

Nomination Committee report



David Martin

Chair, Nomination Committee

Main responsibilities

The primary role of the Nomination Committee is to ensure that the Board has the appropriate skills, knowledge, experience and diversity to operate effectively and deliver strategy. The Committee is responsible for identifying the skills required and leading the Director appointment process and considering succession planning for Directors and other Senior Executives.

The terms of reference are available on the Group's website.

Committee members:

David Martin (Chair)
Sally Cabrini
Myrtle Dawes
Ant Green
Claire Hawkings
Jane Lodge
Peter Lynas

Dear Shareholder,

The Nomination Committee had a quieter year given the number of changes completed in the previous financial year and the progress that had been made regarding the appointment of a new Chief Executive Officer last year.

Following feedback from the Board effectiveness review conducted around the last year end, we increased the membership of the Nomination Committee to include all the Non-Executive Directors. This change meant that we had broader range of views for this year's meetings which was particularly beneficial as the focus of the work was on talent and succession planning for the Executive Directors, the Executive Committee, and the levels below.

David Martin

Chairman
11 June 2024

Activities during the year

In June 2023, the Nomination Committee considered the Board effectiveness review and recommended to the Board that all Directors standing for re-election had performed well, those put forward as independent were independent and all should be re-elected to the Board.

In November 2023, the talent and succession plans were considered by the Board rather than the Nomination Committee but all members of the Nomination Committee were present at the Board meeting for the discussions. The Nomination Committee dealt with the formalities for the extension of Ant Green's term as the Group Employee Director.

In March 2024, the Committee reviewed the Board composition in light of the Board Evaluation and recommended to the Board that no changes were required.

The Executive Directors and the Divisional Managing Directors attend meetings by invitation of the Chairman and during the year attended to present the talent and succession plans for their areas of responsibility. The Committee is supported by the Company Secretary who has attended all meetings during the year.

Compliance with the Corporate Governance Code

17 Establish a Nomination committee

The Board has established a Nomination committee and its membership complies with the Code requirements.

18 Annual re-election of all Directors

Following the year end and having reviewed the output from the Board effectiveness review, it was agreed that all Directors would stand for re-election at the Company's AGM in July 2024.

19 Chairman's tenure less than nine years

The Chairman was appointed to the Board in August 2019, and his tenure is well within the limit set out in the Code.

20 Open advertising/search consultancy for NED roles

An external search consultancy was used for the NED appointments made during 2022 and as reported last year used ISP to lead the searches. The Nomination Committee anticipates that this approach would be adopted for future appointments.

L 21 and 22 see page 113

23 Work of the Nomination Committee

The work of the Nomination Committee is set out in this report.

Nomination Committee report continued

Policy on appointments to the Board

The Committee recognises the value that individuals from diverse backgrounds can bring to Board deliberations. The Committee considers diversity in its wider sense including gender, length of tenure and nationalities. In line with the Committee's diversity policy, when considering the appointment of a new Director the Committee adopts a formal, rigorous and transparent procedure and due regard is given to ensuring fairness and diversity through the consideration of skills, experience, competencies, sector knowledge, independence and individual characteristics. Prior to any appointment, the Committee evaluates the composition of the Board and, in light of that evaluation, prepares a full description of the role and capabilities required.

In identifying suitable candidates, the Committee:

- uses open advertising or the services of external advisers to facilitate the search
- considers candidates on merit and against objective criteria ensuring appointees have sufficient time to fulfil their Board and Committee responsibilities (giving due consideration to the Company's over-boarding policy described below)
- considers candidates from a wide range of backgrounds

Over-boarding policy

The policy was adopted in 2022 and has been applied when reviewing additional external appointments and will be applied to appointments to the Board. Under the policy, Directors may hold five mandates on publicly listed companies. For the purposes of calculating this limit:

- a non-executive directorship counts as one mandate
- a non-executive chair counts as two mandates
- a position as executive director (or a comparable role) is counted as three mandates

The Company will consider the nature and scope of the various appointments and the companies concerned, and if any exceptional circumstances exist.

The table below shows tenure and total mandates held by the current Directors including their appointment to the FirstGroup Board.

