Principal risks and uncertainties

Introduction

We followed our usual risk management process throughout the year (as explained on page 62) and the key principal risks and uncertainties (including how they have evolved since last year) are set out on pages 63 to 68.

Coronavirus pandemic

In the last three weeks of March, the Group witnessed unprecedented changes in all of the markets in which it operates caused by the onset of the coronavirus pandemic. As noted in the Chief Executive's report on page 9 there were rapid and substantial reductions in passenger demand in our businesses in North America and the UK. Government advice and policy in those markets changed rapidly, necessitating urgent discussions with many of our customers about future service levels.

On 23 March 2020, the Group updated the markets and announced that because of the changes taking place during a significant trading period for the Group, the Group was no longer able to provide guidance on the outturn for the remainder of the financial year to 31 March 2020.

The Group's resilience throughout the unprecedented pandemic reflects the fact that we provide essential services to the communities we serve, our diverse portfolio, and the benefits derived from contractual structures and protections already in place in some of our businesses. Nevertheless, the longer-term consequences of the coronavirus pandemic for our business remain very uncertain, both in terms of duration and impact. We have set out on pages 63 to 68, our assessment of how the nature and potential severity of our underlying principal risks and uncertainties have changed as a result of the pandemic, and how we managed the Group's emerging risk profile in a rapidly changing environment.

As the spread and impact of the pandemic 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.

How we managed the emerging risks

The Group acted quickly and decisively to protect its ability to continue to deliver essential transport services. The mitigating actions taken as the pandemic evolved and governments introduced measures designed to curb the spread of the virus, including lockdown and restrictions on the use of public transport, are more fully described in the Strategic report which should be read in conjunction with the disclosures in this section.

The immediate impact was managed through our existing emergency response plans and was led by our top emergency response team, the Diamond Group, formed of members of the Executive Committee and core functional heads and facilitated by the Group Safety Director and Group Security Director. After immediate response plans were in place, the response was overseen by a sub-committee of the Executive Committee on twice daily scheduled calls during April and May, and daily thereafter.

The Board was kept informed throughout and received weekly reports from the Chief Executive as well as more detailed briefings at its scheduled meetings. The Board itself had five virtual meetings between 22 March and 2 July to be briefed on the business impact, government support measures and how they were being accessed and implemented, as well as the output of the financial modelling used to assess likely liquidity requirements and covenant headroom under various scenarios. See page 95 for how the Board adapted to working in lockdown.

Health and safety

The Group's first priority from the start of the coronavirus outbreak was the health and safety of the Group's passengers, employees and the communities in which it operates. The Group took rapid action to apply the advice of governments and health authorities throughout our businesses, including implementing additional cleaning regimes and the provision of advice to passengers. At the same time, steps were taken to ensure the Group could continue to provide essential transport services so that key workers and people who needed to travel could still do so safely.

We worked closely with our suppliers to ensure we had the appropriate equipment in place, in line with relevant public health authority guidance for our businesses. We followed, and in some cases developed, best practice in areas such as the cleaning and decontamination of vehicles, depots and terminals.

Cost and cash management

We took immediate and significant action to reduce costs and preserve cash. These included:

- reducing operating expenditure and instructing all our divisions and corporate functions to stop all material discretionary spend
- placing future capital expenditure orders on hold unless required to meet contractual commitments
- placing a substantial proportion of our total workforce in North America and in First Bus on furlough under the emergency job retention schemes
- implementing home working for our staff where possible
- introducing hiring freezes and halting consultant and contract labour where possible
- reducing headcount where that was necessary
- utilising the tax payment holidays and other emergency measures introduced by governments to assist companies in managing their costs and cash flows

Principal risks and uncertainties continued

Liquidity

The Group has a diversified funding structure with average debt duration at 31 March 2020 of 3.3 years (2019: 4.3 years) which is largely represented by medium-term unsecured committed bank facilities and long-term unsecured bond and private placement debt. It also includes a £250m undrawn bridging loan entered into in March 2020 for the redemption of the £350m bond that matures in April 2021.

As at 31 March 2020, the Group's undrawn committed headroom under the bank revolving credit facility and free cash (before Rail ringfenced cash) was £585.7m.

In April and May a number of actions were taken to improve the Group's liquidity, including participating in and drawing down £300m under the UK Government Covid Corporate Finance Facility (CCFF).

