

2021 FirstGroup Annual General Meeting – Shareholder Questions

The AGM was held as a physical meeting on 13 September 2021. We also made arrangements to enable shareholders to listen to a live stream of the proceedings during the AGM.

We encouraged shareholders who wished to ask a question of the Board, relating to the business of the AGM, to submit questions in advance. We considered all questions received in person; remotely or in advance, which are published below along with our answers.

- 1. The Annual Report mentions the new open access operation on the East Coast Main Line, but seemingly it currently has no employees or other liabilities (e.g. pensions), although you have now leased some trains and agreed some timetable paths, so presumably you have drivers and other support staff in training etc. Why is this not reported separately?**

Last week we were pleased to announce that our East Coast open access operation, now branded Lumo, will commence operations in October. Although we are very excited about the innovative new service, both for passengers and indeed for shareholders, it will be a small operation in the context of the First Rail division and the Group as a whole and is unlikely to be reported separately as a result, although we will keep this under review.

- 2. Further it is mentioned that Tramlink is now reported within First Rail, but there is no mention of it within that section. Although small does it not require some further commentary, including on risks (the only mention I could find are the possible issues following the inquest)?**

Tramlink is also a small operation in the context of the Group. We review the level of disclosure about all parts of our operations in accordance with the relevant rules and regulations, in conjunction with our advisers and auditors, and the Annual Report reflects that approach.

- 3. The remuneration at a glance section (page 112) seems to have been prepared on the basis that Matthew Gregory continues as Chief Executive although we know that he is resigning. What consideration has been given please by the Remuneration Committee to the likely salary and other arrangements for the new Chief Executive when recruited and indeed for David Martin pro-tem?**

Matthew will step down as a director at the end of this meeting. He will remain an employee and will provide assistance in relation to ongoing projects and will be working closely with David to ensure a smooth transition, as required to the end of his 12-month notice period. The remuneration arrangements will be in line with his service contract and the shareholder approved remuneration policy and it will also reflect his period of employment. Full details will be included in next year's annual report and will also be fully disclosed on our website in the normal way in due course.

In relation to your question regarding the arrangements for the Chairman, his remuneration will be adjusted to take account of his additional responsibilities as interim Executive Chairman and, similarly, the details will be disclosed in next year's annual report.

- 4. Given the neglect felt by private shareholders of the Group, especially ex-employees like myself who loyally invested their earnings through Save as you Earn schemes, is it not time**

for the Company to make a reasonable offer to purchase the shares back and revert to being a private company as it obvious that shareholders are bottom of the list when it comes to consideration in view of the lack of a dividend payment for a decade and the stagnant share price? If this happened it would have at least go some way in reducing the serious regret that people like myself have felt in wrongly believing that investing in the company would provide for a comfortable and lucrative retirement.

Also, the non-payment of twice-yearly dividends was, we were told, just a temporary measure. It has now gone on for years and is little short of a disgrace. When are we going to stop being ripped off and start receiving Dividends again?

It is, of course, correct that it has been far too long since the Company last paid a dividend and this has to change. When I joined in 2019 it was clear to me that there was significant value for shareholders to be unlocked by separating the UK and North American divisions, not least because there were limited synergies between them, and at the same time the Bus division in particular had also underperformed its peers in recent years.

Accordingly the Group embarked on the process to sell the North American contract divisions, and focus on the opportunities in the UK. As you know we concluded the sale of First Student and First Transit in July this year following a comprehensive sale process.

Following the sale, the Company has committed to using the proceeds to

- make a substantial contribution to the UK pension deficit
- reduce debt (including repaying the CCFF to the UK Government)
- and to address other longstanding liabilities (including in Greyhound)
- and lastly, but not least, to return value to shareholders

In parallel, the Board has carefully considered the appropriate capital structure and dividend distribution policy for the Group going forward, and now that we have a well-capitalised, de-risked balance sheet FirstGroup has the appropriate flexibility to

- navigate end-market uncertainty at this point in the pandemic recovery
- pursue its strategy going forward and
- support a progressive annual dividend which we expect to commence in calendar year 2022.

