



Dr Ashley Steel
Committee Chair

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

Primary role

To recommend to the Board the remuneration strategy and framework for Executive Directors and Senior Management¹ and to determine and apply within that framework a remuneration policy for Executive Directors and remuneration practices for Senior Management which have regard to the Group's overall performance, wider workforce pay practices, the need to fairly reward and incentivise individual contributions for past and future performance and align reward to the long-term sustainable success of the Company.

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

Key responsibilities

- Determine the remuneration of Executive Directors in accordance with the Directors' Remuneration Policy and with due regard to workforce pay and related policies and practices across the Group
- Determine the remuneration of Senior Management, also having regard to workforce pay and related policies and practices across the Group and succession plans
- Determine the Chairman's fees
- Oversee pay and related policies and practices across the Group's workforce
- Oversee administration of the Group's share incentive plans

¹ The Company's Senior Management whose remuneration is determined by the Committee is comprised of the divisional managing directors and the Group functional heads who are direct reports to the Group CEO and/or Group CFO and who together form the Group Executive Committee.

Activity highlights

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

Membership, meetings and attendance

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

¹ Independent Non-Executive Director

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

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

Dear fellow Shareholder

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

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

Remuneration response to Covid-19

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

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

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

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

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

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



2020 key performance metrics

Underlying loss before tax

£(106.1)m

New CEO total remuneration¹

£123,000

Former CEO total remuneration²

£531,000

c.83% reduction on 2019

CFO total remuneration³

£526,000

c.63% reduction on 2019

Median CEO pay ratio

26:1

vs 136:1 in 2019

Mean and median UK gender pay gaps

**(0.62)%
& 7.55%**

vs 3.4% & 14.9% reported in 2019

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

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

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

2020 results and remuneration outcomes

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

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

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

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

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

2020 changes to remuneration

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

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

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

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

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

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

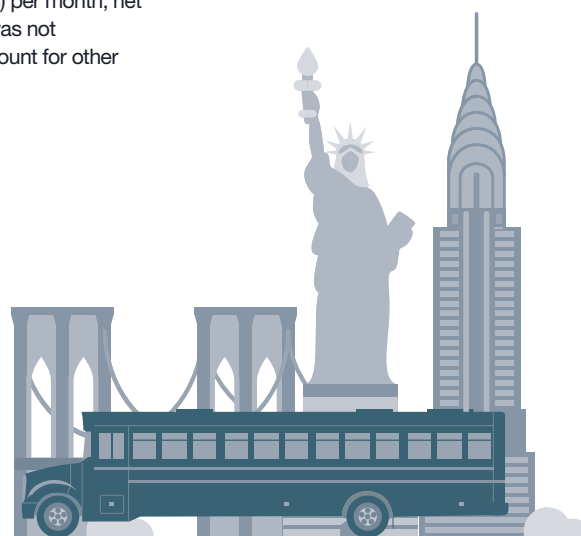
For the two months during which Chris Davies performed the role of interim Group CEO in addition to his Group CFO role, the Committee agreed (having taken advice on market practice and the level of remuneration for interim CEOs) to pay Mr Davies a salary supplement of £15,000 (gross) per month, net of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

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

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

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

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



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

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

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

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

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

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

2021 remuneration proposals

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

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

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

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

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

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

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

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

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

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

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

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

Directors' Remuneration Policy operation and review

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

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

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

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

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

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

In the new Policy, it is also proposed to:

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

This is because the Committee is seeking to balance the adoption of best corporate governance practice in these areas with the current Executive Directors' circumstances, which include that the new Group CEO is building his shareholding from nil and the incumbent Group CFO has lost significant value in his in-flight LTIP awards.

This balance retains the prospect of the Executive Directors being able to realise some value from future bonus and LTIP awards in the medium-term while still building their shareholding requirement to align their longer-term interests with those of shareholders.

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

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

Committee composition, effectiveness and engagement

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

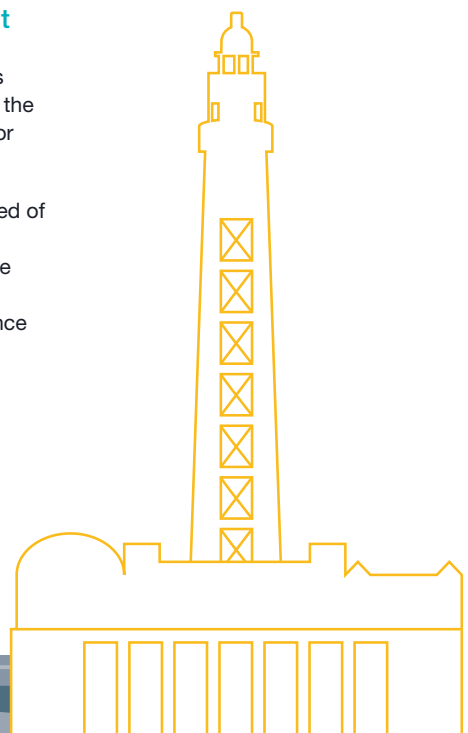
The Committee has remained comprised of all and at least three independent Non-Executive Directors throughout the year under review who have, between them, an appropriate range of experience and skills. The positive outcome of the Committee's performance evaluation, referred to on page 82, demonstrates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

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

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



Dr Ashley Steel
Remuneration Committee Chair
18 March 2021



Appendix 1 – Illustration of Executive Directors' 2020 remuneration outcomes



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

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

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

Appendix 3 – Supporting strategy and sustainable success

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

Strategic priority	Policy element	Linkage
Growth	Group profit before tax (PBT) target in annual bonus and EPS performance measure in LTIP	Profit and related earnings targets and performance measures drive management's efforts to achieve both organic growth, through new business wins and cost efficiencies, and inorganic growth through acquisitions, ensuring an appropriate focus on margin growth over pure revenue growth
	Group free cash flow (FCF) target in annual bonus	Free cash flow targets balance the Group's capital priorities between re-investing for future growth, maintaining net debt within a target range and paying dividends to shareholders
	ROCE performance measure in LTIP	Return on capital employed validates the quality of capital allocation and ensures that investment for growth is both appropriate and sustainable
Operational Excellence	Personal bonus targets linked to operational excellence initiatives	Operational excellence, through creating and implementing best in class operating procedures for:
	Remuneration Committee discretion to reduce bonus and LTIP outcomes for significant negative operational events	<ul style="list-style-type: none"> – recruiting, training and managing risk in relation to drivers; – purchasing, using and maintaining vehicles; – enhancing digital access to markets, capability and controls; – enhancing cyber security controls; and – other programmes that deliver operational efficiencies and improve controls, <p>improve profitability through both top-line revenue growth and underlying cost savings</p>
Health and Safety and Environment	FWI, preventable accidents and driver risk score targets in annual bonus	Our ability to get people where they need to go safely and our culture for putting safety first is key to achieving the trust and loyalty of our customers and achieving growth
	Carbon reduction and other environmental performance measures in LTIP	Our use of cleaner and greener vehicles is driving a modal shift away from cars to mass transit and achieving growth
	Remuneration Committee discretion to reduce bonus and LTIP outcomes for significant negative safety events	

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

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

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

Simplicity – simplicity is achieved by directors' remuneration being composed of a limited number of elements designed to balance the retention and incentivisation of directors with the delivery of strategy and shareholder returns

Executive Directors' remuneration is composed of only four elements:

- base salary;
- typical other benefits, including pension allowance;
- annual bonus awards subject to financial and non-financial (including safety and other strategic targets), a proportion of which awards are deferred into shares for 1-year (with the new Policy simplifying this element further by proposing a straight 50% deferral); and
- annual LTIP awards subject to 3-year performance measures and 2-year holding periods post vesting.

Save for certain payments to Mr Finch to which he was entitled after leaving the Company, the fixed salary supplement paid to Mr Davies for acting as interim Group CEO and modest relocation benefits paid to Mr Garat in connection with his joining the Company, there have been no one-off or exceptional payments in the year under review.

Risk – a range of features of directors' remuneration assist in mitigating the risks of excessive rewards and inappropriate behaviour

Executive Directors' salary increases are capped at 10% over RPI in any year, other than for increases given for internal promotion and market equalisation, and their maximum annual bonus opportunities and LTIP outturns are both capped at a percentage of their base salaries.

