SECTION 172 STATEMENT

Summary

Section 172 of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its members as a whole. In doing this, Section 172 requires a director to have regard to (amongst other matters):

- the likely consequences of any decisions in the long-term;
- the interests of the company's employees;
- the need to foster the company's business relationships with suppliers, customers and others;
- the impact of the company's operations on the community and environment;
- the desirability of the company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the company.

The role of Arriva Limited's Board of Directors (Board) is to be collectively responsible for the Arriva group's long-term sustainable success, providing strategic leadership, direction and governance within a framework of effective controls. In giving due regard to their duties as directors, the Board are mindful of the principal activities of the Arriva group and are particularly focussed on the impact of the company's operations on the community and the environment. The Board recognises that it is accountable to its stakeholders for ensuring that the company is appropriately managed and achieves its objectives in a way that is supported by the right culture and behaviours. The issues and factors which have guided the directors' decisions are outlined in the 'Principal Risks and Uncertainties' section of this report.

Governance

The following information on governance relates to the year ending 31 December 2023, prior to the company's acquisition by I Squared. The future governance strategy is currently being finalised in consultation with I Squared.

The company's governance structure is set out on page 24 of this report and provides clear lines of accountability and responsibility. The day-to-day management of the Arriva group's business and the implementation of the group's strategy is delegated to the Arriva Management Board (AMB). Information communicated to the Board by the AMB about employees and the workforce help to inform the Board in its decision-making processes.

The Board agenda is set in collaboration between the Chair of the Board, the Arriva group Chief Executive and the Company Secretary. The Board's annual rolling agenda ensures that time is balanced between strategy and operational performance, as well as the Board's wide-ranging governance and regulatory responsibilities.

SECTION 172 STATEMENT (CONTINUED)

Governance (continued)

To allow directors to utilise their time and skills effectively at Board meetings, papers are circulated securely and electronically to all directors a week before each meeting.

The Board is supportive of regular director training. With the ever-evolving regulatory and policy landscape in which the Arriva group operates, it is important that the Board maintains a good working knowledge of the transport sector and how the Arriva group operates within this sector, as well as being aware of recent and upcoming developments in the wider legal and regulatory environment. To support the Board’s knowledge and skills, the directors of the Board are provided with biennial directors’ duties training.

During the year, the Board continued to operate in accordance with the Arriva group’s Corporate Governance Manual, which includes formal procedures for the working of the Board and its committees within the governance framework and delegated authorities.

Directors have access to the advice and services of the group Company Secretary and may also take independent legal and/or financial advice at the group’s expense when it is judged necessary in order to discharge their responsibilities effectively.

Principal decisions

Principal decisions are defined by the company as those which impact the long-term sustainable success of the company, or which have a significant effect on the company's stakeholders. Understanding the company’s stakeholders and how they and their interests will impact the success of the company over the long-term is a key part of the Board decision making in which they are required to consider the future development, performance and position of the Arriva group.

The principal decisions made by the Board during the financial year ended 31 December 2023 are detailed below:

Divestment of Arriva group companies in Mainland Europe

In the company’s previous annual report, it was reported that a decision to refocus the Arriva group portfolio was taken in 2021, as a result of a strategic review of the Arriva group (Project Focus). This review was carried out between the Board and the company’s ultimate parent company, Deutsche Bahn. Following careful consideration, the Board took the decision to proceed with the divestment of certain Arriva group companies in Sweden, Portugal, Denmark, Serbia and Poland. The decision, whilst difficult to make, was part of the Board’s forward-looking strategy to manage a tighter portfolio. Key colleagues and third-party advisors were engaged from the outset to provide the Board with the information required to make informed decisions, which were both aligned with the Arriva group's strategy and Section 172 of the Companies Act 2006.

In accordance with the Arriva group’s Scheme of Delegation, the Board were required to engage with Deutsche Bahn AG (DB), Arriva group’s ultimate parent company, on a range of matters relating to the divestment of the Arriva group companies, in particular strategic, financial and governance arrangements. Maintaining an open and transparent business relationship with the company’s ultimate shareholder and taking on board its views is a key aspect of good corporate governance and supports the company’s commitment to ensuring that the long-term success of the company is promoted.

A key priority of the Board during the divestment processes was to ensure that its employees were supported through the transition so that they could maintain their focus on delivering the very best services for passengers and client bodies. Colleagues directly impacted by the divestment of the companies’ received consultations at a local level, guided by the information provided to them by the Board, the AMB and advisors. The wider Arriva group received regular updates on the progress of Project Focus through circular Arriva group communication emails.

SECTION 172 STATEMENT (CONTINUED)

Divestment of Arriva group companies in Mainland Europe (continued)

During 2022, the group divested of its Arriva group companies in Sweden and Portugal. In May 2023, the group concluded its sale of its businesses in Denmark and Serbia to Mutares with Poland Bus completing in June 2023. All employees - around 3,400 - transferred over as part of the transaction, which provided continuity and certainty for Arriva's employees, passengers and clients alike.

