

London General Transport Services Limited (the “Company”)

The following Section 172(1) Statement and Corporate Governance Report have been extracted from pages 3 to 12 of the Company’s Annual Report and Financial Statements for the year ended 3 July 2021. All references to “Group” in this document mean The Go-Ahead Group plc (registered number 02100855).

Section 172 of the Companies Act 2006 Statement

This report sets out how the directors comply with the requirements of Section 172 of the Companies Act 2006 and how these requirements have impacted the Board’s decision making throughout the year ended 3 July 2021 (“Section 172 Statement”).

The role of the Board and how it operates

The Board is responsible for creating and delivering long term sustainable value for the business and is accountable for balancing the varying interests of the Company, including those of its ultimate parent, The Go-Ahead Group plc (the Group), plus those of its colleagues, customers and investors, while being mindful of the communities it serves.

The composition of the board and how it operates is set out under Principle Two (Board Composition) of our Corporate Governance Report which follows the strategic report in the Company’s 2021 Annual Report and Financial Statements (pages 3 to 8 of this document).

Board Governance

The Board has chosen to apply the Wates Corporate Governance Principles for Large Private Companies for the year ended 3 July 2021. These principles provide a code of corporate governance for large private companies to raise awareness of good practice and over time to help to improve standards of corporate governance. They also support directors to meet the requirements of Section 172 of the Companies Act 2006 by providing guidance on the following areas:

- Purpose and leadership;
- Board composition;
- Director responsibilities;
- Opportunity and risk;
- Remuneration; and
- Stakeholders.

The Corporate Governance Report, which evidences how the Company applies the principles, follows the strategic report in the Company’s 2021 Annual Report and Financial Statements (pages 3 to 8 of this document) and is also available on the Company’s website: www.goaheadlondon.com

Compliance with section 172(1) of the Companies Act 2006

The directors are mindful of their duty to promote the success of the Company for the benefit of its shareholder (and in turn the wider Group), whilst also having regard to the interests of a range of other stakeholders. In doing so, the Board’s desire to act fairly for its shareholder, maintain a reputation for high standards of business conduct, and consider the long term consequences of the decisions they take, have underpinned the way it operates at the business. Further details are provided below:

Section 172(1)(a) and (e) - the likely consequences of any decision in the long term and the desirability of the company maintaining a reputation for high standards of business conduct

At London General Transport Services, actively listening to and engaging effectively with our wide variety of stakeholders is key to ensuring responsible decisions are made. Please refer to Principle 6 in the Corporate Governance Report on pages 7 and 8 of this document for further details on why and how we engage with our stakeholders and examples of how we responded.

We appreciate the need to ensure that the decisions we take generate value for all our stakeholders and support creation of long-term sustainable value so that, ultimately, we can continue to be a vital part of the communities we serve.

The Group's devolved management operating model is a key feature of the Board's decision-making process, with the Group executive directors acting as an intermediary and ensuring there is two-way feedback between the Group Board and Company Board. In line with this established approach, the viability of principal decisions such as, for example, the acquisition of a new operating site at Silvertown and land at River Road, Barking, will first be considered at our Company Board meetings. If approved, the Group executive directors will then submit a proposal to the Group Board. This process supports the Board performing its duties in compliance with the matters set out in paragraphs a-f of section 172 of the Companies Act 2006.

The directors take the good standing and reputation of the Company seriously which is not limited to just operational and financial performance. The strong reputation and positive stakeholder relationships we have developed over many years have never been more important than during the COVID-19 pandemic. During the year, the Company have worked closely and collaboratively with key industry partners, such as Transport for London (TfL), trade unions and the wider supply chain to deliver solutions that ensure that bus service provision remains at the right level, that government policy is brought into effect, and that suitable funding is received to enable essential services to continue to be delivered.

The directors seek to ensure high standards of ethical conduct, honesty and integrity in our business practices. The Board seeks to have a workforce that more rightly reflects diversity of the communities we serve. Please see the Section 172(1)(b) section below for further details.

During the year, the Board approved the Company's modern slavery statement (available on our website at goaheadlondon.com). The Board also considered the data, and narrative, relevant to the Company's Gender Pay Reporting in preparation for external publication, including proposed improvement plans to enhance performance. For example, the Company has set a target that no less than 20% of all employment applications should be from females in order to further diversify our team.

