Background information about the Directors' Remuneration Policy

The Directors' Remuneration Policy (the 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 to 84 of the Company's 2017 Annual Report and on its website at www.nationalexpressgroup.com/about-us/corporate-governance/remuneration.

Annual Report on Remuneration

This Annual Report on Remuneration describes how the Policy was applied in the financial year to 31 December 2019, and how it will be applied in the financial year commenced 1 January 2020. The single total figure of remuneration tables and information in this Report about the vesting and award of LTIPs and the statement of Directors' shareholdings and share interests have been audited, as required by section 498(1)(c) of the Companies Act 2006.

1. Background remuneration information (as previously reported in 2018, and updated for developments in 2019)

(a) Chris Davies' appointment as Group Finance Director

Chris Davies joined the Company on 2 May 2017, was appointed as an Executive Director on 10 May 2017 and became the Group Finance Director on 1 June 2017. On appointment as an Executive Director, he was granted two Recruitment Incentive Awards (RIA) under the Company's 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 was 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 had a two-year term but was subject to the same performance conditions as applied to the three-year LTIP awards granted to executives in 2016, vested on the second anniversary of grant (i.e. on 10 May 2019), so in the year under review, and is referred to where appropriate in the remaining sections of this report.

(b) Matt Ashley's appointment as President and CEO, North America

Matt Ashley relinquished his role as Group Finance Director, but retained his executive directorship, on 31 May 2017 to take up a two-year assignment as President and CEO, North America, based in Chicago from 1 September 2017. In order to support him in this role, the Company provided him (and his family) with a relocation assistance package (including tax equalisation and exchange rate protection) for the duration of the assignment in line with normal practice for an international relocation at executive level. Mr Ashley's assignment came to an end during the year under review, on 31 August 2019, at which time he (and his family) returned to the UK and he assumed, in addition to his continuing executive directorship, the role of Group Business Development Director.

In respect of the eight months of the year ended 31 December 2019 during which Mr Ashley was performing his role as President and CEO, North America, he continued to receive certain elements of his relocation assistance package, including a compensation allowance equal to 10% of salary (to part recognise the loss of household income arising from his spouse's loss of UK employment) and reimbursement of the costs of rented unfurnished accommodation, rented company car, US medical and travel insurance and occasional return flights to the UK. In addition, the Company reimbursed the costs of Mr Ashley's (and his family's) flights and shipping costs on their return to the UK following the end of his assignment. As Mr Ashley is liable to tax on these deemed relocation benefits, the amount paid to him in the year, as set out in this Report under 'Relocation benefits', is the total grossed-up of cost of tax amount (except in relation to the compensation allowance) paid by the Company on his behalf. In 2019, this amounted to £227,828 (2018: £434,311).

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 who served during the financial year ended 31 December 2019 (with comparative figures provided for 2018).

The subsequent information and tables give more detail on various elements of the Executive Directors' remuneration, including how the Committee measured the performance outcomes with respect to the annual bonus and LTIPs and if and how they exercised discretion in relation to such outcomes.

£'000		Base salary	Taxable benefits[1]	Pension allowance	Sub-total	Annual bonus[2]	LTIPs vested[3]	Sub-total	Relocation benefits	Total
Dean Finch	**2019**	**648**	**32**	**216**	**896**	**1,296**	**1,538**	**2,834**	**–**	**3,730**
	2018	630	30	221	881	1,135	2,302[5]	3,437	–	4,318
Chris Davies	**2019**	**369**	**14**	**92**	**475**	**553**	**646**	**1,199**	**–**	**1,674**
	2018	359	18	90	467	479	268[5]	747	–	1,214
Matt Ashley	**2019**	**369**	**14**	**92**	**475**	**306**	**656**	**962**	**228[4]**	**1,665**
	2018	359	17	90	466	314	617[5]	931	434[6]	1,831

1 Taxable benefits comprise the gross of tax value of car allowance, private medical insurance and death-in-service and life assurance cover. The increases and decreases in value of such taxable benefits in 2019 (vs. 2018) are attributable to the different costs to the Company of private medical and life assurance cover

2 The annual bonus represents the gross bonus declared and to be paid in March 2020 in connection with the performance achieved in 2019. As explained on page 109, a proportion of the bonus will be paid in cash immediately and a proportion will be deferred for one year in the form of forfeitable shares in the Company and will vest thereafter, subject to continued employment or, if earlier, termination of employment if good leaver status is confirmed

3 The 2019 LTIP values shown represent the estimated value of shares that are scheduled to vest in April 2020 arising from three-year awards made to Messrs Finch, Davies and Ashley in April and May 2017. All such awards were based on a three-year performance period ended on 31 December 2019 and their values have been calculated using a share price of 450.135p (being the three-month average to 31 December 2019). The values also include the dividend equivalent of 41.94p per share earned during the vesting period on the shares 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 £131,089, to Chris Davies of £55,051 and to Matt Ashley of £55,953. The actual value of vested shares will be confirmed in next year's report

4 As explained in paragraph 1(b), Matt Ashley continued to receive, for part of the year under review, a relocation assistance package to support him (and his family) in his role as President and CEO, North America, in accordance with the terms of his two-year assignment which ended on 31 August 2019. As Mr Ashley is liable to tax on these deemed relocation benefits, the amount shown as paid to him in the year is the estimated total grossed-up of cost of tax amount (except in relation to the compensation allowance) 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 $1.276:£1, being the average rate for 2019

5 Since the 2018 LTIP values of vested shares (which included dividend equivalent payments to be made on vesting) were estimated in last year's report, the figures shown for 2018 in this year's report have been adjusted to reflect the actual vesting date values on 12 April 2019 for Messrs Finch and Ashley for their three-year LTIPs and for Mr Finch's last legacy five-year LTIP (share price of 414.0p) (which vesting date was deferred from the respective scheduled vesting dates of 8 April 2019 (for the three-year LTIPs) and 9 April 2019 (for the five-year legacy LTIP) due to the Company being in an ad hoc prohibited dealing period from 5 April 2019 until the close of business on 11 April 2019), and 10 May 2019 for Mr Davies' two-year LTIP (RIA) (share price of 410.8p). The difference in value is an increase for each Director as follows: £115,310 for Dean Finch, £11,420 for Chris Davies and £30,268 for Matt Ashley

6 The actual total grossed-up of cost of tax amount paid by the Company in relation to Matt Ashley's relocation assistance package in 2018 has been confirmed as equal to the amount estimated in 2018

(a) Base salary

As explained in the 2018 Annual Report on Remuneration, the Committee determined that Executive Directors' base salaries would be increased by 2.8% with effect from 1 January 2019, which increase was broadly in line with that awarded to the Company Group's wider UK workforce. The Executive Directors' salary increases reflected the strong financial performance of the Group and the solid individual performances of each of the Executive Directors. Accordingly, the base salaries set by the Committee for 2019 were £648,000 for Dean Finch and £368,800 for both Chris Davies and Matt Ashley.

(b) Pensions

In lieu of pension contributions, the Executive Directors receive a pension allowance (gross) which does not qualify as salary for the purpose of any other benefit or entitlement. In the year to 31 December 2019, the Group Chief Executive received an annual allowance of 33.3% of salary and each of the other two Executive Directors received an allowance of 25% of salary. As volunteered by him, Mr Finch's pension allowance will reduce further in 2020 to 31.6% of salary and the other Executive Directors will continue to receive allowances of 25% of salary. Benefits provided to Mr Finch under his previous unfunded pension arrangement ceased to accrue with effect from 5 June 2016.

(c) Annual bonus

(i) Summary of 2019 bonus structure

A summary of the structure of 2019 performance-related bonuses for Executive Directors is set out in the table below:

Group Chief Executive

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

Other Executive Directors

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

It is a pre-condition to the award:
- of any element of the bonus that the 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 (the safety underpin); and
- of all other elements of the bonus that the Group must have achieved at least the threshold level of normalised profit before tax for the year (the financial underpin).

The Committee has reviewed the Group's financial performance, safety performance and the Executive Directors' personal performance against the financial and non-financial targets to which the Executive Directors' 2019 bonus opportunities were subject in determining the outcome of such bonus opportunities.