Position	Members	Appointment date	End of current 3-year term	Mandates held ¹
Chairman	David Martin	15 August 2019	August 2025	2
Non-Executive Directors	Sally Cabrini	24 January 2020	January 2026	1
	Myrtle Dawes	1 April 2022	April 2025	2
	Claire Hawkings	1 January 2022	January 2025	3
	Jane Lodge	30 June 2021	June 2024	4
	Peter Lynas	30 June 2021	June 2024	2
	Employee Director	Ant Green	15 September 2020	September 2026
Executive Directors	Graham Sutherland	16 May 2022	n/a	3
	Ryan Mangold	31 May 2019	n/a	3

¹ A non-executive directorship on a listed company counts as one mandate; a chairman of a listed company counts as two mandates and a position as an executive director counts as three mandates. Myrtle Dawes' full-time executive role is not at a listed company but is included above as it is a full-time executive role.

Compliance with the Corporate Governance Code

H Non-Executives have sufficient time to meet responsibilities

The Non-Executives have sufficient time to meet their responsibilities – this is supported by the high attendance levels at the additional Board and Committee meetings that have been arranged during the year. The over-boarding policy adopted by the Nomination Committee in 2022 helps ensure that Directors are not too busy to effectively discharge their responsibilities.

15 Time demands considered on new appointments

The over-boarding policy provides guidance which means these issues can be considered consistently and objectively. The table on this page demonstrates that all Directors are in compliance with the policy.

J Appointments subject to a formal, rigorous and transparent process. An effective succession plan should be maintained for the Board and senior management

During the year as set out above, the Committee undertook a review of succession plans for the senior roles in the organisation.

K Board and Committees have combination of skills, experience and knowledge

The Board effectiveness reviews confirmed that the Board and Committees felt they had an appropriate combination of skills, experience and knowledge to discharge their functions. The Directors' key skills are set out in their biographies.

Audit Committee report



Jane Lodge
Chair, Audit Committee

Main responsibilities

The primary role of the Audit Committee is to review and monitor the integrity of the financial reporting by the Company, to review the Group's internal control and risk management systems, to oversee the Group's Internal Audit function, to oversee the relationship with the external auditor and to report to shareholders on its activities.

The terms of reference are available on the Group's website.

Committee members:

Jane Lodge (Chair)
Claire Hawkings
Peter Lynas

Dear Shareholder,

I am delighted to introduce the report from the Audit Committee for the 53 weeks ended 30 March 2024.

The report provides an overview of the activities undertaken by the Committee during the year and explains the significant issues and judgments that the Committee considered during the year and, in particular, when approving this Annual Report.

The Audit Committee has a key governance role and, on behalf of the Board and shareholders, reviews important matters relating to financial reporting, internal controls, risk management and compliance with regulations and legislation.

This report provides an overview of the Committee's principal activities and areas of focus during the year together with the priorities for the year ahead. As part of the half-year reporting process the Committee carefully considered, amongst other things, an assessment that an impairment to the investment in the bus operations was not required, a review of the going concern and viability assessments, a review of the judgments associated with pensions, the insurance and legal exposures, adjusting items and taxation.

The primary issues considered at the year end are set out in a table on page 118.

The work on internal controls across the Group that was a priority for this year has progressed well. The work is ongoing as the new governance regulations come online and we will continue to work on this in the coming year.

Jane Lodge

Chair, Audit Committee
11 June 2024

Composition and Committee attendance

The membership of the Committee is set out in the column to the left and attendance is set out on page 104. Jane Lodge and Peter Lynas have recent and relevant financial experience and the requisite competence in accounting. Claire Hawkings, the other member of the Committee, has the necessary skills and financial literacy to discharge her responsibilities.

The Chairman of the Board, the Chief Executive Officer, the Chief Financial Officer, the Company Secretary, the Director of Finance, the Head of Internal Audit, the Group Head of Financial Reporting and the external audit partner routinely attend meetings of the Committee. In addition, others are invited to attend all or parts of meetings as required to provide the Committee with additional insight on relevant matters. Other members of the Board have an open invitation to attend Committee meetings and they did so on a number of occasions during the year. The Committee holds private sessions without management present and regularly meets with the Internal and external auditors (again without management present).

Summary of Committee activities throughout the year

The Committee has an extensive agenda of items of business focusing on financial reporting, internal control, risk management, internal and external audit, in addition to certain standing matters that the Committee considers at each meeting as well as any specific topical items that arise during the course of the year.

