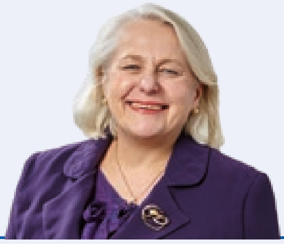
Directors' Remuneration Report Annual Statement by the Remuneration Committee Chair



Jane Kingston
Committee Chair

Primary role

To review and recommend to the Board the framework, policy and practices for remuneration of the Chairman, the Executive Directors and other senior executives, and for implementing the policy.

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 the Executive Directors and Senior Management Group ('SMG') members, with due regard to remuneration and workforce policies and practices existing elsewhere in the Group
- Determine the Chairman's fees
- Oversee administration of the Company's share incentive plans
- Review and monitor the Group's compliance with relevant gender pay reporting requirements
- Appoint independent remuneration consultants

Activity highlights

- Consulted with major shareholders and obtained approval for a new Directors' Remuneration Policy ('Policy')
- Reviewed and determined for the Executive Directors and SMG:
  - salary levels
  - outcomes vs. performance conditions for outstanding incentive plan awards
  - the impact of IFRS 16 on key financial performance metric targets for outstanding and future Long-Term Incentive Plan ('LTIP') awards
  - targets and participation levels for new bonus and LTIP awards
- Reviewed and determined fees for the Chairman
- Considered developments in executive pay and corporate governance

Membership, meetings and attendance

● Meeting attended ○ Meeting not attended

Committee member	Appointed	Meetings attended
Jane Kingston (Chair)[1]	26.02.14	●●●●
Lee Sander[1]	01.06.11	○○●●
Matthew Crummack[1]	06.05.16	●●●●
Dr Ashley Steel[1]	29.01.19	n/a

[1] Independent Non-Executive Director

Other attendees (by invitation) and advice/services provided:

- PricewaterhouseCoopers LLP ('PwC'): independent remuneration and governance advice
- Company Chairman*: input and recommendations relating to the performance and remuneration of the Group Chief Executive
- Group Chief Executive*: input and recommendations relating to strategy and the performance and remuneration of other Executive Directors and SMG
- Group Finance Director, HR Director and Company Secretary*: input and advice relating to financial performance, HR policies and practices, governance and administration

* Does not attend or participate in discussions concerning their own performance or remuneration

Biographical details of the members are set out on pages 56 and 57

Dear fellow Shareholder

On behalf of the Board, I am pleased to present the Remuneration Committee's report for the financial year ended 31 December 2018. The business has continued to build on the strong performance of recent years, despite operating in difficult competitive trading and economic conditions, to again deliver record-breaking results.

The Committee's agenda for the year was another full one as we consulted with major shareholders on the Policy, assessed year end outcomes and approved new awards and targets under the bonus and LTIP, and considered the impact of the new statutory accounting standard IFRS 16 on outstanding LTIP awards. We also began work in response to the new UK Corporate Governance Code ('Code') and secondary legislation coming into force for 2019.

Aligning pay and performance in 2018

2018 was another standout year of achievement for the Group. The financial highlights panel on page 76 shows our strong and balanced outperformance compared with 2017 as we again delivered in excess of plan on all key metrics. The Executive Directors also made significant progress on a number of strategic projects with tangible results, most notably in relation to safety improvements, digital channel delivery and increasing our focus around hubs in large, dense urban areas, all with the aim of continuing our growth trajectory into 2019 and beyond. Additionally, and despite the political uncertainty surrounding Brexit and the turbulence experienced in the London stock market towards the end of the year, our share price proved resolute, outperforming both the FTSE 250 Index and our peer group average during the year. The Board is also recommending a 10% increase in the final dividend, the third consecutive year of this level of increase.

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During the year, we have operated the new Policy to motivate, reward and retain a high quality executive team, under the leadership of Dean Finch, which is continuing to deliver superior performance as it executes on an ambitious strategy.

The Committee has undergone a robust and full assessment of the Group's performance during the year, taking into account both financial and non-financial measures. As part of that, it consulted with the Chair of the Safety & Environment Committee before satisfying itself that:

- as per the revised safety underpin introduced by the Policy (see below), no significant negative event occurred during the year, as a result of a systemic failure of management to put in place and operate effective safety processes, that had a material adverse impact on the reputation of the Company and its share price; and
- the executive team has continued to operate and manage a robust set of safety systems and processes across the Group with an overall year-on-year improvement being delivered.

Accordingly, and given that the threshold targets for both the Group normalised profit before tax ('PBT') and North America normalised earnings before interest and tax ('EBIT') were achieved, the Committee was able to confirm that all the conditions required to be satisfied before any payment can be made under the short and long-term incentive plans had been met. However, the Committee noted the slight year-on-year increase in the Group's absolute Fatalities Weighted Injuries ('FWI') Index score, although on a normalised per million miles operated basis FWI was flat on last year and remains the lowest on record. While disappointing that FWI did not improve again, and that as a result a 10% bonus opportunity was missed for Dean Finch and Chris Davies, it should not detract from the ongoing significant safety investment and commitment of the executive team and the safety performance improvements made throughout the Group during the year, particularly the outstanding performance in North America, as explained in the Safety & Environment Report on pages 70 – 73.

Arising from the above, the following incentive outcomes were approved by the Committee without the exercise of any discretion:

- annual bonuses of between 58-90% of maximum opportunity for 2018, of which a portion will be deferred into shares. These will be paid in March;
- 96.3% of maximum vesting for the 2016 LTIP awards with a three-year performance period ended 31 December 2018. These are due to vest in April 2019; and
- 95.8% of maximum vesting for the legacy 2014 LTIP award held by Dean Finch with a five-year performance period ended 31 December 2018. This is the last of this type of award and is also due to vest in April 2019.

The Committee believes that the high level outturn bonus payments and LTIP vestings fairly reflect the impressive performance of the business and individuals as well as the strong results delivered to shareholders. These include total shareholder return ('TSR') and basic statutory earnings per share ('EPS') growth of 42% and 27% respectively over the past three years and 80% and 140% respectively over the past five years.

Directors' Remuneration Policy review

The Committee reviewed the Policy last year to ensure that the remuneration structure remained fit for purpose in continuing to support the Group's strategic priorities and incentivise the executive team to achieve stretching targets, balanced against the need to be sensitive to shareholder requirements and corporate governance best practice. We consulted on a draft Policy with many of our shareholders, and various shareholder advisory groups, and made a number of refinements as a result of that exercise. The final Policy received over 95% support at the 2018 AGM and it became effective from that date for an intended three-year period. I would like to thank our shareholders for engaging in what was a constructive two-way dialogue during the consultation process. The relationship that exists between the Committee and our shareholders is greatly valued and we will ensure it continues.

During the year, we have operated the new Policy to motivate, reward and retain a high quality executive team, under the leadership of Dean Finch, which is continuing to deliver superior performance as it executes on an ambitious strategy. As can be seen from this year's performance and outturns, I believe the Policy is working and properly aligns the executive team's interests with those of shareholders for the long-term.

We have simplified the Directors' Remuneration Report this year by only including a summary of the Policy in relation to Executive Directors' remuneration. The full Policy, covering both Executive and Non-Executive Directors' remuneration, can be found on pages 74 – 84 of the Company's 2017 Annual Report and on its website at www.nationalexpressgroup.com/about-us/corporate-governance/remuneration.

Directors' Remuneration Report

This Directors' Remuneration Report has been prepared in accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended) ('Regulations'), the Listing Rules and the provisions of the 2016 Code and comprises the following sections:

- Annual Statement by the Remuneration Committee Chair
- Remuneration at a glance – this contains an overview of our remuneration strategy and the performance outcomes of the variable elements of executive remuneration
- Summary of the Directors' Remuneration Policy as approved by shareholders at the 2018 AGM
- Annual Report on Remuneration – this describes the implementation of the Policy and sets out details of payments made to Directors in 2018. This report is subject to an advisory vote by shareholders at the 2019 AGM.

Annual Statement by the Remuneration Committee Chair continued

Remuneration for 2019

The Committee has recently completed its annual review of salary and can confirm that for 2019 the base salary increase for each of the Executive Directors will be 2.8% – this compares to increases in the range of 2-3% for the wider UK workforce during 2018 and as projected for 2019. The Committee believed it was appropriate to award the Directors an increase towards the top of this range to reflect both strong corporate and individual performances.

As reported last year, the Company continues to provide Matt Ashley with an international relocation assistance package in support of his two-year Chicago-based assignment as President and CEO, North America, which expires at the end of August 2019. The estimated gross cost to the Company of his relocation package in 2018 was £434,311. While the Committee is fully supportive of Matt Ashley and believes that such assistance is appropriate in the context of the role he is performing, this package will be subject to review and reduction by the Committee, in line with best practice, in the event his original term assignment is extended.

The Committee undertook a review of the performance targets for the bonus profit metrics for 2018 and determined that it was appropriate to reduce the width of the threshold to maximum range around the target level from +/-10% to +/-5%. The purpose of the change was to more closely reflect the realistic range of outcomes either side of target. In addition, the Committee gave consideration to the fact that the wider range for Group PBT in 2018 could have resulted in a payment being made for a performance below that of 2017 which was not acceptable to the Board.

The structure, performance conditions and award opportunity for the bonus and LTIP arrangements in 2019 will be unchanged and operated as per the 2018 plans, save that in respect of the bonus:

- the FWI safety element (10% opportunity), currently measured on a year-on-year improvement per million miles operated basis, will move to a no-worse than previous year per million miles operated basis. Given the continuing growth in the business and current record low level of FWI, maintaining this performance next year is felt to be a sufficiently demanding challenge; and
- Matt Ashley's profit-related element (50% opportunity) will be based solely on North America EBIT rather than on a mix of Group PBT and North America EBIT. This will now fully align his profit focus with his day-to-day executive responsibilities.

By way of reminder, 2019 will be the first of three consecutive and equal years' reduction in Dean Finch's pension allowance from the Company. This voluntary position offered by him last year will see his allowance reduce to 33.3% of salary in 2019 (from 35% in 2018) and subsequently to 31.6% in 2020 and 30% in 2021.

New accounting standard IFRS 16

During the year, the Committee considered the introduction of the new statutory accounting standard, IFRS 16, replacing IAS 17 'Leases', which applies to the Company from 2019, and its expected impact on the return on capital employed ('ROCE') and EPS performance metric targets attaching to outstanding and future LTIP awards. The Committee decided to neutralise the impact on outstanding awards (i.e. by converting IFRS 16 outturns back to IAS 17) to ensure that participants are neither rewarded nor penalised vis-à-vis the basis on which their awards were originally granted. This decision is consistent with both the advice received by the Committee from PwC, its remuneration consultants, as to expected market practice on this matter and the approach previously taken by the Committee in similar circumstances.

