
ARRIVA PLC

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 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 2022.

PRINCIPLE 1: PURPOSE AND LEADERSHIP

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

With a history dating back to 1938, the Arriva group is a leading provider of passenger transport across Europe. The company's ultimate parent company is DB, one of the world's leading passenger and logistics companies.

The Arriva group 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 group Purpose, Vision and Values

During the last two years, the board has worked on facilitating 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 company 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 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 Arriva group effectively execute the company'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.

ARRIVA PLC

Corporate governance report For the Year Ended 31 December 2022

PRINCIPLE 1: PURPOSE AND LEADERSHIP (CONTINUED)

Arriva group Purpose, Vision and Values (continued)

Arriva group's mission

To be the leading passenger transport partner across Europe

Arriva group's vision

To shape a future where passenger transport is the best choice

Arriva group's purpose

Connecting people and communities safely, reliably and sustainably, in a better way every day

Arriva group's strategy starts with its people



Be a proud, performance-driven, diverse and inclusive team, inspired and passionate about delivering the safest and best services



Inspire and promote greener, more connected transport for all, and become a climate neutral business we can be proud of



Continuously improve how we operate and drive efficiencies, and make the most of both our scale and local knowledge to win together in our markets



Build trust with our clients so that we can better understand, shape and meet their needs and those of our passengers in an ever-changing world



Apply data-driven insights to deliver high quality innovative solutions today and in the future



Apply commercial discipline and deliver a competitive cost base to achieve strong, profitable growth

The new 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

Ukraine

The continuing conflict in Ukraine has had an inevitable impact on some Arriva group business activities. As a business, a considerable proportion of the Arriva group's income comes directly or indirectly from national and local public transport budgets, and it remains uncertain whether there will be changes to these budgets, driven by the economic impact of the war in Ukraine, combined with the previous impacts of COVID-19. The Arriva group continues to monitor transport budgetary policies in each of the countries where it operates to ensure that it is strategically in the best position to respond to changes if and when they occur.

ARRIVA PLC

Corporate governance report For the Year Ended 31 December 2022

PRINCIPLE 2: BOARD COMPOSITION

The current composition of the board is made up of two executive directors, seven non-executive directors (appointed by the company's ultimate parent) and the Company Secretary. Details of the directors who have held office during the year are included in the Directors Report on page 10.

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 next session is due to take place in June 2023.

Board changes

Ms. Bettina Boos, who manages the Corporate Investment Management function at Deutsche Bahn AG assumed her position as director of the board on 10 January 2022 following Dr. Marein Mueller's resignation at the end of 2021.

Dr. Richard Lutz and Dr. Joerg Sandvoss resigned as directors of the board on 31 July 2022 and 2 September 2022, respectively. Mr. Ralph Rohde, Chief Financial Officer of DB Regio was appointed as a director of the board with effect from 1 October 2022.

ARRIVA PLC

Corporate governance report For the Year Ended 31 December 2022

PRINCIPLE 3: DIRECTORS' RESPONSIBILITIES

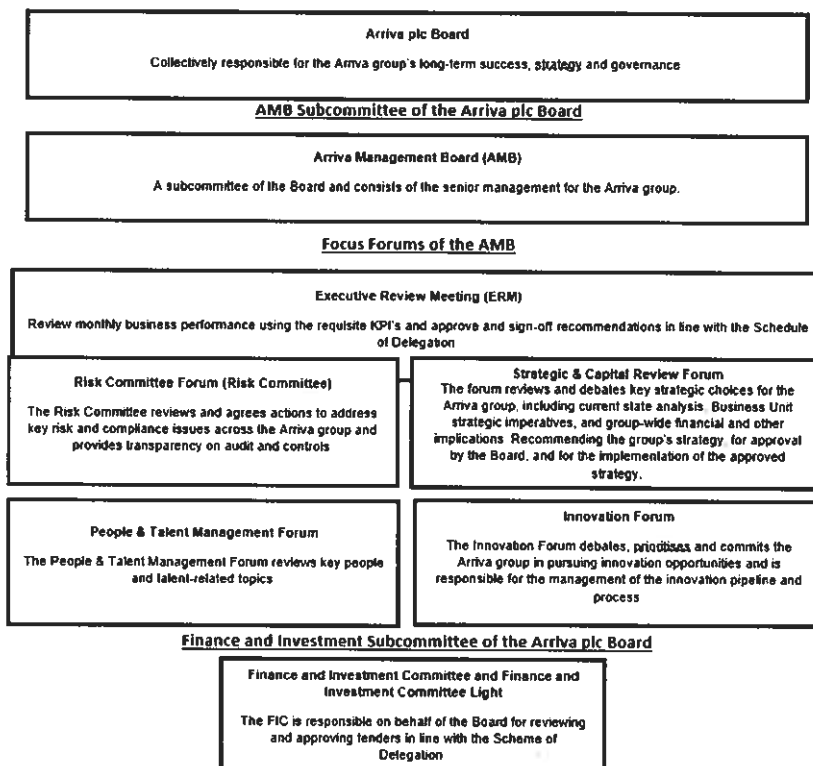
The company believes that good governance is key to achieving a successful business, especially one which operates in several different countries. The company's governance structure is supported by a comprehensive Arriva Group Corporate Governance Manual including the Group Scheme of Delegation, both 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.

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 and their current purpose are listed below.

Relevant Decision-Making Forums and Subcommittees involving Arriva

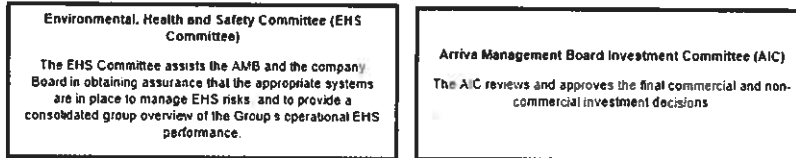


ARRIVA PLC

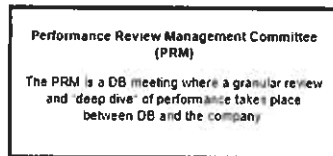
Corporate governance report For the Year Ended 31 December 2022

PRINCIPLE 3: DIRECTORS' RESPONSIBILITIES (Continued)

Subcommittees of the AMB



Shareholder Performance Meetings



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 the Arriva group, 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 2 to 4. The company's Strategic Report includes key risks that are monitored by the AMB.

ARRIVA PLC

Corporate governance report For the Year Ended 31 December 2022

PRINCIPLE 4: OPPORTUNITY AND RISK (Continued)

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:

- 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.

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.

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 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.

ARRIVA PLC

Corporate governance report For the Year Ended 31 December 2022

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 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.

Further information on the Arriva group's environmental policy and projects during the financial year ended 31 December 2022 is provided in the Streamlined Energy and Carbon Reporting Disclosure (SECR) section of the Directors' Report.