# Developing the Board's role in culture

"By aligning business decisions to the long term interests of Go-Ahead, we can create sustainable value for all stakeholders and the society we serve."

**Andrew Allner,**
Chairman

**Compliance with the UK Corporate Governance Code**

Go-Ahead complied in full with the provisions of the UK Corporate Governance Code published in April 2016 (the Code) which applied throughout the financial year ended 1 July 2017. The Code is issued by the Financial Reporting Council (FRC) and is available for review on the FRC's website: http://www.frc.org.uk

## Dear Shareholder,

Go-Ahead prides itself on its solid reputation for conducting business activities to the highest ethical and professional standards. We are guided by our corporate governance principles and benefit from strong Board oversight. We look continually to improve and adapt to the changing needs of our business and society as a whole, to ensure we are always operating in accordance with best practice and to deliver long term sustainable value for our customers, colleagues, shareholders and other stakeholders.

### Our culture agenda

A key focus for the Board this year has been corporate culture. Over the course of the year, the Board has spent a significant amount of time discussing culture and has used the Financial Reporting Council's recently published 'Report of Observations on Corporate Culture and the Role of Boards' to facilitate initial debate. From this, the Board has developed its own culture agenda, supported by a new Board development programme which has also been implemented during the year.

At our November 2016 Board meeting, which was dedicated to culture, the Board spent time discussing what culture really meant to individual Board members and the Board as a whole. Using a structured framework, led by the Group Company Secretary, the Board considered culture in the context of strategic direction, risk and the business model. The role of the Board, including behaviours and accountability was also debated, as was the governance framework that needed to be in place to deliver the culture agenda.

It is important that the Board sets the right tone from the top and we are accountable for how we behave. The Board has a significant role to play in determining the purpose of the Group and ensuring that the Group's values, strategy and business model are all aligned. Having a clear line of sight between the decisions we take and how these impact the business is a key priority for the Board. We believe that by aligning business decisions to the long term interests of Go-Ahead, we can create sustainable value for all stakeholders and the society we serve.

While the collective Board is responsible for culture, it is the executive directors and senior management teams who are responsible for leading and implementing the cultural change with our colleagues across the business and providing assurance to the Board. Oversight and bringing our vision, beliefs and attitudes to life is therefore a key area for the Board. Culture is a stand-alone agenda item at all Board meetings and updates are provided from the Group Chief Executive on the progress being made across our operating companies. Our culture agenda is cascaded down to the audit, remuneration and nomination committees which all work to the same principles.

We have agreed cultural indicators which will enable the Board to monitor progress and hold the executive directors to account and we will measure the key outputs in working towards achieving our desired culture. These include improved performance, better customer service and reputation, high colleague and stakeholder engagement, with Go-Ahead a more attractive place to work and representative of the people and societies we serve. We know that we need to be aware of Go-Ahead's overall social impact and our accountability to a wide range of stakeholders and, to reflect this, we have also linked our key cultural indicators to executive remuneration.

## Developing the Board

The Board has an important role to play regarding its own behaviour and all Board members need to bring the right values to Go-Ahead to create the blend which is vital to a healthy boardroom culture. Ensuring all Board members are aligned to Go-Ahead's corporate culture has therefore been another key area of focus during the year.

To make certain that the work of the Board was closely aligned with the Group-wide culture change programme, we brought forward our external Board evaluation scheduled for 2018 to this year. With a different emphasis from the more traditional board evaluations we have previously undertaken, the focus was more about actual Board development. With a Board development programme designed in conjunction with Better Boards Ltd, the objective was to provide each Board member with insights about themselves and their colleagues on the Board, providing a foundation upon which individuals could increase their personal impact and the overall effectiveness of the Board.

The review established that Go-Ahead has a strong Board, with relationships built on trust and its size is a key strength to ensuring that everyone can contribute. The Board is open and collegiate, with a good quality of debate and the opportunity to challenge constructively where appropriate. The review did, however, highlight the levers for Board members (both individually and collectively) to further increase their effectiveness through an appreciation of the roles and responsibilities on the Board, supporting colleagues to harness their skills on the Board and facilitating the right discussion and quality of debate. You can read in full the process through which the Board went and the outcomes of the review on pages 60 and 61. We also describe the actions we took during the year to address matters highlighted from the previous year's internal Board evaluation.

## Board composition and changes

In accordance with our succession plan, Nick Horler will retire from the Board at the 2017 Annual General Meeting and I am grateful to Nick for his contribution to the Board during his tenure of what will be six years at the date of his retirement. Through the work undertaken as part of our external Board development programme, which involved assessing the Board's existing skill set against key know-how areas and role behaviours, we created a detailed job specification to guide the search process for his replacement. This ensured that any new non-executive director would bring the skills and behaviours we needed to best complement the existing Board and support our strategy and culture.

Following a rigorous selection process, which was carried out by the nomination committee, we are pleased to welcome Harry Holt and Leanne Wood as non-executive directors to the Board in October 2017. Full details can be found in the nomination committee report on pages 73 to 76.

## Governance

As a Board, we believe that good governance is crucial to the successful delivery of Go-Ahead's strategic priorities. Our strategy is supported by a strong and effective governance structure which starts with the Board and permeates throughout the organisation. This is an integral part of the way we design and deliver our strategy, supporting effective decision-making and ensuring there is clear accountability up to the Board. Corporate governance underpins how we conduct our business, our culture and our behaviours and a summary of the Board's robust governance framework is set out on page 53.

We also ensure that we remain abreast of best practice and actively participate in debates and consultations on matters which are important to our business and the communities in which we operate. An example of this was our participation in the consultation on the Government's green paper on corporate governance, where we support the drive for greater stakeholder involvement at Board level and agree that there need to be changes around executive remuneration policies.

## Accountability

The Board understands its responsibility to present a fair, balanced and understandable assessment of the Group's position and prospects in this 2016/17 Annual Report and Accounts. This includes assessing the principal risks facing the Group, ensuring that effective systems of risk management and internal control are in place and providing a statement as to the Group's long term viability. The steps that we have taken during the year to comply with these requirements can all be found in the following corporate governance report and the managing risk section on pages 40 to 45.

## Engagement with shareholders

We place considerable importance on the views of our shareholders. The Group investor relations (IR) programme, managed by the Group IR team, includes regular dialogue between the executive directors and current and potential shareholders through group and one-to-one meetings, presentations and conferences. While key shareholder engagement activities are undertaken by the executive directors, overall responsibility for ensuring that there is regular and effective dialogue with investors and ensuring the Board collectively understands their views rests with me. I held a number of meetings with shareholders during the year and I'm available to meet with investors as appropriate. Private shareholders have the opportunity to speak with the Board and raise any concerns at the Annual General Meeting. To understand how we work together with our wider stakeholders, please see pages 6 and 7 of the strategic report. For further information on our IR programme and how we listen to and engage with our stakeholders, please read pages 62 and 63.

**Andrew Allner,**
Chairman
6 September 2017

# CORPORATE GOVERNANCE HIGHLIGHTS

## Highlights of Board objectives 2016/17

- Drive culture change and ensure all strategic decisions are underpinned by the Group's new vision, beliefs and attitudes
- Continue to build relationships with key stakeholders, with a focus on partnership
- Ensure the Group's strategy supports delivering value for our customers, employees, shareholders, stakeholders and the wider society
- Focus on improving performance and customer service at GTR
- Bid for third tranche of work for the Singaporean bus market
- Continued refinement of dividend and capital allocation policy and return to shareholders where appropriate
- Schedule 'deep dive' reviews into key risk areas and continue to develop risk appetite discussions and assessment

## Highlights of what we have done

- Externally facilitated Board development programme undertaken, to align with the Group-wide culture change programme but specifically, Board focused
- Improved collaboration with Network Rail and established frameworks to improve working relationships with all key stakeholders
- Evolved our approach to strategy
- Bid submitted for the West Midlands franchise, which was unsuccessful
- Continued focus on the operational and financial performance of the GTR contract
- Bid for the third tranche of work for the Singaporean bus market
- Maintained progressive dividend policy with interim and final dividend increases of 6.5%
- Dedicated time given in Board meetings to 'deep-dive' risk focus areas such as franchise bid process, reputation and cyber security

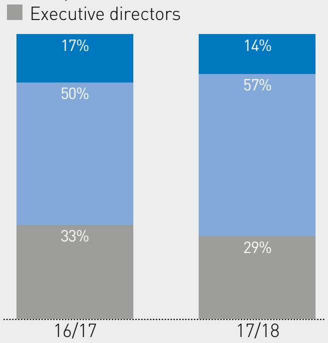
## Highlights of Board focus 2017/18

- A Board commitment to focus on three core areas; resolving the issues at GTR, developing our strategy for sustainable growth and improving the culture of the Group
- Implement the actions from the Board development programme to maximise Board effectiveness
- Restore investor confidence in the Group
- Increase levels of engagement and open communications with all stakeholders
- Continue to explore other bus and rail opportunities in targeted international markets
- Maintain investment grade rating
- Review remuneration policy in the context of best practice and emerging developments ahead of the new policy being put to shareholders at the 2018 Annual General Meeting

**The above are highlights only and for the full list of Board objectives, with what we have done in 2016/17 and Board focus for the forthcoming year, please see pages 57 and 58**

## Board composition

- Chairman
- Independent non-executive directors
- Executive directors




The above charts show Board composition as at the year ended 1 July 2017 and what it will be for the forthcoming year following the appointment of two new non-executive directors on 23 October 2017 and the retirement of Nick Horler at the 2017 Annual General Meeting on 2 November 2017.

## Attendance

Directors' attendance at scheduled and unscheduled meetings they were eligible to attend:

| | Board | | Audit committee | | Remuneration committee | | Nomination committee | |
|---|---|---|---|---|---|---|---|---|
| Board attendance | Scheduled | Unscheduled | Scheduled | Unscheduled | Scheduled | Unscheduled | Scheduled | Unscheduled |
| Total meetings | 9 | 5 | 4 | – | 5 | 2 | 2 | – |
| Andrew Allner | 9/9 | 5/5 | – | – | 5/5 | 2/2 | 2/2 | – |
| David Brown[1] | 9/9 | 5/5 | – | – | – | – | – | – |
| Patrick Butcher[1] | 9/9 | 5/5 | – | – | – | – | – | – |
| Katherine Innes Ker[2] | 9/9 | 4/4 | 4/4 | – | 5/5 | 2/2 | 2/2 | – |
| Nick Horler[2,3] | 8/9 | 4/4 | 4/4 | – | 4/5 | 2/2 | 2/2 | – |
| Adrian Ewer[4] | 9/9 | 3/5 | 4/4 | – | 5/5 | 2/2 | 2/2 | – |

1. Members of the executive team attended committee meetings by invitation as appropriate which are not included in the above attendance.
2. A sub-committee meeting comprising the Chairman, Audit Committee Chair and executive directors was held on 8 September 2016. Katherine Innes Ker and Nick Horler were therefore eligible to attend four unscheduled Board meetings.
3. Nick Horler was unable to attend one scheduled Board and remuneration committee meeting on 7 June 2017 due to a long standing prior commitment. Nick was sent all papers in advance, with the opportunity to provide input before and after the meeting via the Group Company Secretary.
4. Adrian Ewer was unable to attend two unscheduled Board meetings, one of which was due to illness and the other due to a long standing prior commitment. Adrian was sent all papers in advance, with the opportunity to provide input before and after the meeting via the Group Company Secretary.

