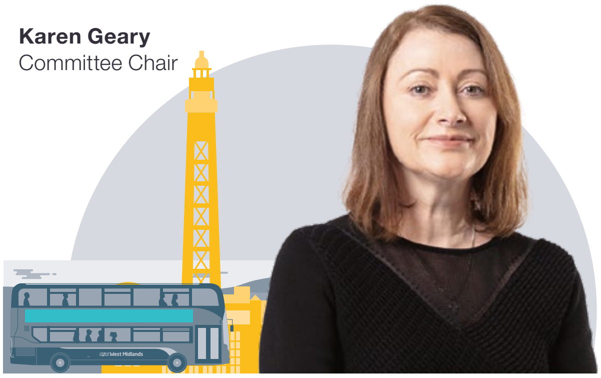
Annual Statement by the Remuneration Committee Chair

Karen Geary
Committee Chair



"With an encouraging recovery in evidence amidst the ongoing impact of the pandemic in 2021, the Committee's focus has been twofold. Firstly, on listening to the views of our varied stakeholders, both internally and externally to ensure 2021 remuneration outcomes were fair, balanced and aligned to experience. Secondly, on ensuring 2022 remuneration decisions take account of those views and support the delivery of the Evolve strategy."

Primary role

To recommend to the Board the remuneration strategy and framework for Executive Directors and senior management[1] 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, which are 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

Activity highlights

- Understanding the views of the Company's stakeholders on executive remuneration matters. This included engaging with a large number of the Company's largest shareholders on the matters noted below
- Tracking the Company's financial results and remuneration outcomes for Executive Directors and senior management, taking into account the ongoing Covid-19 pandemic
- Reviewed and confirmed the 2021 annual bonus and 2019 LTIP award out-turns for Executive Directors and senior management
- Reviewed the Chairman's, Executive Directors' and senior managers' pay and benefits for 2022, in the context of their performance, the Company's performance and the Group's stakeholder experiences
- Considered and set targets and performance conditions for the 2022 annual bonus and the 2022 LTIP awards to be made to Executive Directors and senior management
- Ongoing review of wider executive remuneration environment and best practice governance
- Review of Remuneration Committee advisers
- Planning, review and assessment of implications associated with the potential combination of Stagecoach

[1] The Company's senior management whose remuneration is determined by the Committee comprises 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

Membership, meetings and attendance

Committee member	Appointed	Resigned	Meetings attended/ meetings held
Karen Geary[1,2]	01.10.19	–	7/7
Matthew Crummack[1]	01.05.16	–	7/7
Ana de Pro Gonzalo[1,3]	04.12. 21	–	0/7
Dr Ashley Steel[1,2]	29. 01.19	03.12. 21	7/7

[1] Independent Non-Executive Director
[2] Karen Geary, who was a member of the Committee throughout the year, became its Chair on 4 December 2021 after Dr Ashley Steel stood down from the Committee on 3 December 2021. Dr Steel stood down from the Committee at the same time as she stood down from the Board but she attended all the meetings of the Committee in the year as they were all held before she stood down.
[3] Ana de Pro Gonzalo joined the Committee on 4 December 2021 but did not attend any meetings of the Committee in the year as none were held after she was appointed

Other attendees: Company Secretary and (by invitation to all meetings) Chairman, Group Human Resources and Communications Director and representatives of PwC and Korn Ferry (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

Letter from the Remuneration Committee Chair

Dear fellow Shareholder

On behalf of the Board and as Chair of the Remuneration Committee, I am pleased to present the 2021 Annual Report on Remuneration. The report aims to set out simply and transparently how remuneration has operated across the Group in 2021, including the decisions made by the Committee on Chairman, Executive Director and senior management remuneration, and the associated rationale, and how the Committee intends to operate the Directors' Remuneration Policy in the year ahead.

As this is my first report as Chair of the Committee, following my appointment on 3 December 2021, I would like to thank my predecessor, Dr Ashley Steel, for her leadership of the Committee during an exceptionally challenging period and for her support during my transition to Committee Chair.

Like 2020, 2021 remained a challenging year for the Group. The continued impact of the pandemic, and the associated government restrictions still in force across our geographies at different points of the year, restricted our ability to service our customers. Management reacted quickly and effectively to the onset of further restrictions, setting the business up for strong performance. We were pleased that these actions were reflected in increased shareholder value over the year.

During 2021, the Committee, through its oversight of wider workforce arrangements, feels that management effectively supported colleagues throughout the year. In addition to the ongoing commitment of National Express to be a Living Wage accredited employer in the UK, this was also demonstrated by:

- the decision to top up furlough payments to employees who received it to 100% of salary;
- the decision to award salary increases across the global workforce at an average of 2.5%; and
- the decision to pay employee bonuses without reduction. Bonus measures vary across each business division and levels of employee bonus payouts were between target and below maximum across the globe, reflecting the workforce's significant contribution to the Group's ongoing recovery.

Importantly, the Group's businesses did not reduce their capacity to operate in the future once the impact of the pandemic is behind us. This was reflected in a low level of redundancies in line with normal business-as-usual optimisation (e.g. redundancies linked to the pandemic being less than 0.2% of the global workforce).

The Company had previously repaid all UK Government Loans comprised of £300 million of UK Corporate Covid Finance Facility (CCFF) loans in 2020 with no further borrowings in 2021. The Committee and management are also appreciative of the support received from the Coronavirus Job Retention Scheme (CJRS) in the first half of the year, in respect of the UK Coach business only, which preserved employment within that business. The Company intends to repay the CJRS support received in respect of its financial year ended 31 December 2021 at the same time as it reinstates dividends. As the Chairman has said in his introduction to this Annual Report, it is the Board's current intention to reinstate a final dividend for the financial year ending 31 December 2022.

As a result of the actions taken by management and the wider workforce during the pandemic, the businesses are positioned well to continue their recovery in the coming years, demonstrated by the Group's 2021 financial performance.

2021 activity and remuneration outcomes

2021 AGM resolutions

Following the approval of the Directors' Remuneration Policy and Directors' Remuneration Report at the 2021 AGM, the Committee has engaged with shareholders to further understand the concerns that led to voting outcomes of 72.6% and 59.3% respectively.

Prior to last year's AGM we engaged with our largest shareholders and the main proxy voting agencies. Whilst most of these shareholders were supportive of our proposals and understood the complex circumstances that the business was facing, some investors and proxy voting agencies raised concerns, particularly in relation to the decisions to increase the base pay and potential LTIP quantum of our CFO, with additional comments around the LTIP performance targets. This lack of support was reflected in the voting decisions of many of our shareholders with whom we had not been able to engage. Whilst we believe that the approach was carefully thought through and taken in the best interests of the Company, we fully appreciate the concerns raised both last year and

2021 key performance metrics

Underlying Operating Profit

£87.0m

2020: £(50.8)m

Underlying Profit Before Tax

£39.7m

2020: £(106.1)m

Free cash flow

£123.4m

2020: £(196.0)m

CEO/CFO pay increase

0%

CEO/CFO bonus

47.5%

of maximum

2019 LTIP vesting

0%

Median CEO pay ratio

37:1

in this year's consultation (see below) and have reflected these in the remuneration decisions set out in this report. We are confident that the Remuneration Policy that was approved will support the business in its recovery over the next few years.