(ii) 2019 bonus performance conditions

The following table sets out performance conditions attached to the Executive Directors' 2019 bonus opportunities:

Structure	Chief Executive Director (% 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 potential at 105% of budgeted normalised PBT/EBIT	100%	75%	Awarded on achieving stretch target
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 stretch target
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
The financial and non-financial targets attached to Mr Finch's and Mr Davies' 2019 bonus opportunities all related to the Group's performance, including Group normalised PBT and Group free cash flow. As Mr Ashley performed two different roles during 2019, the first eight months as President and CEO, North America and the last four months as Group Business Development Director, the profit-related target attached to his 2019 bonus opportunity was split as to 8/12ths North America EBIT and 4/12ths Group PBT, the free cash flow target was Group based and the non-financial targets were a mixture related to both his roles. This is reflected in the outcomes table on the next page

(iii) 2019 bonus targets, outturns and awards

The following table sets out the targets, performance outturns and awards in respect of Executive Directors' 2019 bonuses:

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		£211.0m	£222.1m[1]	£233.2m	£240.0m	0%-100%	0%-75%	0%-25%[5]	100%	75%	0%
North America normalised EBIT		$133.0m	$140.0m[2]	$147.0m	$157.0m[3]	–	–	0%-50%[5]	–	–	25.5%
Group free cash flow		£117.9m	£131.0m[4]	£144.1m	£178.7m	0%-50%	0%-37.5%	0%-37.5%	50%	37.5%	37.5%
Non-financial targets[7]	25%					0%-50%	0%-37.5%	0%-37.5%[6]	50%	37.5%	20%
Total bonus awarded									200% £1,296	150% £553	83% £306
To be paid in cash									59% £769	71% £392	75% £230
To be deferred in shares									41% £527	29% £161	25% £76

1 The original Group normalised PBT target was set at £222.1m. This was adjusted to £219.0 million to reflect foreign exchange rate movements and underspend in relation to growth capital profit

2 The original North America normalised EBIT target was set at $140.0 million. This was adjusted to $141.4 million to reflect growth capital profit

3 A number of internal adjustments to the reported North American result reduced normalised EBIT for these purposes to $141.5 million. These adjustments included the reversal of the impact of IFRS 16 and the exclusion of the credit on revaluing the WeDriveU put liability

4 The original Group free cash flow target was set at £131.0 million. This was adjusted to £127.6 million to reflect foreign exchange rate movements and underspend in relation to growth capital profit

5 As Mr Ashley's two-year assignment as President and CEO, North America came to an end on 31 August 2019 and he assumed the new role of Group Development Director, 8/12ths of his bonus opportunity in relation to profit measures was allocated to North American normalised EBIT and the remaining 4/12ths was allocated to Group normalised PBT. However, due to the short time in his Group Development Director role, there was no award of the 4/12ths of bonus opportunity related to Group normalised PBT

6 Similarly, in view of Mr Ashley's performance of two roles in the year, 8/12ths of his bonus opportunity in relation to non-financial targets was allocated to North American strategic targets and the remaining 4/12ths was allocated to Group related strategic targets. However, due to the short time in his Group Development Director role, there was no award of bonus opportunity for the Group-related strategic targets

7 Details of the non-financial targets, and the corresponding performance outturns for each of the Executive Directors, are set out on pages 110 to 112

No discretion was applied by the Committee in determining the Executive Directors' bonus awards.

The cash element of the bonus award will be paid, and the deferred element of the bonus award will be granted in the form of forfeitable shares in the Company under the rules of the Executive Deferred Bonus Plan (EDBP), to Executive Directors in March 2020. 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 which in turn holds the beneficial interest in them on trust for the Executive Directors and accounts to the Executive Directors for dividends paid on such shares while held in trust;
- are not subject to any performance conditions and will vest on the first anniversary of grant subject to continued employment, or on earlier termination of employment provided good leaver status is confirmed; and
- are subject to malus and clawback for a two-year period from the date of grant, including post termination of employment.

(iv) Summary of non-financial bonus targets and corresponding performance outturns for 2019

As noted above, Executive Directors' non-financial bonus targets represent 25% of their respective annual bonus opportunities and the Committee determined that both Dean Finch and Chris Davies merited the maximum payout of this opportunity and Mr Ashley merited a payout equal to 20% of salary out of a maximum 37.5% of salary opportunity. Further details of the non-financial targets, their individual weightings and the Executive Directors' performance as assessed against them are set out on pages 110 to 112.

Dean Finch's and Chris Davies' non-financial bonus targets comprised a series of Group related objectives aimed at delivering the Group's overall strategy and/or managing its risk, relevant to their respective roles. Matt Ashley's non-financial bonus targets comprised a mixture of safety and strategic objectives relevant to the North America business in respect of the eight months of the year he served as President and CEO, North America. He was treated as having the same Group related non-financial bonus objectives as Mr Finch in respect of the four months of the year in which he served as Group Business Development Director.

Objective	Performance assessment
Dean Finch, Chris Davies and Matt Ashley – safety – deliver a year-on-year Fatalities and Weighted Injuries (FWI) Index score for the Group on a per million mile basis for 2019 at least as good as the 2018 FWI Group score (DF/CD: 10% of 25% /MA 4/12ths of 10% of 25%)	**DF/CD: Achieved in full (10% out of 10%) / MA: No award in view of short time in Group role** The Group's FWI score – measured on a per million mile basis – improved significantly in 2019 reducing by more than half (-54%). The combination of there being zero responsible fatalities in the year and fewer major and lost time injuries meant that the Group achieved its best ever FWI score.
Matt Ashley – safety – deliver a year-on-year Fatalities and Weighted Injuries (FWI) Index score for North America on a per million mile basis for 2019 at least as good as the 2018 FWI North America score (8/12ths of 10% of 25%)	**MA: Achieved in full (8/12ths of 10% out of 10%)** North America's FWI score – measured on a per million mile basis – also improved significantly in 2019, reducing by more than a quarter (-28.6%). North America also achieved its second consecutive year of no responsible fatalities.
Dean Finch, Chris Davies and Matt Ashley – safety – improvement in Group systems and processes (DF/CD: 8% of 25%/ MA 4/12ths of 8% of 25%)	**DF/CD: Achieved in full (8% out of 8%) / MA: No award in view of short time in Group role**
Continue the development of driver oversight and driver risk profiling	Throughout 2019, the Group has continued to improve its driver oversight and driver risk profiling via the Global Safety Policies becoming further embedded throughout the Group's divisions. This has resulted in an overall reduction during the year in the number of drivers categorised as high risk.
Progress the implementation of the vehicle fire action plan	Good progress has been made with the vehicle fire action plan in the year, with the number of vehicle fires in 2019 reducing to more than half the number in 2018. The Group's UK bus business achieved 12 months without a vehicle fire (having suffered an average of six a year in the previous five years).
Complete the DriveCam fitment programme consistent with the 2020 rollout plan	DriveCam fitment in 2019 has continued in accordance with the 2020 roll-out plan, with the entire UK fleet, the majority of the North American fleet and part of the ALSA fleet now fitted. In addition, DriveCam risk scores have improved across the Group by 34%, including as a result of reductions in seven out of eight of the most prevalent risky driving behaviours. Legal challenges with fitment of DriveCam remain in Canada and one US State, which the Group continues to work through to seek to find a solution.
Progress fatigue monitoring in UK coach and evaluate whether there is a wider application	Having tested different systems during 2019, the Group's UK coach division has selected 'Seeing Machines' technology, which will now be rolled out across the UK coach fleet in 2020. The Group's US school bus and motor coach businesses are also in the process of testing alternative systems which may present a better solution for wider application and a decision will be made in 2020.
Improve the management of speeding	Continuous speed monitoring, via various different technologies, is in place across each of the Group's divisions and local managers assess driver speeding as a matter of routine.
Matt Ashley - safety – improvement in NA systems and processes (8/12ths of 8% of 25%)	**MA: Achieved in full (8/12ths of 8% out of 8%)**
Continue the development of driver oversight and driver risk profiling	The North American business' implementation of the Group's driver oversight and driver risk Global Safety Policies resulted, in 2019, in the creation of driver safety scorecards for all drivers, the holding of over 20,000 driver coaching sessions and the coaching of over 94,000 DriveCam coaching events. This intensive oversight has contributed to the North America business', and the Group's, excellent safety performance.
Progress the implementation of the vehicle fire action plan	During 2019, some vehicles in the North American fleet suffered thermal events which were thoroughly investigated, and a number of steps have been taken by the North America business to further embed the vehicle fire action plan, including training of maintenance technicians to detect causes of fires, training of drivers on the role they can play in preventing fires and clarification of supervisors' responsibilities.
Complete the DriveCam fitment programme consistent with the 2020 roll-out plan	In North America alone, DriveCam has now been fitted to over 21,000 vehicles in accordance with the 2020 roll-out plan, with the only exceptions being the fleet in Canada and in one US State where legal challenges remain that the Group is working to overcome.
Improve the management of speeding	Continuous speed monitoring takes place in the North America business.
Integrate new businesses into our safety programmes and apply our Standard Operating Procedures	As part of due diligence on acquisitions, safety audits of acquisition targets are undertaken and gap analyses are performed to identify any gaps between their processes and our safety systems. Post acquisition, action plans have been developed and are being implemented to close those gaps and all management teams of acquisition targets are given training in the Group's safety systems.
Continue to monitor and improve DoT compliance ratings	Daily monitoring of compliance takes place with interventions made wherever appropriate to ensure a continued high level of compliance.
Reinforce driver accountability as the next step in the Target Zero campaign	Drivers continue to be held to account for failures to comply with the Group's safety policies and procedures, including via termination of employment wherever appropriate.

