

# Environmental, Social and Governance

How we manage Environmental, Social and Governance (ESG) issues is not an ‘add on’ to how we operate, but at the heart of our business.

## Focusing on our values

Our Vision is to be the world’s premier mass transit operator with services offering leading safety, reliability and environmental standards that customers trust and value. This Vision is rooted in our Belief that driving modal shift to high quality mass transit is fundamental to a clean, green and prosperous future.

Our Purpose, therefore, is to help lead modal shift by making mass transit an increasingly attractive option for all our customers, whether they are individuals, transport authorities, school boards or businesses. We seek to do this by earning our customers’ loyalty by providing safe, reliable and great value multi-modal services on clean and green vehicles.

We believe our Values still provide the best framework to deliver on our Vision and Purpose. They are well embedded in our business, and form the basis of our culture.



## Contributing to Sustainable Development Goals

In 2015, the United Nations set its 2030 Agenda for Sustainable Development. Through this Agenda, 17 Sustainable Development Goals (SDGs) were adopted by UN member states to provide a framework to tackle the most pressing challenges the world faces. Successful delivery of the 2030 Agenda requires multiple stakeholders to take clear action to achieve the SDGs.

We have considered how our Vision, Purpose and Values align with the SDGs and how we can support their delivery. We have identified five of the targets across three goals where we can contribute to their achievement. The table below lists them and the associated Group metric.

SDG Goal	Selected target	Group metric
	3.6. By 2020, halve the number of global deaths and injuries from road traffic accidents	FWI / million miles
	8.5: By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value	Commitment to real Living Wage or 10% above national minimum wage where Living Wage does not exist
	8.8: Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment	Workplace Rights Policy and FWI / million miles target
	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons	Passenger numbers
	11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management	CO <sub>2</sub> / million passenger km

## ESG priorities guided by the SASB Materiality Map®

We have used the Sustainability Accounting Standards Board's (SASB's) Materiality Map®, to focus on the aspects most critical to us. This map identifies the sustainability issues that are likely to affect – both as challenges and opportunities – the financial condition or operating performance of companies within specific industries. Below we have listed the key SASB dimensions relevant to our industry and set out our approach to addressing them:

SASB dimension	Category	Summary	Our response
<b>Environment</b> 	GHG emissions	Direct (Scope 1) greenhouse gas (GHG) emissions that a company generates through its operations.	Public transport remains the best solution to cut emissions from travel. Encouraging modal shift to public transport takes more private vehicles off the roads.  Reduction on GHG emissions is one of our KPIs and a key metric of our LTIP scheme
	Air quality	Air quality impacts resulting from pollutants such as oxides of nitrogen (NOx), oxides of sulphur (SOx) and particulate matter.	We are committed to making public transport cleaner and greener. During 2020 we progressed our commitment to invest in zero emission vehicles, with trials in Spain, the UK and the USA.
<b>Social capital</b>    	Access and affordability	Ensure broad access to products and services, specifically in the context of underserved markets and/or population groups.	Improving the accessibility and affordability of public transport is central to our business. Our services enable social mobility by providing good value travel solutions.
	Quality and safety	Offer products and/or services that meet customer expectations with respect to their health and safety characteristics.	During 2020, in addition to our existing high safety standards, we introduced a range of new measures to manage social distancing and increase cleaning regimes.
<b>Human capital</b> 	Labour practices	Minimum wage policies and provision of benefits which influence how employees are attracted, retained and motivated.	We take our duties to our 48,000 employees very seriously and measure our progress frequently through employee engagement surveys.  We believe that our employees should be well rewarded for the job they do and continue to be a real Living Wage accredited employer, paying at least 10% above the national minimum wage in every market.
	Employee health and safety	Create and maintain a safe and healthy workplace environment that is free of injuries, fatalities and illness.	The safety of our people is a priority. Our Driving Out Harm initiative has created a strong safety culture which is evidenced by our low level of incidents.
<b>Governance</b>  	Critical incident risk management	Identify, understand, and prevent or minimise the occurrence of low probability, high impact accidents and emergencies.	We have a strong system of controls to manage and mitigate all types of risk, including the Board's review of Group-wide risk; the Audit Committee's reviews of divisional risk; and the Safety & Environment Committee's oversight of activities.