Section 172(1)(b) - the interest of the company's employees

The directors understand the importance of the Company's employees to the long-term success of the business. For details of how the Company proactively engages with its workforce, please refer to Principle 6 in the Corporate Governance Report on pages 7 and 8 of this document.

Safeguarding the health and wellbeing of the Company's employees (and other stakeholders) remains the main priority for the Board. Our 'safety first' culture has been further enhanced in the light of the COVID-19 pandemic over the last 18 months or so. All locations have been the subject of revised risk assessments and associated work practices, in line with government and World Health Organisation advice. We have pro-actively identified colleagues deemed as vulnerable or extremely clinically vulnerable and worked with them to establish furlough status. Most of our frontline colleagues are drivers and we worked with TfL and the wider industry to deliver sealed driving cabs, which is one of a series of measures designed to deliver greatly reduced physical contact. The provision of Personal Protective Equipment has been maintained for all employees and the Company has worked closely with the recognised trade union to deliver covid-safe measures at each of its 17 distinct locations.

Being an employer of choice is important to maintaining a high level of employee retention. The Company provides market competitive remuneration and comprehensive benefit packages. Colleagues are recognised and rewarded for their contribution and commitment.

The Company's workforce is represented by trade unions and employee representatives and the Board strive to foster positive working relationships with them. COVID-19 has seen management and union work harmoniously on many issues, with diarised dialogue, open communication channels, extensive consultation and a genuine desire from both sides to do the right thing.

The Company is committed to employing an inclusive and diverse workforce, enabling all colleagues to reach their full potential, to be empowered and engaged with a strong commitment to personal development. 53% of our colleagues are from a Black, Asian, Minority Ethnic (BAME) background.

Recent appointments to our graduate and apprenticeship schemes have demonstrated our commitment to changes, as has our recently launched and pioneering Equality, Diversity and Inclusion training. The latter of which was developed in partnership with the trade union and supports the 'Show Racism the Red Card' campaign. Additionally, despite the challenges posed by the pandemic, we have supported

female colleagues in submitting nominations for the Everywoman Transport Logistics awards and contributed to the Group's 'Women in Bus' programme.

Section 172(1)(c) - the need to foster the company's business relationships with suppliers, customers and others

The Board regularly reviews how the Company maintains positive relationships with all of its stakeholders, including suppliers, customers and others.

The directors understand the importance of the Company's supply chain in delivering the long-term plans of both the Company and the Group. Through our Sustainable Supply Charter, we demonstrate high standards of integrity, responsibility and professional conduct. We endeavour to support our suppliers to improve the sustainability of their business. We support the Group's compliance and endeavour to pay suppliers in line with the Prompt Payment Code and when the reduction of supplier services has been necessary during the COVID-19 pandemic, we applied a fair and structured process in line with the Company's Sustainable Supply Chain Charter where possible.

Passengers are at the heart of the business and the Board is committed to providing them with safe, convenient and reliable services, building relationships through regular TfL engagement and our own stakeholder contact programme. Passenger satisfaction is a strong indicator of how well we are meeting user needs, and the directors monitor this through monthly surveys conducted by TfL.

In the last six months, we have publicly engaged in debate on the future of the network post-pandemic, with focus on recovery of ridership. This has resulted in ongoing communication with London Travelwatch and we are currently assisting them on a separate campaign they are developing focused on the need for effective bus priority.

Please refer to Principle 6 in the Corporate Governance Report on pages 7 and 8 of this document for further details on how we engage with our customers and suppliers

Section 172(1)(d) - the impact of the company's operations on the community and environment

As the capital's biggest bus operator, the Company has a far-reaching impact on the Group (as its ultimate parent company) as well as its customers, employees, regulators and the communities it serves. The Company aims to align its business values, purpose and strategy with the social, economic and environmental needs of its stakeholders, embedding responsible and ethical business policies and practices in everything it does. For further information on the impact of the Company's operations on the community and environment, please see our Corporate Governance Report on pages 7 and 8 of this document and our 2021 Sustainability Report available in the environment section of goaheadlondon.com.

