

## Composition, succession and evaluation

## Nominations Committee Report

**Jorge Cosmen**  
Committee Chair



The Group's senior management succession and talent development plans are key to the Group's return to growth as we organise for success"

### Primary role

To monitor the balance of knowledge, experience, skills, independence and diversity of the Board and its Committees, to ensure that appropriate procedures are in place for the nomination and evaluation of Directors and to develop and facilitate the implementation of succession plans regarding the Executive Directors and senior management

The Committee's terms of reference, reviewed and approved annually, are available on the Company's website at [www.nationalexpressgroup.com](http://www.nationalexpressgroup.com)

### Key responsibilities

- Monitor the structure, size and composition (including the knowledge, experience, skills, independence and diversity) of the Board and its Committees and make recommendations to the Board regarding any changes to such matters
- Develop and implement effective succession plans for the Board, its Committees and senior management, having regard to the skills and expertise needed to ensure the

long-term sustainable success of the Company, including by overseeing the development of a diverse talent pipeline and monitoring the Company's diversity policies and initiatives and their effectiveness

- Lead a rigorous and transparent process for identifying, interviewing and selecting candidates to serve as Directors on the Board and its Committees and making recommendations to the Board for their appointment
- Assist the Chairman with the annual evaluation of the effectiveness of the Board, its Committees and the Directors

### Activity highlights

- Kept the Board and Committee composition under review, recommended the appointment of a new North American based Non-Executive Director with extensive relevant experience in the North American transit sector and also commenced a Chairman succession process, in line with the previously developed Board succession and refreshment plans

- Considered and recommended the proposed size and composition of the Board and its Committees both with and without the potential combination with Stagecoach
- Conducted a 'deep dive' into senior management succession plans and reviewed proposals for the enhancement of talent identification and development programmes across the Group
- Reviewed the diversity of the Group's senior leadership teams and the Group's broader workforce, and the diversity and inclusion initiatives taken across the Group

### Membership, meetings and attendance

Committee member	Appointed	Resigned	Meetings attended/ meetings held
Jorge Cosmen (Chair)	01.12.05	–	4/4
Sir John Armit	01.01.13	–	4/4
Karen Geary <sup>1</sup>	01.10.19	–	4/4
Matthew Crummack <sup>1</sup>	28.01.20	–	4/4
Carolyn Flowers <sup>1,2</sup>	30.11.21	–	1/4
Dr Ashley Steel <sup>1,3</sup>	28.01.20	30.11.21	4/4
Mike McKeon <sup>1,3</sup>	25.02.20	30.11.21	4/4
Ana de Pro Gonzalo <sup>1,3</sup>	25.02.20	30.11.21	4/4

<sup>1</sup> Independent Non-Executive Director

<sup>2</sup> Carolyn Flowers joined the Committee from the start of the last Committee meeting of the year on 30 November 2021 and therefore attended all Committee meetings held in the year while she was a member \*

<sup>3</sup> Each of Ashley Steel, Mike McKeon and Ana de Pro Gonzalo stood down from the Committee on 30 November 2021 following the conclusion of the last Committee meeting of the year and therefore attended all Committee meetings held in the year \*

Other attendees: Company Secretary and, by invitation, Group Chief Executive Officer and Group HR & Communications Director

Further information about the Committee members is set out on pages 52 to 54

**\* The Committee thanks Dr Steel, Mr McKeon and Ms de Pro Gonzalo for their significant contributions to the Committee and welcomes Ms Flowers to the Committee**

# Nominations Committee Report continued

## Dear fellow shareholder

I am pleased to present the Nominations Committee Report for the year under review. 2021 was another busy year for the Nominations Committee as we progressed certain of our previously developed Board succession plans and we considered and recommended the size and composition of the Board and its Committees both with and without the potential combination with Stagecoach. We also took our first 'deep dive' look at the Group's senior management succession and talent development plans, which are key to the Group's return to growth as we organise for success.

## Board and Committee composition during the year under review

Throughout 2021, the Committee has kept the composition of the Board and its Committees under review.

In line with its previous succession plans and the principle of regular refreshment of the Board, Carolyn Flowers was appointed to the Board and its Safety & Environment Committee in June 2021. Carolyn has significant experience in the North American passenger transportation industry and has worked for multiple stakeholders in that industry, from US central government transport agencies to US area and county transit authorities. As such, she is well positioned to understand, support and challenge our North American businesses and offer valuable insights into stakeholder views.

