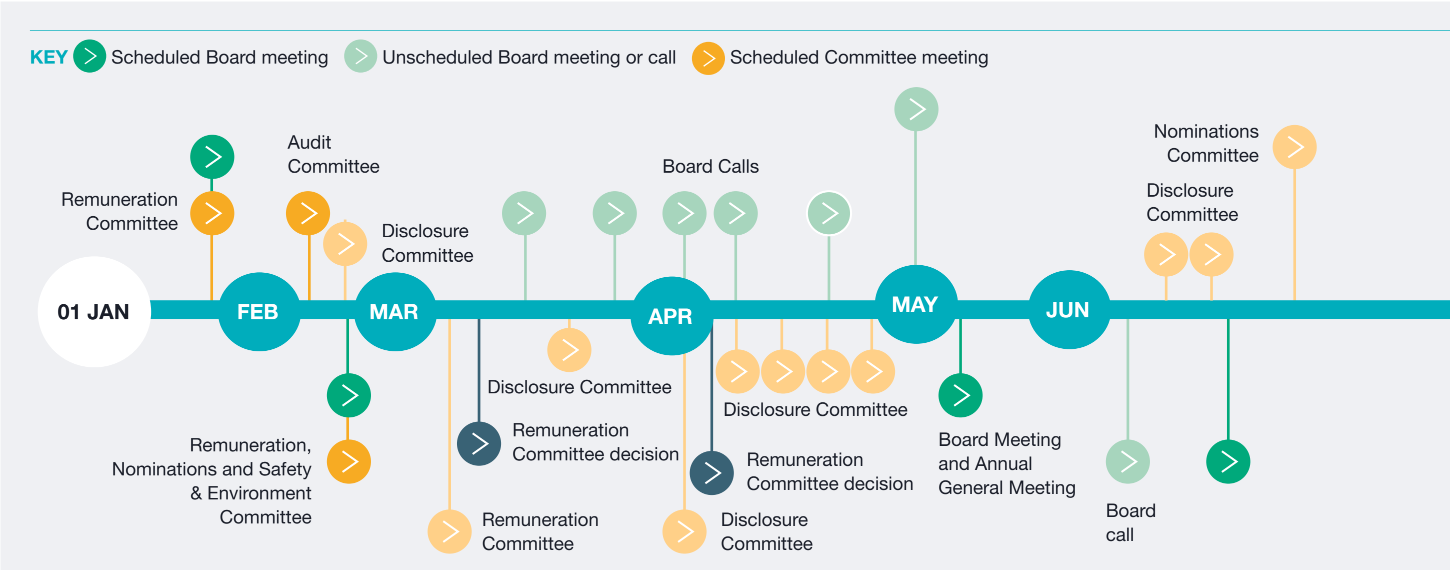
Current external appointments:

- Senior Vice President (Americas), Alstom
- Chairman Emeritus, Regional Plan Association
- Vice Chairman, Greater Jamaica Development Corporation

Further details about Directors' independence, conflicts of interest and commitment are set out on pages 74 to 75 of this Corporate Governance Report.

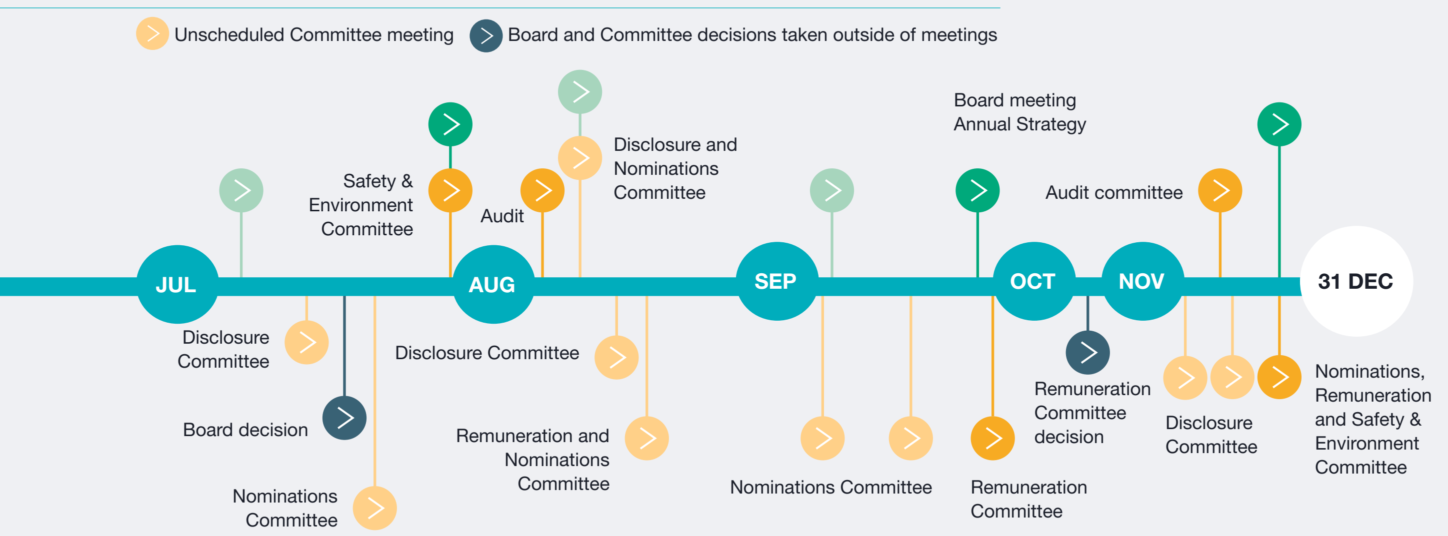
Board activity in 2020

The Board and its Committees met considerably more often in 2020 to conduct both their ordinary business and significant additional business occasioned by the Covid-19 pandemic. The timeline below illustrates this and the table below details the nature of both the ordinary and Covid-related business discharged at the Board meetings.



Strategy and investor relations	– Assessed the strategic options for the Group in the context of Covid-19, including actions to protect short-term liquidity and to preserve maximum medium to longer-term liquidity to fund existing strategy and be best positioned to pursue new strategic development opportunities – Reviewed and approved plans to pause new acquisitions, cancel or defer capital expenditure and reduce operating expenditure to make critical cost savings in response to revenue reduction caused by the Covid-19 pandemic – Reviewed and approved strategically significant bids for new contracts for core businesses and proposals for the closure or sale of non-core businesses or assets – Reviewed and approved a series of market updates to inform the market about the impact of the Covid-19 pandemic on the Group's operations and finances, and reviewed and responded as appropriate to feedback from investors and analysts throughout the year
Financial performance	– Reviewed monthly financial results to review the actual impact of the Covid-19 pandemic and constantly evolving financial scenarios to reflect the projected impact of the Covid-19 pandemic – Regularly assessed the likely impact of different financial scenarios on the Group's liquidity and compliance with its debt covenants and developed plans to protect against worst case scenarios – Approved the Company obtaining several additional standby credit facilities and making a series of amendments to its debt covenants to protect against breach of such covenants and lack of liquidity – Considered and approved the placing of new shares equal to 19.99% of the Company's issued share capital to raise £235m of equity funding – Considered and approved the Company's issuance of a £500m hybrid instrument – Reviewed the appropriateness of withdrawing the Company's 2019 final dividend and not paying a 2020 interim dividend – Approved the Company's 2019 Annual Report, including its fair, balanced and understandable nature, and the Company's HY2020 results and FY2020 results, its going concern status and its viability – Reviewed and approved the Group's 2021 budget
Operational and safety performance, risk management and internal control	– Reviewed each of the divisions' operational performance in response to Covid-19, including their scaling up and/or down their operations at different times in response to different phases of the pandemic and their dealings with their customers, colleagues and other key stakeholders – Reviewed the business divisions' safety performance in the context of Covid-19, including the additional health and safety measures deployed to seek to protect customers and colleagues from Covid-19 – Reviewed and approved the Group's risk appetite and its principal and emerging risks in light of Covid-19 and approved the renewal of the Group's insurance policies – Received reports from the Audit Committee on its activities, including on the effectiveness of the Group's system of internal control, particularly the integrity of its financial statements and robustness of its internal controls in the context of Covid-19 – Received reports from the Safety & Environment Committee on its activities, including its review of major safety incidents and the Group's new anti-Covid health and safety measures

From March 2020, in view of UK government mandates to ‘stay at home’ and related restrictions on travel and people gatherings and in the interests of health, safety and efficiency, all Board and Committee meetings were held via conference call or video conference.



Leadership, people and remuneration

- Received regular reports on the direct impact of Covid-19 on the Group’s colleagues, including the numbers of colleagues in each business division unwell with or isolating due to Covid-19 and, tragically, colleague fatalities due to Covid-19
- Received and approved recommendations from the Nominations Committee on Board and Senior Management changes
- Received and approved further recommendations from the Nominations Committee on the broader composition of, and succession plans for, the Board
- Reviewed and considered Senior Management succession plans, Group talent management initiatives and Group diversity and inclusion initiatives
- Received reports from the Remuneration Committee on its activities, including its decisions on the new CEO’s and CFO’s remuneration arrangements, wider Senior Management remuneration arrangements and the proposed new Directors’ Remuneration Policy

Engagement, environment and community

- Reviewed the outcomes of regular staff surveys to assess colleagues’ wellbeing during the Covid-19 pandemic and their views on the Company’s response to the pandemic
- Reviewed the actions taken by the Group to contribute to the wider community during the Covid-19 pandemic, including actions on transporting health workers and patients to and from hospitals and distributing food parcels
- Reviewed the activities of and approved a financial contribution to the National Express Foundation
- Reviewed progress against the Company’s seven-year environmental KPIs and three-year LTIP environmental performance measures and considered legal and best practice developments in relation to environmental reporting
- Reviewed and discussed the observations and actions from the workforce engagement undertaken by Directors

Legal, regulatory and governance

- Received reports on the multitude of new laws and guidance developed by national governments and health authorities in response to the Covid-19 pandemic and oversaw the Group’s response to them
- Received regular updates on legal matters affecting and litigation brought by or against the Group
- Conducted the annual review of the Board Reserved Matters and Board Committee Terms of Reference
- Reviewed the results of an internal evaluation of the effectiveness of the Board, its Committees, the Chairman and other Directors
- Reviewed emerging best practice on compliance with the 2018 UK Corporate Governance Code and the Companies (Miscellaneous Reporting) Regulations 2018 and considered recommended developments to the Company’s own corporate governance procedures

Further information about the work of the principal Board Committees is set out in their respective reports in this Corporate Governance Report. Further details about Directors’ attendance at Board and Committee meetings and of the Board’s and its Committees’ processes are set out on pages 74 to 75 of this Corporate Governance Report.

Purpose, Vision and Values

As explained in the Chairman's introduction to Corporate Governance, the Company's Vision and Purpose, which are articulated at the beginning of this Annual Report, have not changed as a result of the Covid-19 pandemic.

Rather they have been reinforced by the Board's strong belief that leading a modal shift from cars to high quality mass transit as a means of connecting people to their schools, work, family, friends and leisure in a safe, reliable and environmentally friendly way remains of critical importance to people's lives.

Furthermore, the Company's well established Values of Safety, Excellence, Customers, People and Community & Environment have served the Company well during the pandemic by focusing the Board's and all our colleagues' attention on what matters, as much if not more in the difficult times as in the good times.

Alignment of Purpose, Values and strategy

The diagram below demonstrates how the Company's Values support and are aligned with both its Purpose and the three core pillars of its strategy and also explains how those same Values have served the Company well during the Covid-19 pandemic and why our Purpose and Values remain the right ones.

Culture

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

Culture framework	Board methods of monitoring culture
Our Values The Company's Values are promoted throughout the Group's operations and sites, via management measures and visual prompts, serving to constantly remind our people about our Values. The Company also holds the annual Group Values Awards, with people from across the global business nominating their colleagues for demonstrating behaviours which exemplify the Values and a panel choosing winners from among them (see page 66).	– Board members attend the Group Values Awards each year, giving them the opportunity to see first-hand the best examples of how our colleagues live by our Values. – Directors' visits to the Group sites and attendance at workforce engagement events also allow them to see and hear ways in which our colleagues are living by our Values on a daily basis. – Customer satisfaction surveys and scores are reported to the Board, revealing how well our customers consider we are living by our Values.
Our health and safety focus The Company's global safety policies and a wide range of associated health and safety practices and procedures implementing them set high and consistent standards of health and safety across our operations worldwide.	– The Safety & Environment Committee of the Board monitors the development, implementation and compliance with the Company's global safety policies. – The Safety & Environment Committee Chair performs annual safety tours focusing on different areas and aspects of safety culture each year and reports on them to the Board. – The Group CEO, assisted by the Group Safety Director, constantly monitors the Group's safety performance, including by reference to a series of KPIs, including FWI.
Our environmental ambitions The Company's seven-year environmental KPIs and the inclusion of environmental metrics in the LTIP and a programme of environmental compliance and reporting set clear targets for environmental performance.	– The Safety & Environment Committee of the Board monitors compliance with environmental regulation and progress against environmental targets. – The Group CFO, assisted by divisional teams and the new Group Envrionmental Sponsor, performs regular reviews of environmental compliance and develops action plans for achievement of KPIs, including tCO_2e reduction.
Our corporate policies 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.	– The Company's corporate policies are reviewed and approved by the Board. – 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.
Our employee policies and practices 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 and promote diversity and inclusion among them.	– The Board receive quarterly HR reports including analysis of, and KPIs on, all key HR matters. – The Board also receives reports on key HR matters as they arise, including the outcome of staff surveys and the progress of trade union relations. – The Group CFO chairs the Group Diversity & Inclusion Council and reports on progress of initiatives to the Board. – Directors also engage with colleagues directly via workforce engagement events.
Our supplier protocols and procedures 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.	– The Board receives annual stakeholder reports, including discussion of key supplier relationships, and presentations from core suppliers. – The General Counsel, who attends Board meetings, sponsors the Company's compliance programmes, including compliance by suppliers with the Company's policies, protocols and procedures.

Through the culture framework and the Board's culture monitoring activities, and taking into account the way in which the Company and colleagues have worked to manage the challenges created by the Covid-19 pandemic, the Board is satisfied that the Company's culture is strongly aligned with its Values.

Culture

The Company's culture is also evidenced in the daily activities of our colleagues, the best examples of which in 2020 were recognised and rewarded by the Group Values Awards. Details of the winners are set out below:

Community & Environment
Winner: Sandra Kramer, North America School Bus Driver
For using her school bus to help to evacuate residents affected by the forest fires in Northern Ontario

Safety
Winner: ALSA Marrakesh School Road Safety Team
For building the first road safety education circuit, replicating a mini-city, to educate young people in Marrakesh about safe driving

Customers
Winner: Bahrain Engineering Team
For overhauling vehicle maintenance regimes to achieve vehicle availability with a fleet working in tough conditions

Excellence
Winner: ALSA Spain Autonomous Vehicle Team
For its pioneering project which has resulted in ALSA being the first company to operate an autonomous bus along a public route in Spain

People
Winner: Tyairi Terry, North America School Bus Monitor
For helping save a young student's life by observing behaviour on his school routes and acting quickly to get her help

Board engagement with equity and debt investors

The Board is committed to maintaining a two-way dialogue with its equity and debt investors.

The Chairman, supported by the Senior Independent Director and the Executive Directors, has overall responsibility for ensuring this communication is effective.

During 2020, the Executive Directors, supported by the investor relations team, undertook their traditional investor relations programme aligned with the Company's financial reporting calendar, which included presentations to and meetings with existing and prospective equity investors, analyst-arranged investor conferences and investment bank sales desk meetings. The principal traditional equity investor events are designated by the blue text in the investor relations programme opposite.

In addition, due to the significant impact of the Covid-19 pandemic on the Company and several other key events, the Executive Directors, supported by the Company's brokers, treasury team and other advisers, the Chairman and certain other Non-Executive Directors also undertook significant additional engagement with equity and debt investors throughout the 2020 year, including in connection with:

- the publication of a number of trading updates informing the market about the impact of the pandemic on the Group's trading and financial performance, which were often followed by ad hoc discussions with equity investors, as designated by the red text;
- amendments to the Company's financial covenants in its major debt facilities and private placement note programmes, the Company's equity placing and the Company's hybrid instrument issuance, which involved discussions with existing and prospective equity and debt investors, as designated by the purple text;
- the CEO succession process, which involved communications and discussions with major shareholders and, once the new Group CEO was appointed, introductory meetings between the new Group CEO and major shareholders, as designated by the yellow text; and
- consultation with major shareholders on a proposed new Directors' Remuneration Policy and communications about other Executive Director remuneration matters, as designated by the green text.

10 analysts published equity research notes covering the Company during the year. Details of the firms that currently follow the Company appear on the Investors section of the Company's website.

2020 investor relations programme

JAN	– Closed period
FEB	– FY2019 results announcement and investor roadshow (London and Edinburgh)
MAR	– First Covid-19 impact trading update, and guidance withdrawn – Meeting with HSBC sales desk
APR	– Second Covid-19 impact trading update – Discussions with debt investors on first amendments to financial covenants to accommodate the then worst case Covid-19 impact scenario modelling – Meeting with Liberum sales desk
MAY	– Third Covid-19 impact trading update – Equity placing announcement, bookbuilding with equity investors and £235m equity placing outcome announcement – AGM (attendance restricted in accordance with UK government guidelines) – Meeting with HSBC sales desk – US investor conference (virtual)
JUN	– Goldman Sachs Travel and Leisure conference (London) – Non-deal US investor roadshow – Chairman's letter to major shareholders on the former Group CEO's resignation
JUL	– Closed period – Discussions with debt investors on second amendments to financial covenants to accommodate the new worst case Covid-19 impact scenario modelling – Discussions with equity investors on CEO succession
AUG	– HY2020 results announcement and presentation to investors and analysts – Meetings with HSBC and Jefferies sales desks – Further discussions with equity investors on CEO succession
SEP	– Fourth Covid-19 impact trading update – Investor meetings at Small and Mid-Cap investor conference – Investor meetings at Travel and Leisure investor conference – Meetings with Liberum and Berenberg
OCT	– Berenberg investor conference participation (Madrid) – Meeting with Bank of America sales desk – Consultation with major shareholders on proposed new Directors' Remuneration Policy
NOV	– £500m hybrid instrument roadshow – Fifth Covid-19 impact trading update, including hybrid instrument issue announcement and reinstated guidance – Investor meetings at UK and Madrid investor conferences – Meeting with Bank of America sales desk – Fireside investors chat hosted by Bank of America – Continued consultation with major shareholders on proposed new Directors' Remuneration Policy
DEC	– New Group CEO introductory meetings with major shareholders – Communication with major shareholders about other Executive Director remuneration matters

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 Chairman 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 traditionally provides shareholders with the opportunity to meet Directors, ask questions about and vote on the matters before the meeting but, due to Covid-19 restrictions, the Board had to restrict attendance at the 2020 AGM.

The proposed approach to the Company's 2021 AGM is explained in the Chairman's introduction to Corporate Governance and in the Notice of 2021 AGM. The Board advises shareholders to check the Company's website: www.nationalexpressgroup.com/investors/agm, in the lead up to the 2021 AGM for updates about how it will be held.

Investors can find more information about the Company generally on the Investors section of the Company's website: www.nationalexpressgroup.com/investors

Board engagement with the workforce

Following the success of the Board's workforce engagement events in 2019, which supplemented the Board's traditional programme of engagement via Board and individual Director visits to the Company's operations, the Board planned to continue both forms of engagement in 2020.

As Covid-19 was declared a global pandemic, and national governments placed restrictions on travel and advised working from home, the Board had to cancel its planned visits to the Company's operations in both Morocco and the USA. However, due to the importance the Board places on workforce engagement, and the benefits it has both for Directors in giving them a more informed context for decision-making and for colleagues in knowing their views are being heard and taken into account in decision-making, the Directors made sure to still conduct certain in-person and online engagement, as described on these pages and overleaf.

Chairman's visit to Fareham, UK operations

In August 2020, as travel and meeting restrictions were relaxed in the UK, Sir John Armitt visited the Company's newly acquired Lucketts Travel business headquartered in Fareham, Hampshire. Lucketts includes a significant coach holidays and excursions business which has been deeply affected by the Covid-19 pandemic, with bookings down by more than 90% and more than 80% of its workforce furloughed at the pandemic peaks. Notwithstanding these challenges, through discussions with colleagues the Chairman was pleased to observe that careful attention to the safe delivery of operations, innovation in technology to aid future growth, optimisation of the asset base and other efficiencies to generate cost savings were all in evidence as activities recommenced over the summer.

> "Despite the challenges, it was fantastic to see such a positive attitude among our Lucketts colleagues and to hear how pleased they were to have joined the National Express Group. It was also good to see that the integration of the business was going well, particularly with Lucketts being able to seize opportunities from being part of the Group to create more efficiencies."
>
> Sir John Armitt

Directors' attendance at Group Values Awards

The Group Values Awards are annual awards given to those colleagues whose actions best demonstrate the Company's Values of Safety, Excellence, Customers, People and Community & Environment.

The event typically brings the nominees from across the Group's global businesses together with members of the Board and Group Executive Committee in London for a dinner and formal awards presentation. For obvious reasons, this was not possible in 2020 so the awards took place online, with the new Group CEO introducing the event, Head of Corporate Communications James Donnan emceeing and the Chairman closing with words of congratulation.

While naturally a more subdued event, it was important to still take the time and create a forum in which to recognise individual colleagues and teams for going above and beyond in exemplifying the Company's Values.

> "While it was sad not to attend a typical event, it was great that the Company still took the time and found a responsible way to have the awards. Just hearing all the reasons why people were nominated makes me proud to work for the Company and honoured to have won one of the awards."
>
> A Group Values Award winner

Director workforce engagement events

By moving them online, the Board was able to conduct three workforce engagement events in 2020.

As explained in the Company's 2019 Annual Report, these events are a variant of the Code recommended 'designated non-executive director' method of engaging with the workforce and are considered by the Board to be more effective than that or the other Code recommended methods. This is because: they give more of the Directors and indeed more colleagues the opportunity to speak 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.

Each of the three events held in 2020 brought together a number and variety of colleagues from the Company's principal businesses in the UK, North America and ALSA (covering Spain, Morocco and Switzerland) and each was attended by two different Non-Executive Directors, so more than half of the Board in total. As in the prior year, the events took the form of roundtable discussions and all followed the same theme – 'Driving through Covid' – with colleagues invited to discuss their experiences of working for the Company during, or being on furlough due to, the Covid-19 pandemic.

A number of common themes emerged from the discussions, with both positive and negative views expressed. These are summarised in the table on page 70.

A selection of the participating Non-Executive Directors' over-arching observations of the events are also set out below:

"The event was very thoughtful and collaborative and I really enjoyed being part of it. The fact that participants were drawn from all levels of the business made for a really interesting and wide-reaching discussion."

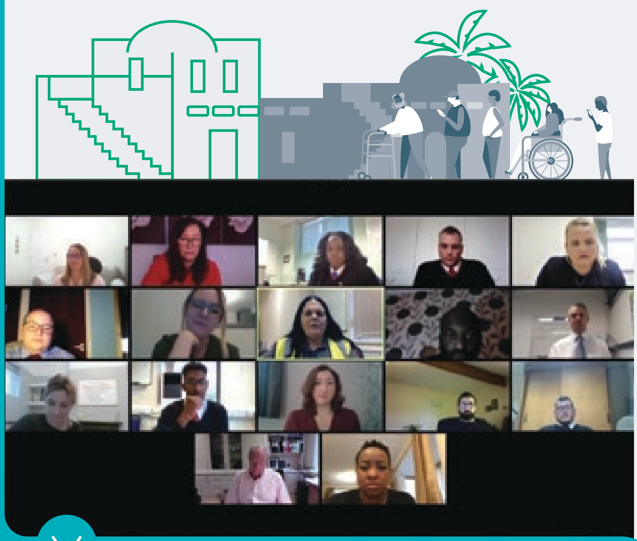
Ana de Pro Gonzalo

"It was clear that people had really been living by our Values during the pandemic and really pleasing to hear that people felt the Company had looked after them during this time. I was very impressed by the development of new technologies and internal communications."

Jorge Cosmen

"It was an engaging event, where the overriding feeling from colleagues was one of positivity and appreciation for the steps the Company had taken."

Karen Geary



Interim Group CEO/CFO, Chairman and Deputy Chairman attendance at NX Network event

The NX Network event is an annual event bringing together high potential management candidates from across the Group's global businesses so they can network with each other, share their views and experiences, and hear from and present to members of the Board.

The 2020 event was held in October remotely via an online platform, made available by our partners at Aston University, that facilitated full interaction between all 60+ participants, including the interim Group CEO/CFO, Chairman and Deputy Chairman. Colleagues gave presentations to each other and the Directors in attendance about how they had innovated to work differently during the Covid-19 pandemic. The interim Group CEO/CFO, Chairman and Deputy Chairman in turn presented to colleagues on how the nature of the Board's work and methods of Board working had changed due to Covid-19, and used the event as an opportunity to thank colleagues for their hard work during the pandemic.

"It was great to have a mixture of talks from senior leaders in the business, hear insight from across the different divisions and also listen to great advice from previous graduates in the network. It was really inspiring to hear how their career paths have developed over the years." "In a difficult situation like a pandemic without the possibility of all being together, the digital version of the event has been a great solution." "I think these events are important to feel closer with each other."

NX Network event participants

Topic	Positives	Negatives	Follow-up actions
Health and Safety	There was general praise for the additional health and safety measures taken by the Company, including the distribution of PPE from very early on in the pandemic, the new cleaning regimes on vehicles and the new social distancing measures in offices and depots.	Frustrations were voiced about difficulties drivers encounter trying to ensure passengers adhere to social distancing and face covering rules or recommendations. Some concerns were also expressed about some colleagues not observing such rules and recommendations.	– Local management continue to work with local authorities to enforce compliance. – CCTV is spot-checked to audit compliance and in-house inspector teams and external police resources are directed to hot spots of non-compliance. – Local management have reinforced rules and recommendations among colleagues and increased signage across sites.
Working, or returning to work, during the pandemic	For those working during the pandemic, there was an overriding consensus that the Company had responded well to concerns people had by taking additional health and safety measures (see above) and by managers taking the time to reassure individuals who had concerns about working or returning to work from furlough via one-to-one discussions. Colleagues also recounted instances of morale boosting actions, for example by the Company organising socially distanced social events when permitted by law and recognising those colleagues who had gone above and beyond.	Colleagues from all divisions expressed that they had experienced some level of anxiety about working during the pandemic and/or on their return to work. However, they also explained how these anxieties were generally eased through Company efforts around health and safety (see above) and/or communication (see below). Colleagues from across the businesses but particularly support functions, such as IT, also explained how significantly their ways of working had had to change and/or how they had had to cope with an increased workload due to these changes or team members being off due to sickness, isolation or furlough.	– No further actions, as the additional health and safety measures remain in place and managers continue to have close contact with colleagues to provide them with appropriate support and reassurance. – Local management also continue to consider carefully the appropriate balance in each team between having sufficient people to perform the work and the cost savings needed to offset reduced revenues.
Furlough	For those colleagues who had been furloughed, again there was an overriding consensus that the Company had treated them well, including by sending regular corporate communications about how the Company was dealing with the pandemic, creating more opportunities for colleagues to raise questions with local management and by line managers or HR colleagues undertaking weekly 'check-ins' with them.	Colleagues explained how initially there was some division between those who were furloughed and those who were not due to perceptions that the other group 'had had it easier' and consequently on how work should be divided when furloughed colleagues returned. However, they also explained that these feelings largely dissipated as each group recounted their experiences to the other group.	– No further action required, save as noted above regarding local management needing to achieve the right balance and encouraging colleagues to share their experiences with each other.
Communication	Many colleagues considered that the nature and frequency of communication from the Company during the pandemic had been very good. By and large, technology had worked well for most areas of the businesses, with colleagues commenting it had been a learning curve for many as teams were making much better use of technology than they previously had.	However, there was some criticism about over-reliance on electronic means for communicating with colleagues more used to receiving communications via notice boards and about problems with IT connectivity in some depots.	– Local management are now ensuring they give equal weight to electronic and more traditional means of communication. – Connectivity problems have also been fixed.

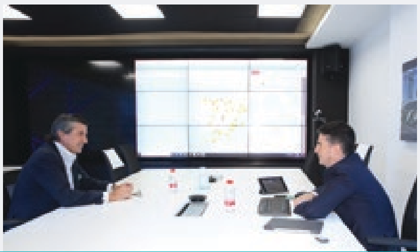
CEO’s Induction

One of the new Group CEO’s priorities was to meet with as many colleagues as possible as part of his induction.

“One of the best parts of being National Express’ CEO is having the opportunity to work with so many dedicated and talented people. From my induction and work to date, I have seen that people are the heart and soul of National Express’ business and their commitment, excellence and enthusiasm have made the Company what it is.”

Met with the Company Directors on a one-to-one basis

Met with members of the Group Executive Committee and other direct reports on a one-to-one basis

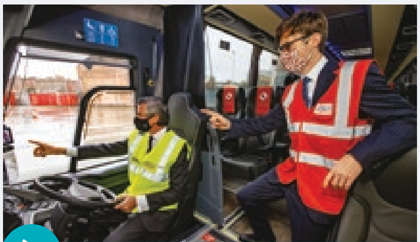


Received briefings on the Company’s Board and corporate governance practices

Visited ALSA’s operations in Spain

Learned about vehicle maintenance standards and procedures

Learned about driver standards and safety protocols



Met with members of the ALSA management team

Met with the Company’s legal advisers and received UK PLC legal training

Visited Birmingham Coach Station and held meetings with the UK coach management team

Met with the Company’s auditor and brokers

Deloitte.

BANK OF AMERICA

HSBC

Visited the National Express Transport Solutions (NETS) operations and met with the NETS management team

Held virtual meetings with key investors on a one-to-one basis

Met with City and Markets advisers

Visited the Coventry bus depot and held meetings with members of the UK bus management team

Board understanding of other stakeholders' views

The Board also recognises the value of understanding wider stakeholders' views so they can be taken into account in Board decision-making.

Who the Company's key stakeholders are, how the Company engages with them, the focus of that engagement in 2020 and the value added through that engagement are set out in the stakeholders section of the Strategic Report on pages 44 and 45. Examples of how different stakeholder groups' interests have been taken into account by the Board in its decision-making are also set out in the Company's section 172(1) statement on pages 46 and 47 of the Strategic Report.

As explained on page 44, the majority of engagement with stakeholders such as colleagues, customers, government authorities, regulators and suppliers takes place at business divisional level. However: the Executive Directors engage with all these stakeholder groups as the Company's business requires; the Executive Directors together with the Chairman, Deputy Chairman and Chairs of the Board's Committees will also engage directly with equity and debt investors where appropriate as explained on page 67; and the Board as a whole will also hear directly from particular stakeholders from time to time. Two examples of the Board hearing directly from stakeholders during 2020 are set out below.

Transport for London

Board presentation from TfL's Director of Strategy and Chief Technology Officer

In January 2020, the Chairman invited the Director of Strategy and Chief Technology Officer for Transport for London (TfL) to share with the Board TfL's insights into current and expected future travel behaviours within Greater London.

TfL is one of the UK coach business' key stakeholders as it manages London's road system as well as Victoria Coach Station. Engagement with TfL in such capacities is conducted via the UK coach management and public affairs team. However, the Company seeks to foster relationships with stakeholders at all levels of its business and the Board was keen to hear TfL's views based on its extensive passenger transport experience and cutting-edge approach to the use of technology in passenger transport. TfL's director explained to the Board how TfL is using and developing technology both to track people's travel behaviour and improve people's experience of using public transport.

The ability to acquire these insights and generally share knowledge with industry leaders is just one of the advantages of maintaining and developing strong relationships with key stakeholders.

ALEXANDER DENNIS

Board presentation from ADL's Managing and Customer Development Directors

In February 2020, the Group CEO invited the Managing and Customer Development Directors of Alexander Dennis Limited (ADL) to talk to the Board about the nature of ADL's long-standing relationship with the Company.