A proportion of Executive Directors' bonus awards are deferred into shares for 1-year post award, and they must retain their vested LTIP shares for 2-years post vesting, including post-termination of employment.

Both malus and clawback provisions apply to the whole of Executive Directors' bonus awards and vested LTIP shares for a period of 2-years post award or vesting, including post-termination of employment. Under the proposed new Policy, malus and clawback will also be expanded to cover more events, in turn mitigating those events further through their links to remuneration.

Under the current Policy, the Committee may exercise discretion to defer or to reduce, including to nil, Executive Directors' annual bonus and LTIP outturns if the 'safety underpin' is triggered. Under the new Policy, the Committee will have much wider discretion to adjust such outturns to enable executive remuneration to reflect wider corporate performance and stakeholder experience, in turn mitigating a disconnect between these matters.

Predictability – some of the same features of directors' remuneration arrangements that mitigate risk also ensure that outcomes are within a predictable range

Executive Directors' salary increases are capped at 10% above RPI in any year, other than for increases given for internal promotion and market equalisation, and their maximum annual bonus opportunities and LTIP outturns are both capped at a percentage of their base salaries.

Under the new Policy, the Committee's wider discretion to adjust annual bonus and LTIP outturns to enable executive remuneration to reflect wider corporate performance and stakeholder experience also assists with delivering outturns which are more aligned with external expectations.

Proportionality – is achieved through the strong links between directors' remuneration and corporate performance

The linkage between Executive Directors' remuneration arrangements and their performance in delivering the Company's strategy is explained in Appendix 3 above.

The protections against Executives Directors' remuneration outturns being out of proportion, or mis-aligned, with the Company's performance are explained in the Risk and Predictability sections above.

Alignment to culture – is achieved through strong links between directors' remuneration and the Company's Values

The Company's Values of: Safety, Excellence, Customers, People, and Community & Environment are promoted through different aspects of Executive Directors' remuneration:

- The Safety, People, Customers and Community & Environment Values are supported by the safety bonus targets and environmental LTIP performance measures which focus management's attention on maintaining a safe and increasingly environmentally friendly transport network for the benefit of colleagues, passengers and the wider community.
- The Customers, People and Excellence Values are supported by the financial bonus targets and financial LTIP performance measures which focus management's efforts on achieving sustainable profit which enables the Company to expand its transport network into new customer markets and facilitates investment in operational excellence programmes which enhance the customer experience and create new opportunities for colleagues in terms of pay, working conditions and prospects.

1. Introduction to the new Policy

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

2. Considerations when setting and determining the Policy

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

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

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

3. Consideration of shareholder views

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

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

4. Remuneration Policy for Executive Directors

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

Element and how it supports strategy	Operation	Maximum potential value	Performance conditions and assessment
<p>Base salary</p> <p>To provide base salaries which:</p> <ul style="list-style-type: none"> – reflect the value of the Executive Director's experience, skills, knowledge, contribution and importance to the business; and – help attract, retain and motivate high performing Executive Directors of the calibre required to lead the business and successfully implement strategy, but without paying more than is necessary to do so. 	<p>Base salaries are paid monthly in cash and normally reviewed annually with effect from 1 January.</p> <p>Reviews cover individual performance, experience, development in the role and market comparisons.</p> <p>To determine market comparisons, the Committee reviews remuneration data on executive positions in comparator groups consisting of transport/leisure and general sector companies of similar size, complexity and international presence. The Committee retains the discretion to amend the comparator groups as necessary to remain relevant.</p>	<p>While there is no prescribed formulaic maximum, base salaries will reflect Executive Directors':</p> <ul style="list-style-type: none"> – roles and responsibilities; – knowledge, skills and experience; and – performance and effectiveness. <p>In addition, when reviewing Executive Directors' salaries, consideration will always be given to the general performance of the Company and the approach to employee pay across the Group. Therefore, salary increases for Executive Directors will not normally exceed the general employee increase for the country in which they are domiciled. However, larger increases or above median salaries may be necessary, for example (but without limitation):</p> <ul style="list-style-type: none"> – where there has been a material increase in the scope and/or scale of the Executive Director's responsibility in the role (including as a result of internal promotion); – to apply salary progression for an Executive Director who was appointed on a salary below the market level; or – where an Executive Director is extremely experienced and has a long track record of proven performance. In such circumstances, salaries may need to be in the upper quartile of comparable companies of similar size and complexity. <p>No increase will exceed 10% above RPI in any one year, except for internal promotion or where the Executive Director's salary is below the market level.</p> <p>Where such exceptional changes do occur, they will be fully disclosed and explained.</p>	Not applicable.

Element and how it supports strategy	Operation	Maximum potential value	Performance conditions and assessment
<p>Pension To provide fair benefits as part of fixed remuneration to allow Executive Directors to work towards saving for retirement at the same effective contribution rate as applies to the majority of the Company's and its subsidiaries' UK workforce.</p>	<p>Executive Directors receive a cash allowance in lieu of a pension provision in line with market practice.</p> <p>Executive Directors' pensions are aligned with those of the majority of the Company's and its subsidiaries' UK workforce (which is currently 3% of salary), with the exception of the incumbent Group Chief Financial Officer's pension which is equal to 25% of salary but will reduce to be aligned with that of the majority of the Company's and its subsidiaries' UK workforce with effect from 1 January 2023.</p> <p>Only base salary counts for the purpose of the pension allowance.</p>	<p>The maximum annual cash allowance payable in lieu of a pension provision for the incumbent Group Chief Financial Officer will be equal to 25% of base salary for the period until 1 January 2023.</p> <p>After this date, and for any new Executive Directors appointed from 1 November 2020, the maximum annual cash allowance payable in lieu of a pension provision will be equal to the level of employer pension contributions payable in respect of the majority of the Company's and its subsidiaries' UK workforce.</p>	<p>Not applicable.</p>
<p>Benefits To provide competitive benefits as part of fixed remuneration to enable the Group to recruit and retain high performing Executive Directors.</p>	<p>Executive Directors receive a combination of family private healthcare, death-in-service and life assurance cover (4x base salary), long-term sickness and disability insurance, car allowance, free travel on the Company's services and professional membership subscriptions.</p> <p>The Committee has discretion to provide additional benefits or remove benefits in order to remain competitive or to meet the needs of the business, for example to provide relocation assistance to an Executive Director (and his/her family), including financial, tax and legal advice if applicable.</p> <p>Any change to benefit provisions will be disclosed on an annual basis.</p> <p>Executive Directors are also entitled to travel, subsistence and accommodation for business purposes, paid or reimbursed by the Company in line with the Company's expenses policy.</p>	<p>The cost to the Company of providing the benefits may vary from year to year in accordance with market conditions. This will therefore determine the maximum amount that will be paid in the form of benefits to Executive Directors during the Policy period.</p> <p>The cost to the Company of expenses depends on the relevant expenses.</p>	<p>Not applicable.</p>