Carolyn was identified as an ideal candidate to enhance the Board's collective strong and relevant experience following market research conducted by, and recommendations received from industry contacts by, the Committee. As part of Carolyn's induction, she undertook a programme of visits to our US operations as described on page 65. A Q&A with Carolyn, in which she shares her initial observations of the Group and her views on aspects of the mass transit industry, is set out in Appendix 1 to this Report.

In early December 2021, Dr Ashley Steel stood down from the Board at the end of an agreed six-year term. Ashley was a member of all the Board's Committees and, since 2019, the Chair of the Remuneration Committee. I take this opportunity, on behalf of the Board, to once again thank Ashley for her significant contribution to the Board and its Committees.

Following these changes, the Board is now comprised of nine Directors who, as described in their biographies on pages 52 to 54 and as shown by the table below, have, between them, a wide range of highly relevant knowledge, skills and experience. This table is used by the Committee for Board succession planning.

Following these Board changes, the Committee also reviewed the membership of all the Board's Committees to ensure that each Director's knowledge, skill and experience was being put to best use and that Non-Executive Directors were maintaining an appropriate share of Committee responsibilities.

The outcome of this review was that:

- Karen Geary, who was already a member of the Remuneration Committee, became its chair following Dr Steel standing down;
- Ana de Pro Gonzalo joined the Remuneration Committee and stood down from the Nominations Committee;
- Mike McKeon, who is Chair of the Audit Committee, stood down from the Nominations Committee; and
- Carolyn Flowers joined the Audit and Nominations Committees.

The Remuneration and Audit Committees therefore remain composed of three independent Non-Executive Directors who between them have both the requisite disciplinary experience but also wider relevant experience. As Matthew Crummack, the Senior Independent Director, and Karen Geary remain members of the Nominations Committee with Carolyn Flowers alongside myself and Sir John Armit, it remains composed of a majority of independent Non-Executive Directors who, between them, have a good balance of relevant skills and experience.

Throughout the year, all Non-Executive Directors continued to be members of the Board's Safety & Environment Committee, reflecting the importance the Board attaches to its business.

Name and role of Director	Passenger transport industry experience <sup>1</sup>	Closely adjacent industry experience	UK listed company experience <sup>1</sup>	Operational/management experience	International business experience	Finance/accounting experience <sup>1</sup>	People/remuneration experience <sup>1</sup>	IT/Digital experience <sup>1</sup>
Sir John Armit, Chairman	●		●	●	●			
Jorge Cosmen, Deputy Chairman and Nominations Committee Chair	●			●	●			
Ignacio Garat, Group Chief Executive Officer		●		●	●		●	
Chris Davies, Group Chief Financial Officer			●	●	●	●		●
Matthew Crummack, Senior Independent Non-Executive Director		●	●	●	●			●
Mike McKeon, Non-Executive Director and Audit Committee Chair			●	●	●	●		
Karen Geary, Non-Executive Director and Remuneration Committee Chair	●		●	●	●		●	
Ana de Pro Gonzalo, Non-Executive Director		●		●	●	●		●
Carolyn Flowers, Non-Executive Director	●			●	●			

<sup>1</sup> For all Directors, excluding via their directorships with the Company

## Board and Committee composition going forwards

Part of the Committee's work prior to the Company making an offer for Stagecoach was to carefully consider and recommend to the Board how it and its Committees should be composed if that transaction were to complete. Details of the outcome of these considerations and recommendations were included in the Company's firm offer announcement issued on 14 December 2021.

Succession planning for Sir John Armitt, who reached his nine-year tenure as Company Chairman in February 2022, had already commenced in early 2021 but was paused as a result of discussions with Stagecoach on the potential combination. Should the combination not complete, the Committee will revert to its original succession planning. In that case and as he confirmed in his introduction to Corporate Governance, Sir John will remain as Chairman to provide continuity of leadership to the Company and the Board pending the selection of a successor.

## Board, Committee and Director effectiveness

During 2021, the effectiveness of the Board, its Committees and of individual Directors was assessed by means of an external evaluation. The Board considered the timing of the evaluation opportune as it followed closely on from the Board having led the Group through its most challenging period since the Company's listing and it was performed at a time when the business environment in which the Group is operating is

changing due to customer behaviours, wider stakeholder expectations and rapid technological advancement.