# Environmental



## Community and Environment Ambition

### The world's greenest mass transit operator

#### Aim (the NX Difference)

To deliver our ambition we target:

- industry leadership on the shift to zero emission vehicles
  - UK bus to be solely zero emission by 2030
  - UK coach to be solely zero emission by 2035
- Progressing our zero emission plans for ALSA and North America

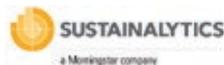
#### Approach (the NX Promise)

A year ago we reset our Vision and Purpose which made clear our ambition to lead modal shift from cars to multi-modal services on clean and green vehicles. That remains our ambition and as we set out on pages 12-13, this is fundamental to post-pandemic recovery and a safe, green and prosperous future.

We track our broader progress against our environmental plans using six environmental KPIs – three UN Sectoral Decarbonisation Approach (SDA) ‘science-based’ targets relating to total and traction carbon emissions and energy usage, and three ‘non-science-based’ targets relating to building-specific carbon emissions, water usage and non-hazardous waste to landfill volumes. These KPIs target improvement against the Group’s baseline performance in 2018 over a seven-year performance period from 2019 to 2025.

#### External recognition

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



#### Progress during the year

Reduced mobility during the pandemic highlighted the vast improvement in air quality that can be made by removing large numbers of vehicles from the roads and also highlighted how people still need to connect with their work, leisure, family and friends. It highlighted the importance of the Group’s Vision and purpose of leading a modal shift away from cars to high quality mass transit and confirmed that our environmental ambitions must remain a key priority as we offer a solution to the otherwise competing demands of air quality and mobility.

During 2020, we took our next steps towards achieving a zero emission fleet. In the UK, we took delivery of our first 29 double-deck electric vehicles (EVs) and placed an order for 20 hydrogen-powered buses, in partnership with Birmingham City Council, to trial their use in normal service. In North America, we started our first electric school bus trial in White Plains, NY. The trial is helping us assess their operational capabilities and inform discussions with other school boards which are keen to improve their environmental footprint. Our North America shuttle operation has also introduced EVs to serve some of its contract customers. ALSA has introduced EVs in Bilbao and Madrid, and is launching trials in Almeria and Oviedo. These first steps we have taken across the divisions are providing valuable learning which is helping to shape our future operational and procurement plans.

Our progress against our environmental targets is set out in our environmental performance appendix on pages 238 to 240. This includes our report on our GHG emissions. Whilst the Group’s total carbon emissions in absolute terms dropped significantly in 2020 due to the reduction in operations due to the pandemic, they increased when measured on a per passenger kilometre basis due to significantly reduced load factors. We expect to progress further against these measures in 2021 and 2022 once Covid-19 related restrictions change.

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# Social capital



## Community & Environment Ambition

### A trusted partner to the communities we serve

#### Aim (the NX Difference)

To deliver our ambition we target:

- 1% of PBT invested in community activities every year; and
- stakeholder surveys demonstrating high trust scores.

#### Approach (the NX Promise)

Across the Group, we engage with the communities in which we operate in a number of ways. This takes the form of financial donations, gifts in kind or through employee volunteering. Each division has its own approach to community engagement which reflects local needs and priorities. A common theme is our support for young people – helping them to progress and succeed in life.

Aside from the specific initiatives we support, we recognise that our core activity – in providing great value multi-modal services – supports social mobility in the communities we serve.

#### Progress during the year

Despite the restrictions which Covid-19 imposed, we have continued in 2020 to progress community initiatives within the divisions.

In North America, we launched Partners Beyond the Bus which links each depot to support a local cause. Local teams are able to build a relationship with a cause which is relevant to them, and provide support through volunteering or fundraising.