As at the end of June 2020, the Group's undrawn committed headroom under the bank revolving credit facility and free cash (before Rail ringfenced cash) was c£850m.

Overall, the Group currently has access to £2,707m of facilities as at 7 July 2020 of which £2,041m is fully committed during the going concern period and a further £666m is either currently available but not committed, or committed and currently available but not committed for the entirety of the going concern period.

On 1 April 2020 Fitch Ratings confirmed that it had maintained its long-term Issuer Default Rating (IDR) for the Group at BBB- while changing its outlook to negative from stable. On 4 May S&P Global Ratings also affirmed its long-term issuer credit rating on the Group at BBB- and also changed its outlook from stable to negative.

Further details of the steps taken since March to improve the Group's liquidity position as well as details of its existing bank facilities, including the CCFF, can be found in the Financial review on pages 28 to 37 and in note 21 on pages 172 and 173.

Government and contractual support

All of our businesses benefited, and continue to benefit, from contractual (First Student and First Transit), or direct fiscal support from governments. The form and quantum of these support measures varies across the Group. All of our businesses are in receipt of material levels of support to ensure the ongoing delivery of services through this crisis, or to enable them to be able to restart services quickly once needed.

In the UK, the government put in place comprehensive emergency measures, initially for six months, in order to maintain continuity of critical rail services and also introduced a package of funding to maintain bus industry capacity for key workers, which was subsequently extended to support higher capacities with social distancing.

In the US, a federal stimulus package signed into law on 27 March 2020 ('CARES Act') provided substantial funding to the states, municipal and local authorities (including school boards) to sustain critical transportation and educational services and support businesses and their employees.

Further details are set out in the Financial Review on pages 28 to 37 and on page 150.

How we assessed the financial impacts

As soon as the scale and potential impact of the coronavirus pandemic started to become apparent, a series of detailed management forecasts were produced to assess the potential impact of the pandemic for the remainder of the current year (and expanded later to include the year ending 31 March 2022) having regard to the emerging risks and uncertainties faced by the Group. The modelling included a base case and a reasonable downside scenario. These forecasts were constantly updated as the crisis developed and were used to test the risk of covenant breaches and used by the Board in its going concern assessment. The key judgements and underlying assumptions in the base case and the downside scenario are set out in the Prospects and viability section on pages 69 to 71.

Covenant testing

The financial modelling and forecasts were used to assess the potential impact on the covenants in the Group's banking facilities. Those covenants are measured twice a year, at the full year and again at the half year and are measured under frozen GAAP and therefore exclude the effects of IFRS 16.

All banking covenants tests were met at the last testing point on 31 March 2020. The base case financial forecast used for going concern assessment indicates that banking covenants will be met throughout the going concern period albeit with limited headroom at the September 2020 and March 2021 test dates. Further details of the covenant tests and projected outcome of the testing based on the financial forecasts referred to above can be found on page 73.

Further details of how the ongoing impact of coronavirus might impact the future financial position of the Group and the risk that a covenant waiver may be required are set out in the Going concern statement on page 72.

There is also uncertainty in UK rail as to the balance of risks and rewards for franchising in the future with the existing Emergency Measures Agreements put in place with effect from 1 March 2020 and which are planned to expire on 20 September 2020. Future commercial arrangements will need to address the longer-term effects of the pandemic and the challenges of long-term demand forecasting for operators such that the risk and reward is balanced more appropriately between shareholders and government.

As noted above, the Group's risk management processes and reporting focused on the immediate risks to the business and the mitigating actions that were necessary to take in the days and weeks following the introduction of lockdown and 'shelter in place' orders. While it remains to be seen what the lasting impact of the coronavirus pandemic will be on the Group's future operating model and longer-term viability, the Board will be focussing increasingly on the emerging risk profile of the Group as the business begins to emerge from the current restrictions and there is more clarity on the future regulatory and operating environment for public transport.

Going concern

A number of risks and uncertainties give rise to material uncertainty in relation to the Directors' going concern assessment. Further details of the Directors' review and assessment of those risks and their determination regarding going concern are set out on pages 72 to 73.

How we managed the emerging risks

We have set out on pages 63 to 68, our assessment of how the nature, and potential severity, of the underlying principal risks and uncertainties have changed as a result of the coronavirus pandemic and how we managed the Group's emerging risk profile in a rapidly changing environment.