In early 2022, ahead of the publication of this report, I wrote to our Top 20 shareholders and the four major proxy voting agencies to gather views ahead of decision-making in respect of 2021 outcomes, and 2022 implementation. Given the complicated factors which the business is facing, we were keen to consult with shareholders on a number of options and potential approaches. I am extremely grateful for the responses I received and the level of engagement from shareholders, having personally met with 14 of our Top 20 and received responses from two more to my letter, in total accounting for c.57% of our share capital. These meetings have been invaluable in better understanding views from last year's AGM and shaping the Committee's decision-making set out in this report (in particular in relation to 2021 bonus decisions, as described later in this letter and in the report), as well as ensuring a productive and collaborative relationship regarding future decisions.

2021 results and remuneration outcomes

The business has performed very well in challenging market conditions. Our relationships with our public sector customers and stakeholders have been instrumental in maintaining the revenues of our businesses in all our geographies. Some of our concession contracts have been renegotiated so that the levels of revenue support and risk have changed in the Company's favour at times of maximum disruption. Management has been key to achieving this on behalf of the Company, preserving jobs, lengthening contracts and protecting the business.

The budgeting process at the start of the year anticipated some, but not all, of the challenges for 2021 and in the Committee's view at the time, robust targets were set. The Committee dedicated time throughout the year, and when determining annual bonus outcomes, carefully considered the associated impacts of the pandemic and other key elements of the 2021 business context. With this in mind, the Committee remained of the view that the targets set were robust and stretching.

Annual bonus

Following there being no bonuses payable in respect of 2020 and minimal vesting of the 2018 LTIP award, one of the key areas of discussion with shareholders was in relation to the annual bonus for 2021, having regard to there being no vesting on the 2019 LTIP award (see below).

The formulaic out-turn of the annual bonus was up to 95% of maximum for Executive Directors. The Committee is conscious that although the employee experience has been positive this year, the Company did receive support through the CJRS. As outlined above, the Board currently intends to repay the CJRS support received in respect of its financial year ended 31 December 2021 at the same time as it reinstates dividends. The Committee was also cognisant that whilst the business was profitable on an underlying basis in 2021 and the share price increased by 10% over the year (having recovered strongly from its low in 2020), we have not yet resumed dividend payments to shareholders.

During our recent consultation, it was clear that shareholders had a range of views but there were also a number of consistent themes that emerged. Firstly, all shareholders recognised that there were a number of complicating factors that needed to be considered when making decisions in respect of variable pay outcomes for FY21. Shareholders appreciated the progress management had made over the period, with a number noting no bonus had been paid in respect of 2020, in addition to the minimal levels of LTIP vesting last year and this year.

Taking these and other factors into account, there was broad appreciation from shareholders that paying a bonus in respect of 2021 was the correct decision. However, shareholders were keen that the Committee ensured that outcomes were reflective of the wider stakeholder experience, something about which the Committee also felt strongly. Based on this, the Committee determined that it was appropriate to apply downwards discretion of 50% to take account of a number of factors including the wider business context, in the level of bonus that Executive Directors should earn. This will result in a bonus of 47.5% of maximum being paid to the CEO and CFO.

It should be noted that reductions will not apply to the payment of bonuses paid to other employees.

The Committee determined that the whole bonus will be delivered in shares and subject to three-year deferral, by which point dividends should have resumed and CJRS receipts will have been repaid. This is over and above the 50% one-year deferral stated within Policy.

LTIP

As the targets under the 2019 LTIP were not achieved, no LTIP awards will vest in respect of performance to the end of 2021. Whilst there are many factors that could have been taken into account to adjust the formulaic outcome, the Committee did not feel it was right to make any such adjustments in light of the shareholder experience during this period. This will be the second year of little or no vesting, following the LTIP vesting last year at 6.5% of maximum.

2022 remuneration proposals

In addition to discussions regarding the FY21 annual bonus, the other main focus of shareholder discussions was in respect of the approach to remuneration in 2022. These discussions have also shaped the decision-making for the year ahead.

Base salary

No salary increases are proposed for 2022 for either Executive Director.

The Committee is cognisant that upon appointment Ignacio Garat's base salary was set below market levels, and £128,000 below his predecessor, whose base salary in the year of departure was £703,000. The salary (along with reduced bonus potential versus his predecessor) was structured to both recognise the operating environment at the time given the impact of Covid-19 and to allow development in the role, at which point the salary would be increased. Recognising this development, the Committee will be reviewing Ignacio Garat's base salary with the aim of phasing increases over several years if his strong performance achieved to date is continued. We will consult with shareholders to provide further detail of this review in next year's report.

Pension

Ignacio Garat's pension entitlement is 3% of salary, being the majority UK workforce pension contribution level, and as given from his appointment.

Chris Davies' pension entitlement, currently 25%, will be reduced from 1 January 2023 to also be aligned to the then prevailing majority UK workforce level.

Annual bonus

The annual bonus opportunity will be unchanged, with both the CEO and CFO having a maximum opportunity equal to 150% of salary. For the CEO, this is below the policy maximum of 200%, equal to the maximum opportunity for the CEO's predecessor.

Letter from the Remuneration Committee Chair continued

The Committee has set stretching performance targets against which the annual bonus will be measured. For 2022 the Committee has determined bonuses will be subject to the following weighted targets (all aligned to the Evolve strategy set out at the Capital Markets Day presentation in 2021):

- 50% Group Underlying Profit Before Tax
- 25% Group free cash flow
- 15% Group Safety – Fatality and Weighted Injuries (FWI) Index score, including an underpin such that this element will not pay out if there are any responsible fatalities
- Specific strategic and risk management targets, with an aggregate weighting of 10%

LTIP

Recognising shareholders' views, the LTIP opportunity for the CFO is to revert to 150% of salary from the 200% of salary award made on 2021. The CEO's award will remain at 200% of salary.

Following careful consideration, the Committee was of the view that the Company's LTIP and the performance measures attached to awards made under it achieve a good balance between incentivising Executive Directors and senior managers to deliver: (i) financial returns to shareholders; as well as (ii) the financial and ESG platforms that both incentivise and facilitate the delivery of Company strategy.

Following conversations with shareholders, we are keen to ensure that LTIP awards continue to be appropriately stretching and drive the long-term financial and non-financial performance of the business.

Therefore, the Committee determined that the 2022 LTIP awards will be subject to the same weighted performance measures as the 2021 awards (except there will be one rather than two TSR performance measures albeit with the same overall weighting – this approach was agreed unanimously in consultation with shareholders):

- an earnings per share measure, with a 25% weighting;
- a return on capital employed measure, with a 25% weighting;
- a single total shareholder return measure relative to the FTSE 250, with a 25% weighting; and
- an environmental measure with a 25% weighting, split equally between the Group's global carbon emissions per million passenger kilometres (consistent with the 2021 LTIP) and a new measure around the transition of our road fleet to carbon neutral vehicles.

