
ARRIVA PLC

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

FUTURE DEVELOPMENTS (CONTINUED)

The directors have prepared the financial statements on a going concern basis as they expect the existing financing will remain in place and management actions over the assessment period will be sufficient to meet the company's funding requirements and therefore the company will continue to operate for the foreseeable future. The directors consider the risk of the facility's withdrawal to be highly improbable, as such action would contradict internal group policies and be inconsistent with past practice. Furthermore, the directors consider it highly improbable that additional extensions of the facility will be denied (where extension is required for the company to meet its cash flow requirements).

The financial statements do not contain the adjustments that would arise if the company were unable to continue as a going concern.

On 8 May 2023 the company made an additional investment of €34,292,000 into its subsidiary, Arriva International Limited. This was in order to support a strategic divestment by Arriva International Limited.

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 plc'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 company's governance structure is set out on pages 22 and 23 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.

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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 2022 are detailed below:

Divestment of Arriva group companies in Mainland Europe

A decision to refocus the Arriva group portfolio was taken in 2021, as a result of a strategic review of the Arriva group. 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 groups 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 progress through circular Arriva group communication emails.

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SECTION 172 STATEMENT (CONTINUED)

Sweden

In March 2022, the company announced that VR-Group Limited, a Finnish company focussing on travel, logistics and maintenance would acquire Arriva Sweden. All employees – around 3,800 - transferred over 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 company announced that Dan Company for Public Transportation Limited, Israel's second-largest transport company would acquire Arriva groups 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.

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 company announced that the Arriva group had concluded its sale of its businesses in Denmark and Serbia to Mutares Holding-55 GmbH. The sale of the Poland Bus business completed in June 2023.

Zero Emissions Institute

In September 2022, the company announced the launch of the Arriva group's Zero Emission Institute, a key part of Arriva's journey to net-zero and an integral part of its vision to shape a future where passenger transport is the best choice. The board considered the impact of the company's operations on the community and environment and the long-term sustainability of the company in their decision to introduce a group-wide initiative which aligned with the Arriva group's mission to become the leading passenger transport partner across Europe and to accelerate the company's journey to becoming a climate neutral company.

The creation of the ZE Institute was sponsored by Anne Hettinga, a member of the AMB and Managing Director of Arriva Netherlands. During 2022 Mr. Hettinga provided the board with regular updates on the progress of the sustainability workstream including key governance milestones. The Arriva group's sustainability plan was also presented to the board, which was aligned to the Arriva group's sustainability strategy to 'inspire and promote greener, more connected transport for all and promote a climate neutral business we can be proud of'. The board were supportive of the adoption of the sustainability plan and for its implementation across the Arriva group where the ZE Institute will support business units by sharing internal and external best practice, market intelligence and expertise. The company has also provided colleagues across the Arriva group with regular updates on the progress of the ZE Institute through Arriva group communications emails. Information is also available of the company's website.

Further information on the ZE Institute can be found in the Streamlined Energy and Carbon report on page 17.

In addition to the principal decisions above, other examples of how the board has considered the interests of stakeholders impacted by the business, as well as having regard for the matters set out in Section 172(1) of the Companies Act 2006 are detailed below:

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

SECTION 172 STATEMENT (CONTINUED)

Topic	Key activity
Strategic matters	<ul style="list-style-type: none"> • Regularly reviewed performance against the Arriva group's strategy • Received presentations from management and advisors in relation to business strategy and performance • Reviews of M&A and tender pipeline • Reviewed the Arriva group's Sustainability Plan • Oversight of the company's continuing response to the Covid-19 pandemic as the lockdown restrictions were gradually removed across the business
Business performance	<ul style="list-style-type: none"> • Received regular financial and operational updates from the AMB • Reviewed the Arriva group's treasury arrangements • Approved the annual budget and business plan • Approved the 2021 annual report and financial statements • Monitored the Arriva group's financial performance and financial results
Risk management and internal controls	<ul style="list-style-type: none"> • Approved a new risk management policy • Reviewed principal risks and emerging risks • Reviewed effectiveness of the Arriva group's systems of internal controls and risk management • Reviewed output of cyber security risk assessment
Legal and governance	<ul style="list-style-type: none"> • Received and reviewed where appropriate updates on regulatory and governance developments • Reviewed updates to the Arriva Group Corporate Governance Manual and Scheme of Delegation • Approved the company's key policies and procedures
People, culture and Board effectiveness	<ul style="list-style-type: none"> • Discussed the results of the employee engagement surveys • Received regular updates from the Chief People Officer • Received an update on a new inclusion strategy for the Arriva group • Considered succession planning for the AMB • Undertook a performance review of the AMB's effectiveness

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 10 to 13

Engagement with stakeholders – page 14

Streamlined energy and carbon report – pages 15 to 17

Corporate governance report - pages 19 to 25

KEY PERFORMANCE INDICATORS

The Management board of DB, the ultimate parent company, 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 plc 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.