

**Corporate governance report
For the Year Ended 31 December 2022**

For the financial year ended 31 December 2022, pursuant to the Companies (Miscellaneous Reporting) Regulations 2018, the Arriva group has continued to apply the Wates Corporate Governance Principles for Large Private Companies (Wates Principles), published by the Financial Reporting Council (FRC) in December 2018 as an appropriate framework for disclosure of its corporate governance arrangements.

Set out below is how the Wates principles have been applied by the company for the financial year ended 31 December 2022.

Principle 1 - Purpose and leadership

The company forms part of the Arriva group, which has been owned by Deutsche Bahn AG since August 2010. The company's purpose is to operate bus services in London. Arriva London North forms part of Arriva London, which is one of the largest bus operators in London.

During the last two years, the Board have supported the Arriva group where necessary in their efforts to facilitate a comprehensive review of the Arriva group, called Project Revitalise; a series of programmes aimed at building a stronger, more competitive Arriva group. The object of the project was to ensure that the purpose of the business was clearly promoted, and that the Arriva group's values, strategy and culture were all aligned, and that the Arriva group continued to meet the needs of its customers, clients and society as a whole.

As part of Project Revitalise, the Arriva group embarked on a review of its vision, mission, purpose, and strategic plan, which also included a review of the organisational values. This process included using support from an external business partner, and employees from all parts of the Arriva group were engaged. The aim of the process was to build a strategic plan that would provide the company and the wider Arriva group with both objectives and direction for the next three to five years. This included developing a new set of Values and Behaviours that could be used to help the company effectively execute the Arriva group's strategy.

The formal launch of the new Strategy, Purpose, Vision, Mission and Values took place in March 2022 with a video shared across the Arriva group, incorporating the ideas of Arriva colleagues. Briefings were then held by Business leaders with their individual teams to help employees understand their roles in helping make Arriva group's mission, purpose and vision a reality and how the values could be embedded into day-to-day business activities.

Principle 2 - Board composition

At the end of 2022, the company's board (the "Board") comprised of four directors and a Company Secretary. The size and composition of the Board is considered to be appropriate for the business at this time.

The directors have equal voting rights when making decisions. All directors of the company have access to the advice and services of the Arriva group company secretarial team and may, if they wish, take independent professional advice at the company's expense.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Principle 2 - Board composition (continued)

Across all Arriva group companies in the UK, there is an induction programme and guide for all new directors. The induction of new senior managers into the company however is overseen by the UK Bus division (of which the company is part), and then locally by the company. As part of the induction process new senior managers are encouraged to learn about the company's business and their team. In addition, there is an annual director's duty training session for directors who feel they may benefit from the additional training.

There is a variety of information available to senior managers to assist them with their leadership, including access to the Statutory Directors Handbook and Arriva's Standards of Business Conduct.

In addition, all senior managers are required to complete eLearning modules within their first three months of employment on the following subjects: Information Security & Data Protection, Competing Fairly, Financial Crime and Standards of Business Conduct.

The company continues to be committed to creating an ever more inclusive environment, and fostering a more diverse workforce, including at the most senior of levels.

Principle 3 - Director responsibilities

Accountability

The company believes that good governance is key to achieving a successful business. The company's governance structure is supported by a comprehensive Arriva Group Corporate Governance Manual and the Group Scheme of Delegation, both of which are reviewed periodically by the Arriva group's company Secretarial team and ultimately approved by the Board.

The Board holds four scheduled meetings each year and operates an annual agenda of standing items, which is aligned with good practice in Corporate Governance, including an annual review of internal controls systems and information security. Items requiring Board approval or endorsement are clearly defined. Unscheduled meetings are held as required where topics warrant more time or decisions need to be made outside of the normal cycle of meetings. On occasion, it may be necessary for company decisions to be concluded via written resolution, as permitted by the company's Articles of Association.

The executive directors complete annual senior manager and Standards of Business Conduct compliance training confirming that they have behaved in accordance with the Arriva group's behaviours and values.

Conflicts of interest training is included within the financial crime training module in the company's training programme, and the majority of office-based staff of the company are required to complete this module when they join the business, and thereafter annually as a refresher.

The company maintains two compliance registers, one for competition returns and another for annual conflict of interests declarations which captures the following information:

- Contact with a competitor or public official – this form captures instances of employee contact with competitors and public officials;
- Conflicts of interest – this form captures instances of conflicts that the company's employees must declare as outlined within the Arriva group's Conflict of Interest Policy and Guidelines;
- Gift, hospitality or donation - this form captures instances of any gift, hospitality or donation that the company's employees have received, and which must be declared in accordance with the Arriva groups' Anti- Bribery Policy and Guidelines.

The company also maintains a secondary employment register which is part of the Conflicts of Interest policy. New directors must also complete a director's appointment pack which contains a list of their statutory duties under the Companies Act 2006, and a declaration of all their current directorships, both internal and external.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Principle 3 - Directors' responsibilities (continued)

Accountability (continued)

The company is required to complete a half yearly Corporate Confidence Report which is returned to the Arriva group's Compliance Team for onward reporting to the divisional management teams and the Arriva Management Board. This report addresses policy roll out, significant regulator related incidents (including GDPR and Network and Information Systems) and significant security incidents involving Arriva group level systems and networks and digital learning completion (e.g. mandatory e-learning tutorials).