The evolution of ESG measures versus 2021 reflects the business' commitment to ensuring the delivery of our ESG strategy, which is vital to the sustainability and long-term success of the business. The Committee is also aware of the general concerns which some investors have with respect to ESG measures not being sufficiently stretching. The Committee is confident that, having been validated by external third parties, the measures and associated targets are robust and stretching. The LTIP measures and targets have been set to align with the Evolve strategy, as set out at the Capital Markets Day on 18 October 2021, with achievement of those numbers designed to result in an on-target payout.

Full details of these performance criteria are set out on page 98.

Concluding thoughts

I and my fellow Committee members remain committed to engaging with you, our shareholders, and our colleagues where appropriate, on remuneration matters.

We also thank all our colleagues for their hard work and dedication during this last year in what have been exceptionally challenging circumstances.

Karen Geary
Remuneration Committee Chair
9 March 2022

Directors' Remuneration Policy for Executive Directors

Alignment to strategy and culture, ensuring risk mitigation and supporting clarity, simplicity, proportionality and predictability

Ensuring that our Directors' remuneration arrangements support the delivery of the Evolve strategy is important to the Committee, and this is achieved through aligning the performance measures and targets used in our incentive schemes with our key strategic priorities. The Committee also ensures that the right behaviours and actions are driven from the top of the organisation down by ensuring that the focus of these measures and targets is balanced across both financial and non-financial outcomes, for example the inclusion of employee, customer, and health, safety and environment metrics in both the personal element of the annual bonus and the LTIP. The Committee also takes into consideration the Group's financial and non-financial performance and environment when reviewing formulaic outcomes of metrics across all incentives, which is evidenced throughout this report.

The table below explains how the Directors' Remuneration Policy, and the Committee's practice in applying it over the year under review, address the factors set out in Provision 40 of the UK Corporate Governance Code, as well as how they are aligned with the Company's culture:

Clarity	Simplicity	Risk
– This report sets out a summary of the Remuneration Policy and how it has operated during the year. – 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. – The Remuneration Policy and its implementation look to support the wider National Express business strategy.	– 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 Director remuneration is composed of only four elements: base salary, pension and other benefits, annual bonus and LTIP. – The annual bonus and LTIP structure operated are market typical and are well understood by shareholders and executives alike.	– A range of features of Directors' remuneration assist in mitigating the risks of excessive rewards and inappropriate behaviour. – Executives are expected to build a material shareholding which must be maintained for a period following departure, which aligns them to the long-term interests of National Express. – Additionally, variable remuneration is subject to malus and clawback provisions, ensuring that there is long-term alignment of the executives to any risks the business may have been exposed to during their period as an executive.

Predictability	Proportionality	Alignment to culture
– Some of the same features of Directors' remuneration arrangements that mitigate risk also ensure that outcomes are within a predictable range. – Shareholders are provided with potential values which can be awarded to Executive Directors under the annual bonus and LTIP.	– Achieved through the use of variable remuneration arrangements which links remuneration outcomes and the financial and non-financial performance of National Express. – The Remuneration Committee has the ability to apply discretion to variable remuneration to ensure that outcomes are proportionate and reflects the performance of the business.	– Achieved through strong links between Directors' remuneration and the Company's values. – National Express' values are Safety, Excellence, Customers, People and Community & Environment. – Elements of the Remuneration Policy for executives are cascaded through the business.

Directors' Remuneration Policy for Executive Directors continued

Wider workforce context

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. 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, for both 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 UK 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.

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 participates in a bonus scheme which is broadly aligned with Executive Directors' annual bonuses, where 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.

Measures for bonus arrangements across the Group are based on different measures depending on the nature of the business unit, and typically outcomes were between target and maximum.

Directors’ Remuneration Policy for Executive Directors

The table below sets out an abridged version of the Remuneration Policy for the Company which was approved by shareholders at the 2021 AGM. The Policy took effect from the date of approval and is intended to apply until the 2024 AGM.

The full Directors' Remuneration Policy can be found within the Governance section of the National Express website

Element and link to strategy	Operation	Maximum opportunity and performance conditions
Base salary – To recruit, reward and retain Executive Directors of a suitable calibre for the role and duties.	Salaries for Executive Directors are reviewed annually by the Remuneration Committee with effect from 1 January. Reviews cover individual performance, experience, development in the role and market comparisons.	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 will not normally exceed the general employee increase. Larger increases may be necessary in exceptional circumstances. 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.
Pension – To provide fair benefits, in line with the wider workforce, to allow individuals to work towards savings for retirement.	Executive Directors receive a cash allowance in lieu of a pension provision. Executive Directors’ pensions are aligned with those of the majority of the UK workforce (which is currently 3% of salary), with the exception of the incumbent CFO, whose pension entitlement will reduce to be aligned with the then prevailing majority UK workforce pension contribution level from 1 January 2023.	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. After this date, and for any new Executive Directors appointed from 1 November 2020, the annual cash allowance payable in lieu of a pension will be equal to the wider workforce pension contribution rate.
Benefits – To provide competitive benefits as part of fixed remuneration to enable the Group to recruit and retain high performing Executive Directors.	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.	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.
Annual bonus – To incentivise delivery of near-term performance objectives which are directly linked to the financial, strategic delivery and risk management priorities of the Group.	Performance conditions are a combination of financial and non-financial objectives (including strategic delivery, risk management and personal) set at the beginning of each year. Performance conditions will not be disclosed in advance (except for any numerical safety performance conditions) as the Committee considers this information commercially sensitive. Performance outcomes will be reported retrospectively. 50% of the bonus earned is subject to mandatory deferral into shares for one year from award. The annual bonus includes the ability for the Committee to use its discretion to adjust the bonus outcome if outcomes are not reflective of overall corporate performance and/or individual performance. Malus and clawback provisions also apply during the two-year period post award, including following cessation of employment. Bonus payments are paid following announcement of the Company’s audited year end results and are not pensionable.	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. 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. 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 underlying profit, but the Committee has discretion to vary this in appropriate circumstances.

Directors' Remuneration Policy for Executive Directors continued

Element and link to strategy	Operation	Maximum opportunity and performance conditions
Long-Term Incentive Plan – to encourage strong and sustained improvements in financial performance, in line with the Company's strategy to align executives to the long-term interest of shareholders.	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. An additional two-year holding period for vested shares exists post vesting for the Executive Directors. Dividend equivalents and dividends can be paid on vested shares, in shares, in respect of both the performance and holding periods. Awards are reviewed annually to ensure that grant levels, performance criteria and other features remain appropriate to the Company's current circumstances. The LTIP includes the ability for the Committee to use its discretion to adjust the LTIP outcomes if such outcome is not reflective of overall corporate performance and/or individual performance. Malus and clawback provisions also apply during the two-year period post vesting, including following cessation of employment.	The maximum LTIP award is equal to 200% of base salary, per annum, for all Executive Directors. For FY22 the LTIP awards will have performance conditions relating to EPS, ROCE, TSR and ESG measures. 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. 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. 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.

1.1 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 2021 AGM or their date of appointment. 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 for two years after the cessation of employment.

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 will not be included.

1.2 Performance conditions under the annual bonus and LTIP

Performance measures for the annual bonus are selected annually to align with the business goals for the year. 'Target' performance is typically set in line with the business plan for the year. 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.

1.3 Malus and clawback provisions

Executive Directors' annual bonus awards and LTIP awards are subject to malus and clawback provision and will be applied 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.