The Company Chairman, in consultation with the Company Secretary and following discussions with several potential providers and receipt of recommendations from other FTSE 350 companies, selected Dr Sabine Dembkowski of Better Boards Limited to undertake the evaluation. Neither Dr Dembkowski nor Better Boards has any other connection with the Group.

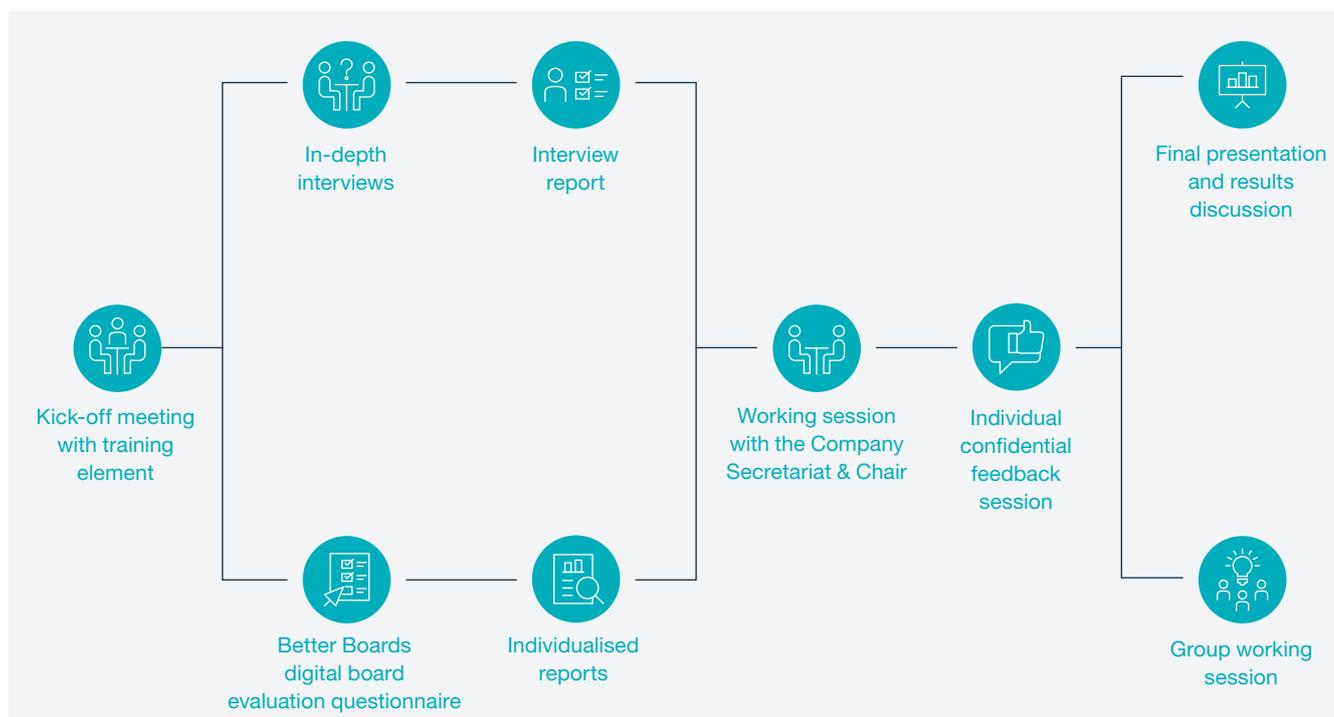
The evaluation was designed to assess how effectively the Board functions as a whole and how effectively its Committees function. It was also intended to provide individual Board members with insights about themselves to enable them to improve their personal contribution, in turn increasing the overall effectiveness of the Board and Committees of which they are members.

The evaluation process is illustrated by the diagram below. It included a kick-off session, the Directors completing a digital questionnaire designed around Better Board's peer-reviewed research on the 'seven hallmarks of Board effectiveness', one-on-one interviews with the Directors, analysis by Better Boards of the questionnaire answers and interview outcomes, and one-on-one confidential feedback sessions with Directors as well as a group Board follow-up session. The findings of the Board and Committee evaluation and actions to be taken in response to those findings are summarised in Appendix 2 to this Report.

