

## Directors' report and additional disclosures

The Directors present their report on the affairs of the Group, together with the audited financial statements and the report of the auditor for the year ended 31 March 2020. Information required to be disclosed in the Directors' report may be found below and in the following sections of the Annual Report and Accounts, in accordance with the Companies Act 2006 (the 2006 Act) and Listing Rule 9.8.4R of the Financial Conduct Authority (FCA):

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### Directors

The Directors of the Company who served during the year, and those appointed after the end of the financial year, and their biographical details are shown on page 79. Drummond Hall, Wolfhart Hauser, Jim Winestock, Imelda Walsh and Jimmy Groombridge stepped down on 31 May 2019, 25 July 2019, 30 September 2019, 14 February 2020 and 29 June 2020 respectively. Julia Steyn, Ryan Mangold, David Martin and Sally Cabrini were appointed on 2 May 2019, 31 May 2019, 15 August 2019 and 24 January 2020 respectively.

Details of the Directors' interests in shares can be found in the Directors' remuneration report on page 126.

During the year, no Director had any interest in any shares or debentures in the Company's subsidiaries, or any material interest in any contract with the Company or a subsidiary being a contract of significance in relation to the Company's business.

### Powers of the Directors

The Directors are responsible for the management of the business of the Company and may exercise all powers of the Company subject to applicable legislation and regulation and the Company's Articles.

### Directors' indemnities and liability insurance

FirstGroup maintains liability insurance for its Directors and Officers. The Company has also granted indemnities to each of the Directors as well as the General Counsel & Company Secretary, the Director of Finance, the Group Financial Controller, the Group Treasury & Tax Director, the Chief Information Officer, the Head of Tax & Assistant Treasurer, the Greyhound President and an Officer of FGI Canada Holdings Ltd to the extent permitted by law. These indemnities are uncapped in amount, in relation to certain losses and liabilities which they may incur to third parties in the course of acting as a Director (or Officer or Company Secretary as the case may be) of the Company or any of its associated companies. In the case of the Director of Finance, the Group Financial Controller, the Head of Tax & Assistant Treasurer, the Greyhound President and an Officer of FGI Canada Holdings Ltd the indemnities are limited to their actions as Directors of specific associated companies.

Neither the indemnity nor insurance cover provides cover in the event that a Director (or Officer or Company Secretary as the case may be) is proved to have acted fraudulently or dishonestly. The indemnity is categorised as a 'qualifying third-party indemnity' for the purposes of the 2006 Act and will continue in force for the benefit of Directors (or Officers or Company Secretary as the case may be) on an ongoing basis.

### Conflicts of interest

The Directors have a statutory duty under the 2006 Act to avoid situations in which they have, or can have, a direct or indirect interest that conflicts, or may conflict, with the interests of the Company. This duty is in addition to the existing duty that a Director owes to the Company to disclose to the Board any transaction or arrangement under consideration by the Company. The Company's conflict of interest procedures are reflected in the Articles. In line with the 2006 Act, the Articles allow the Directors to authorise conflicts and potential conflicts of interest where appropriate. The decision to authorise a conflict can only be made by non-conflicted Directors. Directors do not participate in decisions concerning their own remuneration or interests.

The Company Secretary minutes the consideration of any conflict or potential conflict of interest and authorisations granted by the Board. On an ongoing basis, the Directors inform the Company Secretary of any new, actual or potential conflict of interest that may arise or if there are any changes in circumstances that may affect an authorisation previously given. Even when authorisation is given, a Director is not absolved from their duty to promote the success of the Company.

Furthermore, the Articles include provisions relating to confidential information, attendance at Board meetings and availability of Board papers to protect a Director from breaching their duty if a conflict of interest arises. These provisions will only apply where the circumstance giving rise to the potential conflict of interest has previously been authorised by the Directors. The Board considers that the formal procedures for managing conflicts of interest currently in place have operated effectively during the year under review.

## Election and re-election of Directors

Directors are required under the Articles to submit themselves for election by shareholders at the AGM following their appointment by the Board. Also, in accordance with best practice and the Code, all of our Directors put themselves forward for re-election by shareholders annually.

David Martin and Sally Cabrini, who were appointed with effect from 15 August 2019 and 24 January 2020 respectively, will therefore retire and submit themselves for election and all other Directors, except for Jimmy Groombridge who resigned on 29 June 2020, will submit themselves for re-election at the forthcoming AGM.

## Audit information

The Directors who held office at 8 July 2020 confirm that, so far as they are aware, there is no relevant audit information (being information needed by the auditor in connection with preparing their audit report), of which the Company's auditor is unaware, and each of the Directors has taken all the steps that they ought reasonably to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the 2006 Act.

## Share capital

As at 31 March 2020, the Company's issued share capital was 1,219,535,001 ordinary shares of 5 pence, each credited as fully paid. The Company holds 157,229 ordinary shares in treasury, and the issued share capital of the Company which carries voting rights of one vote per share comprises 1,219,377,772 ordinary shares.

Further details of the Company's issued share capital are shown in note 27 to the Company's financial statements.

