

Our strategy and business model

As a market leader in five segments of the passenger transport industry, our unique scale and diversity is our competitive advantage. Our overall strategy is to leverage this scale and the breadth of our global expertise for the benefit of our local markets, in support of our vision **to provide solutions for an increasingly congested world... keeping people moving and communities prospering.**

Our business model

Key inputs

Our people

Vehicle fleets, depots, stations and terminals

International experience and expertise

Relationships with key local authority and national government stakeholders

Reputation for safe and reliable services

A stable financial platform

Market leading transport solutions

We provide transport solutions across our five market leading divisions



First Student



First Bus



First Rail



First Transit



Greyhound

Underpinned by our Values

Committed to our customers

We keep our customers at the heart of everything we do.

Dedicated to safety

Always front of mind, safety is our way of life.

Supportive of each other

We trust each other to deliver and work to help one another succeed.

Accountable for performance

Every decision matters, we do the right thing to achieve our goals.

Setting the highest standards

We want to be the best, continually seeking a better way to do things.

How we manage the business

Leadership and governance

Each of our five divisions is run in a decentralised way so as to be responsive to the needs of our local customers. All, however, are managed in compliance with the Group's overall vision and values, and with regard to the strategic direction set by the Group central functions. Our lean corporate centre focuses on fostering a high performance culture, sets the strategic direction, raises and allocates capital, develops and manages our talent, establishes key targets and standards, monitors performance and provides challenge. All of our businesses own and manage the risks they face with appropriate assistance from the Group functions as necessary.

② **For more information on the overall governance of the Group see pages 49-59.**

Key performance indicators (KPIs)

The Group focuses on financial and non-financial KPIs which align to our strategic objectives. Financial KPIs are Group revenue*, adjusted operating profit*, adjusted EPS, and ROCE*, which together drive our cash flow and value creation. Non-financial KPIs include contract retention, like-for-like revenue growth, punctuality, safety*, employee engagement, average fleet age, customer and passenger satisfaction*, community investment and greenhouse gas emissions.

② **See pages 30-33 for more information on our KPIs.**

* Metrics which form part of the performance measures used to assess executive compensation.

Principal risks

We take a holistic approach to risk management, first building a picture of the principal risks at divisional level, then consolidating those principal risks alongside Group risks into a Group view. All of our businesses are responsible for identifying, assessing and managing the risks they face with appropriate assistance, review and challenge from the Group functions as necessary. In 2018 we will implement a new risk management system across the business as we seek to improve the quality of risk management information generated by our businesses.

② **See pages 34-39 for more information on our principal risks and uncertainties.**

Remuneration policy

A key principle underpinning the executive remuneration policy is to ensure it is aligned with the strategy of the Group. In addition, it provides a strong and demonstrable link between incentives and performance delivery in a consistent and responsible way, enables senior management to share in the long term success of the Group without delivering over-generous benefits or encouraging short term measures or excessive risk taking, and is competitive, simple and transparent.

② **See pages 68-94 for our remuneration report.**

Delivering our strategic objectives

We aim to deliver our vision and execute our strategy in our markets by focusing our experience and energy at key points in the transport service value chain, which we recognise in our five strategic objectives:

① Focused and disciplined bidding in our contract businesses

Almost half of our revenue is derived from around 1,400 contracts competitively procured on behalf of passengers by government bodies and other parties. Formulating innovative and attractive bids with appropriate levels of risk and managing the delivery of our commitments in a range of constantly changing circumstances is a core strength of the Group.

② Driving growth through attractive commercial propositions in our passenger revenue businesses

Our other main source of revenue is derived from direct ticket sales to passengers, who represent a broad demographic mix and use our services for a variety of business, commuting, social and recreational reasons. Understanding and responding to the changing needs of our local customers is therefore critical to our success. A key part of our strategy is to innovate through technology for our passengers in the areas of ticketing, real time information and to enhance our ability to offer value for money.

③ Continuous improvement in operating and financial performance

Our goal is to operate reliable, convenient and safe transport services on comfortable vehicles staffed by helpful and qualified employees, every day, in all weathers, and despite sharing increasingly congested road and rail infrastructure with other users. To do so we must constantly reinforce the highest standards and seek out best practice from across the Group and beyond. We aim to bring the same focus on discipline and continuous improvement to our financial performance, managing employee productivity, asset and fuel efficiency, procurement, overheads, insurance and other costs to ensure efficient use of our resources and best value for our customers.

④ Prudent investment in our fleets, systems and people

To continue to deliver over the longer term it is vital that we use the considerable cash generated from operating activities to reinvest appropriately in our key assets. Our most important assets are our people – we invest substantial sums in recruiting, retaining and developing our employees.

The almost 50,000 vehicles we own across the Group are our most significant capital assets, which we must invest in to offer the reliability and comfort our passengers want. We also invest in our business systems and back office processes to support our other strategic objectives.

⑤ Maintain responsible partnerships with our customers and communities

By its nature, the transport industry involves the risk of injury to passengers, employees and third parties, which is why it is central to our culture to keep safety front of mind. We have reinforced this in recent years with our Be Safe behaviour change programme. We aim to build long term, responsible partnerships with our customers and communities. This includes managing our impact on the environment. Ultimately the sustainability of our business is tightly intertwined with the aspirations, opportunities and success of our customers and communities.

Creating value for...

Passengers

Safe, convenient and reliable travel for 2.1bn passengers each year

Communities and government

Stronger economies and more vibrant local communities whilst providing a deliverable response to congestion and air quality concerns

Employees

Rewarding long term professional careers with opportunities to develop and grow

Shareholders

Sustainable cash generation and value creation for shareholders