The Board has focused on areas that have impacted the key performance areas of society and people

## Responsibility of the Board

### Culture
- Leading by example in building corporate culture and reputation
- Setting the Board's own culture agenda
- Oversight and assessment of culture change across the Group
- Regular evaluation of boardroom behaviours
- Individual and collective accountability of how the actions of Board members contribute to culture

For further information on how we lead by example and set the correct tone from the top, please see page 52.

### Strategy
- Setting the long term strategy, targets and objectives to deliver value for our customers, employees, shareholders and other stakeholders
- Approval of the corporate plan for the Group and individual operating companies, oversight and monitoring
- Setting and monitoring the Key Performance Indicators that support the delivery of strategy, including safety targets for continuous improvement

### Finance
- Approval of the Group's Annual Report and Accounts and ensuring that they are fair, balanced and understandable
- Approval of dividend policy and recommending dividends payable
- Approval of key financial policies including accounting, fuel hedging, tax and treasury policies

### The UK Corporate Governance Code
Go-Ahead is committed to maintaining high standards of corporate governance. For information on how we have complied with the UK Corporate Governance Code published in April 2016, please read the following:

- Leadership – pages 50 to 59
- Effectiveness – pages 60 to 61 and pages 73 to 76
- Relations with stakeholders – pages 62 and 63
- Accountability – pages 64 to 72
- Remuneration – pages 77 to 95

### Board
- Governing the Group's vision, values and culture
- Approval of the Board's policies and procedures manual, including delegated authorities and the terms of reference of all committees of the Board
- Supported by a new Board development programme, reviewing the performance of the Board, its committees and individual directors on an annual basis with a focus more on individual and collective development
- Determining the remuneration policy for the executive directors and senior management
- Succession planning and appointments to the Board and senior managers
- Approval of all share schemes and any share buy-back programmes

### Contracts, bids and acquisitions
- Approval of material capital projects, investments, acquisitions, franchises and disposals
- Approval of changes to the Group's corporate structure and constitution

### Risk and governance
- Managing a sound framework of risk management and internal controls and setting the Board's risk appetite
- Approval of the Group's key policies, including health and safety, corporate social responsibility and sustainability
- Ongoing review of the Group's corporate governance framework and policies against best practice

# BOARD OF DIRECTORS

## Andrew Allner
**Chairman**

N R

### Appointment:
Andrew Allner joined the Board in October 2008 and was appointed as Chairman of the Group in April 2013

### Length of service:
8 years and 8 months

### Independent: On appointment

### Skills, experience and qualifications:
Significant Board experience including Finance Director, Chief Executive Officer, Non-Executive Director and Chair roles. Experience across a broad range of UK and multinational companies and sectors. Former Partner at PricewaterhouseCoopers LLP and a Fellow of the Institute of Chartered Accountants in England & Wales. Graduate of Oxford University. Non-Executive Director of AZ Electronic Materials SA from 2010 to 2014, of CSR plc from 2008 to 2013 and of Moss Bros Group plc from 2001 to 2005

### Other directorships and offices:
Non-Executive Chairman of Marshalls plc (Chairman of the nomination committee), Non-Executive Director of Northgate plc and Non-Executive Chairman of Fox Marble Holdings plc (member of remuneration committee)

## David Brown
**Group Chief Executive**

### Appointment:
David Brown was appointed to the Board as Deputy Chief Executive on 1 April 2011 before his accession to the post of Group Chief Executive on 3 July 2011

### Length of service:
6 years and 3 months

### Independent: –

### Skills, experience and qualifications:
Over 34 years of experience in the industry with particular expertise in the London bus market. Former Managing Director of Surface Transport at Transport for London. Thorough knowledge and understanding of the Group's business, having been Chief Executive of Go-Ahead's London bus business from 2003 to 2006 and advisor to the main Board

### Other directorships and offices:
Director of Rail Delivery Group Limited, Director of ATOC Limited (Chairman of the remuneration committee) and Non-Executive Director of Renew Holdings plc

## Patrick Butcher
**Group Chief Financial Officer**

### Appointment:
Patrick Butcher was appointed to the Board as Group Chief Financial Officer on 14 March 2016

### Length of service:
1 year and 3 months

### Independent: –

### Skills, experience and qualifications:
Member of the Institute of Chartered Accountants (South Africa). Over 16 years of experience as a Finance Director at Board level in transport and infrastructure companies. Former Group Finance Director of Network Rail as well as Finance Director roles at English, Welsh and Scottish Railways (now DB Schenker) and London Underground. Extensive experience working as a management consultant and auditor for Deloitte LLP. Former member of the British Transport Police Authority

### Other directorships and offices:
None

## Katherine Innes Ker
**Senior Independent Director**

A N R

### Appointment:
Katherine Innes Ker joined the Board in July 2010 and was appointed as Senior Independent Director in April 2013

### Length of service:
6 years and 11 months

### Independent: Yes

### Skills, experience and qualifications:
Former city financial analyst. Extensive executive and non-executive experience in helping to grow successful and dynamic organisations. Held many previous non-executive directorships including St Modwen Properties plc, Victoria plc, Taylor Wimpey plc, Taylor Woodrow plc, The Television Corporation plc, Fibernet plc, Williams Lea plc, Shed Media plc and Gyrus Group plc

### Other directorships and offices:
Non-Executive Chair of The Mortgage Advice Bureau; Non-Executive Director of Gigaclear plc and Non-Executive Director of Forterra plc

### Key to committees
A Audit committee
N Nomination committee
R Remuneration committee
Chairman
Committee Secretary

## Nick Horler
**Non-Executive Director**

A N R

### Appointment:
Nick Horler joined the Board in November 2011

### Length of service:
5 years and 7 months

### Independent: Yes

### Skills, experience and qualifications:
Former Chief Executive Officer of Scottish Power and Managing Director of E.On Retail. Extensive general management experience in UK and USA regulated markets, specialising in sales and marketing. Brings valuable insights to Go-Ahead's development of social networks and digital marketing to attract new passengers

### Other directorships and offices:
Non-Executive Chairman of Alderney Renewable Energy Limited; Non-Executive Chairman of Meter Provida Limited, Meter Provida Holdco Limited and Meter Provida Investments Limited; Non-Executive Director of Thames Water Utilities Limited; Non-Executive Chairman of Adler and Allan Group Limited and Non-Executive Chairman of UK Power Reserve Limited

## Adrian Ewer
**Non-Executive Director**

A N R

### Appointment:
Adrian Ewer joined the Board in April 2013

### Length of service:
4 years and 2 months

### Independent: Yes

### Skills, experience and qualifications:
Became a chartered accountant in 1977 and, as a Fellow of the Institute of Chartered Accountants, has sound recent and relevant financial experience. Former Chief Executive Officer of John Laing plc and associated limited companies. Wealth of experience of major long term contracts. Strong customer focus and flair for strategy and finance. Experience in bidding and operating heavy and light rail franchises as well as rail infrastructure procurement

### Other directorships and offices:
None

## Carolyn Ferguson
**Group Company Secretary**

A N R

### Appointment:
Carolyn Ferguson was appointed as Group Company Secretary in July 2006

### Length of service:
11 years

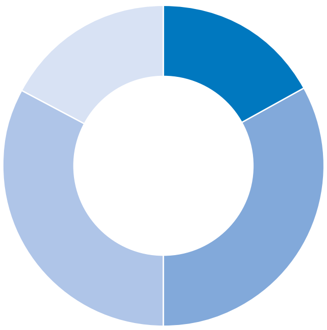
### Independent: –

### Skills, experience and qualifications:
A Fellow of the Institute of Chartered Secretaries and Administrators. Qualified and practising coach and mentor. Extensive company secretarial, compliance, governance and pensions experience. Began working as Assistant Company Secretary in 2001, before being appointed to Group Company Secretary in 2006. Previous employment included working for Northern Electric, predominantly in the field of pensions

### Other directorships and offices:
None

Details of the directors' contracts, emoluments and share interests can be found in the directors' remuneration report on pages 77 to 95

## Directors' tenure




## Board changes
As of 23 October 2017, Harry Holt and Leanne Wood will join the Board as independent Non-Executive Directors and members of the audit, remuneration and nomination committees.

### Harry Holt
Harry is currently the President of Rolls-Royce Holdings plc Nuclear Division and Non-Executive Chairman of Royal Foundation's Endeavour Fund. Harry will complement the existing Board with his wealth of experience in government relations, strategic planning and operations.

### Leanne Wood
Leanne is currently Chief Strategy, People and Corporate Affairs Officer at Burberry Group plc. Leanne will bring to the Board an international career background and experience of leading corporate strategy and organisational transformation.

### Nick Horler
Nick Horler will retire as an independent Non-Executive Director and member of the audit, remuneration and nomination committees with effect from the conclusion of Go-Ahead's Annual General Meeting on 2 November 2017.

# The decision-making of the Board is aligned to long term sustainable value creation

## Our vision

### A world where every journey is taken care of

#### Board leadership

**Go-Ahead is headed by a Board whose members are collectively responsible for creating and delivering long term sustainable value for the business. A key responsibility of the Board is to balance the interests of the Group, including our shareholders and stakeholders, colleagues and the communities and societies we serve. Principally, we achieve this through:**

- Developing the Group's strategy and monitoring its implementation and Group performance
- Leading and overseeing culture, and providing support to the executive directors in the discharge of their duties
- Overseeing health and safety performance, standards and continuous improvements
- Taking responsibility for the Board's own succession and oversight of effective senior management succession
- Ensuring the business meets all of its regulatory obligations and upholds the highest standards of corporate governance
- Assessing the financial, operational and reputational risks facing the Group and ensuring appropriate measures are in place to mitigate and control these risks
- Ensuring the decisions and actions taken are properly informed and are effectively communicated
- Understanding the Group's place in society to be representative of all stakeholders

## Leading by example and setting the correct tone from the top

Go-Ahead's culture is defined through our Group vision 'A world where every journey is taken care of' and in combination with our beliefs and attitudes, this sets out the behaviours that are expected of all colleagues. The Board recognises that strong governance also underpins a healthy culture and it is important that the Board leads by example and ensures that good standards of behaviour permeate throughout all levels of the organisation.

Our leaders and managers have a critical role in setting the tone of our organisation and advocating the behaviours we expect to see. We have made strides of progress in embedding and integrating our vision, beliefs and attitudes across the Group. The Board discusses culture at every Board meeting, with updates from the Group Chief Executive on the progress being made across our operating companies which enables the Board to provide oversight. There are many examples of successful cultural change across the Group and further details can be found on page 37. From an operational perspective, policies and procedures, Key Performance Indicators (KPIs) and contracts are being re-drafted to align the business with our vision, beliefs and attitudes. Our 'Going Forward Together' programme, which was launched last year, is delivering the changes needed to inspire our operating companies to future proof our business and provide an excellent service for customers.

Chairman and non-executive director site visits throughout the year have played a crucial part in understanding how the culture change is being embedded and cascaded throughout the organisation and will continue to be viewed as being of the upmost importance. During the year, the Chairman and non-executive directors visited London Midland, Go East Anglia, Southeastern and Go South Coast.