The outlook

The continuing impact of the coronavirus pandemic raises material uncertainties for the Group that could have a significant adverse impact on its future trading performance. These include:

- Significant uncertainty about near-term customer demand. With unprecedented levels of disruption due to coronavirus it remains unclear what longer-term impact travel restrictions and social distancing will have on passenger numbers.
- The longer-term effect on customer behaviour and home-office commuting is also unclear.
- There remains considerable uncertainty regarding the levels of financial and other fiscal support measures governments and key contracted customers will be willing or be able to provide should the coronavirus crisis continue beyond the period for which that funding and support is currently being provided.
- In Rail, there is uncertainty as to the balance of risks and rewards for franchising in the future with the existing Emergency Measures Agreements that were put in place effective 1 March 2020, where we take no revenue or cost risk, expire on 20 September 2020. Future commercial arrangements will need to address the longer-term effects of the pandemic and the challenges of long-term demand forecasting for operators such that the risk and reward is balanced appropriately between shareholders and government.

The uncertainties facing the Group regarding future levels of financial and other fiscal support measures, and how they potentially impact the future operational and financial performance of the Group are described in more detail in the Going concern statement on pages 72 to 73.

As noted above, the Group's risk management processes and reporting focused on the immediate risks to the business and the mitigating actions that were necessary to take in the days and weeks following the introduction of lockdown and 'shelter in place' orders. While it remains to be seen what the lasting impact of the coronavirus pandemic will be on the Group's future operating model and longer -term viability, the Board will be focusing increasingly on the emerging risk profile of the Group as the business begins to emerge from the current restrictions and there is more clarity on the future regulatory and operating environment.

Climate-related risk

Interest and focus on the global challenge of climate change continues to grow. During the year, the UK Government set a legally binding national target for net-zero greenhouse gas emissions by 2050. Coalitions of American states, cities and businesses in support of the Paris Agreement on climate change now represent almost 70% of US GDP.

The Board, Executive Committee and divisions assess climate-related risk in accordance with the Group's risk management framework as described on page 62, and consider broader ESG matters in line with duties including the Code and section 172 (as shown on page 92). Our key climate-related risks are highlighted within our principal risks in the table on page 63 with the following symbol: C.

We recognise that investors and broader stakeholders are seeking consistent climate-related financial disclosures. Of particular relevance, the UK Government is exploring how to implement mandatory climate-related financial disclosures by 2022, based on recommendations from the Task Force on Climate-related Financial Disclosures (TCFD). The TCFD has developed a globally recognised framework through which exposure to climate-related financial risk and opportunities can be disclosed, built around four key themes; governance, strategy, risk management, and metrics and targets.

As outlined on page 40, as part of our Group-wide sustainability framework, Mobility Beyond Today, we have committed to implementing the TCFD's recommendations, stating that we will be transparent with our progress in helping to combat climate change and improve local air quality, and publicly disclose decision-useful climate-related financial information in alignment with TCFD recommendations. We will set out our progress against the four TCFD themes in our reporting in 2021. Further information on our sustainability commitments can be found on pages 38 to 41, and our latest carbon and energy performance can be found on pages 57 and 58.

Principal risks and uncertainties continued

Our risk management approach

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.

Our risk management structure

Whilst some risks such as treasury risk are managed at a Group level, 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.

We seek to continue to improve the quality of risk management information generated by our divisions. The Group has developed a risk appetite framework which informs the business on the Board's appetite for certain risks, and informs risk assessment.

Our current risk management structure is shown below:

Our risk management framework

Top down Strategic risk management		Bottom up Operational risk management
Review external environment Robust assessment of principal risks Set risk appetite and parameters Determine strategic action points	**Board/Audit Committee**	Assess effectiveness of risk management system Report on principal risks and uncertainties
Identify principal risks Direct delivery of strategic actions in line with risk appetite Monitor key risk indicators	**Executive Committee**	Consider completeness of identified risks and adequacy of mitigating actions Consider aggregation of risk exposure across the business
Execute strategic actions Report on key risk indicators	**Divisions**	Report current and emerging risks Identify, evaluate and mitigate operational risks recorded in risk register