Objective	Performance assessment
Dean Finch and Matt Ashley – other strategic or risk management objectives (DF: 7% of 25%/ MA 4/12ths of 7% of 25%)	**DF: Achieved in full (7% out of 7%) / MA: No award in view of short time in Group role**
Drive year-on-year passenger and revenue growth in all business units	There has been passenger growth across the Group (5.1%) and in every business unit, including ALSA (12.8%) and UK coach (5%). Passenger growth in the UK bus business has been the fastest of any UK city region. Revenue has also grown across the Group (10.2%) and in every business unit, with particularly strong growth in Germany (33.6%), ALSA (11.7%) and North America (11.1%), and the UK seeing steady growth (3.9%).
Build and develop talent throughout the Group	Multiple initiatives in 2019 have served to develop talent, including extending the NX Network, facilitating more cross-divisional talent moves, strengthening partnerships with universities, focusing on diversity and inclusion and continuing to build the strength of the Group's management, including by a programme of changing out underperforming managers, and to develop succession plans for high potential individuals.
Retain key customer contracts at acceptable returns	A number of key contracts were retained by the Group in 2019, including the North America transit business' two largest contracts (at improved margins and on larger shares of revenues), a number of strategically important concessions in Spain and a key airport contract in the UK (each at acceptable returns). Contracts retained in the North America school bus business achieved an average 5.9% price increase. Contracts retained in Morocco, coupled with significant new contract wins, have tripled the size of the Group's business in the country and are expected to deliver healthy returns.
Drive an effective M&A strategy	The Group completed nine acquisitions in 2019, strengthening its position in its chosen markets. These included the acquisition of a majority stake in WeDriveU (facilitating the Group's entry into the fast-growing US corporate shuttle market), four other acquisitions in the USA, three in Spain, including one in the Canary Islands (marking the Group's entry into this new, attractive market) and one in the UK (enabling the Group to establish its new accessible transport business – NEAT). The Group's disciplined approach to M&A has ensured that these, and previous, acquisitions deliver returns in excess of the Group's target rate.
Deliver Standard Operating Procedures in North America and improve on-time performance in North America	Projects undertaken by the Group's Delivering Excellence team and North America Operations Improvement team in 2019 have resulted in the development, testing and roll-out of 33 new Standard Operating Procedures across the North America school bus business. A suite of new KPIs, including on-time performance, are being used to track their effectiveness and an improvement in on-time performance can be seen. The SOPs have also created and are starting to deliver significant cost saving opportunities.
Implement effective strategies to reduce Group risk	A number of risk reduction strategies have been employed by the Group in 2019, including its safety strategies (from embedding the Group's new Global Safety Policies to the trial and further deployment of new and existing safety technologies, resulting in the Group's best ever safety performance and ability to manage its insurance and claims costs in an increasingly hard environment), its new cyber security strategy (designed to achieve enhanced protection through consistent application of new policies and practices across the Group) and its general improved approach to risk management, using the three lines of defence model.
Continuously implement and refine the Group strategy to enhance our position in chosen markets	For the purpose of refining both the three-year strategy and vision to 2030, a comprehensive analysis was undertaken of our market positioning and market potential and 10 key strategic goals were identified, against which good progress has been made, including through diversification, organic growth and M&A.
Chris Davies – other strategic or risk management objectives (7% of 25%)	**CD: Achieved in full (7% out of 7%)**
Complete thorough due diligence on 2019 acquisitions and carry out post integration reviews of 2018 acquisitions to ensure returns are being maximised	Full due diligence was undertaken on all 2019 acquisitions, and enhanced due diligence was undertaken on the acquisition of WeDriveU, with best practices for due diligence, from financial modelling to legal reviews, developed and implemented during the year. A full review was also undertaken of 2018 acquisitions to verify target returns were being achieved.
Implement effective strategies to reduce Group risk	Spearheaded the Group's new cyber security strategy, leading the programme to implement the IBM review recommendations relating to security leadership, security frameworks and policies and general IT practices, and extended the Group's cyber insurance. Designed and delivered the improved approach to risk management, using the three lines of defence model, supporting the refocus of the internal audit function and assisting the Audit Committee with clarification of the roles and responsibilities of the Board and Audit Committee.
Effectively manage bond and other debt refinancing in 2019	Delivered the most successful debut issuance by a UK issuer of a US private placement, raising c.£414m at a favourable coupon and blended tenor, and achieved a significantly oversubscribed UK bond issuance, raising a further c.£250m, under the Group's EMTN programme at a favourable coupon and long tenor. Successfully refinanced other debt facilities, including via the first UK debt market SONIA (replacement of LIBOR) loan.
Deliver effective tax and treasury strategies	Carried out work to review and confirm the Group's low risk tax strategy. In addition to securing the successful debt refinancing in 2019 (noted above), ensured compliance with treasury policy, secured new working capital facilities, resolved complex Moroccan funding and hedging requirements, resolved historical hedging issues and actively managed the Group's cash position to optimise use of available cash.

Objective	Performance assessment
Improve the commercial delivery of the finance function	Reviewed and restructured the Group finance function, outsourced complex treasury accounting, materially up-weighted investor relations activities, and advanced a global shared services strategy.
Complete an end-to-end global review of IT, legal and risk costs and embed improved governance processes	Outsourced a number of IT services to achieve more functionality and/or flexibility at lower cost, undertook a benchmarking of internal and external legal costs driving savings in North America, managed steady insurance costs and delivered better governance processes for cyber security and M&A.
Matt Ashley - other strategic or risk management objectives (8/12ths of 7% of 25%)	**MA: Achieved in part (8/12ths of 2% out of 7%)**
Deliver cost control initiatives to support improvements in the business	During 2019, a number of initiatives were identified and implemented which have delivered cost savings and/or other operational efficiencies, including a review of drivers' master schedules, a review of fleet usage, outsourcing of certain back-office functions and a rationalisation of North America head office space and staff.
Devise and deliver improvements in asset utilisation	A major review of the North America fleet utilisation was undertaken during the year which has resulted in a 14% improvement in fleet efficiency and a significant reduction in capital requirements for new vehicles in the current year.
Build and develop talent throughout the business	Various new and pre-existing programmes were used during the year to develop talent in the North America business. These included a new strategic hiring and promotion plan and a new general manager onboarding process. 14 employees graduated from the existing 'Building the Bench' programme which targets high performing individuals and trains them to become general managers and another 18 employees enrolled in the existing Advanced Leadership programme designed to accelerate the development of high potential individuals.
Deliver Standard Operating Procedures (SOPs) and improve on-time performance	Projects undertaken by the Group's Delivering Excellence team and North America Operations Improvement team in 2019 have resulted in the development, testing and roll-out of 33 new SOPs across the North America school bus business. A suite of new KPIs, including on-time performance, are being used to track their effectiveness and an improvement in on-time performance can be seen. The SOPs have also created and are starting to deliver significant cost saving opportunities.
Improve the quality of service delivery	The review of drivers' master schedules, supported by revised daily, weekly and monthly governance procedures for managing and reviewing service delivery, has been key to improving the quality of service delivery in the North America school bus business, resulting in a 2.6% improvement in on-time performance across that business.
Develop and deliver effective bid strategies to grow margin in the contract renewal process	A new bid modelling and pricing process was devised for the North America school bus business, resulting in 2019 in a 5.9% average price increase across the school bus contract portfolio. A new approach to bidding for transit contracts, based on building trusted relationships and our safety and technological leadership, was implemented in our North America transit business, resulting in the renewal of our two largest contracts at improved margins on greater revenue.
Deliver an acquisition strategy that grows the business and provides sustainable returns	Significant steps were taken during 2019 to strengthen three elements of the North America acquisition strategy: acquisition sourcing (by refining our acquisition criteria and in-sourcing the financial modelling performed to assess those criteria); due diligence (by refining existing strong processes and documents); and integration (by ensuring earlier and then ongoing engagement and more frequent reviews of acquisition target performance against business cases).