1.4 Previous arrangements
For the avoidance of doubt, the Committee holds the authority 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.

1.5 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	12 months	6 months
Chris Davies	17.01.17	10.05.17	12 months	6 months

As stated in the 2020 Annual Report, Ignacio Garat's notice was extended from 6 months to 12 months effective from 1 May 2021. 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.

1.6 Approach to the remuneration of newly appointed Executive Directors
When determining the remuneration arrangements for a newly appointed Executive Director, 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.

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 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. 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.

Annual Report on Remuneration

Statement of implementation of current Directors' Remuneration Policy in 2022

(a) Executive Directors' fixed remuneration

Base salaries are to remain the same for the year commencing 1 January 2022.

Ignacio Garat, Group Chief Executive Officer	£575,000
Chris Davies, Group Chief Financial Officer	£425,000

Pension and benefits will operate in line with the Directors' Remuneration Policy.

(b) Executive Directors' annual bonus

Executive Directors' annual bonuses for the 2022 financial year will provide a maximum opportunity of 150% of salary for the CEO and CFO.

For the CEO, this is below the policy maximum of 200%, equal to the maximum opportunity for the CEO's predecessor.

Performance will be assessed by reference to the following performance measures, with weightings indicated in brackets:

- Financial, Group Underlying Profit Before Tax (50%)
- Financial, Group free cash flow (25%)
- Group Safety, Fatalities Weighted (FWI) Index score (15%)
- Personal Objectives, Strategic & Risk (10%)

A zero responsible fatality underpin will also apply to the full 15% safety element.

When considering the bonus structure and setting the bonus targets for 2022, the Committee has taken the following into account:

- The need to fully align to the Evolve strategy set out at the Capital Markets Day (CMD) on 18 October 2021.
- That both Group Underlying Profit Before Tax and free cash flow are key financial measures of the overall financial performance of the business and linked directly to our financial KPIs – see pages 28 to 29. The Committee is keen to ensure that Executive Directors are focused on driving growth in profit in order to generate higher and sustainable returns for our shareholders and providing the platform for further growth for all our stakeholders, including our employees, our customers and our partners.
- The importance of safety to the Group and all its stakeholders. On-target FWI performance has been set as equal to or better than the normalised three-year average FWI score in the last three years, with maximum payout requiring performance that is equal or better than the best normalised FWI score in the last three years.
- Personal objectives have been specifically selected in order to drive recovery following the impact of the pandemic, drive delivery of the Evolve strategy and position the business for future growth.

The Committee will disclose the exact 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.

(c) Executive Directors' 2022 Long-Term Incentive Plan (LTIP) awards

Executive Directors' LTIP grants for the 2022 financial year will provide a maximum opportunity of 200% of salary for the CEO and 150% of salary for the CFO. For the CFO, this is a reduction from the 200% of salary grant level in 2021.

Performance will be assessed against the following measures:

Performance condition	Weighting	Threshold (25% vesting for TSR and EPS, 0% for others)	Target (50% vesting)	Maximum (100% vesting)
TSR[1] vs. FTSE 250 Index	25%	Median	–	Upper quintile
EPS[2,3]	25%	21.7p	24.9p	26.5p
ROCE[2,4]	25%	9%	10.5%	12%
tCO_2e/million passenger km – reduction in tCO_2e/million passenger km by 2024 relative to 2019 base year[5]	12.5%	8.4%	9%	9.6%
Fleet transition – number of additional zero emission vehicles in service or on order by 31 December 2024	12.5%	400	600	1,000

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 EPS is fully diluted underlying earnings per share in 2024
4 ROCE is return on capital employed in 2024
5 2019 is the baseline used for the sectoral decarbonisation target-setting methodology

As with the annual bonus, a key objective for the Committee is to ensure remuneration arrangements align to the strategic priorities set out in the Evolve strategy at the CMD. 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.

The 2022 LTIP award will be subject to a single TSR condition, relative to the FTSE 250 Index only. The decision to remove the bespoke group TSR performance condition reflects the expected shrinking of the peer group due developments with both Stagecoach and Go-Ahead. The Committee will again review this approach ahead of the next LTIP grant in 2023.

The EPS performance range is fully aligned with the targets set out at the CMD. Achieving these targets will result in this element of the LTIP awards paying out at the on-target level. More specifically, the EPS on-target level for 2024 is set on the basis of a) growing revenue on a straight-line basis to £1 billion of incremental revenue by 2027 and b) achieving the 9% margin targeted.

The ROCE performance range has increased from that set out in recent LTIPs awards where both the 2020 and 2021 LTIP awards adopted a threshold of 8%, on-target of 9% and maximum at 11%. This reflects the ambitions of the Evolve strategy to grow profit and cash whilst also containing the Balance Sheet impact from the ambitious zero emission fleet transition targets.

Recognising the ‘Environmental leader’ outcome of Evolve, the Committee revisited the ESG measures to ensure they are appropriate. During consultation with shareholders, many highlighted their desire for ESG measures to remain a key part of Executive Directors’ overall remuneration but also emphasised a desire that any metrics remain objective, measurable and stretching. The Committee concluded that although the overall weighting of the ESG element, 25% of the total award, was appropriate, it should also measure fleet transition rather than solely tCO_2 per million passenger km (as had been the case before 2021). This will provide additional focus on fleet transition, which is an area that is a particular long-term focus for both shareholders and many of our wider stakeholders.

The Committee will continue to review best practice in this area and evolve the incorporation of ESG measures into variable remuneration arrangements.

The performance conditions will be measured over the three-year financial period ending 31 December 2024, 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.

(d) Chairman’s and Non-Executive Directors’ 2022 fees

Non-Executive Director fees will operate in line with the Directors’ Remuneration Policy.

With effect from 1 January 2022, the Committee determined for the Chairman, and the Board determined for the Non-Executive Directors, that there would be no change to fee levels, which would remain as follows:

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

Non-Executive Directors’ dates of appointment and notice periods

The current Chairman’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[1]	01.01.16	1
Karen Geary	01.10.19	1
Ana de Pro Gonzalo	01.10.19	1
Carolyn Flowers	01.06.21	1

1 Dr Ashley Steel stood down from the Board on 3 December 2021 with immediate effect

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

Annual Report on Remuneration (Audited Information)

1. 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 2021 (with comparative figures provided for 2020). The subsequent information and tables in this section give more detail on various elements of the Executive Directors' remuneration.