	Responsibility	Process
Board and Audit Committee	The Board has overall responsibility for the Group's systems of internal control and their effectiveness. The Audit Committee has a specific responsibility to review and validate the systems of risk management and internal control.	The Board reviews and confirms Group and divisional risks and the Audit Committee reviews the Group's risk management process.
Executive Committee / **Internal Audit**	The Executive Committee acts as Executive Risk Committee and reviews the Group's risk management processes. Internal Audit provides assurance on the key risk mitigating controls and ensures that the audit plan is appropriately risk-based.	The Executive Committee and other Group management review and challenge Group and divisional risk submissions.
Divisions	The divisions and Group functions management have responsibility for the identification and management of risks, developing appropriate mitigating actions and the maintenance of risk registers.	Divisional and Group risk champions maintain and update risk registers for their function or division. Risks and mitigating actions are monitored through normal business management processes.

Principal risks and uncertainties

Our risk management methodology is aimed at identifying the principal risks that could:

- adversely impact the safety or security of the Group's employees, customers and assets
- have a material impact on the financial or operational performance of the Group
- impede achievement of the Group's strategic objectives and financial targets
- adversely impact the Group's reputation or stakeholder expectations

The Group's principal risks are set out in the table below and on page 64 onwards. These risks have been assessed taking into account their potential impact (both financial and reputational), the likelihood of occurrence, any change to this compared to the prior year and the residual risk after the implementation of controls. Further information on our risk management processes is contained in the Governance section on pages 76 to 134.

Areas of focus during the year

During the year our revised risk management system was rolled out to the business, designed to capture risks and opportunities for the Group. So our focus has been on ensuring the rollout proceeded smoothly and the system was well understood by the business units. We expect the system will be fully deployed and operating effectively during 2020/21.

Principal risks

To deliver our strategy, it is important that we understand and manage the risks that face the Group. The table below outlines our principal risks.

Risk	Severity (Probability x Impact) High ⟵⟶ Low	Applicability to divisions and Group functions					First
External Risks							
Economic environment including Brexit (V)	◀	●	●	●	●	●	●
Political and regulatory (C)	◀	●	●	●	●	●	
Strategic Risks							
Strategy execution (V) New	◀						●
Contracted businesses including rail franchising	◀	●	●	●	●	●	
Competition and emerging technologies (C)	◀	●	●	●	●	●	
Operational Risks							
Information technology	◀ ▶	●	●	●	●	●	●
Data security and protection including cyber security	◀	●	●	●	●	●	●
Treasury and credit rating (V)	◀						●
Pension scheme funding (V)	◀ ▶			●	●	●	●
Compliance, litigation, claims, health and safety (V)	◀	●	●	●	●	●	●
Labour costs, employee relations, recruitment and retention	◀	●	●	●	●	●	
Disruption to infrastructure/operations (V) (C)	◀	●	●	●	●	●	

(V) Viability statement (see page 69)
(C) Climate change (see pages 38 to 41)