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

(i) LTIP awards vesting in 2020

The three-year LTIP awards granted to the Executive Directors in 2017 are scheduled to vest in April 2020 as the measurement period relating to them ended on 31 December 2019. Details of the performance conditions attaching to the 2017 LTIP awards, and the extent to which they have been met, are set out in the table below:

Performance condition	Weighting	Threshold (30% vesting)	Target (50% vesting)	Maximum (100% vesting)	Actual	Actual restated to remove IFRS 16 impact[1]	Total percentage vesting
TSR[2] vs. FTSE 250 Index	1/6	Median	–	Upper Quintile	Median to Upper Quintile (Rank 89 of 218)	–	52.0%
TSR[2] vs. Bespoke Index[3]	1/6	Equal to Index	–	≥ Index + 10% p.a.	Index + 9.6% p.a.	–	97.2%
EPS[4]	1/3	29.8p	31.6p	34.4p	34.4p	34.4p[5]	100.0%
ROCE[4]	1/3	9%	10%	12%	12.2%[6]	12.5%[7]	100.0%
Total vesting							**91.53%**

1 As explained on page 76 of the 2018 Annual Report, the Committee determined to assess the EPS and ROCE performance measures on the LTIP awards scheduled to vest in 2020 and 2021 after neutralising the impact of IFRS 16 on such measures. The EPS and ROCE performance measures attaching to the LTIP awards granted from 2019 onwards have already factored in the impact of IFRS 16
2 For TSR performance measures, straight-line vesting occurs between threshold and maximum performance
3 Comprising three other UK-based passenger transport groups, namely: FirstGroup plc, Stagecoach Group plc and Go-Ahead Group plc
4 For EPS and ROCE performance measures, straight-line vesting occurs between threshold and target performance, and between target and maximum performance
5 Actual EPS restated is earnings per share after removing the impact of IFRS 16
6 Actual ROCE is the average over the three year performance period
7 Actual ROCE restated is the average over the three year performance period after removing the impact of IFRS 16

It is a pre-condition to the LTIP awards vesting that the 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 (the safety underpin).

No discretion was applied by the Committee in determining the Executive Directors' LTIP awards as their outturns were determined according to the levels of vesting against each of the financial performance measures set and the 'safety underpin' was not triggered. Furthermore, no discretion was exercised in relation to Executive Directors' LTIP outturns as a result of or having regard to the appreciation in the Company's share price over the year under review.

(ii) Vesting details

The three-year LTIP awards granted to the Executive Directors in 2017 took the form of nil cost options which are scheduled to vest on 20 April 2020 (being the first working day after the third anniversary of grant). In relation to these awards:

- as shown in the table at the bottom of page 112, 91.53% of the performance conditions have been met;
- as committed to by the Remuneration Committee at the time of grant, each Executive Director will receive a cash payment (gross) equivalent to the total dividend paid by the Company on the number of vested shares during the vesting period;
- the vested shares are subject to a compulsory two-year holding period, save that sufficient shares may be sold to cover tax liabilities arising on exercise of the options, and each Executive Director is also entitled to receive cash dividend equivalent payments on the vested shares during the holding period while the options remain unexercised; and
- malus and clawback provisions apply to the retained vested shares for two years from the date of vesting, including post termination of employment.

The table below shows the number of shares over which the 2017 LTIP nil cost options were granted, the number of shares which are expected to vest, the total amount of the awards to vest, the amount of the awards to vest attributable to share price appreciation and the cash dividend payment due on vesting for each Executive Director:

Executive Director	Number of shares over which option was awarded	Number of shares scheduled to vest	Amount of awards to vest[2]	Amount of award to vest attributable to share price appreciation[2]	Cash dividend payable on vesting
Dean Finch	341,476	312,564	£1,406,960	£281,104	£131,089
Chris Davies	143,403[1]	131,261	£590,852	£118,050	£55,051
Matt Ashley	145,752	133,411	£600,530	£119,983	£55,953

1 Chris Davies was also awarded a Company Share Option Plan (CSOP) over 8,194 shares which, on exercise, will effectively reduce the number of LTIP option shares by the same number

2 The amount of the LTIP awards to vest, and the part of that amount attributable to share price appreciation, are estimated based on the Company's average share price over the three months to 31 December 2019 (of 450.135 pence per share). The actual amounts, which will be determined by reference to the Company's share price at the relevant vest date in 2020, will be set out in next year's report

(iii) LTIP awards made in 2019

Details of LTIP awards granted to the Executive Directors in 2019 are set out in the table below:

Executive Director	Grant date	Number of shares awarded	Award type	Award amount	Face value of award[1] £,000	Performance period	Performance conditions
Dean Finch	15.04.19	313,044	Nil cost option	200% of salary	1,296	01.01.19–31.12.21	TSR, EPS and ROCE – see below
Chris Davies	15.04.19	133,624	Nil cost option	150% of salary	553	01.01.19–31.12.21	TSR, EPS and ROCE – see below
Matt Ashley	15.04.19	133,624	Nil cost option	150% of salary	553	01.01.19–31.12.21	TSR, EPS and ROCE – see below

1 The face value has been calculated by multiplying the number of shares awarded by the share price at the time of grant. The relevant share price was 414.0p on 12 April 2019, 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

(iii) Performance conditions attaching to 3-year 2019 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[2,3]
Below Threshold	Less than 35.3p	Below 8%	Below Median	Below Index	0%
Threshold	35.3p	8%	Median	Equal to Index	EPS and TSR: 25% ROCE: 0%
Target	37.4p	9%	–	–	EPS and ROCE (only): 50%
Maximum	39.0p or above	11% or above	Upper Quintile	≥ Index + 10% pa	100%

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

2 For TSR performance measures, straight-line vesting occurs between threshold and maximum performance

3 For EPS and ROCE performance measures, straight-line vesting occurs between threshold and target performance, and between target and maximum performance

Vested shares will be subject to a compulsory two-year holding period and malus and clawback will apply for two years from the date of vesting, including post termination of employment. Dividend equivalents are payable in cash on vested shares over the vesting period and during the holding period while options remain unexercised.

(iv) Indicative vesting levels for other outstanding LTIP awards
The indicative vesting levels for other outstanding LTIP awards assuming their respective performance conditions had been tested through to 31 December 2019 (without making any allowance for pro rata reduction for any period of time that is less than the length of the performance period) are set out in the table below:

LTIP award year/type	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%)
2018 3-year LTIP	1/3	68.3%	1/3	100%	1/6	100%	1/6	66%	83.8%
2019 3-year LTIP	1/3	0%	1/3	100%	1/6	54%	1/6	0%	42.3%

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

(v) Executive Deferred Bonus Plan (EDBP)
The table below sets out the awards under the EDBP in the form of forfeitable shares in the Company:

- which vested on 8 March 2019 and relate to the one-year deferred element of Executive Directors' bonuses for the financial year ended 31 December 2017 and in respect of which dividends have been paid to Executive Directors via the Employee Benefit Trust during the one-year deferred period for which they will have been held; and
- which were granted to the Executive Directors on 8 March 2019 and relate to the deferred element of their bonuses for the financial year ended 31 December 2018. These shares, which have a one-year deferred period, are scheduled to vest on 8 March 2020 and Executive Directors are entitled to receive dividends on them during the one-year deferred period, provided they do not lapse.