ADL's directors explained that ADL had had a strategic partnership with National Express since 2012. It was the UK bus division's principal supplier due to the quality of its product and services and its innovative and collaborative approach with its customers, including National Express, to developing ever more safety and comfort features on buses and, in more recent years, to developing reduced and zero emission vehicles. They explained in particular the market dynamics causing a modal shift away from diesel to reduced or zero emission buses and ADL's pioneering technology with which they believe they ADL has become the market leader in producing electric double deck buses.

ADL expressed the importance of ongoing collaboration and support from National Express in its drive to deliver the electric vehicles which in turn will help National Express meet its commitment of never buying another diesel bus in the UK.

Roles and responsibilities

The Board has agreed a clear division of responsibilities between the Chairman and the Group Chief Executive. Other Directors' and the Company Secretary's roles are also clearly defined to assist in enhancing the effectiveness of the Board. A summary is set out below:

Chairman **Sir John Armitt CBE**[1]	– Provides overall leadership, and ensures 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 an effective contribution – Assists the Board in understanding stakeholders', including shareholders', views
Deputy Chairman **Jorge Cosmen**[2]	– Maintains a close dialogue with the Chairman and the Group Chief Executive Officer – Supports and deputises for the Chairman as required – Assists the Group Chief Executive Officer in developing strategy, in view of his deep knowledge of the Company and passenger transport sector
Group Chief Executive Officer **Ignacio Garat**[3]	– Develops the Company's strategy for consideration and approval by the Board and provides effective leadership of the executive team in its delivery of strategy – Develops the Group's business model and manages the Group's operations – Reinforces the Company's Values and sets expected workforce behaviours, including by overseeing the development and implementation of the Company's corporate, safety and environment policies and standards – Establishes and services relationships with key stakeholders – Communicates (with the Group Chief Financial Officer) the Group's financial performance and strategic progress to investors and analysts – Ensures the Board is kept fully apprised of the Group's safety and operational performance and of risks and opportunities that may affect or contribute to the delivery of strategy
Group Chief Financial Officer **Chris Davies**[3]	– 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, treasury, procurement, communications and IT functions – Manages investor relations, including by communicating (with the Group Chief Executive Officer) the Group's financial performance and strategic progress to investors and analysts – Chairs the Group's Diversity & Inclusion Council and oversees the Company's environmental ambitions and performance against them
Senior Independent Non-Executive Director **Matthew Crummack**	– Acts as a sounding Board for the Chairman and a trusted intermediary for other Directors – Available to investors to discuss any concerns that cannot be resolved through the normal Chairman or Executive Director channels – Leads the Board in the annual performance evaluation of the Chairman and in developing Chairman succession plans – Meets with Non-Executive Directors without the Chairman present at least annually and more often as required to discuss Board matters
Independent Non-Executive Directors **Mike McKeon, Dr Ashley Steel, Lee Sander**[4]**, Chris Muntwyler**[4]**, Karen Geary and Ana de Pro Gonzalo**	– 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 broad experience and individual expertise and insights – Play a lead role 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 other stakeholders' views – Monitor and assess the effectiveness of, and support and constructively challenge, the Executive Directors
Company Secretary **Jennifer Myram**	– Provides advice, support and training to the Board, its Committees, the Chairman and other Directors individually as required, primarily in relation to corporate governance matters – Responsible, with the Chairman, for setting the agenda for Board and Committee 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
2 Non-independent Non-Executive Director
3 Executive Director
4 Stepped down from the Board on 30 December 2020

Board and Committee meeting attendance

The Board and its Committees conduct their business in scheduled meetings during the year. As illustrated on pages 62 and 63, a number of additional formal and informal Board and Committee meetings were convened during 2020 to enable the Board and its Committees to consider and take timely decisions in response to the Covid-19 pandemic. The table below sets out attendance by Directors at the formal Board and Committee meetings held in 2020 (noting that there was full attendance by all Directors and Committee members at all informal meetings and calls held during the year):

Attendance at meetings	Board	Nominations Committee	Audit Committee	Remuneration Committee	Safety & Environment Committee
Total formal meetings in 2020	13	8	3	6	3
Executive Directors					
Ignacio Garat, Group Chief Executive Officer[1]	1	–	–	–	–
Chris Davies, Group Chief Financial Officer	13	–	–	–	–
Chairman and Non-Executive Directors					
Sir John Armitt[2]	*13	*8	–	–	3
Jorge Cosmen	13	*8	–	–	3
Matthew Crummack	13	8	–	6	3
Mike McKeon[3]	13	7	*3	–	3
Dr Ashley Steel	13	8	3	*6	3
Karen Geary	13	8	–	6	3
Ana de Pro Gonzalo[3, 4]	12	7	2	–	2
Chris Muntwyler[5]	13	1	1	–	*3
Lee Sander[6]	13	1	1	2	3

* Board Chairman or Committee Chair.
1 Ignacio Garat was appointed to the Board on 1 November 2020 and attended the one Board meeting in the year after his appointment.
2 Sir John Armitt chaired the Nominations Committee until 4 November 2020 (so chaired seven of its meetings held in the year up to that date) when Jorge Cosmen assumed its chairmanship (and chaired the eighth Committee meeting of the year).
3 Mike McKeon and Ana de Pro Gonzalo were appointed as members of the Nominations Committee from 25 February 2020 and therefore both attended all meetings of this Committee held during the year after they were appointed as members.
4 Ana de Pro Gonzalo could not attend the scheduled February Board and Audit and Safety & Environment Committee meetings due to a pre-existing commitment in her prior role at Amadeus, which the Board had approved during her recruitment process as a Non-Executive Director. Ms de Pro Gonzalo stood down from her role at Amadeus at the end of 2020, as the Board was aware she intended to when appointed, to focus on her Non-Executive Director activities. She was present at all other scheduled and unscheduled formal Board and Committee meetings, comprising 23 in total, and all informal meetings and calls.
5 Chris Muntwyler was a member of the Nominations and Audit Committees until he stood down from these roles on 25 February 2020 and attended the one meeting of each of the Nominations and Audit Committees held during the year while he was a member.
6 Lee Sander was a member of the Nominations, Audit and Remuneration Committees until he stood down from such roles on 25 February 2020 and attended the one meeting of each of the Nominations and Audit Committees and the two meetings of the Remuneration Committee held during the year while he was a member.

Director independence

The Board reviews the independence of its Non-Executive Directors as part of the annual Board and Director evaluation process. The Nominations Committee also considers Non-Executive Director independence on an ongoing basis as part of its consideration of the composition of the Board.

Sir John Armitt was considered independent on his appointment as Chairman. Jorge Cosmen, the Deputy Chairman, is not considered independent due to the interests the Cosmen family hold in shares in the Company, his close links with Group's business and his long tenure on the Board. 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 superior insights on strategic and operational matters. The Board was of the view that Messrs Muntwyler and Sander remained independent during 2020, notwithstanding their long tenure on the Board. However, as such long tenure may have caused shareholders to perceive them as no longer independent, from February 2020 they stood down from various Board Committees and, to facilitate future Board succession plans, they stood down from the Board at the end of the 2020, as further discussed in the Nominations Committee Report.

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

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) as a result of 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.

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, save in respect of Mr Cosmen due to his family's shareholding, which conflict has been authorised by the Board on the basis that, as noted above, he brings significant value into the Boardroom. A register of Directors' actual and potential conflicts, together with conflict authorisations previously given by the Board, is maintained by the Company Secretary.

Mr Sander's position at Alstom – which acquired Bombardier Transportation – was also kept under review by the Board as a situation that could give rise to a potential conflict of interest due to NX Rail GmbH's lease of Bombardier manufactured trains to service its RME concession. However, as Mr Sander was not involved in any decisions in connection with the RME concession and it accounted for less than 0.66% of the Group's 2020 revenue, no actual conflict of interest arose.

Director commitment and external appointments

Directors' commitments are reviewed as part of the annual Board and Director evaluation process and the Nominations Committee also keeps them under regular review. All Directors are expected, and required by their employment or appointment terms, to commit sufficient time to the Board and the Company as is necessary to carry out their duties.

Non-Executive Directors are also required, by their appointment terms, to seek the Board's approval to taking on significant new commitments. Non-Executive Directors may hold a number of external appointments provided that, in aggregate, they do not detract from the time and attention such Directors need to provide to the Company. Details of Non-Executive Directors' other current appointments are included in their biographies on pages 59 to 61 of this Corporate Governance Report.

Executive Directors must also obtain the Board's approval prior to taking on any new commitments and, subject thereto, are permitted to either: hold one external listed or traded company non-executive directorship or other significant appointment with a non-competing company; or hold one or more non-significant roles with non-competing organisations on a case-by-case basis. Ignacio Garat does not currently hold any external appointments. On 1 June 2020, Chris Davies was appointed as a Non-Executive Director of Motability Operations Group PLC, a non-traded public company providing mobility to disabled customers under contract to Motability, the national charity. This is not considered a significant role for Mr Davies and was duly approved by the Board.

A register of Directors' external appointments is maintained by the Company Secretary.

On the advice of the Nominations Committee, the Board considers, taking into account their high level of attendance at Board and Committee formal and informal meetings throughout the year under review, their participation in workforce engagement and wider Company events and their current external appointments, that all the Directors are able to, and do in fact, devote sufficient time to the Company.

Board and Committee processes

The Board has a formal schedule of matters reserved for its approval, which matters include: strategy, risk appetite and review of Group-wide principal and emerging risks; major acquisitions and disposals (above certain values); bids and contracts (above certain values); 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, Safety & Environment, Executive and Disclosure Committees. Any matters outside of these fall within the responsibility and authority of the Group Chief Executive Officer and/or Group Chief Financial Officer. The schedule of matters reserved to the Board and the terms of reference of each Committee, which are reviewed and approved by the Board annually, can be found on the Company's website at: www.nationalexpressgroup.com

The Chairman and Company Secretary are responsible, in consultation with the Group Chief Executive Officer and Chairs of the Committees, for maintaining a scheduled 12-month programme of business for the Board and its Committees, with flexibility for additional business to be discharged as required. The programme 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 reports from the Executive Directors, the Group General Counsel and the Company Secretary on the Company's safety, operating and financial performance, investor relations, legal compliance and corporate governance. Other regular Board agenda items include strategic proposals (including those relating to acquisitions and disposals, bids for contracts and capital allocation), risk management (including reviews of risk appetite and risk registers), tax and treasury updates, human capital updates (including on employee relations, talent development and diversity promotion) and workforce and stakeholder engagement. Committee Chairs also 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 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 and experts in areas relevant to the Company's strategy.

In advance of each Board and Committee meeting, Directors receive via a secure web portal high quality papers, prepared by the Executive Directors, Senior Management, the Company Secretary and/or external advisers where appropriate, 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 directed to discuss with, and provide input to, the Chairman or relevant Committee Chair on the business to be considered at that meeting.
The Company Secretary provides direct feedback to the absent Director on the key decisions taken at the meeting.

The Board has access to the 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.
In addition, and as explained on pages 67 to 72, Directors participate in a number of stakeholder engagement activities during the year.

During the year under review, the Company modified certain of its Board and Committee procedures to ensure the Directors were able to discharge their duties within the context of the Covid-19 pandemic, including:

- convening many more unscheduled meetings, often at relatively short notice to consider urgent business; and
- holding the majority of meetings via telephone or video conference.

The Company's well established procedures, as modified, permitted the Board and its Committees to continue to function effectively notwithstanding the pandemic, as was also confirmed by the Board and Committee performance evaluation, details of which are set out in the Nominations Committee Report.

Sir John Armitt CBE
Committee Chair (until 4 November 2020)

"In a challenging year for our business and its people, the Nominations Committee's priority has been to ensure that we still have the best people governing the business and leading our people through the challenges. The CEO and Senior Management succession work the Committee undertook during year under review sought to deliver on this priority."

Jorge Cosmen
Committee Chair (from 4 November 2020)

"I thank Sir John for his sound leadership of the Committee, particularly through the work it undertook in 2020, and I am honoured to take on the Chair role. In addition to continuing to progress our Board succession plans, my focus going forwards is to ensure we have a strong pipeline of talent for Executive Director and Senior Management roles, that we recognise, reward and develop talent across our Group and that we bolster diversity and inclusion across and at all levels of our global businesses."

Dear fellow Shareholder

We are both pleased to present the Nominations Committee Report, having both held the role of Chair of the Committee for parts of the year under review. I (Sir John Armitt) present those parts of this Report which look back at the Committee's work during the year under review and I (Jorge Cosmen) present those parts which look ahead to the Committee's work and priorities in this current and future years.

Primary role

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

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 structure, size and composition (including the skills, knowledge, experience, 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 and selecting candidates to serve as Directors on the Board and its Committees and making recommendations to the Board for their appointment
- Assist the Chairman with the annual evaluation of the effectiveness of the Board, its Committees and the Directors

Activity highlights

- Led the process to identify and recommend to the Board a new Group Chief Executive Officer
- Reviewed the structure, size and composition of the Board and its Committees, including the skills, experience, independence and diversity of their members, and recommended changes to Committee membership to ensure independence, as part of ongoing Board and Committee succession plans
- Reviewed Senior Management succession plans, including via an in-depth review of Senior Managers and other high potential talent
- Reviewed and approved certain changes to the Senior Management* team

* References in this Report to Senior Management or Senior Managers are to the divisional managing directors and Group functional leads 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	Resigned	Meetings attended/ meetings held
Sir John Armitt (Chair)[1]	01.01.13	–	8/8
Jorge Cosmen (Chair)[1]	01.12.05	–	8/8
Karen Geary[2]	01.10.19	–	8/8
Matthew Crummack[2]	28.01.20	–	8/8
Dr Ashley Steel[2]	28.01.20	–	8/8
Mike McKeon[2,3]	25.02.20	–	7/7
Ana de Pro Gonzalo[2,3]	25.02.20	–	7/7
Lee Sander[4]	01.06.11	25.02.20	1/1
Chris Muntwyler[4]	11.05.11	25.02.20	1/1

1 Sir John Armitt, the Company Chairman, chaired the Committee until 4 November 2020, when Jorge Cosmen, the Deputy Chairman, became Chair
2 Independent Non-Executive Director
3 Mike McKeon and Ana de Pro Gonzalo joined the Committee on 25 February 2020 and attended all meetings of the Committee while they were members
4 Chris Muntwyler and Lee Sander stood down from the Committee on 25 February 2020 and attended the only meeting of the Committee held while they were members

Other attendees: Company Secretary and, by invitation, Group Chief Executive Officer and Group Human Resources Director

Board and Committee composition

One of the Committee's principal responsibilities, as noted on page 76, is to ensure that the Board and its Committees are comprised of Directors with the right balance of experience, skills and expertise. It has never been more important to have this balance to enable the Board to respond to the unprecedented challenges the Company has faced as a result of the Covid-19 pandemic.

In previous Annual Reports, we have included information demonstrating the general nature and breadth of Directors' experience. The diagram below demonstrates the specific skills, experience and focus each Director has been able to bring to leading the Company through the challenges of the pandemic:

Sir John Armitt,
Chairman

- Robust leadership of the Board ensuring careful, timely and cohesive decision-making to deliver the Company's swift and decisive response to challenges
- Steady leadership of the Nominations Committee during the crucial task of selecting a new Group CEO

Jorge Cosmen,
Deputy Chairman

- Contribution to understanding stakeholder responses and securing stakeholder support during the global pandemic
- Valuable insights into the selection of a new Group CEO having, as a long-serving Director, worked with several of the Company's previous CEOs

Matthew Crummack,
Senior Independent Director

- Wise counsel and contribution to considered and balanced decision-making, influenced by executive leadership of another company managing its way through the pandemic

Dean Finch,
Group CEO (until August 2020)

- Immediate focus on liquidity and balance sheet protection, foreseeing the potential depth of the impact of the pandemic
- Initiation of early review of strategic options, using deep experience of passenger transport activities to identify risks and opportunities associated with each
- Continued oversight of safety and operations through significant changes required

Chris Davies,
Group CFO and interim Group CEO (September & October 2020)

- Use of finance experience to exercise tight control of financial reporting, cash flow planning, cost reductions and capital reallocation
- Use of treasury skills to increase access to liquidity, protect against breach of debt covenants and raise more equity and equity-like (hybrid instrument) funding

Ignacio Garat,
Group CEO (from November 2020)

- A fresh perspective on strategic options, using strategic and turnaround experience from previous management roles
- An in-depth analysis of operational synergies and efficiencies
- An early focus on the importance of culture and people, reinvigorating positive attitudes and reinforcing unity

An effective Board & Committees capable of:

– responding adeptly and agilely to unprecedented challenges
– balancing the short-term response to challenges with longer-term strategic goals and sustainability considerations
– having a holistic regard to different stakeholders' interests, including those of customers and colleagues

Mike McKeon,
NED & Chair of Audit Committee

- Strong finance and accounting skills to oversee financial management and ensure going concern
- Wise counsel contribution to key decisions around capital re-allocation, strategic options and CEO selection

Dr Ashley Steel,
NED & Chair of Remuneration Committee

- Focus on executive and senior management remuneration and the importance of achieving balance between retention and incentivisation
- Wise counsel contribution to key decisions around commercial proposals, strategic options and CEO selection

Ana de Pro Gonzalo, NED

- Strong finance and general management background brought to bear on key decisions around financing and liquidity options, strategic options and CEO selection

Karen Geary, NED

- Strong HR and general management experience brought to bear on key decisions around people and their wellbeing, diversity and inclusion, strategic options and CEO selection

Chris Muntwyler,
NED (& Chair of Safety & Environment Committee until Dec 2020)

- Significant transport & logistics sector and operational management experience brought to bear on key decisions around strategic options and the control of operations through the pandemic
- Consistent focus on safety & environment matters ensuring due attention given to these critical matters during the pandemic

Lee Sander,
NED (& Senior Independent Director until Feb 2020)

- Significant North American transport sector experience brought to bear on key decisions around strategic options and management of North American stakeholders during the pandemic
- Valuable insights into North American transport policy and public funding during the pandemic

Board and Committee succession planning

Following Dean Finch tendering his resignation as Group CEO at the end of June 2020, the Committee's priority became identifying and recommending to the Board a new Group CEO. In accordance with succession plans developed over the last few years, there were some strong internal candidates for the role. However, the Board endorsed the Committee's recommendation to also consider external candidates in view of the critical importance of selecting a new Group CEO who would be able to both meet the Company's short term needs and be best placed to lead the Company in delivering its strategy and fulfilling its potential over the long term. The Committee therefore engaged an external executive search agency[1] to assist it in conducting a full market search, identifying external candidates and assessing both internal and external candidates.

To ensure the Committee was afforded the appropriate time and space to conduct an in-depth market search, carefully assess internal and external candidates and bring the best recommendation to the Board, and also to ensure consistency of leadership and a smooth and seamless transition of CEOs, the Board, on the Committee's advice, also agreed that Mr Finch would leave his role before the end of the year and appointed Mr Davies, the Group's CFO, as the interim Group CEO. Mr Davies ably fulfilled this role while the Committee undertook its deliberations.

Following the conclusion of those deliberations and on the Committee's recommendation, the Board selected and the Company appointed Ignacio Garat as the new Group CEO due to:

- his strong strategic and operational experience in an adjacent industry sector;
- his focus on safety, financial performance, customer experience and digital transformation;
- his ability to lead and galvanise international businesses towards common goals; and
- his strengths in building relationships with customers, strategic partners and colleagues.

From before (under appropriate confidentiality undertakings) and since joining the Company, Mr Garat has undertaken a detailed induction programme alongside fulfilling his executive leadership role. Details of Mr Garat's induction are set out on page 71.

[1] Egon Zehnder was engaged on the CEO succession process because of its strong credentials, international reach and participation in the voluntary code of conduct to address gender diversity on UK listed company boards of directors. Beyond its engagement in this capacity, Egon Zehnder does not have any connection with the Company or its individual Directors.

Wider Board and Committee succession plans were intentionally delayed during 2020 to ensure stability of the Board through the early stages of the Covid-19 pandemic and then latterly through the change in Group CEO. However, we intend to progress these plans in 2021 with the appointment of at least one additional Non-Executive Director to expand the geographical and cultural diversity of our Board. As I (Sir John Armitt) will also reach my nine-year tenure as Chairman in 2022, the Committee has also commenced planning for my own succession.

To facilitate these ongoing succession plans and ensure continuous refreshment and an appropriate independent balance of the Board and its Committees, the Board, on the Committee's recommendation, agreed:

- in January 2020, that Matthew Crummack and Dr Ashley Steel would join the Nominations Committee;
- in February 2020, that Mike McKeon and Ana de Pro Gonzalo would join the Nominations Committee and also that Chris Muntwyler and Lee Sander would stand down from the Nominations, Audit and Remuneration Committees (but would both continue on the Safety & Environment Committee);
- in November 2020, having served on the Company's Board for nearly 10 years, that Chris Muntwyler and Lee Sander would stand down from the Board and the Safety & Environment Committee on 30 December 2020;
- having regard to the importance of safety to the Company and the relatively early-stage but fast-developing nature of the Company's environmental ambitions, and to ensure continued and consistent focus on these matters through other Board changes, that Mr Muntwyler would be retained by the Company as an adviser to the Board and co-opted as a non-Director member of the Safety & Environment Committee; and lastly,
- that I (Jorge Cosmen) would be elected as Chair of the Committee going forwards.

On behalf of the Board, we both take this opportunity to thank Mr Sander and Mr Muntwyler for their long and valued service as Directors of the Company and to Mr Muntwyler for continuing in the role of an adviser.

I (Jorge Cosmen) also look forward to leading the Committee through the further development and implementation of our Board and Committee succession plans over the coming years. Although I am a non-independent Director due to my, and my family's, shareholding in the Company and my long tenure on the Board, I am passionate about the Company and its success and believe that I, supported by my fellow Committee members (the majority of whom are and will remain independent Non-Executive Directors), can fulfil our duties to shareholders by helping to ensure we have the best people leading the Company. To alleviate any residual concerns shareholders may have about my non-independent status, I intend to work closely with Matthew Crummack, our Senior Independent Director, and my other fellow independent Committee members, on all Board and Committee succession matters, and I confirm that I do not have a casting vote at Committee meetings.

Senior Management succession planning

A number of Senior Management changes also took place during the year under review, with the resignation or retirement of three members of the Group Executive Committee (GEC) and some consequential changes among their direct reports.

The Company also sadly lost two highly valued colleagues in Richard Millington, our Head of Risk & Insurance, and Nigel Lloyd, a member of our internal audit team who had worked with National Express for more than 20 years, both of whom died suddenly due to non-Covid-related reasons and to whose families and friends we extend our deepest sympathies.

Following such changes, and on the Committee's recommendation, the Board promoted Gary Waits to become CEO of the whole North American division, bringing the school bus and transit businesses back under common management and facilitating a joined up response by such businesses to the common challenges created by Covid-19. Mr Waits is supported by Liz Sanchez, who was promoted as COO of the North American business, and by two newly promoted finance managers in North America.

Internal promotions or reallocation of responsibilities were also made to ensure the roles of Senior Managers who have left were fulfilled while also reducing costs in a critical year for making cost savings and synergies wherever possible.

The Board, led by the Committee, continues to regularly review Senior Management succession plans and to identify and track the progress of high potential talent across the Company's global businesses. This is done by detailed formal review in the Boardroom of Senior Managers' and high potentials' experience, skills and notable achievements, and more informal reviews of their leadership style, attributes, colleague and stakeholder relationships and business plans and ideas when they present to the Board or when Directors visit the businesses they manage or work in.

The Board's policy on diversity and inclusion is:

- to achieve and then maintain at least one third 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
- 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.

Senior Management succession planning and talent development is an area that I (Jorge Cosmen) wish to focus more of the Committee's attention on in future. Adopting the model used by our Audit Committee in conducting 'deep dives' into assessing divisional risk, I intend for the Committee to undertake 'deep dives' into the succession plans for divisional management and Group functional leads and into development plans for the strong talent pipeline we already have. The Committee will provide feedback and recommendations from this undertaking to the Board.

Board and Company commitment to diversity and inclusion

The Board and Company remain committed to enhancing diversity at each of Board, Senior Management and middle management levels and generally among colleagues across the Company's businesses. Inclusion – in the sense that all colleagues from all backgrounds should be and feel included and accepted in all aspects of Company life, from getting respect from their managers and colleagues to having equal opportunities for pay and progression – is clearly as important a priority as enhancing diversity, as well as itself being a means to enhancing diversity. The disproportionate impact of the Covid-19 pandemic on people from ethnic minorities and the racial tensions this has exacerbated in various countries around the world, particularly the USA where we have a significant number of colleagues from ethnic minority backgrounds, has also served to ensure that diversity and inclusion are and will remain key Board and Committee priorities going forwards.

The Board, whose own diversity and inclusion policy has been updated and is set out in the box to the left, intends to lead by example on these matters. With it having met the Hampton-Alexander Review target of having at least one third female Board representation, but not yet having any ethnic minority representation, the Committee's focus will now turn to enhancing the Board's ethnic diversity when implementing its future Board succession plans, as indicated earlier in this Report.

The Committee will also ensure that diversity considerations form part of its reviews of Senior Management and high potential talent succession plans, specifically by reviewing whether opportunities for progression and development are equally available to those from all different backgrounds and by overseeing the Company's work on promoting the inclusion of colleagues at all levels of the business.

The Company's wider commitment to diversity and inclusion, which is important for those reasons explained in the box to the right, continues to be championed by the Company's Diversity & Inclusion Council (D&I Council). In 2020, the D&I Council developed, approved and communicated an overarching strategy which set out three core goals:

1. to increase the numbers of those in under-represented groups at all levels of the Group's workforce, with a key emphasis on those in management roles, in order to better reflect the communities the Group operates in;

2. to ensure the Group has an inclusive and accessible working environment, free from racism and any other forms of discrimination, where people respect and value each other's diversity and the contribution they make; and

3. to empower all National Express leaders at all levels to take effective ownership of diversity and inclusion and deliver demonstrable change.

The D&I Council also mandated a number of actions to ensure suitable focus on achieving these core goals, including:

- the development of divisional action plans, which must include:
  - checking that all recruitment materials contain inclusive language which is not biased towards any specific demographic;
  - developing other actions to increase applications from under-represented groups and putting processes in place to measure progress against them;
  - providing unconscious bias training to all managers and those involved in selection and promotion decisions;
  - have clearly defined flexible working policies; and
  - celebrating diversity events;
- measuring colleagues' views on diversity and inclusion though regular colleague surveys; and
- quarterly reporting to the GEC and Board on diversity data and on progress against action plans.

During the 2020 year, many of the Group's managers already undertook unconscious bias training and, in the UK division, a survey was undertaken to find out whether colleagues had experienced any form of inappropriate behaviour while working at National Express, with the findings informing the action plans. The Company intends to conduct similar surveys in its ALSA and North America divisions.

The D&I Council is also working on refining the accuracy of diversity data across the Group to achieve greater consistency in reporting and to better track progress of delivery of the strategy to enhance diversity.

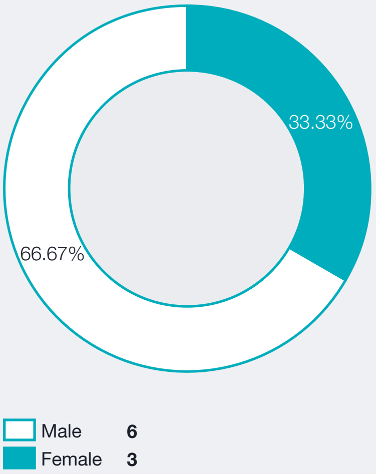
The Company is committed to ensuring diversity, in all its forms, and inclusion among its colleagues, as these can:

- 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.

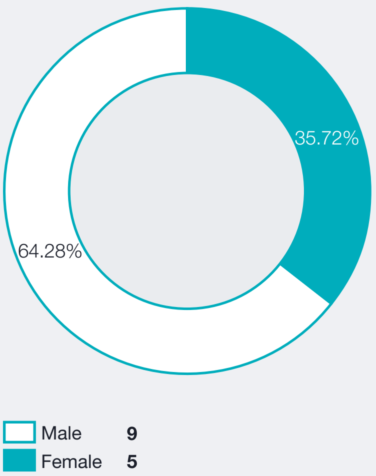
These ambitions are aligned with our People and Customers Values, which Values in turn support our strategy to grow our business by retaining and winning business through having the best talent delivering the best service for our customers.

Gender diversity

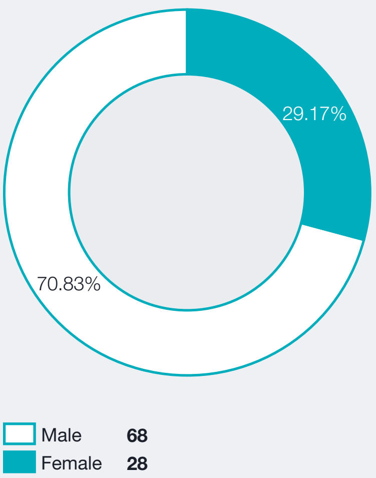
Board



GEC



Direct reports to GEC



The charts to the left illustrate the gender balance of the Board as at 31 December 2020 and of the GEC and direct reports to members of the GEC as at the Hampton-Alexander reporting date for those groups of 31 October 2020. Comparing these with the position last year:

- we have enhanced the gender diversity of the Board, increasing female representation from 25% at the end of 2019 to 33.3% at the end of 2020;
- we have improved the gender diversity of the GEC, from 31% female members on 31/10/19 to nearly 36% on 31/10/20; and
- the gender diversity of direct reports to GEC members has reduced slightly from 30% female reports on 31/10/19 to 29% on 31/10/20 (and, when combined with GEC members, we did not unfortunately meet the Hampton-Alexander 33.3% target for this combined group but will continue to endeavour to do so).

Across the Group's divisions and corporate functions, we have a wide variety of gender splits but, as there are generally fewer females in management roles across the Group, we continue with various initiatives to enhance female representation among middle and senior management by recruiting more female graduates and encouraging more female colleagues to join leadership development programmes. The actions being driven by the D&I Council noted above are also intended to assist in improving gender, ethnic and other diversity from the ground level up.

Board and Committee independence, commitment and effectiveness

As part of its review of Board and Committee composition, the Committee considers the independence of individual Directors and the overall independent balance of the Board and its Committees. The Committee's views on which Directors are independent are included in Directors' biographies on pages 59 to 61. The Committee confirms that there is an appropriate independent balance on both the Board and, having regard to the changes in its own composition during the year, on this Committee. It has further ensured that the Audit and Remuneration Committees remain composed of all independent Non-Executive Directors.

The Committee also assesses individual Directors' commitments to the Company and whether, having regard to their role in the Company and their other commitments, they have been able to dedicate sufficient time and attention to fulfil their duties to the Company. The Committee considers that all Directors demonstrated very strong commitment to Company in the year under review, by carrying out all usual Board and Committee work and attending multiple further formal and informal meetings to discuss and determine the Company's response to the Covid-19 pandemic. A timeline of and details about the nature of the Board's activities in 2020 are set out on pages 62 and 63. More information about the independence and commitment of Directors is on pages 74 and 75.

Due to the heavy additional demands on the Board and its Committees during the year and Board members' desire to focus on such demands and contribute to critical cost savings, the Board elected to defer its scheduled external performance evaluation in 2020 and conduct instead a third consecutive internal evaluation. The key outcomes of this evaluation are set out in Appendix 1 to this Report. Information about the ongoing training and development of Directors is also set out in Appendix 2 to this Report. In view of the evaluation outcomes and Directors' ongoing development, the Committee is satisfied that the Board and its Committees continue to function effectively, notwithstanding the additional work and challenges faced during the year. These challenges have rather proved the strength and versatility of the Board, and the dedication of each of its Directors.

Proposed election and re-election of Directors

As such, the Board, on the advice of the Committee, is recommending to shareholders the election of the new Group CEO and the re-election of all other current Directors at the Company's 2021 Annual General Meeting. We look forward to engaging with shareholders at this meeting and answering any questions you have on our work.