◀ Risk increased
◀ ▶ Risk unchanged
▶ Risk decreased

Principal risks and uncertainties continued

Risk and potential impact	Mitigation	Comment and movement during the year
External Risks		
Economic conditions including Brexit		▲
The less certain economic outlook, together with the on-going restrictions imposed as a result of the coronavirus, and a disruptive exit from the EU, could have a negative impact on our businesses in terms of reduced demand and reduced opportunities for growth. Our First Rail businesses are particularly sensitive to movements in key economic indicators. An uncertain economic climate, particularly when combined with lower fuel prices, may result in reduced demand for public transportation particularly in our Greyhound and First Bus businesses as alternative modes of transport become relatively more affordable, or preferred due to social distancing concerns.	To an extent our First Bus and Greyhound operating businesses are able to modify services to react to market changes. The geographic spread of our operations reduces the risk at a Group level. All of our businesses focus on controlling costs to ensure they remain competitive. The Group does not have any standalone operations entirely in the EU.	It is not yet clear how long the measures to contain coronavirus will last, the form they will take, or how it will impact the economy, customer behaviour and demand for our services in the long term. There remains a significant risk of reduced service demand as our local markets are closed or severely disrupted by further central government containment measures reducing demand and staffing levels.
Political and regulatory		▲
The political landscape within which the Group operates is constantly changing, particularly as a consequence of the coronavirus pandemic. Changes to government policy, funding regimes, infrastructure initiatives, or the legal and regulatory framework may result in structural market changes or impact the Group's operations in terms of reduced profitability, increased costs and/or a reduction in operational flexibility or efficiency. As the single biggest emitter of greenhouse gases in both the US and the UK, the transport sector will continue to be impacted by local and national decarbonisation policies. The UK Government has now set a legally binding national target for net-zero greenhouse gas emissions by 2050. Coalitions of American states, cities and businesses in support of the Paris Agreement on climate change now represent almost 70% of US GDP. The UK Government is exploring how to implement mandatory climate-related financial disclosures by 2022.	The Group actively engages with the relevant government and transport bodies and policymakers to help ensure that we are properly positioned to respond to any proposed changes. Our continued focus on service quality and delivery helps to mitigate calls for structural market change. As detailed on pages 38 to 40, the Group is developing long-term decarbonisation plans across our divisions, and is investing in low- and zero-emission mobility solutions for our customers. The Group has a formal, documented and externally-assured approach for reporting on carbon emissions and energy, and is committed to implementing the TCFD's recommendations on climate-related disclosures.	The political landscape in the US and the UK continues to present both risks and opportunities and is expected to remain fluid as governments seek to repair the economic damage of the pandemic. The Group is actively involved at local and national level to ensure our role in delivery of key transport infrastructure is maintained.
Strategic Risks		
Strategy execution		New
In March, the Group announced that it had commenced the formal process for the sale of the North American contract businesses, with significant interest expressed by a range of potential buyers. The inability to execute the sale of the North American businesses in a timely manner, or to secure a sale at an acceptable price and on reasonable terms has increased due to the coronavirus pandemic. However, the Group's strategy remains unchanged and the Board remains committed to re-starting the sales process at the earliest opportunity.	First Transit and First Student have demonstrated their resilience during the pandemic and the long-term fundamentals remain unchanged.	We anticipate strong interest when the formal sales process resumes. However, the pandemic could cause an extended delay to the formal sales process due to unfavourable market conditions. Further uncertainty exists around the value that can be achieved in a sale process due to the impact on profitability of the businesses and uncertainty around near-term trading prospects of the businesses and the terms and availability of financing for prospective buyers.

Risk and potential impact	Mitigation	Comment and movement during the year
Strategic Risks continued		
Contracted businesses including rail franchising		▲
The Group's contracted businesses are dependent on the ability to renew and secure new contract wins on profitable terms. Failure to do so would result in reduced revenue and profitability and incorrect modelling or bid assumptions could lead to greater than anticipated costs or losses. Failure to comply with contract terms could result in termination, litigation and financial penalties and failure to win new contracts or non-renewal of existing contracts. This could also have a negative impact on delivering FirstGroup's strategy going forward.	The relevant divisions have experienced and dedicated bid teams who undertake careful economic modelling of contract bids and, where possible, seek to negotiate risk sharing arrangements with the relevant customer or contracting authority. Compliance with our rail franchise agreements is closely managed and monitored on a monthly basis by senior management and procedures are in place to minimise the risk of non-compliance.	We continually review our contracts to take account of changing circumstances such as economic environment or infrastructure changes. There is considerably more uncertainty as to the future of Rail since the implementation of the EMAs. For further details see the Strategic report on page 6. Future commitments to UK rail will only be entered into if they have an appropriate balance of potential risks and rewards for shareholders.
Competition and emerging technologies		▲
All of the Group's businesses (both contract and non-contract) compete in the areas of pricing and service and face competition from a number of sources. Our main competitors include the private car and existing and new public and private transport operators across all our markets. Airline competition impacts demand for bus travel, especially in Greyhound's long haul business. Emerging services such as Uber, ride sharing apps and price comparison websites make access to alternative transport solutions easier. However, emerging technologies such as autonomous vehicles and on-demand schemes also provide opportunities to grow and develop our market segments. As the uptake of electric vehicle technology rapidly increases, the per passenger carbon footprint of all modes of transport can be reduced, providing competition for our services on environmental grounds and opportunities for us to reduce our emissions further. Increased competition could result in lost business, reduced revenue and reduced profitability, negatively impacting the effective execution of FirstGroup's strategy in line with its expectations.	The Group continues to focus on service quality and delivery as priorities in making our services attractive to passengers and other customers, across our portfolio of businesses. We have a dedicated cross-divisional Consumer Experience Team focused on improving our service to customers and improving access to our services. In our contract businesses, a competitive bidding strategy and a strong bidding team are key. Wherever possible, the Group works with local and national bodies to promote measures aimed at increasing demand for public transport and the other services that we offer.	Low fuel prices and changes in demand for public transportation in the wake of the coronavirus pandemic may lead to reduced passenger volumes in the medium term. The Group has continued to invest in emerging technologies this year, including autonomous and electric vehicles, and services to support connected and on-demand travel, including Mobility as a Service (MaaS). We continue to increase the number of low- and zero-emission vehicles operating in our fleets, and to focus on providing easy and convenient mobility, encouraging the switch from private car journeys to our services.
Operational Risks		
Information technology (IT)		◄►
The Group relies on IT in all aspects of our business. Any significant disruption or failure, caused by external factors, denial of service, computer viruses or human error could result in a service interruption, accident or misappropriation of confidential information. Process failure, security breach or other operational difficulties may also lead to revenue loss or increased costs, fines, penalties or additional insurance requirements. Prolonged failure of our sales websites could also adversely affect revenues. Failure to properly manage the implementation of new IT systems may result in increased costs and/or lost revenue.	The Group has continued to focus on removal of legacy assets with a focus on modern cloud-based assets which are naturally more resilient to failure. In addition, the Group is fully focused on continuing to improve cyber security defences.	We successfully maintained business and IT continuity during the coronavirus pandemic as we flexed operating models to ensure the safety of our workforce and customers. Nevertheless, the risk of disruption or failure of critical IT infrastructure, as well as process failure remains a significant risk.