2018 financial performance highlights

GROUP REVENUE
£2.45bn
up 6.9%[1]

NORMALISED PROFIT BEFORE TAX
£220.0m
up 11.3%[1]

STATUTORY PROFIT AFTER TAX
£138.7m
up 8.0%[2]

FREE CASH FLOW
£198.6m
up 35.7%

NORMALISED DILUTED EARNINGS PER SHARE
32.8p[3]
up 13.1%

1 On a constant currency basis
2 On a continuing basis
3 On an IFRS 16 restated basis, this equates to 32.3p

For LTIP awards to be made in 2019, the EPS and ROCE targets will be set with reference to their 2018 outturns, as restated for IFRS 16, and will remain stretching taking into consideration the principal operating and external risks facing the business over the next three years as highlighted on page 40.

Corporate governance developments

The Company complied throughout the year with all remuneration aspects of the 2016 Code. Being cognisant of the new Code and supporting guidance introduced by the Financial Reporting Council ('FRC') in July 2018 which applies to the Company from 2019, the Committee has also been working with management to review our approach to the new Code, in particular in addressing the employee voice and engagement provisions which will form part of a broader Board exercise as how best to consider stakeholder views more generally in its decision-making process. Our review highlighted that we are already compliant with a number of the principles and provisions of the new Code relating to executive remuneration, including:

- a well thought-out and implemented Policy that has a strong link to Group strategy and long-term success;
- appropriate use of judgement and discretion within incentive plans and the Policy;
- phased release and a five-year term (including vesting and holding period) for LTIPs, which apply regardless of whether the Executive remains employed or not;
- consideration by the Committee of workforce pay, including annual salary budgets and awards and oversight of incentive provisions across the Group; and
- full disclosure of the decisions made by the Committee and engagement that has been carried out with shareholders each year.

We will continue our new Code assessment work during this year and implement any extended and/or new processes deemed necessary. While we do not intend to make any structural changes to remuneration in 2019 as we have just undertaken a full review of the Policy, we will continue to monitor market practice and respond appropriately.

The wider workforce environment

I continue to be encouraged by management's commitment to invest in staff at all levels and our commitment to always meet or exceed national minimum standards of employment in each of our business territories, offering pay, terms and conditions that are appropriate to each labour market in which we operate.

As a Committee, we already receive comprehensive information on pay practices and economic conditions across the Group, including on pay increases across the UK, Spain and North America. In addition, we have oversight of the remuneration of all individuals in the Group earning above £100,000 per annum. As part of setting the scene for and contextualising the pay review and decisions of the Committee, we will continue to develop this reporting in 2019 and intend to take into account broader information on workforce pay, policies and practices, including diversity, the gender pay gap and the employee agenda generally.

Gender pay

In line with new UK regulations, we published our first gender pay gap reports in April 2018. They showed an aggregated median gender pay gap of 13.34% and a mean gender pay gap of 4.24% across affected UK employees. We are confident that our gender pay gap is not an issue of equal pay but rather one caused by the imbalance in gender diversity of those occupying senior management positions in the UK. As a business, we are committed to promoting a culture of inclusion and diversity and continue to develop initiatives to attract, retain and engage more women across the business and at all levels. I have always been impressed by the Group's focus on talent and commitment to build long-term leadership capability through its global graduate and apprentice programmes with diversity, in its broadest sense, continuing to be a key objective of our actions in this area.

Further information on our diversity approach at the Board and activity in the business is set out in the Nominations Committee Report on pages 58 and 61.

Committee effectiveness

The Committee's effectiveness and activities formed part of the internal review of Board effectiveness performed for the year. Details of this review are provided in the Effectiveness section on pages 52 and 53. Overall, the Committee continued to operate effectively and to a high standard having delivered on a significant agenda during the year. With a view to strengthening the overall knowledge and experience of the Committee, I am pleased to confirm that Dr Ashley Steel was appointed a Committee member on 29 January this year.

Looking forward

I am comfortable that the Policy now in force continues to support the business strategy and the Committee can operate appropriately within it, using judgement where necessary to assess outcomes and determine awards in the light of performance.

Together with the Board, the Committee welcomes the introduction of the new Code and believes we have a responsibility to embrace it. Accordingly, we will continue our assessment and implementation work in 2019 while also keeping an eye on emerging best practice as it develops, and engage with shareholders as required. We will report against the new Code next year.

I hope you find the information contained in this report helpful and I welcome any comments you may have. I also look forward to receiving your support for the Annual Report on Remuneration at this year's AGM.

Jane Kingston

Jane Kingston
Remuneration Committee Chair
28 February 2019

Remuneration at a glance

Introduction

In this section, we highlight:

- the linkage between our strategic initiatives and the various elements of remuneration being used to drive and incentivise their achievement; and
- the annual bonus and LTIP targets for performance periods ended 31 December 2018, the Company's performance against each of them and the resulting bonus payouts and LTIP vesting levels as a proportion of the maximum opportunity available for the Executive Directors in 2018.

More details can be found in the Annual Report on Remuneration on pages 82 – 99.

Remuneration link to strategy

Our focus is to deliver long-term success for the business and shareholders and we seek to achieve this through various strategic initiatives. These are set out below together with the corresponding element of remuneration targeted to drive and incentivise their achievement.

Strategic initiative	Remuneration element
Revenue growth	– Group normalised PBT or North America normalised EBIT target in the annual bonus plan – EPS target attaching to LTIP awards
Cost efficiency and better margins	– ROCE and TSR targets attaching to LTIP awards
Operational excellence – safety, customers, people and community	– Non-financial goals in the annual bonus plan
Superior cash and returns	– Free cash flow target in the annual bonus plan – ROCE and TSR targets attaching to LTIP awards
Creating new business opportunities	– Non-financial goals in the annual bonus plan

A minimum shareholding requirement of 200% of salary exists for the Group Chief Executive and 150% of salary for the other Executive Directors. This aligns their interests with those of shareholders by focusing them on the execution of the business strategy and the creation of long-term shareholder value.

Principles of remuneration

The Directors' Remuneration Policy is based on the following broad principles set by the Committee:

- provide a competitive remuneration package to attract and retain high quality individuals;
- align remuneration to drive the overall objectives of the business;
- align the interests of the executive team and senior management with those of shareholders; and
- provide the foundation for overall reward and remuneration beyond the specific roles falling within the direct remit of the Committee.

Targets, outturns and payouts for 2018

Annual bonus

Measure	Threshold	Target	Maximum	Actual
Group normalised PBT	£194.1m	£204.3m[1]	£214.6m	£220.0m
North America normalised EBIT	$129.8m	$136.6m[2]	$143.4m	$130.1m[3]
Group free cash flow	£111.5m	£123.9m[4]	£136.3m	£198.6m

1 The Group normalised PBT target was set at £206.3m, due recognition having been given to the underlying normalised PBT of £190m in 2017 (i.e. net of £10.0m of non-recurring items). This was adjusted to £204.3m to reflect foreign exchange rate movements and growth capital profit
2 The North America normalised EBIT target was set at $133.7m. This was adjusted to $136.6m to reflect foreign exchange rate movements and growth in capital profit
3 An internal management charge of £0.7m reduces the actual North America normalised EBIT to an external reported figure of $129.4m
4 The Group free cash flow target was set at £125.6m. This was adjusted to £123.9m to reflect foreign exchange rate movements and growth capital profit

Executive Directors	Bonus maximum opportunity as % of salary	Bonus earned as % of salary: Group normalised PBT	North America normalised EBIT	Group free cash flow	Non-financial measures	Total bonus earned as % of salary[1]	Bonus earned as % of maximum opportunity
Dean Finch Group Chief Executive	200.0%	100.0%	–	50.0%	30.0%	**180.0%**	**90.0%**
Chris Davies Group Finance Director	150.0%	75.0%	–	37.5%	21.0%	**133.5%**	**89.0%**
Matt Ashley President and CEO, North America	150.0%	18.8%	1.1%	37.5%	30.0%	**87.4%**	**58.3%**

1 Part of the bonus earned is subject to a one-year deferral in the form of forfeitable shares in the Company. These shares are not subject to any further conditions except for continued employment

Long-term incentives whose performance period ended on 31 December 2018

2014 five-year LTIP award (Dean Finch only)

Measures	Weighting	Threshold (30% vesting)	Target	Maximum (100% vesting)	Actual	Vesting as % of Maximum
TSR vs. FTSE 250 Index	1/4	Median	–	Upper Quintile	Median to Upper Quintile (Rank 58th of 210)	83.0%
TSR vs. Bespoke Index	1/4	Median	–	≥ Index +10% p.a.	> Index +10% p.a.	100.0%
EPS	1/2	23.3p	–	28.2p	32.8p	100.0%
Total vesting						**95.8%**

2016 three-year LTIP awards (Dean Finch and Matt Ashley)[1]
2017 two-year LTIP Recruitment Incentive Award (Chris Davies only)

Measures	Weighting	Threshold (30% vesting)	Target (50% vesting)	Maximum (100% vesting)	Actual	Vesting as % of Maximum
TSR vs. FTSE 250 Index	1/6	Median	–	Upper Quintile	Median to Upper Quintile (Rank 66th of 221)	77.7%
TSR vs. Bespoke Index	1/6	Equal to Index	–	≥ Index + 10% p.a.	> Index + 10% p.a.	100.0%
EPS	1/3	25.6p	27.1p	29.5p	32.8p	100.0%
ROCE	1/3	9%	10%	12%	12.4%	100.0%
Total vesting						**96.3%**

1 Vested share awards are subject to a compulsory two-year holding period, including post termination of employment

Summary of the Directors' Remuneration Policy

The Directors' Remuneration Policy ('Policy') was approved by shareholders at the AGM on 16 May 2018 and came into effect from that date. It is intended to apply for three years until the AGM in 2021. The full Policy can be found on pages 74 – 84 of the Company's 2017 Annual Report and on its website at www.nationalexpressgroup.com/about-us/corporate-governance/remuneration. A summary of the main features of the Policy, as it applies to Executive Directors' remuneration, is provided in the table below. Details of the remuneration arrangements for the Non-Executive Directors are set out in the Annual Report on Remuneration on pages 91 – 92.

Considerations when setting and determining the Directors' Remuneration Policy

The Remuneration Committee has responsibility for determining the remuneration of the Executive Directors and other senior executives, and the fees of the Company Chairman. Its primary objective when setting Policy is to align remuneration to the long-term success of the business and shareholders, while at the same time enabling the Company to effectively recruit, motivate and retain Executives of the calibre required to lead the business and successfully implement the strategy, but without paying more than is necessary to do so.
To achieve this, the Committee takes into account the responsibilities, experience, 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-related variable pay.

The Committee values investors' views in the process of formulating remuneration policy decisions and also monitors best practice and developments in remuneration trends. It is therefore committed to maintaining strong relationships and an open dialogue with shareholders and shareholder advisory bodies and encourages them to share their thoughts with us.