Section 172(1)(f) - the need to act fairly as between members of the company

The Company is owned 100% by Go-Ahead Holding Limited. However, the Company's ultimate parent company and controlling party is the Group.

The Group operates a devolved operating model. Whilst day-to-day management of the Group's activities, governance and oversight has been delegated to the Group executive directors, the directors of the Company both individually and collectively support them in this role and the Company is operated as an autonomous business unit. Board meetings are held monthly with the Group executive directors in attendance who scrutinise and challenge the execution of strategy. These more formal meetings are supported by several cross-business forums (such as safety, IT, engineering, HR, diversity and inclusion, commercial, operations and finance) that serve to facilitate the sharing of knowledge, ideas and best practice. This approach encourages the right balance between local and Group initiatives and facilitates fair discussion and decision-making. It also ensures that we deliver more operating collectively than we would independently.

Corporate Governance Report

For the year ended 3 July 2021, under The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended by The Companies (Miscellaneous Reporting) Regulations 2018), the Company has applied the **Wates Corporate Governance Principles for Large Private Companies** (published by the Financial Reporting Council (FRC) in December 2018 and available on the FRC website).

We have adopted the disclosure in our 2021 Annual Report and Accounts and set out below is how we have applied the principles over the past year throughout our work.

Principle 1 – Purpose and Leadership

Our purpose and vision is to ‘take care of our customers’ changing needs today, tomorrow and always. Today, we strive to provide a reliable service that people can trust. Tomorrow, we will help to create a London where every journey is taken care of. We will always strive to maintain our position of being London’s ‘Bus Operator of choice’. Our values include ‘respecting each other and taking personal responsibility, being can do people who are open and approachable, building relationships and working as one team and being forward looking and adaptable’.

Our purpose and values were initially communicated to all colleagues through a series of workshops where colleagues were encouraged to contribute ideas as to how our values can live within our everyday lives and how the Company can practically meet its purpose in real life scenarios. Corporate videos, our intranet ‘The Hub’, emails, posters and, the Company magazine, “Bus Talk” are used to demonstrate our values in action. Purpose and values are also embedded in our induction and onboarding programmes.

The effectiveness of our purpose and values is measured through customer satisfaction surveys, colleague engagement pulse surveys, public correspondence, stakeholder surveys, absenteeism and turnover key performance indicators.

We operate approximately 160 competitively tendered public transport bus contracts for Transport for London (TfL) from 17 garages across the capital. Our strategy is to maintain our sector leading performance and market position through strong and effective management, providing high quality and cost-efficient operations whilst seeking expansion through additional contract wins and value adding acquisitions. A stable contract base, inflationary revenue growth and cost efficiencies contribute towards the Company’s strategy.

We also have a commercial team who undertake planned and emergency rail replacement bus services for Go-Ahead’s train operating companies GTR and, up to the expiration of the franchise agreement on 17 October 2021, Southeastern. The team also consider other commercial opportunities outside of the TfL Network.

Principle 2 – Board Composition

For the year ended 3 July 2021, the Board comprised the Group Chief Executive and the Group Chief Financial Officer (the Group executive directors), the Managing Director, Finance Director, Operations Director and Engineering Director. Following the year end, Elodie Brian resigned as Group Chief Financial Officer and a director of the Company with effect from 27 September 2021. She was replaced in these roles by Gordon Boyd who was appointed as Interim Group Chief Financial Officer and director of the Company with effect from and including 28 September 2021 up to and including 28 March 2022 when he resigned. David Brown retired as Group Chief Executive and director of the Company with effect from 5 November 2021 and was succeeded in these roles by Christian Schreyer with effect from the same date.

All directors on the Board during the year were full time employees of either the The Go-Ahead Group plc (the Group) or the Company. This size and composition of the Board are appropriate for our business and ensures that the Board has the appropriate balance of skills, knowledge and experience.