Principal risks and uncertainties continued

Risk and potential impact	Mitigation	Comment and movement during the year
Operational Risks continued		
Data security and protection including cyber security		▲
All business sectors are targeted by increasingly sophisticated cyber security attacks. Across our divisions we are seeing increased use of mobile and internet sales channels which gather large amounts of data and therefore the risk of unauthorised access to, or loss of, data in respect of employees or our customers is growing. A failure to comply with data privacy and protection regulations, such as the General Data Protection Regulation (GDPR) and California Consumer Privacy Act (CCPA), could result in significant penalties and could have an adverse impact on consumer confidence in the Group.	We have a number of threat detection tools and processes across all our businesses which remain under constant review against emerging threats. Prior to the GDPR coming into force, we appointed a Group Data Protection Officer, with a network of data compliance officers in place across all areas of the UK business.	In the past year we have improved our Information Security Incident Response process with regular desktop testing in each division / business. Our employee data risk awareness programmes have continued and also utilised new and multiple mechanisms to ensure messages are delivered to all staff. We have further matured our risk management process to provide graded identification, quantification and remediation of risk. Our data mapping processes have improved to include the mechanisms for capturing changes to systems and identifying new information assets.
Treasury and credit rating		▲
As set out in further detail in note 24 to the financial statements on pages 174 to 179, treasury risks include liquidity risks, risks arising from changes to foreign exchange and interest rates and fuel price risk. Liquidity risk includes the risk that the Company is unable to refinance debt as it becomes due. Foreign currency and interest rate movements may impact the profits, balance sheet and cash flows of the Group. Ineffective hedging arrangements may not fully mitigate losses or may increase them. The Group is credit rated by Standard & Poor's and Fitch. A downgrade in the Group's credit ratings to below investment grade may lead to increased financing costs and other consequences and affect the Group's ability to invest in its operations. The Group's banking arrangements contain financial and other covenants with financial covenants tested semi-annually on 30 September and 31 March. In the event a covenant test level is breached the Company may not be able to negotiate sufficient headroom to allow it to continue to trade.	The Group's Treasury Committee manages treasury policy, and delegated authorities are reviewed periodically to ensure compliance with best practice and to control and monitor these risks appropriately. The Treasury Committee also reviews financial information periodically with the specific remit of managing credit ratios and covenant compliance. The risk of refinancing the £350m Bond due in April 2021 is mitigated by the £250m bridge facility which extends the maturity by a further 18 months from April 2021. The Group is continuously focused on improving operating and financial performance as part of our strategic drivers as outlined on pages 16 and 17.	The Group seeks to maintain minimum levels of cash and committed facility headroom. The potential impact the coronavirus could have on the Group and its ability to access banking and other credit facilities are highlighted in the Going concern statement on page 73 and the Viability statement on page 71.
Pension scheme funding		◄►
The Group sponsors or participates in a number of significant defined benefit pension schemes, primarily in the UK. The Company's North American subsidiaries participate in a number of multi-employer pension schemes in which their contributions are pooled with the contributions of other contributing employers. The funding of these schemes is therefore reliant on the ongoing participation by third parties. Future cash contribution requirements may increase or decrease based on pension scheme investment performance, movements in discount rates and expectations of future inflation and life expectancy. Other factors, such as changes to the relevant regulatory environments, can affect the pace of cash funding requirements.	Closure to future accrual and replacement with defined contribution arrangements where possible. Diversification of asset classes and progressively reallocating from riskier investments to investments that better match the characteristics of the liabilities as funding levels improve. Interest rate and inflation hedging to reduce the sensitivity of funding levels to adverse movements in the value of liabilities. The Group also seeks to remove liabilities from the balance sheet where it can be achieved cost effectively. Under the First Rail franchise arrangements, the Group's train operating companies are not responsible for any residual deficit at the end of a franchise so there is only short-term cash flow risk within any particular franchise.	The Group has closed most of its defined benefit schemes in its Road divisions to future accrual. This will lead to the natural reduction of the size and volatility of the pension funding risk over time. Through our membership of the Rail Delivery Group we are engaged in an industry-wide project to consider the long-term funding model for The Railways Pension Scheme. The Group has completed its consolidation of Local Government Pension Scheme obligations in First Bus, and benefits from the de-risking that has taken place. We continue to pursue further de-risking opportunities with the relevant local authorities.