While the Company does not formally consult with employees on executive remuneration, it does receive regular updates from the Group HR Director and, when setting remuneration for the Executive Directors, the Committee takes note of the overall approach to pay and employment conditions existing elsewhere with the wider workforce in the Group.

Summary of the Directors' Remuneration Policy (as it relates to Executive Directors only)

Element		Policy
Base salary		Salaries are reviewed annually, reflecting the Executive's role, job size and responsibility, and the performance and effectiveness of the individual. Increases will not normally exceed the general employee increase for the country in which the individual is domiciled
Benefits		Benefits provided include: – 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 – Professional membership subscriptions
Pension		The salary supplement in lieu of pension provision represents: – Group Chief Executive: 35% of salary, reducing to 30% in equal annual instalments over three years from 2019 – Other Executive Directors: up to 25% of salary
Annual bonus	**Quantum of award**	The maximum bonus opportunity available is: – Group Chief Executive: 200% of salary – Other Executive Directors: 150% of salary
	Performance metrics	The performance measures which apply to bonus awards are split: – 75% subject to normalised profit and free cash flow targets – 25% subject to non-financial targets
	Deferral requirement	A proportion of the bonus payment is subject to mandatory deferral into shares for one year from award: – 25% of the bonus earned up to 125% of salary – 50% of the bonus earned between 125% and 150% of salary – 75% of the bonus earned above 150% of salary (applicable to the Group Chief Executive only)

Element		Policy
Long-Term Incentive Plan ('LTIP')	**Quantum of award**	LTIP awards can be granted each year in value: – Group Chief Executive: up to 200% of salary – Other Executive Directors: up to 150% of salary in normal circumstances (up to 200% of salary in exceptional circumstances)
	Performance metrics	The three-year financial performance period metrics which apply to LTIP awards are based equally: – 1/3 earnings per share ('EPS') – 1/3 return on capital employed ('ROCE') – 1/3 total shareholder return ('TSR'), split equally between the FTSE 250 comparator group and a bespoke group of competitors
	Vesting at threshold	Achievement of threshold performance results in LTIP shares vesting: – EPS and TSR: 25% of award – ROCE: 0% of award
	Holding period	A compulsory two-year holding period applies (including post termination of employment) to vested LTIP shares
Other features	**Underpin**	The Remuneration Committee has discretion to scale back bonus awards and/or LTIP shares vesting if, as a result of the systematic failure of management to put in place and operate effective safety processes, a significant negative event occurs during the vesting period that has a material adverse impact on both the reputation of the Company and its share price
	Dividend equivalents	Dividend equivalents (in the form of additional shares or cash) are paid on deferred forfeitable shares and can be paid on vested LTIP shares both in respect of the vesting period and during the compulsory holding period
	Malus and clawback	In respect of both the annual bonus and LTIP awards: – Malus provisions apply prior to payments and shares vesting – Clawback provisions apply to payments made and shares vested for a two-year period (including post termination of employment) from payment or vesting
	Shareholding requirement	A minimum shareholding value requirement to be met over a five-year period from the later of 2015 (when the provision was first introduced) and the Executive's date of appointment: – Group Chief Executive: 200% of salary – Other Executive Directors: 150% of salary
New joiners	**Service contracts**	Typically, rolling service contracts with an employer notice period of 12 months will apply (unless exceptional circumstances require a longer period initially, reducing down to 12 months, in order to secure an external recruit)
	Remuneration package	The remuneration package for a new Executive Director can include: – Salary and benefits, including a salary allowance in lieu of a pension provision – Pro-rated participation in the annual bonus plan (unless the commencement date is after 1 September) of up to 200% of salary – Participation in the LTIP with annual award levels of up to 200% of salary (which may be pro-rated depending on the time of appointment) – Reimbursement of costs and outgoings relating to appointment – Where appropriate, 'buy-out' remuneration (in the form of cash and/or shares) on a comparable basis to arrangements being forfeited on leaving a previous employer, taking into account performance conditions and their achievement or likely achievement, the proportion of the performance period remaining and the form of the award
Termination	**Good leavers**	For Executives who leave due to retirement, disability, redundancy, death, sale of part of the Company that employs them, or any other reason that the Remuneration Committee determines: – Salary, pensions and benefits (including untaken annual leave) paid through to date of termination – Bonus eligibility for year of termination – Deferred bonus shares vest on termination – LTIP awards vest on termination or on normal vesting date, as determined by the Remuneration Committee, subject to satisfaction of performance conditions at vesting and normally pro-rated to time
	Other leavers	For Executives who leave for any other reason: – Salary, pension and benefits (including untaken annual leave) paid through to date of termination – No eligibility for bonus in year of termination – Deferred bonus shares and unvested LTIP awards lapse on termination

Annual Report on Remuneration

This Annual Report on Remuneration describes how the Directors' Remuneration Policy ('Policy') was implemented in the financial year to 31 December 2018 and how it will be implemented in the financial year commenced 1 January 2019. The relevant sections of this report have been audited, as required by the Regulations.

1. Remuneration information relevant from 2017 (as previously reported)

(a) Chris Davies: appointment as Group Finance Director on 1 June 2017

Chris Davies joined the Company on 2 May, was appointed an Executive Director on 10 May and became Group Finance Director on 1 June 2017. On appointment, he was granted two Recruitment Incentive Awards ('RIA') under the Long-Term Incentive Plan ('LTIP') in recognition of certain incentives he forfeited on leaving his previous employer. The first RIA, which had a one-year term but subject to the same performance conditions as applied to the three-year LTIP awards granted to Executives in 2015, vested on the first anniversary of grant (i.e. on 10 May 2018). The second RIA, which has a two-year term but is subject to the same performance conditions as apply to the three-year LTIP awards granted to Executives in 2016, is scheduled to vest on the second anniversary of grant (i.e. on 10 May 2019).

(b) Matt Ashley: appointment as President and CEO, North America on 1 September 2017

As part of a career development opportunity for him and a strengthening of the executive team for the Company, Matt Ashley relinquished his role as Group Finance Director, but retained his executive directorship, on 31 May 2017 to take up a two-year term assignment as President and CEO, North America, based in Chicago from 1 September 2017. In order to support him in this role, the Company has provided him (and his family) with a relocation assistance package for the duration of the assignment in line with normal practice for an international relocation at executive level. The following residual elements of the package, which include tax equalisation and exchange rate protection, continue to be available:

- a 10% of salary compensation allowance (to part recognise the loss of household income arising from his spouse's loss of UK employment), occasional return flights to the UK, school fees, rented unfurnished accommodation, company car, medical and travel insurance and tax return preparation assistance; and
- return costs associated with shipping and flights to the UK.

As Matt Ashley is liable to tax on these deemed relocation benefits, the amount paid to him in the year (substantially in the USA), as set out in this report under 'Relocation benefits', is the total grossed-up cost of tax amount (except in relation to the compensation allowance) estimated to be paid by the Company on his behalf. In 2018, this amounted to £434,311 (2017: £337,885, part year only, as adjusted for the actual tax paid by the Company).

Matt Ashley's relocation package will be subject to review and reduction in line with best practice by the Remuneration Committee in the event his original term assignment is extended beyond 31 August 2019.

2. Single total figure of remuneration for Executive Directors

The table below sets out the single total figure of remuneration and breakdown for each Executive Director in relation to the financial year ended 31 December 2018 with comparative figures provided for 2017.

The subsequent tables and information give more detail on how the performance outcomes have been measured with respect to the annual bonus and LTIPs in the context of value created for shareholders.

	2018							
£'000	Base salary	Taxable benefits[1]	Pension allowance	Annual bonus[2]	LTIPs vested[3]	Sub-total	Relocation benefits	**Total**
Dean Finch	630	30	221	1,135	2,187	4,203	–	**4,203**
Chris Davies	359	18	90	479	257	1,203	–	**1,203**
Matt Ashley	359	17	90	314	587	1,367	434[4]	**1,801**

	2017							
£'000	Base salary	Taxable benefits	Pension allowance	Annual bonus	LTIPs vested[5]	Sub-total	Relocation benefits	Total
Dean Finch	615	30	215	1,169	2,196	4,225	–	4,225
Chris Davies[6]	233	12	59	333	126	763	–	763
Matt Ashley	350	18	88	499	561	1,516	338[7]	1,854

1 Taxable benefits comprise a car allowance, private medical insurance and death-in-service and life assurance cover
2 The annual bonus represents the gross bonus declared and to be paid in March 2019 in connection with the performance achieved in 2018. As explained on page 85, part of the bonus will immediately be paid in cash and part will be deferred for one year in the form of forfeitable shares in the Company, subject only to continued employment
3 The LTIP values shown represent the estimated value of shares that are scheduled to vest in April and/or May 2019 arising from a five-year legacy award made to Dean Finch in 2014, a three-year award made to Messrs Finch and Ashley in 2016 and, as referred to in 1(a) above, a two-year RIA made to Chris Davies in 2017. All such awards were based on a 31 December 2018 performance period end and their values have been calculated using a share price of 392.0p, being the three-month average to 31 December 2018. The values also include, in relation to the 2016 awards to Messrs Finch and Ashley and the 2017 award to Chris Davies, the dividend equivalent of 38.125p and 26.61p per share respectively earned during the vesting period on the shares due to vest. These translate to a total dividend equivalent entitlement, to be paid in cash on vesting (as determined on grant), to Dean Finch of £125,777, to Matt Ashley of £52,051 and to Chris Davies of £16,329. The actual value of shares on vesting will be confirmed in next year's report
4 As explained in 1(b) above, Matt Ashley continues to receive an international relocation assistance package to support him (and his family) in his role as President and CEO, North America, based in Chicago, within the terms of his two-year assignment which commenced on 1 September 2017. As he is liable to tax on these deemed relocation benefits, the amount shown as paid to him in the year is the total grossed-up cost of tax amount (except in relation to the compensation allowance) estimated to be paid by the Company on his behalf. Additionally, in respect of the relocation benefits paid to him in the USA during the year, the total amount shown includes the converted value of such benefits based on an exchange rate of $1.3:£1, being the average rate for 2018. The actual grossed-up cost of tax amount paid by the Company in 2018 will be confirmed in next year's report
5 Since last year's LTIP values of vested shares (which included dividend equivalent payments to be made on vesting) were estimated, the figures shown for 2017 in this year's report have been adjusted to reflect the actual vesting date values on 5 March 2018 for Messrs Finch and Ashley for the three-year LTIP (share price of 378.4p), 10 May 2018 for Chris Davies' one-year RIA (share price of 397.6p) and 23 May 2018 for Dean Finch's five-year LTIP (share price of 421.0p). The difference in value is an increase for each Director as follows: £158,005 for Dean Finch, £14,289 for Chris Davies and £20,036 for Matt Ashley
6 The 2017 remuneration for Chris Davies is shown in respect of his period of service during that year (i.e. from 10 May)
7 Since last year's total grossed-up cost of tax amount paid by the Company in relation to Matt Ashley's relocation assistance package was estimated, the 2017 amount and total comparative figure shown have been adjusted by £42,031 to reflect the actual amount paid by the Company for the year

(a) Base salary

As explained in last year's report, the Committee determined that for 2018 the base salaries for each of the Executive Directors would be increased by 2.5%, which was broadly in line with the increase for the UK general workforce. This reflected the excellent financial and operating performance delivered by Dean Finch and supported by his Executives. Accordingly, the base salaries set by the Committee for 2018 were £630,375 for Dean Finch and £358,750 for both Chris Davies and Matt Ashley.