Sir John Armitt CBE
Company Chairman and former Nominations Committee Chair
18 March 2021

Jorge Cosmen
Deputy Chairman and current Nominations Committee Chair
18 March 2021

Appendix 1 – Board and Committee evaluation

As explained on page 80, to ensure the Board and its Committees were able to focus on their usual work as well as the significant additional work of responding to the challenges created by the Covid-19 pandemic, and to contribute to critical cost savings, the Board deferred its scheduled external performance evaluation in 2020 and instead carried out a third consecutive internal evaluation.

In line with previous practice, the 2020 internal evaluation was conducted via a combination of an online anonymous survey and one-to-one discussions between the Chairman and individual Directors (as regards Director performance), and between the Senior Independent Director and individual Directors (as regards Chairman performance), all of which results were reported back to and discussed by the Board and Committees. The survey focused on how well Directors considered that each of: (i) the composition of the Board and its Committees; (ii) the nature of information provided to them; (iii) the effectiveness of their discussions and decision-making; and (iv) their corporate governance practices, were serving the Company during and having regard to the challenges posed by the Covid-19 pandemic, and what should be areas of focus or could be improved in the future.

The key strengths and areas for improvement or continued focus, together with the progress made in the areas for improvement identified in the Board's and its Committees' 2019 performance evaluation, are identified in the table below:

Board/ Committee	Key strengths	Areas of focus or improvement	Progress since prior year (where relevant)
Board	– A passionate commitment to the success of the Company, with all Directors dedicating significant time to seek to ensure its success – Excellent provision of information and transparency, especially on Covid-19 related developments – Strong and evolving corporate governance practices	– Elevate oversight of the Company's culture throughout the remainder of the Covid-19 pandemic – Continue with workforce engagement events and, if Covid-related restrictions permit, re-engage in person with colleagues and wider stakeholders, in view of how valuable to Directors and well received by colleagues such engagement is (see pages 68 to 69)	– Last year, in response to a Board request that the best methods of understanding stakeholder views be kept under review, emerging best practice was assessed and processes were enhanced during the year – In response to a continued call from the Board for more external perspectives to be brought into the Boardroom, two external stakeholders gave presentations to the Board (see page 72)
Nominations Committee	– The CEO succession process was conducted via open, honest, challenging and professional discussions, through to successful conclusion	– Board and Senior Management succession planning should remain high on the Nominations Committee's agenda to further enhance existing plans	– Last year, Directors also wanted to ensure Board succession planning remained high on this Committee's agenda, which it did, facilitating the CEO succession process, although certain other Board succession plans were intentionally deferred due to Covid-19 (as explained on page 78)
Audit Committee	– Strong oversight of all significant accounting matters and judgements and of internal controls, particularly to give assurance to the Board on going concern and viability having regard to the deep impact of the Covid-19 pandemic – Good transparency and high quality of information	– Following development of the internal audit function last year through its adoption of the three lines of defence model, continue oversight of such function's development in its third line of defence role – Following the outcome of the audit tender, maintain oversight of external audit quality and ensure the re-appointed firm delivers on its proposals and adopts the Committee's suggestions	– n/a

Board/Committee	Key strengths	Areas of focus or improvement	Progress since prior year (where relevant)
Remuneration Committee	– Open and transparent debate facilitating effective and efficient decision-making on difficult decisions to balance incentivisation and retention with restraint on pay – Good quality information and external support which aided effective and timely decision-making	– Continue to enhance the Committee's understanding of broader pay and benefit structures across the Group – Gain further insight into the succession talent pipeline to ensure talent is supported through appropriate remuneration	– n/a
Safety & Environment Committee	– Excellent oversight of the Group's safety policies and performance – Appropriate focus on new Covid-19 health and safety precautions taken by the Group – Appropriately wide membership with all Non-Executive Directors being members	– Still more attention to be given by the Committee to environmental matters, to reflect the Group's growing ambitions and developing plans in this area	– Last year, Directors also considered this Committee should give more focus to environmental matters and, whereas more focus was given during the year, this remains a work in progress

Appendix 2 – Board ongoing training and development

On joining the Board, each Director undertakes a structured and comprehensive induction programme comprised of certain basic modules and additional bespoke modules tailored to the requirements of their role.

Throughout their tenure on the Board, Directors keep their knowledge and skills up to date, partly through experience acquired on the job (in the case of Executive Directors) or acquired in other roles (in the case of Non-Executive Directors), and partly by attending external seminars and briefings as required, for example those provided by the Deloitte Academy and other professional advisers.

Directors also receive a range of briefings directly from the divisional businesses and Group functional leads which serve to ensure a deep understanding of the Group's businesses, strategy, risks and management of the same, as outlined in the box to the right.

During 2020, in addition to regular briefings from the Group CEO and Group CFO on the Group's safety, operational and financial performance, the Board received:

- detailed briefings from management of the Group's business divisions on how each business was performing generally and in response to the Covid-19 pandemic, including financial performance (including detailed cost saving plans), operational performance (including service reductions and ramp-ups), people impact (including additional health and safety measures being taken to protect colleagues), impact on wider stakeholder relations (including levels of financial and other support from customers and government authorities and levels of service being provided) and impact on near and long-term strategy and risk management (including new strategic options and new risk management processes);
- briefings given by heads of the Group's major functions, including legal, governance, tax, treasury, insurance and internal audit, on their general work and specific actions taken to manage the additional risks or compliance required as a result of the Covid-19 pandemic;
- various presentations from and detailed discussions with the Company's brokers, banks and strategic advisers on strategic options for managing liquidity and strengthening the balance sheet, managing equity and debt stakeholder relations and otherwise managing the challenges created by Covid-19; and
- continued quarterly reports on human capital, focusing on resourcing and retention, employee engagement, diversity and inclusion, talent management and employee relations, together with regular briefings on the direct impact of Covid-19 on colleagues and on the output of colleague wellbeing surveys.

Mike McKeon
Committee Chair

"The Committee's intensified focus on the integrity of the Company's financial reporting and robustness of its internal controls has been crucial in giving assurance on such matters in the context of the heightened risks to the Company's control environment caused by the Covid-19 pandemic."

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 Group's system of internal control and risk management and the adequacy and effectiveness of the internal and external audit processes.

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 where appropriate any significant financial judgments 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 risk management system, both for identifying, managing and mitigating principal risks and identifying and mitigating emerging risks where possible
- Review the Group's policies, processes and controls for the detection and prevention of fraud, bribery and slavery and for compliance with applicable laws, regulations and codes of conduct
- Approve the activities, review the findings and assess the effectiveness of the Company's internal audit function
- Monitor the activities, review the findings and assess the independence and effectiveness of the external auditor
- Review the contents of the Company's Annual Report and Accounts and advise the Board whether, taken as a whole, they are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy

Activity highlights

- Supported the Board in the management of risk, including via a detailed review of the direct and indirect impacts of Covid-19
- Monitored the findings and effectiveness of the internal audit function, including internal audit findings on the robustness of key internal controls through the Covid-19 pandemic
- Assessed, challenged and satisfied itself of the robustness of the Group's going concern and viability statements and impairment assessments
- Scrutinised the Company's half and full year financial statements
- Assessed and challenged management's approach to critical accounting judgements and key sources of estimation uncertainty
- Considered an internal audit review of the Group's anti-bribery and anti-slavery compliance programmes
- Reviewed and confirmed compliance with the Group's treasury policy and considered and confirmed the Group's tax strategy
- Completed the external audit tender and made a resulting recommendation to the Board

Membership, meetings and attendance

Committee member	Appointed	Resigned	Meetings attended/ meetings held
Mike McKeon (Chair)[1]	03.07.15	–	3/3
Dr Ashley Steel[1]	01.01.16	–	3/3
Ana de Pro Gonzalo[1]	01.10.19	–	2/3
Lee Sander[2]	01.06.11	25.02.20	1/1
Chris Muntwyler[2]	11.05.11	25.02.20	1/1

1 Independent Non-Executive Director
2 Lee Sander and Chris Muntwyler stood down from the Committee on 25 February 2020 and attended the only Committee meeting held while they were members. Both were independent Non-Executive Directors when they attended this meeting

Attendees: Company Secretary and, by invitation, Company Chairman, Group Chief Executive Officer, Group Chief Financial Officer, Head of Group Finance, Group Legal Counsel, Head of Group Internal Audit and representatives of the external auditor, Deloitte

Dear fellow Shareholder

I am pleased to present the Audit Committee Report for 2020 – a very challenging year. With the Covid-19 pandemic significantly impacting the Group and its financial position, this necessitated changes in the Group's working practices and the Audit Committee's approach to its activities, with Audit Committee members holding their usual schedule of meetings as well as numerous informal meetings and discussions. This has ensured the integrity of the Company's financial results, going concern status and viability, as well as the robustness of its system of internal control.

As explained on page 26 the Financial Review section of the Strategic Report, the Company was involved in significant capital markets and other finance initiatives during the year to ensure the Company would maintain adequate liquidity and be able to comply with its debt covenants, even in a severe downturn scenario. I and my fellow Audit Committee members were pleased to lend the executive team our experience, expertise and scrutiny on these initiatives during the year.

Financial reporting

The Committee is responsible for considering and satisfying itself, having consulted with the external auditor, that the Company and Group have adopted suitable accounting policies and appropriately applied the same, that management has made appropriate accounting judgements and estimates and that the conclusions reached by management as regards the Company's going concern status and its long-term viability are appropriate. Further details of the Committee's work in reviewing management's judgements and estimates on significant and other accounting matters are set out in Appendix 1 to this Report.

Going concern assessment

From the start, it was clear that the short-term impact of the Covid-19 pandemic on the Company's operational and financial outcomes would be significant and the Company's going concern and future viability were our point of focus. The Committee therefore reviewed these matters in detail at both the 2020 half year and full year, assuring itself that the management actions taken would support the range of potential scenario outcomes and the positive statements the Company has made. We were also heavily engaged with, and grateful for the rigorous assessment of such matters by, the external auditor.

Having carefully considered the assumptions behind the range of scenarios presented, the Committee concurred with management's assessment that: a) in the base case scenario the Company had sufficient liquidity and covenant headroom in order to meet its obligations as they fell due over the period of at least 12 months from the date of signing the half year and full year results; and b) in all scenarios the likelihood of circumstances arising that would exhaust liquidity or breach covenants (as those covenants were amended by agreement with the Company's debt funders at various times throughout the 2020 year and again early in 2021) were remote.

Viability assessment

The Committee reviewed the Company's Viability Statement as at 31 December 2020. This included a careful assessment of the rationale for the three-year viability period, the nature of the incidence of risks modelled during such period and the potential aggregate financial impact of such risks. It also involved consideration of the likely pace of recovery from the Covid-19 pandemic, the impact of different scenarios on the Company's viability and the need for (and likelihood of securing) agreement from the Company's debt funders to amend covenants further should there be a confluence of downside scenarios during the viability period.

The Committee is satisfied that, despite the uncertainties caused by the Covid-19 pandemic, management's conclusion that it has a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due is appropriate, which view is also supported by the Company's external auditor.

IFRS 16 'Leases' accounting standard

In 2020, the Financial Reporting Council (FRC) wrote to the Company twice regarding the disclosures in respect of IFRS 16 in its 2019 Consolidated Financial Statements. The first correspondence was to notify the Company that elements of its disclosures were going to be included as an example of best practice in an IFRS 16 thematic review. The second correspondence was to share the overall findings of its review of the Company's IFRS 16 disclosures. I am pleased to report that there were no questions raised.
The FRC did make some suggestions for enhancement of the Company's IFRS 16 disclosures which management considered and, where appropriate, reflected in the 2020 Consolidated Financial Statements.

Internal control

The Committee is responsible for monitoring the adequacy and effectiveness of the Company's system of internal control and enhanced its engagement throughout 2020 to assure itself of such system's continued effectiveness.

System of internal control

The Company's system of internal control is based on a three lines of defence model, and is comprised of a number of features, as illustrated by the diagram and explained by the details given in Appendix 2 to this Report.

Internal audit

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

During the year under review, and with engagement and agreement of the Committee, the internal audit team revised its internal audit plan to carry out tailored audits to address potential new risks to the Company's system of internal control which emerged from operating under the conditions created by the Covid-19 pandemic. These comprised audits to test the continued effectiveness of key operational controls in each of the Group's divisions taking into account changes in working conditions, including office-based colleagues working from home.
For example, audits were undertaken to verify whether there were appropriate controls for the protection of customers' personal data, including financial data, when given to call centre colleagues working from home and whether there were adequate systems to ensure the continued accuracy and timeliness of financial information reporting. In addition, there were more audits focused on checking for fraud, the incidence of which tends to increase during challenging economic times. The Committee was assured by the findings of these internal audits, and grateful for the flexibility of the internal audit team to adapt their plans and priorities to respond to the Company's and Committee's needs as they arose.

Internal audit effectiveness
The Committee is responsible for monitoring the effectiveness of the internal audit function. One of the ways it does so is through the 'value scorecard', introduced last year. This is used by colleagues in the Group's businesses whose work or controls are subject to internal audit to score the internal audit team against various criteria. Having regard to the scores awarded to the team for its work in the year under review, and the Committee's own observations and scrutiny of that work, the Committee is satisfied that the Company's internal audit function continues to be effective.

Tax and treasury compliance
During the year, the Committee also reviewed the Company's tax strategy and its new tax governance structure and satisfied itself that the strategy remained appropriate. It also reviewed the Company's treasury policy and confirmed that the policy had been complied with.

Significant weaknesses or control failures
In my 2019 Audit Committee Report, I informed shareholders that the Committee had identified and reviewed the need to address some weak control findings in relation to the oversight of tax accounting in certain parts of the Group. Following implementation of management's plans to address these findings, the Committee is satisfied that the issues have been resolved.

In respect of the year ended 31 December 2020, the Committee reviewed and assessed the need to address some control findings in relation to its North America division. These findings did not give rise to any material errors in the year and management has a plan in place to address them. The Committee will review its implementation in 2021. Other than this, no significant weaknesses or control failures were found.

Risk management
The Board has overall responsibility for the Company's risk management and the Committee supports the Board by conducting 'deep dive' reviews into specific Group-wide risks and detailed reviews of the Group's divisions' risk registers and risk management activities. During the year under review, there was however some adaptation to the Committee's activities in this area, as explained below.

Risk appetite and principal and emerging risks
The Company's risk appetite, and the Board's assessment of the Company's principal and emerging risks, including the extended impact of the Covid-19 pandemic as a principal risk and other risks reassessed through the lens of the pandemic, are set out on pages 36 to 41 of the Strategic Report.

Cyber security
The Committee continued with its detailed review of the Group's cyber security arrangements to address the Group-wide cyber risk. While cyber security has been high on the Committee's agenda for several years, it remained so during the year under review due to enhanced threats in the cyber landscape created by the Covid-19 pandemic, for example as a result of a marked increase in phishing attacks using some Covid-related issue as a hook – something many companies have experienced.

As with internal audit's plans, the Committee reviewed how the IT security team had adjusted their cyber security programme to address these enhanced threats, for example by enhancing cyber security awareness among all colleagues, by strengthening spam filters and by performing their own simulated cyber attacks to identify and fix any vulnerabilities. In addition, to protect against any potential enhanced risk from home-working arrangements, the team focused on creating additional security for these new end-user environments. The Committee was pleased with the Group's focus in this critical area.

Anti-Bribery and Corruption and Modern Slavery Act compliance
The Committee also continued to focus on the Group's legal compliance programmes as, notwithstanding the Covid-19 pandemic, these remain of critical importance, particularly as regards Anti-Bribery and Corruption (ABC) and compliance with the Modern Slavery Act (MSA).

During the year under review, the Committee reviewed an internal audit report on the Group's ABC programme and it also reviewed the steps taken by the Group to continue to mitigate the risk of slavery, as defined in the MSA, within its own business and supply chains, as those are described in the Company's modern slavery statement published on its website.

Divisional risk reviews
Due to its intensified focus on the Company's financial reporting and internal controls during the pandemic and pandemic-related restrictions which prevented Committee members from travelling to the Company's operations in Europe and North America, some activities have had to be rescheduled. The Committee has will now carry out its scheduled detailed reviews of the Group's ALSA and North America divisions' risk registers in 2021 when it may be possible to travel and meet with the divisional risk managers in-person and observe their procedures first-hand. If travel is not possible, these reviews will be carried out remotely.

External audit
The Committee is also responsible for reviewing both the effectiveness of the Company's external audit process and the auditor's independence and objectivity.

Tender
During the year under review and in compliance with applicable law having regard to the tenure of the Company's incumbent auditor, Deloitte LLP, the Committee undertook and concluded an external audit tender.

The tender process began in 2019 with six audit firms invited to register their interest, alongside which the Committee undertook a review, with the input of firms that expressed an interest, of their independence by assessing the work they undertook for the Group. Of the six audit firms invited, three initially declined to be considered and another one declined at a later date. One explained that it was not their current policy to take on new audit engagements. One declined as a result of not being able to attain adequate independence from the Group. The other two, after due consideration and discussion with myself and the Group Chief Financial Officer on scope, stated that they did not believe they had adequate resources to carry out the audit.

In September 2020, the Committee therefore launched a formal request for proposal from the two remaining audit firms. A particular focus of the Committee and desired outcome was to see enhanced use of technology in future audits and the ability to better measure audit quality. Following due consideration of the proposals submitted by, and presentations made by, the two firms, including their submissions addressing the Committee's key areas of focus, in November 2020 the Committee recommended to the Board the re-appointment of Deloitte LLP as auditor for a new term starting from 1 January 2021. The Board concurred and is making its own recommendation to shareholders for Deloitte's reappointment, as set out in the Company's Notice of 2021 AGM.

Stephen Griggs, who has held the role of the Company's Audit Partner for five years, is stepping down from his role in line with the FRC's Ethical Standards. Following a thorough interview process by members of the Committee and management, Jane Whitlock has been appointed as the new Audit Partner effective from 1 January 2021, subject to the approval by shareholders of the re-appointment of Deloitte LLP as auditors.

The Company confirms that it complied with the provisions of The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014.

External audit plan

The 2020 external audit plan prepared by Deloitte was based on the performance of full scope audit procedures for each of the Company's UK and Germany, ALSA and North America divisions. Unsurprisingly, a key focus of the external audit was the assessment of the Company's going concern status and future viability. Following consideration and consultation with management, Deloitte's audit plan, together with its audit fee proposal (of £1.7 million), were approved by the Committee.

External audit effectiveness

The Committee reviewed the effectiveness of Deloitte's performance as auditor in respect of the year ended 31 December 2020 shortly following completion of its work by means of an evaluation. This took the form of questionnaires completed by members of the Group and divisional finance teams, supplemented by feedback from the Group Chief Financial Officer and members of the Committee. It was also supported by learnings from the audit tender and Deloitte's response to the tender. The evaluation confirmed that Deloitte continues to perform its audit work to a high standard, in particular as a result of its comprehensive understanding of the Group's businesses and control processes, the matters on which significant accounting judgements or estimates are required and its appropriate validation or challenge of management's views.

Non-audit services and independence

The Company operates a non-audit services policy which set outs the circumstances in which its audit firm may be considered and engaged to provide permitted non-audit services as well as the services which its audit firm is prohibited from providing, for the purpose of safeguarding the auditor's objectivity. The Committee reviewed the policy during the year and concluded that it remained fit for purpose. It also reviewed the Company's compliance against the policy, which was confirmed by reference to a list of non-audit services provided by Deloitte during 2020. These comprised the interim review of the half year results and services in connection with the Company's update of its Euro Medium-Term Note programme in October 2020 and issuance of its hybrid instrument in November 2020. The total fees for these services were £0.4m, representing approximately 23% of the Group's total audit fees for the year under review.

Having regard to the above, together with Deloitte's report to the Committee confirming its independence by reference to its internal safeguards and also the tenure of the audit firm and audit partner, noting the tender and change in audit partner going forwards, the Committee assured itself of Deloitte's ongoing independence.

Fair, balanced and understandable

Having carefully reviewed the content of the 2020 Annual Report, and considered management's approach to its preparation, including with regard to all applicable laws, the FRC's best practice guidance and the UK Corporate Governance Code, and having heard the views of its auditors, the Committee recommended, and in turn the Board confirmed, that the 2020 Annual 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.

Committee composition, effectiveness and engagement

In February 2020, Chris Muntwyler and Lee Sander stood down from the Committee due to their long tenure on the Board. I would like to express my thanks and that of other Committee members to both for their long and valued service to the Committee. Notwithstanding these changes, membership of the Committee remained fully compliant with the recommendations of the UK Corporate Governance Code, as it was comprised of all and at least three independent Non-Executive Directors with appropriate accounting, finance and other relevant experience and skills throughout the year under review. The Committee's annual performance evaluation also confirmed that it continued to function effectively, as set out on page 81. As noted at the outset of this Report, the Committee's members were also pleased to bring their experience and expertise to bear in supporting management on the Company's key finance initiatives, including its inaugural hybrid instrument, during the year under review.

The Committee's plans to engage directly with the Group's divisions' risk management teams during the year under review have been deferred to the current year as explained above, but members of the Committee participated in the Director workforce engagement events held during 2020 and were able to hear directly from colleagues about the changes in their working practices and other impacts of the Covid-19 pandemic which helped inform our work.

I and my fellow Audit Committee members look forward to being able to engage with shareholders at the upcoming AGM and we will be happy to answer any questions you have on our work then.

Mike McKeon
Audit Committee Chair
18 March 2021

Appendix 1 – Accounting judgements and estimates

Significant accounting judgements and estimates

The preparation of financial statements requires the application of certain judgements and estimates and the Committee considered the following significant accounting judgements and estimates as part of its review of the Consolidated Financial Statements:

	Significant judgement/estimate	Committee action and conclusion
Impairment of goodwill (see note 14 to the Consolidated Financial Statements)	The Committee considered whether the carrying value of goodwill held on the Group's balance sheet at the year end (£1,525.4m) should be impaired. The potential risk is that this goodwill cannot be supported by the long-term future cash flows of the business, particularly in relation to the ALSA (£820.1m) and North America (£652.7m) businesses, with the key estimation being made in relation to the application of discounted cash flows on a value in use basis. The value in use calculation is particularly sensitive to changes in discount rates and perpetual growth rates.	The Committee considered a detailed report from management which explained the impairment analysis and testing undertaken on the value of the ALSA and North America business goodwill balances. These were modelled on long-term 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). In particular, the Committee considered the extent to which the Covid-19 pandemic impacted on the short and long-term projections, and therefore the extent to which it affected the impairment assessment. The Committee concurred with management's view that neither the ALSA nor North America business goodwill as at the balance sheet date is impaired. This was based on management's careful analysis and testing, which demonstrated that there were healthy levels of headroom in the value in use compared to the carrying value of the assets, and was determined following consultation with the external auditor.
Separately disclosed items (see note 5 to the Consolidated Financial Statements)	Consistent with prior years, the Group presents profits and earnings per share measures before separately disclosed items in order to provide additional useful information to shareholders on the Group's performance. The classification of separately disclosed items requires significant management judgement after considering the nature and intention of a transaction. Specifically, judgement has been required to identify incremental costs associated with the Covid-19 pandemic that are not expected to arise in future periods and so do not form part of the underlying operating activities of the Group.	The Committee considered management's detailed breakdown of separately disclosed items and the rationale for these being presented separately. In particular, the Committee verified that management had applied the FRC guidance on separately disclosing items directly attributable to the pandemic, i.e. that the treatment was: – even-handed in identifying any gains as well as losses; – not describing amounts as 'non-recurring' or 'one-off' if they are also expected to arise in future periods; – not disclosing costs as exceptional solely because of a reduction in, or elimination of, the related revenue streams due to the Covid-19 crisis; and – not identifying incremental costs as exceptional if they result in incremental revenue that is not also described as exceptional. After discussion with management and the external auditor, the Committee concurred with the approach taken.
Onerous contract provisions (see note 26 to the Consolidated Financial Statements)	The Committee reviewed the approach taken in recognising £105.7m of onerous contract provisions in the year.	As c.60% of the Group's revenue is derived from contracts and the Group made a loss for the year ended 31 December 2020, in addition to reviewing management's estimation of the onerous contract provisions, the Committee considered the completeness of the provisions booked. The Committee concluded it agreed with management's approach and estimations.

	Significant judgement/estimate	Committee action and conclusion
Insurance and other claims provisions (see note 26 to the Consolidated Financial Statements)	The Committee considered the adequacy of the provisions associated with insured and other claims arising predominantly from traffic accidents and employee incidents, particularly in North America. The estimation of such provisions, including those arising on acquisition, is based on an assessment of the expected settlement of known claims together with an estimate of settlements that will be made in respect of incidents incurred but not yet reported at the balance sheet date. 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.	The Committee considered and discussed with management a report prepared by management with the input of the Group General Counsel which set out details of the status of the North America and other material open claims made against members of the Group. This report gave management's assessment, made with the benefit of advice from external actuaries, legal counsel and insurance brokers, on the likely outcome of such claims, together with an explanation of the methodology used to determine the value of provisions for such claims. Based on this, management was of the view that the level of provision was appropriate. The Committee concluded that management's estimation of the provision for North America insurance and other claims was within an acceptable range of the potential outcomes and accordingly was fairly stated.
Valuation of put option in respect of WeDriveU (see note 25 to the Consolidated Financial Statements)	The Committee considered whether the value of the liability ascribed to the put option in respect of the remaining 40% of the shares in WeDriveU Holdings Inc. was reasonable, particularly in light of the fact that the exercise period for the put option is over the next two years and is therefore within a period likely to be impacted by the Covid-19 pandemic.	The Committee considered and discussed with management the valuation of the put option based on key assumptions made around EBITDA and net debt projections, and the expected timing of exercise of the option, together with specific testing and challenge by the external auditor of that calculation and those assumptions. The Committee satisfied itself of the reasonableness of management's assessment of the put option liability. In view of the material reduction in the put liability during the year, the Committee also discussed the presentation of this in the Consolidated Financial Statements.
Pension defined benefit obligation (see note 34 to the Consolidated Financial Statements)	The Committee reviewed and considered the assumptions used to calculate the pension scheme assets and liabilities to satisfy itself that appropriate consideration and balance had been applied.	The Committee satisfied itself that the judgement and estimates made by management were reasonable and that they had been appropriately accounted for or otherwise disclosed in the Consolidated Financial Statements.

Other accounting judgements and estimates

While not significant, the Committee also carefully reviewed and considered the Company's accounting for other matters, including: business combinations; financial instruments; and tax accounting.

Appendix 2 – System of internal control

The Company's system of internal control is based on a three lines of defence model as illustrated in the diagram below:

Board of Directors

↓

Audit Committee

↓

3rd line of defence

Group internal audit function to assess the effectiveness of, and audit compliance with, first and second-level controls

↓

2nd line of defence

Specialist Group functions to advise the Company and support its divisions in the areas of safety, finance, legal, treasury, tax, human resources, pensions, risk and insurance, information technology and cyber security

↓

1st line of defence

Detailed divisional controls and procedures in the areas of safety, driver standards and operations, vehicle standards and maintenance, and divisional teams to advise on safety, finance, legal, human resources and information technology

These lines of defence include the following activities:

- Regular Board and Committee meetings throughout the year, to consider a structured programme of agenda items determined by reference to Board Reserved Matters and Committee Terms of Reference and the needs of the business
- Annual strategy review by the Board, performed following detailed input from the divisions and relevant Group functions, and development and implementation of divisional plans to deliver against Group strategy
- Annual and monthly budget reviews, performed at Group and divisional level
- A devolved organisational structure below Board level with clear leadership, allocation of responsibility and reporting lines
- Monthly Group Executive Committee meetings at which all Group functional heads report to the Group CEO and Group CFO on key successes, challenges, developments in the month and performance against pre-agreed KPIs
- Monthly and weekly divisional executive meetings at which divisional management teams discuss key successes, challenges, developments in their businesses and agree actions
- Approved delegated authorities to ensure all major decisions relating to business change, including via M&A and bids, and significant capital and operating expenditure are taken at the appropriate level
- Group and supporting divisional policies and procedures regarding tax and treasury compliance, anti-bribery and corruption, modern slavery and human trafficking, and data usage and protection
- Audits by the Group internal audit function
- Group-wide whistleblowing procedures
- Global Safety Policies and Standard Operating Procedures to set high and consistent standards of safety and operation across the Group, and achieve safe and efficient operating outcomes

Chris Muntwyler
Committee Chair
(until 30/12/2020)

"Despite the significant operational challenges presented by the Covid-19 pandemic, I am proud to say that safety, and the wellbeing of passengers and colleagues alike, has remained the Company's number one priority."

Sir John Armitt CBE
Committee Chair
(from 30/12/2020)

"The Company has not compromised, and does not intend to compromise, on its environmental ambitions despite the financial challenges created by Covid-19, as the provision of passenger transport services with a cleaner and greener fleet remains core to the Company achieving its Purpose."

Primary role

To oversee the effectiveness of the Group's safety, health and wellbeing and environment strategies, standards, policies, initiatives and targets, to assess the Group's delivery of and performance against them, and to monitor the Group's exposure to, and management of, risk in these areas

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 Group's safety, health and wellbeing and environmental leadership, performance and culture
– Review the Group's strategy and framework of standards, policies, targets, programmes and initiatives for managing safety risks across the Group
– Review the Group's strategy, policies, targets and initiatives for managing the Group's impact on the environment
– Review the Group's performance against these matters and the external reporting of that performance

Activity highlights

– Reviewed the Group's safety and health and wellbeing response to the Covid-19 pandemic
– Monitored the Group's performance against its safety standards, policies and targets, both through review of information provided by management in meetings and on the ground through visits to the Group's operations and engagement with the Group's workforce
– Reviewed major accidents and incidents and the action plans developed and lessons learned in response to them
– Monitored the Group's performance against its environmental targets and tracked progress against its environmental ambitions
– Received updates on further new environmental regulations, including TCFD reporting requirements for the 2021 year

Membership, meetings and attendance

Committee member	Appointed	Resigned/ rejoined	Meetings attended/ meetings held
Chris Muntwyler (Chair)[1]	11.05.11	30.12.20/1.1.21[2]	3/3
Sir John Armitt CBE (Chair)[1]	01.01.13	–	3/3
Jorge Cosmen	01.12.05	–	3/3
Matthew Crummack[3]	06.05.15	–	3/3
Mike McKeon[3]	03.07.15	–	3/3
Dr Ashley Steel[3]	01.01.16	–	3/3
Karen Geary[3]	01.10.19	–	3/3
Ana de Pro Gonzalo[3,4]	01.10.19	–	2/3
Lee Sander	01.06.11	30.12.20/–	3/3

1 Chris Muntwyler chaired the Committee until 30 December 2020, when Sir John Armitt, the Non-Executive Company Chairman, assumed its chairmanship
2 Chair Muntwyler temporarily stood down from the Committee on 30 December 2020 when he stood down from the Board, and has been co-opted as a non-Director member of the Committee effective from 1 January 2021
3 Independent Non-Executive Director
4 Ana de Pro Gonzalo was unable to attend one Committee meeting in the year due to a prior engagement, notified to and agreed with the Chairman during her recruitment as a Non-Executive Director

Other attendees: Company Secretary and, by invitation, Executive Directors, Group Safety Director and Group Environmental Sponsor

Dear fellow Shareholder

We are pleased to present the Safety & Environment Committee Report for 2020. As I (Chris Muntwyler) chaired the Committee throughout the year under review I present the majority of this Report and I (Sir John Armitt) as the present Committee Chair add my thoughts on the Committee's priorities going forwards.

Despite the significant operational challenges presented by the Covid-19 pandemic, I (Chris Muntwyler) am proud to say that safety, and the wellbeing of both passengers and colleagues alike, has remained the Company's number one priority, as evidenced by the Company's actions described in this Report. I (Sir John Armitt) echo that and am also pleased to report that the Company has not compromised, and does not intend to compromise, on its environmental ambitions despite the financial challenges created by Covid-19 as the provision of passenger transport services with a cleaner and greener fleet remains core to the Company achieving its Purpose.