Risk and potential impact	Mitigation	Comment and movement during the year
Operational Risks continued		
Compliance, litigation, claims, health and safety		▲
The Group's operations are subject to a wide range of legislation and regulation. Failure to comply can lead to litigation, claims, damages, fines and penalties. The Group has three main insurable risks: third-party injury and other claims arising from vehicle and general operations, employee injuries and property damage. The Group is also subject to other litigation, which is not insured, particularly in North America, including contractual claims and those relating to employee wage and hour, and meal and break matters. A higher volume of litigation and claims can lead to increased costs, reduced availability of insurance cover, and/or reputational impact. Increased frequency of accidents, clusters of higher severity losses, a large single claim, or a large number of smaller claims may negatively affect profitability and cash flow.	The Group has a very strong focus on safety and it is one of our five values. Compliance with mandatory Group and divisional policies and procedures also mitigates risk. The Group self-insures third party and employee injury claims up to a certain level commensurate with the historical risk profile. The Group typically purchases insurance above these limits from reputable global insurance firms. Claims are managed by experienced claims handlers. Non-insured claims are managed by the Group's dedicated in-house legal teams with external assistance as appropriate. The estimated costs of dealing with and settling uninsured claims are factored into our budgets. Determining the costs of settling legal claims requires a degree of estimation and subjective judgement, there is therefore a risk that the costs of settling claims may exceed the amount budgeted.	The legal climate in North America, particularly in the US, continues to deliver judgments which are disproportionately in favour of plaintiffs, and at times unpredictable. The extent to which the claims environment may be impacted by the effects of the coronavirus pandemic is not yet clear. Due to the scale and scope of our operations, risk mitigation in this area continues to be an area of key focus for the Group.
Labour costs, employee relations, recruitment and retention		▲
Employee costs represent the largest component of the Group's operating costs, and new regulation or pressure to increase wages could increase these costs. Competition for employees, particularly in an improved economic climate, can lead to shortages which increase costs and affect service delivery. The effect of the pandemic on employee engagement and retention is not yet known. A post-coronavirus recession may reduce labour turnover, but additional safeguards and protection for workers may increase costs and introduce additional operational complexity. Similarly, industrial action could adversely impact customer service and have a financial impact on the Group's operations.	The Group seeks to mitigate these risks via its recruitment and retention policies, training schemes and working practices. Our working practices include building communication and engagement with trade unions and the wider workforce. Examples of this engagement include regular employee communication, satisfaction surveys, and the presence of Employee Directors (who are voted for by the employees) on many of the Group's UK operating company boards and the FirstGroup plc Board. Where increased wages and incentives are necessary to attract and retain employees, those extra costs are factored into our bid models, where possible, to ensure appropriate returns are achieved. Cross-functional working groups including specialist support from occupational health and safety professionals are used to guide and develop our plans on how best to keep our employees safe and well during and post-pandemic.	Pre-coronavirus, strong economic conditions and low unemployment continued to impact retention and recruitment, with competition for commercially-licensed drivers increasing as more organisations offer delivery services. During the year the divisions continued to take action to retain existing employees, such as employee welfare enhancements and the appointment of dedicated employee retention specialists in First Student and First Transit, and initiatives to improve work/life balance and communication with drivers in Greyhound, where driver turnover fell by 20.7% year-on-year. Divisions also made further progress on recruitment and development; for example First Bus increased the number and range of apprentice programmes, increased online learning facilities, and improved driver recruitment processes, with a 50% reduction in overall driver shortage compared with the previous year. First Student and First Transit utilised new measures such as full cycle and programmatic recruiting and dedicated field, military and campus recruiters. During the coronavirus pandemic we utilised furlough schemes, backed by government support, to maintain employment wherever possible, and enable rapid ramp up of service once lockdown is eased. This included the use of rotational furlough in First Bus to reduce the financial impact on frontline workers.