ALSA continued its partnership with the Integra Foundation which provides work experience placement leading to permanent jobs for people who are social excluded or have a disability. By 2020 we had provided employment for 40 people through this partnership.

In the UK, our partnership with The Prince's Trust continues to support the development of young people. With Covid-19 changing how fundraising events took place, we switched our provision of coaches for the Trust's Palace to Palace cycle ride to sponsorship of participant thank-you packs.

With Covid-19 creating specific needs to support vulnerable and shielding people, we mobilised our employees to provide assistance. In Spain, the UK and North America, vehicles were repurposed to provide transport for the health services and to make food deliveries. This support was publicly recognised and appreciated by many of our local stakeholders.



## Safety Ambition

### The safest mass transit operator in the communities we serve

#### Aim (the NX Difference)

To deliver our ambition we target:

- zero responsible fatalities;
- an annual reduction in FWI/million miles; and
- the leading safety credential in each market.

#### Approach (the NX Promise)

Safety remains our top priority. We seek to achieve our ambition through clear process and policies, investment in technology and systems, and a culture that prioritises safety.

Our Group CEO has overall responsibility for safety, supported by the Group Safety Director divisional leadership teams. Oversight of our safety performance sits with the Safety & Environment Committee. Details of how it conducts this role and the activity it has carried out during 2020 are included in the Safety & Environment Committee Report on pages 238 to 240.

#### Progress during the year

During 2020, we continued to progress and update our well established safety systems as well as introduce additional procedures and measures in response to the pandemic.

Our Driving Out Harm initiative, introduced in 2011, encompasses our policies and procedures and drives our safety culture over time. As part of its progression, in 2017 we launched five new Global Safety Policies (GSPs) covering a number of driver and vehicle standards with a target to fully implement these by the end of 2020. Despite the additional work needed to address Covid-19, we achieved this target.

We also continued the roll-out of the Lytx DriveCam driver monitoring and coaching system across our global fleet, and extended risk profiling which creates risk scores for individuals. In UK coach, we were able to introduce a driver fatigue alert system into more than 400 vehicles. This has already led to a 50% reduction in fatigue-related safety events.

To measure our safety performance we use a Fatalities and Weighted Injuries (FWI) index, based on an approach used by the UK rail industry. During 2020 we adjusted the index to remove non-responsible minor injuries, and have restated the prior year figures to reflect this.

Our score for 2020 was 1.824 (0.004 on a normalised million-mile basis) which is marginally higher than the score for 2019, which at 1.780 (or 0.003 on a normalised million-mile basis) was our best ever FWI score. Whilst this higher score is disappointing it is significantly better than our historical performance.

## Social capital continued



### Customers Ambition

## The most trusted and valued mass transit partner

#### Aim (the NX Difference)

To deliver our ambition we target:

- industry-leading customer scores in: net promoter (or equivalent); value for money; and reliability;
- growing organic patronage or customers in each division; and
- the industry's best and easiest to integrate customer platforms.

#### Approach (the NX Promise)

Customers lie at the heart of our business, and maintaining their loyalty is key to our success. Everything we do focuses on exceeding our customers' expectations for safe, clean and reliable services at a fair price.

Where we provide services for public transit authorities, school boards or corporate clients, we aim to earn and retain their loyalty through the delivery of first-class transportation solutions tailored to their needs.

We constantly review our performance to ensure the quality of delivery, and invest in new technology to improve the customer experience.

#### Progress during the year

Our focus on delivering an excellent customer experience remained unchanged in 2020, but Covid-19 brought about new priorities as we adapted our services to facilitate social distancing and enhanced our cleaning regimes. Our approach to the pandemic is set out on pages 10 to 11 and also in the Safety & Environment Committee Report on pages 90 to 94.

