Corporate governance report
For the Year Ended 31 December 2023

For the financial year ended 31 December 2023, pursuant to the Companies (Miscellaneous Reporting) Regulations 2018, the Board 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 Board for the financial year ended 31 December 2023.

PRINCIPLE 1: PURPOSE AND LEADERSHIP

The company is the main holding company for the Arriva group of companies (Arriva).

With a history dating back to 1938, the Arriva group is a leading provider of passenger transport across Europe. Arriva is divided into four business units: UK Bus, UK Trains, The Netherlands and Mainland Europe. The Arriva group proudly connects people and communities safely, reliably and sustainably, delivering its services in a better way, every day.

Arriva's Purpose, Vision and Values

Arriva's vision, purpose and values define who the company is as a business, why it exists and what it stands for. Importantly, they collectively guide the company's day-to-day decision–making and ensure it is making a difference and doing the right thing – for its people, passengers and clients, communities, the environment, and its shareholder.

Arriva's mission
To be the leading passenger transport partner across Europe.

Arriva's vision
To shape a future where passenger transport is the best choice.

Arriva's purpose
Connecting people and communities safely, reliably, and sustainably, in a better way every day.

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PRINCIPLE 1: PURPOSE AND LEADERSHIP (CONTINUED)

Arriva group's strategy starts with its people

The company, along with Arriva, aspires to become the leading passenger transport partner across Europe and has a vision to make passenger transport the best choice so that the Arriva can collectively play its role in shaping a more sustainable future.

There is a strategic framework in place centred on six core priorities and these, together with the Arriva values, will help to achieve the business-critical mission and realise the Arriva vision for society.

The Values and Behaviours underpin the Arriva group's ways of working as the business moves collectively towards its vision

We care passionately

- About creating the best environment for our colleagues to thrive
- About delivering a great customer experience
- About being part of a high-performing team, and winning together
- About our planet, and transforming towns and cities through greener, more sustainable transport

We make the difference

- By putting safety first
- By striving for improvement in everything we do
- By embracing diversity and treating people with respect
- By working to the highest standards and holding each other to account
- By investing in the wellbeing and development of our people to create a more sustainable workplace

We do the right thing

- By delivering what matters most to our clients, customers, colleagues, and stakeholders
- By recognising a job well done
- By finding solutions and not letting challenges get in our way
- By actively listening and embracing the learning when we get it wrong
- By innovating and thinking beyond today for a better, more sustainable Arriva tomorrow.

The Board are committed to conducting business in a socially responsible way and are responsible for shaping and monitoring the culture of the group to ensure it supports the company's purpose, values and strategy. The Board monitors the group's culture through a variety of ways including employee surveys, health and safety performance, whistleblowing policies, incidents and matters of concern, management engagement with trade unions on a range of matters, the results of internal audits, and key performance indicators from each of Arriva's business units.

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PRINCIPLE 2: BOARD COMPOSITION

The composition of the Board as of 31 December 2023 was made up of two executive directors, seven non-executive directors (appointed by the DB) and the Company Secretary. Details of the directors who have held office during the year are included in the Directors' Report on page 12.

There is a clear division of responsibilities between the roles of the Chairperson of the Board and the Chief Executive Officer of the company to help ensure that the balance of duties, accountabilities and oversight is effectively maintained. The Chairperson plays a pivotal role in facilitating constructive board relations and the effective contribution of all directors.

The Board composition reflects the concentrated shareholding structure of the company and includes one identified independent director, bringing an impartial perspective to the Board’s discussion and decision-making process. The assessed skillset of the Board is felt to be sufficiently broad and deep, encompassing senior experience from across a wide range of transport businesses and disciplines.

The Board believes that when combined with the AMB, this creates a group which has diversity, with varied and balanced experience and skills that are highly relevant to the Arriva group’s needs and challenges. This variety of skills and experience has served the Arriva group well in the development and scrutiny of its strategic decision making and performance.