The Company's shares are listed on the London Stock Exchange.

## Substantial shareholdings

As at 31 March 2020, the Company had been notified under the FCA's Disclosure, Guidance and Transparency Rule (DGTR) 5 of the following interests in its total voting rights of 3% or more:

Name of holder	Number of ordinary shares	% of total voting rights
Coast Capital Management LP	168,200,445	13.79%
Ameriprise Financial, Inc.	136,006,326	11.15%
Vicados Nominees Ltd – HSBC Custody Nominees (Australia) Ltd	71,695,290	5.88%
Schroders plc	64,283,712	5.27%
Jupiter Asset Management Limited	60,568,279	4.97%
West Face Capital, Inc.	60,455,000	4.96%
Vicados Nominees Ltd	59,397,756	4.87%

Between 31 March 2020 and the date of this report, Lombard Odier Asset Management (Europe) Ltd notified the Company that they had increased their holding to 59,605,267 ordinary shares which represent 5.01% of total voting rights. They subsequently notified the Company of a decrease to 4.99% of total voting rights and finally an increase to 5.03% of total voting rights. No further notifications were received.

## Articles of Association

The description in this section summarises certain provisions of the Company's Articles and applicable Scottish law concerning companies. This summary is qualified in its entirety by reference to this Company's Articles and the 2006 Act. The Company's Articles may be amended by a special resolution of the Company's shareholders.

## Shares

The rights attached to the ordinary shares of the Company are defined in the Company's Articles. No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

## Voting rights

Shareholders are entitled to attend and vote at any general meeting of the Company. It is the Company's practice to hold a poll on every resolution at general meetings. Every member present in person or by proxy has, upon a poll, one vote for every share held. In the case of joint holders of a share the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the Register of Members in respect of the joint holding.

## Dividend rights

Shareholders may by ordinary resolution declare dividends but the amount of the dividend may not exceed the amount recommended by the Board. The Directors are not recommending the payment of a final dividend this year.

## Transfer of shares

There are no specific restrictions on the size of a holding nor on the transfer of shares which are both governed by the general provisions of the Company's Articles and prevailing legislation. The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights at any meeting of the Company.

## Employee share plans

The Company operates a number of employee share plans, details of which are set out in note 35 to the consolidated financial statements and on the Annual report on remuneration on page 118.

All of the Company's employee share plans contain provisions relating to change of control. On a change of control, options and awards granted to employees may vest and become exercisable, subject to the satisfaction of any applicable performance conditions at the time.

## Directors' report and additional disclosures continued

### Employee involvement and policies concerning disabled employees

For how we comply with Schedule 7 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (No. 410) in this respect, please see Our people section on page 48.

### Purchase of own shares

At the AGM of the Company in 2019 authority was granted for the Company to purchase up to 10% of its ordinary shares. During the year no ordinary shares were purchased. Under the existing authority the Company may purchase up to 121,466,191 ordinary shares. This authority remains in place until the 2020 AGM, when the Company intends to seek a renewal.

### Political donations

At the 2019 AGM, shareholders passed a resolution to authorise the Company and its subsidiaries to make political donations to political parties or independent election candidates, to other political organisations, or to incur political expenditure (as such terms are defined in sections 362 to 379 of the 2006 Act), in each case in amounts not exceeding £100,000 in aggregate. As the authority granted at the 2019 AGM will expire, renewal of this authority will be sought at this year's AGM. Further details are available in the Notice of AGM.

As a result of the broad definition used in the 2006 Act of matters constituting political donations, it is possible that normal business activities, which might not be thought to be political expenditure in the usual sense, could be covered. Accordingly, authority is being sought as a precaution to ensure that the Company's normal business activities do not infringe the 2006 Act, but it is not the policy of the Company to make donations to EU political organisations nor to incur other political expenditure in the EU.

In the US it is far more common for businesses to participate in the political process through a variety of methods. During the year the Group's US businesses incurred political expenditure in the US of \$19,024 (2019/20: \$14,000) in support of their business goals.

Other than as explained above for our US businesses, no other political donations nor expenditure was incurred by the Company and its subsidiaries during 2019/20.

See Our stakeholders – Government on pages 47 and 48 for our approach to political donations in the US and page 91 of the Corporate governance report for how we responded to shareholder feedback on this matter this year.

### Change of control – significant agreements

#### Financing agreements

The Group has a £800m multi-currency revolving credit and guarantee facility between, amongst others, the Company and The Royal Bank of Scotland plc dated 7 November 2018, maturing in November 2023, which refinanced the Group's existing revolving credit and guarantee facilities. In addition the Group has arranged a £60m, three-year term loan facility with CaixaBank dated 19 June 2019 and a three-year term £60m revolving credit facility with China Construction Bank dated 11 October 2019. On 19 March 2020, the Group arranged a £250m bridge term facility for the purpose of refinancing the £350m bond due in April 2021. Under the terms of the bridge term facility, initial drawing may only be in April 2021 and the maximum maturity is in October 2022. Following any change of control of the Company, individual lenders may negotiate with the Company with a view to resolving any concerns arising from such change of control. If the matter has not been resolved within 30 days, an individual bank may cancel its commitment and the Company must repay the relevant proportion of any drawdown.