Directors' Remuneration Report

Directors' Remuneration Policy *continued*

Element and how it supports strategy	Operation	Maximum potential value	Performance conditions and assessment
<p>Annual bonus</p> <p>To incentivise delivery of near-term performance objectives which are directly linked to the financial, strategic delivery and risk management priorities of the Group.</p> <p>A portion of any bonus paid is deferred into shares, assisting the retention of Executive Directors and alignment of their interests with those of shareholders.</p>	<p>Executive Directors' bonus payments are based on the achievement of pre-specified objectives over a one-year performance period. Achievement of each element of the bonus is assessed independently.</p> <p>50% of the bonus earned is subject to mandatory deferral into shares for one year from award.</p> <p>Unless the Committee determines otherwise, the market price per share on the date of the award will be calculated on the basis of the average share price in the five days preceding the date of the grant.</p> <p>Dividends are paid on the deferred share element, in shares.</p> <p>Malus and clawback provisions attach to the whole of the bonus award and apply during the two-year period post award, including following cessation of employment.</p> <p>Bonus payments are paid following announcement of the Company's audited year end results and are not pensionable.</p>	<p>The maximum bonus award is equal to 200% of base salary for the Group Chief Executive Officer and 150% of base salary for other Executive Directors.</p>	<p>Performance conditions are a combination of financial and non-financial (including strategic delivery, risk management and personal) objectives set at the beginning of each year.</p> <p>The Committee retains discretion in appropriate circumstances to amend the weightings of the financial and non-financial elements of the bonus from year to year and for each Executive Director as appropriate.</p> <p>The financial performance conditions will typically relate to profit and/or cash generation, are set on an annual basis and are intended to be achievable at threshold and stretching at maximum.</p> <p>The non-financial performance conditions will be set annually based on objectives for the year. These may include safety, operational and business development objectives, customer related developments or metrics, colleague related developments or metrics, and environmental, social and governance (ESG) developments or metrics, as determined by the Committee on an annual basis. Normally, the proportion of the bonus determined by non-financial performance conditions will only become payable when the Company achieves a threshold level of normalised profit but the Committee has discretion to vary this in appropriate circumstances.</p> <p>The numerical values of the financial, and details of the non-financial, performance conditions will not be disclosed in advance (except for any numerical safety performance conditions) as the Committee considers this information commercially sensitive. Actual targets, performance achieved and awards will be published at the end of the performance period to enable shareholders to fully assess the basis for any payouts under the annual bonus.</p> <p>The annual bonus includes the ability for the Committee to use its discretion, acting reasonably and proportionately, to adjust the bonus outcome, upwards (provided it does not exceed the maximum) or downwards (including to nil), if such outcome is not reflective of overall corporate performance and/or individual performance. Examples of circumstances in which such an adjustment could be made include (without limit) where:</p> <ul style="list-style-type: none"> – there is substantial mis-alignment between the Company's financial performance and the outcome of the proportion of the bonus determined by reference to financial performance conditions and/or substantial mis-alignment between the individual's performance and the overall bonus outcome; – there are significant concerns in relation to safety. This includes where, as a result of the systematic failure of management to put in place and operate effective safety processes, a significant negative event occurs that has a material adverse impact on both the reputation of the Company and its share price (the 'safety underpin'); or – there is a significant event which materially impacts the reputation of the Company and its share price. This includes where, as a result of the material failure of management to put in place and operate effective internal controls, such an event occurs, or where, as a result of the action or omission of the person to whom the bonus would be payable, such an event occurs. <p>To the extent that legal, regulatory or other investigations or proceedings are ongoing in relation to such an event, the Committee has the discretion to delay the award of a bonus (in whole or in part) until those investigations or proceedings are completed.</p>

Element and how it supports strategy	Operation	Maximum potential value	Performance conditions and assessment
<p>Long-Term Incentive Plan ('LTIP')</p> <p>To incentivise delivery of longer-term performance outcomes, reward the execution of strategy, aid retention of Executive Directors and align their longer-term interests with those of shareholders.</p> <p>The performance conditions are aligned with the Group's strategic delivery and its financial and ESG performance which facilitates or evidences such delivery, thereby driving Executive Directors to achieve outcomes that create shareholder value over the long-term.</p>	<p>LTIP awards (in the form of conditional shares, nil cost options or forfeitable shares) are granted annually with vesting subject to the achievement of performance conditions measured over a three-year consecutive financial period commencing with the year of award.</p> <p>An additional two-year holding period for vested shares exists post vesting for the Executive Directors.</p> <p>Dividend equivalents and dividends can be paid on vested shares, in shares, in respect of both the performance and holding periods.</p> <p>Awards are reviewed annually to ensure that grant levels, performance criteria and other features remain appropriate to the Company's current circumstances.</p> <p>Malus and clawback provisions attach to all vested shares under LTIP awards and apply during the two-year period post vesting, including following cessation of employment.</p>	<p>The maximum LTIP award is equal to 200% of base salary, per annum, for all Executive Directors.</p>	<p>Awards will be subject to stretching performance conditions over a period of three consecutive financial years.</p> <p>The current intention is that LTIP awards will have performance conditions relating to EPS, ROCE, TSR and ESG measures.</p> <p>The Committee may change the balance of the measures, or use different measures for subsequent awards, as appropriate. No material change will be made to the type of performance conditions without prior shareholder consultation.</p> <p>The threshold vesting level will be no more than 25%, and may vary by performance condition and from year to year. There is no ability to retest any of the performance conditions.</p> <p>The LTIP includes the ability for the Committee to use its discretion, acting reasonably and proportionately, to adjust an LTIP award vesting outcome, upwards (provided it does not exceed the maximum) or downwards (including to nil), if such outcome is not reflective of overall corporate performance and/or stakeholder experience. Examples of circumstances in which such an adjustment could be made include (without limit) where:</p> <ul style="list-style-type: none"> – there is substantial mis-alignment between the Company's financial performance and the vesting of the proportion of the LTIP award determined by financial performance measures; – there are significant concerns in relation to safety. This includes where, as a result of the systematic failure of management to put in place and operate effective safety processes, a significant negative event occurs that has a material adverse impact on both the reputation of the Company and its share price (the 'safety underpin'); and – there is a significant event which materially impacts the reputation of the Company and its share price. This includes where, as a result of the material failure of management to put in place and operate effective internal controls, such an event occurs, or where, as a result of the action or omission of the LTIP award holder, such an event occurs. <p>To the extent that legal, regulatory or other investigations or proceedings are ongoing in relation to such an event, the Committee has the discretion to delay the vesting of an LTIP award (in whole or in part) until those investigations or proceedings are completed.</p> <p>There is no formal monetary value of award above which the Committee will automatically apply downwards discretion.</p> <p>The Committee also retains discretion under the LTIP rules to amend existing performance conditions to take account of any events that may arise which would mean in its opinion, if such adjustments were not made, the performance condition would not constitute a fair measure of the Company's performance over the measurement period.</p> <p>The number or class of shares under award may be adjusted on a rights issue, variation of capital, demerger or similar transaction.</p>

4.2 Shareholding requirement for Executive Directors

Executive Directors are required to build up a shareholding to a value equal to 200% of base salary over a five-year period commencing from the later of the approval of the Policy and their date of appointment (and, as this represents a 33.3% incremental increase on the incumbent Group Chief Financial Officer's pre-existing shareholding guideline, he will have five years from approval of the Policy to build this incremental increased shareholding). Compliance with this requirement is a condition of continued participation in the Company's LTIP and other equity incentive arrangements.

A shareholding requirement will continue to apply to an Executive Director after the cessation of his/her employment which equates to the lesser of shares which have a value equal to 200% of base salary calculated as at the date of leaving employment and his/her actual shareholding at the date of leaving employment, irrespective of the reason for leaving, save it will not apply where the reason for leaving is in connection with a change of control in the Company.

Only shares derived from the 2021 LTIP awards and other share awards granted after the Policy comes into effect will be included in the post-cessation shareholding requirement. Shares held by an Executive Director prior to the Policy coming into effect, or vesting under an award granted to an Executive Director prior to the Policy coming into effect (other than the 2021 LTIP award), and shares independently acquired by an Executive Director at any time (whether before or after the Policy coming into effect), will not be included.

4.3 Performance conditions under the annual bonus and LTIP

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

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

If the Committee materially changes the LTIP performance conditions within the life of the Policy, it will consult with shareholders in advance on the changes to be made and the reasons for doing so.