## Senior management succession planning

During 2021 and as planned, the Committee conducted its first formal 'deep dive' into senior management succession planning, undertaking a comprehensive assessment of the health of succession planning across the Group. Whereas previous Committee reviews of senior management succession plans focused on a shorter list of the most senior roles within the operating divisions and central functions over a short to medium term time horizon, this assessment extended to 87 management roles and considered the succession pipeline for all such roles over four different time horizons. It also considered the diversity within that pipeline and the talent identification and development programmes in place that support the maintenance of that pipeline. The assessment was sponsored by the Group CEO who, with the support of HR teams across the Group, held multiple discussions with current senior managers and high potential colleagues to understand their respective capabilities and ambitions and link these to the Group's organisational needs in delivering its strategy.

As a result of the assessment, the Committee is satisfied there are succession plans and talented individuals in the pipeline for a number of the roles over some of the time horizons but has observed that there is more work to do to identify successors for all the roles and over all the relevant time horizons. Identifying the gaps has laid the necessary groundwork for that further work. In addition, whereas the Group has developed and implemented a number of talent development initiatives in prior years, the assessment



# Nominations Committee Report continued

identified the need for more consistency and so for a Group-wide talent programme to be implemented based on combining the best of existing programmes and other best practice. The Committee is keen to see the output of this further work and creation of the Group-wide talent development programme, and will continue to conduct 'deep dives' in future years to assess progress.

Towards the end of 2021 the Company welcomed Karen Myers as the new Group HR & Communications Director. Karen brings a wealth of experience from her previous executive and current non-executive experience across the HR and corporate communications fields in listed UK PLCs. She will bring her experience to bear to support this Committee in its continued review of senior management succession plans and also to support the Remuneration Committee in the discharge of its responsibilities.

## Board and Company commitment to diversity and inclusion

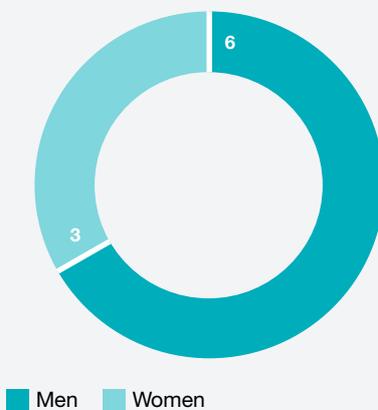
The Board and Company remain committed to enhancing diversity at all levels of the Group's organisation, from the Board and senior management team to those working in front-line roles. The reasons for this commitment are those cited previously, as set out in the box below. They in turn help support the delivery of our Evolve strategy by contributing directly to our desired outcome to be the employer of choice. They also contribute indirectly to other desired outcomes, such as to be the safest and most reliable operator and have the most satisfied customers, as having the best people in our business making the best decisions will help us to achieve those outcomes.

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

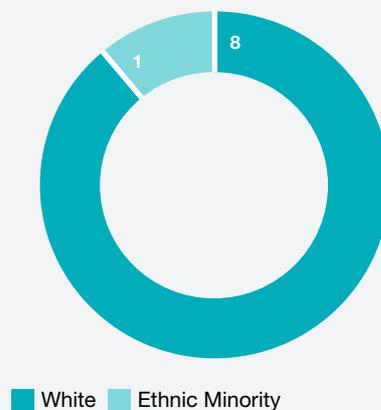
- improve decision-making at all levels of business by ensuring that diverse perspectives are brought to bear in those decisions;
- attract, retain and promote the best talent by developing a culture of inclusion where all individuals are respected and supported to reach their full potential; and
- better serve our customers, other stakeholders and the communities in which we work by ensuring the diversity of our workforce is representative of the diversity of our stakeholders.

### Board (in numbers)

#### Gender



#### Ethnicity



The Board's own diversity policy is set out in the box below and, following review, the Committee believes this remains the right policy by specifically promoting gender and ethnic diversity among Board members as well as diversity of thought and inclusiveness within the context of ensuring all Board members have the right experience and skills.

The Board's policy on diversity and inclusion is:

- to achieve and then maintain at least one third female representation on the Board;
- to achieve and then maintain ethnic minority representation on the Board;
- to ensure that its membership reflects the diversity of the geographies and customers that the Group serves; and
- to respect the differences of its members and value and encourage the diversity of thought that such differences can bring,

in each case and always within the context of Board members having, between them, the experience and skills required to support the development, oversight and delivery of the Company's strategy.