(b) Pensions

In lieu of a pension provision, the Executive Directors receive a pension allowance (gross) which does not qualify as salary or for any other benefit or entitlement. Until 31 December 2018, the Group Chief Executive received an annual allowance of 35% of salary and each of the other two Executive Directors an allowance of 25% of salary.

Under the new Policy approved at the 2018 AGM, and as volunteered by him, Dean Finch's pension allowance will be reduced from 35% to 30% of salary in three equal annual instalments commencing in 2019. Benefits under his previous unfunded pension arrangement ceased to accrue with effect from 5 June 2016.

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(c) Annual bonus

A summary of the 2018 performance-related bonus plan for the Executive Directors is set out below:

Group Chief Executive:

– Maximum opportunity	– 200% of salary
– Target weighting	– 75% financial
	– 25% non-financial (including 18% safety and 7% business development)
– 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 and 7% business development)
– Deferred element	– 25% of bonus earned up to 125% of salary
	– 50% of bonus earned between 125 – 150% of salary

The Committee has full discretion in the payment of annual bonuses. It is a pre-condition to the award of any:

- bonus, that the Committee, in consultation with the Chair of the Safety & Environment Committee, has determined that a significant negative event has not occurred that has 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; and
- financial element of the bonus, that the Group must have achieved at least the threshold level of normalised PBT for the year.

The Committee has reviewed performance against both the financial and non-financial targets attached to the 2018 bonus plan and, in addition, made an assessment of the Group's overall performance in the year.

2018 bonus structure and performance conditions

The following table sets out the structure and performance conditions which attached to the 2018 bonus plan.

Structure	Group Chief Executive (% of base salary)	Other 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 PBT/EBIT	0%	0%	Awarded on achieving threshold level
On-target bonus potential at 100% of budgeted normalised PBT/EBIT	50%	37.5%	Awarded on achieving budget
Stretch bonus for 105% of budgeted normalised PBT/EBIT	**100%**	**75%**	Awarded on achieving a stretch target of 105% of normalised PBT/EBIT
Bonus potential at 90% of budgeted free cash flow	0%	0%	Awarded on achieving threshold level
On-target bonus potential at 100% of budgeted free cash flow	25%	18.75%	Awarded on achieving budget
Stretch bonus potential at 110% of budgeted free cash flow	**50%**	**37.5%**	Awarded on achieving a stretch target of 110% of budgeted free cash flow
Non-financial targets (underpinned by achievement of 95% of budgeted normalised PBT/EBIT)	**50%**	**37.5%**	Awarded on meeting key strategic objectives tailored to each Executive Director's responsibilities

Note

For Dean Finch and Chris Davies, their financial targets are all Group based, including normalised PBT. However, for Matt Ashley, given his current role and responsibilities, his profit target is split 25% Group normalised PBT and 75% North America normalised EBIT and his free cash flow is Group based. This is reflected in the table below.

2018 bonus targets, outturns and awards

The following table sets out the targets, performance outturns and awards in respect of the 2018 bonus plan. No discretion was applied by the Committee in determining the awards.

Measure	Weighting	Threshold	Target	Maximum	Actual	Bonus value achievable between Threshold and Maximum (% of salary)			Actual bonus value achieved (% of salary and/or £'000)		
Financial targets	75%					Dean Finch	Chris Davies	Matt Ashley	Dean Finch	Chris Davies	Matt Ashley
Group normalised PBT		£194.1m	£204.3m[1]	£214.6m	£220.0m	0-100%	0-75%	0-18.8%	100.0%	75.0%	18.8%
North America normalised EBIT		$129.8m	$136.6m[2]	$143.4m	$130.1m[3]	–	–	0-56.2%	–	–	1.1%
Group free cash flow		£111.5m	£123.9m[4]	£136.3m	£198.6m	0-50%	0-37.5%	0-37.5%	50.0%	37.5%	37.5%
Non-financial targets[5]	25%					0-50%	0-37.5%	0-37.5%	30.0%	21.0%	30.0%
Total bonus awarded									180.0% £1,135	133.5% £479	87.4% £314
To be paid in cash									113.8% £717	98.0% £352	65.4% £235
To be deferred in shares									66.2% £418	35.5% £127	22.0% £79

1 The Group normalised PBT target was set at £206.3m, due to recognition having been given to the underlying normalised PBT of £190m in 2017 (i.e. net of £10.0m of non-recurring items). This was adjusted to £204.3m to reflect foreign exchange rate movements and growth capital profit
2 The North America normalised EBIT target was set at $133.7m. This was adjusted to $136.6m to reflect foreign exchange rate movements and growth capital profit
3 An internal management charge of $0.7m reduces the actual North America normalised EBIT to an external reported figure of $129.4m
4 The Group free cash flow target was set at £125.6m. This was adjusted to £123.9m to reflect foreign exchange rate movements and growth capital profit
5 Details of the non-financial targets, and the corresponding performance outturns for each of the Executive Directors, are set out in the summary table overleaf

The cash bonus will be paid, and the deferred bonus award granted, in the form of forfeitable shares in the Company under the rules of the Executive Deferred Bonus Plan ('EDBP'), in March 2019. The forfeitable shares:

- will be calculated based on the Company's average share price for the five business days immediately preceding the date of grant;
- will be held in the Company's Employee Benefit Trust where the beneficial interest is held by, and dividends arising on them are paid to, the Executive Director;
- are not subject to any performance condition and will vest on the first anniversary of grant, subject to continued employment or, in the absence of the same, good leaver status being confirmed under the EDBP; and
- are subject to malus and clawback for a two-year period from the date of grant, including post termination of employment.

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Summary of non-financial bonus targets and corresponding performance outturns for 2018

As set out in the table below, Dean Finch and Chris Davies have been judged against a common set of Group finance and safety objectives, and individual business development objectives. Matt Ashley has been judged against a mixed set of Group and North America based finance and safety objectives, and individual business development objectives. In total, these represent a 25% target weighting of the annual bonus opportunity for each Director. Further information on the Group's safety performance can be found in the Safety & Environment Committee Report on pages 70 – 73.

Based on the below assessment against the objectives set (some of which were shared), the Committee determined that in respect of the non-financial elements of their respective bonuses, the performance of Dean Finch ('DF') warranted a 30% payout of a 50% of salary maximum opportunity, and Chris Davies ('CD') and Matt Ashley ('MA') warranted a 21% and 30% payout respectively of their 37.5% of salary maximum opportunity.

Objectives	Performance
Safety: **Improvement in normalised FWI (per million miles operated)**	**Not achieved: DF/CD** **Achieved in full: MA**
	– **DF/CD** The Group's FWI per million miles operated was flat year-on-year at 0.013 and is therefore still the lowest on record, representing a 74% improvement since Driving Out Harm was launched in 2011. Despite this equal best achievement, which also needs to be seen in the context of a 3% increase in million miles operated in the year, the absence of a year-on-year improvement means that this 10% weighted bonus objective was not met. Nonetheless, the Group's relentless focus and efforts in driving FWI improvement across the business continues unabated, as reflected in the CEO-led 'Target Zero' safety campaign for no responsible fatalities launched during the year and achieved in North America for the first time in five years (see below).
	– **MA** North America achieved an excellent safety performance year, including no responsible fatalities for the first time in five years. As a result, their FWI per million miles operated improved year-on-year by an impressive 37.5% (2017: 0.012 vs. 2018: 0.007). No responsible lost time injuries, a 30% reduction in major injuries and a 6% reduction in minor injuries were also achieved in North America.
Safety: **Improvement in safety systems and processes**	**Achieved in full: DF/CD/MA**
Further improve safety culture through improved safety awareness campaigns	– The CEO-led 'Target Zero' campaign has provided fresh impetus and safety messaging to build on the Driving Out Harm platform. The simplicity of message has really been effective in underscoring individual responsibility. The campaign has been rolled out across all divisions and features prominently in our internal communications and in all new employee induction training.
Complete implementation of a single system in each business to capture all driver-related complaints and comments	– Each of our businesses now has in place a single system for collating driver-related complaints and comments. In North America, their system access has been extended to the school districts and Bus Report (iCaseworks) has now been fully implemented. The UK centralised its customer complaints management into the Customer Contact Centre mid-2018 with a single team now responsible for analysis and reporting. The UK will move to iCaseworks, as will ALSA, during the first half of 2019.
Continued roll-out of Lytx DriveCam (the incident alert and driver monitoring system provided by an on-board camera) and Master Driver programme consistent with our 2020 plan	– Over 10,000 more vehicles have been fitted with Lytx DriveCam during the year. In total, over 2,400 vehicles have now been fitted in the UK, 15,000 in North America and some 1,000 in Spain. In the UK (where coaching effectiveness has improved by 16% and poor driver behaviour has reduced by 23%), the fit-out will be completed in 2019. In North America (where, at the 35 CSCs that DriveCam has been installed for more than a year, the average risk score has improved by 58% and coachable events per event recorder by 66%), the fit-out will be completed by 2020. – Our Master Driver programme continues to gain strength aligned with the 2020 plan: there are now 531 Master Drivers in the UK, 105 in Spain, 177 in Morocco and 114 in Bahrain. In North America, work on the Master Driver programme is being linked to enhanced driver evaluation and will be further developed in 2019.
Progress implementation of standard operating procedures in maintenance	– Significant progress has been made in each division with the implementation of standard operating procedures in line with our World Class Maintenance concept. Seven Global Maintenance Standards have now been introduced in all territories.
Improve management of speeding and distracted driving behaviours	– Continuous speed monitoring technology is in place in all divisions and, whilst the technology is still being refined, significant reductions in speeding events have been achieved. Monitoring of speeding and managing events is now a matter of day-to-day routine for our local General Managers. GPS has been fitted to 97% (2,388) of the vehicles in Spain (where automated speed monitoring of 92% of ALSA drivers is now possible). In North America, speed monitored occurrences are 25.4% lower than in December 2017. – In UK bus and North America school bus we are currently trialling systems which control the speed of the vehicle to see whether this has the potential to prevent speeding. In North America and the UK, we launched an awareness campaign to reduce violations of our mobile device policy and enforced a zero-tolerance approach to all such violations. Matt Ashley has shown very strong safety leadership in the business in 2018, which has supported the Group's performance improvements as explained above. As well as personally championing the Target Zero campaign in North America, he has promoted targeted safety incentives, initiatives and investments in additional resources and enhanced safety systems and processes across the business in the region. This has included the roll-out and introduction of digital technology, such as Lytx DriveCam, speed reporting and management, driver oversight and risk profiling tools, all of which will help improve safety and drive down costs. The financial benefits, as well as the human ones, are already beginning to come through in North America.