The US\$100m 4.17% notes due 2025, US\$175m 4.29% notes due 2028, the £350m 8.75% bonds due 2021, the £200m 6.875% bonds due 2024 and the £325m 5.25% bonds due 2022 issued by the Company may also be affected by a change of control of the Company. In respect of the £350m 8.750% bonds due 2021, the £200m 6.875% bonds due 2024 and the £325m 5.250% bonds due 2022, upon a change of control of the Company, provided that certain further thresholds in relation to the credit rating of the bonds are met, the bondholders have the option to require the Company to redeem the bonds. In respect of the US\$100m 4.17% notes due 2025, US\$175m 4.29% notes due 2028, upon a change of control, the Company must make an offer to noteholders to prepay the entire unpaid principal amount of the notes held by each bondholder (at par) together with interest accrued thereon.

### First Rail

The Group's franchised passenger rail operators, First TransPennine Express Limited, First Greater Western Limited, First MTR South Western Trains Limited (jointly owned with MTR Corporation) and First Trenitalia West Coast Rail Limited (jointly owned with Trenitalia) are each party to a franchise agreement with the Secretary of State for Transport. These franchise agreements (as amended by the emergency measures agreements) are subject to termination clauses which may apply on a change of control. First MTR South Western Trains Limited, First TransPennine Express Limited, First Greater Western Limited, First Trenitalia West Coast Rail Limited and the Group's non-franchised rail operator, Hull Trains Company Limited, each hold railway licences as required by the Railways Act 1993 (as amended); these licences may be revoked on three months' notice if a change of control occurs without the approval of the Office of Rail and Road. All of these operators also require and hold track access agreements with Network Rail Infrastructure Limited under which they are permitted to access railway infrastructure.

Failure by any of the operators to maintain its railway licence is a potential termination event under the terms of the track access agreements. The Group's railway operators also lease rolling stock from specialist rolling stock leasing companies such as Eversholt Rail Group, Rock Rail Limited, Beacon Rail Limited, Porterbrook Leasing Company Limited and Angel Trains Limited. A material number of the individual leasing agreements include change of control provisions. The Group is also involved from time to time in bidding processes for UK rail franchises and transport contracts further afield which customarily include change in circumstance provisions which would be triggered on a change of control and could result in termination or rejection from further participation in the relevant competitions.

### Significant shareholders' agreements

The Group, through First Rail Holdings Limited, has shareholders' agreements governing its relationship with MTR Corporation in relation to the SWR franchise and with Trenitalia in relation to the West Coast Partnership rail franchise. As is customary, these agreements include provisions addressing change of control.

### Post balance sheet events

The impact of the coronavirus pandemic on the Group's operations is discussed in the Chief Executive's report on page 9, the Financial review on page 28, note 2 on pages 150 and 151 and the basis of preparation on page 141 which summarises the coronavirus scenarios modelled by the Group.

Subsequent to the balance sheet date, the Group has monitored the business performance, internal actions, as well as other relevant external factors (such as changes in any of the government restrictions and policy guidance). No adjustments to the key estimates and judgements that impact the balance sheet as at 31 March 2020 have been identified.

Further information is available in note 38 on page 190.

### Branch disclosure

The Group has a branch in France (First Travel Solutions Ltd), which was established on 28 March 2019.

### Streamlined Energy and Carbon Reporting (SECR) compliance

In compliance with the SECR requirements, our GHG emissions are reported on page 57 and our energy consumption and energy and emissions reduction initiatives on page 58.

### Management report

The Strategic and Directors' reports together are the management report for the purposes of the FCA's DGTR 4.1.5R.

The Strategic report was approved on behalf of the Board on 8 July 2020.

### Keith Hubber

General Counsel & Company Secretary

8 July 2020

395 King Street, Aberdeen AB24 5RP

## Directors' responsibility statement

### Statement of Directors' responsibilities in respect of the Annual Report and the financial statements

The Directors are responsible for preparing the Annual Report and the Group and parent company financial statements in accordance with applicable law and regulations. Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have chosen to prepare the parent company financial statements in accordance with applicable UK Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) and applicable law.

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the parent company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and accounting estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

In preparing the Group financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies
- present information including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance
- make an assessment of the Company's ability to continue as a going concern

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy, at any time, the financial position of the Company and enable them to ensure that the financial statements comply with the 2006 Act. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities, and have adopted a control framework across the Group.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### Responsibility statement

Each Director confirms to the best of their knowledge that:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole
- the Strategic report and Governance section include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face
- the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's and the Group's position and performance, business model and strategy

The Strategic report comprising pages 4 to 74, and the Governance section comprising pages 76 to 134, and including the sections of the Annual Report and Accounts referred to in these pages, have been approved by the Board and signed on its behalf by:

#### Ryan Mangold

Chief Financial Officer

8 July 2020

395 King Street, Aberdeen AB24 5RP