Safety

Safety during the Covid-19 pandemic

The Company has taken significant steps during the pandemic to seek to protect the health and wellbeing of both its colleagues and passengers. These measures have followed the advice and guidance given by national public health authorities in each of the countries in which the Group operates, such as Public Health England, the Spanish Ministry of Public Health and the US Centers for Disease Control and Prevention, and have gone further where appropriate. Each of the Company's businesses has also remained in close contact with key stakeholders such as transport authorities and industry groups to seek additional guidance on appropriate protections and share knowledge and emerging best practice with other passenger transport groups. The Company has also maintained an ongoing and positive dialogue with trade unions on colleague protective measures.

During the year under review, the Committee received reports on the implementation of these measures and was assured by their extensive nature and consistent application, including in relation to:

- the provision of personal protective equipment (PPE) to drivers, vehicle technicians and others not working from home, including face masks, face visors, disposable gloves and hand sanitiser;
- increased physical barriers and airflow barriers between drivers and passengers and between sales colleagues and customers, including by the fitment of protective screens and use of enhanced air filtration systems;
- enhanced cleaning regimes on vehicles, including more regular cleaning with disinfection agents and trials of new cleaning technologies, such as 'fogging' machines to spray disinfection agent across interior vehicle surfaces;
- on its commercial bus and coach services and certain of its transit services, elimination or reduction of cash transactions in favour of digital and/or card transactions to reduce contact with currency; and
- on its commercial coach services in the UK where the Company has the most control over how they are run and on contracted transport services around the world where customers have so directed, revised occupancy and/or seating arrangements to facilitate social distancing and passenger health monitoring, including temperature testing where deemed lawful and not geographically impractical or culturally inappropriate.

The Committee was further assured during the year that management were appropriately identifying and addressing additional safety risks imported into the Group's businesses by the wider implications of the Covid-19 pandemic. For example, management identified a key new risk as a result of drivers having longer breaks than usual in their driving experience, both in the UK and Spain where drivers returned to work from furlough and in North America where the traditional autumn school start-up was delayed in many school districts due to Covid-19.

The Committee was pleased to observe that management responded to this new risk by developing and deploying an enhanced driver safety programme focused in five areas, comprising:

- more intensive driver training, including both traditional training modules and Covid-specific modules relating to the use of PPE, preservation of social distancing and spotting Covid-19 symptoms;
- enhanced driver evaluation, to assess drivers' performance back on the road;
- enhanced driver monitoring, to identify any performance improvement needed;
- more regular and targeted communications, to reinforce new Covid-related safety protocols; and
- compliance, to verify that drivers' qualifications remained valid and had not lapsed during their extended gaps in driving.

It is the Committee's view that the Company's fast and comprehensive safety response to the Covid-19 pandemic has demonstrated not just its commitment to safety, but also one of its core strengths of operational agility and excellence.

Safety governance

The Group CEO has overall responsibility for the Group's safety system, supported by the divisional managing directors, the Group Safety Director and divisional safety teams. One of the reasons the Board was pleased to appoint Ignacio Garat as the Group's new CEO was his extensive experience in transport operations in an adjacent industry and his own focus on the safety of such operations, ensuring continuity of the Company's strong safety culture led from the top.

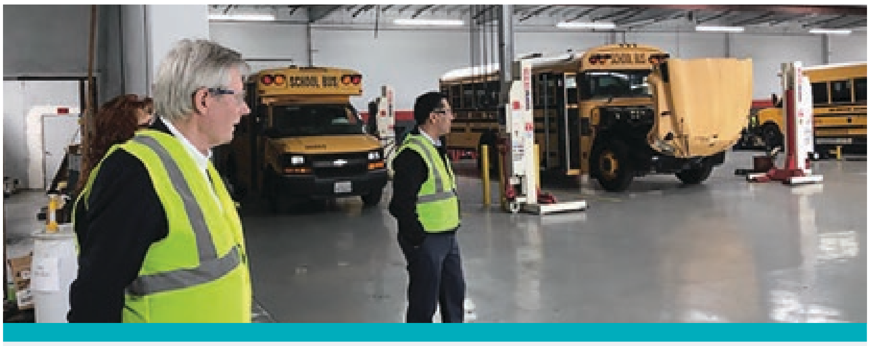
The Committee also plays a key role in the governance of safety by monitoring and reviewing the effectiveness of the Group's safety system and reporting to the Board on the same. The Committee reviews all serious safety incidents that occur and ensures that the Group's safety system is appropriate to respond to them.

Safety system

As explained in previous Annual Reports, the Company has a well developed and fully embedded safety system 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 (GSPs) relating to speed management, driving evaluation, competence of driving evaluators, driver monitoring and driver performance management.

In 2017, management targeted to fully implement these new GSPs across the Group's then current transport operations, including all those in the UK, North America, Spain, Germany and Bahrain, by the end of 2020. Notwithstanding the additional focus on Covid-related safety measures in the year under review, the Committee was pleased to receive an internal audit report confirming that full implementation of the GSPs across those operations has now been achieved. Work continues to reach full implementation within the Company's more recently commenced transport operations, such as those in Rabat and Casablanca, Morocco.

This implementation is evidenced by my own observations when visiting the Company's North America school bus operations in and around the Los Angeles area in February 2020, prior to the pandemic having reached the West Coast of the USA, details of which are set out in the box overleaf.



Committee Chair's safety tour of Los Angeles school bus operations

In February 2020, I undertook my annual safety tour by visiting a number of the Company's school bus customer service centres (CSCs) in the Los Angeles area. My priority was to assess whether the CSCs were continuing to make progress in implementing the Group's Global Safety Policies (GSPs). I was impressed by the high safety scores each of the CSCs was now achieving, which was all the more remarkable in view of the tough driving conditions in and around Los Angeles. As I reported to the Board: "It was great to see how motivated the CSC managers were and how well they understood and were enforcing the GSPs. Some safety processes that had been challenging for colleagues two years ago had now become part of their DNA."

Safety targets and performance

One of the key metrics by which the Company measures its Group's safety performance is the Fatalities and Weighted Injuries (FWI) Index. The Company has traditionally included all minor injuries (whether responsible or non-responsible) in the Group's reported FWI scores but, as a result of an improvement in the granularity of minor injury data reported within the Company in the year under review, it is now able to exclude non-responsible minor injuries. It will therefore present its FWI scores going forwards on this basis (and restate prior years' FWI scores, where relevant, after recalculating them on this same basis), ensuring that FWI scores can be compared on a like-for-like basis.

The Group's FWI score in 2020 was 1.824 (or 0.004 on a normalised per million mile basis), which was marginally worse than its best ever FWI score achieved in 2019 of 1.780[1] (or 0.003 on a normalised per million mile basis). While clearly disappointing that the Company did not in 2020 match or exceed its best ever FWI score due to a tragic incident in one of its operations, its 2020 FWI score remains significantly better than its performance in other years prior to 2019 and reflects year-on-year improvements in the numbers of major, minor and lost time injuries. The Company aspires to re-attain or exceed its best ever FWI score, as evidenced by the Remuneration Committee setting the Group's best ever 2019 FWI score as the benchmark for the FWI target in Executive Directors' and Senior Managers' 2021 bonuses.

The Company's ongoing commitment to safety is also demonstrated by the Remuneration Committee setting two additional safety targets in Executive Directors' and Senior Managers' 2021 bonuses relating to the Group beating by an ambitious margin each of its 2019 preventable vehicle accidents score and its 2019 DriveCam driver risk score. 2019 (rather than 2020) was chosen as the benchmark year as it was the last full year of the Company's normal operations prior to the Covid-19 pandemic and so represents a more challenging baseline.

2021 Safety bonus target	Weighting	Target score
Normalised FWI	5%	0.003
Preventable Accident Score	5%	11.94
DriveCam Driver Risk Score	5%	2400.70

In my Committee Report last year, I explained how the Company continued its programme to roll-out across its global fleet Ltyx DriveCam, the real-time driver monitoring and training technology, and how it had implemented a programme of driver risk profiling, taking multiple data points to give drivers across its global operations their own risk scores and creating bespoke driver improvement action plans for drivers with higher risk scores. Both these programmes have continued throughout 2020 irrespective of the Covid-19 pandemic, with DriveCam units continuing to be fitted to new fleet and driver risk profiling a key component of all Group divisions' driver risk management processes.

In last year's Committee Report, I also discussed a number of other targeted safety programmes the Company was implementing, including one to reduce the incidence of vehicle fires through a focus on preventative maintenance of vehicle parts which analysis of data showed were most likely to cause fires. The Committee was pleased to note that, in 2020, there was a reduction across the Group in the number of vehicle fires and thankfully no persons were injured in any of those fires.

The Committee believes that the Company's approach to safety continues to differentiate it from its peers and gives it an important competitive advantage, through its safety credentials helping it to win competitive tenders for transport services and its safety performance significantly lowering the costs of its insurance and insured claims.

The Group's safety excellence also continues to be recognised externally, for example with both the UK bus and coach businesses receiving five-star ratings on their safety audits conducted by the British Safety Council and the Director of Safety of the Company's North American WeDriveU business being recognised as a 'Rising Star of Safety' by the US National Safety Council.

Wellbeing

There was naturally a strong focus by the Company on colleagues' physical and mental wellbeing during the Covid-19 pandemic.

In addition to those steps taken by the Company to protect the physical wellbeing of both colleagues and passengers as explained at the beginning of this Report, the Company took the following additional steps to protect colleagues' physical wellbeing:

- implementation of colleague Covid-19 case tracking and enhanced colleague health monitoring, including by implementing internal 'track and trace' methodology and undertaking temperature checks, to seek to reduce the spread of Covid-19 among colleagues;
- making appropriate arrangements (within the bounds of anti-discrimination laws) for older and otherwise vulnerable colleagues to move away from frontline activities, whether through furlough or redeployment;
- creation of 'Covid-secure' workplaces for those not able to work from home, including by promoting social distancing through office re-arrangements and use of floor markings and wall posters to create one-way walking systems;
- facilitation of new home working arrangements for those who can work

[1] The Group's 2019 FWI score as reported in the Company's 2019 Annual Report was 4.513, which is the equivalent of 1.780 after excluding non-responsible minor injuries.

from home, including by developing new home-working policies and support programmes and the provision of appropriate IT facilities; and
- in Bahrain, where accommodation is provided for driver colleagues, the provision of new accommodation to achieve greater living distancing between different cohorts of drivers.

The Company also took important additional steps to seek to protect colleagues' mental wellbeing, including:

- enhanced colleague communications, including more regular corporate communications updating colleagues on how the Company was affected by and responding to the pandemic, more communications focusing on aspects of wellbeing during the pandemic such as maintaining a healthy lifestyle and managing stress, more Q&A facilities to enable colleagues to ask management questions and more one-to-one contact between managers with their teams where working from home and between line managers or HR team members making keep-in-touch calls with furloughed colleagues;
- enhanced wellbeing programmes, including the Employee Assistance Programme in the UK and North America and the 'ALSA Helps You' facility in Spain, Morocco and Switzerland, each of which offers colleagues a dedicated helpline via which they can access wellbeing support; and
- conducting several pulse wellbeing surveys across the colleague populations within the businesses to seek to understand how colleagues have been feeling at different stages of the pandemic and how the Company might improve how it is addressing colleagues' needs during the pandemic.

All these measures are in addition to the Company's standard programmes which support colleagues' wellbeing which continue to function well, with ALSA receiving the European Sport & Healthy Company Award from ACES Europe for its 'For Your Health' programme. The award recognises ALSA as the best European company for its health and wellbeing policies in 2019/2020.

The Committee commends management for both the standard wellbeing programmes and additional steps taken to protect colleagues' wellbeing in the context of Covid-19 and will continue to monitor the Company's actions in this area throughout the remainder of the pandemic. In speaking with both management and other colleagues, Committee members have been pleased to hear that certain of the Company's new wellbeing initiatives have been received so well and created such additional benefits that they are likely to continue beyond the pandemic.

Throughout the year, the full Board has also been kept regularly apprised of the number of colleagues affected by Covid-19, including those unwell with the virus, those having to self-isolate to control the spread of the virus and those who have been furloughed or laid off due to the impact of the pandemic on the Company's businesses. It has also received reports of colleagues who have tragically died as a result of Covid-19. I echo all my fellow Board members' expressions of deepest sympathy for the families and friends of these colleagues.

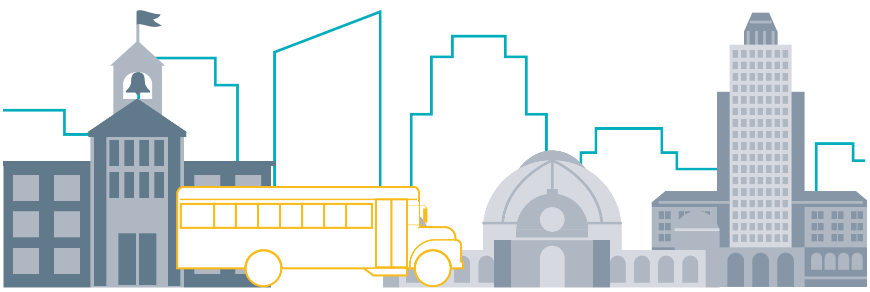
Environment

The environment during the Covid-19 pandemic

With reduced mobility during the pandemic highlighting the vast improvement in air quality that can be made by removing large numbers of vehicles from the roads and also highlighting how valuable mobility still is to connect people to their work, leisure, family and friends, the importance of the Company's Vision and Purpose of leading a modal shift away from cars to high quality mass transit has been underscored and delivery of the Company's environmental ambitions remains a key priority going forwards. This is particularly the case because, while a risk in certain respects, climate change represents far more of an opportunity for the Company as its services offer a solution to the otherwise competing demands of air quality and mobility.

Environmental governance

The Company's Executive Directors, supported by the divisional managing directors and divisional property, purchasing and environmental specialists, are leading on formulating and implementing the Group's environmental ambitions.



The Committee's role is to monitor and review the Group's strategy and initiatives to achieve its environmental ambitions and report to the Board on the same and, in doing so, it forms an important component of the Group's environmental governance.

Environmental targets and performance

As explained in its 2019 Annual Report, the Company committed to never buy another diesel bus in the UK and set out its ambition to operate only zero emission vehicles in its UK bus division by 2030 and in its UK coach division by 2035.

To incentivise delivery against this ambition, the Remuneration Committee included environmental performance measures in Executive Directors' and Senior Managers' 2020 LTIP awards to increase the number of zero emission vehicles (ZEVs) in operation or on order in the UK and to reduce the Group's total carbon emissions per million passenger kilometre (tCO_2e/million pass km), in each case by the end of 2022 relative to the 2019 base year.

During 2020, the Company made its first steps towards achieving the ZEV measure when its UK bus division took delivery of its first 29 double-deck electric vehicles (EVs) and placed an order with Birmingham City Council for an initial 20 new hydrogen fuel cell electric vehicles (FCEVs) in the West Midlands, which are part of the UK Hydrogen For Transport Programme to test the technology and are expected to be delivered in 2021. The Committee was pleased to hear that, following initial assessment, the EVs are performing well, exceeding range expectations, and are generating the expected benefits, not just for cleaner air but also for customer and colleague experience and a reduction in the Company's maintenance costs.
The Company's UK coach division also conducted research in 2020 into the availability of suitable ZEVs and concluded that no existing vehicle met its requirements so has commenced a comprehensive procurement exercise for the design and development of a zero emission coach product for the UK market.

While the Group's total carbon emissions in 2020 dropped significantly in absolute terms due to its significantly reduced operations worldwide, they increased when measured on a per passenger kilometre basis as a result of significantly reduced passenger volumes, exacerbated by lower vehicle occupancy rates due to social distancing measures on certain passenger services. The Company expects to progress further against these measures in 2021 and 2022 once Covid-related mobility restrictions start to lift.

The Company's ongoing commitment to reducing the Group's total carbon emissions is demonstrated by the Remuneration Committee once again including a performance measure relating to a further reduction in such total carbon emissions per passenger km in Executive Directors' and Senior Managers' 2021 LTIP awards.

2021 LTIP performance measure	Weighting	Vesting level
Reduction in total tCO_2e/million pass km by 31/12/2023 relative to the Company's 2019 base year	25%	Threshold vesting at 6% reduction
		On-target vesting at 7% reduction
		Maximum vesting at 8% reduction

To track the Company's broader progress against its environmental plans, the Committee endorsed the Company's adoption in 2019 of six new environmental KPIs, comprising three UN Sectoral Decarbonisation Approach 'science-based' targets relating to total and traction carbon emissions and energy usage, and three 'non-science-based' targets relating to building-specific carbon emissions, water usage and non-hazardous waste to landfill volumes. These KPIs target improvement in each of these six areas against the Group's baseline performance in 2018 over a seven-year performance period from 2019 to 2025.

Whereas the KPIs set absolute targets to be achieved by the end of the performance period (rather than incremental targets to be achieved each year within the performance period), the Committee reviewed the Company's progress towards each of these six targets as at the end of 2020, being year two of the seven-year period. The results are shown on page 238 of this Annual Report. The Committee is treating these results with appropriate caution however due to the highly irregular trading conditions in which the Company operated during the Covid-19 pandemic. This is because:

- while the Company appears to have regressed in year two in respect of its three 'science-based' targets, this is because they are intensity metrics measured by reference to million passenger kilometres and so, like the reduction in the LTIP $tCO2e$/million pass km performance measure, they are negatively impacted by the Group's reduced passenger volumes and lower vehicle occupancy rates in 2020; and
- while the Company appears to have made significant progress towards the three 'non-science-based' targets, this is because they are absolute measures that reflect the Company's lower usage of buildings and vehicles and accordingly of power and water and the reduced creation of waste from a combination of home-working arrangements and fewer vehicles being maintained and washed in 2020.

As explained in last year's Committee Report, the 'science-based targets' are intended to be flexible and adjusted to reflect changes in the Company's operations and advancements in technology over the seven-year performance period, so the Committee will keep them under review for this purpose. However, once the Covid-19 pandemic is brought under control, the Committee will also consider whether other adjustments should be made to these KPIs to take into account the abnormal trading conditions prevailing during the pandemic, which will be reported on in a future Annual Report.

The Group's environmental credentials are also being recognised externally, for example via the Green Economy Mark given by the London Stock Exchange, the AA ESG Rating awarded by MSCI and the 'low risk' ESG score conferred by Sustainalytics.

Environmental compliance and reporting

The Committee received assurance that the Company complied in full with all applicable environmental requirements and regulations in the year under review.

The Company's mandatory disclosures on environmental matters for the year under review are included on pages 238 to 240 of this 2020 Annual Report.

The Committee welcomes the introduction of climate-related disclosures in accordance with the TCFD recommendations and will oversee the Company making its first such disclosures on this basis in its 2021 Annual Report.

Committee composition, effectiveness and engagement

During 2020, the Committee's membership remained comprised of all the Company's Non-Executive Directors and its meetings were attended by the Executive Directors, underlining the importance of its work.

At the end of the year under review, I (Chris Muntwyler) stood down from the Board and therefore ceased to be a Director-member of the Committee at that time. However, I was delighted to be asked by the Board to become an adviser focusing on assisting the Company in continuing to develop and deliver on its safety and environment programmes and targets.

From 1 January 2021, I have been co-opted as a non-Director member of the Committee in this capacity.

I (Sir John Armitt), on behalf of the Board, thank Chris for his tremendous leadership of the Committee over the last ten years, the sound performance of which in 2020 was confirmed through its performance evaluation referred to on page 82. I am pleased to have assumed the Committee chairmanship and look forward to continuing its excellent work. Without compromising on the Committee's focus on safety matters, I intend in the year ahead to dedicate more of the Committee's time and attention to overseeing the Company's fast-developing environmental plans and ambitions.

I also intend that the Committee will continue its important programme of engagement through tours of the Company's operations which will focus on both safety programme compliance and environmental progress and will be carried out either in person, Covid-19 restrictions permitting, or virtually.

I firmly believe that the Company's strong safety actions during the year under review, focused on minimising responsible road traffic incidents and reducing the spread of the Coronavirus, have helped to save lives and, coupled with its environmental ambitions which will improve air quality, will continue to save lives in the years ahead.

We look forward to engaging with shareholders at our 2021 AGM when we can answer any questions you have on this Report and the Committee's work.

Chris Muntwyler
Former Safety & Environment Committee Chair
18 March 2021

Sir John Armitt
Current Safety & Environment Committee Chair
18 March 2021

Dr Ashley Steel
Committee Chair

“In a year of significant change and challenge for Executive and Senior Management and colleagues alike, all decisions taken by the Remuneration Committee have sought to balance the need for retention and incentivisation of strong leadership teams with the need for restraint on Executive and Senior Management pay.”

Primary role

To recommend to the Board the remuneration strategy and framework for Executive Directors and Senior Management[1] and to determine and apply within that framework a remuneration policy for Executive Directors and remuneration practices for Senior Management which have regard to the Group’s overall performance, wider workforce pay practices, the need to fairly reward and incentivise individual contributions for past and future performance and align reward to the long-term sustainable success of the Company.

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 Chairman’s fees
- Oversee pay and related policies and practices across the Group’s workforce
- Oversee administration of the Group’s share incentive plans

Activity highlights

- Reviewed the Executive Director, Senior Management and wider Group’s remuneration response to the Covid-19 pandemic
- Determined the outgoing Group CEO’s final remuneration package, in the context of the current Directors’ Remuneration Policy, the Group’s position and his contractual entitlements
- Determined the new Group CEO’s remuneration and adjusted the Group CFO’s remuneration, both while acting as interim Group CEO and going forwards as Group CFO, in the context of the Group’s current position and its future needs
- Reviewed the Directors’ Remuneration Policy and consulted with shareholders on changes to the Policy to bring various elements into line with corporate governance best practice
- Reviewed and confirmed the 2020 annual bonus and 2018 LTIP award outturns for Executive Directors and Senior Management
- Reviewed the Chairman’s and Senior Managers’ pay and benefits for 2021, in the context of the Group’s current position
- Considered and set targets and performance conditions for the 2021 annual bonus and the 2021 LTIP awards to be made to Executive Directors and Senior Management

[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	Resigned	Meetings attended/ meetings held
Dr Ashley Steel (Chair)[1]	29.01.19	–	6/6
Matthew Crummack[1]	01.05.16	–	6/6
Karen Geary[1]	01.10.19	–	6/6
Lee Sander[2]	01.06.11	25.02.20	1/1

[1] Independent Non-Executive Director
[2] Lee Sander stood down from the Committee on 25 February 2020 and attended the only Committee meeting in the year while he was a member. He was an independent Non-Executive Director when he attended this meeting

Other attendees: Company Secretary and (by invitation to all meetings) Company Chairman, Group Human Resources Director and representatives of PwC (independent remuneration advisers) and (by invitation to certain meetings) Deputy Chairman, Group Chief Executive Officer and Group Chief Financial Officer – which Executive Directors do not attend during discussions relating to their own remuneration

Dear fellow Shareholder

I am pleased to present the Remuneration Committee Report for 2020 – an exceptionally challenging year due to the Covid-19 pandemic and its impact on mobility across the Company's transport markets.

I begin by explaining how pay across the Group's workforce has been affected by the pandemic and then explain the focus of the Committee's work during the year.

Remuneration response to Covid-19

Soon after the impact of the first wave of the pandemic was felt by the Company's operations around the world, both the Company's then Executive Directors took decisive action in volunteering to forgo their 2020 salary increases. In addition, the Group CEO and Company Chairman agreed to take 50% salary and fee reductions, all other members of the Board and of the Group Executive Committee agreed to take 20% salary and fee reductions and all other senior managers across the Group agreed to take 20% salary deferrals, in each case in respect of April and May 2020, while the Board assessed the potential full extent of the impact of the pandemic and took important steps to bolster the Company's liquidity and balance sheet.

As the pandemic persisted and restrictions on mobility continued to severely impact our businesses, the Company made use of the Coronavirus Job Retention Scheme (CJRS) in the UK and the similar schemes in Spain, Switzerland and Morocco. In the UK, the CJRS covered furloughed colleagues' salaries up to the lower of 80% and a cap. Throughout 2020, the Company topped up all UK furloughed colleagues' to 80% (where the cap applied) and all lower-paid furloughed colleagues' salaries to 100% of their normal pay. Clearly, the purpose of the CJRS and similar schemes is to preserve jobs in the long-term and, as restrictions eased over the late spring and summer months in the UK and Spain, many colleagues were brought back from furlough. However, the ongoing nature of the pandemic and further lockdowns and restrictions on mobility during the latter months of 2020 meant that some colleagues were placed back on furlough and a relatively small number of permanent employed colleagues in the UK and ALSA divisions in absolute terms (302 out of 8,356 or 3.6% in the UK and 340 out of 14,695 or 2.3% in ALSA) have been made redundant to better align such divisions' costs to their revenues and reflect the restructuring of certain management and support functions undertaken during 2020.

In North America, where there is no direct equivalent of the UK and European furlough schemes, where school board and transit authority customers have continued to pay us to cover colleagues' wages, we have continued to do so. However, where they have not, the Company made the difficult decision to temporarily lay off colleagues who have then had access to federal and State funded enhanced unemployment benefits. As with our other businesses which have brought colleagues back from furlough (and save in respect of a small number of non-core businesses we have chosen to cease operating), as services have restarted in North America we have re-employed individuals.

These measures have been necessary to ensure the continued viability of the Company in these unprecedented times. As Directors, we were heartened to hear through our workforce engagement events that, overall, colleagues consider that the Company has done the right things for them through the pandemic. This, we believe, is in no small part due to the significant additional health and safety measures the Company has invested in for colleagues during the pandemic, particularly those working in frontline roles. These measures are explained in more detail in the Safety & Environment Committee Report. Furthermore, at no time during the pandemic has the Company failed to honour in the UK its commitment to the Living Wage and elsewhere the applicable national minimum wage, or the terms of workers' contracts or pay deals reached with groups of workers prior to the pandemic (in the latter case, except as necessary in connection with furlough or equivalent arrangements).

Decisions taken by the Committee on Executive Director and Senior Management remuneration during 2020 and in respect of 2021 have taken the Group's remuneration response to Covid-19, as well as the following matters, into account:

- the Company's financial performance in 2020 and challenging trading conditions which have continued into Q1 2021;
- that we expect a return in 2021 to more normal levels of pay for front-line colleagues determined at a local level and taking local labour market and economic forces into account;
- the Company's UK reporting businesses' latest gender pay gap data;
- the Company's CEO pay ratios, including the median ratio for 2020; and
- general employment conditions in the main countries in which the Company operates, noting increased unemployment in each of those countries, the flat or negative average earnings increases in the UK and Spain but the 3.0% average earnings increase in the USA.

2020 key performance metrics

Underlying loss before tax

£(106.1)m

New CEO total remuneration[1]

£123,000

Former CEO total remuneration[2]

£531,000

c.83% reduction on 2019

CFO total remuneration[3]

£526,000

c.63% reduction on 2019

Median CEO pay ratio

26:1

vs 136:1 in 2019

Mean and median UK gender pay gaps

(0.62)% & 7.55%

vs 3.4% & 14.9% reported in 2019

1 The new CEO's total remuneration reflects that he served as CEO for two months of 2020 and was not eligible to receive any bonus or LTIP vesting in respect of performance periods ending in 2020.

2 The former CEO's total remuneration reflects that he served as CEO for eight months of 2020 and did not receive any bonus or LTIP vesting in respect of performance periods ending in 2020.

3 The CFO's total remuneration reflects that he served as CFO for 12 months of 2020 and also served as interim CEO for two months of 2020. He also did not receive any bonus and only a small LTIP vesting is due in respect of performance periods ending in 2020.

2020 results and remuneration outcomes

In 2020, due to the impact of the pandemic on the Group's revenues, the Group made an underlying loss before tax of £(106.1)m and, after accounting for exceptional costs, a statutory loss after tax of £(326.7)m.

As the 2020 bonus for Executive Directors and Senior Management was conditional on a threshold Group profit before tax target being met, the Committee has confirmed that none of the Executive Directors or members of Senior Management who were eligible will receive a bonus. Ignacio Garat, as new Group CEO, was not eligible for the 2020 bonus.

As a result of the impact of Covid-19 on the Company's earnings per share (EPS), return on capital employed (ROCE) and total shareholder return (TSR) - the latter when compared with the FTSE 250 Index (which includes companies in sectors not so badly impacted by the pandemic as the transport sector) - the Committee confirmed these elements of Executive Directors' and Senior Managers' 2018 LTIP awards will not vest. However, the Company's TSR has outperformed that of the other UK listed passenger transport groups included in the bespoke comparator group and therefore this element of the 2018 LTIP awards will vest between threshold and maximum level, resulting in total LTIP vesting of 6.5%.

An illustration of the Executive Directors' total remuneration outturns for 2020 is set out in Appendix 1 to this Report and shows clearly the impact, for Chris Davies, Dean Finch and Matt Ashley (the latter two of whom ceased to be Directors during the year), of the loss in value of 100% of their short-term incentives and for Dean Finch and Matt Ashley 100% and Chris Davies 93.5% of their long-term incentives in respect of the performance periods ending in 2020. Mr Garat's total remuneration for 2020 is also illustrated but represents only salary and benefits for the two months of 2020 since he was appointed and, as noted above, he was not eligible for the 2020 bonus and did not receive a 2018 LTIP award.

The Committee did not need to exercise its discretion on these remuneration outturns as they reflect the shareholder experience during 2020, demonstrating in turn that the current Directors' Remuneration Policy operated as intended in the year under review.

2020 changes to remuneration

On Matt Ashley leaving as Group Business Development Director in early April 2020, the Committee determined (having regard to his reasons for leaving) that:

- he would not be paid any 2020 bonus (even if one had been payable); and
- his unvested Executive Deferred Bonus Plan award for the deferred element of his 2019 bonus and unvested 2018, 2019 and 2020 LTIP awards would lapse in full.

No further payments are therefore due to Mr Ashley in, or in respect of, any future year.

On Dean Finch leaving as Group CEO at the end of August 2020, the Committee agreed with Mr Finch (having regard to his reasons for leaving and his contractual entitlements) that:

- in addition to his accrued salary and benefits up to his leaving date, including payment for accrued and untaken holiday entitlement, he would be paid one additional month's salary and cash benefits in consideration of waiving the balance of his notice entitlement up to 23 December 2020;
- he would be paid his accrued unfunded pension entitlement, in the (gross) amount of £721,716, net of taxes, as he was entitled to such payment after leaving the Company; and
- he would not be paid any 2020 bonus (even if one had been payable), and his unvested Executive Deferred Bonus Plan award for the deferred element of his 2019 bonus and unvested 2018, 2019 and 2020 LTIP awards would lapse in full.

No further payments are therefore due to Mr Finch in, or in respect of, any future year.

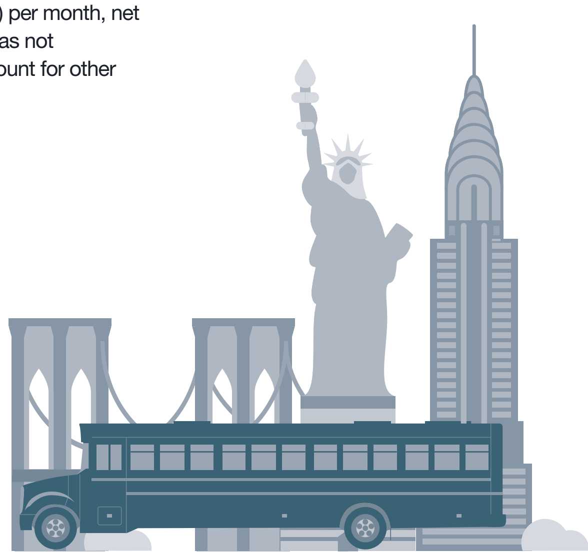
For the two months during which Chris Davies performed the role of interim Group CEO in addition to his Group CFO role, the Committee agreed (having taken advice on market practice and the level of remuneration for interim CEOs) to pay Mr Davies a salary supplement of £15,000 (gross) per month, net of taxes, which supplement was not pensionable or taken into account for other benefit or bonus purposes.