## Our devolved framework

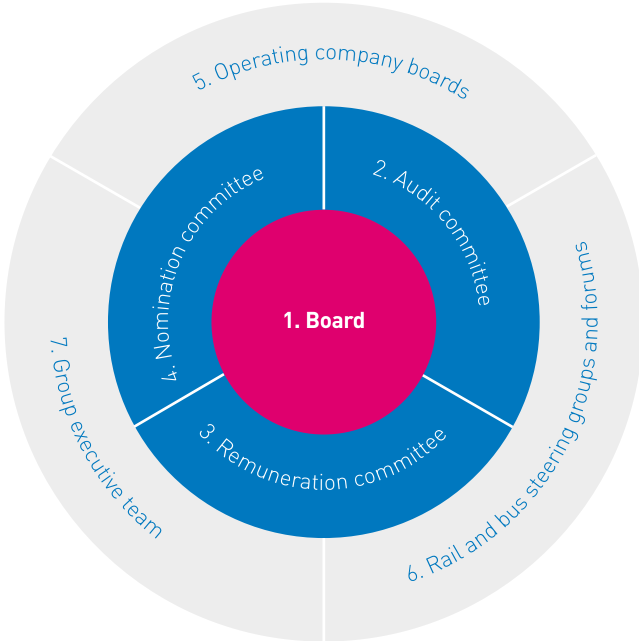
Day-to-day management of the Group and the implementation of strategies agreed by the Board across the Group and operating companies have been delegated to the executive directors.

The executive directors meet with senior management in the Group and across our businesses both formally via monthly meetings and less formally on a regular basis. We believe that this devolved management structure enables the Group to be managed in a particularly effective way and allows the right balance between local and wider initiatives to deliver Group benefits. It also ensures the Board remains well informed about our operating companies, employees, passengers and stakeholders, enabling it to respond pro-actively to the changing dynamics of the business.

## Governance framework

Our governance framework establishes a clear division of responsibilities for the Board and supports the development of good governance practices throughout the Group.

A full description of the Board's role, which includes the specific responsibilities reserved to us, is available on our website www.go-ahead.com.




### 1. Board

Responsible for balancing the interests of the Group, shareholders and other stakeholders by fostering an environment that creates long term growth, that is sustainable and profitable. Specific responsibilities include strategy and long term vision, performance, succession planning, compliance, risk, and reputation management, social impact and ensuring a successful dialogue with our stakeholders. As the steward of corporate behaviour, the Board has a significant role in setting a tone that will positively impact on the Group's culture.

### 2. Audit committee

Responsible for providing assurance to the Board that the nature of the relationship between the auditor and the Group around the preparation of the accounts is rigorous, objective and not in any way compromised

Reviews the activity and performance of the internal and external auditors

Reviews the integrity, adequacy and effectiveness of the Group's system of internal control including the risk management framework and related compliance activities

More information on pages 64 to 72

### 3. Remuneration committee

Responsible for setting remuneration levels for executive directors, ensuring remuneration policy is simple and comprehensible

Promotes policy that supports business strategy and reflects the corporate culture

Oversees and approves the reward framework for senior managers within the Group

Operates within a framework of seeking to promote long term success rather than short term reward

More information on pages 77 to 95

### 4. Nomination committee

Responsible for managing Board composition to ensure a mix of relevant skills and experience, including diversity, succession planning, recruitment, skill-profiling and responding to the changing business and economic environment

Oversees the Group's talent strategy, including the leadership and talent framework, senior management succession planning and development pipelines

Oversees the development opportunities provided to all colleagues and Group-wide diversity initiatives

More information on pages 73 to 76

### 5. Operating company boards

Operated as autonomous business units by local senior management who know their markets well

Local senior management report directly on day-to-day management issues including risk to the executive directors who in turn appraise the Board

### 6. Rail and bus steering groups and forums

Cross-business steering groups, which comprise the managing directors in each operating company, meet with the executive directors on a regular basis to explore and identify new opportunities and initiatives and to share knowledge, experience and best practice across operations

These groups are supported by the cross-business forums which include, but are not limited to, health and safety, engineering, HR and diversity forums

### 7. Group executive team

Comprises senior managers responsible for the key centralised Group functions

Meets monthly with the executive directors to review the business and identify, execute and track synergies which can then be cascaded through the cross-business groups and forums

Functions include, but are not limited to, the areas of IT, procurement, bus and rail business development and marketing

## Roles and responsibilities of the Board

The Board is collectively responsible for the long term success of the Group. The information below explains the responsibility of each of the Board members. There is a clear division of responsibilities between the Chairman, who was independent on appointment, and the Group Chief Executive. The Board has adopted a written Statement of Division of Responsibilities between the Chairman and the Group Chief Executive.

### Chairman
### Andrew Allner

Leads the Board, setting the correct tone and behaviours. Sets the Board agenda, ensuring that the right topics are being addressed at the appropriate level

Promotes strong relationships and facilitates constructive challenge between executives and non-executives

Ensures that the Board as a whole is significantly greater than the sum of its parts

Provides a point of contact for shareholders

### Group Chief Executive
### David Brown

Responsible for communicating a shared purpose and the culture, vision, beliefs and attitudes of the Group

Leads the business and is responsible for executing strategy

Overall responsibility for Group performance

### Group Chief Financial Officer
### Patrick Butcher

Provides strategic and financial guidance to ensure that the Group's financial commitments are met

Board sponsor for talent management

### Senior Independent Non-Executive Director
### Katherine Innes Ker

Offers a sounding board for the Chairman and serves as an intermediary for other directors and shareholders when necessary

Leads the Chairman's performance evaluation on behalf of the Board


### Independent Non-Executive Directors
### Nick Horler* and Adrian Ewer

Bring independent judgement and scrutiny to the decisions taken by the Board

Monitor the success of management in delivering the agreed strategy within the risk appetite and control framework set by the Board

### Group Company Secretary
### Carolyn Ferguson

Acts as an independent advisor, with responsibility for corporate governance and best practice, good information flows and ensuring that the decisions of the Board are implemented.

Supports the Chairman to facilitate Board development, effectiveness and best practice

* In accordance with the Board's succession plan, Nick Horler will retire from the Board at the 2017 Annual General Meeting. Harry Holt and Leanne Wood will be appointed as independent non-executive directors on 23 October 2017. Details of the rigorous selection process that was carried out in respect of their appointments can be found in the nomination committee report on pages 73 to 76.

## Board meetings

Setting the Board agenda is a collaborative effort between the Chairman, Group Chief Executive and Group Company Secretary, which ensures that matters relating to both the Group's operations and its governance are on the agenda. The wider Board agrees an annual programme of matters to be discussed during the year. Matters of 'any other business' can be requested by the directors and added to the agenda at any time.

Board meetings are structured to enable sufficient time for debate. The small size of the Board provides an excellent opportunity for everyone to contribute, with all directors receptive to alternative points of view. The Board holds nine scheduled formal face-to-face meetings a year, in addition to ad-hoc unscheduled meetings to deal with matters as they arise.

## The Board's focus

All directors are engaged in strategy development, with a separate strategy day scheduled as part of the Board's annual meetings timetable. Non-executive directors are closely engaged in the strategic thinking process, with the full Board engaged in strategy development. In the lead-up to the annual strategy day, strategy is an agenda item for full Board discussion, in addition to afterwards when the Board continues to contribute its wider perspective, monitors performance, and reviews any changing circumstances, opportunities and challenges.

The Board's annual programme of activity is structured around the development and implementation of agreed strategy and the Board spends time at each meeting discussing performance against strategy. Specifically this year, a number of additional formal and informal meetings were held to discuss the challenges faced by GTR, particularly around the financial forecasts in the corporate plan, operating performance, reputation and stakeholder engagement. The Board also met or held conference calls to approve bids or contracts where decisions needed to be made outside of the scheduled meetings timetable.

A new focus for the Board this year was to ensure the priorities agreed last year in conjunction with the new Group-wide culture change programme were implemented, with the Board's focus on setting the right 'tone from the top'. An important part of this work was the new externally facilitated Board development programme, described on pages 60 and 61, which has helped the Board to increase its effectiveness by harnessing the skills and strengths of individual Board members. This has also ensured that the Board's behaviour and decision-making are underpinned by the Group's vision, beliefs and attitudes.

Risk management is a regular feature in Board discussions. Bid franchise process, reputation and cyber security are examples of the key risk focus areas discussed during the year, with scheduled deep-dive presentations provided by senior management. In particular, there were a number of presentations to the Board on cyber security and page 40 highlights some of the work undertaken in this area across the Group.

The Board's objectives in 2016/17, what we have done during the year and our focus for 2017/18, are set out on pages 57 and 58.

We continue to hold informal meetings and Board dinners, usually either before or after Board meetings, which have proved to be an important way of building trust and understanding within the Board. Our Board development programme identified that we have strong relationships within the Board and a respectful interaction between executives and non-executives, which is conducive to robust and constructive debate.

The Chairman and the non-executive directors meet periodically without the executive directors present. During the year, the Chairman also met individually with each director.

All Board papers are circulated at least one full week before meetings, with easy and secure access to papers via the internet, where archived papers and resource materials can also be accessed. Each director comes to the Board meeting well prepared, having already read all papers. Executive summaries are presented at the meeting itself, which provide the Board with the opportunity to fully engage and stimulate productive discussion. The executive directors and Group Company Secretary are readily available should any Board member wish to receive any additional information.

The Chairman ensures that adequate time is available for discussion of all agenda items, in particular strategic issues where more time is now spent in Board meetings debating key issues and key financial matters.

The table on page 48 sets out the Board and committee attendance during the year to 1 July 2017. Attendance is shown as the number of meetings attended out of the total number of meetings possible for the individual director during the year. Adrian Ewer was unable to attend two unscheduled Board meetings during the year, one due to illness and one due to a long standing prior commitment. Nick Horler was unable to attend one scheduled Board and remuneration committee meeting on 7 June 2017 due to a long standing prior commitment. Adrian and Nick were still sent all papers in advance, with the opportunity to provide input before and after the meeting via the Group Company Secretary.

## Information flow at Board meetings

The information flow in advance of and following Board meetings is described in the chart below.

The Board uses an electronic Board paper system which provides quick, easy and secure access to current and historic Board papers. A 'resource centre' within the system also stores Board policies, minutes and key reference materials.

The executive directors ensure that the Board is aware of performance, business issues and prospects throughout the Group. The Board also met or held conference calls to discuss important matters outside of the scheduled meeting timetable, or to approve bids or contracts where decisions needed to be made.

The Board development review confirmed that the quality of information supplied to the Board remains of a high standard.