The Group Chief Executive chairs the Board and promotes a culture of open and constructive debate. This role is separate to that of the Managing Director who is empowered to operate the business autonomously with the support of the Finance Director, Operations Director and Engineering Director. Board meetings are held monthly with the Group executive directors in attendance who scrutinise and provide independent challenge to the Board’s execution of strategy. In addition, there are cross business

forums that operate at Managing Director, Finance Director, Engineering Director and Operations Director levels. When circumstances permit, the Group Chair visits annually to conduct a deep dive into execution of the strategy and there are regular visits by Group Non-Executive Directors that challenge both our strategy and objectives.

The Managing Director reports to the Group executive directors directly on day to day management issues, including risk, and is responsible for ensuring compliance with the Group's policies and procedures.

The Board is committed to developing a more diverse workforce, including at the most senior levels. For further details on the work we have undertaken on diversity and inclusion throughout the year, please see our Section 172 Statement on pages 1 to 3 of this document.

The Board believes that continuous director training and development supports board effectiveness. With the ever-evolving regulatory landscape in which the Company operates, it is critical that the Board maintains a good working knowledge of the transport sector and how the Company operates within its sector, as well as being aware of recent and upcoming developments in the wider legal and regulatory environment. Examples of training and development opportunities provided to all directors during the year included modern slavery, GDPR and cyber threats. To assist the Board in undertaking its responsibilities, regular presentations are provided from senior management. Where required, support is also provided from Group Company Secretariat.

Whilst a formal board evaluation does not take place, the Group executive directors' individual effectiveness was assessed as part of the Group's wider annual review. The individual director effectiveness for the other directors was assessed by functional key performance indicators and formal appraisal interviews.

Principle 3 – Director Responsibilities

The Board holds eleven scheduled meetings a year with all directors expected to attend all Board meetings. The Board receives regular and timely information (at least monthly) on all key aspects of the business including health and safety, road safety, financial performance and KPIs, capital expenditure, contracts and tendering, operating and engineering performance, people and engagement, market and competition and industrial relations.

The Group Board reviews governance processes, including policies and procedures, on at least an annual basis to ensure that these remain appropriate. The Company complies with the Group Policies and Procedures Manual and reports its compliance to the Group annually on a self-certification basis. This also includes an Operating Company Board Procedures Manual which sets out formal procedures for the working of the board, delegated authorities, the timely provision of appropriate information and the duties and responsibilities of directors, including standards of conduct and compliance. This Operating Company Board Procedures Manual is based on the Manual used by the Group.

The Board has established robust procedures for ensuring that its power to authorise conflicts of interest is operated in accordance with the Companies Act 2006. All directors are required to make the Board aware of any other commitments and actual/potential conflicts of interest that could interfere with their ability to act in the best interests of the Company.

The Board believes in equal opportunities and apply fair and equitable employment practices. Our Code of Conduct states that all employees should be treated with respect and that their health, safety and basic human rights should be protected. All our colleagues are required to adhere to our Anti-bribery and Corruption policy. We also have a zero-tolerance approach to sexism, racism, bigotry, or any unfair treatment of anyone with a protected characteristic.

Principle 4 – Opportunity and Risk

The Board seeks out opportunity whilst mitigating risk. Our core market is the provision of safe and profitable public transport contracts for TfL. Tender opportunities are evaluated on a route by route basis taking account of proximity to our operating locations and garage capacity. Other commercial value opportunities, e.g., rail replacement contracts, are considered individually.

The Company recognises the distinction between risks that are outside of its control or against which mitigations are limited and those risks that the Company has an appetite for. A summary of the Company's key principal risks and mitigations are as outlined in the Strategic Report.

Ultimate accountability of risk identification and management lies with the Managing Director, supported by all other directors on the Board. At operational level, there are internal audit functions embedded within each functional discipline.

The assessment of key principal and emerging risks is embedded within the day-to-day operations of the Company. Such assessments are consolidated and reviewed as part of monthly Board reporting as well as being reported to the Group twice a year in accordance with full year and half year results reporting. As part of this reporting process, risk reports are completed which outline the key principal and emerging risks facing the Company, provide an explanation of the procedures in place to mitigate and manage such risks and prioritise the most important risks from both an inherent and residual perspective. These reports are then discussed with the Group executive directors at bi-annual risk board meetings with discussion focused on the most important risk and control areas within the business. Following such meetings, the Group executive directors report to the Group audit committee with final approval being granted by the Group Board for key risks that could have a material impact on the Group performance, strategy or business model.