Compliance with the Corporate Governance Code

24 Establish an Audit Committee

The Board has established an Audit Committee. Currently it has three members, all of whom are independent Directors, two of whom (Jane Lodge and Peter Lynas) have recent and relevant financial experience and the requisite competence in accounting to meet the Code requirements. The Committee believes it has sufficient sector-relevant competence to discharge its duties.

25 Committee's role

The Committee's role is summarised in the report that follows. The terms of reference are on the Company's website. The Committee is comfortable that its role meets the Code requirements.

26 Annual Report to describe work of Committee

This Report discharges this Code Provision.

Audit Committee report continued

During the year, the Committee fully discharged its responsibilities under the terms of reference, and these broadly fall under three areas:

Accounting, tax and financial reporting

- reviewed and approved the half-year and annual results considering the significant accounting policies, principal estimates and accounting judgments used in their preparation, the transparency and clarity of disclosures and compliance with financial reporting standards
- reviewed the basis for preparing the half-year and full-year accounts on a going concern basis with input from the external auditors
- considered and approved management's assessment of the Group's prospects and longer-term viability contained within the Annual Report
- received reports from management and the external auditors on accounting, financial reporting regulation and tax issues
- reviewed and assessed whether the Annual Report taken as a whole was fair, balanced and understandable
- reviewed the Non-Audit Services Policy, Tax Strategy, Treasury Policy and the application of the Adjusted Items Policy
- reviewed the assumptions such as future growth rates, cash flows and discount rate used in the impairment models and the output from the impairment review
- reviewed the non-GAAP measures in the Company's reporting
- reviewed the assumptions used to calculate the pension liabilities

Internal control, risk management and internal audit

- reviewed the structure and effectiveness of the Group's system of risk management and the related disclosures in the Annual Report and financial statements
- reviewed the Group's risk management activities undertaken by the divisions and at Group level in order to identify, measure and assess the Group's principal and emerging risks and reviewed the risk appetite statement, developed by management, for recommendation to the Board
- approved the annual Internal Audit plan and reviewed reports from the Internal Audit team relating to control matters; monitored progress against the plan and any deviations were agreed
- monitored the Group's insurance arrangements, insured and uninsured claims and material litigation
- reviewed plans and progress to enhance the internal control environment ahead of expected regulatory and legislative changes

External audit

- considered and approved the scope, audit plan, terms of engagement and fees for the external audit work to be undertaken in respect of FY 2024
- received reports from the external auditor on their findings during the half-year review and the full-year audit
- considered the objectivity and independence of the external auditor and the effectiveness of the external audit process, taking into account their policies to maintain independence, non-audit work undertaken by the auditor and compliance with the Company's policy on the provision of non-audit services and applicable regulations
- considered and approved the letters of representation to the external auditors
- considered and recommended to the Board the reappointment of the external auditor at the AGM

Compliance with the Corporate Governance Code

M Formal transparent policies to ensure independence of audit

The auditors' policies and the Company's Non-Audit Services Policy that are regularly reviewed by the Committee helps ensure the independence of the auditor.

There is additional commentary on the assessment of the internal auditor on page 121.

Audit Committee report continued

Key accounting judgments reviewed during the year/Significant issues

The matters the Committee considers to be significant for the FY 2024 Annual Report and financial statements are as follows:

Significant issues and judgments

Pension assumptions and funding

The Group participates in a number of defined benefit pension schemes. Management exercises significant judgement when determining the assumptions used to value the pension liabilities as these are particularly sensitive to changes in the underlying assumptions. Scheme valuations were conducted during the year and changes were made to the assumptions which were considered to be in acceptable ranges.

Recovery of investments in subsidiaries (parent company only)

Investments held by the parent company in subsidiary undertakings were tested for recoverability. Management assessed discounted cash flows in the Bus division based on the final Three-Year Plan to March 2027 adjusted for debt and debt-like items. The financial impact of climate change risks was a key consideration. The investments were considered to be recoverable.

Going concern and viability

The Group regularly prepares an assessment detailing available resources to support the going concern assumption and the long-term viability statements. Management concluded that the financial statements should be prepared on a going concern basis and there were no material uncertainties which require disclosure. We continue to provide essential services to our customers and the communities we serve and anticipate doing so for the foreseeable future.

How the Audit Committee addressed these issues

Management engaged with external experts and the Committee considered and challenged the assumptions used for estimating the liabilities. Sensitivity analysis was performed on the key assumptions: inflation, discount rate and mortality. The overall liabilities were assessed for reasonableness. Further detail on pensions is provided in note 37 in the consolidated financial statements.

