
ARRIVA RAIL NORTH LIMITED

Corporate Governance report for the year ended 31 March 2021

For the year ended 31 March 2021, the company has used the Wates Corporate Governance Principles for Large Private Companies ("Wates") under The Companies (Miscellaneous Reporting) Regulations 2018 ("the Reporting Regulations"), the principles being published by the Financial Reporting Council ("FRC") in December 2018.

Although the Company has not been operational since the Northern Rail Franchise ended on 1 March 2020, The Directors are required to report how the Wates Corporate Governance Principles have been applied over the financial year ending on 31 March 2021, details of which are set out below.

Principle 1 Purpose and leadership

The company's purpose was to operate rail services, in particular the operation of the Northern Rail franchise under a franchise agreement signed with the Secretary of State for Transport on 22 December 2015 ("the Franchise Agreement"). The company undertook the Northern rail services under the Franchise Agreement until 1 March 2020.

Following the cessation of franchise operations, the company's purpose is now to progress a solvent dissolution of operations. The directors are focused on maximising recoveries for the company's and remaining assets

Principle 2 Board Composition

The board comprises of three executive directors. This size and composition of the board is considered appropriate for the business at the current time.

Directors Biographies

- Amanda Furlong: Finance and Commercial Director of Arriva UK Trains, a qualified and experienced executive finance director with extensive experience in Financial & Strategic management, Risk management, compliance, and problem resolution. Her extensive experience brings strong corporate governance to the company.

- Helen Boatman: An experienced Bid Finance Director, with over 20 years' experience in various sectors including rail. She is a specialist in analysis and risk management and brings the required level of experience and knowledge to the company as the services of the Northern franchise are transferred out of the company.

- Alex Scott: A Finance Director with ten years' experience of the rail sector and extensive commercial and digital knowledge. Experienced in transformation, project delivery and ensuring robust financial governance.

The directors have equal voting rights when making decisions. All directors of the company have access to the advice and services of the Arriva group Company Secretarial team and may, if they wish, take independent professional advice at the company's expense.

Principle 3 Director Responsibilities

The directors of the Company aim to meet where required to discuss the matters that cannot be delegated under the Companies Act 2006.

The directors complete an annual senior manager and Standards of Business Conduct compliance training confirming that they have behaved in accordance with the group's behaviours and values.

Conflicts of interest training is included within the financial crime training module, and all office-based staff of the company are required to complete this module when they join the business, and thereafter annually as a refresher.

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Principle 3 Director Responsibilities (continued)

The company maintains a conflicts register which captures the following:

- Contact with a competitor or public official – this form captures instances of employee contact with competitors and public officials, including a record of what was discussed and should be completed within forty-eight hours of the relevant contact taking place.
- Conflicts of interest – this form captures instances of conflicts that the company's employees must declare as outlined within the Arriva groups' Conflict of Interest Policy and Guidelines.
- Gift, hospitality or donation - this form captures instances of any gift, hospitality and donation that the company's employees must declare in accordance with the Arriva Groups' Anti-Bribery Policy and Guidelines.

There is an annual declaration required in relation to any potential conflicts of interest by all Arriva group statutory directors. In addition, new directors must complete a directors appointment pack which contains a list of their statutory duties under the 2006 Companies Act, and a declaration of all their current directorships, both internal and external. The information provided by the directors is added to the annual conflicts of interest register maintained by the Arriva group's Company Secretarial team.

Committees

Arriva Management Board

The Arriva Management Board ("AMB") is a subcommittee of the Arriva plc Board and is the senior management forum for the Arriva group.

It is collectively responsible for the Arriva group's overall strategy and monitors operational and financial performance, assessment and control of risk, management of group resources and the governance framework, to assist with the effective discharge of legal, ethical and social responsibilities of Arriva as a group.

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Principle 3 Director Responsibilities (continued)

The AMB ensures that the Arriva group's overall strategy is implemented and communicated across the group. Across all Arriva group companies in the UK, there is an induction programme and guide for all new directors. In addition, there is an annual director's duty training session for directors who feel they require additional training or a refresh.

Principle 4 Opportunity and Risk

Risk

The Arriva plc board reviews the risks facing the Arriva group and the controls which are in place. Risk management and effective internal controls implementation is delegated to the AMB.

The AMB continues to review the control framework of the Arriva group on a regular basis and reports back to the Arriva plc board.

The Arriva group's internal controls are based around the German accounting law regulations which sets out appropriate controls and measures and helps evaluate risk management. These controls are regularly reviewed by the group's internal audit function and monitored by the group's assurance function.

There are regular updates by the Arriva group audit team and group assurance team to the Arriva Plc board on the Arriva group's control system, and their compliance to the controls framework.

The company's key risks and mitigation thereto are outlined in the Strategic Report on page 3. The company's Strategic Report includes key risks that are monitored by the AMB.

The systems and controls of the Arriva group are designed to manage and mitigate the risks in line with the Arriva Plc board's risk appetite. However, it is accepted that they cannot provide a total assurance that a risk will not materialise.

Responsibilities

The group has developed an Operating Framework which captures the group's operating rules, processes, and delegated authorities.

Authority required for each type and value of transaction is delegated by the Board and is determined by the group's delegation of authority guidelines included in the Arriva Corporate Governance Manual to ensure that the appropriate level of diligence and oversight has been performed in understanding the obligations, risks and terms of each transaction. This enables the group to meet its strategic objectives and all transactions, including group contracts, are fully reviewed and assessed in alignment with the group's strategy and risk appetite before approval is granted.

Principle 5 Remuneration

The Arriva group's remuneration policy is currently set by the Arriva Plc board and monitored and reviewed annually by the Arriva plc board.

The Arriva group is an active equal opportunities employer and promotes an environment free from discrimination, harassment and victimisation, where everyone receives equal treatment and career development regardless of age, gender, nationality, ethnic origin, religion, marital status, sexual orientation or disability. All decisions relating to employment practices (including remuneration) are objective, free from bias and based solely upon work criteria and individual merit.

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Principle 5 Remuneration (continued)

The goal of our remuneration policy is to help attract, retain and engage the best-qualified leaders and to incentivise and reward them appropriately for delivering the company strategy in line with the Arriva group's leadership behaviours. The company balances short-term operational performance, with the delivery of longer-term profits and returns and recognises its social impact on employees and customers.

The remuneration policy was created with the following principles at the core: to structure pay that is performance-driven; to set pay that reflects the Arriva group's international scope, whilst being locally competitive; and to align pay design with wider workforce arrangements to the extent possible.

Principle 6 Stakeholders

The board of the company promotes good governance and continues to maintain effective business relationships with all stakeholders.

Stakeholder engagement, as well as transparency is promoted by the Board and applied with all external stakeholders and with representatives of local and national government. The Department for Transport is a key external stakeholder. During the period of the franchise operations, the demobilisation and in the current year of winding down Arriva Rail North Limited, the company has maintained a collaborative working relationship with the Department for Transport.