On Ignacio Garat's appointment as new Group CEO, the Committee agreed with Mr Garat that his remuneration would comprise:

- a base salary of £575,000, to be reviewed from 2022;
- a pension allowance equal to 3% of base salary, aligned to the majority UK workforce pension contribution level;
- a maximum annual bonus opportunity for 2021 of 150% of base salary;
- a maximum LTIP award opportunity for 2021 of 200% of base salary;
- other usual benefits in kind, including a car allowance, private medical insurance and death-in-service assurance; and
- a modest relocation package.

In agreeing the remuneration package for the new Group CEO, the Committee had due regard to:

- Mr Garat's extensive and highly complementary executive experience and proven track record in an adjacent industry sector but also that National Express would be Mr Garat's first Group CEO role;
- the significant scope and scale of Mr Garat's responsibilities for managing an international, operationally complex and diversified business which facilitates millions of passenger journeys each year, safely and efficiently;
- the importance of duly rewarding Mr Garat for undertaking these responsibilities from the outset but also the desire to give scope for enhancements in those rewards as he develops in the role; and
- the benchmarking exercise of CEO remuneration in three comparator groups carried out by the Committee in late 2019, by reference to which Mr Garat's remuneration at the outset is below the median for all three groups.



On Mr Davies reverting to performing exclusively his Group CFO role, the Committee also determined:

- effective from that time, to reinstate the salary increase Mr Davies had foregone earlier in the year and to award him a further salary increase of 6.25%, taking his base salary to £425,000, to be reviewed again from 2022; and
- to increase Mr Davies' maximum LTIP award opportunity in 2021 to 200% of base salary.

In re-setting aspects of Mr Davies' remuneration, the Committee took into account:

- the significant scope and scale of Mr Davies' responsibilities for financial reporting and internal control in an international, operationally complex and diversified business and his expertise in debt and equity capital raising and treasury matters which have assisted the Company through the Covid-19 pandemic;
- the material expansion in the scope of Mr Davies' responsibilities since 2018, which included, in 2019, evolving the Group's investor relations programmes and leading the Group's enhanced cyber security programme and, in 2020, assuming responsibility for the Group's procurement and communications functions and supporting a new CEO in role;
- Mr Davies' exceptional performance in 2019 and 2020 and the positive feedback the Board has received about Mr Davies from a number of major shareholders;
- the improved marketability of Mr Davies as a now proven CFO and with a successful period as an interim CEO, and, in view of this consideration and Mr Finch's departure, the imperative to incentivise and retain Mr Davies; and
- the fact that Mr Davies was appointed in 2017 at a below market base salary in recognition of National Express being his first Group CFO role, the substantial progress he has made in role since then and the benchmarking exercise of CFO remuneration in three comparator groups carried out by the Committee in late 2019, by reference to which Mr Davies' remuneration, prior to being re-set, was below the median for all three groups.

All other terms of Mr Davies' remuneration remain the same and, as previously committed, Mr Davies' pension allowance, currently equal to 25% of base salary, will reduce to be aligned with the then prevailing majority UK workforce pension contribution level from 1 January 2023.

While the Committee and I acknowledge that 2020 was an incredibly difficult year in which to make decisions on executive pay, all Committee decisions have sought to balance the need for retention and incentivisation of a strong leadership team in these very challenging times against the need to exercise restraint on executive pay.

2021 remuneration proposals

As the Committee approved new remuneration arrangements for both the Group CEO and Group CFO in 2020 which will apply throughout 2021, no further changes to their pay are proposed for 2021.

In the exercise of restraint, the Committee also approved that no increases would be made to Senior Managers' salaries in 2021 or to the Chairman's fee in 2021. The Board also confirmed that Non-Executive Directors' fees would not increase in 2021.

With the dual aims of: (i) aligning Executive Directors' bonus opportunities with shareholders' interests – by targeting the Company achieving in 2021 a stretching level of financial performance in the context of the continued challenging trading conditions expected through at least parts of 2021; and (ii) incentivising Company and Executive Director performance against non-financial objectives, the Committee determined that Executive Directors' 2021 bonuses will be subject to the following weighted targets:

- a Group profit before tax target, with a 50% weighting;
- a Group free cash flow target, with a 25% weighting;
- three specific safety performance targets to at least match the Company's 2019 (best ever) FWI score and outperform its 2019 preventable accidents and DriveCam driver risk scores, each with a 5% weighting and so aggregate 15% weighting; and
- specific strategic and risk management targets, with an aggregate 10% weighting.

To further achieve the balance referred to above, and in cognisance of the exogenous and uncontrollable factors that could affect the Company's financial performance in 2021, the Committee has also determined to remove, in 2021, the bonus 'profit gateway' such that the payout of those parts of the bonus dependent on non-financial objectives is not also dependent on the Group achieving a threshold level Group profit before tax.

However, in line with the proposed new Directors' Remuneration Policy, the Committee will also retain a wide discretion to adjust Executive Directors' 2021 bonus outturns having regard to all the relevant circumstances at the time of their award.

Full details of the Executive Directors' 2021 financial and non-financial bonus targets will be disclosed in the 2021 Annual Report on Remuneration.

Senior Managers' 2021 bonuses will be subject to similar financial and non-financial targets and weightings, save for adjustments necessary to adopt divisional financial and strategic targets and adjustments to target weightings for Senior Managers below divisional MD and FD level to better reflect individual roles and responsibilities.

Following careful consideration, the Committee was of the view that the Company's LTIP and the usual performance measures attached to awards made under it achieve a good balance between incentivising Executive Directors and Senior Managers to deliver: (i) returns to shareholders; as well as (ii) the financial and ESG platforms that facilitate the delivery of Company strategy. Therefore, the Committee determined that the 2021 LTIP awards will be subject to the same weighted performance measures as the 2020 awards (except there will be one rather than two ESG performance measures albeit with the same weighting):

- an earnings per share measure, with a 25% weighting;
- a return on capital employed measure, with a 25% weighting;
- two relative total shareholder return measures, each with a 12.5% so aggregate 25% weighting; and
- an environmental measure relating a further reduction in the Group's global carbon emissions per million passenger kilometre, with a 25% weighting.

Full details of these performance targets and their vesting levels are set out on page 125 of the Annual Report on Remuneration.

Due to share price volatility during the pandemic and uncertainty on whether and how its impact will affect the vesting in three years' time of the 2021 LTIP awards, the Committee currently proposes to follow its normal practice of granting the 2021 LTIP awards over numbers of Company shares equal in value to relevant multiples of base salary based on the strike price of a Company share the day prior to the award grant. However, the Committee will keep this under review based on share price performance in the lead up to the grant date and will have discretion at the time of vesting to adjust the 2021 LTIP award outcomes as it considers appropriate.

Directors' Remuneration Policy operation and review

During the year under review, the Company's Directors' remuneration arrangements have complied in full with the current Directors' Remuneration Policy (current Policy).

Those arrangements have also applied the Principles, and been broadly in line with the Provisions, of the 2018 UK Corporate Governance Code (Code) relating to remuneration, save as noted on page 57.

As the current Policy has been in place for three years, we are proposing that shareholders approve a new Directors' Remuneration Policy (new Policy) at the Company's 2021 AGM.

Following due consideration by the Committee of how well, prior to the pandemic, the current Policy worked to incentivise executive management to achieve the Company's strategy and deliver returns to shareholders, the Committee determined that the structure and core components of the new Policy should remain the same.

However, the Committee has taken the opportunity in the new Policy to propose changes which bring it into line with the Code and certain aspects of wider best corporate governance practice, including so that:

- the Remuneration Committee has full discretion to override formulaic remuneration outcomes (as recommended by Code Provision 37);
- Executive Directors' pensions will be aligned with those available to the workforce (as recommended by Code Provision 38);
- a formal policy on Executive Directors' post-employment shareholdings is introduced (as recommended by Code Provision 36); and
- malus and clawback triggers are extended to include corporate failure and events having a significant negative reputational impact (as recommended by the FRC).

In the new Policy, it is also proposed to:

- change the current Executive Directors' in-employment shareholding guideline into a formal requirement and increase it to 200% of base salary for all Executive Directors (currently 200% for Group CEO and 150% for other Executive Directors); and
- simplify the deferral of Executive Directors' bonus awards by deferring 50% of their value (currently a tiered approach) but still for one year post award.

This is because the Committee is seeking to balance the adoption of best corporate governance practice in these areas with the current Executive Directors' circumstances, which include that the new Group CEO is building his shareholding from nil and the incumbent Group CFO has lost significant value in his in-flight LTIP awards.
This balance retains the prospect of the Executive Directors being able to realise some value from future bonus and LTIP awards in the medium-term while still building their shareholding requirement to align their longer-term interests with those of shareholders.

A summary of all the main changes to the new Policy (as compared with the current Policy) is set out in Appendix 2 to this Report and the new Policy itself is included at pages 104 to 112 of this Directors' Remuneration Report.

Appendices 3 and 4 to this Report explain, respectively, how the current Policy has to date supported, and the new Policy will support, the Company's strategy and sustainable success and how they address the factors set out in Provision 40 of the Code.

Committee composition, effectiveness and engagement

Lee Sander stood down from the Committee in February 2020 due to his long tenure on the Board. On behalf of the whole Committee, I thank Mr Sander for his contribution to its work.

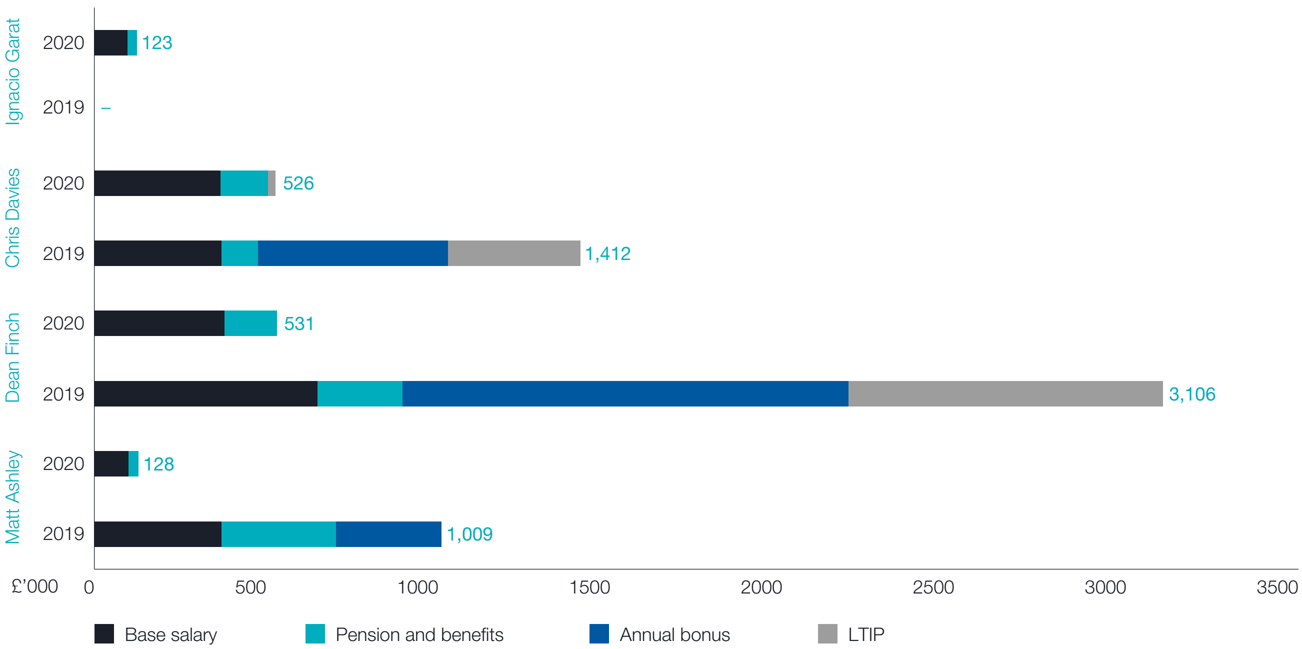
The Committee has remained comprised of all and at least three independent Non-Executive Directors throughout the year under review who have, between them, an appropriate range of experience and skills. The positive outcome of the Committee's performance evaluation, referred to on page 82, demonstrates that it continues to fulfil its responsibilities well.

During Q4 2020, the Committee engaged with major shareholders (being those then holding more than 1% of the Company's issued share capital and together holding more than 70% of issued share capital) on the proposed new Policy. I am grateful for their interest, input and indicated support. I also wrote to major shareholders explaining the Committee's determination of the new Group CEO's remuneration and changes to the Group CFO's remuneration. During workforce engagement events, our members were also able to participate in discussions with colleagues on pay, including how pay was affected by the pandemic.

I and my fellow Committee members remain committed to engaging with you, our shareholders, and our colleagues where appropriate, on remuneration matters. We look forward to receiving your shareholder support on the new Policy and hearing your views on the Annual Report on Remuneration at the Company's 2021 AGM. We also thank all our colleagues for their hard work and dedication during this last year in what have been exceptionally challenging circumstances.

Dr Ashley Steel
Remuneration Committee Chair
18 March 2021

Appendix 1 – Illustration of Executive Directors' 2020 remuneration outturns



Appendix 2 – Summary of key changes proposed to the Directors' Remuneration Policy

A summary of the key changes proposed to be made in the new Policy (as compared with the current Policy), is set out below. These are the changes on which the Company consulted with its major shareholders.

Policy element	Proposed change	Rationale for change
Pension	To align Executive Directors' pension entitlements with those of the majority of the UK workforce (currently 3% of salary). Incoming Executive Directors' pensions aligned from 1 November 2020. Incumbent Executive Directors' pensions to be aligned from 1 January 2023.	To improve fairness with the broader employee population and comply with the UK Corporate Governance Code.
Introduction of general discretion for variable pay plans	Introduction of general discretion for the Committee to override formulaic remuneration outcomes in Executive Directors' annual bonus awards and LTIP vestings.	To enable the Committee to determine payouts that reflect overall Company performance and/or the wider stakeholder experience.
Expansion of malus and clawback on variable pay	Expansion of circumstances in which malus and clawback will apply to allow the Company to withhold or clawback deferred bonus shares and vested LTIP shares.	To protect the Company in cases of exceptional negative events and align with best corporate governance practice.
Revision of shareholding requirements, including post-cessation of employment requirement	Conversion of Executive Directors' shareholding guideline to a formal requirement. All Executive Directors to build their in-employment shareholding to the equivalent of 200% of salary over a 5 year period (previously 150% of salary for Executive Directors other than the Group CEO – with a new 5 year period applying to the incremental increase for the incumbent Group CFO) and introduction of a post-employment holding requirement for 2 years equal to the lower of actual shareholding at the date of leaving and 200% of salary.	To support Executive Directors building up a shareholding in the Company, align with emerging best market practice and comply with the UK Corporate Governance Code.
Annual bonus deferral	50% of Executive Directors' total annual bonus earned will be deferred into shares. The current Policy provides for the deferred bonus to be calculated as follows: – 25% of the bonus earned up to 125% of salary; – 50% of the bonus earned between 125% and 150% of salary; and – 75% of the bonus earned above 150% of salary (was applicable to the former Group CEO only).	To simplify the annual bonus and better support Executive Directors building up a shareholding in the Company.
Maximum LTIP award levels	Alignment of all Executive Directors' maximum LTIP award opportunity at 200% of salary (previously 200% of salary for Group CEO and 150% of salary for all other Executive Directors).	Better flexibility to duly incentivise, reward and retain all Executive Directors.
Dividends and dividend equivalents to be satisfied in shares	Change in method of satisfaction of dividends and dividend equivalents on deferred bonus shares and vested LTIP shares, to shares (previously discretion to satisfy in shares or cash which was used to elect cash).	To further support Executive Directors building up a shareholding in the Company and align with best corporate governance practice.
Deferred bonus and LTIP vesting good leaver arrangements	Change in default treatment of Executive Directors' in-year bonus awards and in-flight LTIP awards where they become good leavers, such that bonuses are paid and LTIPs vest at the normal time (rather than at the leaving date) and are pro-rated (to reflect service during the bonus or LTIP vesting period up to the date of leaving).	To re-align expectations that payouts will typically reflect good leavers' contribution to Company performance.

Appendix 3 – Supporting strategy and sustainable success

Various elements of the current Policy and new Policy are directly linked to achieving the Company's strategy and sustainable success, as explained in the table below:

Strategic priority	Policy element	Linkage
Growth	Group profit before tax (PBT) target in annual bonus and EPS performance measure in LTIP	Profit and related earnings targets and performance measures drive management's efforts to achieve both organic growth, through new business wins and cost efficiencies, and inorganic growth through acquisitions, ensuring an appropriate focus on margin growth over pure revenue growth
	Group free cash flow (FCF) target in annual bonus	Free cash flow targets balance the Group's capital priorities between re-investing for future growth, maintaining net debt within a target range and paying dividends to shareholders
	ROCE performance measure in LTIP	Return on capital employed validates the quality of capital allocation and ensures that investment for growth is both appropriate and sustainable
Operational Excellence	Personal bonus targets linked to operational excellence initiatives Remuneration Committee discretion to reduce bonus and LTIP outcomes for significant negative operational events	Operational excellence, through creating and implementing best in class operating procedures for: – recruiting, training and managing risk in relation to drivers; – purchasing, using and maintaining vehicles; – enhancing digital access to markets, capability and controls; – enhancing cyber security controls; and – other programmes that deliver operational efficiencies and improve controls, improve profitability through both top-line revenue growth and underlying cost savings
Health and Safety and Environment	FWI, preventable accidents and driver risk score targets in annual bonus Carbon reduction and other environmental performance measures in LTIP Remuneration Committee discretion to reduce bonus and LTIP outcomes for significant negative safety events	Our ability to get people where they need to go safely and our culture for putting safety first is key to achieving the trust and loyalty of our customers and achieving growth Our use of cleaner and greener vehicles is driving a modal shift away from cars to mass transit and achieving growth

Appendix 4 – Supporting clarity, simplicity, proportionality and predictability and ensuring risk mitigation and alignment to culture

The table below explains how both the current and new Policy, and the Committee's practice in applying the current Policy over the year under review, address the factors set out in Provision 40 of the UK Corporate Governance Code:

Provision 40 Factor	Element of Directors' Remuneration Policy and/or Practice
Clarity – clarity and transparency is 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 Committee's rationale for the new Group CEO's remuneration arrangements and for the increase in the Group CFO's salary and maximum LTIP opportunity is explained on pages 97 and 98 of the Annual Statement by the Committee Chair (and was also explained to major shareholders contemporaneously via a letter from the Committee Chair). The nature and weighting of Executive Directors' 2020 annual bonus targets and LTIP performance measures were disclosed in advance on pages 101 and 102 of the 2019 Annual Report. The nature and weighting of Executive Directors' 2021 annual bonus targets and LTIP performance measures are set out on page 98 of this 2020 Annual Report.

Simplicity – simplicity is 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 Directors' remuneration is composed of only four elements: – base salary; – typical other benefits, including pension allowance; – annual bonus awards subject to financial and non-financial (including safety and other strategic targets), a proportion of which awards are deferred into shares for 1-year (with the new Policy simplifying this element further by proposing a straight 50% deferral); and – annual LTIP awards subject to 3-year performance measures and 2-year holding periods post vesting. Save for certain payments to Mr Finch to which he was entitled after leaving the Company, the fixed salary supplement paid to Mr Davies for acting as interim Group CEO and modest relocation benefits paid to Mr Garat in connection with his joining the Company, there have been no one-off or exceptional payments in the year under review.
Risk – a range of features of directors' remuneration assist in mitigating the risks of excessive rewards and inappropriate behaviour	Executive Directors' salary increases are capped at 10% over RPI in any year, other than for increases given for internal promotion and market equalisation, and their maximum annual bonus opportunities and LTIP outturns are both capped at a percentage of their base salaries. A proportion of Executive Directors' bonus awards are deferred into shares for 1-year post award, and they must retain their vested LTIP shares for 2-years post vesting, including post-termination of employment. Both malus and clawback provisions apply to the whole of Executive Directors' bonus awards and vested LTIP shares for a period of 2-years post award or vesting, including post-termination of employment. Under the proposed new Policy, malus and clawback will also be expanded to cover more events, in turn mitigating those events further through their links to remuneration. Under the current Policy, the Committee may exercise discretion to defer or to reduce, including to nil, Executive Directors' annual bonus and LTIP outturns if the 'safety underpin' is triggered. Under the new Policy, the Committee will have much wider discretion to adjust such outturns to enable executive remuneration to reflect wider corporate performance and stakeholder experience, in turn mitigating a disconnect between these matters.
Predictability – some of the same features of directors' remuneration arrangements that mitigate risk also ensure that outcomes are within a predictable range	Executive Directors' salary increases are capped at 10% above RPI in any year, other than for increases given for internal promotion and market equalisation, and their maximum annual bonus opportunities and LTIP outturns are both capped at a percentage of their base salaries. Under the new Policy, the Committee's wider discretion to adjust annual bonus and LTIP outturns to enable executive remuneration to reflect wider corporate performance and stakeholder experience also assists with delivering outturns which are more aligned with external expectations.
Proportionality – is achieved through the strong links between directors' remuneration and corporate performance	The linkage between Executive Directors' remuneration arrangements and their performance in delivering the Company's strategy is explained in Appendix 3 above. The protections against Executives Directors' remuneration outturns being out of proportion, or mis-aligned, with the Company's performance are explained in the Risk and Predictability sections above.
Alignment to culture – is achieved through strong links between directors' remuneration and the Company's Values	The Company's Values of: Safety, Excellence, Customers, People, and Community & Environment are promoted through different aspects of Executive Directors' remuneration: – The Safety, People, Customers and Community & Environment Values are supported by the safety bonus targets and environmental LTIP performance measures which focus management's attention on maintaining a safe and increasingly environmentally friendly transport network for the benefit of colleagues, passengers and the wider community. – The Customers, People and Excellence Values are supported by the financial bonus targets and financial LTIP performance measures which focus management's efforts on achieving sustainable profit which enables the Company to expand its transport network into new customer markets and facilitates investment in operational excellence programmes which enhance the customer experience and create new opportunities for colleagues in terms of pay, working conditions and prospects.

1. Introduction to the new Policy

This new Directors' Remuneration Policy ('Policy' or 'new Policy') will be put to a binding shareholder vote at the 2021 AGM and, if approved, will be effective immediately thereafter (in place of the current Directors' Remuneration Policy approved at the 2018 AGM ('current Policy') which will continue to apply until such time). It is currently intended that the new Policy will remain in force until the Company's AGM in 2024.

2. Considerations when setting and determining the Policy

The Remuneration Committee's primary objective when setting remuneration policy is to align Director remuneration to the long-term success of the Company and to the shareholder experience while also enabling the Company to effectively recruit, motivate and retain key individuals.

To achieve this, the Remuneration Committee ('Committee') takes into account the experience, responsibilities, performance and contribution of the individual, as well as levels of remuneration for individuals in comparable roles elsewhere. The Policy places significant emphasis on the need to achieve stretching and rigorously applied performance targets, with a significant proportion of remuneration weighted towards performance-linked variable pay.

As noted further below, the Committee also takes into account the views expressed by shareholders and best practice expectations, and monitors developments in remuneration trends. The Company does not formally consult with employees on remuneration policy. However, when setting the remuneration policy for Executive Directors, the Committee takes into account the overall approach to pay and employment conditions across the Company's Group.

3. Consideration of shareholder views

The Committee is committed to maintaining strong relationships and an open dialogue with shareholders and values their views in the process of formulating remuneration policy decisions.

The Committee reviewed the current Policy during 2020 to ascertain whether it was fit for purpose in the context of the Company's current strategy and developments in corporate governance, best practice and investors' expectations and determined that it remained broadly fit for purpose but could be better aligned with best practice in a number of areas. The Committee then engaged with shareholders who together held more than 70% of the Company's shares to seek their views, including on the best practice changes proposed, which helped the Committee determine the new Policy. While a small number of shareholders provided feedback suggesting further changes, the vast majority considered that the new Policy was appropriate and balanced and therefore the Committee did not make any further amendments. The Committee will consider feedback received at the 2021 AGM and beyond as part of its ongoing review of remuneration policy. We are grateful for the time, assistance and support shareholders give us.

4. Remuneration Policy for Executive Directors

4.1 Summary of the individual elements of the Policy for Executive Directors

Element and how it supports strategy	Operation	Maximum potential value	Performance conditions and assessment
Base salary To provide base salaries which: – reflect the value of the Executive Director's experience, skills, knowledge, contribution and importance to the business; and – help attract, retain and motivate high performing Executive Directors of the calibre required to lead the business and successfully implement strategy, but without paying more than is necessary to do so.	Base salaries are paid monthly in cash and normally reviewed annually with effect from 1 January. Reviews cover individual performance, experience, development in the role and market comparisons. To determine market comparisons, the Committee reviews remuneration data on executive positions in comparator groups consisting of transport/ leisure and general sector companies of similar size, complexity and international presence. The Committee retains the discretion to amend the comparator groups as necessary to remain relevant.	While there is no prescribed formulaic maximum, base salaries will reflect Executive Directors': – roles and responsibilities; – knowledge, skills and experience; and – performance and effectiveness. In addition, 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 for Executive Directors will not normally exceed the general employee increase for the country in which they are domiciled. However, larger increases or above median salaries may be necessary, for example (but without limitation): – where there has been a material increase in the scope and/ or scale of the Executive Director's responsibility in the role (including as a result of internal promotion); – to apply salary progression for an Executive Director who was appointed on a salary below the market level; or – where an Executive Director is extremely experienced and has a long track record of proven performance. In such circumstances, salaries may need to be in the upper quartile of comparable companies of similar size and complexity. 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. Where such exceptional changes do occur, they will be fully disclosed and explained.	Not applicable.

Element and how it supports strategy	Operation	Maximum potential value	Performance conditions and assessment
Pension To provide fair benefits as part of fixed remuneration to allow Executive Directors to work towards saving for retirement at the same effective contribution rate as applies to the majority of the Company's and its subsidiaries' UK workforce.	Executive Directors receive a cash allowance in lieu of a pension provision in line with market practice. Executive Directors' pensions are aligned with those of the majority of the Company's and its subsidiaries' UK workforce (which is currently 3% of salary), with the exception of the incumbent Group Chief Financial Officer's pension which is equal to 25% of salary but will reduce to be aligned with that of the majority of the Company's and its subsidiaries' UK workforce with effect from 1 January 2023. Only base salary counts for the purpose of the pension allowance.	The maximum annual cash allowance payable in lieu of a pension provision for the incumbent Group Chief Financial Officer will be equal to 25% of base salary for the period until 1 January 2023. After this date, and for any new Executive Directors appointed from 1 November 2020, the maximum annual cash allowance payable in lieu of a pension provision will be equal to the level of employer pension contributions payable in respect of the majority of the Company's and its subsidiaries' UK workforce.	Not applicable.
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 Committee has discretion to provide additional benefits or remove benefits in order to remain competitive or to meet the needs of the business, for example to provide relocation assistance to an Executive Director (and his/her family), including financial, tax and legal advice if applicable. Any change to benefit provisions will be disclosed on an annual basis. Executive Directors are also entitled to travel, subsistence and accommodation for business purposes, paid or reimbursed by the Company in line with the Company's expenses policy.	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. The cost to the Company of expenses depends on the relevant expenses.	Not applicable.

Element and how it supports strategy	Operation	Maximum potential value	Performance conditions and assessment
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. A portion of any bonus paid is deferred into shares, assisting the retention of Executive Directors and alignment of their interests with those of shareholders.	Executive Directors' bonus payments are based on the achievement of pre-specified objectives over a one-year performance period. Achievement of each element of the bonus is assessed independently. 50% of the bonus earned is subject to mandatory deferral into shares for one year from award. Unless the Committee determines otherwise, the market price per share on the date of the award will be calculated on the basis of the average share price in the five days preceding the date of the grant. Dividends are paid on the deferred share element, in shares. Malus and clawback provisions attach to the whole of the bonus award and apply during the two-year period post award, including following cessation of employment. Bonus payments are paid following announcement of the Company's audited year end results and are not pensionable.	The maximum bonus award is equal to 200% of base salary for the Group Chief Executive Officer and 150% of base salary for other Executive Directors.	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. The Committee retains discretion in appropriate circumstances to amend the weightings of the financial and non-financial elements of the bonus from year to year and for each Executive Director as appropriate. The financial performance conditions will typically relate to profit and/or cash generation, are set on an annual basis and are intended to be achievable at threshold and stretching at maximum. The non-financial performance conditions will be set annually based on objectives for the year. These may include safety, operational and business development objectives, customer related developments or metrics, colleague related developments or metrics, and environmental, social and governance (ESG) developments or metrics, as determined by the Committee on an annual basis. Normally, the proportion of the bonus determined by non-financial performance conditions will only become payable when the Company achieves a threshold level of normalised profit but the Committee has discretion to vary this in appropriate circumstances. The numerical values of the financial, and details of the non-financial, performance conditions will not be disclosed in advance (except for any numerical safety performance conditions) as the Committee considers this information commercially sensitive. Actual targets, performance achieved and awards will be published at the end of the performance period to enable shareholders to fully assess the basis for any payouts under the annual bonus. The annual bonus includes the ability for the Committee to use its discretion, acting reasonably and proportionately, to adjust the bonus outcome, upwards (provided it does not exceed the maximum) or downwards (including to nil), if such outcome is not reflective of overall corporate performance and/or individual performance. Examples of circumstances in which such an adjustment could be made include (without limit) where: – there is substantial mis-alignment between the Company's financial performance and the outcome of the proportion of the bonus determined by reference to financial performance conditions and/or substantial mis-alignment between the individual's performance and the overall bonus outcome; – there are significant concerns in relation to safety. This includes where, as a result of the systematic failure of management to put in place and operate effective safety processes, a significant negative event occurs that has a material adverse impact on both the reputation of the Company and its share price (the 'safety underpin'); or – there is a significant event which materially impacts the reputation of the Company and its share price. This includes where, as a result of the material failure of management to put in place and operate effective internal controls, such an event occurs, or where, as a result of the action or omission of the person to whom the bonus would be payable, such an event occurs. 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 award of a bonus (in whole or in part) until those investigations or proceedings are completed.

Element and how it supports strategy	Operation	Maximum potential value	Performance conditions and assessment
Long-Term Incentive Plan ('LTIP') To incentivise delivery of longer-term performance outcomes, reward the execution of strategy, aid retention of Executive Directors and align their longer-term interests with those of shareholders. The performance conditions are aligned with the Group's strategic delivery and its financial and ESG performance which facilitates or evidences such delivery, thereby driving Executive Directors to achieve outcomes that create shareholder value over the long-term.	LTIP awards (in the form of conditional shares, nil cost options or forfeitable shares) are granted annually with vesting subject to the achievement of performance conditions measured over a three-year consecutive financial period commencing with the year of award. An additional two-year holding period for vested shares exists post vesting for the Executive Directors. Dividend equivalents and dividends can be paid on vested shares, in shares, in respect of both the performance and holding periods. Awards are reviewed annually to ensure that grant levels, performance criteria and other features remain appropriate to the Company's current circumstances. Malus and clawback provisions attach to all vested shares under LTIP awards and apply during the two-year period post vesting, including following cessation of employment.	The maximum LTIP award is equal to 200% of base salary, per annum, for all Executive Directors.	Awards will be subject to stretching performance conditions over a period of three consecutive financial years. The current intention is that LTIP awards will have performance conditions relating to EPS, ROCE, TSR and ESG measures. The Committee may change the balance of the measures, or use different measures for subsequent awards, as appropriate. No material change will be made to the type of performance conditions without prior shareholder consultation. 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. The LTIP includes the ability for the Committee to use its discretion, acting reasonably and proportionately, to adjust an LTIP award vesting outcome, upwards (provided it does not exceed the maximum) or downwards (including to nil), if such outcome is not reflective of overall corporate performance and/or stakeholder experience. Examples of circumstances in which such an adjustment could be made include (without limit) where: – there is substantial mis-alignment between the Company's financial performance and the vesting of the proportion of the LTIP award determined by financial performance measures; – there are significant concerns in relation to safety. This includes where, as a result of the systematic failure of management to put in place and operate effective safety processes, a significant negative event occurs that has a material adverse impact on both the reputation of the Company and its share price (the 'safety underpin'); and – there is a significant event which materially impacts the reputation of the Company and its share price. This includes where, as a result of the material failure of management to put in place and operate effective internal controls, such an event occurs, or where, as a result of the action or omission of the LTIP award holder, such an event occurs. 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. There is no formal monetary value of award above which the Committee will automatically apply downwards discretion. 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. The number or class of shares under award may be adjusted on a rights issue, variation of capital, demerger or similar transaction.