4.4 Malus and clawback provisions

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

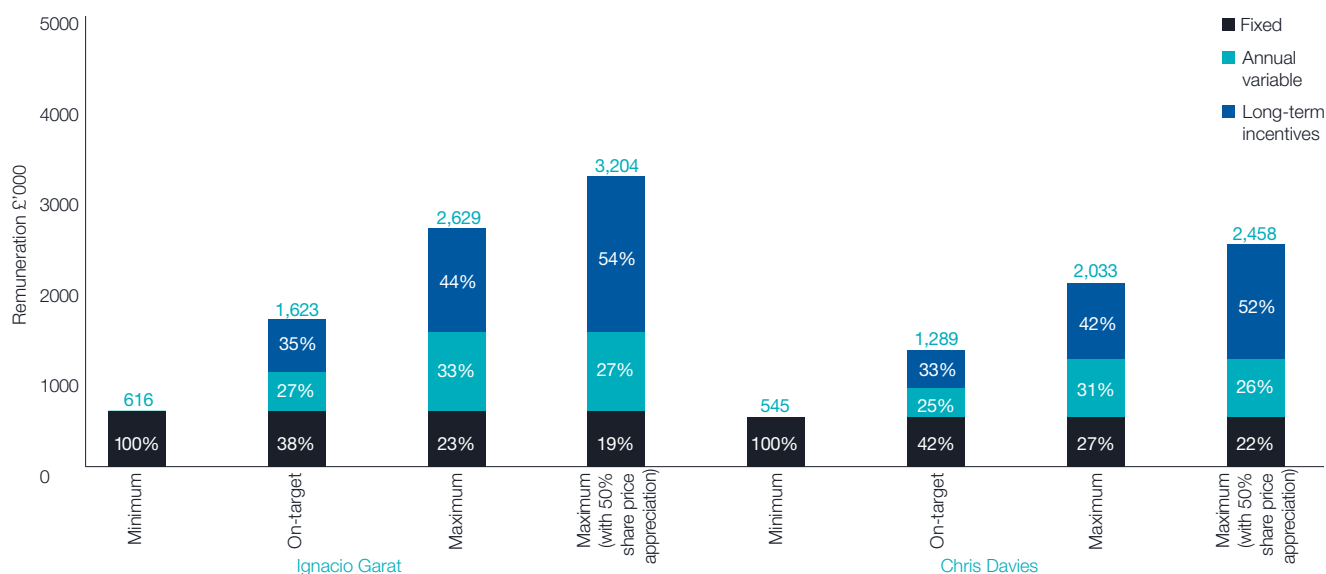
- the discovery of a material misstatement resulting in an adjustment in the audited consolidated accounts of the Company for a period that was wholly or partly before the end of the period over which the performance target applicable to an award was assessed (or was due to be assessed);
- the discovery that the assessment of any performance target, measure or condition in respect of an award was based on error, or inaccurate or misleading information;
- the discovery that any information used to determine any performance target, measure or condition in respect of an award (or to determine the number of shares over which an award was granted) was based on error, or inaccurate or misleading information;
- there is action, inaction or conduct of an award holder which, in the reasonable option of the Committee, amounts to fraud or gross misconduct;
- there is action, inaction or conduct of an award holder which has had a significant detrimental impact on the reputation of the Company; or
- the Company becomes insolvent or otherwise suffers a corporate failure in connection with which the value of the Company's shares is materially reduced, provided the Committee is satisfied after due investigation that the award holder should be held responsible (in whole or in part) for that insolvency or corporate failure.

4.5 Previous arrangements

For the avoidance of doubt, in approving this Policy, authority is sought by the Company to honour any outstanding commitments (subject to existing terms, conditions and plan rules, as applicable) entered into with current or former Directors (as previously disclosed to shareholders) before this Policy took effect or before they became a Director.

4.6 Total remuneration opportunity at various levels of performance

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



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

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

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

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

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

4.7 Comparison with approach to remuneration across the Group

The Group operates across a number of countries and accordingly sets terms and conditions for employees which reflect the different legislative requirements and labour market conditions that exist in each country.

We have a framework for recognition and rewards internationally. We will always meet or exceed national minimum standards of employment in all our business divisions, offering pay and other terms and conditions that are appropriate to each labour market in which we operate. In particular, we are committed to adhering to the Living Wage in the UK and to at least the national minimum wage in each of the other countries we operate in. Subject to the aforesaid, base pay is set at a level that allows us to recruit and retain colleagues in each relevant labour market and performance-related pay arrangements are based on the achievement of business division and team or individual goals, objectively assessed. The Company believes in the value of continuous improvement, both for the individual and the Company.

The Group offers pension and pension savings arrangements to its employees appropriate for the labour markets in which it operates. In the UK, in line with market practice, employees are offered membership of a defined contribution plan with employer contributions for the majority of employees equal to 3% of base salary. The Group also has a legacy defined benefit scheme in its West Midlands bus division with employer contributions of 35% of base salary. In the UK, employees also receive death-in-service benefits and free travel on the Company's transport services and middle and senior managers may also receive car or travel allowances and/or private medical insurance, subject to their employee grade.

Directors' Remuneration Report

Directors' Remuneration Policy *continued*

The Group's divisions operate various cash bonus incentive schemes for appropriate individuals, incentivising the delivery of particular divisional strategic, operational, safety and personal objectives. Senior management participate in a bonus scheme which is broadly aligned with Executive Directors' annual bonuses, save targets may relate to divisional rather than Group-wide performance and/or place more emphasis on divisional strategic or safety objectives and/or personal objectives. LTIP awards are also granted to selected senior managers to incentivise and reward them for delivering long-term value for the Company and its shareholders.

The Committee reviewed the Company's CEO pay ratios and its Group's employee pay policies and practices when formulating this Policy, and is satisfied that the structure and quantum of remuneration for the Executive Directors is appropriate in view of their relative roles and responsibilities.

4.8 Executive Directors' service agreements

The Executive Directors have service agreements with the Company and the table below shows the dates of those agreements and the relevant notice period to be provided by the parties to them in normal circumstances:

Executive Director	Date of service agreement	Date of appointment	Notice period from Company	Notice period from Director
Ignacio Garat	11.10.20	01.11.20	6 months until 01.05.21 then 12 months	6 months
Chris Davies	17.01.17	10.05.17	12 months	6 months

The Committee regularly reviews its policies on executive remuneration and severance in the best interests of shareholders. Guidance on best practice expectations is taken into account prior to agreeing Executive Directors' contractual provisions.

4.9 Executive Directors' employment termination arrangements

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

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

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

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

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

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

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

4.10 Approach to the remuneration of newly appointed Executive Directors

When determining the remuneration arrangements for a newly appointed Executive Director (whether such individual is an internal promotion or external candidate), the Committee will take into consideration all relevant factors to ensure that arrangements made are in the best interests of both the Company and its shareholders without paying more than is necessary to recruit an Executive Director of the required calibre.

The Committee will generally seek to align the remuneration of any new Executive Director following the same principles as for the current Executive Directors. The elements that would be considered by the Company for inclusion in the remuneration package of a new Executive Director are:

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

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

The Committee may also make awards on the appointment of an Executive Director to 'buy out' remuneration arrangements being forfeited by the individual on leaving a previous employer. The Committee would take into account both market practice and any relevant commercial factors in considering whether any enhanced and/or one-off annual incentive or long-term incentive award is appropriate. Awards made by way of compensation for forfeited awards would be made on a comparable basis, taking account of performance conditions and achievements (or likely achievements), the proportion of the performance period remaining and the form of the award. Compensation could be in the form of cash and/or shares. The Committee will not offer any non-performance-related incentive payments (for example, a 'guaranteed signing-on bonus' or 'golden hello'). Leaver provisions will be determined in line with this Policy when 'buy-out' awards are made.

5. Remuneration Policy for Non-Executive Directors

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

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

5.2 Appointments

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

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

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

The current Chairperson's and Non-Executive Directors' dates of appointment and current notice periods are shown in the table below:

Director	Date of appointment	Notice period from either party (months)
Sir John Armitt	01.01.13	3
Jorge Cosmen	01.12.05	1
Matthew Crummack	06.05.15	1
Mike McKeon	03.07.15	1
Dr Ashley Steel	01.01.16	1
Karen Geary	01.10.19	1
Ana de Pro Gonzalo	01.10.19	1

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

Directors' Remuneration Policy

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

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

Annual Report on Remuneration

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

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

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

(a) Ignacio Garat, incumbent Group Chief Executive Officer

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

(b) Chris Davies, incumbent Group Chief Financial Officer

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

(c) Dean Finch, former Group Chief Executive Officer

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

(d) Matt Ashley, former Group Business Development Director

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

2. Single total figure of remuneration for Executive Directors

The table directly below sets out the single total figure of remuneration and breakdown for each Executive Director who served during the financial year ended 31 December 2020 (with comparative figures provided for 2019). The subsequent information and tables in this section 2 give more detail on various elements of the Executive Directors' remuneration.

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

¹ The base salaries of Messrs Garat, Finch and Ashley reflect that they served as Directors for only part of the 2020 year. The base salaries of Messrs Finch and Davies further reflect the voluntary waiver of their respective 2020 pay increases and their respective 50% and 20% reductions in base salary for two months of the 2020 year. These matters are further explained in section 2(a) below.

² Taxable benefits comprise the gross of tax value of car allowance, private medical insurance, death-in-service and life assurance cover. The decreases in value of Messrs Finch's and Ashley's taxable benefits in 2020 (vs. 2019) are attributable to them serving as Directors for only part of the 2020 year.

³ Further information about the other benefits payable to each of Mr Garat and Mr Davies are set out in section 2(e) on page 119.