## Culture

**Board objectives 2016/17**

- Lead by example and ensure good standards of boardroom behaviour
- Ensure the Group's strategy and business model is aligned to our new values
- Ensure Board behaviour and decision making is underpinned by our new values
- Agree the indicators and measures to evaluate and report on culture change
- Engage with shareholders, colleagues and other stakeholders
- Oversee the embedding and integration of the Group's values across the business
- Ensure we remain at the forefront of good governance; consult and engage as appropriate
- Dedicate time and resource to culture and the role of the Board

**What we have done**

- Dedicated an additional Board meeting to discuss culture
- Board development programme focus on how the Board should lead and govern cultural change
- Key priorities agreed for the year ahead
- Indicators and measures agreed to evaluate progress with culture change across the Group
- Culture is a stand-alone agenda item at all Board meetings, with the Group Chief Executive responsible for providing updates from across the Group's operating companies
- Non-executives engaged with local operating companies on culture through site visits
- Updates on best practice, good governance and market developments provided at Board meetings

**Board focus 2017/18**

- A Board focus on three core areas; resolving the issues at GTR, developing our strategy for sustainable growth and improving the culture of the Group
- Chairman to play a key role in shaping the style and culture of the Board, specifically in relation to interaction between the executive and non-executive directors, the quality of debate, collaboration, transparency and trust
- Individual directors will be accountable for how they contribute to culture by their own actions
- Boardroom behaviours will be regularly evaluated
- More work will be undertaken to assess the indicators and measures of culture change across the Group, linked to executive remuneration
- The Board will continue to be well-informed of best practice

## Board

**Board objectives 2016/17**

- Implement the actions from the internal Board evaluation
- Drive culture change and ensure all strategic decisions are underpinned by the Group's new vision, beliefs and attitudes
- Continue to strengthen diversity initiatives and extend the work across the rail division
- Continue supporting the new Group Chief Financial Officer's integration during the remainder of his first year with the Group
- Continue to be well-informed of best practice processes and reporting

**What we have done**

- All actions were implemented from last year's internal Board evaluation during the year
- Externally facilitated Board development programme undertaken, to align with the Group-wide culture change programme, but specifically Board focused
- Diversity initiatives extended across the rail division, with significant progress made across the Group supported by the new appointment of a Group Diversity, Inclusion and Engagement Manager
- Group Chief Financial Officer's integration now completed
- Shared attendance and updates from best practice events

**Board focus 2017/18**

- Implement the actions from the Board development programme to maximise Board effectiveness
- Provide support to the new non-executive directors, including a full induction programme tailored to their individual needs
- Monitor Board objectives through our new strategy framework and KPIs
- Restore investor confidence in the Group
- Continue to provide oversight and support to strengthen the Group's talent, development and diversity strategies

## Strategy

**Board objectives 2016/17**

- Review and monitor delivery of the Group's strategic priorities
- Understand the internal and external factors, including risks, that support the delivery of the Group's strategic priorities
- Review approach to succession planning, leadership development and talent management to ensure alignment with strategic planning and corporate culture
- Focus on improving performance and customer services at GTR
- Ensure our strategy supports delivering value for our customers, colleagues, shareholders, stakeholders and the wider society
- Effective roll-out of a 'lean engineering' approach across the bus division to reduce costs and improve productivity

**What we have done**

- Continued focus on the operational and financial performance of the GTR contract
- Improved collaboration with Network Rail, with frameworks established to improve working relationships with all key stakeholders
- Further developed our approach to strategy through a framework that more clearly defines how we will achieve our strategy which supports delivery of value creation for all our stakeholders
- Worked to support non-executive succession planning; completed and increased oversight of talent strategy and diversity initiatives
- Good progress made rolling out the 'lean engineering' programme

**Board focus 2017/18**

- Develop our approach to strategy further, with performance monitored and linked to executive remuneration
- Proactively build and manage our external reputation through the development of a clear strategy and direction that will underpin a narrative we will communicate to our stakeholders
- Improve National Rail Passenger Survey satisfaction scores and maintain leading Bus National Passenger Survey satisfaction scores
- Increase levels of engagement and open communications with all stakeholders
- Articulate and justify the role of the Group in society, ensuring we engage with all stakeholders and remain abreast of developments in the society that we serve

## Contracts, bids and acquisitions

| Board objectives 2016/17 | What have we done | Board focus 2017/18 |
|---|---|---|
| • Bid for the West Midlands franchise<br>• Continue to grow the business in Germany through further contract wins<br>• Bid for third tranche of work for the Singaporean bus market<br>• Continue to ensure growth within the bus division and prepare for the threats and opportunities of bus franchising<br>• Work with stakeholders on the potential structure of a Southeastern bid in 2018<br>• Continue to undertake careful analysis to establish other opportunities which best complement our portfolio, match our risk appetite and offer attractive returns for our shareholders | • Bid submitted for the West Midlands franchise, which was unsuccessful<br>• Won the Germany Netz 3a contract commencing December 2019<br>• Bid for the third tranche of work for the Singaporean bus market<br>• Acquisition and successful integration of two regional bus businesses<br>• Secured six month extension for Southeastern to December 2018 and shortlisted for new franchise<br>• Explored opportunities in targeted international markets, including Sweden, Norway and the Republic of Ireland | • Stabilise GTR contract performance<br>• Continue to secure contract wins in London bus<br>• Submit bid for new South Eastern franchise<br>• Win a second bus contract in Singapore<br>• Win a further contract in Germany and continue successful mobilisation of contracts already won<br>• Continue to explore other bus and rail opportunities in targeted international markets<br>• Prepare for opportunities arising from the Bus Services Act 2017 |

## Finance

| Board objectives 2016/17 | What we have done | Board focus 2017/18 |
|---|---|---|
| • Continue refinement of dividend policy and return to shareholders where appropriate<br>• Continue to review fuel hedging policy and levels secured<br>• Re-finance the corporate bond with an appropriate instrument<br>• Maintain investment grade rating | • Maintained progressive dividend policy with interim and final dividend increases of 6.5%<br>• Reviewed and maintained current fuel hedging policy<br>• Changed accounting policy for rail pensions<br>• Refinanced the £200m corporate bond with a seven year £250m sterling bond with an interest coupon of 2.5% due 2024<br>• Maintained investment grade rating | • Deliver our financial KPIs, including strong cash generation and robust balance sheet<br>• Manage the key risks to the financial projections, together with planned mitigations<br>• Maintain investment grade rating<br>• Review of key financial policies including fuel hedging, treasury and accounting policies |

## Risk and governance

| Board objectives 2016/17 | What we have done | Board focus 2017/18 |
|---|---|---|
| • Continue embedding the recent risk management and internal control improvements and review effectiveness<br>• Schedule 'deep dive' reviews into key risk areas and continue to develop risk appetite discussions and assessment<br>• Implement the recommendations of professional advisors to continue to strengthen and enhance IT systems across the Group<br>• Review internal management of compliance and internal audit workstreams<br>• Participate and consult on developments in governance and best practice | • Enhanced further risk management processes and reporting and agreed risk appetite statement<br>• Dedicated time given in Board meetings to 'deep-dive' risk focus areas such as franchise bid process, reputation and cyber security<br>• Good progress made improving IT system controls across the business and increased focus on cyber security<br>• Review of approach to internal audit undertaken<br>• Active participation in governance and best practice consultations and working groups | • Continue to monitor the effectiveness of risk management and internal control processes<br>• More 'deep-dive' risk reviews of key strategic areas<br>• Implement and review effectiveness of the changes made to our internal audit function<br>• Continue to actively participate in governance and best practice consultations and working groups<br>• Review remuneration policy in the context of best practice and emerging developments ahead of the new policy being put to shareholders at the 2018 Annual General Meeting |

## Effectiveness

### Board membership

Details of the directors, including the skills and experience they each bring to the Board, are on pages 50 and 51. On 1 July 2017, the Board comprised a non-executive Chairman, two executive directors and three independent non-executive directors, all of whom are equally responsible for the proper stewardship of the Group. Taking into account the provisions of the UK Corporate Governance Code published in April 2016 (the Code), each of the non-executive directors is considered independent in character and judgement. The Chairman was considered independent on appointment and the Board still considers him to be so.

### Election and re-election to the Board

In accordance with the Board's succession plan, Nick Horler will retire at the 2017 Annual General Meeting and will not be standing for re-election. All other directors have submitted themselves for re-election at the 2017 Annual General Meeting. Harry Holt and Leanne Wood will offer themselves for election for the first time following their appointments to the Board on 23 October 2017.

The nomination committee confirmed to the Board that the contributions made by the directors continued to be effective, with the non-executive directors exercising strong and independent oversight. The Board approved the nomination committee's recommendation to support the re-election of Andrew Allner, David Brown, Patrick Butcher, Katherine Innes Ker and Adrian Ewer and support the election of Harry Holt and Leanne Wood. Full details of the review of the Board's composition, the contribution of individual directors and time commitments can be found on pages 60 to 61 and page 75.

## Ongoing development

The Chairman is responsible for ensuring that all non-executive directors receive ongoing training and development to ensure they have the relevant expertise and skills for their role on the Board and its committees. During the year, one of the key sources of development was the externally facilitated Board development programme and full details can be found on pages 60 and 61. Additional ongoing development included:

- Briefings and discussion on Board culture, aligned to the Group-wide culture change programme to ensure a mutual understanding of the Board's role in leading and governing cultural change
- Regular presentations at Board meetings from senior management to ensure that the non-executive directors have sufficient knowledge to make informed decisions. Examples during the year included presentations on rail bid submissions, overseas market reviews, stakeholder and reputation strategy
- A planned programme of non-executive director visits to operating companies to understand how the individual businesses work
- Attendance and participation at the Group's annual management conference
- Regular updates on corporate governance, sustainability and legislative/regulatory issues by way of briefings from the Group Company Secretary, management and advisors. Examples during the year included market developments, corporate governance and remuneration reform and the new Market Abuse Regulation
- Regular updates on political and market related issues as well as compliance training which during the year included the Bus Services Act 2017, Brexit and the 2017 UK General Election

Equally, as part of their annual performance evaluation, directors are given the opportunity to discuss any of their own additional training and development needs. Directors are expected to take responsibility for identifying additional training needs and to take steps to ensure each is adequately informed about the Group and their responsibilities as a director.

The Board is confident that all of its members have the knowledge, ability and experience to perform the functions required of a director of a UK listed company.

## Information and support

### Board procedures manual

The Board is supplied with high-quality information, presented in a form designed to enhance Board effectiveness. A comprehensive Board procedures manual is maintained which includes formal procedures for the working of the Board and its committees, delegated authorities, the timely provision of appropriate information and the duties and responsibilities of directors, including standards of conduct and compliance.

### Group Company Secretary

The Group Company Secretary is available to all directors to provide advice and is responsible for ensuring all Board procedures are complied with and that Board and committee papers are circulated to all directors by electronic means ensuring the timely and secure provision of information.

The Group Company Secretary reports to the Chairman in her role as secretary to the Board and committees and plays a pivotal role in supporting the Chairman to facilitate Board development, effectiveness and best practice. She reports to the Group Chief Financial Officer on all other company secretariat matters, including the management of the Group's bus pension arrangements. The Group Company Secretary's biography can be found on page 51.

### Independent advice

All directors may take independent professional advice, at the Group's expense, if they believe it to be necessary for the proper discharge of their duties as directors.

## Induction

All new Board directors receive an extensive and tailored induction programme to ensure that they are given the appropriate support to help them get up to speed as quickly as possible. The Group Company Secretary, working closely with the Chairman, agrees the personalised induction plan which is designed for each individual, taking into account their existing knowledge, specific areas of expertise and proposed committee appointments.

Harry Holt and Leanne Wood will join the Board as independent non-executive directors on 23 October 2017 at which time they will commence their inductions with the Group. Their induction programmes will be designed to facilitate their understanding of the Go-Ahead business, our culture and strategy. While full details of their induction programme will be reported upon in the Annual Report next year, an outline of what the induction programme will cover is detailed to the right:

- A review of the previous 12 months' Board papers and minutes to understand current issues
- Meeting with the executive directors and all Group directors responsible for the Group's centralised functions
- Presentations from management on the business model, strategic priorities, corporate plan and performance
- Visiting Go-Ahead's operating companies to meet with senior management and colleagues
- Meeting independently with advisors including brokers, internal and external auditors
- Explanation of regulatory and governance matters, including Board procedures and director duties

# Board effectiveness in action

## Progress against actions arising from 2015/16 internal evaluation

Good progress has been made against the opportunities to increase Board effectiveness from the previous year's internal evaluation:

| Theme | Progress made to increase Board effectiveness as identified in the 2015/16 Board effectiveness review |
|---|---|
| Culture | A detailed review of the Board's role in the governance and oversight of culture was undertaken during the year, with culture now discussed at all Board meetings and key culture indicators agreed, linked to executive remuneration.<br>Further information is provided on pages 52 and 57 |
| Succession planning | To support the Board's succession plan and timeline, the existing skill set of the Board was assessed during the year, including a gap analysis to achieve a better link to strategy and culture. There was also an increased focus on aligning senior management succession to strategic planning to ensure we have the best individuals ready for the Group's future direction and executive succession planning.<br>Full details can be found below and on page 61 |
| Risk | The improvements made last year to the risk management process were reviewed and found to be fully embedded and effective. There was increased discussion and articulation of risk appetite, including the Board's risk appetite statement. During the year, there was also an increased focus on key risk areas such as franchise bidding process, reputation and cyber security.<br>Full details of the work undertaken during the year can be found in the managing risk section on pages 40 to 45 and in the audit committee's report on pages 64 to 72 |

### New Board development programme

The Board places great importance on the annual Board effectiveness review and this year, to align the review with the Group-wide culture change programme, a different approach was taken with a focus more on individual and collective Board development. The decision was taken to bring forward the externally facilitated review scheduled for 2018 and Dr Sabine Dembkowski of Better Boards Ltd was commissioned to work with the Board on a Board development programme. Neither Dr Sabine Dembkowski nor Better Boards Ltd has any other connection with Go-Ahead.