Executive Director		As at 1 January 2019	Vested 8 March 2019	Granted 8 March 2019	Lapsed	As at 31 December 2019	Market price at date of vesting	Date of grant	Date of vesting
Dean Finch	2018	119,939	119,939	–	–	–	431.4p	08.03.18	08.03.19
	2019	–	–	97,302	–	97,302	–	08.03.19	08.03.20
Chris Davies	2018	24,708	24,708	–	–	–	431.4p	08.03.18	08.03.19
	2019	–	–	29,673	–	29,673	–	08.03.19	08.03.20
Matt Ashley	2018	37,021	37,021	–	–	–	431.4p	08.03.18	08.03.19
	2019	–	–	18,263	–	18,263	–	08.03.19	08.03.20

Forfeitable share awards in the Company relating to the one-year deferred element of the bonus declared for the financial year ended 31 December 2019 (see page 109) will be granted to the Executive Directors in March 2020, subject to the rules of the EDBP, 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 shares are subject to malus and clawback for a two-year period from the date of grant, 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 financial year ended 31 December 2019 (with comparative figures provided for 2018):

Non-Executive Director	2019 Fees £'000	2018 Fees £'000
Sir John Armitt CBE (Chairman and Nominations Committee Chair)	**253**	246
Jorge Cosmen (Deputy Chairman)	**54**	53
Lee Sander[1] (Senior Independent Director)	**65**	61
Mike McKeon (Audit Committee Chair)	**65**	64
Jane Kingston[2] (Remuneration Committee Chair until 9 May 2019)	**58**	64
Dr Ashley Steel[3] (Remuneration Committee Chair from 9 May 2019)	**62**	53
Chris Muntwyler[1] (Safety & Environment Committee Chair)	**65**	64
Joaquín Ayuso[1]	**54**	53
Matthew Crummack	**54**	53
Ana de Pro Gonzalo[4]	**13**	–
Karen Geary[4]	**13**	–

1 A travel allowance of £4,000 is payable to certain overseas based Directors for attendance at each Board meeting or other Board related matter held outside their continent of residence. For 2019, the allowances paid were as follows: Joaquín Ayuso £4,000 (2018: £4,000), Chris Muntwyler £8,000 (2018: £8,000) and Lee Sander £24,000 (2018: £20,000)
2 Stepped down as Chair of the Remuneration Committee on 9 May 2019 and therefore received a pro-rated proportion of the annual Committee Chair fee
3 Appointed as Chair of the Remuneration Committee on 9 May 2019 and therefore received a pro-rated proportion of the annual Committee Chair fee
4 Appointed to the Board on 1 October 2019 and therefore received a pro-rated proportion of the annual Non-Executive Director fee

With effect from 1 January 2019:
- the Committee determined that the Chairman's fee would increase by 2.8% to £253,000, broadly in line with the general pay increase awarded to the Group's UK employees;
- the Board determined that the Non-Executive Directors' base fee would also increase by 2.8% or £1,500 p.a. and the Senior Independent Director's fee would increase by £1,500 p.a., in each case also broadly in line with the general pay increase awarded to the Group's UK employees and to retain such fees at close to the median of non-executive director fees paid by the FTSE 250; and
- the Board Committee Chair fees would remain unchanged as they remained appropriate.

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

(a) Payments to past Directors

There were no payments made to past Directors during or in respect of the financial year ended 31 December 2019.

(b) Payments for loss of office

There were no payments made for loss of office to any former Director during or in respect of the financial year ended 31 December 2019.

5. Statement of Directors' shareholdings and share interests

(a) Directors' share ownership guidelines

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

The shareholding target for the Group Chief Executive is shares with a value equal to 200% of salary and for the other Executive Directors is shares with a value equal to 150% of salary. As demonstrated by the table set out in paragraph 5(b) below, as at 31 December 2019 Mr Finch and Mr Ashley have met these targets and Mr Davies is on track to meet this target within five years of his appointment.

There is no shareholding requirement, nor shareholding guidelines, for Non-Executive Directors.

(b) Executive Directors' interests in shares

Details of the Executive Directors' and their connected persons' beneficial interests in the Company's shares, and of the Executive Directors' other share interests, in each case as at 31 December 2019, are shown in the table below:

	Shares held directly			Other share interests	
Executive Director	**Shareholding target (% salary)**	**Shareholding value at 31 December 2019 (% salary)[1]**	**Beneficially owned**	**Forfeitable shares held under the EDBP not subject to performance conditions**	**Outstanding LTIP share option awards subject to performance conditions**
Dean Finch	200%	396%	448,733[2]	97,302	980,295
Chris Davies	150%[5]	100%	48,595[3]	29,673	416,077
Matthew Ashley	150%	209%	145,794[4]	18,263	418,426

1 The Company's closing share price of 469.60p as at 31 December 2019 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 2019

2 The shares beneficially owned by Mr Finch include 91,600 shares that he owns free from restriction, 182,283 shares representing the net of tax LTIP vested shares which remain subject to a compulsory holding period until 5 March 2020 and 174,850 shares representing the deemed net of tax LTIP vested shares which remain subject to a holding period until 12 April 2021 (being the number of the vested but unexercised shares to which he is entitled under a LTIP option which vested on 12 April 2019 as reduced by the number of such shares that would need to be sold to satisfy income tax at a rate of 45% and employees' NICs of 2% on the exercise of such option)

3 The shares beneficially owned by Mr Davies include 16,071 shares that he owns free from restriction and 32,524 shares representing the deemed net of tax LTIP vested shares (being the number of the vested but unexercised shares to which he is entitled under a LTIP option which vested on 12 April 2019 as reduced by the number of such shares that would need to be sold to satisfy income tax at a rate of 45% and employees' NICs of 2% on the exercise of such option)

4 The shares beneficially owned by Mr Ashley include 75,877 and 69,917 shares representing the net of tax LTIP vested shares which remain subject to compulsory holding periods until 5 March 2020 and 12 April 2021 respectively

5 Chris Davies' shareholding level applies to the five-year period commencing from his date of appointment on 10 May 2017

The appendix on page 121 provides more information about all outstanding LTIP awards held by the Executive Directors. More information about the EDBP is also set out in paragraph 2(d)(v) on page 114.

(c) Non-Executive Directors' interests in shares

The details of the Non-Executive Directors' and their connected persons' interests in shares as at 31 December 2019, all of which are held beneficially, are shown below:

Non-Executive Director	**As at 31 December 2019**
Sir John Armitt CBE	**10,500**
Jorge Cosmen[1]	**69,237,515**
Lee Sander	**1,000**
Mike McKeon	**10,000**
Dr Ashley Steel	**15,416**
Chris Muntwyler	**–**
Matthew Crummack	**2,696**
Jane Kingston[2]	**5,100**
Joaquín Ayuso[2]	**–**
Ana de Pro Gonzalo[3]	**–**
Karen Geary[3]	**–**

1 Jorge Cosmen's holding includes shares held by European Express Enterprises Ltd which is shown on page 123 as a substantial shareholder in the Company

2 Stepped down from the Board on 31 December 2019

3 Appointed to the Board on 1 October 2019

(d) Other information

The Register of Directors' interests maintained by the Company contains full details of the Directors' holdings in shares and options over shares in the Company.

The closing price of a Company's ordinary share at 31 December 2019 was 469.6p (2018: 374.0p) and the range during the year ended 31 December 2019 was 371.0p to 476.0p per share.

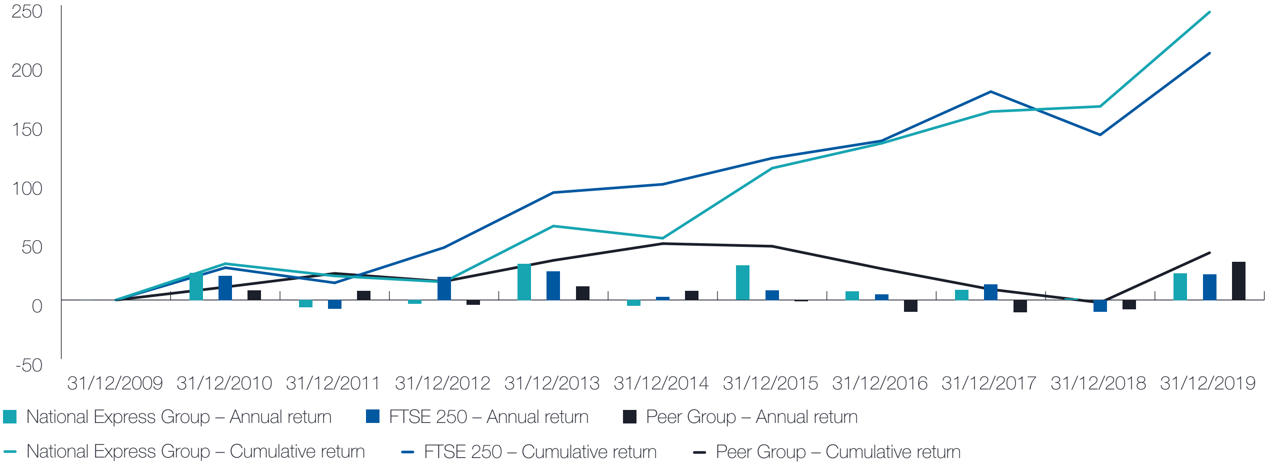
(e) Changes since year end

There have been no changes in Directors' shareholdings between 31 December 2019 and the date of this report.