⁴ None of the Executive Directors received an annual bonus in respect of the financial year ended 31 December 2020 as, in respect of those eligible, the financial targets were not achieved and the 'financial gateway' to the non-financial targets was not met. Further details are set out on pages 115 to 116.

⁵ The values of annual bonuses which were awarded in respect of the financial year ended 31 December 2019 were the aggregate of the proportion of such bonuses paid in cash and the proportion of such bonuses deferred into shares under the EDBP. The figures shown for 2019 in the table above have not been adjusted to reflect that both Messrs Finch and Ashley left the Company prior to their deferred share awards vesting such that those share awards lapsed in full. The actual difference in value is £(527,000) for Mr Finch and £(76,000) for Mr Ashley, based on the 2019 values of those lapsed share awards.

⁶ The 2020 LTIP value shown for Mr Davies represents the estimated value of shares that are scheduled to vest to him in 2021 arising from the three-year award granted to him in 2018 which was subject to performance conditions over the three-year performance period ended on 31 December 2020. The LTIP awards granted to Messrs Finch and Ashley in 2018 lapsed in full on their leaving the Company and Mr Garat did not receive a 2018 LTIP award as he joined the Company in 2020.

Mr Davies' award has been calculated using a share price of 200.668p (being the three-month average to 31 December 2020) and includes an amount of £2,652.15 representing the dividend equivalent of 29.26p per share earned during the vesting period on the shares to vest, which will be paid to Mr Davies' in cash on vesting (as determined on grant). The actual value of shares vested to Mr Davies will be confirmed in next year's report.

⁷ As the values of LTIP shares which vested to Messrs Davies and Finch in 2020 in respect of their awards granted in 2017 which were subject to performance conditions over the three-year performance period ended on 31 December 2019 were estimated in last year's report, the figures shown for 2019 in the table above have been adjusted to reflect the actual vesting date values for Messrs Davies and Finch based on the Company's share price at vesting of 250.60p. The difference in value is £(262,000) for Mr Davies and £(624,000) for Mr Finch. As Mr Ashley left the Company prior to the LTIP award granted to him in 2017 vesting in 2020, the figure shown for 2019 in the table above has been adjusted to zero.

(a) Base salary

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

(b) Pensions

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

(c) Annual bonus

(i) 2020 bonus structure

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

Former Chief Executive Director

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

Other Executive Directors

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

It was a pre-condition to the award:

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

(ii) 2020 bonus performance conditions

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

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

Directors' Remuneration Report

Annual Report on Remuneration continued

(iii) 2020 bonus targets, outturns and awards

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

Measure	Weighting	Threshold	Target	Maximum	Actual	Bonus value achievable between Threshold and Maximum (% of salary)			Actual bonus value achieved (% of salary)		
						Dean Finch	Chris Davies	Matt Ashley	Dean Finch	Chris Davies	Matt Ashley
Financial targets	75%										
Group underlying profit before tax		£222.3m	£234.0m ¹	£245.7m	£(106.1)m	0%-100%	0%-75%	0%-75% ⁵	0%	0%	0%
Group free cash flow		£132.4m	£147.1m ²	£161.8m	£(178.7)m	0%-50%	0%-37.5%	0%-37.5%	0%	0%	0%
Non-financial targets³	25%					0%-50%	0%-37.5%	0%-37.5% ⁶	0%	0%	0%
Total bonus awarded									0%	0%	0%
To be paid in cash ⁴									0%	0%	0%
To be deferred in shares ⁴									0%	0%	0%

¹ The original Group underlying profit before tax target was set at £241.0m. After adjustment to reflect foreign exchange rate movements and underspend of growth capital investment, the revised target was £234.0m, with the threshold and maximum amounts (set at +/- 5% of the target) adjusted accordingly.

² The original Group free cash flow target was set at £153.3 million. After adjustment to reflect foreign exchange rate movements and underspend of growth capital investment, the revised target was £147.1m, with the threshold and maximum amounts (set at +/- 10% of the target) adjusted accordingly.

³ Details of the non-financial targets for the Executive Directors are set out in section 2(c)(iv) below.

⁴ If a bonus had been payable to any Executive Director, a proportion would have been paid in cash shortly following the date of the award and a proportion would have been deferred into forfeitable shares in the Company for a period of one year from the date of the award in accordance with the terms of the current Policy and the EDBP. However, as no bonuses are payable, these provisions do not apply.

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

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

(iv) Summary of 2020 non-financial bonus targets

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

	FWI Index objective 5% weighting	Other Safety objectives 13% weighting	Strategic / Risk management objectives 7% weighting
Dean Finch and Matt Ashley	Achieve 2020 Fatality Weighted Injuries (FWI) Index score on a per million mile basis at least as good as 2019	<ul style="list-style-type: none"> - Deliver further progress on improving safety systems and processes - Develop a new driver training package for roll-out over the next two years - Review new vehicle specifications and determine if viable options exist to work with manufacturers to further enhance vehicle safety - Audit the implementation of Group driver oversight and risk profiling standards and continue to enhance their effectiveness - Continue to improve the management of distracted driving - Implement the five Global Safety Policies in Casablanca consistent with full roll-out over two years - Carry out an evaluation of the feasibility and benefit of installing driver monitoring systems on vehicles in Casablanca 	<ul style="list-style-type: none"> - Review and enhance the Group's policies around Environmental, Social and Governance (ESG) issues - Drive customer retention and customer satisfaction - Build and develop talent throughout the Group including continued development of our graduate and high potential programmes - Successfully implement the M&A strategy and integrate acquisitions - Continue to drive excellence through the business - Further develop strategies on electric vehicles and new vehicle technologies - Enhance the Group's ability to grow in North America through conducting an end-to-end review of driver resourcing processes
Chris Davies	Achieve 2020 Fatality Weighted Injuries (FWI) Index score on a per million mile basis at least as good as 2019	<ul style="list-style-type: none"> - Deliver further progress on improving safety systems and processes - Review the reporting of the cost of safety for consistency, to better inform safety investment decisions - Support improvements in safety performance and contain insurance costs through enhanced risk and claims management - Make appropriate financial resources available to continue investment in DriveCam and other Group safety technologies - Expedite the purchase of the new fleet in Casablanca to improve vehicle safety 	<ul style="list-style-type: none"> - Optimise processes and systems across the Group to manage gearing within the Group's stated range - Refresh investor relations approach to lay the foundations to attract a more diverse shareholder register - Complete thorough due diligence on 2020 acquisitions and carry out post-integration reviews of 2019 acquisitions to ensure returns are being maximised - Execute the Group's cyber security strategy to minimise cyber risk - Finalise the Group's medium-term refinancing requirements - Review back office/central costs across the Group and drive savings through increased use of shared services and/or automation

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

(i) LTIP awards vesting in 2021

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

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

¹ As explained on page 76 of the 2018 Annual Report, the Committee determined to assess the EPS and ROCE performance measures on the LTIP awards scheduled to vest in 2021 after neutralising the impact (if any) of IFRS 16 on such measures. There is no such impact as shown in this column.

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

³ The Bespoke Index comprises three other UK-based passenger transport groups: FirstGroup plc; Stagecoach Group plc; and Go-Ahead Group plc.

⁴ For EPS and ROCE performance measures, straight-line vesting occurs between threshold and target performance, and between target and maximum performance.

⁵ Actual EPS is the fully diluted underlying earnings per share in the last year of the performance period.

⁶ Actual ROCE is the average return on capital employed over the three-year performance period.

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

(ii) Vesting details

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

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

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

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

Executive Director	Number of shares over which option was awarded	Number of shares scheduled to vest	Amount of award to vest	Amount of award to vest attributable to share price appreciation	Cash dividend payable on vesting
Chris Davies ¹	139,050	9,061	£18,183 ¹	£0 ¹	£2,652

¹ The amount of the 2018 LTIP award to vest to Mr Davies, and the part of that amount attributable to share price appreciation, are estimated based on the Company's average share price over the three months to 31 December 2020 (of 200.668p per share). The actual amount, which will be determined by reference to the Company's share price at the relevant vesting date in 2021, will be set out in next year's report.

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

Directors' Remuneration Report

Annual Report on Remuneration continued

(iii) LTIP awards granted in 2020

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

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

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

² The face value of the LTIP awards is the number of (adjusted) Company shares over which awards were made multiplied by the Company's closing share price on the last business day preceding the date of grant, being 339.4p on 11 March 2020.