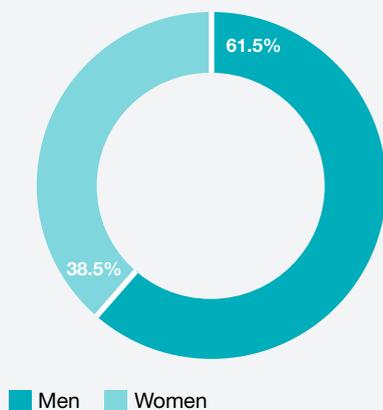
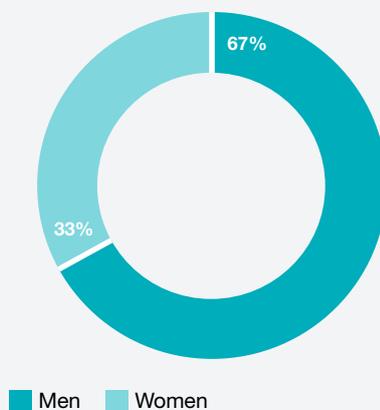
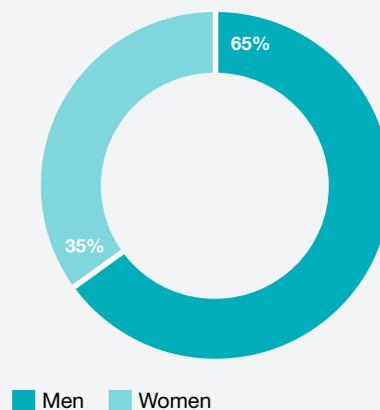
The gender and ethnic diversity of the Board as at the date of publication of this Report is shown by the Board pie charts above.

Diversity is also a key consideration in senior management succession planning and, as noted before, diversity within the current senior management team and the talent pipeline was considered as part of the 'deep dive' review. One of the key objectives of a new Group-wide talent development programme will be to continue to promote diversity in the senior management succession pipeline.

The gender diversity of the Group Executive Committee (GEC) and its direct reports as at 31 October 2021, as well as the gender diversity across our whole workforce, are illustrated by the pie charts shown on the next page. We have made year-on-year progress in promoting female diversity in our senior management teams, and gender diversity also remains strong across our workforce as a whole. We do not currently collect ethnicity data on our senior management teams or across our workforce as a whole due to legal restrictions but, empirically, we believe we have good ethnic diversity across the workforce as we operate in many countries and ethnically diverse cities across the world and our workforce is drawn from these vibrant communities.

Over recent years, this Committee has reported on the creation of the Company's Global Diversity & Inclusion Council and its three strategic ambitions:

1. **Reflecting the communities we serve** by increasing those in under-represented groups at all levels of the workforce, with a key emphasis on those in management roles, in order that we better reflect the communities we operate in.

**Gender (in percentages)****GEC****Direct reports to GEC****All colleagues**

- 2. Creating inclusive and accessible working environments**, free of racism or any other form of discrimination, where people respect and value each other's diversity and the contribution they make.
- 3. Driving a culture of empowerment** by empowering leaders at all levels to take effective ownership of diversity and inclusion and deliver demonstrable change.

During 2021, each of the Group's business divisions made progress against these three strategic aims by building on the foundations set in 2020:

**Strategic Aim 1: Reflecting the communities we serve**

The Group has focused on embedding selection practices which are free from bias by:

- Providing unconscious bias training throughout the leadership population and offering 14 specific diversity and inclusion e-learning courses, with thousands of colleagues completing these in 2021.
- Creating 'Guidelines for an inclusive language' for all recruiters in ALSA to ensure inclusive language is used in job offers and overall communications.
- Conducting programmes targeted at high potential female colleagues to increase the number of women applying to lead teams and internal projects.

**Strategic Aim 2: Creating inclusive and accessible working environments**

The Group's divisions celebrated the diverse backgrounds of their colleagues by sponsoring events and activities:

- The UK business celebrated Black History Month by colleagues sharing stories via video clips as well as NX West Midlands inspectors wearing ties to show support for the celebrations.

- The NX Pride Bus was part of the Birmingham Pride Parade.
- The North America business celebrated National Observance of Hispanic Heritage Month by sharing the positive employment experiences of many of its employees of Hispanic descent on internal and external social media channels.
- ALSA celebrated gender diversity by holding a week long 'Women's Week' as part of International Women's Day, with activities such as expert briefings, webinars and roundtable events.

**Strategic Aim 3: Driving a culture of empowerment**

The Group's leadership has driven ownership of strategic ambitions at local level by:

- Creating Diversity & Inclusion Councils within each of the three principal divisions which meet regularly with divisional leadership to proactively work on solutions together.
- The UK Diversity & Inclusion Council running a 'Stronger Together' Campaign to encourage colleagues to report inappropriate behaviours via an internal portal.

