
ARRIVA INTERNATIONAL LIMITED

Strategic report (continued) For the Year Ended 31 December 2022

SECTION 172 STATEMENT

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 the company's board of directors (the board) is to be collectively responsible for the company'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 and purpose of the company and its interaction with the wider Arriva group. The directors are particularly focussed on the need to foster business relationships with suppliers, customers, and others. 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.

The company's key stakeholders, include, but are not limited to:

- Deutsche Bahn AG
- Arriva plc
- Arriva group entities (including the company's subsidiaries)
- Local communities in which the company is based

Governance

The company is a wholly owned subsidiary of Arriva plc, with Deutsche Bahn AG being the ultimate parent company of the Arriva group, and the company is the sole or majority shareholder for the Arriva group's holding companies outside of the UK. The directors of the company meet monthly throughout the financial year to discuss the affairs of the company, including those that cannot be delegated under the Companies Act 2006.

The decision-making process of the board is supported by a Mainland Europe (ME) Business Unit including the Managing Director of ME, the Finance and Commercial Director of ME, the ME Divisional Counsel and the HR Director of ME. The governance structure allows, where appropriate, for matters to be first assessed at local and divisional level before recommendations are made to the board. The Managing Director of ME and the Finance and Commercial Director of ME are also directors of the company, which facilitates effective two-way engagement between the board and its subsidiary companies and allows for the broader operational implications of any principal decisions to be properly considered by the board in accordance with Section 172.

The board is assisted administratively by the Arriva group company secretarial team and the heads of legal for the Arriva group's companies in Mainland Europe (including the Netherlands) who work together collaboratively to maintain effective governance processes to ensure that the directors of the company have all necessary information to allow them to make appropriate decisions that benefit the company without "undue" external influence. Examples of the governance processes for the company include maintaining a schedule of monthly meetings and implementing an annual rolling agenda, all of which allow for a more proactive and structured approach to board meetings.

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SECTION 172 STATEMENT (continued)

Governance (continued)

Papers are distributed to the board by the Arriva group company secretarial team in advance of each scheduled board meeting, allowing sufficient time for the directors to review the information and raise and relevant queries.

Board Changes

Dominic Palleschi resigned from his position as a director of the company with effect from 17 June 2022 and Edward Dodds, Finance and Commercial Director for the ME Business Unit and Sian Leydon, Managing Director for the ME Business Unit assumed positions as directors of the company with effect from 20 June 2022 and 1 July 2022 respectively.

On 14 December 2022, David Johnstone resigned as a director of the company and Christian Goeseke, Arriva group Chief Financial Officer was appointed to the board with effect from 20 December 2022.

Upon a new member joining the board, the company Secretary of the company provides each director with a brief induction meeting to the company. This ensures that new board members have an understanding of the business and their responsibilities and duties as directors so that they can be effective in their roles.

Shareholder matters

During the financial year ended 31 December 2022, the directors have provided shareholder approval for a number of matters across Mainland Europe (including the Netherlands), including, but not limited to, the approval of subsidiary statutory accounts, approving the appointment of auditors for subsidiary companies, approving the appointment of new directors to the board of subsidiary companies and approving certain directors' service contracts of the company's subsidiary companies. Senior management from across the Arriva group's businesses have been invited to attend and present at meetings of the board, which facilitated key discussions and, where relevant, assisted with the consideration of the impact of the company's activities on its stakeholders. Input from senior management within the business has provided the directors with a broader perspective and insight and helped to inform the board in making principal decisions during the financial year ended 31 December 2022.

Divestment of Arriva group companies in Mainland Europe

During the financial year ended 31 December 2021 a principal decision was taken to proceed with the potential divestment of certain Arriva group companies in Mainland Europe. This decision was part of the Arriva group's forward-looking strategy to manage a tighter portfolio. Following a thorough process, agreements were reached to proceed with the divestment of Arriva group companies in Sweden, Portugal, Denmark, Serbia and the Arriva group's bus business in Poland.

Sweden

In March 2022, the Arriva group announced that VR-Group Limited, a Finnish company focussed on travel, logistics and maintenance would acquire Arriva Sweden. All employees transferred as part of the transaction, which provided continuity and certainty for Arriva's Swedish employees, passengers and clients alike. The transaction completed in July 2022.

Portugal

In May 2022, the Arriva group announced that Dan Company for Public Transportation Limited, Israel's second largest transport company would acquire Arriva group's main bus business in Portugal. The sale included the purchase of Transportes Sul de Tejo S.A. which provided bus services in Lisbon. The transaction completed in December 2022 and all employees transferred over on completion.

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SECTION 172 STATEMENT (continued)

Denmark, Serbia and Poland (Bus)

In September 2022, the Arriva group announced that it had entered into an agreement for the sale of its businesses in Denmark and Serbia, as well as its bus business in Poland to Mutares Holding-55 GmbH, an international financial investor.

In May 2023 the transaction completed in respect of the sale of the businesses in Denmark and Serbia. The Poland bus sale completed in June 2023.

With the company being the sole or majority shareholder, the board has been actively involved with the divestments. Thorough consideration was given by the board to any potential implications regarding the sale of these businesses, focusing on the likely long-term consequences on the company.

Key colleagues from the Arriva group were engaged to provide the board with such information which the directors' required to make informed decisions to ensure that decisions were both aligned with the Arriva group's strategy and Section 172 of the Companies Act 2006. A number of unscheduled meetings were held where decisions needed to be made outside of the normal cycle of meetings.

Each of the decisions requiring the company's approval were made collaboratively by the directors of the company, and with due regard to their duties as set out in Section 172 of the Companies Act 2006.

FUTURE DEVELOPMENTS

In September 2022 the company entered into an agreement for the sale of its businesses in Denmark and Serbia to Mutares Holding-55 GmbH. The transaction completed on 15 May 2023.

In September 2022 the company entered into an agreement for the sale of its business in Poland to Mutares Holding-55 GmbH. The transaction completed on 15 June 2023.

On 1 March 2023 the company acquired Arriva Holding ApS for €1 from Arriva Danmark A/S.

On 8 May 2023 the company received an equity injection of €34,292,921.68 from its immediate parent company Arriva plc. The company then injected equity of DKK 836,349,394.63 (€112,239,075.08) into Arriva Danmark A/S.

The company is an investment company with investments in subsidiary companies which are operators of passenger transport services. As an investment company, the company is reliant on dividend income from subsidiaries to meet its operational funding requirements.

The company voluntarily participates in a group cash and credit facility pooling arrangement operated by its ultimate parent, Deutsche Bahn AG ('DB'). This is a long-standing arrangement operated by DB to manage the liquidity needs of DB group companies, and the company has been party to this arrangement for several years. The company utilises a DB credit facility under this arrangement, which the directors expect will continue to be utilised over the going concern assessment period to meet the company's operational requirements. Under the arrangement all of the company's cash and utilised credit facility balances are swept into the group cash pool at the end of each business day.