6. Comparison of overall performance

The graph below shows a comparison of the Company's cumulative total shareholder return (i.e. share price growth plus dividends paid) and annual return against the FTSE 250 Index and a Bespoke Index over the last 10 years. The FTSE 250 Index has been selected as the Company is a constituent of that Index and the Bespoke Index shows performance against a peer group of other UK-based passenger transport companies. As can be seen from the graph, the Company has outperformed the FTSE 250 Index and significantly outperformed the Bespoke Index over this period.

Shareholder returns – 10 year history



7. History of CEO pay

The table below sets out the total remuneration delivered to the Group Chief Executive over the last 10 years, valued using the methodology applied to the single total figure of remuneration:

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	**2019**
Chief Executive Officer	D Finch	D Finch	D Finch	D Finch	D Finch	D Finch	D Finch	D Finch	D Finch	**D Finch**
Single figure total remuneration (£'000)	1,356	1,454	1,701	1,553	1,562	3,661	3,887	4,225	4,318	**3,730**
Annual bonus payment (as % of maximum opportunity)	100%	100%	100%	95%	93%	96%	83.5%	95%	90%	**100%**
LTIP vesting level achieved (as % of maximum opportunity)	n/a[1]	n/a[1]	32.5%	0%	0%	73.4%	80.8%	86.9%	96%	**91.53%**

1 In 2010 and 2011, Mr Finch was not entitled to any LTIP awards subject to performance conditions whose final year of performance ended during those years

8. Context of CEO pay

The following table sets out the percentage change in certain elements of the remuneration paid to the Group Chief Executive from 2018 to 2019, compared with the average percentage change in those same elements of remuneration for the Group's UK employee population.

The elements of the CEO's remuneration included in the table below comprise base salary, taxable benefits and annual bonus (including any amount deferred) and have been calculated in the same way as for the CEO's single total figure of remuneration. The Group's UK employee population is used as an appropriate comparator group as it avoids complicated exchange rate adjustments that would have to be used if employees of the Group's overseas operations were included in the comparator group.

Comparator person or group	**Average percentage increase/decrease from 2018 to 2019**		
	Base salary	Taxable benefits[1]	Performance related bonus
Chief Executive Officer	2.8%	6.7%[2]	14.2%[3]
Group UK employees	2.5%	9.9%[2]	31.0%[3]

1 Taxable benefits comprise the gross of tax value of allowances (such as for car and travel), private medical insurance, death-in-service and life assurance cover
2 The year-on-year increase in the CEO's taxable benefits is attributable solely to a change in the cost to the Company of his private medical insurance and life assurance cover. The year-on-year increase in UK employees' taxable benefits is due both to the cost to the Company of certain benefits increasing and there being a larger number of UK employees with taxable benefits comprised in the UK workforce in 2019 (vs 2018)
3 The year-on-year increase in the CEO's bonus is primarily attributable to better performance achieved against his non-financial bonus targets, including the Group's FWI Index score. The year-on-year increase in UK employees' bonuses is attributable to both a higher proportion of the UK employee population being eligible for performance-related bonuses and the value of performance-related bonuses being higher in 2019 (vs. 2018) as a result of the Group's and UK division's financial and safety performance in the year

9. CEO pay ratios

The following table sets out the Group Chief Executive's pay ratios as at 31 December 2019 comparing the CEO single total figure of remuneration to that of the Group's UK employees whose full time equivalent remuneration ranks them at the lower quartile, median and upper quartile of pay for all UK employees.

Year	Methodology	25th percentile pay ratio	50% (median) percentile pay ratio	75th percentile pay ratio
2019	Option A	156:1	136:1	110:1

Option A has been used to calculate the pay ratios as it is the most statistically accurate method and, for the year under review, the Company was able to obtain pay data for all relevant UK employees and calculate the full time equivalent pay data for all such UK employees, including those at the lower, median and upper quartiles. The UK employees at the lower quartile, median and upper quartiles were identified as at 31 December 2019 and their salary and total remuneration were also calculated in respect of the 12 months ended 31 December 2019 on the basis explained further below.

The total remuneration of the UK employees (including those at the lower quartile, median and upper quartiles) has been calculated using the same methodology as for the CEO's single total figure of remuneration, noting that:

- a large number of the Group's UK employees, such as bus and coach drivers and customer service centre staff, work full-time but are paid by the hour (rather than having an annual fixed base salary). Their wages have been calculated as the actual number of hours worked in the year multiplied by the relevant hourly rates of pay applicable during the year;
- a number of the Group's UK employees work part time. Those who are paid on a salaried basis have had their salaries grossed up to the full time equivalent salary for their role. Those who are paid by the hour have had their wages grossed-up to a full time equivalent number of hours using the average number of hours performed by a full time employee performing the same or most similar role;
- some of the Group's UK employees receive taxable benefits, such as car, travel and other allowances and private medical insurance, the value of which has been included. Where the Company grosses-up an allowance for the cost of tax, the grossed-up of cost of tax value has been included. In the case of part time employees, where any such benefits were pro-rated to reflect them working part time, the grossed-up value of such benefits on a full time equivalent basis has been included;
- some of the Group's UK employees are members of a pension scheme and employers' pension contributions have been included;
- some of the Group's UK employees receive performance-related annual bonus awards, and other Group UK employees receive ad hoc bonuses or other one-off rewards, such as loyalty bonuses, Value awards and gratuities. The cash value of such bonus awards and other one-off rewards earned in respect of the 2019 year (whether paid in 2019 or in 2020) has been included. Where the Company grosses up one-off rewards for the cost of tax, the grossed-up of cost of tax value has been included;
- certain of the Group's UK employees who are senior managers receive performance conditioned three-year LTIP awards in the form of nil-cost options over Company shares. The estimated value of such awards which will vest in 2020 in respect of the three year performance period ended on 31 December 2019 (estimated on the same basis as for the CEO in his single total figure of remuneration), together with the cash value of dividend equivalents on vested shares under such awards, have been included; and
- while the Company does not operate a UK employee-wide share scheme, certain long-serving UK employees receive long-service share option awards. The value of these awards has been excluded as it is difficult to attribute the value to a particular year and the value of such awards and number of employees affected is relatively de minimis. No other elements of remuneration have been excluded.

The table below sets out a comparison of the Chief Executive Officer's total remuneration and salary component of that total remuneration and that of each of the UK employees at the lower, median and upper quartiles of the Group's UK employee population:

Pay Data	Group Chief Executive	25th percentile	Median	75th percentile
Salary	£648,000	£22,708	£20,390	£33,175
Total pay	£3,729,778	£23,889	£23,942	£33,804

The median pay ratio is consistent with the Company's pay, reward and progression policies. When setting the CEO's pay, the Committee has regard to the same fundamental considerations as those taken into account by the UK management team when setting pay for all other UK employees, including the Company's policy to pay market rates of pay that reward employees fairly for work done and have due regard to individual performance and Company performance where the individual has the ability to influence wider Company performance. The CEO has ultimate responsibility for, and the greatest ability to influence, the Company's performance, returns to shareholders and, importantly, the safety of the workforce and passengers. To reflect this, the CEO's remuneration package has a higher weighting on performance-related pay (including the annual bonus and LTIP) compared to the majority of the workforce. This means the pay ratios are likely to fluctuate depending on the outcomes of incentive plans in each year.

10. Relative importance of the spend on pay

The table below sets out the total spend on pay in 2019 and 2018 compared with distributions made to shareholders:

Measure	2019 £m	2018 £m	Increase from 2018 to 2019 %
Overall Group spend on pay including Directors[1]	1,416.7	1,260.9	12.4%
Profit distributed by way of dividend[2]	78.3	70.8	10.6%

1 Overall Group spend on pay was calculated by aggregating the Group's costs of salaries and wages, social security costs, pension costs and share based payments for all the Group's employees whether employed in the UK or overseas in the relevant year
2 Profit distributed by way of dividend has been used as the comparator measure as it permits a comparison between the Group's annual investment in its employed workforce and its annual cost of returning value to shareholders

11. Statement of implementation of current Directors' Remuneration Policy in 2020

(a) Executive Directors' base salaries

In accordance with the Policy, the Committee determined that the base salaries of the Group Chief Executive and Group Finance Director would increase by 8.5%, and that the base salary of the Group Business Development Director would increase by 2.5%, each with effect from 1 January 2020.

