

Our strategy and business model

Each of our five businesses is a market leader and shares a common vision to deliver safe and responsive passenger transport services in our communities. However, with limited direct synergies between the divisions our stated intent is to rationalise our portfolio, unlocking shareholder value through formal sale processes for our North American businesses.

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 transport 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 commercial strategies so as to be responsive to the needs of our local customers. All, however, are managed in accordance 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, oversees succession plans and personnel development, 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 76-134.

Key performance indicators (KPIs)

The Group focuses on financial and non-financial KPIs which align to our strategic drivers (opposite). 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, greenhouse gas emissions and energy consumption.

② See pages 54-58 for more information on our KPIs.

Principal risks and uncertainties

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. As the spread of coronavirus became apparent the Group's risk management processes and reporting focused on the immediate risks to the business and the mitigating actions that were needed in the days and weeks following the introduction of lockdown and 'shelter in place' orders put in place by governments in the UK and North America.

② See pages 59-68 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 overgenerous benefits or encouraging short-term measures or excessive risk taking, and is competitive, simple and transparent.

② See pages 110-129 for our Remuneration Report.

By delivering on our strategic drivers

We aim to deliver our Vision and execute the clear commercial strategies in each of our divisions by focusing our experience and energy at key points in the transport service value chain, which we recognise in our five strategic drivers:

- 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**

To create value for our stakeholders, and accelerate the transition to a zero-carbon world

Mobility Beyond Today

➤ Read about our Group-wide strategic framework for sustainability on pages 38-41.

➤ Read more about our stakeholders on pages 44 to 53, including:

Customers

Innovating to deliver safe, reliable and easy-to-use travel services for 2.1bn passengers each year

Investors

Sustainable financial performance, cash generation and value creation

Government

Efficient and reliable 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

Strategic partners and suppliers

Dynamic industry ecosystem with opportunities for productive long-term relationships

Delivering on our strategic drivers

1

Typically 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 our businesses. Both bidding and managing contractual commitments are also key in our rail franchise business in the UK, where revenues typically derive from passenger ticket sales within a contractual framework set by the 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 the success of all our operations. A key part of the commercial strategy in all our businesses 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 low-carbon 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 cash generated from our 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 maintain standards, enhance efficiency and to offer the amenities our passengers require. We also invest in technology and systems to support our other strategic drivers.

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, reinforced through our Be Safe behaviour change programme. We have always taken our responsibility for the critical transport links binding our societies together very seriously, building long-term responsible partnerships with our customers and communities, including managing our environmental impact. Ultimately the core strength of our businesses is in the way we deliver critical services for the people and communities we are at the heart of.