Principle 4 - Opportunity and risk

The Board and consider risk management fundamental to the success of the company and recognise it as an integral component of the overall control framework supporting the achievement of the strategic and business objectives of the company. The risk appetite for the company and the wider Arriva group is set by the Arriva plc Board, where it is ensured that a framework of governance, risk management and control is in place to promote the growth of the business.

Internal control framework

The Board in cohesion with the UK Bus Executive seek out the best opportunities for the company, whilst mitigating the potential risks. The Arriva group's internal control framework (BiMoG) is based on German accounting law and requires businesses to evaluate risks and define and implement appropriate mitigating controls measures. These controls are regularly reviewed by the Arriva group's Internal Audit function.

Regular updates are provided to the Board by the Internal Audit team on the effectiveness of Arriva group's internal control framework.

The Arriva group's key operational risks and mitigation are outlined in the Strategic Report on pages 1 to 5. The company's Strategic Report includes key risks that are monitored by the AMB.

Risk management

In 2022, a new risk framework was established within the Arriva group, together with a Risk, Committee Forum (Risk Committee), an executive forum of the AMB.

The Risk Committee meet at least four times per year to formally review Arriva group's risk appetite and the principal and emerging risks that the company is willing to take across all major activities. Risk analysis includes consideration of the Arriva group's risk exposure and the measures in place to effectively mitigate risks. The Arriva group's risk register is reviewed biennially by the AMB and the Board is required to consider the effectiveness of the risk management on an annual basis.

A new and improved Risk Management Process, supported by an Arriva Risk Management Policy and supplementary templates were launched across the Arriva group in December 2022. The intention of the revised risk policies and procedures was to provide a more streamlined governance process across the business to support the Arriva group in managing risks more efficiently to enhance the performance of the business.

The revised process underpins the practices currently in place across the business with the new policy and process designed, amongst other things, to:

CORPORATE GOVERNANCE REPORT (CONTINUED)

Principle 4 - Opportunity and risk (continued)

Risk management (continued)

The current approach to risk reporting at Arriva Group includes:

- simplify risk management and facilitate effective controls;
- bring consistency, rigour, structure, and transparency to the assessment of risks;
- build a strong financial risk reporting foundation;
- add an increased strategic, commercial, and operational perspective to complement the current financial focus to enhance risk management;
- reinforce senior management's responsibility and accountability for mitigating and monitoring risks over time and strengthen a culture of risk awareness and management; and
- introduce new insightful Top Risks management reports to the AMB and the Board.

The systems and controls of the company are designed to manage and mitigate risks as they arise, however, it is accepted that they cannot provide total assurance that a risk will not materialise.

Responsibilities

The company has developed a governance framework which includes the Arriva Group Corporate Governance Manual including the Arriva Group's Scheme of Delegation. This framework ensures that the appropriate level of diligence and oversight has been performed when understanding the obligations, risks and terms of each business-related transaction. This enables the Arriva group to meet its strategic objectives and all transactions are fully reviewed and assessed in alignment with the Arriva group's strategy and risk appetite before approval is granted.

Principle 5 - Remuneration

The Arriva group is an active equal opportunities employer and promotes diversity and inclusion to achieve an environment free from discrimination, harassment and victimisation, where everyone receives equal treatment and career development. The company's objective is to ensure that all decisions relating to employment practices (including remuneration) are objective, free from bias and based solely upon work criteria and individual merit. The company balances short-term operational performance, with the delivery of longer-term profits and returns and recognises its social impact on employees.

The Arriva group recognises that senior managers are key to driving the success and future growth of the business through the ongoing development of employees and in developing the leadership capability to support future succession planning. The purpose of the Arriva group's senior manager pay and bonus policy is to recognise their contribution to the business and sustained business performance, through a market competitive balance of fixed and variable pay elements.

Regularly independent reviews of Arriva groups total rewards package for senior managers are undertaken to ensure it maintains market competitiveness that allows the Arriva group to recruit and retain the calibre of senior managers it requires to drive a high performing culture and achieve its strategic objectives.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Principle 6 - Stakeholders

The company's Board promotes good governance, which is key to achieving the Arriva group's strategy, as well as continuing effective relationships with all stakeholders including, passengers, customers (including local/national transport authorities in respect of contracted services), employees, suppliers and the local communities in which the company operates.

The company is committed to social responsibility, working with local communities and environmental sustainability. It achieves this by working with the local community and promoting working together.

The company's Board promotes stakeholder engagement, as well as transparency with all stakeholders and with representatives of local and national government.

Further information on engagement with stakeholders during the financial year ended 31 December 2022, is provided in the 'Engagement with stakeholders section of the Directors' report.

Further information on engagement with employees during the financial year ended 31 December 2022 is provided in the 'Employee engagement' section of the Directors' report.