Objectives	Performance
Business development:	**Achieved in full: DF** **Achieved in part: CD/MA**
Deliver strong growth in North America through continued acquisition strategy and tackling profitability issues in the on going business	– **DF/MA** North America grew revenue by 8.0% in constant currency in 2018 (largely driven by acquisitions offsetting the adverse impact of bad weather in Q1 and Q4) and added $7.8m in operating profit in a tough year. A targeted programme of profit protection measures helped to offset the pressures of higher driver wages (an area of increasing focus in 2019) and maintenance costs, where increased investment has driven a much better operating performance. Details of the seven acquisitions made in the year can be found in the North America business review on pages 25 – 27.
Drive faster passenger and revenue growth, ensuring we exploit modal and adjacent sales opportunities from our business units	– **DF/MA** We drove passenger and revenue growth in the year with Group revenue increasing by 6.9% in constant currency (5.6% reported) to £2.45bn underpinned by growth in each of North America, ALSA and the UK. In North America, organic performance was boosted by strong delivery from our recently acquired businesses. In the UK, revenue finished above prior year due to core passenger growth, the Stewarts Coach acquisition and the securing of the Jaguar Land Rover contract. In ALSA, revenue was up €84.9m on prior year with growth in regional, urban and long haul, and acquisitions making a strong contribution. Adjacencies were also developed in Morocco with a network increase in Tangiers, growth in Marrakech and Khourigba and the winning of the €1bn (lifetime revenue) joint venture contract in Rabat.
Build on our 2017 claims defensibility work to better manage risk across the business	– **DF/MA** We have continued to hold monthly updates on the claims defensibility programme with our primary focus again being on North America where we have traditionally had the biggest risks. We have made significant progress. This is reflected in the average cost per incident being 22% lower than in 2017, the estimated cost of our Top 10 incidents being 50% lower than in 2017 and no individual motor vehicle claim received against the Group in the year being greater than $0.5m – an unprecedented achievement.
Effectively utilise digital and technological opportunities to both drive further productivity across the business and improve our customer centricity and ease of use	– **DF/CD/MA** We have made continued good progress in the year in utilising digital and technological opportunities to both drive further productivity across the business and improve our customer centricity and ease of use. Examples of these benefits include: • contactless rollout in the UK, which helps with customer centricity; • the successful launch of new on-board electronic ticketing machines in our Dundee fleet (which improves both speed and ease of use) and a performance improving UK bus App, with a UK coach App scheduled to be launched in Q1 2019 to help improve their booking system; • the development of a Motor Coach application in North America (within the Compass system) to support the booking and efficient operation of our motor coach services; and • load factor improvements in Spain and UK coach, and the acceleration of journey times in UK bus.
Improve our strategic positioning in existing and new markets so that we end 2018 stronger than when we started it	– **DF** Our strategic position in existing markets has been strengthened by our contract growth, acquisitions and focus on digital. UK coach digital revenue has been assisted by increased yield from price optimisation, third party revenue from partners and digital marketing driving website traffic. The increase in activity is putting National Express further at the forefront of our customers' mind for consideration of mode of transport. ALSA has enjoyed a strong set of digital marketing results – achieving at the same time a 38% reduction in cost for paid search. UK bus also delivered strong digital growth, up 8.6% on sales in December. – We significantly strengthened our position in key markets through acquisitions and contract wins. We completed 11 acquisitions during the year: seven in North America, three in ALSA and one in the UK. Our position in Morocco has also been strengthened with the development of the Rabat contract. We have laid the foundation for further growth in 2019 with a strong pipeline of potential deals under evaluation at the end of the year. We have continued to keep a watch on new markets and there is potential to enter new territories in 2019. – We are also strengthening our strategic positioning by: (i) the customer services work we are driving in North America where we are investing in the short-term to drive margin improvements in the long-term, and (ii) our further diversification into transit in North America and away from long haul in Spain, the latter being the reason for three targeted acquisitions completed in Spain this year, namely, Argabus, Cal Pita and BC Tours.
Improve and harmonise the accounting and control environment across the Group	– **CD** He successfully introduced the challenging new accounting standards, IFRS 9, 15 and 16, across the Group in a consistent and coherent manner, particularly leading on the IFRS project review and minimalisation impact. On the people side, he changed the structure of the Group Finance team, splitting senior roles and changing personnel (both through internal reorganisation and external recruitment) to better align with key finance streams and strengthen the overall control environment across the Group.
Complete thorough due diligence on 2018 acquisitions and carry out post integration reviews of 2017 acquisitions to ensure returns are being maximised	– **CD** He up-weighted the Group Investment Panel process to improve the level of financial due diligence ahead of 2018 acquisitions. A best practice template document for financial due diligence was developed and issued. He led the evaluation of all prior year acquisitions and presented the results to the Board demonstrating average 15% returns.

Annual Report on Remuneration continued

Objectives	Performance
Business development: (continued)	**Achieved in full: DF** **Achieved in part: CD/MA**
Improve the commercial delivery of Group finance, including reviewing the scope for shared services, upgrading talent in the team, and evolving the effectiveness of Investor Relations	– **CD** He successfully restructured Group finance and related activities within his responsibilities to better focus on business performance and accounting and control. He has reconstituted the finance leadership team across the Group and led the drive for cash delivery, creating new working capital facilities. He personally undertook more than 80 investor meetings in 2018, reinstating the profile of the Group in front of North American, Spanish and German investors, prompting one investor to rate a meeting with Chris as "amongst the top five meetings we have had with a Finance Director".
Complete an end-to-end global review of costs for IT, Legal and Risk, and embed improved governance processes	– **CD** He completed an inaugural end-to-end Group cost review of the IT function, identifying both restructuring and cost saving opportunities in North America and the UK. The Legal and Risk end-to-end reviews were started but not completed in the year due to changes in personnel, they will now be undertaken in 2019. On governance, Chris co-led the Group profit protection planning exercise in conjunction with Group Procurement.
End the year net positive on bus count through contract renewal and new contract wins with contract retentions/wins at least at hurdle rate margins	– **MA** With regard to the bid season, the Group ended net negative on bus count, partly due to our 'up-or-out' rate plan driven by the need to increase rates above consumer price inflation in many contracts to maintain profitability.
Deliver talent uplift programme to build the future capabilities of the business	– **MA** He has made progress on talent uplift during the year but there is further work to be done in 2019. A total of 74 management hires (General Manager or above/senior management) were made in the year across Transit, School Bus, Maintenance and Corporate.

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

LTIP vesting in 2019

LTIP awards granted in 2014, 2016 and 2017 to the Executive Directors are scheduled to vest in April and/or May 2019 as the respective five, three and two-year performance measurement periods relating to them ended on 31 December 2018. Details of the performance conditions attaching to the awards, and the extent to which they have been met are set out below. No discretion was applied by the Committee in determining the awards.

2014 five-year LTIP award (Dean Finch only)[1]

Performance condition	Weighting	Threshold (30% vesting)	Maximum (100% vesting)	Actual	Percentage vesting
TSR vs. FTSE 250 Index	1/4	Median	Upper Quintile	Median to Upper Quintile (Rank 58th of 210)	83.0%
TSR vs. Bespoke Index[2]	1/4	Median	≥ Index + 10% p.a.	> Index + 10% p.a.	100.0%
EPS	1/2	23.3p	28.2p	32.8p	100.0%
Total vesting					**95.8%**

1 This is the last of the five-year LTIP legacy awards made to Dean Finch
2 Comprising three comparator companies, namely: FirstGroup plc, Stagecoach Group plc and Go-Ahead Group plc

2016 three-year LTIP awards (Dean Finch and Matt Ashley)
2017 two-year LTIP Recruitment Incentive Award (Chris Davies only)

Performance condition	Weighting	Threshold (30% vesting)	Target (50% vesting)	Maximum (100% vesting)	Actual	Percentage vesting
TSR vs. FTSE 250 Index	1/6	Median	–	Upper Quintile	Median to Upper Quintile (Rank 66th of 221)	77.7%
TSR vs. Bespoke Index[1]	1/6	Equal to Index	–	≥ Index + 10% p.a.	> Index + 10% p.a.	100.0%
EPS	1/3	25.6p	27.1p	29.5p	32.8p	100.0%
ROCE	1/3	9%	10%	12%	12.4%	100.0%
Total vesting						**96.3%**

1 Comprising three comparator companies, namely: FirstGroup plc, Stagecoach Group plc and Go-Ahead Group plc

For TSR measures, straight-line vesting will occur between threshold and maximum levels of performance. For EPS and ROCE measures, straight-line vesting will occur between threshold and target, and between target and maximum levels of performance.

Vesting details

In relation to Dean Finch, he was granted:

- in 2014 a five-year LTIP award in the form of a nil cost option over 204,520 shares. As 95.75% of the performance conditions have been met, 195,827 of these shares are scheduled to vest on 9 April 2019; and
- in 2016 a three-year LTIP award in the form of a nil cost option over 342,641 shares. As 96.28% of the performance conditions have been met, 329,906 of these shares are scheduled to vest on 6 April 2019.

In relation to Matt Ashley, he was granted in 2016 a three-year LTIP award in the form of a nil cost option over 141,797 shares. As 96.28% of the performance conditions have been met, 136,526 of these shares are scheduled to vest on 6 April 2019.

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In relation to Messrs Finch and Ashley and their respective 2016 three-year LTIP share vesting:

- as committed to by the Remuneration Committee at the time of grant, they will each receive a cash payment (gross) equivalent to the total dividend paid by the Company on the number of vested shares during the vesting period, amounting to £125,777 and £52,051 respectively; and
- the vested shares are subject to a compulsory two-year holding period and malus and clawback applies for two years from the date of vesting, including post termination of employment. The Executives are also entitled to receive cash dividend equivalent payments on the vested shares during the holding period while the options remain unexercised.

In relation to Chris Davies, he was granted in 2017 a two-year RIA in the form of a nil cost option over 63,735 shares. These were granted with the same performance conditions as attached to the 2016 three-year LTIP awards (as above). As 96.28% of the performance conditions have been met, 61,366 of these shares are scheduled to vest on 10 May 2019. As committed to by the Committee at the time of grant, he will also receive a cash payment (gross) equivalent to the total dividend paid by the Company on the number of vested shares during the vesting period, amounting to £16,329. The vested shares are not subject to a holding period, but malus and clawback apply.

