

## Our business model

We are a market leader in five segments of the passenger transport industry. Our divisions have clear commercial and performance improvement strategies in place to ensure they reach their full potential while achieving our vision for the customers and communities we serve.

### Our business model

#### Our Vision

We provide easy and convenient mobility, improving quality of life by connecting people and communities

We are influenced by...

The world we live in and the need for sustainable transport solutions

#### Key inputs

##### Our people

Vehicle fleets, depots, stations and terminals

Relationships with key local authority and national government stakeholders

Reputation for safe and reliable services

A stable financial platform

#### We provide market leading 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

Dedicated to safety

Supportive of each other

Accountable for performance

Setting the highest standards

## How we manage the business

### Leadership and governance

Each of our five divisions is run in a decentralised way with clear strategies 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. 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 51-102.

### 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 38-41 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. During the year work has continued in the development of a revised risk management system, designed to capture risks and opportunities to the Group, including those associated with new vehicle technologies.

② See pages 42-50 for more information on our principal risks and uncertainties.

### Remuneration policy

The key principles underpinning our approach to executive remuneration are: alignment with strategy and business objectives, rewarding performance, performance-biased framework, competitive remuneration, and simplicity and transparency.

② See pages 76-101 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**
- 2 **Driving growth through attractive commercial propositions in our passenger revenue businesses**
- 3 **Continuous improvement in operating and financial performance**
- 4 **Prudent investment in our fleets, systems and people**
- 5 **Maintain responsible partnerships with our customers and communities**

## Creating value for our stakeholders...

### Customers

Safe, convenient and reliable travel for 2.2bn passengers each year

### Investors

Sustainable financial performance, cash generation and value creation

### Government

Efficient and innovative transportation services offering value for money for taxpayers

### Our people

Rewarding long term professional careers with opportunities to develop and grow

### Communities

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

### Strategic partners and suppliers

Vibrant industry ecosystem with opportunities for productive long-term relationships

➤ **See pages 30-36 for more information on our key stakeholders.**

## Delivering our strategic objectives

1

Almost half of our revenue is derived from around 1,400 contracts competitively procured on behalf of passengers by local government bodies and other parties such as school boards. Formulating innovative and attractive bids, with appropriate levels of risk and reward, and managing the delivery of our commitments in a range of changing circumstances is a core strength of the Group. Both bidding and managing contractual commitments is also key in our rail franchise business, where revenues mainly derive from passenger ticket sales within a contractual framework agreed with Government.

2

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

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.

4

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.

5

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.