With the focus more on actual Board development, a programme was designed to provide the Board with insights about themselves and their colleagues on the Board. This provided a foundation upon which individuals could increase their personal impact, which in turn could increase the overall effectiveness of the wider Board. The key objectives of the Board development programme were therefore two-fold:

1. To develop individual Board members and the Board as a whole so that they are better equipped to deal with the increasing challenges and enhance their effectiveness; and
2. To identify the know-how areas and role behaviors that were present on the Board and to identify the skills and experience any new non-executive directors should bring to best complement the existing Board.

### Identifying know-how areas and role behaviours

A key element of the Board development programme was the focus on the key competency areas for the Board's role behaviours and know-how areas. This enabled the Board to assess their existing skill set and to undertake a gap analysis against the Board's requirements in order to achieve a better link to strategy and culture.

In certain key areas, there was found to be a difference between the perceived importance of the competence area and where more development was needed on the Board than at present. From this analysis, the Board identified the specific know-how areas and role behaviours that could strengthen the Board and this was then used to create the detailed briefing to guide the search process for Nick Horler's replacement when he retires at the 2017 Annual General Meeting. In order to maximise the effectiveness of the Board, two new non-executive directors will be appointed from October 2017 and together they will bring the skills, experience and behaviours that will best complement the existing Board and support the strategic direction of the Group.

## Stages of 2016/17 Board development programme

The Board development programme was designed in conjunction with the Chairman and the Group Company Secretary and consisted of a number of key elements that involved the wider Board over a number of months:

### Stage 1: Programme design

Meetings between Better Boards, Group Company Secretary, Chairman and Group Chief Executive to discuss and agree programme objectives, design and action plan

### Stage 2: Board introduction

Better Boards attended a Board meeting to explain the programme's objectives and action plan to the wider Board and the time commitment required from Board members

### Stage 3: Initial face-to-face meetings (x1 hour)

Better Boards held one-to-one meetings with individual Board members to get personal insights into Board effectiveness, including any challenges and issues

### Stage 4: Online audit

Each Board member completed a confidential online audit questionnaire

### Stage 5: Analysis of data

Data from the on-line audit and the one-to-one meetings were combined to generate individual reports and an aggregated report for the collective Board

### Stage 6: Individual coaching conversations (x3 hours)

Better Boards held confidential coaching conversations with each Board member to discuss the findings from their individual reports. Each session concluded with a personal action plan

### Stage 7: Feedback meeting

Better Boards met with the Chairman and Group Company Secretary to discuss the aggregated Board results and agree the key agenda items for the Board Off-Site

### Stage 8: Board Off-Site (x2 days)

Facilitated by Better Boards and the Group Company Secretary, the Off-Site comprised a series of interactive sessions and activities, including a Board dinner, which covered:

- Board strength matrix
- Key competencies and know-how areas
- Gap analysis
- Roles and responsibilities
- Levering the skills of the Board
- Commitments to support Board colleagues
- Aligning Board vision and culture
- Board priorities
- Action planning

## Key insights from Board development programme

Go-Ahead has a strong Board, with relationships built on trust, and its size is a key strength in ensuring everyone can contribute

The Board can further build upon this trust, with even more constructive challenge and probing questions to achieve the best and collective outcomes

Non-executive directors can support the executive directors more by sharing their insights and experience from other sectors and business areas

Board members now have an increased awareness of their key skills and strengths which can help individual Board members increase their own personal impact and the impact of others

There is an increased awareness of the roles of executive versus non-executive directors and how these different roles can support each other more effectively

## Key actions to enhance board effectiveness

Board papers should be reviewed in the context of stimulating and improving the quality of debate, to facilitate more broad and strategic thinking and to enable focus on the right issues

Board effectiveness can be further improved by using the results of the skills and gap analysis to guide the search process for Nick Horler's replacement, thereby ensuring the new non-executive director has the right balance of skills on the Board

Organisational structure and succession planning will be regularly assessed to ensure alignment with strategy

Individual directors can hold themselves to account by regularly reviewing the Board strengths and commitment matrices created following the Off-Site, in addition to the key insights and actions. This will ensure the Board's continuous development

## Relations with shareholders

Go-Ahead's Board has always been committed to reporting in a fair, balanced and understandable way and places great importance on transparent, relevant and timely communication with shareholders. Throughout the year, we maintained open and frequent dialogue with investors, providing updates on our strategy, sustainability policy, objectives and governance as well as listening to and responding to questions.

The Group's investor relations (IR) team have regular dialogue between the executive directors and current and potential shareholders, through group and one-to-one meetings, presentations, roadshows and conferences. The executive team is also in regular contact with sell-side analysts and broker sales teams to communicate the Group's key message. The Chairman is available to meet investors, as is the Senior Independent Director and Committee Chairs, who appreciate the opportunity to do so.

The Group Chief Financial Officer provides the Board with regular reports and updates, including analysts' reviews, analysis of the shareholder register and shareholder feedback. Understanding shareholders' views is important. Following our roadshows, our corporate advisors gather detailed feedback from institutional shareholders which is presented to the Board and we also welcome direct feedback at any point in the year. Feedback forms an important part of the Board's strategic discussions and also assists the IR team in improving the quality of communications.

We also communicate with the wider investment community through regular news releases and trading updates via the London Stock Exchange which are also published on our corporate website (www.go-ahead.com). The IR section of our website provides a wealth of information including a dedicated results centre, access to reports, latest news and presentations, as well as a share price analysis. Investors and other interested parties can subscribe to receive news through email updates by registering their details on our website, which is fully responsive to mobile devices.

During the year, our commitment to good reporting was acknowledged at the 2016 Corporate and Financial awards where our 2015/16 Annual Report and Accounts received a silver award. Also in the period, the Investor Relations Society presented Go-Ahead with an award for the most effective integration of sustainability reporting into communications for a FTSE 250 company, reflecting Go-Ahead's integrated approach to operating at all levels of the organisation. Additionally, we are delighted to be one of the three companies shortlisted for the category of 'Excellence in Reporting in the FTSE 350' at the PricewaterhouseCoopers LLP Building Public Trust Awards 2017 to be held at the end of September 2017.

## Listening to and engaging with our stakeholders

We have a wide variety of stakeholders and engaging effectively with each of these groups plays a critical part in the success of our business. As a transport company, we have a direct impact on and interact with society in many ways. One of the Board's key priorities is to build relationships with all of our stakeholders through communication, collaboration and partnership working.

Additional information about how we are working together with our stakeholders can be found on pages 6 and 7

- Innovative travel - responding to customers' needs and demands, we offer flexible payment methods, USB charging ports, WiFi and real-time travel updates, allowing passengers time to be used as effectively as possible and make the most of their journeys
- Social Media - news and updates are provided through a variety of media outlets to reach our stakeholders quickly and easily
- Customer satisfaction surveys – continually seeking customers feedback to ensure we are meeting their needs and spotting any potential improvements
- Continual tracking and analysis of feedback and complaints received

**Customers**

- Annual Employee Engagement Survey
- Employee recognition
- Monthly newsletter to all colleagues
- Senior Management Development Programme
- Graduate Scheme
- Awarded Investors in People

**Our people**

## Constructive use of the Annual General Meeting (AGM)

The AGM is an opportunity for the Board to communicate with and answer questions from shareholders. All Board members are available to meet informally with shareholders before and after the meeting.

Full details of the business to be discussed at the Group's next AGM on Thursday 2 November 2017 can be found in the Notice of AGM. This is posted to registered shareholders at least 20 working days in advance of the meeting and will also be available on our website at www.go-ahead.com.

The Group proposes separate resolutions on each substantially separate issue, with voting conducted by poll. The Board believes this voting process is more democratic than a show of hands since all shares voted at the meeting, as well as proxy votes lodged before the meeting, are counted. For each resolution, shareholders will have the option to vote either for or against a resolution, or to withhold their vote. Following the meeting, the results of votes lodged for and against each resolution are announced to the London Stock Exchange and displayed on the Group's website.

| Annual General Meeting | Overview |
|---|---|
| 3 November 2016<br>Hilton Newcastle Gateshead | Full Board attendance<br>Patrick Butcher elected as director at first AGM since his appointment<br>At least 95% of votes received for the re-election of all other directors<br>Highest votes in favour: 100% to receive the 2015/16 Annual Report and approve the final dividend<br>Lowest votes in favour: 93.67% to approve 14 days' notice of general meetings |
| 2 November 2017<br>Hilton Newcastle Gateshead | 14 ordinary resolutions and 3 special resolutions being proposed to shareholders |

### Investors

- Annual General Meeting
- Annual Report and Accounts
- Online communications
- Investor conferences and roadshows
- Individual investor meetings

### Strategic partners and suppliers

- Periodic surveys of our suppliers to monitor how we are perceived and utilise feedback to improve
- Regular meetings to discuss contract performance and opportunities for improvement and future opportunities
- Early supplier engagement – we engage key suppliers before procurement activity starts, ensuring they are the best supplier for us

### Government

- Working in partnership with the DfT on improving customer satisfaction, air quality, safety and customer satisfaction
- Key partner in the Thameslink programme which is transforming north-south travel through London
- Ongoing dialogue with local MPs as well as participating in government and industry working group, to ensure we are fairly represented and our key strategy are understood

### Communities

- Two-way communication stream with local businesses and organisations, enabling us to respond to local demands and needs
- Economic contribution from Go-Ahead helps support the local economy and with regular engagement with local and regional authorities, ensures longevity of this
- Introduction of new electric buses and new efficient trains to reduce the environmental impact of our operations
- Working alongside other departments to improve policy on accessibility for disabled people and a safe transport service for all

# AUDIT COMMITTEE REPORT

"Setting the risk appetite for the Group is an integral part of how we develop our strategy."

**Adrian Ewer,**
Audit Committee Chair

## Dear Shareholder,

As Audit Committee Chair, I am pleased to present the committee's report for the year ended 1 July 2017.

As required by the UK Corporate Governance Code, published in April 2016 (the Code), I have the recent and relevant financial experience to chair this committee and my fellow committee members bring a wide range of financial and commercial expertise which has enabled the committee to meet its responsibilities in a robust and independent manner.

## Risk and internal controls

Last year, following an independent review by PricewaterhouseCoopers LLP (PwC), we made some changes to enhance our risk management and internal control framework. It was important, therefore, that the committee reviewed the effectiveness of those changes, which we did this year. Our review concluded that the changes had been successfully embedded across the Group and had improved the robustness of our processes, particularly around the focus of risk discussions, both at operating company and Board level. This year, the committee built upon these enhancements, spending time further improving the quality of information provided to the audit committee and Board, in order to support the Board's robust assessment of the principal risks facing the Group. Further details are set out on pages 40 to 45.