LTIP awards made in 2018

The tables below set out details of the LTIP awards granted to the Executive Directors in 2018. Vesting will be determined according to the achievement of the performance conditions shown over the three-year financial period ending 31 December 2020.

Three-year LTIP awards

Dean Finch

Grant date	Number of shares awarded	Award type	Award amount	Face value of award[1] £'000	Percentage vesting at threshold performance	Performance period	Performance conditions
03.04.18	325,775	Nil cost option[2]	200% of salary	1,261	TSR and EPS: 30% ROCE: 0%	01.01.18 – 31.12.20	TSR, EPS and ROCE – see below

Chris Davies and Matt Ashley

Grant date	Number of shares awarded	Award type	Award amount	Face value of award[1] £'000	Percentage vesting at threshold performance	Performance period	Performance conditions
03.04.18	139,050	Nil cost option	150% of salary	538	TSR and EPS: 30% ROCE: 0%	01.01.18 – 31.12.20	TSR, EPS and ROCE – see below

1 The face value of the award has been calculated by multiplying the number of shares awarded by the share price at the time of grant. The relevant share price was 387.0p on 29 March 2018, this being the closing share price on the last business day preceding the date of grant. For Dean Finch, the face value represented 200% of his then annual salary and for Messrs Davies and Ashley it represented 150% of their then respective annual salaries

2 A portion of the award has been granted in the form of an approved market-value Company Share Option Plan ('CSOP') option (over shares with a face value of £30,000), with an exercise price of 387.0p per share, aligned with the requirements of Schedule 4 to the Income Tax (Earnings and Pensions) Act 2003

Performance conditions attaching to three-year LTIP awards

Performance level	EPS (1/3 of award)	ROCE (1/3 of award)	TSR vs. FTSE 250 Index (1/6 of award)	TSR vs. Bespoke Index[1] (1/6 of award)	Percentage of award vesting
Below threshold	Less than 31.5p	Below 9%	Below Median	Below Index	0%
Threshold	31.5p	9%	Median	Equal to Index	EPS and TSR: 30% ROCE: 0%
Target	33.3p	10%	–	–	EPS and ROCE (only): 50%
Maximum	36.3p or above	12% or above	Upper Quintile	≥ Index + 10% p.a.	100%

1 Comprising three comparator companies, namely: FirstGroup plc, Stagecoach Group plc and Go-Ahead Group plc

For TSR measures, straight-line vesting will occur between threshold and maximum levels of performance. For EPS and ROCE measures, straight-line vesting will occur between threshold and target, and target and maximum levels of 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. The Remuneration Committee has determined that dividend equivalents will be payable in cash on vested shares over the vesting period and during the holding period while the option remains unexercised.

Indicative vesting levels for other outstanding LTIP awards

The table below sets out the indicative vesting levels for other outstanding LTIP awards assuming their respective performance conditions had been tested through to 31 December 2018 (without making any allowance for pro rata reduction for any period of time that is less than the length of the performance period).

LTIP award year/type	EPS		ROCE		TSR vs. FTSE 250 Index		TSR vs Bespoke Index[1]		
Performance condition	Weighting	Vesting	Weighting	Vesting	Weighting	Vesting	Weighting	Vesting	**Total (max 100%)**
2017 three-year LTIP	1/3	71.4%	1/3	100.0%	1/6	44.3%	1/6	100.0%	**81.2%**
2018 three-year LTIP	1/3	44.4%	1/3	100.0%	1/6	100.0%	1/6	100.0%	**81.5%**

1 Comprising three comparator companies, namely: FirstGroup plc, Stagecoach plc and Go-Ahead Group plc

Executive Deferred Bonus Plan

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

- which vested on 8 March 2018 and related to the one-year deferred element of the bonus for the financial year ended 31 December 2016; and
- which were granted on 8 March 2018 and related to the deferred element of the bonus for the financial year ended 31 December 2017. These shares, which have a one-year deferred period, are scheduled to vest on 8 March 2019. Dividends paid by the Company on these shares during the deferred period have been passed to the Executives as per their entitlement.

Executive Director		As at 1 January 2018	Vested 8 March	Granted 8 March	Lapsed	As at 31 December 2018	Market price at date of vesting	Date of grant	Date of vesting
Dean Finch	2017	91,838	91,838	–	–	–	393.9p	08.03.17	08.03.18
	2018	–	–	119,939	–	119,939	–	08.03.18	08.03.19
Chris Davies	2018	–	–	24,708	–	24,708	–	08.03.18	08.03.19
Matt Ashley	2017	31,503	31,503	–	–	–	393.9p	08.03.17	08.03.18
	2018	–	–	37,021	–	37,021	–	08.03.18	08.03.19

Forfeitable share awards in the Company relating to the one-year deferred element of the bonus declared for the financial year ended 31 December 2018 (see page 85) will be granted to the Executive Directors in March 2019, subject to the rules of the EDBP and continued employment only, and will ordinarily vest on the first anniversary of grant. Dividends paid on these shares during the deferred period will be passed on to the Executives. These awards are subject to malus and clawback for a two-year period from the date of award, including post termination of employment.

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 year:

Non-Executive Director	**2018 £'000**	2017 £'000
Sir John Armitt CBE (Chairman and Nominations Committee Chair)	**246**	240
Jorge Cosmen (Deputy Chairman)	**53**	52
Joaquín Ayuso[1]	**53**	52
Matthew Crummack	**53**	52
Jane Kingston (Remuneration Committee Chair)	**64**	62
Mike McKeon (Audit Committee Chair)	**64**	62
Chris Muntwyler (Safety & Environment Committee Chair)[1]	**64**	62
Lee Sander (Senior Independent Director)[1]	**61**	59
Dr Ashley Steel	**53**	52

1 A travel allowance of £4,000 is payable to overseas-based Directors for attendance at each Board meeting or other Board-related matters held outside their continent of residence. For 2018, the allowances paid were as follows: Joaquín Ayuso £4,000, Chris Muntwyler £8,000 and Lee Sander £20,000

Annual Report on Remuneration continued

With effect from 1 January 2018:

- the Committee determined that the Chairman's fee would increase by 2.5% to £246,000 p.a. to align with market median fee levels for FTSE 250 top half companies; and
- the Board determined that the Non-Executive Directors' base fee would increase by 2.5% to £52,800 p.a., the Senior Independent Director's fee would increase by 13% to £8,500 p.a. and the Committee Chair fee (excluding Nominations) would increase by 10% to £11,000 p.a. These changes were made to ensure that the fees payable reflect the role, responsibilities and market median rates for these positions.

Payments to past Directors
There were no payments made to past Directors during the year.

Payments for loss of office
There were no payments made for loss of office to any former Director during the year.

4. Statement of Directors' shareholdings

Executive Directors' interests and share ownership guidelines
In order to align the interests of the Executive Directors more closely with those of shareholders, the Executive Directors are encouraged to build up and retain a shareholding in the Company over a five-year period from 2015, or their respective date of appointment if later, as set out in the Policy on page 81. The shareholding target for the Group Chief Executive is shares to the value of 200% of salary and for the other Executive Directors is 150% of salary.

The beneficial and non-beneficial interests of the Executive Directors and their connected persons, and details of their outstanding LTIP interests, as at 31 December 2018 are shown below:

	Shares held directly			Other share interests	
Executive Director	Shareholding target (% salary)	Shareholding value at 31 December 2018 (% salary)[1]	Beneficially owned	Forfeitable shares held under the EDBP	Outstanding LTIP awards subject to performance conditions
Dean Finch	200%	222%	254,683[2]	119,939	1,222,163
Chris Davies[3]	150%	29%	3,000	24,708	354,382
Matthew Ashley	150%	168%	124,278[2]	37,021	434,927

1 The 31 December 2018 share price of 374.0p per share 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 2018
2 The shares beneficially owned by Messrs Finch and Ashley include 182,283 and 75,877 shares respectively representing the net of tax LTIP vested shares which remain subject to a residual holding period which commenced on 5 March 2018 (the original date of vesting) and continues through to 5 March 2020 (the expiry of the compulsory two-year holding period, including post termination of employment)
3 Chris Davies' required shareholding level applies to the five-year period commencing from his date of appointment on 10 May 2017

The Appendix on page 99 provides more information on all outstanding LTIP awards held by the Executive Directors.

Non-Executive Directors' share interests

Non-Executive Directors are not subject to the share ownership guidelines or a specific shareholding requirement. Details of their interests in shares and those of their connected persons as at 31 December 2018, all of which are held beneficially, are shown below:

Non-Executive Director	As at 31 December 2018
Sir John Armitt CBE	6,000
Joaquín Ayuso	–
Jorge Cosmen[1]	69,237,515
Matthew Crummack	2,696
Jane Kingston	5,100
Mike McKeon	10,000
Chris Muntwyler	–
Lee Sander	1,000
Dr Ashley Steel	15,416

1 Jorge Cosmen's holding includes shares held by European Express Enterprises Ltd which are shown on page 103 in the list of substantial shareholders in the Company

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 the Company's ordinary shares at 31 December 2018 was 374.0 pence (2017: 380.9p) and the range during the year then ended was 344.6 pence to 422.2 pence per share.

Changes since year end

There have been no changes in Directors' shareholdings between 31 December 2018 and the date of this report.

5. History of CEO's pay

The table below sets out the total remuneration delivered to the Group Chief Executive over the last ten years, valued using the methodology applied to the single total figure of remuneration:

Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	**2018**
Group Chief Executive	R Bowker[1]	D Finch	D Finch	D Finch	D Finch	D Finch	D Finch	D Finch	D Finch	**D Finch**
Total remuneration (£'000)	465	1,356	1,454	1,701	1,553	1,562	3,661	3,887	4,225	**4,203**
Annual bonus payment (as % of maximum opportunity)	0%	100%	100%	100%	95%	93%	96%	83.5%	95%	**90%**
LTIP vesting level achieved (as % of maximum opportunity)	n/a	n/a[2]	n/a[2]	32.5%	0%	0%	73.4%	80.8%	86.9%	**96%**

1 R Bowker resigned on 10 July 2009
2 During each of 2010 and 2011, Dean Finch did not have an entitlement to any LTIP awards with attaching performance conditions whose final year of performance ended during that year

6. Comparison of overall performance

2018 was another standout year of achievement for the Group with revenue, profits and free cash flow up significantly on 2017, beating the budgeted normalised PBT by 7%. This excellent result, underpinned by a strong and sustainable free cash flow, has merited the Board's recommended 10% increase in the full year dividend for the third year in a row.

In 2018, across the Group, we carried 15 million more commercial passengers than 2017. We also saw significant development in our digital capabilities throughout the Group with our retailing, pricing and operational content all improving.