DB sale of the Arriva group to I-Squared

On 19 October 2023, the company’s shareholder, DB and I Squared Capital signed an agreement for the sale of the whole of Arriva group, including all of its operating businesses across ten European markets, to I Squared, a leading global infrastructure investment manager (the Sale). The transaction completed on 31 May 2024.

Over the past few years, DB has worked successfully with the Board and the wider Arriva group to stabilise its business after the impact of Covid and to focus the company’s sustainable growth strategy on relevant markets. The Board believes that Arriva has good prospects for sustainable growth as market liberalisation in Europe progresses. The Sale will give the group new options to support its growth potential, for example for the future electrification of European fleets.

I Squared has extensive experience in providing essential infrastructure, including transport, logistics, energy, utilities, and digital infrastructure around the world. The firm is committed to creating sustainable, long-term growth across its portfolio, supporting management teams in improving operational performance, and investing to support the energy transition with lower-carbon infrastructure. Arriva’s strategy for net-zero operations and the decarbonisation of its fleet is suitably aligned with I Squared’s strategy to develop and scale assets with technologies that accelerate the energy transition, as well as providing cleaner air in cities and towns by investing in green public transport. The Sale will support Arriva in achieving its future growth as a major European bus and rail operator.

The Executive Management were actively involved in communicating to colleagues across Arriva that the transaction marked an exciting next stage for the company, delivering significant benefits for Arriva’s colleagues, passengers and the many Passenger Transport Authorities Arriva partners with across Europe, enabling the company to play a role in delivering a better future. The message from the Board was extremely positive and they were optimistic that Arriva and I Squared together could play a vital role in delivering innovative and sustainable public transport offerings across Europe.

Although the terms of the Sale were essentially negotiated by DB, the company has been heavily involved in the process. The Board have ensured that when considering matters relating to deal certainty, management, governance, employees and pensions, regard to Section 172 of the Companies Act 2006 remained at the forefront of all company decisions.

SECTION 172 STATEMENT (CONTINUED)

Further information on how the directors have had regard to their duties as a director of the company can be found in the following sections:

Employee engagement and employee initiatives – pages 13 to 14

Streamlined energy and carbon report – pages 17 to 18

Corporate governance report - pages 20 to 26

KEY PERFORMANCE INDICATORS

The Management board of DB, the ultimate parent company in the year under review, manage the DB group's operations on a divisional basis. For this reason, the company's directors believe that analysis using key performance indicators for the company is not necessary or appropriate for an understanding of the development, performance or position of the business of Arriva Limited and therefore it is not appropriate to use non-financial KPIs as management do not analyse the company using any. The development, performance, and position of the DB group, including the company, is discussed in the Deutsche Bahn AG group's Integrated Report which does not form part of this report.

NON-FINANCIAL AND SUSTAINABILITY INFORMATION STATEMENT

Arriva Limited is a holding company and a provider of central support services for its subsidiary companies. As a result, the principal climate-related risks and opportunities (CRROs) are directly related to the operations of the company's subsidiaries.

A core element of Arriva's strategy is the achievement of sustainable transport. Arriva is aware of the importance of transitioning to a zero-carbon world and seeks to reduce, or eliminate wherever possible, carbon emissions. Public transport is inherently less impactful on the environment than private transportation with a lower carbon footprint per passenger per kilometre. The public transport industry represents a key facilitator for the UK to lower CO2 emissions prior to the national 2050 targets for all sectors of the UK economy to be net zero. Arriva recognises the need for modal shift, encouraging more people to switch to public transport and reduce private car usage – this is a core part of the company's marketing and communications strategy. Arriva's approach is therefore twofold: firstly, encourage more journeys on public transport by working with its passenger transport authority (PTA) clients to create the right environment for people to switch, and secondly to focus on decarbonising its own fleets.

Sustainability metrics are becoming a key component and measure within tendering proposals, with many PTAs requiring information about or commitment to fleet transition to zero emission vehicles. This is one of many reasons why this agenda is essential to Arriva's long-term strategy as a leading passenger transport company.

Governance

The Arriva Group is in the preliminary stages of development and implementation of internal climate risk reporting and during the year under review did not have a group-wide methodology for assessing and managing all CRROs across multiple geographies. Arriva Limited and its subsidiaries were part of the Deutsche Bahn AG (DB) Group in the year under review, and had governance and frameworks surrounding internal control, risk identification, and reporting that aligned to the requirements of DB. Future risk reporting will be agreed with Arriva's new shareholder, I Squared Capital. ESG is a key priority for I Squared, who share the group's ambition for the public transport sector to play a key role in reaching net zero. The Arriva Management Board are working closely with I Squared to agree new governance arrangements.