## Risk appetite

Setting the risk appetite for the Group is an integral part of how we develop our strategy and our risk appetite statement is on page 42. It sets out how we balance risk and opportunity in pursuit of achieving our business objectives. It also supports the committee's assessment of risk and the level of mitigation and resource required to reduce the potential impact of each of our principal risks.

## IT controls and cyber security

There has been an increasing focus on IT risks over recent years, with the committee commissioning internal audits of IT governance, resilience and information security and the external auditor also commenting on the IT processes and the internal control environment during the course of the audit. We take the protection of data and cyber security risks very seriously and this has continued to be a key area of focus during the year, with an increase in the number of presentations to the audit committee and Board. Specifically, the committee has discussed the Group's IT maturity levels and management controls, where significant improvements have been made over the last 12 months. Considerable time has also been spent discussing cyber security risk, with a growing focus on the handling of personal data we hold on our customers and our colleagues, which we recognise is an evolving and complex risk area for many businesses.

It has been important for the committee to gain a good understanding of the risks and emerging risks for the Group and our industry, in addition to the measures being taken to address potential areas of vulnerability. We have challenged both internal audit and senior management on the effectiveness of controls in place and are satisfied that measures are being taken to minimise the Group's vulnerability to cyber security threats with appropriate focus and actions on wider IT processes underway. For an example of some of the work we have been doing on cyber security, please read page 40.

## Integrity of reporting

As in previous years, one of the committee's upmost priorities has been to ensure that the nature of the relationship between the auditor and the Group in the preparation of the Group's financial statements is rigorous, objective and not in any way compromised. This year, following feedback from analysts and investors, the committee also played an important role in the review and change of the accounting policy for rail pensions. This required additional focus and detailed discussions with both management and the auditor, with the committee considering a wide range of factors before concluding that the change would more appropriately represent the Group's results which was also in accordance with current accounting standards. The change was announced in December 2016 ahead of the Group's half year results.

In conjunction with the external auditor, the committee has also continued to focus on the key areas where significant judgements are applied and which could have a material impact on the financial statements. These critical accounting judgements and key sources of estimation uncertainty are disclosed on page 116. In particular, the committee has discussed in detail the contractual variations and claims on the GTR franchise and the relating financial judgements with management and the auditor.

## Fair, balanced and understandable

The Code provides that through its financial reporting, the Board should provide a fair, balanced and understandable assessment of the Group's prospects. At the Board's request, the committee has reviewed the 2016/17 Annual Report and Accounts (collectively, the Annual Report) and has determined that it considers the document, taken as a whole, to meet the standard and provide the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

## External auditor effectiveness

Last year, we reported on the auditor transition process from Ernst & Young LLP to Deloitte LLP. This year, the committee undertook a thorough assessment of the quality and effectiveness of Deloitte LLP's second full audit cycle, the details of which are summarised on page 67. Following the review, the committee was satisfied that the external audit had provided appropriate focus to those areas identified as the key risk areas to be considered by the audit committee. It had also continued to address the areas of significant accounting estimates. On this basis, and considering the views of senior management, the committee concurred that the external audit had been effective and was satisfied that the audit process in respect of the Annual Report was robust, challenging and appropriately targeted.

**Adrian Ewer,**
Audit Committee Chair
6 September 2017

# AUDIT COMMITTEE REPORT AT A GLANCE

The audit committee has focused on areas that have impacted the key performance area of finance

## Committee objectives 2016/17

- Assess the effectiveness of the enhancements made to systems of risk management and internal control processes during 2015/16
- Continual assessment and improvement of cyber security with focus on ensuring IT controls remain robust and dynamic
- Implement the recommendations of professional advisors to continue to strengthen and enhance IT systems across the Group
- Monitor changes in the external regulatory environment and best practice
- Ensure the committee is exercising its assurance oversight role in the best possible way
- Carry out an assessment of the external auditor's effectiveness
- Review of scope and delivery of internal audit and monitor progress
- Continue to oversee the significant financial judgements

## What we have done

- Reviewed the effectiveness of the enhancements made to the system of risk management and internal control processes
- Increased discussion and articulation of risk appetite
- Increased focus on IT governance, resilience, controls and cyber security
- Overseen significant improvements to the Group's IT maturity levels and management controls
- Increased understanding of cyber risk and gained assurance of the measures being taken to address potential areas of vulnerability
- Reviewed and changed accounting policy for rail pensions
- Improved the quality and presentation of health and safety reporting
- Reviewed the significant financial judgements made during the year and provided assurance to the Board that the Annual Report and Accounts taken as a whole is fair, balanced and understandable
- Reviewed the effectiveness of Deloitte LLP's second full audit cycle
- Reviewed and changed the scope of the internal audit function

## Committee focus 2017/18

- Review the effectiveness of the systems of risk management and internal control, including risk appetite
- Continual assessment of cyber security risks (including those associated with the holding of personal data), with focus on ensuring IT controls remain robust and dynamic
- Continue to strengthen and enhance IT systems across the Group and monitor maturity levels
- Ensure the committee is exercising its assurance oversight role in the best possible way and continues to be well-informed of best practice
- Continue to assess the external auditor's effectiveness
- Review the effectiveness of the changes made to the internal audit process
- Continue to oversee the significant financial judgements

| Audit committee membership | | Attendance | | | |
|---|---|---|---|---|---|
| Adrian Ewer | Committee Chair | | | | |
| Katherine Innes Ker | Senior Independent Director | | | | |
| Nick Horler* | Independent Non-Executive Director | | | | |

Carolyn Ferguson attends the meetings in her capacity as Group Company Secretary

* In accordance with the Board's succession plan, Nick Horler will retire from the Board at the 2017 Annual General Meeting. Harry Holt and Leanne Wood will be appointed as independent non-executive directors and members of the audit committee on 23 October 2017. Details of the rigorous selection process that was carried out in respect of their appointments can be found in the nomination committee report on pages 73 to 76.

## Committee composition, skills and experience

The membership of the committee, which comprises three independent non-executive directors, provides the range of financial and commercial expertise necessary to meet its responsibilities in a robust and independent manner. Adrian Ewer is a Fellow of the Institute of Chartered Accountants and has significant financial experience in the UK listed environment, enabling him to fulfil his role as Audit Committee Chair.

Nick Horler will resign from the Board as a non-executive director and member of the audit committee with effect from the close of the Annual General Meeting on 2 November 2017. Harry Holt and Leanne Wood will be joining the Board as non-executive directors on 23 October 2017, at which time they will also become members of the audit committee. The committee will then comprise four independent non-executive directors.

## How the committee operates

The committee usually meets at least four times a year, excluding meetings held to review its effectiveness as part of the annual performance evaluation. Members' individual attendance at committee meetings for the year under review can be found on page 48.

Meetings of the committee generally take place immediately prior to a Board meeting to maximise the effectiveness of collaborating with the Board. Meetings are attended by the independent non-executive directors. By invitation, the Chairman, Group Chief Executive, Group Chief Financial Officer, Group Financial Controller and internal and external auditors regularly attend meetings. The Group Corporate Services Director also attends at least two meetings a year to provide the committee with health and safety reports, including best practice and standards across the operating companies. To ensure matters are progressed, the Audit Committee Chair holds pre-audit committee meetings with management and key advisors between scheduled committee meetings.

At least once a year, the non-executive directors hold separate meetings with the external and internal auditors, without the executive directors being present.

## Terms of reference

The committee's terms of reference are reviewed annually and approved by the Board. During the year, the terms of reference were updated in accordance with best practice and a copy is available on our corporate website at www.go-ahead.com or upon request from the Group Company Secretary.

## Effectiveness of the audit committee

The externally facilitated Board development programme undertaken during the year concluded that the committee was fulfilling its duties effectively. In particular, the review found that the changes made in the previous financial year to enhance the risk management and internal control framework had improved the robustness of the process.

## Committee roles and responsibilities

The principal responsibilities of the audit committee are:

1. **External audit** – manage and review the reports from the external auditor, recommend any changes to the external auditor, oversee any retendering process and review remuneration
2. **Financial reporting** – monitor the integrity of the Group's Annual Report and Accounts, any formal announcements relating to financial performance and consider significant financial reporting issues, judgements and estimates
3. **Risk management and internal controls** – review the system of internal control and risk management, including financial controls
4. **Internal audit** – set and monitor the internal audit plan and review its findings
5. **Performance** – review the performance and work of both the internal and external auditors
6. **Whistleblowing and anti-bribery procedures** – monitor and review the effectiveness of the whistleblowing and anti-bribery procedures in place

## Key activities during the year

The key activities undertaken by the audit committee during the year are set out below:

### 1 External audit

The committee has primary responsibility for overseeing the relationship with, and performance of, the external auditor. This includes making the recommendation on the appointment, reappointment and removal of the external auditor, assessing their independence on an ongoing basis and negotiating the audit fee.

#### External auditor appointment

Deloitte LLP was appointed as the Group's external auditor in November 2015 following an audit tender. While the Group has no current retendering plans at this time, it will be required to put the external audit contract out to tender by 2025. Deloitte LLP will also be required to rotate the audit partner responsible for the Group audit every five years and therefore the current lead audit partner Chris Powell, who was appointed in November 2015, will be required to step down following the completion of the 2020 audit.

The committee continues to review the external auditor appointment and the need to tender the audit, ensuring the Group's compliance with the Code and the reforms of the audit market by the UK Competition and Markets Authority. Accordingly, the Group confirms that it complies with the provisions of the Competition and Markets Authority's Order for the financial year under review. For the financial year ending 30 June 2018, the audit committee has recommended to the Board that Deloitte LLP be reappointed under the external audit contract and the directors will be proposing the reappointment of Deloitte LLP at the Annual General Meeting in November 2017.

## Effectiveness of the external audit process

During the year, an assessment of the quality and effectiveness of the external audit process was undertaken. The primary purpose of this assessment was to gain assurance that the external auditor had conducted a comprehensive, appropriate and effective audit. Through a constructive, honest and open dialogue with the external auditor about its performance, the objectives of the process were to:

- Assess each phase of the audit process against a quality framework, as shown in the table below
- Discuss with the external auditor what areas had worked well and what could be improved
- Confirm optimised assurance was being derived from the audit

The committee used the Financial Reporting Council's 'Audit Quality Practice Aid' as guidance to support the committee's assessment of the external audit. In addition to seeking input from a range of sources, the auditor's effectiveness was also assessed against a range of valuation components including skills and knowledge, mindset and culture, judgement and quality control.

The committee's assessment was based on input from the Group Chief Financial Officer, key members of the Group Finance Team and the Group Company Secretary. Deloitte LLP also provided feedback on their own performance, measured against their internal performance objectives, and this was taken into consideration when forming the committee's opinion. Feedback arising from the assessment process was fed back to the Group's lead audit engagement partner.

Given this was Deloitte LLP's second full audit cycle, the audit committee paid specific attention to continuous improvement, ensuring that lessons learned from the first audit cycle, both from an efficiency and improvement perspective, had been embedded and, if necessary, built upon.

The observations from the assessment were presented and discussed at a committee meeting, with the committee concluding that the audit process was robust, challenging and appropriately targeted to focus on the key areas of audit risk.