In approving the increases in the Executive Directors' base salary, the Committee:

- took into consideration a number of external and internal factors, including:
  - an external review of general economic and employment conditions in each of the Group's labour markets;
  - an internal review of pay and related practices across the Group (including the general pay increase awarded to the UK workforce (of 2.5%), the average pay increase awarded to the top decile of the UK workforce including those highest performers and those assuming more responsibility (of 12.75%), the latest UK gender gap data and CEO pay ratios); and
  - an external benchmarking exercise of CEO and CFO base salaries against those of three comparator groups;
- recognised the increased scope, scale and complexity of Mr Finch's role now relative to when he was appointed 10 years ago, the significant expansion of the Group's international operations as a result of Mr Finch's strategic vision and focus on sustainable growth and market penetration and Mr Finch's outstanding performance in role and the high levels of growth in value demonstrated in recent years;
- recognised that Mr Davies joined the Group in 2017 at a below market rate base salary as it was his first CFO role and that he is now established in role which, in view of the Group's expansion as noted above, has become larger and more complex; and
- recognised that Mr Ashley was new in his role as Group Business Development Director.

Accordingly, the annual base salaries of the Executive Directors in 2020 are:

Executive Director	Base salary (gross)
Dean Finch, Group Chief Executive	£703,000
Chris Davies, Group Finance Director	£400,150
Matt Ashley, Group Business Development Director	£378,000

(b) Executive Directors' 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 tranches commencing in 2019. Therefore, he will receive a pension allowance of 31.6% of salary in 2020. Each of the other Executive Directors will receive a pension allowance of 25% of salary.

(c) Executive Directors' annual bonus

The annual bonus for the 2020 financial year will be structured and operate for the Executive Directors on the same basis as the arrangements in place during 2019 (as confirmed on pages 101 and 102), save that (as also explained on pages 101 and 102):

- the weighting of the safety target relating to the Group's FWI score will be reduced from 10% to 5% and the weighting of the other safety-related non-financial bonus targets will be increased from 8% to 13%, such that the total weighting of all safety-related targets remains the same; and
- safety incidents that occur in the performance of the Group's new Casablanca contract will be taken out of account in the Group's FWI score but Casablanca specific safety-related objectives will be included in the non-financial bonus targets for the next two years until the Group has had the opportunity to embed its Global Safety Policies and replace the incumbent fleet.

When setting the bonus targets for 2020, the Committee has taken into account:

- the Group's approved budget and operating plan for 2020;
- the Board's ambitious three-year and longer-term strategy, based on the three core strategic pillars of growth, technology enhancement and operational excellence;
- the ongoing development of the Company's risk management programme and actions being taken to mitigate major risks;
- the ongoing headwinds with the continued uncertainty in the UK around the Brexit 'deal' to be done, the recommencement of the Spanish long haul coach concessions programme which may lead to constrained contract margins and the continued pressure on wages, exacerbated by driver shortages, in North America and price competition on bidding for or renewing contracts which also constrains margin;
- stock market consensus for 2020;
- the non-recurring items included in the 2019 results which will need replacing in 2020; and
- the responsibilities of each of the Executive Directors in driving the strategy forward and managing risk.

The Committee will set calibrated targets for the bonus measures and intends to disclose actual performance against these in next year's Annual Report on Remuneration. As a matter of commercial sensitivity, the Committee has decided not to disclose the bonus performance targets in advance, save that 75% of the maximum opportunity will be based on financial targets and 25% will be based on non-financial targets and, in view of safety remaining the Group's top priority, 18% of the 25% non-financial target driven bonus opportunity will continue to be based on safety objectives: 5% on FWI and 13% on improving safety systems and processes. Targets will be set on a basis consistent with accounting measures (i.e. without reference to exceptional items).

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

LTIP awards in 2020 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 conditions attaching to the LTIP awards will include the same conditions as the current year, namely: total shareholder return (TSR) (as measured against both the FTSE 250 Index and a Bespoke Index); diluted normalised earnings per share (EPS); and average return on capital employed (ROCE), plus two new environmental performance measures relating to a reduction in the Group's total carbon emissions per million passenger kilometre (tCO_2e/m pass km) and an increase in the number of zero emission vehicles (ZEVs) purchased or on order in the UK division to advance its ambition to operate only zero emission vehicles in UK bus by 2030 and in UK coach by 2035. The weightings of the performance measures and vesting levels of the 2020 LTIP awards at each of threshold, on-target and maximum levels are set out in the table below:

Performance condition	Weighting	Threshold (25% vesting EPS and TSR, 0% vesting ROCE)	Target (50% vesting)	Maximum (100% vesting)
TSR[1] vs. FTSE 250 Index	12.5%	Median	–	Upper Quintile
TSR[1] vs. Bespoke Index[3]	12.5%	Equal to Index	–	≥ Index + 10% pa
EPS[2]	25%	37.6	39.8	43.3
ROCE[2]	25%	8%	9%	11%
tCO_2e / million passenger km	15%	4.6% reduction in tCO2e / million passenger km by 2022 relative to 2019 base year	5.4% reduction in tCO2e / million passenger km by 2022 relative to 2019 base year	6.2% reduction in tCO2e / million passenger km by 2022 relative to 2019 base year
UK zero emission vehicles	10%	200 additional zero emission vehicles in service or on order by 31 December 2022	240 additional zero emission vehicles in service or on order by 31 December 2022	300 additional zero emission vehicles in service or on order by 31 December 2022

1 For TSR measures, straight-line vesting will occur between threshold and maximum levels of performance
2 For EPS and ROCE measures, straight-line vesting will occur between threshold and target, and target and maximum levels of performance
3 Comprising three other UK-based passenger transport groups, namely: FirstGroup plc, Stagecoach Group plc and Go-Ahead Group plc

The performance conditions will be measured over the three-year financial period ending 31 December 2022, awards will be subject to a compulsory two-year holding period post vesting and malus and clawback will apply for two years from the date of vesting, including post termination of employment. Dividend equivalent entitlements will attach to any vested shares over the vesting period and during the holding period while options remain unexercised.

(e) Non-Executive Directors' Fees for 2020

With effect from 1 January 2020, the Committee has determined for the Chairman, and the Board has determined for the other Non-Executive Directors, that:

- the Chairman's (all inclusive) fee will increase by 2.5% or £6,325;
- the Senior Independent Director's fee will increase by £1,000 p.a.;
- the Non-Executive Directors' base fee will increase by 3.1% or £1,700 p.a.;
- the Committee Chairs' fee will increase by £1,000 p.a.

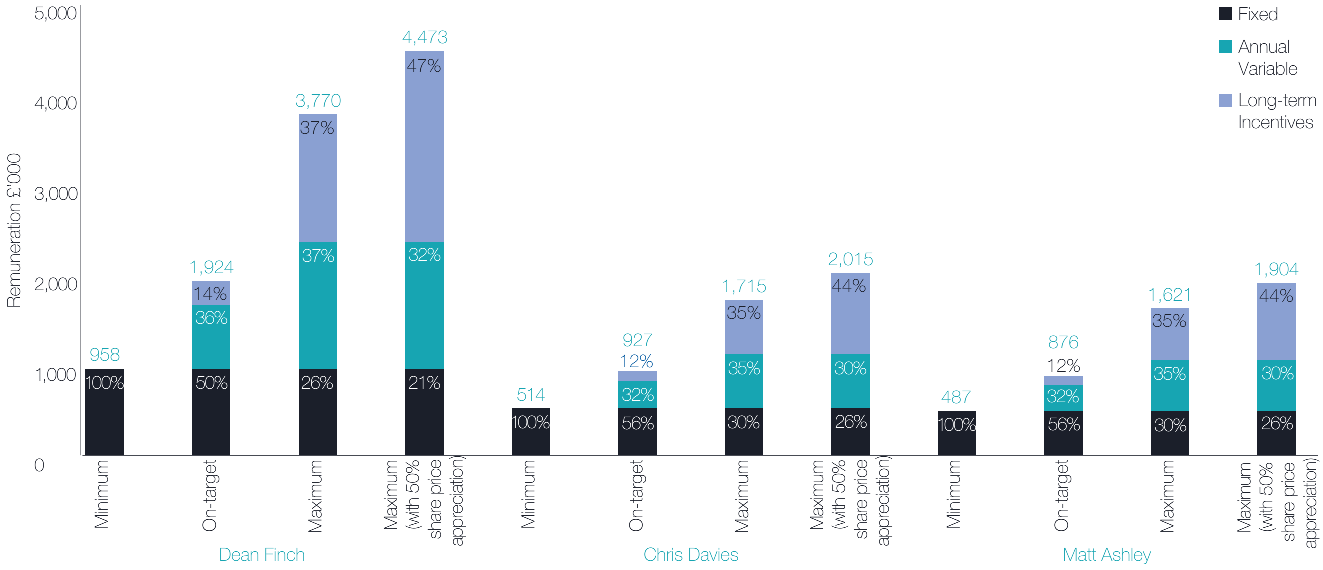
Accordingly, the annual fees of the Chairman and Non-Executive Directors in 2020 are:

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

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

(f) Total remuneration opportunity at various levels of performance

Our aim is to ensure that superior remuneration outcomes are only given or awarded for exceptional performance, with a substantial proportion of Executive Directors' remuneration payable in the form of variable pay. The chart at the top of the next page illustrates the remuneration opportunity provided to each Executive Director at different levels of performance for 2020.