We also highlighted that there are number of additional potential sources of shareholder value which may crystallise in future. Accordingly the Board has committed to keeping the balance sheet under review and will consider the potential for further additional shareholder distributions in due course, e.g.

- following crystallisation of the First Transit earnout
- the resolution of the legacy liabilities related to Greyhound
- the potential release of monies from pension escrow (which could be up to £117m)
- and we also have some capacity to increase gearing over time, as end market conditions and hence business performance improves.

In summary I really do believe the Company is entering a new phase and is now well placed to deliver more sustainable value creation and will support regular dividends to shareholders going forward.

5. What plans does the Company have to fund new buses as part of the enhanced partnership plans?

The DfT published the National Bus Strategy in March 2021 which reaffirms the commitment of £3bn for buses. Under the National Bus Strategy every local transport authority has to commit to either an enhanced partnership or franchising. The new powers and duties combined with the requirements set out in the new bus service improvement plans – on targets for bus journey times, reliability improvements, passenger growth and satisfaction plus requirements around bus priority measures have real potential to drive change at the local level which puts us first on our transport networks. We are at the forefront of the transition to a zero emission bus industry and we have set out a clear plan to play our part in that. We aim to accelerate this transition in partnership with manufacturers, local and national governments, such as a prototype we're developing with Arrival. This doesn't just mean fleets but also infrastructure e.g. our significant Caledonia depot electrification project.

6. What action is being taken across the Group to employ more bus drivers?

Across our business we are working hard to recruit and attract more drivers. We are doing this using appropriate incentives according to local market conditions and employing targeted marketing communications. It is being done in collaboration with our trade union partners and as an industry the Confederation of Passenger Transport is liaising with the DfT on the challenge.

7. Why is it almost impossible for a shareholder to obtain a paper copy of the Group's Annual Report & Account? This disadvantages many of the 20,000+ small shareholders.

It should not be difficult to obtain a copy of the annual report if that is your preference and we will certainly look into this if any shareholder has experienced such difficulties. Please contact Equiniti (help.shareview.co.uk or 0371 3842046) to ask to be put on the mailing list to receive future annual reports and other mailings. Alternatively, please contact companysecretariat@firstgroup.co.uk and we will ensure this is done.

8. How realistic is the proposal to operate a budget service between London and Edinburgh at much lower prices than LNER and still make the service safe, comfortable and profitable?

We are extremely proud of the way we have approached the launch of the Lumo service. It is designed to be something different, something better, something specifically customer centric with a clear focus on safety and comfort as well as significantly reduced fares. We're quite excited about the interest already achieved by the Lumo launch and it will be fascinating to see the number of customers grow in the coming months and we look forward to it.

9. Having sold part of the FirstGroup interests in the USA how committed is the Group to Greyhound? Is this also up for sale?

As we have announced on several occasions the Greyhound business is a non-core business. We were looking to effectively dispose of that business prior to the pandemic. The pandemic clearly has had a massive impact on the Greyhound business and the Greyhound business is now significantly working with US federal and local states to achieve support for

maintaining that key network of services all the way across the States. Having said that we are still in active dialogue with potentially interested parties and we're still looking to rationalise the real estate portfolio contained within that business and will keep moving at pace in that respect.

- 10. Please consider in future having the meeting at a slightly later time so that people who are travelling into London can get here without having to get up very early in the morning. An hour later would have probably been appreciated by shareholders here.**

On page 23 you talk about these new rail contracts the Company has negotiated and I would welcome a little bit more information on these. You say that they are lower risk which means, as I understand it, you're getting a fixed sum from the Department for Transport, the Government, but there was also opportunity for bonuses. Do these bonuses reflect the revenue which comes from the service or do you now have nothing to do with that revenue at all, in which case how is the revenue protected by the people who are travelling? At the moment you are very much responsible for the revenue protection on Great Western for example. The other thing is that open access presumably you are receiving the revenue from that service. At the moment I assume you've chosen the East Coast because it isn't in your sphere of influence? Perhaps you could give a bit more background to that set up? And you are still responsible for revenue protection?