Principal risks and uncertainties continued

Risk and potential impact	Mitigation	Comment and movement during the year
Operational Risks continued		
Disruption to infrastructure/operations		▲
There are material uncertainties as to the future impact of coronavirus on the Group's operations. Our operations, and the infrastructure on which they depend, can be affected by a number of different external factors, many of which are not within our control. These factors include terrorism, adverse weather events and climate change. Greater and more frequent adverse weather caused by climate change increases the risk of service disruption and reduced customer demand with consequent financial impact, potential increased costs and accident rates. International agreement to pursue efforts to limit global warming to 1.5 degrees above pre-industrial levels aims to reduce the risks and impacts of climate change, and calls for coordinated action to reduce carbon emissions and foster climate resilience. As national governments align policies and plans with targets for low-carbon and cleaner forms of energy, climate change also presents a business opportunity related to the falling cost of alternative energy sources and the development of new mobility technologies. Terrorism remains a threat across all of our operating environments. Public transport, which has been subject of several high-profile attacks in the past, continues to be assessed as a potentially attractive and viable target. We continue our programmes to brief our operational colleagues on the steps they should take to mitigate this risk, aligned with regulatory requirements where applicable, and we underpin this with strategic focus. An attack, or threat of attack, could lead to reduced public confidence in public transportation, and/or specifically in the Group's security and safety record and could reduce demand for our services, increase costs or security requirements and cause operational disruption.	We have set out elsewhere in the Strategic report the measures the Group has and is taking to mitigate the risks of coronavirus. We continue to develop and apply good practice and provide guidance to our employees to help them identify and respond effectively to any potential threat or incident. We maintain close working relationships with specialist government agencies, in relation to terror threats, in both the UK and North America. We employ dedicated security specialists in the UK and North America. The geographic spread of the Group's businesses offers some protection against specific incidents. In addition, some of our contract-based businesses have force majeure clauses in place. We have severe weather action plans and procedures to manage the impact on our operations. The Group continues to target reductions in our emissions, including through behaviour change initiatives, research and development and investment in new technology. We work closely with those responsible for planning and maintaining our network infrastructures and our asset plans for both our fleet and buildings consider potential climate change impacts.	The severity and duration of the impact of coronavirus on the Group's operations, and the longer term impact of implementing measures designed to prevent the spread of the virus (such as social distancing) are difficult to predict with any degree of certainty. Short-term respite from terrorism incidents can lead to a misplaced public perception (in Western societies) of a reduction in risk. This is not the true situation and, internally, we continue to focus staff on the actual, rather than perceived, situation and encourage their ongoing vigilance. Our internal processes in relation to business continuity and command and control are scalable dependent upon the situation. Our model is bespoke to our business structure and provides for oversight and guidance from the centre with divisions (whilst following a core agenda) being empowered to model their response to suit their own business requirements. This is the model being used in response to the coronavirus pandemic. Specialist support is provided where required.

The risks listed are not all of those highlighted by our risk management processes and are not set out in any order of priority. Additional risks and uncertainties not presently known to us, or currently deemed to be less material, may also impact our business. Indication of a movement in a risk may not indicate a change in the overall net risk position after taking into account risk mitigations.