Whilst we needed to suspend or reduce our services at points during the year, we continued to progress projects which will enhance customer experience in future – particularly through technology:

- ALSA launched a new website and new customer app improving usability, and made its digital tickets clearer and easier to understand
- In the UK, the customer websites for bus and NEAT moved across to the same common platform as coach delivering improved performance and better usability. Over 70% of bus customers are now using digital tickets and paper travelcards have been retired
- In North America, new technology included the introduction of Zonar tablets to use Tyler Drive routing software. This optimises routes and punctuality which benefits our students. We survey our school board customers annually, and in 2020 saw our highest increase in CSCs achieving the maximum score of five

## Human capital



### People Ambition

## The place to work in mass transit

#### Aim (the NX Difference)

To deliver our ambition we target:

- industry-leading employee satisfaction scores;
- Investor in People status (or equivalent) in each division;
- a 'Best Place to Work' credential; and
- recognition as the industry leader in equality.

#### Approach (the NX Promise)

We firmly believe that delivering our Vision and Purpose is only possible if National Express is a good place to work. We recognise that our workforce is our greatest asset and we want each of our 48,000 employees to reach their full potential and to give their best. By investing in and rewarding our people appropriately, and engaging with them in strategy, we will continue to grow and succeed.

We recognise the value of a diverse and inclusive workforce which reflects the communities we serve, and have a clear strategy in place to increase our diversity at all levels.

#### Progress during the year

In 2020, we refreshed our Group diversity and inclusion strategy to promote further diversity and greater inclusion across the whole business. This strategy set 1, 3 and 10 year targets for which each division has developed detailed and measurable plans which reflect the shape of their workforce. In the UK, this work will progress in 2021 using the Stronger Together strapline. Similar initiatives are being progressed in the other divisions.

As a consequence of the pandemic, many people were furloughed as services were halted. For those who continued to work there were new health and safety measures to adopt. Due to the unprecedented situation, we focused more on wellbeing in the year, increased the frequency of colleague communication and promoted the use of the Employee Assistance Programme in North America and the UK and the 'ALSA Helps You' facility for ALSA employees. We also introduced more frequent surveys to assess the wellbeing of colleagues and identify concerns. More details on how we supported our employees are included in the Safety & Environment Committee Report on page 90.

We continue to operate fair pay structures which reflect the markets in which we operate. The Group has a long-standing commitment to pay the higher real Living Wage in the UK and in other countries to pay at least 10% above the prevailing national minimum wage.

# Governance

## Gender diversity at end of 2020

### Directors



### Senior managers



### All employees



There is more information on page 79 about our commitment to diversity and inclusion including how we are progressing our Group wide strategy.



## Excellence Ambition

The leader in every market we operate in, trusted to deliver service excellence, consistently

### Aim (the NX Difference)

To deliver our ambition we target:

- the highest excellence credential in each country;
- 100% on-time performance; and
- zero in service failures.

### Approach (the NX Promise)

We aim to lead the market in delivering excellence, which helps to increase standards and also drive revenue growth, margin progression and cash generation.

To become the trusted leader in our markets, we have to achieve operational excellence, day in, day out. This can only be achieved if we have the right supporting systems and processes in place in our business.

Our Delivering Excellence programme has continued to embed a culture of excellence across the Group by drawing on examples of best practice both within our existing businesses and adopting them from external organisations.

### Progress during the year

Our Delivering Excellence team continued to drive a number of initiatives during the year. A significant focus was on improving the processes which manage employee scheduling and drive payroll costs in North America.

Across the Group our drive for excellence has resulted in recognition from a number of external bodies. ALSA received the European Sport and Healthy Company Award in 2020 awarded by ACES Europe for the 'For your Health' program.

Our UK bus and coach businesses retained five-star ratings in their British Safety Council audits.

In North America, 20 of our maintenance teams received Blue Seal of Excellence awards from the National Institute for Automotive Service Excellence – recognising the quality and standards we demand.

Our Group policies are published on our website at [www.nationalexpressgroup.com](http://www.nationalexpressgroup.com)

## Progress towards reporting against TCFD

The Task Force on Climate-related Financial Disclosures (TCFD), established by the Financial Stability Board (FSB), was set up to define how reporting could take account of climate-related issues. The Group will incorporate the TCFD recommendations fully into reporting next year. The table below gives an overview of where we stand today.