The AMB is a subcommittee of the Board and is the senior management forum for the Arriva group. It is collectively responsible to the Board for the day-to-day management of the Arriva group’s business and the implementation of the Arriva group’s strategy. It manages operational and financial performance, assessment and control of risk, prioritisation of growth opportunities and the operation of the required governance framework to ensure the effective discharge of legal, ethical and social responsibilities as delegated to it by the Board. Further information on the members of the AMB can be found on the company website. The Chief Executive Officer and Chief Financial Officer of the company are members of this sub-committee.

The directors have equal voting rights when making decisions, except the Chairperson, who has a casting vote in circumstances where there is an equal number of votes both for and against a resolution. All directors of the company have access to the advice and services of the Company Secretary and may, if they wish, take professional advice at the company's expense when it is judged necessary in order to discharge their responsibilities effectively.

There is a variety of information available to directors and senior managers of the Arriva group to assist them with their leadership, including access to Arriva’s Standards of Business Conduct and on-line training. In addition, the directors of the company are provided with biennial directors’ duties training, the last session took place in June 2023.

During 2023, the Board undertook an assessment of its own performance. The assessment was co-ordinated and directed by the General Counsel and Company Secretary. Feedback on the performance of the Board was obtained from each individual director by means of an anonymous survey. The results of the Board effectiveness review were discussed and shared with the Board. The Board have considered the results of the assessment and have concluded that, overall, the Board and its committees continue to operate in an effective and constructive manner.

PRINCIPLE 2: BOARD COMPOSITION (continued)

In early 2023, the company launched the Leadership Mindset, which has become embedded in the company's key people processes and practices as an integral part of the assessment for the critical role's succession planning process. Based on the Arriva values, the Leadership Mindset sets out the essential leadership behaviours the Board believes are needed to deliver Arriva's strategy and make Arriva a great place to work. The mindset has helped shape the common language and approach for leadership practice, from which the Arriva Board have been able to assess current performance and future potential, from the current leadership population. This has been used to highlight certain individuals who are considered potential future successors for Arriva's senior leadership and critical roles. Having been selected they have begun to engage in a series of developmental processes to help further enhance the bench strength of talent within Arriva.

The mindset challenges leaders across Arriva to demonstrate the best version of leadership for Arriva's people, clients and customers, by taking action to inspire connection, develop potential and deliver results. The leadership mindset is described at three levels; Leading Arriva, Leading others and Leading self. The initiative also takes into consideration Arriva's Inclusion strategy, which aims to ensure a co-ordinated approach to inclusion across all of its businesses by setting ambitious targets, so that all parts of the Arriva group are aligned behind common goals. The Board were supportive of the implementation of the strategy across the Arriva group whereby all Arriva group employees are considered and given fair and equal consideration.

PRINCIPLE 3: DIRECTORS' RESPONSIBILITIES

The company believes that good governance is key to achieving a successful business, especially one which operates in several different countries. The company's governance structure is supported by a comprehensive Arriva group Corporate Governance Manual including the group Scheme of Delegation, both of which form part of a broader policy framework by which the Arriva group promotes good governance and internal controls. The Arriva group Corporate Governance Manual and Arriva group policies 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 Board is collectively responsible for the company's long-term success, strategic direction, values and governance. Responsibility for the day-to-day management of the Arriva group's business and the implementation of the Arriva group's strategy is delegated to the AMB. The company has processes in place to ensure its internal systems and controls are operating effectively, and to ensure that the quality and integrity of information provided to the Board is reliable. The group's Risk Director provides the Risk Committee and Board with assurance around internal systems and control. Board papers and supporting information are provided to the Board sufficiently ahead of scheduled meetings.

During the year, the Board delegated specific matters to the AMB and its subcommittees in a bid to streamline the decision-making process in the Arriva group and to ensure that where necessary matters of importance are escalated in line with the Arriva group's Scheme of Delegation. An overview of the Board's executive forums as at 31 December 2023 and their purpose are listed below.

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PRINCIPLE 3: DIRECTORS' RESPONSIBILITIES (continued)

Relevant Decision-Making Forums and Subcommittees involving Arriva

Arriva Limited Board

Collectively responsible for the Arriva group's long-term success, strategy and governance.

AMB Subcommittee of the Arriva Limited Board

Arriva Management Board (AMB)

A subcommittee of the Board and consists of the senior management for the Arriva group.

