SECTION 172 (1) STATEMENT

Section 172 (1) 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 (1) 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 directors of the company aim to meet at least quarterly in each financial period to discuss the matters that cannot be delegated under the Companies Act 2006. 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. 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 'Review of business' and the 'Principal Risks and Uncertainties' sections of this report.

The implementation of the strategy and policies of the company, including those relating to its relationships with key stakeholders, are managed by the Management Board of the company, which includes directors from the Arriva UK Trains Leadership team as well as the company's statutory directors. Any major matters of interest are then communicated to the Arriva Management Board (the "AMB"), a subcommittee of the board of Arriva Limited (formerly Arriva plc). The membership of the AMB includes the Managing Director of the Arriva UK Trains division.

The company operated under an Operating Contract Franchise Agreement (OCFA) with the Department for Transport (DfT) until October 2023, and currently operates under a National Rail Contract (NRC) with the Department for Transport. This is a contract to provide passenger railway services, which commenced on 15 October 2023 with a four-year core term and a maximum possible term of eight years.

During the 15 month financial period ended 31 March 2024, the company has and continues to engage with its client (the DfT), customers and customer groups to ensure a positive customer experience. Two-way communication is a key focus area for the company as it believes that it helps the company to build trust and rapport with its stakeholders. The company's engagement with customers includes the following:

- Ongoing and frequent engagement with the DfT including periodic financial and operational review meetings
- A dedicated passenger contact centre and a social media team, who are available to support passengers with their queries and take on board any feedback.
- Passenger surveys, travel reviews and organised focus groups.

The company takes payment practice commitments to suppliers seriously and seeks to ensure prompt payment of invoices (in line with Arriva group's defined policies) and a clear process in event of any invoice dispute. The company believes that prompt payment of invoices is key to facilitating a good relationship with suppliers.

The company is committed to delivering positive social value to the communities it serves. At the forefront of this engagement is the continuing collaboration with Community Rail Partnerships. These partnerships continue to deliver societal benefits across the network, including initiatives to combat anti-social behaviour, integrated public transport and accessibility schemes to remove barriers to travel, and promoting the environmental benefits of rail travel. This often involves collaboration with key industry partners such as other Train Operators and Network Rail to maximise the reach and community benefits.

SECTION 172 (1) STATEMENT (CONTINUED)

Reflecting society's recognition of a need to support and educate future generations, another big part of this year's work has been on projects that promote education. These have included schemes to raise awareness of the social and environmental benefits of rail travel, and dedicated Science, Technology, Engineering and Math (STEM) projects promoting education and career opportunities in the rail sector. The company has built on courses that were delivered last year in the South West in conjunction with a charity organisation and brought the scheme inhouse to deliver them across various locations in the West Midlands in collaboration with a Community Rail Partnership, specifically targeting low income communities. The company has maintained the partnership with The Prince's Trust, welcoming two cohorts of young people and providing an insight into its business and the wider rail industry.

Further information on engagement with employees during the 15 month financial period ended 31 March 2024, including monitoring how the company is performing against the Arriva group's strategy in relation to employees, is provided in the 'Employee engagement' section of the Directors' report.

Further information on engagement with customers during the 15 month financial period ended 31 March 2024, is provided in the 'Engagement with suppliers, customers and others' section of the Directors' report.

Non-Financial and sustainability information statement (NFSIS)

The company operates the CrossCountry passenger rail franchise, currently under a National Rail Contract (NRC) with the Department for Transport (DfT) that commenced in October 2023, and prior to this under an Operating Contract Franchise Agreement (OCFA) with the DfT. Under the NRC and the OCFA, risks and opportunities that could result in changes to future revenues and costs, including those that could arise due to the impact of climate risks or opportunities, are substantially mitigated, subject to the company delivering on its service obligations and the costs the company may incur being consistent with the business acting as a good and efficient operator.

The company receives a performance fee, comprising fixed and target-based components, for operating the NRC over its term. Under this fee mechanism, the company has limited opportunities to benefit from climate-related reductions in costs or increases to revenue that may arise from future decarbonisation and/or increase in demand for the company's services from switching to greener modes of transportation. Similarly, the company is insulated from adverse revenue or cost impacts that may arise due to adverse climate-related impacts on infrastructure used to operate its services that could result in service disruptions and / or from impacts that could reduce passenger demand for the company's services.

Notwithstanding the mitigation the NRC provides to the company's financial performance and position from climate-related risks and opportunities (CRROs), the company maintains regular and constructive engagement with the DfT and Network Rail on sustainability initiatives with an aim to reduce the climate impacts of its operations whilst maintaining an appropriate balance with the interests of the DfT and ultimately UK taxpayers.

Governance and risk management

The company is a member of the Arriva Limited group ('Arriva'). Arriva is in the initial stages of development and implementation of internal climate risk reporting. During the period under review Arriva (including the company) did not have a group-wide methodology for assessing and managing CRROs across multiple geographies and was a member of Deutsche Bahn AG (DB) Group with governance and frameworks surrounding internal control and risk identification and reporting aligned to the requirements of DB.

As part of Arriva's change in governance and risk management processes, Arriva intends to integrate climate risk into its day-to-day risk management procedures. This will include identification and assessment of the CRROs at a group level and agreement of related metrics and targets for those risks and opportunities. Those group level metrics and targets are expected to be incorporated into the company's related metrics and targets, subject to their alignment with the company's obligations to the DfT under the NRC.