### Governance

Disclose the organisation's governance around climate-related risks and opportunities.

Climate-related risks and opportunities are managed as an integral component of strategy and performance at every level in the business. As a leading provider of public transport we have a fundamental Belief that driving modal shift from cars to high quality mass transit is fundamental to a safe, green and prosperous future. Our Purpose and strategy are rooted in this Belief. Oversight of climate-related issues is provided by the Safety & Environment sub-committee of the Board, details of which are on pages 90 to 94. Progress in 2020 has been slower than planned as we have diverted resources to dealing with the pandemic and reduced all non-mandatory expenditure. In 2021, to drive alignment through the organisation we have created an executive ESG committee to coordinate and review Group-wide activities and we will be appointing a Group Head of Environment to ensure that momentum is rebuilt.

### Strategy

Disclose the actual and potential impacts of climate-related risks and on the Group's businesses strategy and financial planning, where such information is material.

The increased political and social focus on climate change presents a significant opportunity for the Group as modal shift to public transport is an imperative. The Group has made material investments to this end such as the significant ongoing investment in the corporate shuttle market in North America to continue to drive commuters out of cars.

Whilst modal shift is, in and of itself, beneficial to the environment, our Community and Environment Value sets out our ambition to be "the world's greenest mass transit operator; a trusted partner to the communities we serve" and the Group is making significant investments into further reducing emissions across the fleet. Last year we committed to never buy another diesel bus in the UK and during 2020 our UK business took delivery of its first 29 double-deck electric buses and placed an order for an initial 20 new hydrogen fuel cell electric vehicles (FCEV). With Coventry winning government funding as one of the two first all-electric bus cities in the UK, we expect to shortly be able to place orders for over 100 buses to enter service in the first half of 2022.

Outside of the UK, pilot schemes are in place in North America with our White Plains depot running a small fleet of electric school buses to test performance and other sites are considering pilots; whilst in ALSA we have deployed hybrid and lower emission vehicles (including six electric vehicles) in 2020. Zero Emission Vehicles are currently more expensive to purchase than diesel buses although we believe the total lifetime cost of ownership to be similar. We are working on innovative funding schemes with a number of organisations across the Group on options to increase the pace of change.

During 2021, we will further develop our Group environment strategy and from this work commit to targets across the rest of the Group to supplement those made last year for the UK business.

### Risk management

Disclose how the organisation identifies, assesses and manages climate-related risks.

Climate-related risk management is part of the integrated risk management process outlined on pages 36 to 41. The Group prioritised climate risk and opportunity assessment within the existing 'emerging risk' processes and has engaged with Sustainalytics to understand how stakeholders perceive the Group's exposure to climate-related risk.

During 2021, we intend to develop specific climate change scenarios for input into existing risk and viability models.

### Metrics and targets

The metrics and targets used to assess and manage relevant climate related risks and opportunities where such information is material.

In 2019, the Group adopted an SDA (Sectoral Decarbonisation Approach) methodology. This methodology is the only approach with transport sector-specific metrics, using climate science to set targets relevant to our industry. With an initial seven-year reporting period (from a 2018 baseline) our new targets met the 2018 Intergovernmental Panel on Climate Change (IPCC) goal of controlling the increase in global warming to below 2° Celsius (2DS). Three-year milestones along this path were agreed and committed to as an LTIP input.

The intention of this approach is that the absolute targets are reviewed regularly as technology and forecasting methods improve, and may need to change to stay in line with the 2DS, or if that 2DS level itself needs to change.

Further information on metrics and targets is on pages 18 to 19 in the Strategic Report.

Our 2020 Strategic Report, from the inside front cover to page 54, has been reviewed and approved by the Board.

Ignacio Garat

Chief Executive Officer

National Express Group

18 March 2021