£'000		Base salary[1]	Benefits[2]	Pension allowance	Total fixed remuneration	Annual bonus[3]	Vested LTIPs[4]	Total variable remuneration	Total
Ignacio Garat	**2021**	**575**	**48**	**17**	**640**	**410**	**0**	**410**	**1,050**
	2020	96	38	3	137	–	–	0	137
Chris Davies	**2021**	**425**	**13**	**106**	**544**	**303**	**0**	**303**	**847**
	2020	366	44	95	505	–	32	32	537

1 The 2020 base salary of Mr Garat reflects that he served as a Director for only part of the 2020 year

2 Benefits comprise the gross of the tax value of car allowance and private medical insurance. 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 2021 was £1,495 (2020: £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 2021 was £12,215 (2020: £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, the cost of which in 2021 was £2,150 (2020: £3,000); and (iv) the reimbursement of legal advice obtained by Mr Garat in connection with his employment contract, the cost of which in 2021 was £925 (2020: £4,823). The tax due on the taxable benefits in 2021 was £19,255 (2020: £14,452), paid in the following tax year. (2020 figures updated to reflect updated taxable values)

3 Full disclosure of the annual bonus amounts and delivery mechanism are set out in section 1 Annual bonus below

4 Mr Garat did not receive a 2019 LTIP award as he joined the Company in 2020. The 2019 LTIP awarded to Mr Davies will vest at 0% with full details set out in section 1(i) LTIP awards vesting in 2022 below. As the value of LTIP shares which vested to Mr Davies in 2021 in respect of his award granted in 2018 which was subject to performance conditions over the three-year performance period ended on 31 December 2020 was estimated in last year's report, the figure shown for 2020 in the table above has been adjusted to reflect the actual vesting date value for Mr Davies based on the Company's share price at vesting of 329.4p. The difference in value is £11,664

(a) Annual bonus

The table below summarises the 2021 bonus potential for the Executive Directors that the Remuneration Committee set for 2021:

	Weighting	At threshold performance (% of salary)	At target performance (% of salary)	At maximum performance (% of salary)
Potential bonus in respect of financial objectives	75%	0%	56.25%	112.5%
Potential bonus in respect of safety objectives	15%	0%	11.25%	22.5%
Potential bonus in respect of personal objectives	10%	0%	7.5%	15%
Bonus potential for 2021	**100%**	**0%**	**75%**	**150%**

A pre-condition to the award of any element of the 2021 bonus is that there have been no significant negative events that have 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'). In addition, 50% of the bonus earned is subject to mandatory deferral into shares for one year from award.

(i) 2021 bonus out-turn

The formulaic out-turn of Executive Directors' bonuses, as set out in section 1(ii) – 2021 bonus performance conditions below, was 95% of maximum. As outlined in the Committee Chair's annual statement, although the Committee recognised the encouraging financial and non-financial performance which was achieved during the year, in the context of a challenging business environment for the transport sector, as well as the ongoing impact of the pandemic and government restrictions, the Committee felt that the formulaic outcome did not appropriately reflect the overall business context.

The Committee acknowledged that the Group's wider employee experience over 2021 had generally been positive despite the ongoing impacts of the pandemic. In addition to the ongoing commitment of National Express to be a Living Wage accredited employer in the UK, this was also demonstrated by the decision to top up CJRS payments to those employees who received them to 100% of salary, the decision to award salary increases across the workforce at an average of 2.5% and to play employee bonuses to all eligible employees without reduction. Bonus measures vary across each business division and the level of employee, but overall bonus payments were between target and maximum reflecting their significant contribution to the Group's ongoing recovery.

However, the Committee also acknowledged that the Group did receive support through the CJRS in 2021 for its UK Coach business only (in the amount of £8.9 million). As outlined in the Committee Chair's annual statement, the Company intends to repay this CJRS support at the same time as dividends have been reinstated (having already repaid all UK government borrowings). The Chairman has stated in the introduction to this Annual Report that it is the Board's intention to reinstate a final dividend for the 2022 financial year.

The Committee was also cognisant that whilst the Group returned to underlying profitability and the share price increased by c.10% over the year (having recovered strongly from its low in 2020), the Company has not yet resumed dividend payments to shareholders. As such, the Committee was keen to engage with shareholders on a range of options in order to best take account of shareholder experience in determining final outcomes. All shareholders recognised that there were a number of complicating factors that needed to be considered when making decisions in respect of variable pay outcomes for 2021. Shareholders appreciated the progress management had made over the period, with a number noting no bonus had been paid in 2020, in addition to the minimal levels of LTIP vesting last year and this year (see below).

Taking these and other factors into account, there was broad appreciation from shareholders that paying a bonus in respect of 2021 was the correct decision. However, shareholders were appreciative that the Committee felt strongly about ensuring outcomes were reflective of the wider stakeholder experience.

As a result, the Committee assessed a number of factors and determined that downwards discretion should be applied. This resulted in the formulaic outcome being halved to 47.5% of maximum for both the CEO and CFO. In addition, the whole of the bonus will be delivered in shares and subject to a three-year deferral period. To facilitate this within the parameters of the Remuneration Policy, the following approach will be applied to 2021 bonus awards:

- once the 50% of the award deferred into shares has vested after one year (in line with the Remuneration Policy), the net of tax number will be retained for a minimum of a further two years, to total three years; and
- the other 50% of the bonus earned will, after tax has been deducted, be invested in shares which will be retained for a minimum of three years.

Further, these shares will then also be subject to the shareholding guidelines stated within the Remuneration Policy.

	2021 salary	Bonus opportunity (% of salary)	Formulaic outcome (% of max)	Formulaic outcome (£)	Determined outcome (% of max)	Determined outcome (£)
CEO	£575,000	150%	95%	£819,375	47.5%	£409,688
CFO	£425,000	150%	95%	£605,625	47.5%	£302,813

(ii) 2021 bonus performance conditions

The following table sets out performance conditions that were attached to Executive Directors' 2021 bonus and the associated outcomes.

Category	Measure	Threshold	Target	Max	Weighting	Outcome achieved	Bonus achieved
Financial	Group Underlying Profit Before Tax	5.3	20.8[1]	36.3	50%	39.7	50%
	Free cash flow	81.9	91.0[1]	100.1	25%	123.4	25%
Safety	FWI			0.0030	5%	0.0055	0%
	Driver risk			2,400.7	5%	1,504.78	5%
	Preventable Vehicle Accidents			14.38	5%	13.62	5%
Personal					10%	10%	10%
						Formulaic 2021 bonus outcome (% of maximum)	95%
						2021 bonus outcome following the application of downwards discretion	47.5%

1 Consistent with previous years and associated disclosures, the Group Underlying Profit Before Tax and free cash flow targets are adjusted to align the method of calculation to the basis on which the performance out-turn is calculated. The original Group Underlying Profit Before Tax target was set at £25.5m. After adjustment to reflect foreign exchange movements and variances in acquisition investment (compared to budgeted levels), the revised target was £20.8m, with the threshold and maximum amounts adjusted accordingly. The original Group free cash flow target was £119.0m. After adjustment to reflect foreign exchange movements and timing of capital expenditure payments (to align with the budgeted assumptions), the revised target was £91.0m, with the threshold and maximum amounts (set at -/+ 10% of the target) adjusted accordingly