4.2 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 approval of the Policy and their date of appointment (and, as this represents a 33.3% incremental increase on the incumbent Group Chief Financial Officer's pre-existing shareholding guideline, he will have five years from approval of the Policy to build this incremental increased shareholding). 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 his/her employment which equates to the lesser of shares which have a value equal to 200% of base salary calculated as at the date of leaving employment and his/her actual shareholding at the date of leaving employment, irrespective of the reason for leaving, save it will not apply where the reason for leaving is in connection with a change of control in the Company.

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 at any time (whether before or after the Policy coming into effect), will not be included.

4.3 Performance conditions under the annual bonus and LTIP

While the Committee has flexibility to set the performance conditions for the annual bonus and LTIP awards from year to year, the rationale for the selection of bonus targets and LTIP performance measures currently intended to be used is as follows:

- financial and non-financial bonus targets are set on an annual basis, aligned with the Company's business goals for each year;
- EPS is currently used in the LTIP as it is a key growth measure and a driver of shareholder value, providing a transparent method of gauging the financial performance of the Company and helping to ensure that the annual profit performance targeted by the annual bonus plan flows through to long-term sustainable growth;
- ROCE is currently used in the LTIP as it demonstrates how efficiently the Company is using its available resources to generate sustainable growth;
- TSR is currently used in the LTIP as it is consistent with the Company's objective of providing superior long-term returns to shareholders; and
- other non-financial metrics, including ESG measures, are also used in the LTIP as they help support the delivery of the Company's strategy over the longer term.

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.

4.4 Malus and clawback provisions

Executive Directors' annual bonus awards and LTIP awards are subject to malus and clawback provisions. Malus provisions enable the Committee to reduce the amount (including to nil) of any bonus prior to its award or payment and to reduce the number of shares (including to nil) under any unvested LTIP award prior to its vesting. Clawback provisions enable any bonus amount awarded and paid, and either the number of shares that vested under an LTIP award and/or an amount equal to their market value sale proceeds and/or any other benefits derived from them, to be recovered (in whole or in part, but net of tax) during the period of two years after they have been so awarded or vested, in each case in the following circumstances:

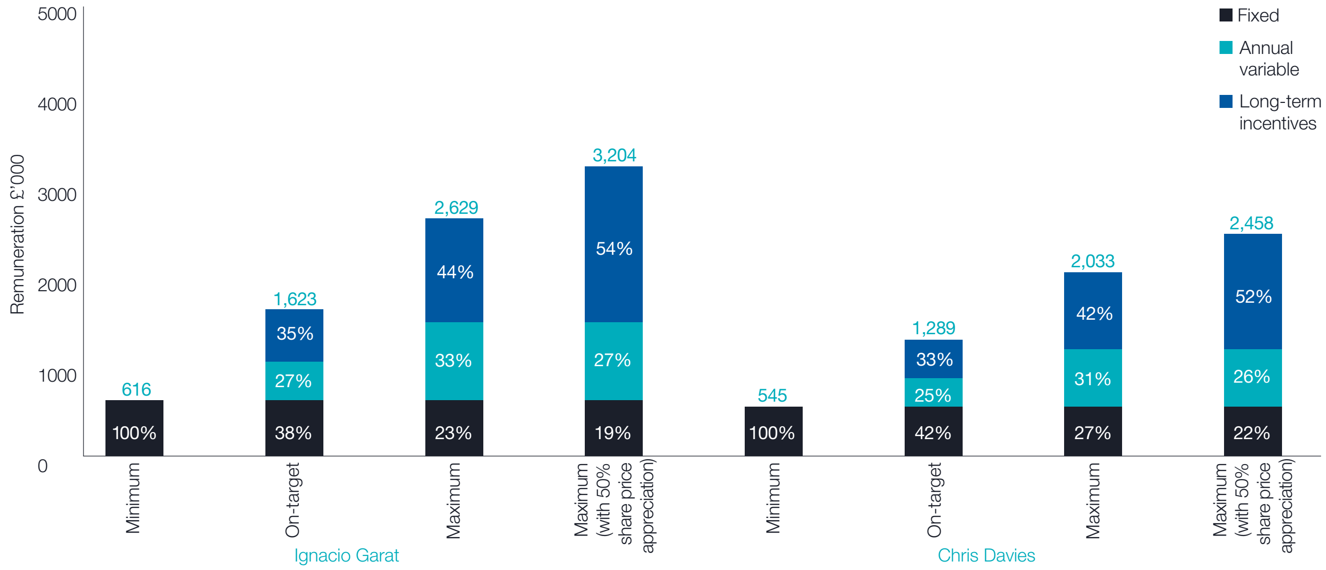
- the discovery of a material misstatement resulting in an adjustment in the audited consolidated accounts of the Company for a period that was wholly or partly before the end of the period over which the performance target applicable to an award was assessed (or was due to be assessed);
- the discovery 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.

4.5 Previous arrangements

For the avoidance of doubt, in approving this Policy, authority is sought by the Company 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.

4.6 Total remuneration opportunity at various levels of performance

The Committee's aim is to ensure that superior reward is only paid for exceptional performance, with a substantial proportion of Executive Directors' remuneration payable in the form of variable pay. The chart below illustrates the remuneration opportunity provided to each current Executive Director at different levels of performance for the first year of operation of the Policy:



The elements of remuneration have been categorised into three components: (i) Fixed; (ii) Annual variable; and (iii) Long-term incentives, as explained further below:

Element	Description
Fixed	Latest base salary, pension allowance and taxable benefits
Annual variable	Performance-related annual bonus (including deferred element)
Long-term incentives	Performance-conditioned Long-Term Incentive Plan award

Assumptions used in determining the level of payout under the given scenarios are as follows:

- base salaries are those as at 1 January 2021;
- taxable benefits for the Group CEO are those paid in 2020 (excluding the one-off relocation benefits) and grossed up to assume they were paid for the full year and taxable benefits for the Group CFO are those paid in 2020;
- bonus award opportunities are equal to 150% of Group CEO/CFO base salaries and LTIP awards are granted at 200% of Group CEO/CFO base salaries;
- minimum performance level assumes fixed pay only and no variable pay;
- on-target performance level assumes performance resulting in 50% of maximum annual bonus payout and 50% of maximum LTIP vesting (and, while the bonus has targets for threshold, on-target and maximum, the LTIP only has targets for threshold and maximum for some metrics so the values shown for the on-target outturn include the values for on-target bonus and estimated on-target LTIP performance); and
- maximum performance level assumes maximum annual bonus payout and full LTIP vesting.

While share price appreciation is ignored in each of the minimum, on-target and maximum remuneration outcomes for the Executive Directors, the fourth bar shows the maximum remuneration outcomes assuming 50% share price appreciation.

4.7 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 Living Wage in the UK and to at least the national minimum wage in each of the other countries we operate in. Subject to the aforesaid, 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, both for the individual and the Company.

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 West Midlands 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 participate in a bonus scheme which is broadly aligned with Executive Directors' annual bonuses, save 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.

The Committee reviewed the Company's CEO pay ratios and its Group's employee pay policies and practices when formulating this 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.

4.8 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	6 months until 01.05.21 then 12 months	6 months
Chris Davies	17.01.17	10.05.17	12 months	6 months

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.

4.9 Executive Directors' employment termination arrangements

The Company may at its discretion make payment in lieu of notice to Executive Directors, which could potentially include up to 12 months' base salary, benefits and pension, and which may be subject to payment by instalments and/or mitigation.

The table below sets out the treatment of the elements of remuneration that would normally apply where an Executive Director's service with the Company is terminated:

Reason for termination	Salary, pension and contractual benefits	Annual bonus	Unvested deferred bonus share awards	Unvested LTIP awards	Other
Good leaver: retirement, disability, redundancy, death, sale of part of the Company that employs the Director or any other reason that the Committee determines.	Payment equal to the aggregate of base salary, pension allowance and the value of other contractual benefits during the notice period, including any accrued but untaken holiday.	Bonus will be awarded at the normal award date, subject to the satisfaction of performance targets and subject to pro-ration to reflect the proportion of the year served, unless the Committee determines otherwise.	Deferred bonus share awards will ordinarily vest on the normal vesting date, unless the Committee determines otherwise.	Unvested LTIP awards will ordinarily vest on the normal vesting date, subject to the satisfaction of performance conditions, unless the Committee determines otherwise. Unvested LTIP awards will also ordinarily be subject to pro-ration to reflect the proportion of the time served between the date of grant and date of vesting, unless the Committee determines otherwise. The post-vesting holding period will continue to apply post-cessation of employment.	Fees for outplacement and legal advice may be paid.
Other reasons.	Paid to date of termination, including any accrued but untaken holiday.	No bonus award for the year in which termination occurs.	Awards lapse in full on termination.	Awards lapse in full on termination.	Not applicable.

Subject to the circumstances surrounding the termination, the Committee may, in its discretion, treat the Executive Director as a 'good leaver'. The Committee will consider factors such as personal performance and conduct, overall Company performance and the specific circumstances of the Executive Director's departure, including, but not limited to, whether the Executive Director is leaving by mutual agreement with the Company. In addition, the Committee will take the above circumstances into account when determining whether to use its discretion not to pro-rate the bonus awards and/or vested LTIP awards of an Executive Director who is a 'good leaver'.

The Committee reserves the right to make additional exit payments to an Executive Director where such payments are made in good faith:

- to discharge an existing legal obligation (or by way of damages for breach of such an obligation); or
- by way of settlement or compromise of any claim arising in connection with the termination of office or employment.

On a change of control of the Company, unvested LTIP awards will vest, except to the extent they are exchanged for awards over shares in the acquiring company, and vested LTIP shares subject to a holding period will be released. Vesting will be subject to satisfaction of the relevant performance conditions measured at the date awards are deemed to vest and will normally be pro-rated to reflect early vesting, unless the Committee determines that such pro-ration is inappropriate. On a change of control of the Company, unvested deferred bonus share awards will also vest automatically.

4.10 Approach to the remuneration of newly appointed Executive Directors

When determining the remuneration arrangements for a newly appointed Executive Director (whether such individual is an internal promotion or external candidate), 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 without paying more than is necessary to recruit an Executive Director of the required calibre.

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 elements that would be considered by the Company for inclusion in the remuneration package of a new Executive Director are:

- salary and other benefits, including an allowance in lieu of a pension provision limited to the provision for the majority of the Company's and its UK subsidiaries' workforce;
- participation in the performance-related annual bonus pro-rated for the year of recruitment to reflect the proportion of the year for which the new recruit is in post. If the commencement date is after 1 September, no award would normally be made for that year;
- participation in the performance-conditioned Long-Term Incentive Plan, which may be pro-rated depending on the time of appointment through the year; and
- costs and outgoings relating, but not limited, to: relocation assistance; legal, financial, tax and visa advice; and pre-employment medical checks.

The Committee's policy is for all Executive Directors to have rolling service contracts with notice periods for the Company of between 6 and 12 months. The only exception is where, in exceptional circumstances, it is necessary to offer a longer notice period initially, reducing down to 12 months, in order to secure the appointment of a new external recruit.

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. The Committee would take into account both market practice and any relevant commercial factors in considering whether any enhanced and/or one-off annual incentive or long-term incentive award is appropriate. 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. Compensation could be in the form of cash and/or shares. The Committee will not offer any non-performance-related incentive payments (for example, a 'guaranteed signing-on bonus' or 'golden hello'). Leaver provisions will be determined in line with this Policy when 'buy-out' awards are made.

5. Remuneration Policy for Non-Executive Directors

5.1. Summary of the individual elements of the Policy for Non-Executive Directors

Element	Purpose	Operation	Maximum potential value
Fees	To attract, retain and motivate high performing individuals of suitable calibre for a business the size and complexity of the Company's business. To pay fees which are reflective of responsibilities and time commitments, and competitive with peer companies, without paying more than is necessary.	The single fee paid to the Chairperson for all Board and Board Committee duties is set by the Committee and the fees paid to Non-Executive Directors are set by the Board. Fees are reviewed annually and the review takes into account fees paid for similar positions in the market, the time commitment required from the Chairperson and Non-Executive Directors and, in the case of the latter, additional responsibilities and time commitments involved in acting as the Senior Independent Director, chairing Board Committees and conducting workforce and wider stakeholder engagement.	While there is no prescribed formulaic maximum, fees will reflect those matters taken into account in the annual fee review.
Expenses	Non-Executive Directors are also entitled to travel, subsistence and accommodation for business purposes.	These expenses are either paid directly by the Company on behalf of Non-Executive Directors or reimbursed by the Company to Non-Executive Directors in line with the Company's expenses policy.	The cost to the Company depends on the relevant expenses.

5.2 Appointments

The Chairperson and the Non-Executive Directors are not employed and do not have service contracts with the Company. They also are not entitled to participate in the Group's pension, annual bonus or long-term incentive arrangements. Instead, they are appointed under individual letters of appointment and only receive a fee for their services and payment or reimbursement of business expenses. On appointment, the fee arrangements for a new Non-Executive Director will be determined in accordance with the approved remuneration policy in force at that time.

The Chairperson and Non-Executive Directors are normally appointed for an initial three-year term but with an expectancy that they will serve for at least two three-year terms, and their appointment can be terminated at any time without compensation by either party serving the relevant notice on the other party. In accordance with the Company's Articles of Association, each of the Chairperson and Non-Executive Directors (and each of the Executive Directors) is required to stand for election or re-election by shareholders at each AGM and they may be removed from office in the circumstances prescribed by the Company's Articles of Association and/or applicable legislation.

5.3 Non-Executive Directors' dates of appointment and notice periods

The current Chairperson'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	01.01.13	3
Jorge Cosmen	01.12.05	1
Matthew Crummack	06.05.15	1
Mike McKeon	03.07.15	1
Dr Ashley Steel	01.01.16	1
Karen Geary	01.10.19	1
Ana de Pro Gonzalo	01.10.19	1

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

Directors' Remuneration Policy

The current Directors' Remuneration Policy (current Policy) was approved by shareholders at the Company's AGM on 16 May 2018 and came into effect from that date. The current Policy was intended to apply for three years until the Company's AGM in 2021. The current Policy can be found on pages 74 to 84 of the Company's 2017 Annual Report and on its website at: www.nationalexpressgroup.com/about-us/corporate-governance/remuneration

The Company is proposing that shareholders approve a new Directors' Remuneration Policy (new Policy) at its AGM on 12 May 2021. If so approved, the new Policy will come into force from that date and is intended to apply for three years until the Company's AGM in 2024. The new Policy can be found on pages 104 to 112 of this Annual Report.

Annual Report on Remuneration

This Annual Report on Remuneration (this Report) describes how the current Policy was applied in the previous financial year to 31 December 2020, and how it will be applied in the current financial year to 31 December 2021 up to the new Policy coming into effect. Assuming the new Policy does come into effect at the Company's 2021 AGM, this Report also describes how the new Policy will be applied in the current financial year from the AGM to 31 December 2021.

The single total figure of Directors' remuneration tables, the statements of Directors' shareholdings and share interests and the information about the vesting and award of LTIPs contained in this Report have been audited, as required by section 498(1)(c) of the Companies Act 2006.

1. Information about Executive Director changes during the year affecting remuneration arrangements

(a) Ignacio Garat, incumbent Group Chief Executive Officer

Ignacio Garat was employed by the Company and appointed to the office of Group Chief Executive Officer on 1 November 2020. Details of the remuneration paid to Mr Garat in such capacity from his appointment to 31 December 2020 are contained in this Report. In addition to base salary, taxable benefits and a pension allowance, Mr Garat is entitled to certain benefits connected with his appointment and relocating to the UK to take up his appointment, further details of which are set out in section 2(e) below. Mr Garat was not eligible to receive any proportion of the 2020 bonus, even if such bonus had been payable, as he joined the Company in the fourth quarter of the 2020. Mr Garat also was not the recipient of any LTIP award (or Recruitment Incentive award) scheduled to vest in respect of the performance period which ended 31 December 2020 as he joined the Company in the closing months of this performance period.

(b) Chris Davies, incumbent Group Chief Financial Officer

Chris Davies was employed by the Company and held the office of Group Chief Financial Officer throughout the year under review. In addition, between 1 September 2020 and 31 October 2020 Mr Davies held the office of interim Group Chief Executive Officer. Details of the remuneration paid to Mr Davies in both such capacities in respect of the year ended 31 December 2020 are contained in this Report.

(c) Dean Finch, former Group Chief Executive Officer

Dean Finch resigned from his employment with the Company and his office as Group Chief Executive Officer on 31 August 2020. Details of the remuneration paid to Mr Finch in the year under review up to 31 August 2020 and of payments made to Mr Finch after he ceased to be a Director are contained in this Report. On leaving the Company, all of Mr Finch's unvested LTIP awards and EDBP awards lapsed.

(d) Matt Ashley, former Group Business Development Director

Matt Ashley resigned from his employment with the Company and his office as Group Business Development Director on 3 April 2020. Details of the remuneration paid to Mr Ashley in the year under review up to 3 April 2020 are contained in this Report. No payments were made to Mr Ashley after he ceased to be a Director. On leaving the Company, all of Mr Ashley's unvested LTIP and EDBP awards lapsed.

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 2020 (with comparative figures provided for 2019). The subsequent information and tables in this section 2 give more detail on various elements of the Executive Directors' remuneration.

£'000		Base salary[1]	Taxable benefits[2]	Pension allowance	Other benefits[3]	Total fixed remuneration	Annual bonus[4,5]	Vested LTIPs[6,7]	Total variable remuneration	Total
Ignacio Garat	**2020**	**96**	**4**	**3**	**20**	**123**	**–**	**–**	**0**	**123**
	2019	–	–	–	–	–	–	–	–	–
Chris Davies	**2020**	**366**	**14**	**95**	**30**	**505**	**–**	**21**	**21**	**526**
	2019	369	14	92	–	475	553	384	937	1,412
Dean Finch	**2020**	**378**	**16**	**137**	**–**	**531**	**–**	**–**	**0**	**531**
	2019	648	32	216	–	896	1,296	914	2,210	3,106
Matt Ashley	**2020**	**99**	**4**	**25**	**–**	**128**	**–**	**–**	**0**	**128**
	2019	369	14	92	228	703	306	–	306	1,009

1 The base salaries of Messrs Garat, Finch and Ashley reflect that they served as Directors for only part of the 2020 year. The base salaries of Messrs Finch and Davies further reflect the voluntary waiver of their respective 2020 pay increases and their respective 50% and 20% reductions in base salary for two months of the 2020 year. These matters are further explained in section 2(a) below.
2 Taxable benefits comprise the gross of tax value of car allowance, private medical insurance, death-in-service and life assurance cover. The decreases in value of Messrs Finch's and Ashley's taxable benefits in 2020 (vs. 2019) are attributable to them serving as Directors for only part of the 2020 year.
3 Further information about the other benefits payable to each of Mr Garat and Mr Davies are set out in section 2(e) on page 119.
4 None of the Executive Directors received an annual bonus in respect of the financial year ended 31 December 2020 as, in respect of those eligible, the financial targets were not achieved and the 'financial gateway' to the non-financial targets was not met. Further details are set out on pages 115 to 116.
5 The values of annual bonuses which were awarded in respect of the financial year ended 31 December 2019 were the aggregate of the proportion of such bonuses paid in cash and the proportion of such bonuses deferred into shares under the EDBP. The figures shown for 2019 in the table above have not been adjusted to reflect that both Messrs Finch and Ashley left the Company prior to their deferred share awards vesting such that those share awards lapsed in full. The actual difference in value is £(527,000) for Mr Finch and £(76,000) for Mr Ashley, based on the 2019 values of those lapsed share awards.
6 The 2020 LTIP value shown for Mr Davies represents the estimated value of shares that are scheduled to vest to him in 2021 arising from the three-year award granted to him in 2018 which was subject to performance conditions over the three-year performance period ended on 31 December 2020. The LTIP awards granted to Messrs Finch and Ashley in 2018 lapsed in full on their leaving the Company and Mr Garat did not receive a 2018 LTIP award as he joined the Company in 2020. Mr Davies' award has been calculated using a share price of 200.668p (being the three-month average to 31 December 2020) and includes an amount of £2,652.15 representing the dividend equivalent of 29.26p per share earned during the vesting period on the shares to vest, which will be paid to Mr Davies' in cash on vesting (as determined on grant). The actual value of shares vested to Mr Davies will be confirmed in next year's report.
7 As the values of LTIP shares which vested to Messrs Davies and Finch in 2020 in respect of their awards granted in 2017 which were subject to performance conditions over the three-year performance period ended on 31 December 2019 were estimated in last year's report, the figures shown for 2019 in the table above have been adjusted to reflect the actual vesting date values for Messrs Davies and Finch based on the Company's share price at vesting of 250.60p. The difference in value is £(262,000) for Mr Davies and £(624,000) for Mr Finch. As Mr Ashley left the Company prior to the LTIP award granted to him in 2017 vesting in 2020, the figure shown for 2019 in the table above has been adjusted to zero.

(a) Base salary

Mr Garat's base salary, of £575,000 (gross) per annum, reflects the scope, scale and complexity of his role, his extensive executive experience in an adjacent industry and the National Express Group CEO role being his first group executive role. As explained in the 2019 Annual Report on Remuneration, the base salaries of Messrs Finch and Davies were increased by 8.5% from 1 January 2020, to £703,000 (gross) and £400,150 (gross) per annum respectively, to reflect their respective experience and delivery of value, the increased scope of their respective responsibilities and to align their salaries better with market rates. However, following the emergence of the Covid-19 pandemic in the first quarter of 2020, Messrs Finch and Davies both volunteered to forgo their 2020 salary increases and reverted to their 2019 base salaries, of £648,000 (gross) and £368,800 (gross) per annum, effective from 1 January 2020 (repaying to the Company the increased salary amounts already received). Messrs Finch and Davies also volunteered to accept 50% and 20% reductions, respectively, in their salary payments in April and May 2020. Mr Ashley's base salary was increased by 2.5% from 1 January 2020, to £378,000 (gross) per annum, broadly in line with the salary increases awarded to the Company's UK workforce. He left the Company in 2020 before being able to participate in the salary increase waivers and reductions. As each of Messrs Garat, Finch and Ashley were Directors for only part of the 2020 year, the amounts of their base salaries shown in the table above also reflect the relevant pro-rated proportions thereof.
Mr Davies was a Director for the whole 2020 year and his base salary shown in the table above reflects this. In addition, Mr Davies was entitled to receive a fixed salary supplement for serving as interim Group CEO during September and October 2020. This is included in the 'other benefits' column of the table above and referred to in section 2(e) on page 119.

(b) Pensions

In lieu of pension contributions, Executive Directors receive a pension allowance (gross) which does not qualify as salary for the purpose of any other benefit or entitlement. Mr Garat is entitled to a pension allowance of 3% of base salary, which is aligned with the pension contribution currently payable to the majority of the Company's Group's UK workforce. Mr Davies is entitled to a pension allowance of 25% of base salary, which will be aligned with the then prevailing pension contribution payable to the majority of the Company's Group's UK workforce on 1 January 2023, as agreed between the Committee and Mr Davies in 2019. Mr Finch was entitled to receive an annual allowance of 31.6% of base salary during 2020 and Mr Ashley an annual allowance of 25% of base salary during 2020. As each of Messrs Garat, Finch and Ashley were Directors for only part of the 2020 year, the amounts of their pension allowances shown in the table above reflect the relevant pro-rated proportions thereof.

(c) Annual bonus

(i) 2020 bonus structure

A summary of the structure of the 2020 performance-related bonus for Executive Directors who served during the 2020 year is set out in the table below:

Former Chief Executive Director	
Maximum opportunity	200% of salary
Target weighting	75% financial
	25% non-financial (including 18% safety related)
Deferred element	25% of bonus earned up to 125% of salary
	50% of bonus earned between 125% – 150% of salary
	75% of bonus earned between 150% – 200% of salary
Other Executive Directors	
Maximum opportunity	150% of salary
Target weighting	75% financial
	25% non-financial (including 18% safety related)
Deferred element	25% of bonus earned up to 125% of salary
	50% of bonus earned between 125% – 150% of salary

It was a pre-condition to the award:

- of any element of the 2020 bonus, that the Committee determined that a significant negative event had not occurred that had had a material adverse impact on both the reputation of the Company and its share price as a result of the systematic failure of management to put in place and operate effective safety processes (the 'safety underpin'), which was so determined; and
- of any non-financial elements of the 2020 bonus, that the Group must have achieved the threshold level of underlying profit before tax for the year (the 'financial gateway'), which it did not.

(ii) 2020 bonus performance conditions

The following table sets out performance conditions that were attached to Executive Directors' 2020 bonus opportunities:

Structure	Former Chief Executive Director (% of base salary)	Other eligible Executive Directors (% of base salary)	Performance conditions
Maximum bonus opportunity	200%	150%	Proportion of bonus subject to compulsory deferral into Company shares for one year from award
Bonus potential at 95% of budgeted normalised Group PBT	0%	0%	Awarded on achieving threshold performance
On-target bonus potential at 100% of budgeted normalised Group PBT	50%	37.5%	Awarded on achieving on-target performance
Stretch bonus potential at 105% of budgeted normalised Group PBT	100%	75%	Awarded on achieving stretch performance
Bonus potential at 90% of budgeted normalised Group free cash flow	0%	0%	Awarded on achieving threshold performance
On-target bonus potential at 100% of budgeted normalised Group free cash flow	25%	18.75%	Awarded on achieving on-target performance
Stretch bonus potential at 110% of budgeted normalised Group free cash flow	50%	37.5%	Awarded on achieving stretch performance
Non-financial targets (underpinned by achievement of 95% of budgeted normalised Group PBT)	50%	37.5%	Awarded on achieving key strategic objectives tailored to each Executive Director's responsibilities

(iii) 2020 bonus targets, outturns and awards

The following table sets out the targets, performance outturns and awards in respect of Executive Directors' 2020 bonuses:

Measure	Weighting	Threshold	Target	Maximum	Actual	Bonus value achievable between Threshold and Maximum (% of salary)			Actual bonus value achieved (% of salary)		
Financial targets	75%					Dean Finch	Chris Davies	Matt Ashley	Dean Finch	Chris Davies	Matt Ashley
Group underlying profit before tax		£222.3m	£234.0m[1]	£245.7m	£(106.1)m	0%-100%	0%-75%	0%-75%[5]	0%	0%	0%
Group free cash flow		£132.4m	£147.1m[2]	£161.8m	£(178.7)m	0%-50%	0%-37.5%	0%-37.5%	0%	0%	0%
Non-financial targets[3]	25%					0%-50%	0%-37.5%	0%-37.5%[6]	0%	0%	0%
Total bonus awarded									0%	0%	0%
To be paid in cash[4]									0%	0%	0%
To be deferred in shares[4]									0%	0%	0%

1 The original Group underlying profit before tax target was set at £241.0m. After adjustment to reflect foreign exchange rate movements and underspend of growth capital investment, the revised target was £234.0m, with the threshold and maximum amounts (set at -/+ 5% of the target) adjusted accordingly.
2 The original Group free cash flow target was set at £153.3 million. After adjustment to reflect foreign exchange rate movements and underspend of growth capital investment, the revised target was £147.1m, with the threshold and maximum amounts (set at -/+ 10% of the target) adjusted accordingly.
3 Details of the non-financial targets for the Executive Directors are set out in section 2(c)(iv) below.
4 If a bonus had been payable to any Executive Director, a proportion would have been paid in cash shortly following the date of the award and a proportion would have been deferred into forfeitable shares in the Company for a period of one year from the date of the award in accordance with the terms of the current Policy and the EDBP. However, as no bonuses are payable, these provisions do not apply.

As explained in section 1(a) above, Mr Garat, the current Group CEO, was not eligible for the 2020 bonus and, as explained in sections 1(c) and 1(d), Mr Finch and Mr Ashley ceased to be eligible for the bonus when they left the Company in 2020. For Mr Davies who remained eligible for the 2020 bonus, the Committee reviewed the Group's financial and safety performance and, while the 'safety underpin' was satisfied, neither the threshold Group profit before tax or Group free cash flow targets were met and, as the 'financial gateway' was therefore also not met, it was not necessary for the Committee to further consider Mr Davies' performance against his non-financial bonus targets.

No discretion was applied by the Committee in determining Mr Davies' 2020 bonus award as the outturn reflected the Company's overall financial performance and consequent shareholder experience.

(iv) Summary of 2020 non-financial bonus targets

Non-financial bonus targets represented 25% of Executive Directors' 2020 bonus opportunities. Details of the non-financial bonus targets set for Executive Directors, which related to objectives aimed at delivering the Group's strategy and managing the Group's risks, are set out in the table below. However, as noted above, as two Executive Directors had left and no payout would be made to the remaining eligible Executive Director as the 'financial gateway' was not achieved, no assessment of Executive Directors' performance against these non-financial targets was made.

	FWI Index objective 5% weighting	Other Safety objectives 13% weighting	Strategic / Risk management objectives 7% weighting
Dean Finch and Matt Ashley	Achieve 2020 Fatality Weighted Injuries (FWI) Index score on a per million mile basis at least as good as 2019	– Deliver further progress on improving safety systems and processes – Develop a new driver training package for roll-out over the next two years – Review new vehicle specifications and determine if viable options exist to work with manufacturers to further enhance vehicle safety – Audit the implementation of Group driver oversight and risk profiling standards and continue to enhance their effectiveness – Continue to improve the management of distracted driving – Implement the five Global Safety Policies in Casablanca consistent with full roll-out over two years – Carry out an evaluation of the feasibility and benefit of installing driver monitoring systems on vehicles in Casablanca	– Review and enhance the Group's policies around Environmental, Social and Governance (ESG) issues – Drive customer retention and customer satisfaction – Build and develop talent throughout the Group including continued development of our graduate and high potential programmes – Successfully implement the M&A strategy and integrate acquisitions – Continue to drive excellence through the business – Further develop strategies on electric vehicles and new vehicle technologies – Enhance the Group's ability to grow in North America through conducting an end-to-end review of driver resourcing processes
Chris Davies	Achieve 2020 Fatality Weighted Injuries (FWI) Index score on a per million mile basis at least as good as 2019	– Deliver further progress on improving safety systems and processes – Review the reporting of the cost of safety for consistency, to better inform safety investment decisions – Support improvements in safety performance and contain insurance costs through enhanced risk and claims management – Make appropriate financial resources available to continue investment in DriveCam and other Group safety technologies – Expedite the purchase of the new fleet in Casablanca to improve vehicle safety	– Optimise processes and systems across the Group to manage gearing within the Group's stated range – Refresh investor relations approach to lay the foundations to attract a more diverse shareholder register – Complete thorough due diligence on 2020 acquisitions and carry out post-integration reviews of 2019 acquisitions to ensure returns are being maximised – Execute the Group's cyber security strategy to minimise cyber risk – Finalise the Group's medium-term refinancing requirements – Review back office/central costs across the Group and drive savings through increased use of shared services and/or automation

(d) Long-Term Incentive Plan (LTIP) vesting and awards

(i) LTIP awards vesting in 2021

The three-year LTIP awards granted to Executive Directors in 2018 (which have not already lapsed) are scheduled to vest in April 2021 as the measurement period relating to them ended on 31 December 2020. Details of the performance conditions attaching to the 2018 LTIP awards, and the extent to which they have been met, are set out in the table below:

Performance condition	Weighting	Threshold (30% vesting)	Target (50% vesting)	Maximum (100% vesting)	Actual	Actual restated to remove IFRS 16 impact[1]	Percentage vesting
TSR[2] vs. Bespoke Index[3]	1/6	Equal to Index	–	≥ Index + 10% p.a.	Index + 3.2% p.a.	–	39.1%
TSR[2] vs. FTSE 250 Index	1/6	Median	–	Upper Quintile	Fourth Quintile (ranked 170 of 218)	–	0.0%
EPS[4]	1/3	31.5p	33.3p	36.3p	(14.6)p[5]	(14.6)p	0.0%
ROCE[4]	1/3	9%	10%	12%	7.7%[6]	7.7%	0.0%
Total vesting							**6.5%**

1 As explained on page 76 of the 2018 Annual Report, the Committee determined to assess the EPS and ROCE performance measures on the LTIP awards scheduled to vest in 2021 after neutralising the impact (if any) of IFRS 16 on such measures. There is no such impact as shown in this column.
2 For TSR performance measures, straight-line vesting occurs between threshold and maximum performance.
3 The Bespoke Index comprises three other UK-based passenger transport groups: FirstGroup plc; Stagecoach Group plc; and Go-Ahead Group plc.
4 For EPS and ROCE performance measures, straight-line vesting occurs between threshold and target performance, and between target and maximum performance.
5 Actual EPS is the fully diluted underlying earnings per share in the last year of the performance period.
6 Actual ROCE is the average return on capital employed over the three-year performance period.