Focus Forums of the AMB

Executive Review Meeting (ERM)

Review monthly business performance using the requisite KPI's and approve and sign-off recommendations in line with the Schedule of Delegation.

Risk Committee Forum (Risk Committee)

The Risk Committee reviews and agrees actions to address key risk and compliance issues across the Arriva group and provides transparency on audit and controls.

Strategic & Capital Review Forum

The forum reviews and debates key strategic choices for the Arriva group, including current state analysis, Business Unit strategic imperatives, and group-wide financial and other implications. Recommending the group's strategy, for approval by the Board, and for the implementation of the approved strategy.

People & Talent Management Forum

The People & Talent Management Forum reviews key people and talent-related topics.

Innovation Forum

The Innovation Forum debates, prioritises and commits the Arriva group in pursuing innovation opportunities and is responsible for the management of the innovation pipeline and process.

Finance and Investment Subcommittee of the Arriva Limited Board

Finance and Investment Committee and Finance and Investment Committee Light

The FIC is responsible on behalf of the Board for reviewing and approving tenders in line with the Scheme of Delegation.

Subcommittees of the AMB

Environmental, Health and Safety Committee (EHS Committee)

The EHS Committee assists the AMB and the company Board in obtaining assurance that the appropriate systems are in place to manage EHS risks, and to provide a consolidated group overview of the Group's operational EHS performance.

Arriva Management Board Investment Committee (AIC)

The AIC reviews and approves the final commercial and non-commercial investment decisions.

Shareholder Performance Meetings

Performance Review Management Committee (PRM)

The PRM is a DB meeting where a granular review and "deep dive" of performance takes place between DB and the company.

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PRINCIPLE 4: OPPORTUNITY AND RISK

The Board and the AMB consider risk management fundamental to the success of the Arriva group and recognise it as an integral component of the overall control framework supporting the achievement of the strategic and business objectives of the Arriva group. The Board sets the risk appetite for the Arriva group, and ensures that a framework of governance, risk management and control is in place to promote the growth of the business.

Internal control framework

The Board seeks out the best opportunities for Arriva, whilst mitigating the potential risks. The Arriva group's internal control framework requires the business 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 11. The company's Strategic Report includes key risks that are monitored by the AMB.

Risk Management

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. It also includes consideration of future opportunities that may mitigate identified risks, providing a complete picture of the risks and opportunities facing the business. 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 Risk Management Process, supported by an Arriva Risk Management Policy and supplementary templates are in place which provide a streamlined governance process across the business to support Arriva in managing risks more efficiently to enhance the performance of the business.

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

- simplify risk and opportunity 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.

Mergers and acquisitions

Mergers, acquisitions and tenders are an important part of Arriva group's strategy, underpinned by the successful integration of acquired businesses, including the ability to manage those operations effectively and to benefit from anticipated cost savings and operating efficiencies. Key strategic opportunities, including mergers and acquisitions and tenders are highlighted to the Board. The Arriva group has clearly defined guidelines for due diligence work and approval of mergers, acquisitions and tenders.

PRINCIPLE 4: OPPORTUNITY AND RISK (continued)

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 considering the obligations, risks, opportunities and terms of each business-related transaction. This enables the Arriva group to meet its strategic objectives and ensure that 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 company recognises that Arriva's senior managers are key to driving the success and future growth of the business and that through the ongoing development of employees, the company can develop 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.

The company regularly undertakes independent reviews of its total rewards package for senior managers 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.

In accordance with the company's terms of reference, it is the responsibility of the Board to determine the remuneration of the Executive Directors. The Board also has an overview of the annual salary review and compensation awards for senior personnel.

PRINCIPLE 6: STAKEHOLDERS

The 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 Arriva group 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.

Further information on engagement with stakeholders during the financial year ended 31 December 2023 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 2023 is provided in the 'Employee engagement' section of the Directors' Report.

Further information on the Arriva group's environmental policy and projects during the financial year ended 31 December 2023 is provided in the Streamlined Energy and Carbon Reporting Disclosure (SECR) section of the Directors' Report and the Non-Financial and Sustainability Information Statement.

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This report was approved by the board on 15 November 2024 and signed on its behalf.

C Goeseke
Director