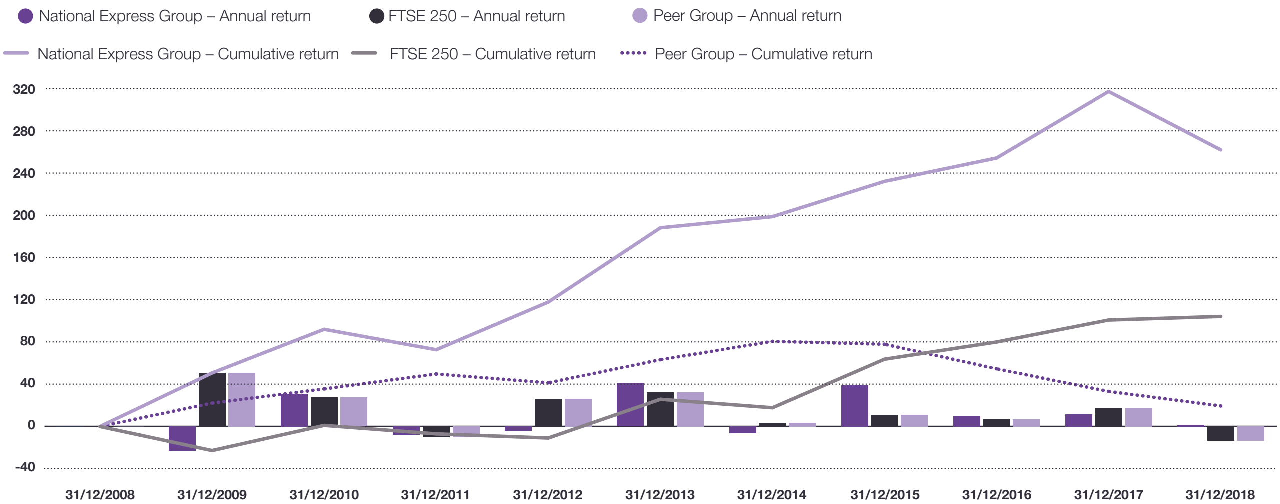
Group revenue increased by 6.9% in constant currency to £2.45bn with growth contributions coming from North America (8.0%), ALSA (11.2%) and UK coach (5.4%). Our organic performance was boosted by strong delivery from recently acquired businesses. The Group completed 11 acquisitions in the year: seven in North America, three in ALSA and one in the UK. ALSA enjoyed its best ever financial performance with EBIT growth of 11% on a reported basis and UK coach also delivered strong organic growth of 7%. Group operating profit grew 7.7% in constant currency with growth in all divisions and the operating margin increasing from 10.4% to 10.5%. Group EBITDA exceeded £400m for the first time, meaning that the loss of the entire UK rail business at its peak has now been more than offset.

Altogether, 2018 was another year of record-breaking results and sector-leading performance.

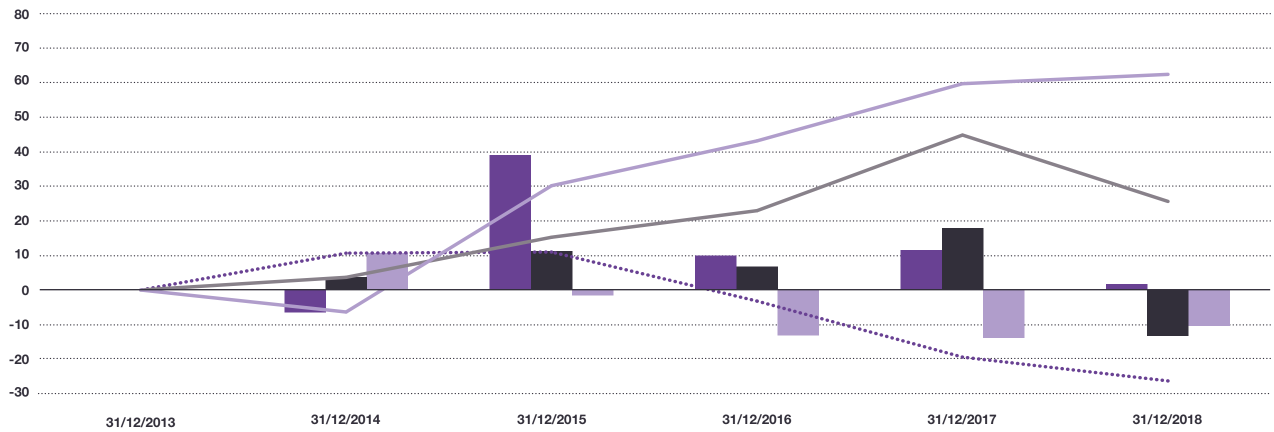
Annual Report on Remuneration continued

The three graphs below show 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 (comprising peer group companies) over a ten-year, five-year and three-year period. The FTSE 250 Index has been selected as the Company is a constituent of that Index and it is therefore considered to be the most appropriate benchmark for comparative purposes. As can be seen from the graphs, the Company has significantly outperformed both indices over all three time periods.

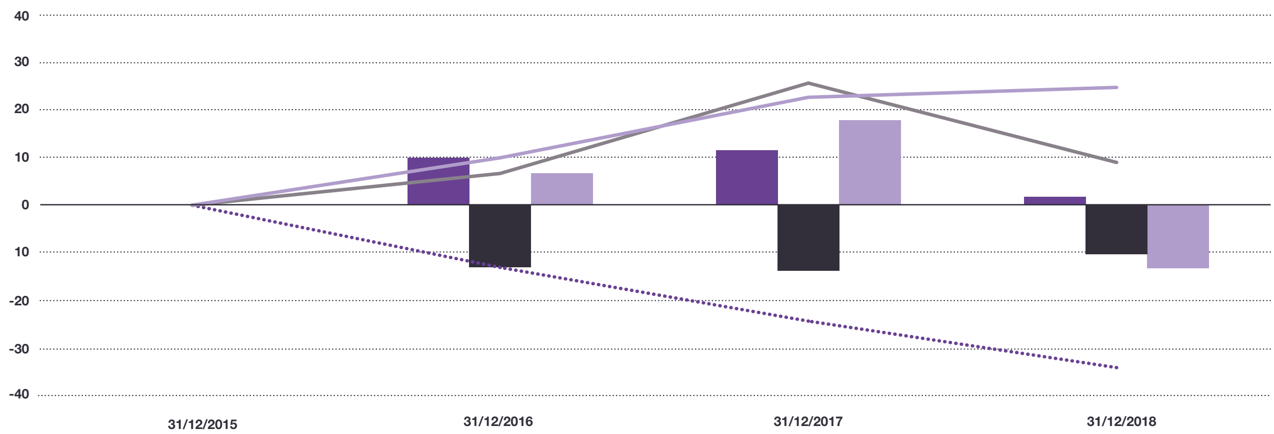
Shareholder returns: ten-year history



Shareholder returns: five-year history



Shareholder returns: three-year history



7. The context of pay in National Express Group

The following table sets out the change in certain elements of remuneration paid to the Group Chief Executive from 2017 to 2018 compared with the average percentage change of the UK employee population.

The Group Chief Executive's remuneration, disclosed in the table below, has been calculated to take into account base salary, taxable benefits and annual bonus (including any amount deferred) on the basis used for determining the single figure. The UK employee remuneration is based on the base salary, taxable benefits and annual bonus of those UK employees who received taxable benefits and bonuses. The Group uses the UK workforce as an appropriate comparator group for the average employee as this avoids complicated exchange rate adjustments that would otherwise have to be used if we included employees from the Group's overseas operations in the calculation.

Comparator persons or group	Average percentage increase/(decrease) from 2017 to 2018		
	Base salary	Taxable benefits	Performance-related bonus
Group Chief Executive	2.5%	0%	(2.9)%
UK employees	2.3%	(7.2)%	3.1%

8. Relative importance of the spend on pay

The table below sets out the total spend on pay in 2018 and 2017 compared with distributions made to shareholders:

Measure	**2018 (£m)**	2017 (£m)	Increase from 2017 to 2018 (%)
Overall Group spend on pay including Directors	**1,260.9**	1,161.6	8.5%
Profit distributed by way of dividend	**70.8**	64.7	9.4%

9. Statement of implementation of current Directors' Remuneration Policy in 2019

(a) Executive Directors' base salaries

The Committee determined that the base salary for the Group Chief Executive and each of the Executive Directors would be increased by 2.8% with effect from 1 January 2019, broadly in line with the UK workforce increase of 2 – 3% over the past 12 months and projected for 2019. In doing so, the Committee recognised the strong financial and operational performance delivered by Dean Finch, supported by his executive team, in 2018 and their strong individual performance.

Accordingly, the annual base salaries of the Executive Directors in 2019 are:

Executive Director	Base salary (gross)
Dean Finch, Group Chief Executive	£648,000
Chris Davies, Group Finance Director	£368,800
Matt Ashley, President and CEO, North America	£368,800

(b) Pensions

In accordance with the Policy, and as volunteered by Dean Finch, his pension allowance will be reduced from 35% to 30% of salary in three equal annual tranches commencing in 2019. Therefore, he will receive a 33.3% of salary pension allowance in 2019. Each of the other Executive Directors will receive a 25% of salary allowance.

Annual Report on Remuneration continued

(c) Annual bonus

The annual bonus for the 2019 financial year will be structured and operate for all Executive Directors on the same basis as the arrangements in place during 2018 (as set out on page 84), save that:

- in respect of normalised FWI, which represents a 10% non-financial bonus opportunity, the present year-on-year improvement requirement per million miles operated, will move to a 'no-worse than previous year' requirement. Given the continuing growth in the business and the increased miles operated, and the FWI improvements already made, it is felt that maintaining the current record low level of FWI next year will be a sufficiently demanding challenge; and
- for Matt Ashley, in respect of his 50% profit-related bonus opportunity, the present metric split of 25% Group normalised PBT and 75% North America normalised EBIT will move to be a 100% North America normalised EBIT metric in order to fully align this bonus element with his day-to-day executive responsibilities.

When setting the bonus targets for 2019, the Committee has taken into account;

- the Board's challenging three-year strategy to 2021 and the first-year expectations within that strategy;
- the Group's approved budget and operating plan for 2019;
- stock market consensus for 2019;
- the non-recurring items included in the 2018 results which will need replacing in 2019;
- increased pricing pressures and competition in the UK, Spain and North America; and
- the focus of responsibilities of the Executive Directors.

Targets will be set on a basis consistent with accounting measures (i.e. without reference to exceptional items).

The Committee will set calibrated targets for the bonus measures and intends to disclose actual performance against these in next year's Annual Remuneration Report. As a matter of commercial sensitivity, the Committee has decided not to disclose bonus performance targets in advance although, given its strategic importance to the Group, 18% (2018: 18%) of the 25% non-financial bonus opportunity will continue to be based on safety objectives: 10% on normalised FWI (as above) and 8% on improving safety systems and processes (as current).