**External Auditor Effectiveness**

### Audit planning and design

- Team structure and leadership demonstrated by the audit partner
- Globally integrated audit approach
- Audit tailored to the business
- Leverages sources of assurance
- Use of innovation and technology
- Key risks to the audit quality, with assurance by the audit partner on how these risks will be addressed

### Firmwide policies and procedures

- Independence and quality control
- Review of external auditor's internal quality control procedures and how the auditor expects to reply on them
- Review of the provision of non-audit services by the external auditor
- Consideration of audit firm transparency report in line with the Code, paying specific attention to the sections on independence and quality assurance and training
- Review of continuous improvement ensuring that lessons learned from previous audit cycle were embedded and built upon

### Audit execution

- Behavioural factors including mindset and culture, professional scepticism and judgement
- Technical excellence, skills and knowledge
- Communication and audit reporting
- Audit efficiency and project management

### Role of management

- Detailed questioning of the role of management at both operating company and Group level
- Challenge of the auditor's strategy based upon management's own internal assessment

### Independence, objectivity and fees

The Board recognises the importance of auditor independence and is aware of the situations which may give rise to the impairment of auditor independence. The audit committee considers carefully the objectivity of the auditor on an annual basis in relation to both the audit process and the relationship with the Group.

To safeguard auditor objectivity and independence, the committee has, as part of its terms of reference, the following policy for the provision of non-audit services by the external auditor:

- The auditor will only be used for the provision of non-audit work if it can be demonstrated that the engagement will not impair independence, is a natural extension of their audit work or there are other overriding reasons that make them the most suitably qualified to undertake the work
- The auditor will not provide certain categories of non-audit services to the Group, such as internal audit and litigation support, the full list of which can be found in the committee's terms of reference
- The provision of certain non-audit services (including accounting and tax services if the fees exceed a cumulative £50,000) is subject to approval by the audit committee. For the 2016/17 financial year only, the cumulative threshold of £50,000 was waived in relation to Deloitte LLP providing support to the Group on a specific piece of overseas bid work. The committee is mindful of the views of investors and shareholder bodies and supports the general sentiment that non-audit work can potentially introduce a conflict of interest within the audit firm, with independence and objectivity compromised. The committee approved this exceptional deviation from policy having deliberated and then concluded that Deloitte LLP was the sole advisor available to provide this advice. Despite a wide survey of the advisor market being undertaken, alternative advisors either did not have the requisite expertise, resource or were conflicted by working on competitor bids. The non-audit fees for this one-off piece of work were £306,066. This work falls under the new Ethical Standards best practice gap of 70% of the average of audit fees for the preceding three year period which will apply to Go-Ahead for the first time in 2020. Excluding the recurring interim review work of £54,000, the only additional non-audit fees were attributable to the completion of comfort letters associated with the bond of £60,000, which was consistent with Deloitte LLP's role as auditor and required for the sterling bond to be raised.
- The ratio of the external auditor's audit to non-audit fees during the year, as a proportion of the annual external audit fee, is kept under review by the committee.

During the financial year, the Group external auditor's fees were £0.7m (2016: £0.6m); in addition, non-audit fees of £0.4m (2016: £0.1m) were payable to the Group's external auditor. Excluding the one-off overseas bid work, non-audit fees were £0.1m (2016: £0.1m). In comparison, non-audit fees paid to other providers during the financial year were £1.8m (2016: £1.4m). This comprised £1.5m paid to KPMG in respect of bid costs, £0.2m to PwC for internal audit work and £0.1m to Ernst & Young LLP for fees related to tax work.

## 2 Financial reporting

The primary role of the committee in relation to financial reporting is to review, with both management and the external auditor, the appropriateness of the half year and annual financial statements concentrating on, amongst other matters:

- The quality and acceptability of accounting policies and practices
- Material areas in which significant judgements have been applied or where significant issues have been discussed with the external auditor
- The clarity of the disclosures and compliance with financial reporting standards and relevant financial and governance reporting requirements, including the Code
- Any correspondence from regulators in relation to the Group's financial reporting
- An assessment of whether the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy. This assessment forms the basis of the advice given to the Board to assist in making the statement required by the Code
- Reviewing the assumptions and providing assurance to support the long term viability statement.

### Viability statement

The committee reviewed management's work on assessing potential risks to the business and the appropriateness of the Group's choice of a three year assessment period. Following this review, the committee was satisfied that management had conducted a robust assessment and recommended to the Board that it could approve and make the viability statement on page 41.

## Fair, balanced and understandable

The committee adopted the same approach as in previous years to ensuring that the Annual Report and Accounts (collectively, the Annual Report) is fair, balanced and understandable. The process was led by an internal Annual Report Team (ART) consisting of members drawn from Group Finance, Group Company Secretariat and Investor Relations teams. The inclusion of these various departments, with input from Group Legal and operating divisions as appropriate, ensures the balance, completeness and accuracy of the Annual Report. The ART was responsible for regularly reviewing work and ensuring balanced reporting with appropriate links between key messages and sections of the Annual Report. The audit committee, together with senior management, reviewed the Annual Report in its final stages and the committee and then the Board were able to confirm that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the necessary information for shareholders to assess the Group's position, performance, business model and strategy.

In considering whether the Annual Report is fair, balanced and understandable, the committee reflects upon the information it has received and discussions throughout the year. The committee considers a number of key questions which include:

### Is the Annual Report fair?

- Is the whole story presented, has equal weight been given to all messages and has any sensitive material been omitted which should have been included?
- Is the narrative reporting consistent with the financial reporting, with key messages reflected in both?
- Is the description of the business, principal risks and uncertainties, strategy and objectives in the Annual Report consistent with the Board's understanding?
- Are Key Performance Indicators disclosed at an appropriate level based on the financial reporting?

### Is the Annual Report balanced?

- Is there a good level of consistency between the narrative reporting in the front and the financial reporting in the back of the Annual Report and does the messaging reflected in each remain consistent when read independently of the other?
- Is the Annual Report a comprehensive document for shareholders?
- Are the key judgements referred to in the narrative reporting and the key financial and internal control matters reported in this audit committee report consistent with the disclosures of key estimation uncertainties and critical judgements set out in the financial statements?
- How do these compare with the risks which the external auditor Deloitte LLP includes in their report?

### Is the Annual Report understandable?

- Is there a clear and understandable framework to the Annual Report with the important messages highlighted appropriately throughout?
- Is the layout clear with good linkage throughout in a manner which reflects the whole story?

### Conclusion

Following its review, the committee was of the opinion that the Annual Report and Accounts for the year ended 1 July 2017 is representative of the year and present a fair, balanced and understandable overview, providing the necessary information for shareholders to assess the Group's position, performance, business model and strategy.

## Collaborative process

### May/June 2017

#### Reporting requirements and timetable

Early planning and implementation of timetable with experienced project managers for each section

Timetable allowed for sufficient time for a comprehensive review of early drafts and input from audit committee

Detailed briefings on changes to reporting requirements for all contributors and reminder of the fair, balanced and understandable requirement

### August 2017

#### External auditor review

Validation of data and information included in the Annual Report undertaken both internally and by the external auditor

The audit committee considered the external auditor's review of the Annual Report. The views of the external auditor were provided to management, who were challenged on the proposed disclosures to ensure a fair and balanced review was presented

### August 2017

#### Formal audit committee review

The audit committee conducted a thorough review of the final draft Annual Report and provided comments

Earlier drafts had been provided well in advance to ensure timely review and allow comments to be incorporated

### September 2017

#### Finalised report

The audit committee's comments were incorporated and final audit committee recommendation to the Board

## Key financial and internal control matters

During 2016/17, the committee considered the following key financial and internal control matters in relation to the Group's financial statements and disclosures, with input from management and the external auditor:

| Key financial and internal control matters for 2016/17 | How the committee addressed these key financial matters |
|---|---|
| Compliance with franchise terms and conditions relating to the rail components of the Group, specifically relating to the accounting for related income and costs arising from franchise agreements.<br><br>Please see page 116 for further information. | The committee regularly reviews the accounting policies relating to income and costs arising from franchise agreements and considers a range of reasonably probable outcomes. At interim and year end reviews, a full schedule of material income statement and balance sheet figures is assessed against the committee's expectations and discussed with the Group Chief Executive, the Group Chief Financial Officer and, where appropriate, the external auditor. |
| Ongoing review of provisions for liabilities, specifically relating to third-party claims, lease return and dilapidation provisions for rolling stock, stations, depots, other properties and measurement of uninsured liabilities.<br><br>Please see note 24 of the consolidated financial statements for further information. | At interim and year end, the levels of provision for third-party claims, lease return and dilapidation provisions are reviewed with the Group Chief Executive and the Group Chief Financial Officer. Management's review is supported by reports from appropriate third-party experts who independently assess the required provision based on their industry knowledge and an understanding of the Group's specific circumstances. Increases in provisions, utilisation and release of provisions are all reviewed for reasonableness in light of these reports and the Group's specific circumstances. |
| Impairment testing in respect of the carrying value of goodwill on the Group's investments.<br><br>Please see note 13 of the consolidated financial statements for further information. | The ongoing review of goodwill and carrying value of investments, as presented by management, is challenged by the committee. This is done by assessing the expected performance of the individual cash generating units and ensuring that relevant risk factors are imputed to the rate of return used to assess net present value of future cashflows. The committee also reviews historic performance against expectations set in previous years. |
| Assumptions underpinning the calculation of the Group's defined benefit pension liabilities.<br><br>Please see note 27 of the consolidated financial statements for further information. | Pension scheme liabilities are assessed on behalf of the Group by independent actuaries. Additionally, management review and challenge the underlying assumptions with other professional advisors to ensure that the actuaries' own assumptions are appropriate for the Group. The committee also discusses the appropriateness of the assumptions with the Group's external auditor. |
| Understanding and treatment of exceptional items in the year end accounts.<br><br>Please see page 118 of the consolidated financial statements for further information. | The committee will consider separate disclosure of exceptional income or costs in light of the FRC recommendations of a balanced and consistent approach. The committee is mindful of the need to understand the underlying trends of each division within the business with the impact of large and unusual items separated out as necessary to avoid distortions from such non-recurring aspects. |
| Ensuring operating company compliance with Group policies and procedures and maintaining the required financial control environment. | The committee, together with the Group Chief Executive and the Group Chief Financial Officer, approves the scope of internal audit including the cycle of visits to test operating company compliance and financial controls, based on a risk assessment. The results of the internal audit visits are considered by the committee, together with management's responses to any improvement points. Control matters and reporting issues identified as part of the external auditor interim and year end audits are also reviewed by the committee which considers the adequacy of any management responses. In addition, management ensure that the recruitment and review process for operating company directors gives confidence in the calibre of the operating company teams and their management, and review of the control environment in which they operate. |

## 3 Risk management and internal controls

### The Board's responsibility

The Board has overall responsibility for risk management and the system of internal controls and for reviewing their effectiveness. Specifically, it determines the extent and nature of the risks it is prepared to take to achieve the Group's strategic objectives. While the Board does not have a separate risk committee, risk management and resource is embedded throughout the organisation with the committee responsible for monitoring risk and discussing with the Board as appropriate. The Board has overall responsibility for the Group's risk appetite.

The system is designed to manage rather than eliminate risk of failure to achieve the Group's business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

### Key features of the Group's risk management and internal control system

The Group's approach to risk, including the roles of the Board and the audit committee in setting risk appetite and monitoring risk exposure, are detailed in the "managing risk" section on pages 40 to 45.

A top-down risk review is combined with a complementary bottom-up approach to ensure that risks are fully considered. As well as complying with the Code, the best practice recommendations in 'Guidance for Risk Management, Internal Control and Related Financial and Business Reporting' have also been adopted.

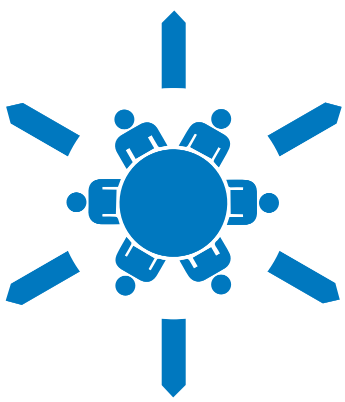
Prior to the announcement of full year and half year results, the audit committee reviews the Group's principal risks. This includes a commentary on how risk exposures have changed during the period and any emerging risks in the Group's risk register.