³ Mr Finch's and Mr Ashley's LTIP awards granted in 2020 lapsed in full when they left the Company.

(iv) Performance conditions attaching to 2020 LTIP awards

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

¹ For TSR performance measures, straight-line vesting occurs between threshold and maximum performance.

² Comprising three other UK-based passenger transport groups: FirstGroup plc; Stagecoach Group plc; and Go-Ahead Group plc.

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

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

(v) Indicative vesting levels for outstanding LTIP awards

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

Performance condition	LTIP award year/type			
	2019 3-year LTIP		2020 3-year LTIP	
	Weighting	Vesting	Weighting	Vesting
EPS	33.33%	0%	25%	0%
ROCE	33.33%	0%	25%	0%
TSR vs. FTSE 250 Index	16.66%	0%	12.5%	0%
TSR vs. Bespoke Index ¹	16.66%	0%	12.5%	0%
tCO ₂ e/million passenger km	–	–	15%	7.5%
UK zero emission vehicles	–	–	10%	5.0%
Total (max 100%)		2019: 0%		2020: 12.5%

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

(vi) Executive Deferred Bonus Plan (EDBP)

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

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

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

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

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

(e) Other benefits

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

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

3. Single total figure of remuneration for Non-Executive Directors

The table below sets out the single total figure of remuneration (fees) for the Non-Executive Directors who served during the financial year ended 31 December 2020 (with comparative figures provided for 2019):

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

¹ The Chairman's fee and the Non-Executive Directors' fees reflect their respective 50% and 20% reductions in fees for two months of the 2020 year.

² The Chairman's fee is all-inclusive so no additional fees were payable in respect of his chairmanship of the Nominations Committee until 4 November 2020. Whereas Mr Cosmen assumed the chairmanship of the Nominations Committee from 4 November 2020, he waived any additional fee for acting as chair of the Nominations Committee during the balance of 2020.

³ Mr Sander stepped down as the Senior Independent Director on 3 April 2020 when Mr Crummack assumed such role and therefore both received a pro-rated proportion of the Senior Independent Director's fee for the 2020 year.

⁴ A travel allowance was paid to certain overseas-based Directors for each Board meeting or other Board-related matter attended outside their continent of residence, in an amount per such meeting or matter of £4,000. For 2020, the allowances paid were: Lee Sander £12,000 (2019: £24,000) and Chris Muntwyler £4,000 (2019: £8,000).

⁵ Messrs Sander and Muntwyler stepped down as Non-Executive Directors on 30 December 2020.

Directors' Remuneration Report

Annual Report on Remuneration continued

With effect from 1 January 2020:

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

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

(a) Payments to past Directors

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

(b) Payments for loss of office

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

5. Statement of Directors' shareholdings and share interests

(a) Directors' share ownership guidelines

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

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

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

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

(b) Executive Directors' interests in shares

Details of the Executive Directors' and their connected persons' beneficial interests in the Company's shares, and of the Executive Directors' other interests in shares, for current Executive Directors as at 31 December 2020 and for former Executive Directors as at the dates they left the Company, are shown in the table below:

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

¹ The Company's closing share price of 237.40p as at 31 December 2020 has been used for the purposes of this calculation and has been applied to the beneficially owned and forfeitable shares held under the EDBP in arriving at the shareholding value as at 31 December 2020.

² Mr Garat's current shareholding guideline applies to the five-year period commencing from his date of appointment on 1 November 2020.

³ Mr Davies' current shareholding guideline applies to the five-year period commencing from his date of appointment on 10 May 2017.

⁴ The shares beneficially owned by Mr Davies include 109,549 shares that he owns free from restriction, 15,698 shares arising from the vesting of his 2019 EDBP award, 32,524 being the deemed net of tax residual shares arising from the vesting and exercise of his 2017 2-year LTIP (recruitment incentive) award (which has not yet been exercised but which shares are not subject to compulsory holding) and 69,444 net of tax residual shares arising from the vesting and exercise of his 3-year 2017 LTIP award (which has been exercised and which shares are subject to a 2-year compulsory holding period expiring on 17 April 2022).

⁵ Messrs Finch and Ashley ceased to be Executive Directors on 31 August 2020 and 3 April 2020, respectively, which are the dates as at which their beneficial shareholdings are shown. No shareholding requirement applies to them post-termination of employment but certain shares they hold as a result of the previous vesting of LTIP awards remain subject to compulsory holding periods, including post-termination of employment.

⁶ The shares beneficially owned by Mr Finch include 174,539 shares being the net of tax residual shares arising from the vesting and exercise of his 2016 3-year LTIP award and 165,364 shares being the net of tax residual shares arising from the vesting and exercise of his 2017 3-year LTIP award (which are each subject to a 2-year compulsory holding period expiring on 11 April 2021 and 17 April 2022, respectively).

⁷ The shares beneficially owned by Mr Ashley include 135,538 shares that he owns free from restriction and 69,917 shares being the net of tax residual shares arising from the vesting and exercise of his 2016 3-year LTIP award (which are subject to a two year compulsory holding period expiring on 11 April 2021).

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

(c) Non-Executive Directors' interests in shares

The details of the Non-Executive Directors' and their connected persons' interests in shares, for current Non-Executive Directors as at 31 December 2020 and for former Non-Executive Directors as at the date they ceased to be Directors, all of which are held beneficially, are shown below:

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

¹ Neither Jorge Cosmen nor his connected persons are now sufficiently closely connected with any of the Cosmen family companies which hold shares in the Company (including European Express Enterprises Ltd which is a major shareholder in the Company whose shareholding is shown on page 129) for such family companies' shareholdings to be considered his or his connected persons' interests in Company shares.

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

(d) Other information

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

The closing price of a Company ordinary share at 31 December 2020 was 237.40p (2019: 469.6p) and the range during the year ended 31 December 2020 was 90.40p to 474.40p per share.

(e) Changes since year end

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

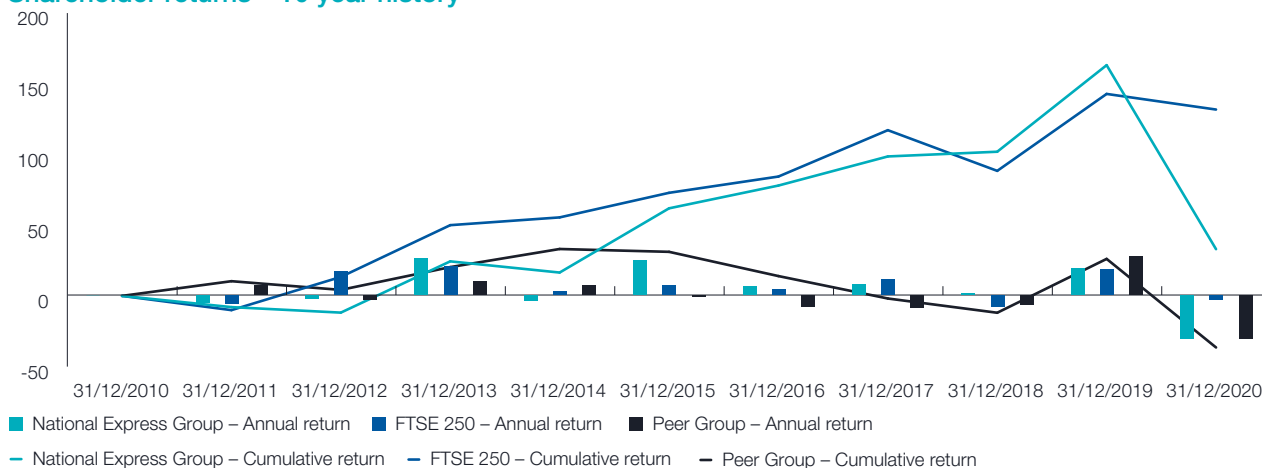
6. Comparison of overall performance

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

As can be seen from the graph:

- the Company had been outperforming the FTSE 250 Index on an annual basis in several of the years over this 10 year period, including in 2018 and 2019 prior to the Covid-19 pandemic adversely impacting the Company in 2020 (as it did other companies in the transport sector in the FTSE 250 Index); and
- the Company has significantly outperformed the Bespoke Index - comprising a peer group of three other UK listed companies in the transport sector - on an annual basis in four out of the last five years of this 10 year period, including in 2020 notwithstanding the impact of the Covid-19 pandemic, and on a cumulative basis over this last five year period.