The Committee received reports from the management team and the external auditors on the recoverability of the parent company's investments in subsidiaries and concluded that the assessments were reasonable.

The Committee reviewed and challenged management's funding forecasts and sensitivity analysis and the impact of various possible downside scenarios, which took into account the pace of improving operating margins in the Bus division, changes to the contract portfolio and the level of performance fees in the Rail Division, and ESG-related risks including climate change. Following the review, which the Committee carried out at its meeting in June 2024, the Committee recommended to the Board the adoption of both the going concern and viability assessment, and the related statements for inclusion in this Annual Report.

Audit Committee report continued

Internal control framework/assurance

The Board is responsible for establishing a framework of prudent and effective controls, which enable risk to be assessed and managed. Periodic review and ongoing monitoring of risk management and internal control frameworks are essential components of any sound system of risk management and internal control.

The Committee monitors the Company's risk management and internal control systems and, in addition to periodic reviews by the Committee the Board undertakes an annual in-depth review of the effectiveness of internal controls including the operation of financial, operational and compliance controls.

The Committee also guides the Board on the nature and extent of the principal and emerging risks the Company may be willing to take in order to achieve its long-term strategic objectives. The output from this system is the Company's risk appetite policy, which is subsequently reviewed by the Board.

The process the Committee applied in reviewing the effectiveness of the system of risk management and internal control is set out below, together with a summary of the actions that have been or are being taken to improve the overall control environment.

Internal controls

The Committee receives regular updates on the Group's system of internal control including progress made to the overall programme and conclusions on the design and effectiveness of key controls, mitigating financial, operational and compliance risk. Management continues to improve the standardisation, documentation and testing of internal controls to give the Committee greater comfort around the effectiveness of the control environment.

During the course of the financial year, any control weaknesses identified through the operation of our risk management and internal control processes were subject to monitoring and resolution in line with our normal business operations.

In 2024, no material control weaknesses were identified. Overall, the Committee is satisfied that the Group's internal control framework was operating effectively as at the year end. The ongoing controls assurance programme is progressing well to support the formal attestation on controls effectiveness required as part of regulatory reforms.

Enhancements to the control environment are being implemented, and are expected to be completed in the forthcoming financial year. Where specific areas for improvement were identified, mitigating alternative controls and processes were in place. The attestation methodology and recruitment plans are progressing well, and an attestation system has been developed.

The Committee will continue to oversee the approach, scope of compliance work undertaken and assess progress on a regular basis. Regulatory developments will continue to be monitored and the project plan adapted accordingly as the landscape develops.

Risk management

The Board, through the Committee, is responsible for determining the nature and extent of any significant risks the Group is willing to take in order to achieve its strategic objectives, as well as nature and extent of the external risk environment.

To fulfil this responsibility the Committee oversees a Group-wide system of risk management and internal control that identifies and enables management and the Board to evaluate and manage the Group's principal and emerging risks. The system is tailored to the particular needs and risks to which the Company is exposed and is designed to manage, rather than eliminate risk. Owing to the limitations inherent in any system of internal control, this system provides robust, but not absolute, assurance against material misstatement or loss.

The Committee assessed the Group's risk management methodology, which is used to identify and manage the principal and emerging risks, as well as the reporting and categorisation of Group risks, and made recommendations for improvement. Changes were implemented with the Committee's oversight. See the Risk management section of the Strategic report starting on page 85 for further information on the Group's risk management system.

The Committee also reviewed the process for assessing the principal and emerging risks that could threaten the Company's business model, future performance, solvency or liquidity to make the long-term viability statement on page 96 and considered the appropriate period for which the Company was viable.

The Company's policies on financial risk management, including the Company's exposure to liquidity risk, credit risk and certain market-based risks including foreign exchange rates, interest rates and fuel and electricity prices, can be found in note 25 to the consolidated financial statements.

Compliance with the Corporate Governance Code

N Fair, balanced and understandable assessment of prospects

27 The report is fair, balanced and understandable

The Committee, on behalf of the Board, reviews the Report to confirm that they believe it to be fair, balanced and understandable. In addition to their own knowledge and assessment, the Committee takes comfort from the reviews conducted by the Executive Committee particularly in respect of fairness and balance. The external reviews as part of the preparation and sign-off process give comfort in respect of understandability.