**Proposed re-election and election of Directors**

Having regard to the outcome of the Board, Committee and Director external evaluation, and in particular its finding that Board members have, between them, highly relevant knowledge and experience, a broad range of skills and a collective deep understanding of passenger transport, the Committee is satisfied that the Board and its Committees function effectively and that each Director contributes well to the Company.

The Committee has also considered the independence of each individual Director and the overall independent balance of the Board and its Committees. The Board, on the Committee's advice, is satisfied that there is an appropriate balance of independence on the Board and all its Committees and that each Director who is identified as being independent on pages 52 to 54 is so independent.

The Committee further considered each individual Director's commitment to the Company, their external commitments and any actual and potential conflicts of interest in line with the refreshed policies adopted by the Board during the year, as referred to on page 70. The Board, on the Committee's advice, is also satisfied that each Director has dedicated, and is able to dedicate, sufficient time and attention to their duties to the Company.

Accordingly, the Board, on the Committee's advice, is recommending that shareholders re-elect, or elect, all the current Directors of the Company at the 2022 AGM.

**Jorge Cosmen**

Nominations Committee Chair  
9 March 2022

## Nominations Committee Report continued



Appendix 1 – Q&A  
with Carolyn Flowers,  
Non-Executive Director



**Q How was your induction?**

It was very professional and comprehensive, and gave me a really good overview of the business, its governance and my duties as a director of a UK listed company. I had one-to-one meetings (online due to Covid-19 restrictions at the time) with each of the Executive and Non-Executive Directors to hear their views on being a National Express Board member and I had sessions with both internal and external legal teams to make sure I was clear on the UK regulatory framework and my UK legal responsibilities. When Covid-19 restrictions eased, I was able to visit sites in North America and the UK to see some of our businesses in operation, which was a real highlight. Further details of these site visits are on pages 63 and 65.

**Q You participated in a workforce engagement event. Did this give you a good insight into the views of members of the workforce?**

Yes, I had the opportunity to speak with colleagues from across our global operations, which gave me good insight into the work they are doing on the ground day-to-day and how our decisions in the Boardroom can affect them. It was also a great networking opportunity for colleagues, so something that should be continued in the future.

**Q What do you think of National Express' approach to safety?**

I've been really impressed; there is a comprehensive programme of policies which translate into actions being taken at every level to prevent incidents. There is also a detailed review of root causes where incidents do happen and any appropriate adjustments are made following such review. Safety really is the number one priority here.

**Q You have valuable experience in the US transit industry, including as a customer. From what you've seen of National Express in your first six months, what do you think we do well and where do we have more to do?**

I've been inspired by the people and their dedication to providing the best service. Our people have really stepped up during the pandemic to meet the needs of customers and the wider community, having to respond quickly and adjust their ways of working to accommodate changes to customer requirements.

In my experience as a customer, it is all about service; the key is providing the best service at a price the customer can afford. National Express knows this – 'most satisfied customer' is one of the outcomes of the Evolve strategy – and, from my site visits, I can see how the teams are constantly driven to find ways to provide the best service. However, I think technology has more of a role to play, and in particular how we transition to using technology to further improve the rider and employee experience. This should be a focus for the future.

**Q What do you think of National Express' zero emission fleet ambitions? What opportunities and challenges do you think they present?**

The transport industry has a responsibility for reducing emissions. It will be a long pathway for the whole industry to be zero emission, but it is a pathway National Express is already on, as I experienced first-hand having just travelled on one of our zero emission vehicles and having had the opportunity to see our electric and hydrogen buses at our Coventry depot. I can see it is a journey National Express is committed to, which in itself presents an opportunity for us to lead the way for the passenger transport industry.

But there will be challenges; zero emission vehicles are new technologies which mean new ways of working for our drivers, our engineers and our operations. They also import new types of risk that we are updating our safety programme to deal with. I also think a major challenge will be around charging infrastructure and associated costs. However, these challenges can be overcome. National Express is already identifying and resolving challenges and governments worldwide are aligned on making resources available. In the USA, the Biden administration recently passed the Infrastructure Investment and Jobs Act, which includes significant resources for electrification and zero emission technology.