We acknowledge the comments made by several shareholders concerning the early start time of the AGM and we will take account of these when making arrangements for next year's AGM. We will actually be looking in future to hold meetings outside of London in our operating territories, so your comments regarding timing is something that we will take on board. From my viewpoint I'm absolutely delighted for shareholders to attend, so we need to make it as easy and convenient as possible for people to be able to attend the business of their Company and feel free to ask any questions.

The National Rail Contracts are negotiated and the emergency agreements are negotiated on the basis that FirstGroup takes no revenue risk. The de-risking is in effect the ability for FirstGroup to control quality and cost and deliver for the Department of Transport. There is a fixed element to that fee, but the more important aspect is the variable element, which is purely related to revenue protection, quality, reliability, etc. There is still a very clear focus on generating demand which the chancellor will clearly want. Revenue protection is still very much a fundamental part of the contractual arrangement with the Department of Transport.

Open access is kind of an interesting concept in the UK and there are very few open access contracts. This is because the network effectively is very full. It is very difficult to find the right sort of timeslots within a journey profile that make sense to actually operate in a commercial sense. Having said that, we take complete revenue risk on our open access operations. Fundamentally our new operations through to Edinburgh are totally dependent upon passengers actually using that and the attractiveness of what we've got to offer. With Hull Trains, our other open access operation, we need to get passengers back on that service as well, which means that profitability is driven by the top line as well as controlling cost. We are quite excited about open access. If there were other opportunities across the UK rail network for open access we would certainly be actively looking at them, but it is very much a situation of availability of slots in reality.

- 11. If I could just elaborate on a point the gentleman here just raised. There was a lot of bad publicity many years ago regarding an Executive Chairman whose family were the majority**

shareholders in a quoted company. He had a habit of calling General Meetings at 4.00pm on Christmas Eve in Cardiff or at 9.00am on New Year's day in Bristol. The comment in the press was that this was a deliberate attempt to keep shareholders away and one thing you didn't expand on is to this gentleman's question was why 9.30am? That's my first question.

I was interested to hear about the open access but Great Western is a very prestigious franchise (Brunel and all that) and the East Coast (the route of the Flying Scotsman) why can't anybody make a go of it, why is it basically a poisoned chalice? I'll forgive Sea Containers, but two major transport companies have failed since then. What is wrong with it?

As already mentioned, we acknowledge the comments made by some of our shareholders regarding the early start time of today's AGM, and we will consider these comments when we make arrangements for the next AGM.

You're absolutely right about the past 15 years starting off with Sea Containers, followed by National Express, followed by Stagecoach. FirstGroup thought it was not a risk that was worth taking at the level that other people were prepared to take it. Essentially that franchise has fallen completely by virtue of the fact that the revenue projections and the expected passenger demand has not materialised over a period of time. From our viewpoint open access is therefore a more attractive possibility on that route but we differentiated it, it is something different, it's something exciting. It will be fascinating to see the response of passengers on that route in coming to that. We feel it will be hugely successful because of its differentiation and frankly its pricing. Our attractive financing proposition is extremely good as well.