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

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

Assumptions used in determining the level of pay-out under the given scenarios are as follows:

- salaries are those set as at 1 January 2020
- taxable benefits are those paid in 2019 (but exclude the relocation assistance 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 payout and full LTIP vesting)

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

12. Historical results of shareholder voting on remuneration matters

The votes cast on the resolution seeking approval of the Annual Report on Remuneration at the 2019 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 2018 (advisory vote only)	95.8	4.2	1,752,171

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

The votes cast on the resolution seeking approval of the 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

During the year, the Committee retained (following a formal and transparent tender process conducted in 2013) and received remuneration and related corporate governance advice from PwC, its external remuneration consultants. Apart from advice received in relation to accounting matters, cyber security and deal delivery, PwC has no other connection with the Company, any member of its Group or any of its individual Directors. PwC has also voluntarily signed up to the Remuneration Consultants Group Code of Conduct. In view of these factors, the Committee is satisfied that the advice it receives from PwC is objective and independent. For the year under review, PwC received fees of £89,525 in connection with its work for the Committee, which were charged on a time cost basis.

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 2019 or remain outstanding as at 31 December 2019:

			During 2019					
LTIP award year/type	**Date of grant**	**Awards held at 01.01.19**	Granted	Exercised/ Eligible for exercise	Lapsed	**Awards held at 31.12.19**	**Vesting/ Exercise date**	**Latest exercise date[1]**
Dean Finch								
LTIP 5-year	09.04.14	204,520	–	195,827[2]	8,693	–	12.04.19[2]	–
LTIP 3-year	06.04.16	342,641	–	329,906[3]	12,735	329,906[3]	12.04.19	12.04.21
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[10]	–	–	–	7,751[10]	03.04.21	03.04.23
LTIP 3-year	15.04.19	–	313,044	–	–	313,044	15.04.22	15.04.24
		1,214,412[9]	**313,044**	**195,827[3]**	**21,428**	**1,310,201[9]**		
Chris Davies								
LTIP 2-year (RIA)	10.05.17	63,735	–	61,366[4]	2,369	61,366[4]	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[10]	–	–	–	8,194[10]	18.04.20	18.04.22
LTIP 3-year	03.04.18	139,050	–	–	–	139,050	03.04.21	03.04.23
LTIP 3-year	15.04.19	–	133,624	–	–	133,624	15.04.22	15.04.24
		346,188[9]	**133,624**	**61,366[4]**	**2,369**	**477,443**		
Matt Ashley								
LTIP 3-year	06.04.16	141,797	–	136,526[5]	5,271	–	12.04.19[5]	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[10]	–	–	–	8,328[10]	18.04.20	17.04.22
LTIP 3-year	03.04.18	139,050	–	–	–	139,050	03.04.21	03.04.23
LTIP 3-year	15.04.19	–	133,624	–	–	133,624	15.04.22	15.04.24
		426,599	**133,624**	**136,526**	**5,271**	**418,426**		

1 Awards vesting under the 2015 LTIP are subject to a two-year exercise period and holding period which run concurrently
2 Mr Finch's 2014 5-year LTIP award vested on 12 April 2019 and on 16 April 2019 he exercised the options over, and immediately sold, all of the vested shares (as awards vesting under the 2005 LTIP were not subject to a holding period). The share price on exercise was 413.59p
3 Mr Finch's 2016 3-year LTIP award vested during 2019, but he has not yet exercised any of the vested options. As such: the total number of shares over which options were exercised by Mr Finch during 2019 does not include such vested, but unexercised, shares; but the total number of awards held at 31 December 2019 does include such vested, but unexercised, shares
4 Mr Davies' 2017 2-year LTIP (Recuitment Incentive) award vested on 10 May 2019, but he has not yet exercised any of the vested options. As such: the total number of shares over which options were exercised by Mr Davies during 2019 does not include such vested, but unexercised, shares; but the total number of awards held at 31 December 2019 does include such vested, but unexercised, shares
5 Mr Ashley's 2016 3-year LTIP award vested on 12 April 2019 and on 16 April 2019 he exercised the options over all of the vested shares, sold sufficient shares to cover his tax liabilities arising on such exercise. He retains the balance of shares in accordance with the two-year holding period. The share price on exercise was 413.59p per share
6 The exercise price is 387.0p per share
7 The exercise price is 366.1p per share
8 The exercise price is 360.2p 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 market value share options with an exercise price per share as set out in notes 6, 7 and 8 above. LTIP approved CSOP awards comply with the requirements of Schedule 4 to the Income Tax (Earnings and Pensions) Act 2003 and can be exercised by way of set-off against any shares vesting under the corresponding LTIP award
10 Due to the set-off arrangements explained in the note above, the number of shares subject to LTIP approved CSOP are not counted in the total number of awards held as this would result in a double-count

By Order of the Board

Ashley C. Steel

Dr Ashley Steel
Remuneration Committee Chair
27 February 2020

Directors' Report

The information set out herein, together with the information referred to below which is incorporated by reference, comprises the Directors' Report for the year ended 31 December 2019.

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

Information	Annual Report section	Annual Report page no(s)
Business model and future business developments	Strategic Report	8 and 15
Principal risks and uncertainties	Strategic Report	48 to 53
Fostering relationships with suppliers, customers and others[1]	Strategic Report Corporate Governance Report	2 and 41 66 to 68 and 74 to 75
Engagement with and other matters relating to employees[2]	Directors' Report Corporate Governance Report	125 and 126 71 to 73
Viability and going concern	Strategic Report	26
Financial instruments	Consolidated Financial Statements	187
Governance matters, including corporate governance statement[3]	Corporate Governance Report	55 to 121
Greenhouse gas emissions	Strategic Report	47

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

2 The Company is obliged to provide certain of this information in accordance with paragraph 11 of Part 4 of the Regulations as the Company is the parent company of the Group and the average number of persons employed by the Group within the United Kingdom during the year ended 31 December 2019 was more than 250. It is not however obliged to provide the information in accordance with paragraph 10 of Part 4 of the Regulations as the average number of persons employed by the Company itself does not exceed 250. The Company has therefore voluntarily provided this information

3 The Company is obliged to make a corporate governance statement pursuant to DTR 7.2. The Company is therefore exempted from the requirements of Part 8 of the Regulations in accordance with paragraph 22(a) of the Regulations

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

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

Listing Rule	Detail	Section and page(s) of Annual Report
LR 9.8.4(4)	Long-term incentive schemes	Annual Report on Remuneration, pages 107 (paragraph 1(a)) and 121
LR 9.8.4(12)	Dividend waiver by EBT	Directors' Report, page 123

Company status and branches

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

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

Following the closure of the Group's Spanish branch in 2019, neither the Company nor any member of its Group has any branches.

Results and dividends

The Company's and the Group's results for the year ended 31 December 2019 are set out in the Consolidated Financial Statements and the Company Financial Statements on pages 136 to 224.

Important events since the financial year end

There have been no important events which have affected the Company or the Group since 31 December 2019.

Dividends

The Board has recommended a final dividend for the year ended 31 December 2019 of 11.19 pence per ordinary share (2018: 10.17p) which, together with the interim dividend of 5.16 pence per ordinary share (2018: 4.69p) paid on 20 September 2019, gives a total dividend for the year of 16.35 pence per share (2018: 14.86p). Subject to shareholder approval, the final dividend will be paid on 12 May 2020 to holders of ordinary shares on the register of members at the close of business on 24 April 2020.