The level of risk the Company is willing to take to achieve its strategic objectives, together with the level of risk shock that it can withstand is aligned with that set out in the Group's risk appetite statement. The Company benchmarks its bi-annual risk reporting against the Group's risk appetite statement, with any key risks being identified and discussed with the Group executive directors at bi-annual risk board meetings.

Principle 5 - Remuneration

Remuneration arrangements are based on the principles that reward should be sufficient to attract and retain high calibre directors, senior management and the wider workforce.

For the London General Transport Services Board members, remuneration is determined by the Group Board in line with the Group's Senior Management Remuneration Policy. Remuneration is structured to support both the financial objectives and the strategic priorities of the Group in a manner which is aligned with shareholders' and stakeholders' long-term interests. The directors' remuneration is disclosed on page 36 (note 6) of the Company's 2021 Annual Report and Financial Statements.

During the year, the Group executive directors were remunerated by the Group. For further details of the remuneration policy which applied to the Group executive directors together with details of the remuneration paid to them in the 2021 financial year, please see pages 108 to 142 of the Group's 2021 Annual Report and Accounts.

Remuneration for administrative staff is guided by salary scales which are adjusted each year in line with headline company rate which is normally derived from an average of the settlements agreed with the recognised trade union, Unite. Exceptional performance can be rewarded by discretionary bonuses. Management salaries are subject to a similar cost of living review and a separate performance related bonus. Remuneration for the wider workforce, such as bus drivers and engineers, is driven by a collective bargaining process which allows for the Company's management team to set priorities and adjust remuneration to meet specific demands, taking into account the labour market, workforce aspirations, operating conditions and competitor activity.

During the year, the Board considered the data and narrative relevant to the Company's Gender Pay Reporting in preparation for external publication, including proposed plans to enhance performance. In London General Transport Services, the mean pay gap of 5.7% is equivalent to 97p which is significantly lower than the 14.4% national average. Likewise, the median pay gap of 3.7% (or 61p) is also substantially lower than the 15.4% national median. At London General Transport Services, the opportunity to receive a bonus is heavily influenced by length of service. The mean bonus gap is 11.4% (or £218.72), which is significantly better than the national average of 66.8%.

Principle 6 – Stakeholder Relationships and Engagement

The Board is clear on the importance of good governance and effective to deliver our purpose and to protect the Company's brand, reputation and relationships with all our stakeholder community including the Group, TfL, passengers, workforce, government and local authorities, suppliers and the local communities in which we work. The Board believes that listening and engaging effectively with our key stakeholders is critical to ensuring that the right decisions are made which consider their needs and

priorities. An established reporting process is in place, where the Company is required to report formally to the Group Board on what engagement has taken place with our key stakeholders and the outcome of such engagement.

The Go-Ahead Group plc (the Group)

The Group is the Company's ultimate parent. The Board believe that effective communication and proactive engagement with the Group is paramount in establishing a mutual understanding of both the Company's and the Group's wider objectives. The Group executive directors, who also sit on the Company's Board, form the primary communication route between the Company's Board and the Group Board. This facilitates effective open, transparent and two-way engagement, the feedback from which forms part of the Board's strategic discussions.

In addition to monthly Board meetings, each Director attends group wide forums such as Finance Directors Forum, Operations Directors Forum, Engineering Directors Forum and the Risk Forum. These individual forums feed into the Bus Business Steering Group (BBSG) attended by all bus managing directors. They have proven invaluable during the COVID-19 pandemic helping to shape the Company's response and actions through sharing knowledge and lessons learnt from across the Group, improving collaboration and cultivating a 'Better Together' ethos.

TfL

As our primary customer, the Company engages with TfL both operationally, to apply the best standards and practice, and strategically to ensure that public service transport continues to meet the changing needs of our passengers and to keep London moving.

The Managing Director takes an active role in the London-wide Bus Operators' Forum (BOF), additionally there are dedicated groups on specific subjects e.g. Safety BOF and Engineering BOF. These forums discuss any issues in the network and drive forward current initiatives.