It was a pre-condition to the LTIP awards vesting that the Committee determined that a significant negative event had not occurred that had had a material adverse impact on both the reputation of the Company and its share price as a result of the systematic failure of management to put in place and operate effective safety processes (the 'safety underpin'), which was so determined.

(ii) Vesting details

As explained in section 1(a) above, Mr Garat, the current Group Chief Executive Officer, was not granted an LTIP award in 2018 and, as explained in sections 1(c) and 1(d) above, Messrs Finch's and Ashley's LTIP awards granted in 2018 lapsed in full when they left the Company. Therefore, only the 2018 LTIP award granted to Chris Davies, the current Group Chief Financial Officer, scheduled to vest in 2021, is included in this section.

The three-year LTIP award granted to Mr Davies in 2018 took the form of a nil cost option which is scheduled to vest on 3 April 2021 (being the third anniversary of grant). In relation to this award:

- as shown in the table in section 2(d)(i) above, 6.5% total vesting has been achieved based on one of the performance conditions (TSR vs. Bespoke Index) having been achieved at between threshold and maximum vesting level;
- Mr Davies will receive an amount (gross) equivalent to the total dividend paid by the Company on the number of shares to vest to him during the vesting period, payable in cash (subject to deduction of applicable taxes);
- the shares to vest to Mr Davies will be subject to a compulsory two-year holding period, save that sufficient shares may be sold to cover tax liabilities arising on exercise of the option;
- Mr Davies will also be entitled to receive a dividend equivalent payment (gross) on the shares to vest to him during the holding period for so long as his option remains unexercised, payable in cash (subject to deduction of applicable taxes); and
- malus and clawback provisions apply to the shares to vest to Mr Davies for two years from the date of vesting, including post termination of employment.

The table below shows the number of shares over which Mr Davies' 2018 LTIP nil cost option was granted, the number of shares which are expected to vest, the total amount of the award to vest, the amount of the award to vest attributable to share price appreciation and the cash dividend payment due on vesting:

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 attributable to share price appreciation	Cash dividend payable on vesting
Chris Davies[1]	139,050	9,061	£18,183[1]	£0[1]	£2,652

1 The amount of the 2018 LTIP award to vest to Mr Davies, 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 2020 (of 200.668p per share). The actual amount, which will be determined by reference to the Company's share price at the relevant vesting date in 2021, will be set out in next year's report.

No discretion was applied by the Committee in determining Mr Davies' 2018 LTIP award to vest in 2021 as the outturn reflected the Company's overall performance and consequent shareholder experience.

(iii) LTIP awards granted in 2020

Details of LTIP awards granted to Executive Directors in 2020 are set out in the table below:

Executive Director	Grant date	Number of shares awarded[1]	Award type	Award amount	Face value of award[2] £'000	Performance period	Performance conditions
Chris Davies	12.03.20	162,993	Nil cost option	150% of salary	553	01.01.20–31.12.22	TSR, EPS, ROCE and ESG – see below
Dean Finch[3]	12.03.20	381,850	Nil cost option	200% of salary	1,296	01.01.20–31.12.22	TSR, EPS, ROCE and ESG – see below
Matt Ashley[3]	12.03.20	167,059	Nil cost option	150% of salary	567	01.01.20–31.12.22	TSR, EPS, ROCE and ESG – see below

1 The number of shares subject to the LTIP awards was determined by dividing the award amount, being a multiple of Executive Directors' base salaries, by the Company's closing share price on the last business day preceding the date of grant, being 339.4p on 11 March 2020. Whereas Mr Finch's and Mr Davies' LTIP awards were originally granted according to the relevant multiple of their base salaries as at 1 January 2020, the number of shares subject to their awards were subsequently adjusted downwards to reflect their reduced base salaries following the voluntary waivers of their 2020 salary increases.
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 closing share price on the last business day preceding the date of grant, being 339.4p on 11 March 2020.
3 Mr Finch's and Mr Ashley's LTIP awards granted in 2020 lapsed in full when they left the Company.

(iv) Performance conditions attaching to 2020 LTIP awards

Performance condition	Weighting	Threshold (25% vesting EPS and TSR 0% vesting ROCE and ESG measures)	Target (50% vesting)	Maximum (100% vesting)
TSR[1] vs. Bespoke Index[2]	12.5%	Equal to Index	–	≥ Index +10% pa
TSR[1] vs. FTSE 250 Index	12.5%	Median	–	Upper Quintile
EPS[3]	25%	37.6p	39.8p	43.3p
ROCE[3]	25%	8%	9%	11%
tCO_2e/million passenger km[3]	15%	4.6% reduction in tCO_2e/ million passenger km by 2022 relative to 2019 base year	5.4% reduction in tCO_2e/ million passenger km by 2022 relative to 2019 base year	6.2% reduction in tCO_2e/ million passenger km by 2022 relative to 2019 base year
UK zero emission vehicles[3]	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

1 For TSR performance measures, straight-line vesting occurs between threshold and maximum performance.
2 Comprising three other UK-based passenger transport groups: FirstGroup plc; Stagecoach Group plc; and Go-Ahead Group plc.
3 For EPS, ROCE and ESG performance measures, straight-line vesting occurs between threshold and target performance, and between target and maximum performance.

Vested shares 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) Indicative vesting levels for outstanding LTIP awards

The indicative vesting levels for other outstanding LTIP awards assuming their respective performance conditions had been tested through to 31 December 2020 (without making any allowance for pro rata reduction for any period of time that is less than the length of the performance period) are set out in the table below:

	LTIP award year/type			
	2019 3-year LTIP		2020 3-year LTIP	
Performance condition	**Weighting**	**Vesting**	**Weighting**	**Vesting**
EPS	33.33%	0%	25%	0%
ROCE	33.33%	0%	25%	0%
TSR vs. FTSE 250 Index	16.66%	0%	12.5%	0%
TSR vs. Bespoke Index[1]	16.66%	0%	12.5%	0%
tCO_2e/million passenger km	–	–	15%	7.5%
UK zero emission vehicles	–	–	10%	5.0%
Total (max 100%)		**2019: 0%**		**2020: 12.5%**

1 Comprising three other UK-based passenger transport groups: FirstGroup plc; Stagecoach Group plc; and Go-Ahead Group plc.

(vi) Executive Deferred Bonus Plan (EDBP)

The table below sets out the awards under the EDBP in the form of forfeitable shares in the Company:

- which vested to Executive Directors on 8 March 2020 and relate to the one-year deferred element of their bonuses for the financial year ended 31 December 2018 and in respect of which dividends were paid to them via the Company's employee benefit trust during the one-year deferred period for which they have been held; and
- which were granted to the Executive Directors on 9 March 2020 and relate to the one-year deferred element of their bonuses for the financial year ended 31 December 2019 and which vested to Chris Davies as the remaining eligible Executive Director on 18 March 2021 (which vesting date was deferred due to the Company being in a closed period on the scheduled date of vesting of 9 March 2021) or which lapsed for other Executive Directors during the 2020 year prior to vesting.

Executive Director		As at 1 January 2020	Vested 8 March 2020[1]	Granted 9 March 2020[1]	Lapsed	As at 31 December 2020	Market price at date of vesting	Date of grant	Date of vesting
Chris Davies	2019	29,673	29,673	–	–	–	351.4p	08.03.19	08.03.20
	2020	–	–	39,847	–	39,847	–	09.03.20	18.03.21
Dean Finch	2019	97,302	97,302	–	–	–	351.4p	08.03.19	08.03.20
	2020	–	–	130,025	130,025	–	–	09.03.20	–
Matt Ashley	2019	18,263	18,263	–	–	–	351.4p	08.03.19	08.03.20
	2020	–	–	18,899	18,899	–	–	09.03.20	–

1 Executive Directors are entitled to receive dividends on deferred forfeitable shares for so long as they are deferred and held in the Company's employee benefit trust.

No forfeitable share awards will be made to eligible Executive Directors under the EDBP in 2021 as no Executive Directors received a bonus for the financial year ended 31 December 2020.

(e) Other benefits

As explained in section 1(a) above, Mr Garat is entitled to certain benefits in connection with his appointment and his relocation to the UK to take up his appointment. These comprise the following four elements: (i) the reimbursement of up to £8,000 of Mr Garat's qualifying expenditure in connection with his relocation, which expenditure in 2020 was £1,990; (ii) the reimbursement of the cost of serviced accommodation for Mr Garat in London until 31 March 2021, the cost of which in 2020 was £9,820; (iii) the reimbursement of the cost of preparation of Mr Garat's UK and Spanish tax returns for the first two tax periods following his appointment, which cost in 2020 was £3,000; and (iv) the reimbursement of legal advice obtained by Mr Garat in connection with his employment contract, which cost was £4,823. Whereas the reimbursement of qualifying expenditure referred to in item (i) is not taxable, the Company also agreed to gross-up the tax payable by Mr Garat on reimbursement of the costs referred to in items (ii), (iii) and (iv), but none of such tax became due in 2020. The aggregate value of such (as yet, un-grossed-up for tax) benefits paid in respect of the 2020 year are included in the 'other benefits' column of the single total figure of remuneration table on page 114. As Mr Garat will continue to receive the benefit of items (i), (ii) and (iii) (but not (iv)) in 2021 and will receive a gross-up for the tax due on those benefits in 2021, their value will be included in next year's report.

As explained in section 1(b) above, Mr Davies acted as the interim Group Chief Executive Officer for two months in 2020, for which he received a fixed salary supplement of £15,000 (gross) per month, net of applicable taxes, which was not taken into account for pension or any other benefit purposes. The aggregate gross value of this salary supplement is included in the 'other benefits' column of the single total figure of remuneration table on page 114.

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 2020 (with comparative figures provided for 2019):

Non-Executive Director	2020 fees[1] £'000	2019 fees £'000
Sir John Armitt (Chairman and Nominations Committee Chair until 4 November 2020)[2]	**238**	253
Jorge Cosmen (Deputy Chairman and Nominations Committee Chair from 4 November 2020)[2]	**54**	54
Lee Sander (Senior Independent Director until 3 April 2020)[3,4,5]	**57**	65
Matthew Crummack (Senior Independent Director from 3 April 2020)[3]	**62**	54
Mike McKeon (Audit Committee Chair)	**66**	65
Dr Ashley Steel (Remuneration Committee Chair)	**66**	62
Chris Muntwyler (Safety & Environment Committee Chair)[4,5]	**66**	65
Karen Geary	**54**	13
Ana de Pro Gonzalo	**54**	13

1 The Chairman's fee and the Non-Executive Directors' fees reflect their respective 50% and 20% reductions in fees for two months of the 2020 year.
2 The Chairman's fee is all-inclusive so no additional fees were payable in respect of his chairmanship of the Nominations Committee until 4 November 2020. Whereas 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 during the balance of 2020.
3 Mr Sander stepped down as the Senior Independent Director on 3 April 2020 when Mr Crummack assumed such role and therefore both received a pro-rated proportion of the Senior Independent Director's fee for the 2020 year.
4 A travel allowance was paid to certain overseas-based Directors for each Board meeting or other Board-related matter attended outside their continent of residence, in an amount per such meeting or matter of £4,000. For 2020, the allowances paid were: Lee Sander £12,000 (2019: £24,000) and Chris Muntwyler £4,000 (2019: £8,000).
5 Messrs Sander and Muntwyler stepped down as Non-Executive Directors on 30 December 2020.

With effect from 1 January 2020:
– the Committee determined that the Chairman's fee would increase by 2.5% to £259,325, broadly in line with the pay increases awarded to the Company's Group's UK employees; and
– the Board determined that the Non-Executive Directors' base fee would increase by £1,700 p.a., also broadly in line with the pay increases awarded to the Company's Group's UK employees and that the Senior Independent Director's fee would increase by £1,000 p.a. and the Committee Chairs' fees would increase by £1,000 to retain such fees at close to the median of non-executive director fees paid by the FTSE 250; but
– the Chairman and all the Non-Executive Directors volunteered to reduce their fees by 50% and 20%, respectively, for two months of the year due to the impact of the Covid-19 pandemic and therefore the amounts paid to them in 2020 reflect these reductions.

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

(a) Payments to past Directors

After leaving the Company, the former Group Chief Executive, Dean Finch, became contractually entitled to receive and was paid his accrued unfunded pension entitlement in the (gross) amount of £721,427, net of applicable taxes. In addition, in consideration of Mr Finch waiving approximately four months of his notice entitlement, the Company agreed to pay him the equivalent of one month's base salary, pension allowance and other cash benefits in the (gross) amount of £72,024, together with a further payment in respect of his accrued but untaken holiday entitlement in the (gross) amount of £4,985, both of which amounts were also subject to deduction of applicable taxes. Save for these, no payments were made to past Directors during or in respect of the financial year ended 31 December 2020.

(b) Payments for loss of office

Save as noted in section 4(a), no payments were made to any former Directors for loss of office during or in respect of the financial year ended 31 December 2020.

5. Statement of Directors' shareholdings and share interests

(a) Directors' share ownership guidelines

In accordance with the current Policy, Executive Directors are encouraged to build up a shareholding in the Company over a five-year period from 2015 or their date of appointment if later to align their interests with those of the Company's shareholders. The Committee takes into account whether Executive Directors have met their shareholding targets when granting new LTIP awards.

In accordance with the current Policy, the shareholding target for the Group Chief Executive is shares with a value equal to 200% of base salary and for other Executive Directors shares with a value equal to 150% of base salary. Mr Garat has yet to acquire shares in the Company as he was so recently appointed. As demonstrated by the table in section 5(b) and based on the Company's closing share price as at 31 December 2020 (237.40p), Mr Davies has almost met his target ahead of five years from his appointment (in May 2017).

Under the new Policy, if approved by shareholders, the shareholding guideline will become a requirement, which will be for all Executive Directors to build a shareholding with a value equal to of 200% of base salary within five years of the later of the new Policy becoming effective and their appointment (although the incumbent CFO will five years from the the new Policy becoming effective to meet his incremental increased requirement).

There is no shareholding requirement or guideline for Non-Executive Directors as, to ensure their independence and objectivity, the question of whether they hold shares in the Company is left to their individual discretion.

(b) 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, for current Executive Directors as at 31 December 2020 and for former Executive Directors as at the dates they left the Company, are shown in the table below:

	Shares held directly			Other share interests	
Executive Director	Shareholding target (% salary)	Shareholding value (% salary)[1]	Beneficially owned	Forfeitable shares held under the EDBP not subject to performance conditions	Outstanding LTIP share option awards subject to performance conditions
Ignacio Garat	200%[2]	0%	–	–	–
Chris Davies	150%[3]	149.18%	227,215[4]	39,847	435,667
Dean Finch[5]	n/a	n/a	339,903[6]	–	–
Matt Ashley[5]	n/a	n/a	205,455[7]	–	–

1 The Company's closing share price of 237.40p as at 31 December 2020 has been used for the purposes of this calculation and has been applied to the beneficially owned and forfeitable shares held under the EDBP in arriving at the shareholding value as at 31 December 2020.
2 Mr Garat's current shareholding guideline applies to the five-year period commencing from his date of appointment on 1 November 2020.
3 Mr Davies' current shareholding guideline applies to the five-year period commencing from his date of appointment on 10 May 2017.
4 The shares beneficially owned by Mr Davies include 109,549 shares that he owns free from restriction, 15,698 shares arising from the vesting of his 2019 EBDP award, 32,524 being the deemed net of tax residual shares arising from the vesting and exercise of his 2017 2-year LTIP (recruitment incentive) award (which has not yet been exercised but which shares are not subject to compulsory holding) and 69,444 net of tax residual shares arising from the vesting and exercise of his 3-year 2017 LTIP award (which has been exercised and which shares are subject to a 2-year compulsory holding period expiring on 17 April 2022).
5 Messrs Finch and Ashley ceased to be Executive Directors on 31 August 2020 and 3 April 2020, respectively, which are the dates as at which their beneficial shareholdings are shown. No shareholding requirement applies to them post-termination of employment but certain shares they hold as a result of the previous vesting of LTIP awards remain subject to compulsory holding periods, including post-termination of employment.
6 The shares beneficially owned by Mr Finch include 174,539 shares being the net of tax residual shares arising from the vesting and exercise of his 2016 3-year LTIP award and 165,364 shares being the net of tax residual shares arising from the vesting and exercise of his 2017 3-year LTIP award (which are each subject to a 2-year compulsory holding period expiring on 11 April 2021 and 17 April 2022, respectively).
7 The shares beneficially owned by Mr Ashley include 135,538 shares that he owns free from restriction and 69,917 shares being the net of tax residual shares arising from the vesting and exercise of his 2016 3-year LTIP award (which are subject to a two year compulsory holding period expiring on 11 April 2021).

More information about current and former Executive Directors' interests in forfeitable shares held under the EDBP are set out in section 2(d)(vi) above. The appendix on page 127 provides more information about current and former Executive Directors' interests in shares under outstanding LTIP awards.

(c) 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 2020 and for former Non-Executive Directors as at the date they ceased to be Directors, all of which are held beneficially, are shown below:

Non-Executive Director	Beneficially owned
Sir John Armitt	24,554
Jorge Cosmen[1]	47,826
Matthew Crummack	2,696
Mike McKeon	20,869
Dr Ashley Steel	32,870
Karen Geary	14,347
Ana de Pro Gonzalo	4,347
Lee Sander[2]	7,521
Chris Muntwyler[2]	21,739

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 whose shareholding is shown on page 129) for such family companies' shareholdings to be considered his or his connected persons' interests in Company shares.

2 Both Mr Sander and Mr Muntwyler stepped down from the Board on 30 December 2020 and their shareholdings are those as at that date.

(d) 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 2020 was 237.40p (2019: 469.6p) and the range during the year ended 31 December 2020 was 90.40p to 474.40p per share.

(e) Changes since year end

There have been no changes in current Directors' shareholdings between 31 December 2020 and the date of this Report.

6. Comparison of overall performance

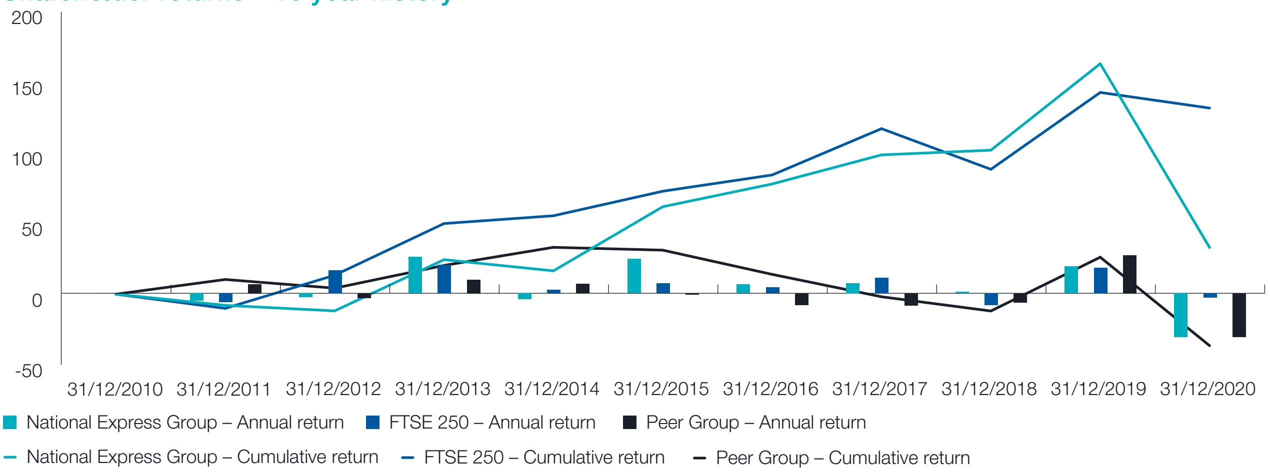
The graph below shows a comparison of the Company's cumulative total shareholder return (i.e. share price growth plus dividends paid) and annual return against the FTSE 250 Index and a Bespoke Index over the last 10 years. The FTSE 250 Index has been selected as the Company is a constituent of that Index and the Bespoke Index shows performance against a peer group of other UK-based passenger transport companies whose shares are listed and admitted to trading on the London Stock Exchange.

As can be seen from the graph:

– the Company had been outperforming the FTSE 250 Index on an annual basis in several of the years over this 10 year period, including in 2018 and 2019 prior to the Covid-19 pandemic adversely impacting the Company in 2020 (as it did other companies in the transport sector in the FTSE 250 Index); and

– the Company has significantly outperformed the Bespoke Index - comprising a peer group of three other UK listed companies in the transport sector - on an annual basis in four out of the last five years of this 10 year period, including in 2020 notwithstanding the impact of the Covid-19 pandemic, and on a cumulative basis over this last five year period.

Shareholder returns – 10 year history



7. Context of Director pay

The following table sets out the actual percentage change from 2019 to 2020 in certain elements of the remuneration paid (where applicable) to each of the persons who served as Directors during 2020, compared with the average percentage change from 2019 to 2020 in those same elements of remuneration for the Company's employees. It also sets out, by way of voluntary disclosure, a comparison with the Company's 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, taxable benefits and annual bonus calculated in the same way as in the single total figure of remuneration table on page 114. 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 119.

Director or comparator group	**Actual/Average percentage increase/(decrease) from 2019 to 2020**		
	Base salary/fees	Taxable benefits[1]	Performance related bonus[2]
Ignacio Garat, current CEO	n/a[3]	n/a[3]	n/a[3]
Chris Davies, current CFO (and interim CEO)	(0.8)%[4]	0.0%	(100)%[4]
Dean Finch, former CEO	(41.7)%[5]	(50)%[5]	(100)%[5]
Matt Ashley, former Executive Director	(73.2)%[5]	(71.4)%[5]	(100)%[5]
Sir John Armitt, Chairman	(5.9)%[6]	n/a	n/a
Jorge Cosmen, Deputy Chairman	0.0%[6]	n/a	n/a
Matthew Crummack, Senior Independent Director (SID)	14.8%[6,7]	n/a	n/a
Lee Sander, Non-Executive Director	(12.3)%[6,7]	n/a	n/a
Mike McKeon and Chris Muntwyler, Non-Executive Directors	1.5%[6]	n/a	n/a
Dr Ashley Steel, Non-Executive Director	6.5%[6,8]	n/a	n/a
Karen Geary and Ana de Pro Gonzalo, Non-Executive Directors	315.4%[6,9]	n/a	n/a
Company employees	5.7%[10]	(0.09)%[10]	(100)%[10]
Company Group UK employees	1.7%[10]	(0.09)%[10]	(100)%[10]

1 Taxable benefits comprise the gross of tax value of allowances (such as for car and travel), private medical insurance, death-in-service and life assurance cover. The Chairman and Non-Executive Directors do not receive any taxable benefits, so this is a non-applicable field for these Directors.
2 The performance related bonus comprises any annual bonus payable in respect of performance during 2020. The Chairman and Non-Executive Directors are not eligible to receive any performance related bonuses, so this is a non-applicable field for these Directors.
3 All the fields are not applicable for Ignacio Garat as he joined the Company in November 2020 so there is no year-on-year comparison.
4 The slight year-on-year decrease in Mr Davies' base salary reflects the net impact of: (i) his voluntary waiver of his 2020 salary increase; (ii) his voluntary 20% salary sacrifice for 2 months of the 2020 year; (iii) a salary increase taking effect during the last 2 months of the 2020 year; and (iv) his fixed salary supplement for acting as interim CEO for 2 months of the 2020 year. The 100% year-on-year decrease in Mr Davies' bonus reflects that no bonus was payable in 2020.
5 The year-on-year decreases in Messrs Finch's and Ashley's base salaries are attributable, in the case of Mr Finch, to his voluntary 50% salary sacrifice for 2 months of the 2020 year and, in both their cases, to their serving as Directors for only part of the 2020 year. The year-on-year decreases in their taxable benefits are also attributable to them both serving as Directors for only part of the year and also, in the case of Mr Ashley, his 2-year assignment to North America, and related relocation assistance package, having come to an end during 2019 so not being payable in 2020. The 100% year-on-year decreases in Messrs Finch's and Ashley's bonuses reflect that no bonus was payable to either of them after they left the Company.
6 The year-on-year percentage changes in the Chairman's fees and other Non-Executive Directors' fees (as well as there being no percentage change in the Deputy Chairman's fee) reflects the net impact of their respective: (i) 2020 base fee increases determined in late 2019 prior to the Covid pandemic and their respective voluntary fee sacrifices for 2 months of the 2020 year.
7 The higher year-on-year percentage increase in the fees payable to Matthew Crummack, and the higher year-on-year percentage decrease in the fees payable to Lee Sander, reflect, in addition to the net impact of the matters referred to in note 6 above, that Mr Sander stood down as, and Mr Crummack assumed the role of, Senior Independent Director in April 2020.
8 The higher year-on-year percentage increase in the fees payable to Dr Ashley Steel reflects, in addition to the net impact of the matters referred to in note 6 above, that she served as Chair of the Remuneration Committee for the whole of the 2020 year whereas she was only in that role for part of the 2019 year.
9 The significant year-on-year percentage increases in the fees payable to Karen Geary and Ana de Pro Gonzalo reflect, in addition to the net impact of the matters referred to in note 6 above, that they both joined the Company in October 2019 so only received fees for 3 months of the 2019 year.
10 The year-on-year increase in both the Company's and the Company's Group's UK employees' base salaries is attributable to the Company honouring the 2020 salary increases awarded to employees for 2020 which were determined in late 2019 prior to the Covid pandemic. The higher increase for Company employees reflects that a number of these employees took on additional responsibilities in 2020 and their pay increases reflected this. The minor decrease in both the Company's and Company's Group UK employees' taxable benefits is attributable to the net impact of the cost to the Company of providing certain benefits decreasing and the cost of providing others increasing. The year-on-year decrease in both the Company's and Company Group's UK employees' bonuses is attributable to none of such employees receiving a bonus in respect of the 2020 year due to the impact of the Covid-19 pandemic.

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	2011	2012	2013	2014	2015	2016	2017	2018	2019	**2020[1]**	**2020[2]**
Chief Executive Officer	D Finch	D Finch	D Finch	D Finch	D Finch	D Finch	D Finch	D Finch	D Finch	**D Finch**	**I Garat**
Single figure total remuneration (£'000)	1,454	1,701	1,553	1,562	3,661	3,887	4,225	4,318	3,048	**531**	**123**
Annual bonus payment (as % of maximum opportunity)	100%	100%	95%	93%	96%	83.5%	95%	90%	100%	**0%**	**n/a[4]**
LTIP vesting level achieved (as % of maximum opportunity)	n/a[3]	32.5%	0%	0%	73.4%	80.8%	86.9%	96%	91.53%	**0%**	**n/a[4]**

1 Mr Finch served as Chief Executive Officer from 1 January 2020 to 31 August 2020.
2 Mr Garat served as Chief Executive Officer from 1 November 2020 to 31 December 2020.
3 In 2011, Mr Finch was not entitled to any LTIP awards subject to performance conditions whose final year of performance ended during that year.
4 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.

9. CEO pay ratios

The following table sets out ratios which compare the (combined) CEOs' total remuneration in the Company's financial year ended 31 December 2020 to that of the Company's 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 Company's Group's UK employees (together with that data for the Company's previous financial year):

Year	Methodology	25th percentile (lower quartile) pay ratio	50% percentile (median) pay ratio	75th percentile (upper quartile) pay ratio
2020	**Option A**	**31:1**	**26:1**	**23:1**
2019[1]	Option A	156:1	136:1	110:1

1 The CEO's single total figure of remuneration disclosed in the Company's 2019 Annual Report on Remuneration has not been restated to reflect the actual value of the former CEO's LTIP vesting in respect of the 2019 year as this maintains consistency in the basis on which CEO pay ratios are calculated each year.

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 2020 and their full-time equivalent total remuneration was calculated in respect of the 12 months ended 31 December 2020 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 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 and aggregating that sum with the proportion of Mr Davies' total remuneration as derived from the single total figure of remuneration table on page 114 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 such capacity).

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;
- a number of the Group's UK employees work part time. Those who are paid on a salaried basis have had their salaries grossed up to the full time equivalent salary for their role. Those who are paid by the hour have had their wages grossed-up to a full time equivalent number of hours using the average number of hours performed by a full time employee performing the same or most similar role;
- some of the Group's UK employees receive taxable benefits, such as car, travel and other allowances and private medical insurance, the value of which has been included. In the case of part time employees, where any such benefits are pro-rated to reflect them working part time, the value of such benefits on a full time equivalent basis has been included;
- many of the Group's UK employees are members of a pension scheme and employer pension contributions have been included;
- some of the Group's UK employees receive performance-related annual bonus awards, and other Group UK employees receive ad hoc bonuses or other one-off rewards, such as loyalty bonuses, Values awards and gratuities, the cash value of which awards and rewards has been included;
- certain of the Group's UK employees who are senior managers receive performance conditioned three-year LTIP awards in the form of nil-cost options over Company shares. The estimated value of such awards which will vest in 2021 in respect of the three year performance period ended on 31 December 2020 (estimated on the same basis as in the single total figure of remuneration table), together with the cash value of dividend equivalents on vested shares under such awards, have been included; and
- where the Group's UK employees were placed on furlough during any part of 2020, 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 year-on-year (2020 vs. 2019) reduction in each of the pay ratios is principally attributable to the significantly reduced value of the performance-related pay due to all three of the individuals who performed the CEO role during the year under review. As a result of the significant detrimental impact of the Covid-19 pandemic on the Company, none of such individuals received an annual bonus award in respect of the year ended 31 December 2020 (vs. the CEO's bonus of £1.296m in 2019) and none of them had any long-term incentive awards vest to them in their capacity as CEO in respect of the performance period ended on 31 December 2020 (vs. the estimated value of the CEO's vested LTIP of £1.538m in 2019). The resulting pay ratios are therefore not necessarily representative of typical pay ratios or an indicator of future pay ratios. Other factors, such as: (i) the base salaries of all individuals who performed the CEO role being lower in 2020 (vs. 2019) due to a combination of their Covid-related salary sacrifices and both the interim CEO's salary (including the fixed salary supplement paid) and the new CEO's salary being lower than the former CEO's base salary to reflect their respective levels of experience; and (ii) the base salaries of the majority of the Company's Group's UK employees being higher in 2020 (vs. 2019) as a result of them benefitting from their 2020 pay increases during the year, have also contributed to the difference, but to a lesser extent.