The Board reviewed the Annual Report and each Director confirmed to the best of his or her knowledge that 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.

O Procedures to oversee internal control framework and identification of principal risks

The procedures are described in the columns to the left.

28 Assessment of emerging and principal risks

The emerging and principal risks are disclosed in the Risk management section of the Strategic report starting on page 85 and the assessment process is also set out in detail in that part of the Annual Report. The Audit Committee reviews the detailed outputs from the work completed by the Executive team.

29 Monitor risk management and internal control

The monitoring of risks and a description of the internal control system is set out in the Strategic report and also within the report from the Audit Committee.

Audit Committee report continued

Key elements of the Group's risk management framework that operated throughout the year are:

- a centrally coordinated internal audit programme to verify that policies and internal control procedures are being correctly implemented and to identify any risks at an early stage
- an agreed methodology for ranking the level of risk in each of its business operations and the principal and emerging risks
- divisions identifying and reviewing their principal and emerging risks and adequacy of controls for monitoring and managing risks, and reviewed by senior management
- implementation of appropriate strategies to mitigate principal and emerging risks, including careful internal monitoring, and ensuring external specialists are consulted where necessary
- updated divisional and Group risks, which are reviewed by the Chief Executive Officer and Chief Financial Officer, are presented to the Executive Committee on a regular basis
- reviewing and monitoring the confidential reporting system to allow employees to raise concerns about possible legal, regulatory, financial reporting or any other improprieties
- a remuneration policy for executives that motivates them, without delivering excessive benefits or encouraging excessive risk-taking

Twice a year, the Board is presented with an update for its assessment of the principal and emerging risks facing the Group, together with a risk map, highlighting any changes made since the prior update and the rationale for any changes. Each Committee that reports regularly to the Board provides an update on the status of risks considered within its remit.

Financial and business reporting

The Board recognises its responsibility to present a fair, balanced and understandable assessment of the Group's position and prospects in its reporting to shareholders. This responsibility encompasses all published information including, but not limited to, the half-yearly and full-year financial statements, regulatory news announcements and other publicly disclosed information.

The quality of the Company's reporting is ensured by having procedures in place for the review of information by management. There are also strict procedures to determine who has authority to release information. A statement of the Directors' responsibilities for preparing the financial statements can be found on page 161.

The Group adopts a financial reporting and information system that complies with generally accepted accounting practice. The Group Finance Manual details the Group's accounting policies and procedures with which subsidiaries must comply. Budgets are prepared by subsidiary company management which are then consolidated into divisional budgets. These are subject to review by both senior management and the Executive Directors followed by formal approval by the Board. Regular forecast updates are completed during the year and compared against actions required. Each subsidiary unit prepares a monthly report of operating performance with a commentary on variances against budget and the prior year, which is reviewed by senior management. Similar reports are prepared at a Group level. KPIs, both financial and operational, are monitored on a weekly basis. In addition, business units participate in strategic reviews, which include consideration of long-term financial projections and the evaluation of business alternatives.

Reviews of internal controls within operating units by Internal Audit have sometimes highlighted control weaknesses, which are discussed with management and, where appropriate, the Committee, and remedial action plans are agreed. Action plans are monitored by Internal Audit and, in some cases, follow-up visits to the operating entity are conducted until such time as the controls that have been put in place are working effectively. No material losses, contingencies or uncertainties that would require disclosure in the Annual Report have been identified during the year by this process.

The Committee, in conjunction with the Executive team, regularly reviews and develops the internal control environment to make continual improvements. No significant internal control failings were identified during the year. Where any gaps were identified, processes were put in place to address them and these are monitored. In addition, as stated above, management intends to continue to improve the standardisation, documentation and testing of internal controls to give the Committee greater comfort around the effectiveness of the control environment.

The process is designed to provide assurance by way of cumulative assessment. It is a risk-based approach.

Compliance with the Corporate Governance Code

30 Going concern basis of accounting

The Audit Committee considered the going concern basis of accounting statement set out on page 97 complies with the Code provision.

31 Assessment of the current position and principal risks/Viability Statement

The principal risks are set out in the Strategic report on pages 87 to 95, together with a description of the processes in place.

The Viability Statement complies with the Code Provision and is set out on page 96.