During the COVID-19 pandemic, TfL held weekly calls with all operators, updating them on a variety of topics e.g. COVID-19 testing, marketing campaigns, cleaning regimes and mask wearing on the network.

Passengers

Passenger needs are constantly evolving, and we build a greater understanding of them through regular meetings and consultation with TfL, in addition to our own analysis of an ever-changing market.

Our interaction with TfL on this topic ensures we understand, and deliver, their strategy through partnership working, based on two-way dialogue. TfL report on customer satisfaction metrics, which is constantly reviewed by management and, where required, is the subject of a focused improvement plan through driver training and mentoring. TfL monitor customer satisfaction through the Bus Customer Experience Survey (BCES) which measures such things as driver interaction and information announcements.

We additionally engage with London Travelwatch, politicians, academics and other interested parties, to ensure they have a better understanding of our role and responsibilities.

Workforce

The Company regularly communicates with its employees through the intranet site, internal media, newsletters and business updates. 'The Hub' is the Company intranet which is updated regularly and ensures all London General Transport Services employees receive accurate and timely information from the business. The employee portal, toolbox talks, garage open forums, weekly trade union meetings and visits to bus stands are examples of some of the other channels the Company uses to engage with its employees.

This year regular pulse colleague engagement surveys have been performed to gain feedback from employees and identify areas of improvement, especially throughout the COVID-19 pandemic. The Board considers the results of all employee engagement surveys a good barometer of the workforce's confidence in the Company's strategic direction, optimism in the future and career opportunities.

The Company has a formal whistleblowing policy in place where employees can, in confidence, raise legitimate concerns about wrongdoing within their workplace. This policy is reviewed by the Board on

an annual basis, with this year's review confirming that the policy remains fit for purpose and enables a good level of communication with colleagues at all levels of the business.

The Company makes use of intranet sites, notice boards and the induction process etc. to ensure that employees are fully aware of the process for raising concerns and providing a safe and secure environment for doing so. Employees also have access to a wide range of alternative and more informal channels through which to raise concerns. These include the HR Manager, colleague champions, one-to-one meetings with managers, 'open-door' policies, staff forums, trade unions, garage forums, roadside chats and health and safety reviews. All employees have a direct channel to the managing director with a bespoke email address specifically for concerns. All London operators are members of CIRAS which provides employees with an anonymous reporting line if they feel unable to speak to a manager about a safety related issue.

Over the last year, executive meetings with employee representatives were held weekly to find collaborative solutions to the varying challenges brought on by the pandemic, such as driver safety measures, testing regimes and absence policies.

Government and local authorities

Working closely with both central and local government enables us to contribute our private sector experience and expertise to the public agenda and produce better policy outcomes and service delivery.

We operate our routes under contract to TfL and TfL consult with local authorities, user groups and passengers on behalf of all operators. Consultation documents are published online about local bus network reviews and publications such as the Metro newspaper are used to bring changes to the public's attention.

Regular engagement with the London Boroughs ensures proposed road schemes are planned and timed so as to cause as little disruption to journey times as practicable. For example, Go Ahead London will attend site meetings hosted by the local authority and TfL where the positioning of a bus stop or stand will be discussed.

Suppliers

Our suppliers are fundamental contributors to the success of our business. Regular meetings and forums are held to manage relationships, understand challenges and to source, identify and implement new solutions and alternative ways of working.

Having strong supplier relationship management with our key suppliers has been vital throughout the pandemic. An example of this is working with our cleaning providers to provide enhanced cleaning of our fleet and premises to ensure a safe environment for passengers and colleagues.

In 2021, the Group launched a new supplier assurance process to manage and onboard new suppliers building on the Cognate platform launched in 2019. This new process not only provides the Company with a validated pool of high quality suppliers, it also makes the supplier onboarding process smoother and simpler for both Go-Ahead London and the suppliers.

Communities

Public transport is critical to the functioning of society and has been fundamental in supporting communities through the COVID-19 crisis and other emergencies by providing continuous and reliable bus services for key workers.

In making decisions, the Board considers how the Company's activities may affect both current and future stakeholders, which, for example, could include impacts on the environment. For further information on the impact of the Company's operations on the community and environment, please see our 2021 Sustainability Report available in the environment section of our website at goaheadlondon.com.