The table below shows the (combined) CEOs' 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 2020 (together with that data for the previous year):

Year	Pay data	Group Chief Executive	25th (lower quartile) percentile	50th (median) percentile	75th (upper quartile) percentile
2020	**Salary**	**£565,467**	**£20,521**	**£25,147**	**£25,545**
2019	Salary	£648,000	£22,708	£20,390	£33,175
2020	**Total pay**	**£762,170**	**£25,545**	**£29,418**	**£34,083**
2019	Total pay	£3,729,778	£23,889	£23,942	£33,804

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, as they did in 2020 (vs. 2019), reflecting that the CEO's pay was much reduced 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 2020 compared with distributions made to shareholders in 2020 and the figures for such values in 2019 for further comparison:

Measure	2020 £m	2019 £m	% Decrease from 2019 to 2020
Overall Group spend on pay including Directors[1]	**1,193.8**	1,416.7	(19.28)%
Profit distributed by way of dividend[2]	**0**	78.3	(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, including for these purposes wages and social security costs which have been refunded to the Group via UK government furlough and equivalent schemes in other countries in which the Group operates. These refunded costs amounted to some £55.0m, so the overall Group spend on pay net of such refunds was £1,138.8m.

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 2020, this amount was zero as the final dividend to shareholders in respect of the Company's financial year ended 31 December 2019 was withdrawn and no interim dividend in respect of the financial year ended 31 December 2020 was paid.

11. Statement of implementation of current Directors' Remuneration Policy in 2021

(a) Executive Directors' base salaries

In accordance with the current Policy, the Committee determined that:

- the new Group Chief Executive Officer's base salary would be set, effective from the date of his appointment on 1 November 2020 and throughout 2021, at an appropriate level for the role of a group chief executive of an international, diverse and operationally complex FTSE 250 company, that recognised Mr Garat's strong and relevant executive experience in an adjacent industry, but which was below the level of the outgoing Group Chief Executive to recognise that this is Mr Garat's first group chief executive role;
- the 8.5% base salary increase originally awarded to the Group Chief Financial Officer effective from 1 January 2020 (and voluntarily waived by him) would be reinstated effective from 1 November 2020 to align his salary with the market median rate for the role of a chief financial officer of an international, diverse and operationally complex FTSE 250 company, to recognise both Mr Davies' significant contribution to the Company and growth in his role since he joined the Company in 2017 and the increase in the scope of his responsibilities during 2019 which included evolving the Group's investor relations programme and spearheading its cyber security programme; and
- a further base salary increase of 6.25% would be awarded to the Group Chief Financial Officer effective from 1 November 2020 to reflect a further increase in the scope of his role during 2020 which includes new responsibilities for the Group procurement and communications functions and an important role supporting the new CEO with the development and delivery of strategy and the maintenance of strong investor relations, and to seek to aid Mr Davies' retention.

In approving these Executive Director base salaries the Committee took into consideration a number of external and internal factors, including:

- the success of the Company's strategy and its growth trajectory prior to the impact of the Covid-19 pandemic;
- the significant negative impact of the Covid-19 pandemic on the Company and its sector during 2020 and the consequential impact on employment conditions across its Group but also the Company's extensive efforts in 2020, many led by the CFO, to ensure the Company's liquidity and strength of its balance sheet which in turn has served to protect as many jobs as possible and the Company's extensive health and safety measures implemented in 2020 which have served to protect employees as far as reasonably practicable from Covid-19;
- the benchmarking exercise undertaken by the Company in 2019 of its then CEO and CFO base salaries against those of three comparator groups (comprising: (i) the companies in the top half of the FTSE 250; (ii) the 16 companies, 8 either side of the Company in the FTSE 250; and (iii) the 16 companies in the same sector as the Company with similar market capitalisations to the Company and deriving at least 25% of their revenues from international operations), which benchmarking was still considered relevant to setting the current CEO and CFO salaries applicable in 2021 as it was the best available indicator of comparable executive director pay disregarding what is hoped will be the relatively short-term impact of the Covid-19 pandemic; and
- the critical need to incentivise both the new CEO and CFO and to retain the CFO and stabilise a new executive management team to continue to steer the Company through the challenges created by the Covid-19 pandemic and to take advantage of opportunities that are expected to arise as the Company and markets emerge from the pandemic.

Accordingly, the annual base salaries of the Executive Directors in 2021 are:

Executive Director	Base salary (gross)
Ignacio Garat, Group Chief Executive Officer	£575,000
Chris Davies, Group Chief Financial Officer	£425,000

(b) Executive Directors' pensions

In anticipation of the new Policy and in line with best corporate governance practice, the new CEO's pension allowance, of 3% of base salary, was aligned with the pension contribution rate currently applicable to the majority of the Company's Group's UK workforce.
In accordance with both the current Policy and an agreement reached between the Committee and CFO in 2019, and as provided for in the new Policy, the CFO's pension allowance will remain at 25% of base salary until 1 January 2023 when it will also be aligned with the then prevailing pension contribution rate applicable to the majority of the Company Group's UK workforce.

(c) Executive Directors' annual bonus

Executive Directors' annual bonuses for the 2021 financial year will be structured and operate in certain respects in the same way as in prior years but with certain key differences to reflect the exceptional and challenging trading conditions in which the Group is expected to continue to be operating for at least part of 2021 due to the Covid-19 pandemic:

- both the CEO and CFO have a maximum bonus opportunity in 2021 equal to 150% of base salary;
- 50% of their bonus opportunities will continue to be subject to the achievement of a Group profit before tax (PBT) target, with bonus performance between threshold and maximum set by reference to financial range (rather than by a +/- percentage range) around target performance;
- 25% of their bonus opportunities will continue to be subject to the achievement of a Group free cash flow (FCF) target, and bonus performance between threshold and maximum will continue to be determined by reference to a +/- 10% range around target performance;
- 5% of their bonus opportunities will continue to be subject to the Group's Fatalities and Weighted Injuries (FWI) Index score (excluding incidents arising from the Group's new Casablanca operations as in 2019), but rather than such FWI score being set by reference to improvement on the Group's prior year score (as in previous years), it is set by reference to at least matching or improving on the Group's 2019 FWI score (rebased to remove non-responsible minor injuries) as this was the Group's best ever FWI performance and 2019 also represented the last year of the Group's normal operations pre-Covid-19;
- a further 10% of their bonus opportunities will be split between the Group achieving an improvement on its 2019 responsible accidents score and DriveCam driver risk score, as 2019 represented the last year of the Group's normal operations pre-Covid-19;
- 10% of their bonus opportunities will be subject to the achievement of specific strategic and risk management objectives; and
- unlike in previous years, the achievement of threshold PBT performance will not be a condition to payout of the bonus opportunities linked to non-financial targets, in recognition of the challenging PBT target and uncontrollable exogenous factors caused by Covid-19 which could affect its achievement and the desire to incentivise performance against the non-financial objectives.

When considering the bonus structure and setting the bonus targets for 2021, the Committee has taken into account:

- the Group's approved business plan and stretching budget for 2021, particularly having regard to significant uncontrollable exogenous factors which could affect its achievement;
- the continued challenging trading conditions for the Company's Group as it entered 2021 due to the Covid-19 pandemic as well as the assumption that Covid-19 vaccines may improve these conditions over the year; and
- the continued desire to align a significant portion of Executive Directors' short-term incentives with the financial and ESG interests of its shareholders but also the desire to incentivise Executive Directors to achieve objectives which are intended to benefit the Company in the longer-term by assisting it in delivering its strategy, managing its risks and growing, both organically and through bids and acquisitions, in existing and new markets from a position of operational safety, security, excellence and efficiency.

The Committee will disclose the exact PBT and FCF bonus 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.

(d) Executive Directors' 2021 Long-Term Incentive Plan (LTIP) awards

Executive Directors' 2021 LTIP awards will be granted at opportunity levels and have performance conditions attaching which are similar to those awarded in previous years, but again with some differences:

- in 2021, both the CEO and CFO will be granted LTIPs with a face value equal to 200% of base salary, in line with the normal level provided by the current Policy for the CEO and the level permitted by the current Policy for the CFO to reflect his increased responsibilities, which levels are also intended to encourage Executive Director retention over the longer-term;
- the performance conditions attaching to the 2021 LTIP awards will include the following measures which seek to align Executive Directors' longer-term interests with the interests of shareholders: total shareholder return (TSR) (as measured against both a Bespoke Index and the FTSE 250 Index); earnings per share (EPS) in the final performance year; return on capital employed (ROCE) in the final performance year; and an overall reduction in the Group's total carbon emissions per million passenger kilometre (tCO_2e/m pass km) by the end of 2023 relative to the Group's 2019 base year measurements. The weightings of the performance measures and vesting levels of the 2021 LTIP awards at each of threshold, on-target and maximum performance levels are set out in the table below:

Performance condition	Weighting	Threshold (25% vesting EPS and TSR, 0% vesting ROCE and ESG, measures)	Target (50% vesting)	Maximum (100% vesting)
TSR[1] vs. Bespoke Index[3]	12.5%	Equal to Index	–	≥ Index + 10% pa
TSR[1] vs. FTSE 250 Index	12.5%	Median	–	Upper Quintile
EPS[2,4]	25%	25.1p	25.6p	26.3p
ROCE[2,5]	25%	8%	9%	11%
tCO_2e / million passenger km	25%	6% reduction in tCO_2e / million passenger km by 2023 relative to 2019 base year	7% reduction in tCO_2e / million passenger km by 2022 relative to 2020 base year	8% reduction in tCO_2e / million passenger km by 2023 relative to 2020 base year

1 For TSR measures, straight-line vesting will occur between threshold and maximum levels 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 Comprising three other UK-based passenger transport groups, namely: FirstGroup plc, Stagecoach Group plc and Go-Ahead Group plc.
4 EPS is fully diluted underlying earnings per share in 2023.
5 ROCE is return on capital employed in 2023.

The performance conditions will be measured over the three-year financial period ending 31 December 2023, 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.

While the Committee has duly considered that the Company's share price may, at the proposed grant date of the 2021 LTIP awards, be depressed as a result of the continuing impact of the Covid-19 pandemic, the Committee cannot foresee when or how the share price may recover so, rather than scale back awards at grant which could be counter-productive to their value for retention purposes, it will reserve to itself as a condition of grant discretion to adjust the 2021 LTIP outturns to take into account all relevant considerations, including the Company's share price performance, over the three-year performance period.

(e) Chairman's and Non-Executive Directors' 2021 fees

With effect from 1 January 2021, the Committee determined for the Chairman, and the Board determined for the Non-Executive Directors, that none of the Chairman's fee, Non-Executive Directors' base fees, Senior Independent Director's fee or Committee Chair fees will increase from their 2020 levels. Accordingly, the annual fees for the Chairman and Non-Executive Directors in 2021 are:

Role	Fees (gross)
Chairman	**£259,325**
Senior Independent Director (additional fee)	**£11,000**
Non-Executive Director (base fee)	**£56,000**
Committee Chair (additional fee)	**£12,000**

(f) Total remuneration opportunity at various levels of performance

The graph on page 109 illustrates the remuneration opportunity provided to the current Executive Directors at each of minimum, on-target and maximum levels of performance for 2021, as well as their maximum remuneration opportunity assuming 50% share price appreciation. The assumptions used in determining the payout at each of those opportunity levels are set out below that graph on the same page.

12. Historical results of shareholder voting on remuneration matters

The votes cast on the resolution seeking approval of the Annual Report on Remuneration at the 2020 AGM were as follows:

Resolution	% of votes For	% of votes Against	Number of votes withheld[1]
To approve the Annual Report on Remuneration for the year ended 31 December 2019 (advisory vote only)	96.1	3.19	40,229,728

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

The votes cast on the resolution seeking approval of the current Policy at the 2018 AGM were as follows:

Resolution	% of votes For	% of votes Against	Number of votes withheld[1]
To approve the Directors' Remuneration Policy (binding vote)	95.7	4.3	86,207

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

13. Retained advisers to the Committee

During the year, the Committee retained (following a formal and transparent tender process conducted in 2013) and received remuneration and related corporate governance advice from PwC, its external remuneration consultants. Apart from advice given to the Company in relation to discrete accounting matters, PwC has no other connection with the Company, any member of its Group or any of its individual Directors. PwC 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 PwC is objective and independent. For the year under review, PwC received fees of £132,500 in connection with its work for the Committee, which were charged on a time cost basis.

14. 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.

Appendix

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 2020 or remain outstanding as at 31 December 2020:

			During 2020					
LTIP award year/type	**Date of grant**	**Awards held at 01.01.20**	**Granted**	**Exercised/ Eligible for exercise**	**Lapsed**	**Awards held at 31.12.20**	**Vesting date**	**Latest exercise date[1]**
Dean Finch								
LTIP 3-year	06.04.16	329,906	–	329,906[2]	–	–	12.04.19	–
LTIP 3-year	18.04.17	341,476	–	312,564[2]	28,912	–	18.04.20	–
LTIP 3-year	03.04.18	325,775	–	–	325,775[3]	–	–	–
LTIP 3-year (Approved CSOP)[8]	03.04.18	7,751[9]	–	–	7,751[3,9]	–	–	–
LTIP 3-year	15.04.19	313,044	–	–	313,044[3]	–	–	–
LTIP 3-year	12.03.20	–	414,260	–	414,260[3]		–	–
		1,310,201[9]	**414,260**	**642,470**	**1,081,991[9]**	–		
Chris Davies								
LTIP 2-year (RIA)	10.05.17	61,366	–	61,366[4]	–	61,366[4]	10.05.19	10.05.21
LTIP 3-year	10.05.17	143,403	–	131,261[5]	12,142	–	18.04.20	–
LTIP 3-year (Approved CSOP)[8]	10.05.17	8,194[9]	–	–	8,194[9]	–	18.04.20	–
LTIP 3-year	03.04.18	139,050	–	–	–	139,050	03.04.21	03.04.23
LTIP 3-year	15.04.19	133,624	–	–	–	133,624	15.04.22	15.04.24
LTIP 3-year	12.03.20	–	176,848	–	13,855[6]	162,993	12.03.23	12.03.25
		477,443[9]	**176,848**	**192,627[9]**	**25,997[9]**	**497,033**		
Matt Ashley								
LTIP 3-year	18.04.17	145,752	–	–	145,752[7]	–	–	–
LTIP 3-year (Approved CSOP)[8]	18.04.17	8,328[9]	–	–	8,238[7,9]	–	–	–
LTIP 3-year	03.04.18	139,050	–	–	139,050[7]	–	–	–
LTIP 3-year	15.04.19	133,624	–	–	133,624[7]	–	–	–
LTIP 3-year	12.03.20	–	167,059	–	167,059[7]	–	–	–
		418,426[9]	**167,059**	–	**585,485[9]**	–		

1 Awards vesting under the 2015 LTIP are subject to a two-year exercise period and holding period which run concurrently. 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 Mr Finch's 2016 and 2017 LTIP awards vested in 2019 and 2020, respectively, and were both exercised in 2020. Mr Finch sold sufficient shares vesting under each to satisfy his tax liabilities arising on such exercise and he continues to hold the remaining vested shares under each in accordance with the 2-year mandatory holding period which applies to each and which expire on 11 April 2021 and 17 April 2022, respectively. The share price on exercise was 155.171p per share.
3 Mr Finch's 2018, 2019 and 2020 LTIPs (and related 2018 CSOP award) lapsed in full on his leaving the Company on 31 August 2020, although a proportion of his 2020 LTIP award had lapsed earlier in 2020 when the number of shares subject to the award was adjusted downwards to reflect the voluntary waiver of his 2020 base salary increase.
4 Mr Davies' 2017 2-year LTIP (Recruitment Incentive) award vested on 10 May 2019, but he has not yet exercised any of the vested shares under this award.
5 Mr Davies' 2017 3-year LTIP (and related 2017 CSOP award) were exercised on the first business day after vesting on 18 April 2020. The share price on exercise was 242.349p per share. He sold sufficient shares vesting to satisfy his tax liability arising on such exercise and he continues to hold the remaining vested shares beneficially in accordance with the two year mandatory holding period which expires on 17 April 2022.
6 A proportion of Mr Davies' 2020 LTIP award lapsed in 2020 when the number of shares subject to the award was adjusted downwards to reflect the voluntary waiver of his 2020 base salary increase.
7 Mr Ashley's 2017, 2018, 2019 and 2020 LTIP awards (and his related 2017 CSOP award) lapsed in full on his leaving the Company on 3 April 2020.
8 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 Davies' 2017 CSOP award was granted with an exercise price of 366.1p per share (which lapsed on exercise due to the share price at vesting being lower than the exercise price). 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.
9 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.

By Order of the Board

Dr Ashley Steel
Remuneration Committee Chair
18 March 2021

Directors' Report

The information set out on pages 128 to 133 (inclusive), together with the information referred to below which is incorporated by reference, comprises the Directors' Report for the year ended 31 December 2020.

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 destinations of such information are shown in the table below:

Information	Annual Report section	Annual Report page no(s)
Business model and future business developments	Strategic Report	14 and 15
Principal risks and uncertainties	Strategic Report	38 to 41
Fostering relationships with suppliers, customers and others[1]	Strategic Report	44 and 45
Engagement with and other matters relating to employees[2]	Directors' Report Corporate Governance Report	131 and 132 68 to 71
Viability and going concern	Strategic Report	42
Financial instruments	Consolidated Financial Statements	197 to 202
Governance matters, including Corporate Governance Statement[3]	Corporate Governance Report	56 to 127
Streamlined Energy and Carbon Reporting (SECR)[4]	Additional Information	240

[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 as the Company, which is 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 2020 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 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 location of 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(5)	Emolument waivers by directors	Annual Statement by the Remuneration Committee Chair, page 96
LR 9.8.4(7)	Allotment of equity securities for cash	Directors' Report, page 129
LR 9.8.4(12)	Dividend waivers by shareholders	Directors' Report, page 129

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 liability 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.

Results and dividends

The Company's and the Group's results for the year ended 31 December 2020 are set out in the Company Financial Statements and the Consolidated Financial Statements on pages 143 to 237.

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 2020.

Dividends

The Board has determined not to recommend a final dividend in respect of its financial year ended 31 December 2020 as a result of the impact the Covid-19 pandemic had on the Company's trading and financial results for such year and also as the Company is restricted from doing so in accordance with the terms on which it obtained amendments to its debt covenants in its principal bank debt facilities and privately placed notes (2019: 0.0p, noting that the Board originally recommended a final dividend of 11.19p in respect of its financial year ended 31 December 2019, but subsequently withdrew such recommendation after the impact of the first wave of the Covid-19 pandemic). As the Board also did not pay an interim dividend in respect of its financial year ended 31 December 2020, the total dividend for the 2020 year is 0.0p per share (2019: 5.16p).

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 2020, 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 Chairman, 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/about-us/corporate-governance

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 2020 Annual General Meeting to allot new shares in the Company up to a nominal value of £8,528,977 representing one third of its issued share capital as at 20 March 2020 or, in the case of a rights issue only, new shares up to a nominal value of £17,057,954 representing two thirds of its issued share capital as at 20 March 2020. The Directors were further authorised to disapply pre-emption rights on the issue of shares of up to a nominal value £1,279,346, representing 5% of its issued share capital as at 20 March 2020. On 11 May 2020 pursuant to agreements made on 6 May 2020, the Directors, under the authorities granted to them at the Company's 2019 Annual General Meeting, issued 102,347,729 new ordinary shares in the Company at a price of 230p per share (see Equity placing and related subscription for shares). No new shares were issued by Directors under the authorities granted to them at the Company's 2020 Annual General Meeting during the year ended 31 December 2020 or up to 18 March 2021, being the date this Directors' Report was approved. Such authorities remain valid until the Company's 2021 Annual General Meeting or 30 June 2021, 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 2021 Annual General Meeting 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 2020 Annual General Meeting to make market purchases of up to 51,173,864 of its own shares, representing 10% of its issued share capital as at 20 March 2020. No shares were purchased under this authority during the year ended 31 December 2020 or up to 18 March 2021, being the date this Directors' Report was approved. Such authority remains valid until the Company's 2021 Annual General Meeting or 30 June 2021, whichever is earlier. The Directors propose to renew this authority at the 2021 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 (Jersey) Limited 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 1,025,505 shares in the market during the year ended 31 December 2020 for an aggregate consideration of £3.9 million (including dealing costs) and released 1,552,919 shares to satisfy vested share plan awards.

As at 31 December 2020, the EBT held 877,337 Company shares in trust (representing 0.14% 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 received the dividends on such shares and passes them through to such employees.

Equity placing and related subscription for shares

On 11 May 2020, the Company placed via placing agents 101,918,947 new ordinary shares of 5 pence par value each, at a price of 230p per share, with a number of existing and new institutional shareholders pursuant to a placing and the Company issued a further 428,782 ordinary shares, at the same subscription price of 230p per share, to the then current Directors and certain Senior Managers of the Company who subscribed for shares alongside the placing, raising gross proceeds of approximately £235m. The placing (which was not technically an issue of shares for cash) and subscription (which was an issue of shares for cash) were effected at a price of 230p per share, representing a discount of approximately 3.1% to the middle market price of a Company share at the time on 6 May 2020 that the Company agreed the placing and subscription price. The total 102,347,729 new ordinary shares issued pursuant to the placing and related subscription rank pari passu in all respects with each other and the other ordinary shares in issue in the Company.

Major shareholdings

As at 31 December 2020, 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 Limited	66,481,891	10.83%
M&G plc	42,091,624	6.85%
JP Morgan Asset Management Holdings Limited	41,082,956	6.69%
Newton Investment Management Limited	29,583,062	4.82%
J O Hambro Capital Management Limited	25,165,433	4.10%
Tameside MBC re Greater Manchester Pension Fund	18,792,873	3.06%

1 The total number of voting rights attaching to the issued share capital of the Company on 31 December 2020 was 614,086,377.

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

Between 31 December 2020 and 18 March 2021, being the period from the end of the Company's last financial year to the date on which this Directors' Report was approved, the Company was notified under DTR 5 of the following further 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]
Liontrust Investment Partners LLP	30,633,777	4.99%

1 The total number of voting rights attaching to the issued share capital of the Company on 18 March 2021 was 614,086,377.

Directors

The names of the persons who were Directors of the Company at any time during the Company's financial year ended 31 December 2020, together with the periods during which they served as Directors, are:

Director	Period served during 2020
Sir John Armitt CBE	1.01.2020 – 31.12.2020
Jorge Cosmen	1.01.2020 – 31.12.2020
Ignacio Garat	1.11.2020 – 31.12.2020
Chris Davies	1.01.2020 – 31.12.2020
Matthew Crummack	1.01.2020 – 31.12.2020
Mike McKeon	1.01.2020 – 31.12.2020
Dr Ashley Steel	1.01.2020 – 31.12.2020
Karen Geary	1.01.2020 – 31.12.2020
Ana de Pro Gonzalo	1.01.2020 – 31.12.2020
Chris Muntwyler	1.01.2020 – 30.12.2020
Lee Sander	1.01.2020 – 30.12.2020
Dean Finch	1.01.2020 – 31.08.2020
Matt Ashley	1.01.2020 – 3.04.2020

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 2020 and 18 March 2021, 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 2021 AGM); and

(b) in note 37 to the Consolidated Financial Statements, none of the Directors has or had at any time during the year ended 31 December 2020 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 rolling terms subject to the giving by the Company or 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 term 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 as directors 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/about-us/corporate-governance/remuneration, and the proposed new Directors' Remuneration Policy which is set out on pages 104 to 112 of the Directors' Remuneration Report.

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 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 2021 Annual General Meeting and offer themselves for election or re-election. The Board is satisfied that each of the Directors standing for election or re-election at the 2021 Annual General Meeting is qualified for election or re-election to office by their contribution and commitment to the Board for the reasons given on pages 59 to 61 and page 80 of the Corporate Governance 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 2020 and remain in force as at 18 March 2021, 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 billion Euro Medium Term Note (EMTN) programme (as updated on 13 October 2020), 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 30 July 2012) relating to the issue by the Company of €78,500,000 4.55% Senior Notes due 16 August 2021 and 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, which will be granted 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.

Employee matters

Engaging with our workforce and taking their views into account
The Group places considerable value on engagement with its workforce and various mechanisms are used to communicate and engage, from the top down to local level.

The Group Chief Executive Officer and Group Chief Financial Officer personally issue communications to the workforce during the year giving updates on the Group's safety, operational and financial performance and communicating the Company's strategy, risk management procedures and key Group-wide initiatives. The Company's Non-Executive Directors also engage directly with the Group's workforce in the ways described in the Corporate Governance Report on pages 68 and 69.

This personal Board-level engagement is supplemented by regular corporate communications which give updates about the Group's key successes and challenges, such as changes in trading conditions, changes in management structures, business acquisitions and disposals, contract wins and losses, major accidents or incidents, new policies and procedures, new Covid-related health and safety measures, the nominations and winners of the Group Values Awards and other newsworthy events.

Recognising that the Company is the parent of an international group of companies and, as the parent company, employs fewer than 250 employees but, via its Group, employs and engages many thousands of colleagues including employees and other workers, further communication and engagement with the wider Group workforce occurs via the Company's subsidiaries which make up its divisions and which are the direct employers or hirers of such workers. The divisions communicate and engage with their respective workforces through a variety of means, including:

- the regular issue of newsletters, providing information about divisional performance and other matters of interest to colleagues, including operational successes and challenges, patronage trends, new ticketing prices or arrangements, new business partnerships, recent accidents or incidents, and top tips for staying safe;
- one-to-team communications between team leaders and their teams and one-to-one communications between line managers and their direct reports raising awareness of matters covered by corporate communications and newsletters, dealing with team priorities and objectives or dealing with matters relevant to individual colleagues;
- consultation with trade unions where appropriate on matters that affect our employees who are their members, including regarding pay and changes in working practices;
- formal consultation with employees where required in accordance with applicable law, for example where there is a transfer of an undertaking or where certain redundancies are proposed;
- in the case of some divisions, a monthly 'ask the manager' conference call which employees of that division may join to hear an update about its performance in the month and to ask, anonymously if they wish, any questions they have for management; and
- in the case of all divisions, participation in employee engagement surveys, the results of which are shared with the workforce and, in the case of any areas identified for improvement, action plans are developed, supported by local engagement champions.

As explained elsewhere in the Annual Report, during the Covid-19 pandemic the Company and its subsidiaries have further enhanced their communication and engagement with colleagues, including by:

- establishing more forums in which colleagues can ask management questions relating to the pandemic or other matters, for example in the UK bus division a weekly 'Slido' presentation containing all questions asked of, and answers given by, management;
- having even more regular one-to-team and one-to-one meetings with colleagues to keep them updated on the latest operational and safety impacts of the pandemic on the businesses and to generally keep in touch with colleagues working from home and colleagues placed on furlough.

The views of employees and other workers, obtained via these engagement mechanisms, are often taken into account by the Company's Board and its subsidiaries' boards when taking decisions. For example, where employees suggested helpful ways in which the Company and its subsidiaries could improve new working practices and health and safety procedures introduced to manage the impact of the Covid-19 pandemic, those working practices and health and safety procedures were adjusted accordingly. When our UK bus drivers called for more support to encourage more passengers to wear face coverings on our bus services in the West Midlands, we responded by allocating more bus inspectors to encourage our passengers to do so and we liaised with the West Midlands Transport Police so that they also allocated more transport police to enforce UK government mandates on wearing face coverings on public transport.

Involving employees in Company performance

As illustrated on page 64 of the Corporate Governance Report, the Company's Values underpin its strategy and are key to the fulfilment of its Purpose. As such, promotion of those Values and encouragement of every member of the Group's workforce to live by such Values is the most effective way of involving them in the Company's and its Group's performance.

Every year, divisional employees nominate their colleagues for demonstrating behaviours which exemplify the Company's Values. The divisional winners in each Value category are given a cash prize and nominated for the Group Values Awards. The overall winners of the Group Values Awards are chosen at an annual event which brings employees from across the Group's global businesses together to honour and congratulate their achievements. Due to the Covid-19 pandemic, the Group Values Awards was held remotely in 2020 as it was important to still recognise and reward the ways in which our colleagues have gone above and beyond in the call of duty.

The Company does not operate an all employees' share scheme due to the size, nature and geography of the Group's workforce, for many of whose members shares in a UK company would not act as an appropriate reward or incentive. Rather, the Company and its Group place emphasis on fair pay structures across the Group and local bonus schemes to recognise and reward good performance.

Promoting common awareness among employees of financial and economic factors affecting Company performance

Various mechanisms ensure that the management teams across the Group are aware of the Company's strategy and of the financial, economic and other factors which affect the Company's performance and ability to deliver its strategy. These include:

- annual divisional conferences at which the Company's Executive Directors, divisional senior management and other managers attend to discuss the Group's strategy and agree the divisions' priorities to deliver strategy; and
- monthly Group Executive Committee meetings and divisional executive committee meetings, all of which are attended by the Company's Executive Directors, as well as monthly divisional subsidiary board and committee meetings at which strategic priorities are relayed and performance against them is tracked.

Various of the Company and divisional workforce mechanisms described above are also used to relay Company strategy and explain the key factors that affect the Company's performance to other members of the workforce, including those working on the frontline. For example, newsletters discuss patronage levels and ticket prices which are the key financial and economic factors affecting open network services, and one-to-team and one-to-one communications cover costs and performance levels of services which are the key financial and economic factors affecting services performed under contract.

Equal opportunities

The Company and all members of its Group are equal opportunities employers and our Group Equal Opportunities Policy is to treat all employees equally, irrespective of race, gender, disability, age, sexual preference, marital status, employment status, religious or political beliefs and social background.
The Company gives full and fair consideration to disabled applicants for employment having regard to their skills and capabilities, as confirmed in its Recruitment and Selection Policy, as well as recognising its obligations in connection with the continuing employment and training of members of the workforce who have become disabled whilst in the Company's employment. Where an employee becomes disabled, the objective is to retain their services wherever possible. The Company also works to ensure the continued career development of disabled persons including through training and promotion wherever their skills and capabilities permit.

The Company and all members of its Group also promote an environment free from discrimination, harassment or victimisation and a culture in which members of the workforce are able to raise concerns without suffering detrimental treatment. They can do this by speaking with their line managers, any HR team members or via the Company's whistleblowing 'hotline', through which colleagues can raise concerns in confidence and anonymously if they wish. All such concerns raised in good faith are duly investigated and acted upon and, if or where concerns raised are material, those are then reported to the Company's Board of Directors.

Political donations

The Company did not make any political donations or incur any political expenditure during the year ended 31 December 2020 (2019: nil political donations; £7,000 political expenditure). The Company's policy is that neither it nor its subsidiaries make what are commonly regarded as donations to any political party. 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, 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 2021 Annual General Meeting to authorise political donations 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 18 March 2021, 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 2021 Annual General Meeting ('AGM' or 'Meeting') will be held at, and broadcast from, Ashurst LLP, London Fruit & Wool Exchange, 1 Duval Square, London E1 6PW at 2.00pm on Wednesday, 12 May 2021. A separate circular, comprising a letter from the Chairman, 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

The Company is conducting the 2021 AGM as a 'hybrid' meeting as permitted by its Articles of Association adopted at its 2020 AGM. A hybrid meeting would ordinarily give shareholders (or their proxies or corporate representatives) the opportunity to attend and participate in the Meeting both physically and virtually, i.e. electronically without the requirement for physical attendance at the Meeting.

However, in line with the UK government's roadmap out of the current UK national lockdown, it is unlikely that indoor public gatherings will be permitted on the date of the Meeting. Accordingly, we currently expect to hold the Meeting as a 'closed' meeting with physical shareholder presence restricted to two Director shareholders in order to form the necessary quorum. Nevertheless, shareholders will still be able to attend and participate in the Meeting virtually.
Full details on how to vote and attend the Meeting virtually can be found in the Notice of Meeting. Any update to the arrangements for the conduct of the Meeting will be made by market and announcement and communicated via our website: www.nationalexpressgroup.com/investors/agm/2021

Approval

The Directors' Report was approved by the Board on 18 March 2021.

By Order of the Board

Jennifer Myram
Group Company Secretary
National Express Group PLC
Company number 2590560

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), as adopted by 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 United Kingdom Generally Accepted Accounting Practice (combining United Kingdom Accounting Standards and applicable law), 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 includes 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

Chris Davies
Group Chief Financial Officer

18 March 2021