Audit Committee report continued

Internal Audit

The Internal Audit function advises management on the extent to which systems of internal control are adequate and effective to manage business risk, safeguard the Group's resources, and ensure compliance with the Group's policies and legal and regulatory requirements. It provides objective assurance on risk and controls to senior management, the Committee and the Board. Internal Audit's work is focused on the Group's principal and emerging risks. The mandate and programme of work of the Internal Audit function is considered and approved by the Committee annually and includes a number of internal audits and health checks across the Group's divisions. Findings are reported to relevant operational management and to the Committee. The Internal Audit function follows up on the implementation of recommendations and reports on progress to senior management and to the Committee at each meeting.

The Internal Audit function is a combination of outsourced and insourced resource. The Head of Internal Audit reports functionally to the Chair of the Committee and administratively to the CFO.

The effectiveness of the Internal Audit function's work is continually monitored using a variety of inputs including the ongoing audit reports received, the Committee's interaction with the function's head, an annual review of the function's internal quality assurance report, a quarterly summary dashboard providing a snapshot of the progress against the internal audit plan tabled at each Committee meeting as well as any other ad-hoc quality reporting requested.

Taking all these elements into account, the Committee concluded that the Internal Audit function was an effective provider of assurance over the Company's risks and controls and appropriate resources were available as required.

External audit

External auditor independence and objectivity

PricewaterhouseCoopers LLP (PwC) were appointed the Company's external auditor following a competitive tender process in 2020, and they undertook the FY 2021 audit. Matthew Mullins is the Senior Statutory Auditor.

The independence of the external auditor is essential to the provision of an objective opinion on the true and fair view presented in the financial statements. PwC's independence and objectivity are safeguarded by a number of control measures including:

- limiting the nature of non-audit services performed by the external auditor
- the external auditor's own internal processes to vet and approve any requests for any non-audit work to be performed by the external auditor
- monitoring changes in legislation related to auditor independence and objectivity to assist the Company to remain compliant
- the rotation of the lead audit partner after five years
- independent reporting lines from the external auditor to the Committee and ensuring the external auditor is afforded the opportunity for in-camera sessions with the Committee
- placing restrictions on the employment by the Group of certain employees of the external auditor

- providing a confidential helpline that employees can use to report any concerns, including those relating to the relationship between Group employees and the external auditor
- an annual review by the Committee of the policy in place to ensure the objectivity and independence of the external auditor is maintained

Assessing the effectiveness of the external audit process

The Committee, other Board members, senior management in both the corporate functions and within the operations and the internal audit team evaluated PwC's performance and the effectiveness of the external audit process during FY 2024. The Committee also considered the independence and objectivity of PwC. The following factors were considered:

- the quality of the interactions between the audit team and the Committee, other Board members, management and those involved in the preparation of the accounts
- whether the scope of the audit and the planning process were appropriate for the delivery of an effective audit
- the external auditor's progress achieved against the agreed audit plan and communication of any changes to the plan, including changes in perceived audit risks
- the competence with which the external auditor handled the key accounting and audit judgments and communication of the same with management and the Committee
- the external auditor's compliance with relevant regulatory, ethical and professional guidance on the rotation of partners
- the expertise and resources of the external audit team conducting the audit
- whether the statutory audit contributed to the integrity of the Group's financial reporting

Taking into account the above factors and feedback from management, members of the Committee and the Board, the Committee concluded that the external audit process and services provided by PwC were satisfactory. The feedback was shared with PwC and any opportunities for improvement will be considered and agreed.

FRC Review

The FRC conducted an Audit Quality Review on the work of the external auditor completed in respect of the audit work conducted on the annual report for the 52 weeks ended 25 March 2023. There were no key findings reported following the review. There were two points classified as other findings and these were addressed by PwC in respect of the audit for the 53 weeks ended 30 March 2024.

The FRC also conducted a review of the interim report for the period ended 30 September 2023 and made two recommendations where further clarity could be provided. The comments have been taken on board in respect of the Annual Report for 2024.

Audit Committee report continued

Policy on the provision of non-audit services

The Committee's policy on the use of the external auditor for non-audit services includes the identification of non-audit services that may be provided and those that are prohibited. The policy requires that the external auditor will only be used for non-audit services where regulation permits, the Group benefits in a cost-effective manner and the external auditor maintains the necessary degree of independence and objectivity. The policy provides for a cap on fees for non-audit work of 70% of the average of fees paid to the audit firm over the previous three years for audit services.