Shareholder returns – 10 year history



7. Context of Director pay

The following table sets out the actual percentage change from 2019 to 2020 in certain elements of the remuneration paid (where applicable) to each of the persons who served as Directors during 2020, compared with the average percentage change from 2019 to 2020 in those same elements of remuneration for the Company's employees. It also sets out, by way of voluntary disclosure, a comparison with the Company's Group's whole UK employee population as this provides a more meaningful comparison in view of the fact that the Company itself only employs a small proportion of the Group's employees.

The elements of each Executive Director's remuneration included in the table below comprise base salary, taxable benefits and annual bonus calculated in the same way as in the single total figure of remuneration table on page 114. The Chairman and Non-Executive Directors' fees included in the table below are calculated in the same way as in the single total figure of remuneration table on page 119.

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

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

8. History of CEO pay

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

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020 ¹	2020 ²
Chief Executive Officer	D Finch	D Finch	D Finch	D Finch	D Finch	D Finch	D Finch	D Finch	D Finch	D Finch	I Garat
Single figure total remuneration (£'000)	1,454	1,701	1,553	1,562	3,661	3,887	4,225	4,318	3,048	531	123
Annual bonus payment (as % of maximum opportunity)	100%	100%	95%	93%	96%	83.5%	95%	90%	100%	0%	n/a⁴
LTIP vesting level achieved (as % of maximum opportunity)	n/a ³	32.5%	0%	0%	73.4%	80.8%	86.9%	96%	91.53%	0%	n/a⁴

¹ Mr Finch served as Chief Executive Officer from 1 January 2020 to 31 August 2020.

² Mr Garat served as Chief Executive Officer from 1 November 2020 to 31 December 2020.

³ In 2011, Mr Finch was not entitled to any LTIP awards subject to performance conditions whose final year of performance ended during that year.

⁴ In 2020, Mr Garat was not entitled to any bonus award or LTIP award subject to performance conditions whose final year of performance ended during that year.

9. CEO pay ratios

The following table sets out ratios which compare the (combined) CEOs' total remuneration in the Company's financial year ended 31 December 2020 to that of the Company's Group's UK employees whose full time equivalent remuneration ranks them at the lower quartile, median and upper quartile of pay for all of the Company's Group's UK employees (together with that data for the Company's previous financial year):

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

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

Option A was used to calculate the pay ratios as it is the most statistically accurate method and the relevant pay data was available to the Company in time for the preparation of this Report. The UK employees at the lower quartile, median and upper quartiles were identified as at 31 December 2020 and their full-time equivalent total remuneration was calculated in respect of the 12 months ended 31 December 2020 on the basis explained further below. The employee at the 25th percentile is employed as a cleaner and the employees at the 50th and 75th percentiles are employed as bus drivers, with their different pay reflecting overtime and different pension contributions.

The CEO's remuneration was calculated by:

- combining the total remuneration of the former CEO (Mr Finch) and the new permanent CEO (Mr Garat) as set out in the single total figure of remuneration table on page 114 and aggregating that sum with the proportion of Mr Davies' total remuneration as derived from the single total figure of remuneration table on page 114 which relates to the two-month period during which he served as interim CEO (including the whole of the fixed salary supplement paid to Mr Davies during that period for acting in such capacity).

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

- a large number of the Group's UK employees, such as bus and coach drivers and customer service centre staff, work full time but are paid by the hour (rather than having an annual fixed base salary). Their wages have been calculated as the actual number of hours worked in the year multiplied by the relevant hourly rates of pay applicable during the year;
- a number of the Group's UK employees work part time. Those who are paid on a salaried basis have had their salaries grossed up to the full time equivalent salary for their role. Those who are paid by the hour have had their wages grossed-up to a full time equivalent number of hours using the average number of hours performed by a full time employee performing the same or most similar role;
- some of the Group's UK employees receive taxable benefits, such as car, travel and other allowances and private medical insurance, the value of which has been included. In the case of part time employees, where any such benefits are pro-rated to reflect them working part time, the value of such benefits on a full time equivalent basis has been included;
- many of the Group's UK employees are members of a pension scheme and employer pension contributions have been included;
- some of the Group's UK employees receive performance-related annual bonus awards, and other Group UK employees receive ad hoc bonuses or other one-off rewards, such as loyalty bonuses, Values awards and gratuities, the cash value of which awards and rewards has been included;
- certain of the Group's UK employees who are senior managers receive performance conditioned three-year LTIP awards in the form of nil-cost options over Company shares. The estimated value of such awards which will vest in 2021 in respect of the three year performance period ended on 31 December 2020 (estimated on the same basis as in the single total figure of remuneration table), together with the cash value of dividend equivalents on vested shares under such awards, have been included; and
- where the Group's UK employees were placed on furlough during any part of 2020, the amounts actually paid to them have been included, including amounts subsequently reimbursed to the Company and its UK subsidiaries by the UK government under the Coronavirus Job Retention Scheme and topped-up amounts funded by the Company's Group.

The year-on-year (2020 vs. 2019) reduction in each of the pay ratios is principally attributable to the significantly reduced value of the performance-related pay due to all three of the individuals who performed the CEO role during the year under review. As a result of the significant detrimental impact of the Covid-19 pandemic on the Company, none of such individuals received an annual bonus award in respect of the year ended 31 December 2020 (vs. the CEO's bonus of £1.296m in 2019) and none of them had any long-term incentive awards vest to them in their capacity as CEO in respect of the performance period ended on 31 December 2020 (vs. the estimated value of the CEO's vested LTIP of £1.538m in 2019). The resulting pay ratios are therefore not necessarily representative of typical pay ratios or an indicator of future pay ratios. Other factors, such as: (i) the base salaries of all individuals who performed the CEO role being lower in 2020 (vs. 2019) due to a combination of their Covid-related salary sacrifices and both the interim CEO's salary (including the fixed salary supplement paid) and the new CEO's salary being lower than the former CEO's base salary to reflect their respective levels of experience; and (ii) the base salaries of the majority of the Company's Group's UK employees being higher in 2020 (vs. 2019) as a result of them benefitting from their 2020 pay increases during the year, have also contributed to the difference, but to a lesser extent.

The table below shows the (combined) CEOs' total remuneration and the salary component of that total remuneration and that of each of the UK employees at the lower, median and upper quartiles of the Group's UK employee population for 2020 (together with that data for the previous year):

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

Directors' Remuneration Report

Annual Report on Remuneration continued

The Committee considers that the median pay ratio is consistent with the Company's pay, reward and progression policies. This is because, when setting CEO pay, the Committee has regard to the same core considerations as those taken into account by the UK management team when setting UK employee pay, including the Company's policy to pay market rates of pay that reward employees fairly for work done and that have due regard to individual performance and Company performance where the individual has the ability to influence wider Company performance. The CEO has ultimate responsibility for, and the greatest ability to influence, the Company's performance and returns to shareholders and, to reflect this, a much higher proportion of the CEO's remuneration is comprised of performance-related pay (in the form of an annual bonus and LTIP award vesting) compared with the majority of UK employees. This means that the pay ratios will fluctuate depending on the outcomes of incentive plans each year, as they did in 2020 (vs. 2019), reflecting that the CEO's pay was much reduced in line with the Company's performance and delivery of returns to shareholders, whereas UK employees' pay increased in line with their reduced ability to influence Company performance.

10. Relative importance of spend on pay

The table below sets out the total spend on pay in 2020 compared with distributions made to shareholders in 2020 and the figures for such values in 2019 for further comparison:

Measure	2020 £m	2019 £m	% Decrease from 2019 to 2020
Overall Group spend on pay including Directors ¹	1,193.8	1,416.7	(19.28)%
Profit distributed by way of dividend ²	0	78.3	(100)%

¹ Overall Group spend on pay was calculated by aggregating the Group's costs of salaries and wages, social security costs, pension costs and share-based payments for all the Group's employees whether employed in the UK or overseas in the relevant year, including for these purposes wages and social security costs which have been refunded to the Group via UK government furlough and equivalent schemes in other countries in which the Group operates. These refunded costs amounted to some £55.0m, so the overall Group spend on pay net of such refunds was £1,138.8m.