**Q Within the USA, are the labour shortages an issue for all industries or only affecting the transport industry, and are the shortages country-wide or only impacting specific regions?**

There has been a major shift in the US labour market during Covid-19 which is impacting other industries such as retail and hospitality, but is mainly affecting transit, para transit and school transport and is a country-wide issue.

We are transporting the most vulnerable in society – the most precious cargo – and the number of checks that we need to complete to ensure we have suitable drivers means that the recruitment process takes longer for us, and it is harder for candidates to meet the criteria, which means we can lose drivers to other industries. It will be challenging; we have very high standards in a difficult market, but we have a plan.

**Q You will have experienced the Black Lives Matter movement in the USA. What do you think employers should learn from this?**

The BLM movement is a clear call for inclusion and recognition of diversity – we need to be constantly aware of and supportive in recognising and embracing the values of everyone contributing to an organisation and society.

## Appendix 2 – Board and Committee Evaluation

As explained on page 73, an external evaluation of the Board and its Committees was undertaken during 2021. The table below summarises the key findings of the evaluation, as well the actions to be taken to follow up on them:

Key strengths	Areas for continued focus	Follow up actions
A highly experienced, knowledgeable and diverse Board with, among its members, a broad range of skills and a collective deep understanding of passenger transport, benefitting also from strong diversity in both members' backgrounds and thoughts	<p>Ensure individual Directors' experience and knowledge is leveraged to the best benefit of the Company</p> <p>Enhance the Board's skills and experience in areas such as digital, cyber and Environment, Social and Governance (ESG)</p> <p>Ensure there are protocols and procedures to ensure Board decision-making is as efficient and effective as possible in view of the increasing Board agenda</p>	<ul style="list-style-type: none"> <li>– Continue to closely monitor Board and Committee composition to assess if Board members' collective experience and skills are continuing to meet the Company's needs, having particular regard to transformation in the industry, the Group's international reach and its entrepreneurial spirit</li> <li>– Provide more Board training and bring in external advisers or specialist speakers to enhance Board skills and inspire thinking</li> <li>– Create Board meeting protocols to facilitate more efficient decision-making, and clarify the actions required of the Board in executive summaries in Board papers</li> </ul>
Open and collegiate style of Board discussions, enabled by the Chair's and CEO's approach	Ensure all discussions are goal-orientated and achieve a better balance between key Board discussions on strategy, risks and opportunities vs all other business	<ul style="list-style-type: none"> <li>– Follow new Board meeting protocols to ensure decision-making is as efficient as possible</li> <li>– Dedicate more Board time to tracking progress against strategy and incorporate a strategy KPI dashboard into Board papers to facilitate this</li> </ul>
Appropriate attention given to succession planning, with the focus in recent years on CEO and Chair succession planning	Focus more on below Board level succession planning, including by reviewing the talent pipeline deeper down in the organisation	<ul style="list-style-type: none"> <li>– Nominations Committee 'deep dives' into senior management succession planning, initiated in 2021, to continue going forwards and to be expanded to cover more middle management roles and provide more detailed assessments of the Group's talent identification and development programmes</li> </ul>
Excellent established programme of Board visits to the Group's operations and workforce engagement opportunities for Board members	Strengthen other stakeholder relations, through more Chair and Non-Executive Director shareholder engagement and through new ways of hearing from other stakeholders	<ul style="list-style-type: none"> <li>– Engage more with shareholders at appropriate opportunities</li> <li>– Identify new opportunities for the Board to hear directly from more customer, supplier, regulator and other key stakeholders</li> </ul>
Effective Board Committees discharging their extensive duties	Each Committee to dedicate appropriate time to both core and non-core matters within their remits and seek specialist management or external views where appropriate	<ul style="list-style-type: none"> <li>– Ensure Committee meeting agendas dedicate sufficient time to both core and non-core matters</li> <li>– Bring more specialist and external views into Committee meetings</li> </ul>
Continued strong focus on the Group's health & safety agenda and increasing focus on the Group's wider ESG agenda and culture	Create more opportunity to monitor the continued development and delivery of the Group's environment strategy and the effectiveness of the Group's people initiatives, including particularly those that underpin and support the Group's culture	<ul style="list-style-type: none"> <li>– Consider whether the existing Safety &amp; Environment Committee should be restructured into a Committee with a wider ESG remit, ensuring sufficient time is given to these matters but that the focus on safety is also maintained</li> <li>– Identify further ways to monitor the Group's culture, including by a review of the outcome of the first Group-wide staff engagement survey to be conducted in 2022</li> </ul>