(d) Long-Term Incentive Plan awards

LTIP awards in 2019 are proposed to be granted in line with the normal annual award levels contained in the Policy. Accordingly, awards with attaching performance conditions will be made to the value of 200% of salary to the Group Chief Executive and 150% of salary to the other Executive Directors.

The performance condition metrics, weightings and vesting levels for the 2019 awards will be as set out in the table below. The EPS and ROCE targets have been set with reference to their 2018 outturns, as restated for IFRS 16, and remain stretching taking into consideration the principal operating and external risks facing the business over the next three years as highlighted on page 40.

Performance condition	Weighting	Threshold (25% vesting EPS and TSR, 0% vesting ROCE)	Target (50% vesting)	Maximum (100% vesting)
TSR vs. FTSE 250 Index	1/6	Median	–	Upper Quintile
TSR vs. Bespoke Index[1]	1/6	Equal to Index	–	≥ Index + 10% p.a.
EPS	1/3	35.3p	37.4p	39.0p
ROCE	1/3	8%	9%	11%

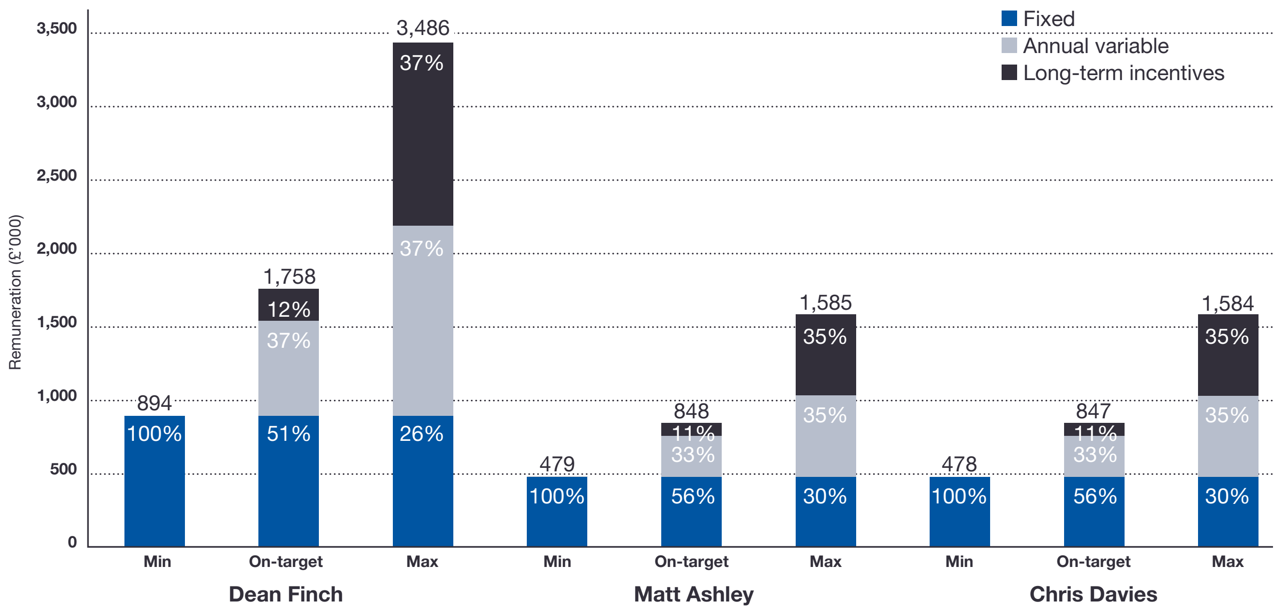
1 Comprising three comparator companies, namely: FirstGroup plc, Stagecoach Group plc and Go-Ahead Group plc

Performance for each element will be measured over the three-year financial period ending 31 December 2021; vesting shares 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 the option remains unexercised.

For TSR measures, straight-line vesting will occur between threshold and maximum levels of performance. For EPS and ROCE measures, straight-line vesting will occur between threshold and target, and target and maximum levels of performance.

10. Total remuneration opportunity at various levels of performance

Our aim is to ensure that superior awards are only paid for exceptional performance, with a substantial proportion of the Executive Directors' remuneration payable in the form of variable pay. The charts below illustrate the remuneration opportunity provided to each Executive Director at different levels of performance for 2019.



The elements of remuneration have been categorised into three components: (i) Fixed; (ii) Annual variable; and (iii) Long-term incentives, which are set out in the future policy table below.

Element	Descriptions
Fixed	– Latest base salary, pension allowance and benefits
Annual variable	– Performance-related annual bonus (including deferred element)
Long-term incentives	– LTIP award

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

- Salaries are those set as at 1 January 2019
- Benefits are those paid in 2018 (but excludes relocation costs for Matt Ashley)
- LTIP awards are granted at the normal annual level under the Policy
- Minimum performance level assumes fixed pay only and no variable payments
- On-target performance level assumes performance in line with the Company's expectations, resulting in threshold LTIP vesting and 50% of maximum annual bonus payout. While the bonus plan has targets for threshold, on-target and maximum, the LTIP only has targets for threshold and maximum for some metrics. The value shown above for the On-target level includes the values for On-target bonus and threshold LTIP performance
- Maximum performance level assumes an outstanding level of performance (i.e. maximum annual bonus and full LTIP vesting)
- Share price appreciation is ignored.

Annual Report on Remuneration continued

11. Non-Executive Directors' fees

With effect from 1 January 2019, and to ensure that the annual fees paid reflect the current roles, responsibilities and market median rates for the positions held, the Committee has determined for the Chairman and the Board has determined for the other Non-Executive Directors that:

– the Chairman's fee (all inclusive) would be increased by 2.8%* or £7,000 p.a.;
– the Non-Executive Directors' base fee would be increased by 2.8%* or £1,500 p.a.;
– a Committee Chair's fee would remain unchanged; and
– the Senior Independent Director's fee would be increased by £1,500 p.a.

* The same level of increase as awarded to the Executive Directors in respect to their base salary for 2019 (see above)

Accordingly, the annual fees of the Chairman and Non-Executive Directors in 2019 are:

Role	Fees (gross)
Chairman (including as Chair of the Nominations Committee)	£253,000
Non-Executive Director (base fee)	£54,300
Committee Chair (excluding Nominations Committee)	£11,000
Senior Independent Director	£10,000

In addition, a travel allowance of £4,000 will continue to be payable to those overseas-based Directors for each Board meeting or other Board-related matters they attend outside their continent of residence.

12. Historical results of voting on the Annual Report on Remuneration and the Directors' Remuneration Policy

The votes cast on the resolution seeking approval of the Annual Report on Remuneration at the 2018 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 2017 (advisory vote only)	94.7	5.3	1,401,575

The votes cast on the resolution seeking approval of the Directors' Remuneration 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: PricewaterhouseCoopers ('PwC')

During the year, the Committee received remuneration and governance advice from PwC, its external remuneration consultants. Apart from some input received on benchmarking roles below Board level for pay review purposes, and advice received in relation to tax, internal audit support and deal delivery, PwC has no other connection with the Group. PwC has voluntarily signed up to the Remuneration Consultants Group Code of Conduct. The Committee is satisfied that the advice it receives from PwC is objective and independent. For the financial year under review, PwC received fees of £66,801 in connection with its work for the Committee.

14. Dilution

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

Appendix

The table below sets out the share awards granted to Executive Directors under the rules of the Company's 2005 LTIP, as amended (through to 2014) and the 2015 LTIP (since 2015) which either vested during 2018 or remain outstanding as at 31 December 2018:

LTIP award year/type	Date of grant	Awards held at 01.01.18	During 2018 Granted	During 2018 Exercised	During 2018 Lapsed	Awards held at 31.12.18	Scheduled vesting/ Exercise date[1]	Latest exercise date[1]
Dean Finch								
LTIP 3-year	11.06.15	356,303	–	344,544[2]	11,759	–	05.03.18	05.03.20
LTIP 3-year (Approved CSOP)[5,9]	11.06.15	9,526	–	–	9,526	–	05.03.18	05.03.20
LTIP 3-year	06.04.16	342,641	–	–	–	342,641	06.04.19	06.04.21
LTIP 3-year	18.04.17	341,476	–	–	–	341,476	18.04.20	18.04.22
LTIP 3-year	03.04.18	–	325,775	–	–	325,775	03.04.21	03.04.23
LTIP 3-year (Approved CSOP)[6,9]	03.04.18	–	7,751	–	–	7,751	03.04.21	03.04.23
LTIP 5-year	23.05.13	257,973	–	189,222[3]	68,751	–	23.05.18	23.05.19
LTIP 5-year	09.04.14	204,520	–	–	–	204,520	09.04.19	09.04.20
Total		**1,512,439**	**333,526**	**533,766**	**90,036**	**1,222,163**		
Chris Davies								
LTIP 1-year (RIA)	10.05.17	31,867	–	30,814[4]	1,053	–	10.05.18	10.05.20
LTIP 2-year (RIA)	10.05.17	63,735	–	–	–	63,735	10.05.19	10.05.21
LTIP 3-year	10.05.17	143,403	–	–	–	143,403	10.05.20	10.05.22
LTIP 3-year (Approved CSOP)[7,9]	10.05.17	8,194	–	–	–	8,194	18.04.20	18.04.22
LTIP 3-year	03.04.18	–	139,050	–	–	139,050	03.04.21	03.04.23
Total		**247,199**	**139,050**	**30,814**	**1,053**	**354,382**		
Matt Ashley								
LTIP 3-year	11.06.15	142,902	–	138,186[2]	4,716	–	05.03.18	05.03.20
LTIP 3-year	06.04.16	141,797	–	–	–	141,797	06.04.19	06.04.21
LTIP 3-year	18.04.17	145,752	–	–	–	145,752	18.04.20	18.04.22
LTIP 3-year (Approved CSOP)[8,9]	18.04.17	8,328	–	–	–	8,328	18.04.20	17.04.22
LTIP 3-year	03.04.18	–	139,050	–	–	139,050	03.04.21	03.04.23
Total		**438,779**	**139,050**	**138,186**	**4,716**	**434,927**		

1 Awards vesting under the 2015 LTIP are subject to a two-year compulsory holding and exercise period which run concurrently from the date of vesting
2 Share price on exercise was 390.34 pence
3 Share price on exercise was 420.88 pence
4 Share price on exercise was 407.78 pence
5 Exercise price is 314.9 pence per share
6 Exercise price is 387.0 pence per share
7 Exercise price is 366.1 pence per share
8 Exercise price is 360.2 pence per share
9 All LTIP awards are granted in the form of nil cost options save for LTIP approved CSOP awards which are granted as a market value share option with an exercise price per share as set out above. LTIP approved CSOP awards are aligned with the requirements of Schedule 4 to the Income Tax (Earnings and Pensions) Act 2003 and can be exercised by way of set-off against any shares vesting under the corresponding LTIP award

By Order of the Board

Jane Kingston
Remuneration Committee Chair
28 February 2019