12. **My question is about COP26. Obviously First is a Scottish company as well as a West Country company through the merger of Badgerline and First Aberdeen Grampian Corporation Transport. What plans are there to make sure that we have trains badged and wrapped for the climate change conference during that time when clearly the whole world looks at Scotland, working with the Confederation of Passenger Transport and the Rail Delivery Group to see how we broaden out the public transport message in November? I'm aware of, of course there are going to be UK and international politicians in Glasgow. I think it's a huge activity that FirstGroup can sell itself to the world. On Great Western, well Great Western is the jewel in the crown, it works very well. Just a shout out to Bristol's railway. First Bus just took over and it worked like clockwork. Eight weeks closure, trains ran around buses ran instead, no headlines so that's what you want.**

COP26 is obviously a key feature of what we've been dealing with and liaising with over the past year. We are the largest operator in Glasgow within the Strathclyde area. There is a huge amount of work being undertaken to provide the right sort of links, capability, information trail.

It's incredibly important for us, particularly given our aspirations towards net zero as a Group. We've been working on a number of workstreams for COP26 so for example, in our Glasgow bus depot we are electrifying and putting a number of electric charging points. We're bringing in 22 electric double decker vehicles to run around the city. We are working with Glasgow Council to provide transport for the participants for the whole COP26. I know that Steve is working on a big project, there is going to be a train coming from Europe which is again going to be demonstrating that people can come to COP26 and Avanti West Coast

will be taking people from London to Glasgow element of that. We're working with the DfT specifically. Steve, Janette and I had a session with Alok Sharma's department to make sure we were helping them understand exactly what we can do around the logistics and also we touched on all the branding opportunities and the wrapping of the buses and trains at that point so that is work in progress as well. We are also participating as you say as one of the largest Scottish businesses in a group with some of the other big firms, Wood Group, Scottish Power, those kind of people to make sure that we're promoting us as a Scottish business during the whole COP26 period. We're also focusing on, as a final point, on I think is 13 November which is going to be Transport Day and what we can do to promote all of our services and capabilities. There is a huge amount of work going on, but please pass on any further ideas to the Company Secretary. Hopefully that gives you the reassurance that its topmost of our agenda and has been for the past 18 months. In reality we've put a lot of work.

13. I'm surprised that with the shortage of HGV drivers you're not more concerned that you are going to lose bus drivers in the future.

This is something that's come to the fore across the whole of UK plc, particularly in the last 8 weeks. We're not protected from that viewpoint. We are suffering some degree of staff turnover but we are managing to cover ourselves at the moment, and we have significant training capability and we have a constant flow of new recruits and new people coming into the business in that sense. We're alive to it but equally we're not protected from it. So yes, we are running short of drivers to a degree but we are focusing on maintaining the operational capability and our recruitment programmes are quite uniquely positioned in respect of individual localities within the country.

14. With respect to the Chairman, is it not only pointless but insulting to shareholders offering shareholders answers to questions put today at some point in the future when shareholders must vote today on issues raised in today's AGM agenda. It is totally insulting to shareholders to close the AGM without answering all questions posed by shareholders especially after the Company's troubled history and consequent losses to shareholders. I have been a shareholder since the Company was launched as Badgerline and the AGM is the only opportunity for shareholders to engage with the management. They are well paid for the indignity of answering all questions. The refusal to answer questions about the form of the AGM and answering ALL questions and the technology is an abuse of the powers of the Chairman as these are directly relevant to the AGM and shareholders ability to vote in an informed manner. Or is that the point of the evasions? Refusing to put questions is an abuse of the AGM.

We have endeavoured to answer as many questions as possible on a range of topics and especially those concerning the business of the meeting, including those asked in advance of the meeting as well as remotely. If there are any outstanding questions, please send them to the Company Secretary at companysecretariat@firstgroup.co.uk.

15. It would be a great help to shareholders attending this AGM on-line if there was a visual facility to see the meeting as well as hear it. The technology exists and is widely used.

We have already enhanced the range of options available to shareholders to participate in the AGM with on-line voting and the ability to ask questions on-line and follow the meeting remotely via the audiocast. We acknowledge the comments made by some of our



shareholders regarding video technology and the early start time of today's AGM, and we will consider these comments when we make arrangements for the next AGM.