Personal objectives

	Personal performance objectives (10% of maximum total weighting)	Performance against objective	
CEO	– Develop and present strategic priorities to meet Board and stakeholder objectives	– Met in full – Evolve strategy and key business priorities launched at CMD on 18 October 2021	2%
	– Agree digital strategy for next three years, including the main technology drivers to support delivery of strategy	– Met in full – roadmap identified to deliver key customer propositions set out with Evolve strategy	2%
	– Ensure flawless and on time execution of Driving Excellence Programme in North America and deliver budgeted results for year 1	– Met in full – Driving Excellence programme embedded within North America, with operational improvements and budgeted results achieved	2%
	– Build strong relationships with key global governmental parties and institutions	– Met in full – relationships with key individuals and bodies further strengthened throughout 2021	2%
	– Evolve and improve continuous improvement culture across the Group to deliver process improvements	– Met in full – embedded Operate policies, process and culture with training and mindset improvements delivered across business divisions to all leaders	2%
CEO bonus achieved (out of 10% of maximum)			10%
CFO	– Develop and present strategic priorities to meet Board and stakeholder objectives	– Met in full – Evolve strategy and key business priorities launched at CMD on 18 October 2021	2%
	– Establish pilot external "LeaseCo" operations in one or both of NA and UK to materially improve ROCE (annualised capex saving > £50m) and speed the transition to ZEVs	– Met in full – established with capex savings of £75m	2%
	– Put in place the people, processes and technology to sustain level of cyber security in all divisions across the Group	– Met in full – full suite of training launched across the Group in addition to programmes of pen testing, phishing, test alerts and ongoing awareness)	2%
	– Design and lead a full climate risk assessment to underpin the case for modal shift	– Met in full – assessment completed and roadmap identified. See ESG section on pages 30 to 34	2%
	– Design and lead a cost reduction programme to reduce permanent fixed cost from the business	– Met in full – £100m of cost savings achieved	
CFO bonus achieved (out of 10% of maximum)			10%

Annual Report on Remuneration (Audited Information) continued

(b) LTIP vesting and awards

(i) LTIP awards vesting in 2022

The three-year LTIP awards granted to Executive Directors in 2019 (which have not already lapsed) are scheduled to vest in April 2022 as the measurement period relating to them ended on 31 December 2021. Following a formulaic approach, this LTIP award will vest in 2022 at nil, as the threshold vesting level has not been achieved in respect of any of the four performance measures. Whilst there are many factors that could have been taken into account to adjust the formulaic outcome, the Committee did not feel it was appropriate to make any such adjustments in light of the shareholder experience during this period.

Details of the performance conditions attaching to the 2019 LTIP awards, which were granted as nil cost options, and the extent to which they have been met, are set out in the table below:

Performance condition	Weighting	Threshold (25% vesting for TSR and EPS, 0% for ROCE)	Target (50% vesting)	Maximum (100% vesting)	Actual	Percentage vesting
TSR[1] vs. FTSE 250 Index	16.66%	Median	–	Upper Quintile	Below Median 191 out of 218 companies	0%
TSR[1] vs. Bespoke Index[2]	16.66%	Equal to Index	–	≥ Index + 10% p.a.	Below Index	0%
EPS[3, 4]	33.33%	35.3p	37.4p	39.0p	0.1p	0%
ROCE[3, 4]	33.33%	8%	9%	11%	3.4%	0%
Total vesting						0%

1 For TSR performance measures, straight-line vesting occurs between threshold and maximum performance
2 The Bespoke Index comprises three other UK-based passenger transport groups: FirstGroup plc; Stagecoach Group plc; and Go-Ahead Group plc
3 For EPS and ROCE performance measures, straight-line vesting occurs between threshold and target performance, and between target and maximum performance
4 Actual EPS is the fully diluted underlying earnings per share in the last year of the performance period. 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 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. However, this did not affect the outcome which was nil vesting, as explained above.

(ii) Vesting details

The table below shows details of the 2019 LTIP nil cost option award:

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 attributed to share price appreciation	Cash dividend payable on vesting
Chris Davies	133,624	0	0	0	0

(iii) LTIP awards granted in 2021

Details of LTIP awards granted to Executive Directors in 2021 are set out in the table below:

Executive Director	Grant date	Number of shares awarded	Award type	Award amount	Face value of award £'000	Performance period	Performance conditions
Ignacio Garat	22.03.2021	366,943	Nil cost option	200% of base salary	1150	01.01.21–31.12.23	See below
Chris Davies	22.03.2021	271,218	Nil cost option	200% of base salary	850	01.01.21–31.12.23	

1 The number of shares subject to the LTIP awards was determined by dividing the award amount, being the relevant multiple of Executive Directors' base salaries, by the Company's closing share price on the last business day preceding the date of grant, being 313.40p on 19 March 2021

(iv) Performance conditions attaching to 2021 LTIP awards

Performance condition	Weighting	Threshold (25% vesting EPS and TSR, 0% vesting ROCE and ESG)	Target (50% vesting)	Maximum (100% vesting)
TSR[1] vs. Bespoke Index[2]	12.5%	Equal to Index	–	≥ Index +10% p.a.
TSR[1] vs. FTSE 250 Index	12.5%	Median	–	Upper Quintile
EPS[3]	25%	25.1	25.6	26.3
ROCE[3]	25%	8%	9%	11%
tCO_2e/million passenger km	25%	6% reduction in tCO_2e/million passenger km by 2023 relative to 2019 base year	7% reduction in tCO_2e/million passenger km by 2023 relative to 2019 base year	8% reduction in tCO_2e/million passenger km by 2023 relative to 2019 base year

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 were considered by the Remuneration Committee. Based on performance measures, achievement to date, and appropriate assumptions, the 2020 LTIP estimated vesting is between 10% and 15%, while the estimated vesting for the 2021 LTIP is between 35% and 50%.

(vi) Executive Deferred Bonus Plan (EDBP)

The table below sets out the awards under the 2020 EDBP in the form of forfeitable shares in the Company. These awards vested on 18 March 2021 and relate to the one-year deferred element of the bonus for the financial year ended 31 December 2019. No awards were made under the EDBP in 2021, as no bonus was paid to Executive Directors in respect of the financial year ended 31 December 2020.

Executive Director	As at 1 January 2021	Vested 18 March 2021	Granted March 2021	Lapsed	As at 31 December 2021	Market price at date of vesting	Date of grant	Date of vesting
Ignacio Garat	–	–	–	–	–	–	–	–
Chris Davies	39,847	39,847				311.00p	09.03.20	18.03.21

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, but no dividends were paid on the award included in the table as the Company did not pay dividends during the relevant period. Such shares were held in the EBT

2. 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 2021 (with comparative figures provided for 2020):

Non-Executive Director	2021 fees £'000	2020 fees[1] £'000
Sir John Armitt (Chairman and Nominations Committee Chair until 4 November 2020)[2]	**259**	238
Jorge Cosmen (Deputy Chairman and Nominations Committee Chair from 4 November 2020)[2]	**68**	54
Matthew Crummack (Senior Independent Director from 3 April 2020)[3]	**67**	62
Mike McKeon (Audit Committee Chair)	**68**	66
Dr Ashley Steel (Remuneration Committee Chair until 3 December 2021)[4]	**63**	66
Ana de Pro Gonzalo (Independent Non-Executive Director)	**56**	54
Carolyn Flowers (Independent Non-Executive Director from 1 June 2021)[5]	**35**	–
Karen Geary (Remuneration Committee Chair from 3 December 2021)	**57**	54

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. Conversely, 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 Dr Ashley Steel stepped down as a Board Director and as Remuneration Committee Chair on 3 December 2021. Karen Geary assumed the role of Remuneration Committee Chair on 4 December 2021 and therefore both received a pro-rated proportion of the Remuneration Committee Chair fee for the year
5 Carolyn Flowers joined the Board on 1 June 2021, so her fee reflects the pro-rated proportion of her annual base fee for the year. A travel allowance is also paid to Carolyn Flowers for each Board meeting or other Board-related matter she attends outside the North American continent, in an amount per such meeting or matter of £1,000. For 2021, Ms Flowers received £2,000 in respect of this allowance in addition to her base fee

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

(a) Payments to past Directors

No payments were made to past Directors during or in respect of the financial year ended 31 December 2021.