The Committee receives regular reports on all non-audit assignments awarded to the external auditor and a breakdown of non-audit fees incurred. The Committee is satisfied that the Company was compliant during the year with both the Code and the FRC's Ethical Standard in respect of the scope and maximum permitted level of fees incurred for non-audit services provided by PwC. Details of amounts paid to the external auditor for audit and non-audit services for the 53 weeks ended 30 March 2024 are set out in note 6 to the consolidated financial statements.

Tax strategy

We believe we have a responsibility to manage our tax affairs in a way that sustainably benefits the customers and communities we serve. We also have a responsibility to shareholders to ensure we pay the right amount of tax and ensure compliance with the tax rules in each country in which we operate. In the UK, HMRC have categorised the Group as low risk given our systems, processes and governance structures. Further information on our tax strategy, which was reviewed by the Committee and subsequently approved by the Board in September 2023, is available on our website. The tax strategy is reviewed annually by the Committee.

Compliance with the Competition and Markets Authority Order

Pursuant to Article 7.1 of The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014, the Company confirms that it has complied with the provisions during FY 2024, including Part 5 in relation to the role of the Committee.

Responsible Business Committee report



Claire Hawkings

Chair, Responsible Business Committee

Main responsibilities

The Committee has oversight of safety, the People strategy, environmental impact of the Group's activities, sustainability and community engagement.

The terms of reference are available on the Group's website.

Committee members:

Claire Hawkings (Chair)
Sally Cabrini
Myrtle Dawes
Ant Green
Peter Lynas

Dear Shareholder,

Leading in environmental and social sustainability is a key pillar within the Group's new business strategy, which is overseen and led by our Responsible Business Committee.

The Committee's remit is broad, but has key focus areas of safety, climate and environment, governance, disclosures and social value covering our people, communities and broader stakeholder groups.

The Committee ensures our responsible business activities are supported by robust plans and performance metrics. Performance reports are shared with the Committee at each meeting and provide an essential mechanism for understanding progress and taking action.

This report focuses on the governance of the Responsible Business Committee and the key governance matters are set out in the paragraphs below.

I look forward to working with the Executive team in the coming year as we start to implement the new four-pillar strategy for the Group.

Claire Hawkings

Chair, Responsible Business Committee
11 June 2024

Membership and attendance

The Committee membership is set out in the column to the left and the attendance records are shown on page 104.

The Company Secretary attended all meetings during the year and, at the invitation of the Committee Chair, the Chairman, the Chief Executive Officer, the Group HR Director, the Director of Corporate Responsibility, the Divisional Managing Directors, the General Counsel and the Head of Internal Audit attended relevant sections of meetings to support the work of the Committee with inputs on their areas of responsibility or expertise.

Meetings during the year

The Responsible Business Committee met on four occasions and in each meeting received a report from the Chief Executive Officer on safety matters. Senior representatives from First Rail and First Bus attended and each presented progress in four areas: safety, people, environment and community.

The Committee oversees the focus on safety performance across the Group with positive trends in the key indicators. The Committee received reports on significant safety matters and reviewed the root cause investigations in respect of significant incidents that occurred during the year.

In addition, when the Committee met in March and June they reviewed the Responsible Business disclosures in the Annual Report for 2023.

In June, the Committee received an update on the Group safety policy and reviewed the gender and ethnic minority diversity targets. The Committee also received a report on TCFD alignment and steps being taken to develop a Group-wide climate transition plan.

In September, the Committee received an update on TCFD compliance and the new Group strategy. The Committee also reviewed the external recognition from external bodies and areas in which to focus effort to improve any such ratings.

In January 2024, the Committee met in Bristol and had the opportunity to tour two bus depots. The formal meeting covered a follow-up on the new Group strategy. The Committee also reviewed the Group's ethnic and gender pay gap reporting.

In March 2024, the Committee reviewed and approved safety targets for FY 2025 and received an update on science-based targets, TCFD reporting and a report on our sustainable procurement strategy.

Throughout the year, the Committee has worked with the Remuneration Committee to oversee the development and performance against key performance measures that form part of the variable remuneration of the Executive team.

FY 2025

At the meeting in June 2024, the Committee reviewed the Responsible Business disclosures and the TCFD reporting. During FY 2025, the Committee will continue to provide oversight on safety, people strategy, environmental impact of the Group's activities and our community engagement.