² Profit distributed by way of dividend has been used as the comparator measure as it permits a comparison between the Group's annual investment in its employed workforce and its annual cost of returning value to shareholders. In 2020, this amount was zero as the final dividend to shareholders in respect of the Company's financial year ended 31 December 2019 was withdrawn and no interim dividend in respect of the financial year ended 31 December 2020 was paid.

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

(a) Executive Directors' base salaries

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

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

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

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

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

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

(b) Executive Directors' pensions

In anticipation of the new Policy and in line with best corporate governance practice, the new CEO's pension allowance, of 3% of base salary, was aligned with the pension contribution rate currently applicable to the majority of the Company's Group's UK workforce.

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

(c) Executive Directors' annual bonus

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

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

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

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

The Committee will disclose the exact PBT and FCF bonus targets, the threshold to maximum performance ranges and the strategic and risk management objectives (which are considered commercially sensitive), and the actual performance against these financial targets and the non-financial bonus objectives, in next year's report.

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

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

- in 2021, both the CEO and CFO will be granted LTIPs with a face value equal to 200% of base salary, in line with the normal level provided by the current Policy for the CEO and the level permitted by the current Policy for the CFO to reflect his increased responsibilities, which levels are also intended to encourage Executive Director retention over the longer-term;
- the performance conditions attaching to the 2021 LTIP awards will include the following measures which seek to align Executive Directors' longer-term interests with the interests of shareholders: total shareholder return (TSR) (as measured against both a Bespoke Index and the FTSE 250 Index); earnings per share (EPS) in the final performance year; return on capital employed (ROCE) in the final performance year; and an overall reduction in the Group's total carbon emissions per million passenger kilometre (tCO₂e/m pass km) by the end of 2023 relative to the Group's 2019 base year measurements. The weightings of the performance measures and vesting levels of the 2021 LTIP awards at each of threshold, on-target and maximum performance levels are set out in the table below:

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

¹ For TSR measures, straight-line vesting will occur between threshold and maximum levels of performance.

² For EPS, ROCE and ESG measures, straight-line vesting will occur between threshold and target, and between target and maximum levels of performance.

³ Comprising three other UK-based passenger transport groups, namely: FirstGroup plc, Stagecoach Group plc and Go-Ahead Group plc.

⁴ EPS is fully diluted underlying earnings per share in 2023.

⁵ ROCE is return on capital employed in 2023.

Directors' Remuneration Report

Annual Report on Remuneration continued

The performance conditions will be measured over the three-year financial period ending 31 December 2023, awards will be subject to a compulsory two-year holding period post vesting and malus and clawback will apply for two years from the date of vesting, including post termination of employment. Dividend equivalent entitlements will attach to any vested shares over the vesting period and during the holding period while options remain unexercised and will be satisfied in shares rather than cash.

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

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

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

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

(f) Total remuneration opportunity at various levels of performance

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

12. Historical results of shareholder voting on remuneration matters

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

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

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

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

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

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

13. Retained advisers to the Committee

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

14. Dilution

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

Appendix

The table below sets out the share awards granted to current and former Executive Directors under the rules of the Company's 2015 LTIP which either vested or lapsed during 2020 or remain outstanding as at 31 December 2020:

LTIP award year/type	Date of grant	Awards held at 01.01.20	During 2020			Awards held at 31.12.20	Vesting date	Latest exercise date ¹
			Granted	Exercised/Eligible for exercise	Lapsed			
Dean Finch								
LTIP 3-year	06.04.16	329,906	–	329,906 ²	–	–	12.04.19	–
LTIP 3-year	18.04.17	341,476	–	312,564 ²	28,912	–	18.04.20	–
LTIP 3-year	03.04.18	325,775	–	–	325,775 ³	–	–	–
LTIP 3-year (Approved CSOP) ⁸	03.04.18	7,751 ⁹	–	–	7,751 ⁹	–	–	–
LTIP 3-year	15.04.19	313,044	–	–	313,044 ³	–	–	–
LTIP 3-year	12.03.20	–	414,260	–	414,260 ³	–	–	–
		1,310,201⁹	414,260	642,470	1,081,991⁹	–		
Chris Davies								
LTIP 2-year (RIA)	10.05.17	61,366	–	61,366 ⁴	–	61,366 ⁴	10.05.19	10.05.21
LTIP 3-year	10.05.17	143,403	–	131,261 ⁵	12,142	–	18.04.20	–
LTIP 3-year (Approved CSOP) ⁸	10.05.17	8,194 ⁹	–	–	8,194 ⁹	–	18.04.20	–
LTIP 3-year	03.04.18	139,050	–	–	–	139,050	03.04.21	03.04.23
LTIP 3-year	15.04.19	133,624	–	–	–	133,624	15.04.22	15.04.24
LTIP 3-year	12.03.20	–	176,848	–	13,855 ⁶	162,993	12.03.23	12.03.25
		477,443⁹	176,848	192,627⁹	25,997⁹	497,033		
Matt Ashley								
LTIP 3-year	18.04.17	145,752	–	–	145,752 ⁷	–	–	–
LTIP 3-year (Approved CSOP) ⁸	18.04.17	8,328 ⁹	–	–	8,238 ⁷	–	–	–
LTIP 3-year	03.04.18	139,050	–	–	139,050 ⁷	–	–	–
LTIP 3-year	15.04.19	133,624	–	–	133,624 ⁷	–	–	–
LTIP 3-year	12.03.20	–	167,059	–	167,059 ⁷	–	–	–
		418,426⁹	167,059	–	585,485⁹	–		

¹ Awards vesting under the 2015 LTIP are subject to a two-year exercise period and holding period which run concurrently. Latest exercise dates are shown only for those LTIP awards which have either yet to vest, or which have vested and are yet to be exercised.

² Mr Finch's 2016 and 2017 LTIP awards vested in 2019 and 2020, respectively, and were both exercised in 2020. Mr Finch sold sufficient shares vesting under each to satisfy his tax liabilities arising on such exercise and he continues to hold the remaining vested shares under each in accordance with the 2-year mandatory holding period which applies to each and which expire on 11 April 2021 and 17 April 2022, respectively. The share price on exercise was 155.171p per share.

³ Mr Finch's 2018, 2019 and 2020 LTIPs (and related 2018 CSOP award) lapsed in full on his leaving the Company on 31 August 2020, although a proportion of his 2020 LTIP award had lapsed earlier in 2020 when the number of shares subject to the award was adjusted downwards to reflect the voluntary waiver of his 2020 base salary increase.

⁴ Mr Davies' 2017 2-year LTIP (Recruitment Incentive) award vested on 10 May 2019, but he has not yet exercised any of the vested shares under this award.

⁵ Mr Davies' 2017 3-year LTIP (and related 2017 CSOP award) were exercised on the first business day after vesting on 18 April 2020. The share price on exercise was 242.349p per share. He sold sufficient shares vesting to satisfy his tax liability arising on such exercise and he continues to hold the remaining vested shares beneficially in accordance with the two year mandatory holding period which expires on 17 April 2022.

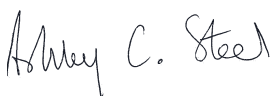
⁶ A proportion of Mr Davies' 2020 LTIP award lapsed in 2020 when the number of shares subject to the award was adjusted downwards to reflect the voluntary waiver of his 2020 base salary increase.

⁷ Mr Ashley's 2017, 2018, 2019 and 2020 LTIP awards (and his related 2017 CSOP award) lapsed in full on his leaving the Company on 3 April 2020.

⁸ All LTIP awards are granted in the form of nil-cost options, save for LTIP approved CSOP awards which are granted as market value share options with an exercise price per share equal to the share price at grant. Mr Davies' 2017 CSOP award was granted with an exercise price of 366.1p per share (which lapsed on exercise due to the share price at vesting being lower than the exercise price). LTIP approved CSOP awards comply with the requirements of Schedule 4 to the Income Tax (Earnings and Pensions) Act 2003 and can be exercised by way of effective set-off against any shares vesting under the corresponding LTIP award.

⁹ Due to the effective set-off arrangements explained in the note above, the number of shares subject to LTIP approved CSOP awards are not counted in the total number of awards held as this would result in a double-count.

By Order of the Board



Dr Ashley Steel

Remuneration Committee Chair
18 March 2021