(b) Payments for loss of office

No payments were made to any former Directors for loss of office during or in respect of the financial year ended 31 December 2021.

Annual Report on Remuneration (Audited Information) continued

4. Statement of Directors' shareholdings and share interests

(a) 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, as at 31 December 2021, are shown in the table below:

	Shares held directly			Other share interests	
Executive Director	**Shareholding target (% salary)**	**Shareholding value (% salary)[1]**	**Beneficially owned**	**Forfeitable shares held under the EDBP not subject to performance conditions**	**Outstanding LTIP share option awards subject to performance conditions**
Ignacio Garat	200%[2]	2.73%	6,100	0	366,943
Chris Davies	200%[3]	153.13%	253,031	0	567,835

1 The Company's closing share price of 257.20p as at 31 December 2021 has been used for the purposes of this calculation and has been applied to the beneficially owned shares in arriving at the shareholding value as at 31 December 2021

2 Mr Garat's current shareholding requirement applies to the five-year period commencing from the later of the approval of the Directors' Remuneration Policy and his date of appointment and therefore Mr Garat has until 12 May 2026 to reach his shareholding requirement

3 Mr Davies' pre-existing shareholding guideline of 150% applied to the five-year period commencing from his date of appointment on 10 May 2017. Mr Davies has until 12 May 2026, being the five-year period commencing from the date of the approval of the Directors' Remuneration Policy, to reach his incremental increased requirement to 200%

The table below provides more information about Executive Directors' interests in the Company's shares under outstanding LTIP awards.

Share interests

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 2021 or remain outstanding as at 31 December 2021:

			Exercised					
LTIP award year/type	**Date of grant**	**Awards held at 01.01.21**	**Granted**	**Exercised/ Eligible for exercise**	**Lapsed**	**Awards held at 31.12.21**	**Vesting date**	**Latest exercise date[1]**
Ignacio Garat								
LTIP 3-year	22.03.21	–	366,943	–	–	366,94[3]	22.03.24	22.03.26
LTIP 3-year (Approved CSOP)[2]	22.03.21	–	9,572[3]	–	–	9,572[3]	22.03.24	22.03.26
		–	366,943[3]	–	–	366,943[3]		
Chris Davies								
LTIP 2-year (RIA)	10.05.17	61,366	–	61,366[4]	–	–	10.05.19	–
LTIP 3-year	03.04.18	139,050	–	9,061[5]	129,989	–	03.04.21	–
LTIP 3-year	15.04.19	133,624	–	–	–	133,624	15.04.22	15.04.24
LTIP 3-year	12.03.20	162,993	–	–	–	162,993	12.03.23	12.03.25
LTIP 3-year	22.03.21	–	271,218	–	–	271,218	22.03.24	22.03.26
LTIP 3-year (Approved CSOP)[2]	22.03.21	–	9,572[3]	–	–	9,572[3]	22.03.24	22.03.26
		497,033	271,218[3]	70,427	129,989	567,835[3]		

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 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 Garat's and Mr Davies' 2021 CSOP award were granted with an exercise price of 313.4p per share. 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

3 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

4 Mr Davies' 2017 two-year LTIP (Recruitment Incentive) award vested on 10 May 2019 and was exercised on 18 March 2021. Mr Davies sold sufficient shares to satisfy his tax liabilities arising on such exercise and these shares were not subject to any compulsory holding period. The share price on exercise was 303.51p per share

5 Mr Davies' 2018 three-year LTIP award vested on 3 April 2021 and was exercised on 6 April 2021. Mr Davies sold sufficient shares to satisfy his tax liabilities arising on such exercise and he continues to hold the remaining vested shares beneficially in accordance with the two-year mandatory holding period. The share price on exercise was 329.4p per share

(b) 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 2021 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	18,844
Carolyn Flowers	–
Karen Geary	14,347
Ana de Pro Gonzalo	4,347
Mike McKeon	20,869
Dr Ashley Steel[2]	32,870

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 111) for such family companies’ shareholdings to be considered his or his connected persons’ interests in Company shares
2 Dr Ashley Steel stepped down from the Board on 3 December 2021 and her shareholding above is correct as at that date

(c) 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 2021 was 257.20p (2020: 237.40p) and the range during the year ended 31 December 2021 was highest 328.20p to lowest 213.60p per share.

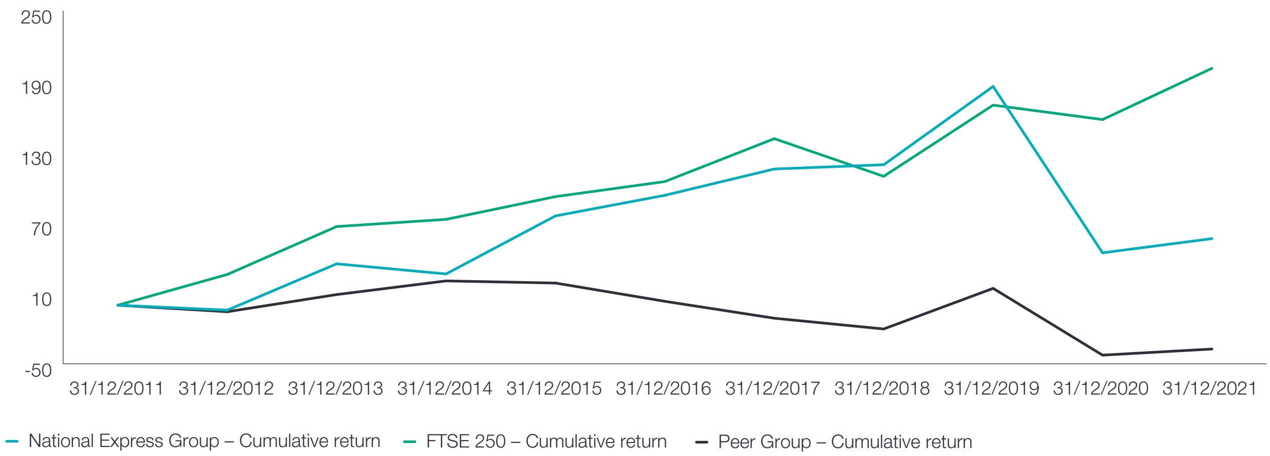
(d) Changes since year end

There have been no changes in current Directors’ shareholdings between 31 December 2021 and the date of this report.

5. 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.

Shareholder returns – 10-year history



Annual Report on Remuneration (Audited Information) continued

6. Context of Directors' pay

The following table sets out the actual percentage change from 2020 to 2021 in certain elements of the remuneration paid (where applicable) to each of the persons who served as Directors during 2021, compared with the average percentage change from 2020 to 2021 in those same elements of remuneration for the Group's employees. It also sets out, by way of voluntary disclosure, a comparison with the 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 100. 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 103.

	Actual/Average percentage increase/ (decrease) from 2019 to 2020			Actual/Average percentage increase/ (decrease) from 2020 to 2021		
Director or comparator group	**Base salary/ fees**	**Benefits[1]**	**Performance-related bonus[2]**	**Base salary/ fees**	**Benefits[1]**	**Performance-related bonus[2]**
Ignacio Garat, current CEO	–	–	–	499.0%[1]	200.0%[1]	100.0%[2]
Chris Davies, current CFO	(0.8)%[4]	0.0%	(100)%[4]	16.1%[3]	0.0%	100.0%[2]
Sir John Armitt, Chairman	(5.9)%	–	–	8.8%[4]	–	–
Jorge Cosmen, Deputy Chairman	0.0%	–	–	25.9%[4,5]	–	–
Matthew Crummack, Senior Independent Director (SID)	14.8%	–	–	8.1%[4]	–	–
Mike McKeon, Non-Executive Director	1.5%	–	–	3.0%[4]	–	–
Karen Geary, Non-Executive Director	315.4%[7]	–	–	(5.9)%[4,6]	–	–
Ana de Pro Gonzalo, Non-Executive Director	315.4%[7]	–	–	(5.9)%[4,6]	–	–
Carolyn Flowers, Non-Executive Director	–	–	–	100.0%[8]	–	–
Dr Ashley Steel, Non-Executive Director	6.5%	–	–	4.5%[9]	–	–
Company employees	5.7%	(0.09)%	(100)%	4.4%[10]	(8.2%)[11]	100.0%[2]
Company Group UK employees	1.7%	(0.09)%	(100)%	2.3%[10]	(17.0%)[12]	100.0%[2]

1 Mr Garat joined in November 2020 and the % increase reflects 2020 figure started from join date. No increase in base salary was given for 2021
2 No bonuses were awarded for 2020
3 Reflects the salary increase to £425,000 from 1 January 2021 and the salary sacrifice made in April and May 2020, in light of the pandemic
4 The year-on-year increase reflects salary sacrifices made in April and May 2020 in the light of the pandemic
5 Received an additional £12,000 chair fee from 2021
6 Appointed Chair of the Remuneration Committee on 3 December 2021
7 The significant year-on-year percentage increases in the fees payable to Karen Geary and Ana de Pro Gonzalo reflect that they both joined the Company in October 2019 so only received fees for 3 months of the 2019 year
8 Appointed on 1 June 2021
9 Resigned on 3 December 2021
10 No general pay rise in 2020, so increase reflective of some employees taking on additional responsibilities during the year and some impact of salary sacrifices in 2020
11 Driven by the net impact of the cost to the Company of providing certain benefits decreasing and the cost of providing others increasing
12 Driven by the net impact of the cost to the Company of providing certain benefits decreasing and the cost of providing others increasing, and the impact of job role changes and promotions

7. 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	2012	2013	2014	2015	2016	2017	2018	2019	**2020[1]**	**2020[2]**	**2021**
Chief Executive Officer	D Finch	D Finch	D Finch	D Finch	D Finch	D Finch	D Finch	D Finch	**D Finch**	**I Garat**	**I Garat**
Single figure total remuneration (£'000)	1,701	1,553	1,562	3,661	3,887	4,225	4,318	3,048	**531**	**137**	**1,050**
Annual bonus payment (as % of maximum opportunity)	100%	95%	93%	96%	83.5%	95%	90%	100%	**0%**	**n/a[3]**	**47.5%**
LTIP vesting level achieved (as % of maximum opportunity)	32.5%	0%	0%	73.4%	80.8%	86.9%	96%	91.53%	**0%**	**n/a[3]**	**n/a[4]**

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 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
4 In 2021, Mr Garat was not entitled to any LTIP award subject to performance conditions whose final year of performance ended during that year

8. CEO pay ratios

The Committee reviewed the Company's CEO pay ratios and the 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.

The following table sets out ratios which compare the CEO's total remuneration in the Company's financial year ended 31 December 2021 to that of the Group's UK employees whose full time equivalent remuneration ranks them at the lower quartile, median and upper quartile of pay for all of the 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
2021	**Option A**	**43:1**	**37:1**	**31:1**
2020	Option A	31:1	26:1	23:1
2019	Option A	156:1	136:1	110:1

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 2021 and their full time equivalent total remuneration was calculated in respect of the 12 months ended 31 December 2021 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 for 2020 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 100 and aggregating that sum with the proportion of Mr Davies' total remuneration as derived from the single total figure of remuneration table on page 100 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 that capacity).

The CEO's remuneration for 2021 was calculated as per the single total figure, shown earlier.

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 and benefits grossed up to the full time equivalent salary for their role; 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 table below shows the 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 2021 (together with that data for the previous year which is calculated on a combined basis):

Year	Pay data	Group Chief Executive	25th (lower quartile) percentile	50th (median) percentile	75th (upper quartile) percentile
2021	**Salary**	**£575,000**	**£23,768**	**£25,907**	**£31,598**
2021	**Total pay**	**£1,050,106**	**£24,179**	**£28,023**	**£33,707**

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 comprises 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 2021 (vs. 2020), reflecting that the CEO's pay was 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.

Annual Report on Remuneration (Audited Information) continued

9. Relative importance of spend on pay

The table below sets out the total spend on pay in 2021 compared with distributions made to shareholders in 2021 and the figures for such values in 2020 for further comparison:

Measure	2021 £m	2020 £m	% increase from 2020 to 2021
Overall Group spend on pay including Directors[1]	**1,156.4**	1,138.8	1.55%
Profit distributed by way of dividend[2]			0.00%

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 £54.3 million, so the overall Group spend on pay net of such refunds was £1,150.2 million

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 2021 and 2020, this amount was zero as no interim or final dividends were paid in either year

10. Historical results of shareholder voting on remuneration matters

The votes cast on the resolution seeking approval of the Annual Report on Remuneration at the 2021 AGM were as follows:

Resolution	% of votes For	% of votes Against	Number of votes withheld
To approve the Annual Report on Remuneration for the year ended 31 December 2020 (advisory vote only)	59.35	40.66	23,473,868

The votes cast on the resolution seeking approval of the current Policy at the 2021 AGM were as follows:

Resolution	% of votes For	% of votes Against	Number of votes withheld
To approve the Directors' Remuneration Policy (binding vote)	72.57	27.43	27,540,836

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

11. Retained advisers to the Committee

During the year, the Committee appointed Korn Ferry as its external remuneration consultants following a review of potential advisers by the Committee. Korn Ferry replaced PwC as advisers, who stepped down to avoid any potential conflicts of interest following appointment to advise in relation to the potential combination with Stagecoach.

Korn Ferry did not provide any services other than in relation to advising the Remuneration Committee during the year and the Committee is satisfied that no conflict of interest can arise as a result of these services. Korn Ferry 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 Korn Ferry is objective and independent. For the year under review, Korn Ferry received fees of £32,632, and PwC received fees of £75,900 in connection with its work for the Committee, which were charged on a time cost basis.

12. Dilution

The Company has permitted share dilution authority reserved to it under the rules of its 2015 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.

By Order of the Board

Karen Geary

Remuneration Committee Chair
9 March 2022

Karen Geary
Independent Non-Executive Director