### The key features of the Group's internal control and risk management system are set out below:

**Group structure**
The Group's devolved organisational structure supports an effective top-down/bottom-up approach to risk management and control

**Compliance management**
Annual certification by each operating company that it has adhered to the Group's policies and procedures manual, which reinforces the Group's corporate governance, internal control processes and management of risk

**Leadership**
Clear leadership from the Board with the executive directors playing an integral role in working with operating companies



**Strategy and financial reporting**
A comprehensive Group-wide system of financial reporting, budgeting and cash forecasting and control through which the consolidated financial accounts are prepared and submitted to the Board monthly and from which the interim and annual consolidated financial reporting is derived

**Board reporting**
Regular review of reports received from the Group's internal auditor, external auditor and the executive directors

**Health and safety reporting**
Regular review of health and safety reports and audits, including best practice and standards across the operating companies

### Building on the improvements from last year's independent review of the Group's risk management processes

During the previous financial year, PwC conducted an independent review of the Group's risk management processes. Significant progress has been made during the year to embed all of the enhancements suggested within the review's conclusions. Assurance and effectiveness have been improved by the enhancements made to risk registers which now rate more effectively the strength of control/mitigation in place. Additionally, the self-assessment document introduced during the previous year has enabled management to better consider what the most important risk and control areas are and to focus discussions accordingly. This then flows up to the audit committee and Board, thus ensuring the right risk management discussions at this level.

## What the risk reporting year looks like

January and May
**Operating companies submit risk registers and risk heat maps on a bi-annual basis**

From the previous financial year, this now also includes a self-assessment report which details how the operating company undertakes the formal risk management process and outlines the key risks, the main changes to the inherent and residual scores, overall risk exposure and levels of assurance.

February and June
**Consolidation of risks for both the rail and bus division**

Consolidation of risks to enable a 'look across' all of the operating companies and challenge any inconsistencies at the individual operating company board meetings. This is also sent out to all operating companies with the full suite of risk registers at the start of each bi-annual process.

July
**Group Executive Team (GEM) oversight**

Key data received from the operating company reports are discussed annually at a GEM meeting, which allows for wider input on the Group risks from other areas of the business such as marketing, procurement, legal, IT and HR, in addition to the managing directors of bus and rail development.

February and August
**Audit committee and Board review**

The audit committee assesses the effectiveness of the risk management and internal control system. The Board agrees the principal risks that are considered to be financially or reputationally material as outlined on pages 42 to 45, in addition to the key risk focus areas for the year ahead.

### Assessment of the Group's risk management and internal control system

The Board has confirmed that through its audit committee and the committee's review of the key financial and internal control matters for 2016/17 as detailed on page 70, it has reviewed the effectiveness of the system of internal, financial, operational and compliance controls and risk management, and considers that this system of internal controls operated effectively throughout the financial year and up to the date on which the financial statements were signed.

## 4 Internal audit

The Group's internal audit function has been outsourced to PwC on a rolling 12 month contract, with overall responsibility and direction being retained by the audit committee. The internal audit function provides assurance over the effectiveness of key internal controls as identified as part of the risk assessment process. In addition to meetings with local management, the internal auditor reports to the committee at least four times a year.

In accordance with the previously agreed internal audit plan for the two years ending June 2017, the committee reviewed reports confirming the findings from the internal audit reviews undertaken, the actions to implement the recommendations and the status of progress against previously agreed actions.

The committee keeps under review the internal audit relationship with PwC and maintains the procedures necessary to ensure appropriate independence of the internal audit function. During the year, a review of the services provided by PwC was undertaken and a number of changes were made to improve the focus and effectiveness of the internal audit approach.

## 5 Whistleblowing and anti-bribery procedures

The Group is committed to the highest standards of quality, honesty, openness and accountability. The Group and all operating companies have whistleblowing policies in place. Employees are encouraged to raise genuine concerns under the policy and any concerns raised are investigated carefully and thoroughly to assess what action, if any, should be taken. Any matters of significance are reported to the audit committee.

The Board supports the objectives of the Bribery Act and procedures have been established to ensure that compliance is achieved. These set out what is expected from our colleagues and stakeholders to ensure that they protect themselves as well as the Group's reputation and assets. Training has been provided to the Board and senior management and is refreshed on a regular basis. Any breach of the Bribery Act will be regarded as serious misconduct, potentially justifying immediate dismissal.

### Modern Slavery Act 2015

The Board recognises the importance of the provisions of the Modern Slavery Act 2015 and the directors aim to ensure that slavery and human trafficking have no part in the Group's supply chain. The Group has always been vigilant about employee welfare and aims to be transparent in its practices. A Modern Slavery Act Policy has been approved by the Board. A signed Modern Slavery Act Statement can be found on the Group's website and the website of each of its operating companies. Further details on the Group's approach to human rights are set out on page 37.

"Through the Board development programme, we were able to identify the skills and experience we need on the Board to support the delivery of strategy."

**Andrew Allner,**
Nomination Committee Chair

## Dear Shareholder,

As Nomination Committee Chair, I am pleased to present the committee's report for the year ended 1 July 2017.

Board succession planning has continued to be a focus for the committee this year. Following the review of the Board's composition and succession plan last year, the priority has been to assess the existing skill set of the Board to ensure that we have the right skills and experience to support the delivery of strategy.

### Board changes

In accordance with our succession plan, Nick Horler will retire from the Board at the 2017 Annual General Meeting (AGM) and I am grateful to Nick for the support and dedication he has given the Board during his tenure. As a consequence of Nick Horler's planned retirement, one of the key focus areas for the committee during the year has been to lead the process of finding his replacement.

Through the Board development programme, we were able to identify the skills and experience we were looking for and work collaboratively with executive search consultant, Inzito (who had no other connection with the Group), to identify suitable non-executive director candidates to replace Nick Horler. Having followed the robust process set out on pages 74 and 75, the committee proposed to the Board the appointment of two new non-executive directors and in October 2017 we will welcome Harry Holt and Leanne Wood to the Board. Together they will bring the skills, experience and behaviours that will complement the existing Board. Harry brings a wealth of experience in government relations, strategic planning and operations. Leanne has been at the helm of leading corporate strategy and organisational transformation, with an international career background.

With our new Board composition, our female representation on the Board will increase from 17% to 29%.

### The right balance of skills

The review of the balance of skills on the Board evolved this year through the Board development programme, where the key focus was to help individual Board members understand their own skills and strengths, how they were perceived by their fellow Board members and the collective strengths of the Board as a whole.

There is now better clarity around the different areas of skill and expertise individual Board members bring and all Board members are committed to helping their colleagues make greater use of their strengths. Where gaps were identified in the skills required, this was aligned to our non-executive director search to ensure that our new Board members would bring the skills and experience needed to support the strategic direction of the Group.

### Succession planning and talent pipeline

Last year, we reported that a review of the Board's succession planning had been undertaken, which included the Chairman meeting with each non-executive director to discuss their tenure and contribution to the Board. This succession plan has been kept under review, with our work during the year extended to assess the skills and experience of the Board so as to ensure that succession planning for Board members remains aligned to the strategic direction and ambition of the Group.

Further work will be undertaken across the year ahead to extend the committee's work, specifically around contingency planning for executive directors, and succession and development insight to further strengthen succession planning for the executive directors.

The committee also oversees the Group's talent strategy, with the approach this year developed to focus on leadership skills and better aligning our talent strategy with the business strategy. The committee recognises the importance of developing a pipeline of strong leadership capability so that we can appoint trained leaders, particularly where operations are being mobilised in new territories.

As our approach to strengthening talent management and succession planning is evolving, the committee will continue to retain broad oversight of this agenda, with the Group Chief Financial Officer taking on the role of Board sponsor for talent management.

### Diversity and inclusion initiatives across the Group

Our focus on improving diversity has continued to develop with the committee being provided with regular progress updates on inclusion and diversity initiatives across the Group. The pace and impact of activity has been far reaching, supported by the creation of a new role of Group Diversity, Inclusion and Engagement Manager. This key appointment has helped to shape and co-ordinate strategy and provide thought leadership on inclusion and diversity across the bus and rail divisions. Additional support has also been provided from the Diversity and Inclusion Steering Group and the new Bus and Rail Working Groups. For further information on diversity and inclusion initiatives across the Group, please see page 76.

### Apprenticeship Levy

The Apprenticeship Levy came into effect in April 2017, with the objective of improving productivity by investing in human capital. The Levy presents an opportunity for the Group to continue to invest in the training and development of business critical roles e.g. train drivers, bus and rail engineers, on-board teams, managers and leaders. The committee will receive updates from a Steering Group who meet regularly to explore ways of maximising the Levy to best support the workforce development.

**Andrew Allner,**
Nomination Committee Chair
6 September 2017

## NOMINATION COMMITTEE REPORT AT A GLANCE

The nomination committee has focused on areas that have impacted the key performance area of people

### Committee objectives 2016/17

- Improve committee effectiveness through best practice initiatives
- Continue focus on ensuring Board and senior management succession planning are aligned to strategy and culture
- Undertake Board skills assessment and gap analysis
- Oversight of leadership and talent initiatives, linking to new vision, beliefs and attitudes
- Full integration of the rail division into the diversity steering group and forums

### What we have done

- Board skills assessment and gap analysis
- Non-executive director search and selection
- Oversight of leadership and talent developments and initiatives
- Review of the opportunities arising from the new Apprenticeship Levy
- Oversight of the inclusion and diversity initiatives across the Group
- Continued to be well informed of best practice, good governance and market developments

### Committee focus 2017/18

- Build upon the initiatives identified as part of the Board development programme
- Tailor the induction of our two new non-executive directors
- Ongoing review of succession plans for the Board and business critical roles across the Group
- Continue to take a more active interest in developing the leadership talent pipeline to protect and enhance future organisational capability
- Promote diversity in Board and senior management appointments
- Review development initiatives for the senior management team

### Nomination committee membership

| | | Attendance |
|---|---|---|
| Andrew Allner | Committee Chair | |
| Katherine Innes Ker | Senior Independent Director | |
| Nick Horler* | Independent Non-Executive Director | |
| Adrian Ewer | Independent Non-Executive Director | |

Carolyn Ferguson attends the meetings in her capacity as Group Company Secretary

* In accordance with the Board's succession plan, Nick Horler will retire from the Board at the 2017 AGM. Harry Holt and Leanne Wood will be appointed as independent non-executive directors and members of the nomination committee on 23 October 2017. Details of the rigorous selection process that was carried out in respect of their appointments can be found below and on page 75 of this nomination committee report.

### Committee at work – Recruitment of new non-executive directors, Harry Holt and Leanne Wood

**Succession planning**

Identified a vacancy for a non-executive director, when one of the existing non-executive directors confirmed his intention to retire

**Board composition**

Work undertaken as part of the Board's development programme identified a need for a non-executive director with specific know-how areas and role behaviours

**Recruitment**

The committee directed the selection process with Inzito, an external search consultant, appointed to assist with the search

**Selection**

Under the leadership of the Chairman, a sub-committee examined a 'long list' of candidates against the role specification, with a shortlist of candidates identified

## Committee composition, skills and experience

The committee consists of the Chairman and three independent non-executive directors, who together bring a diverse and complementary range of backgrounds, personal attributes and experience.

Nick Horler will resign from the Board as a non-executive director and member of the nomination committee with effect from the close of the Annual General Meeting on 2 November 2017. Harry Holt and Leanne Wood will be joining the Board as non-executive directors on 23 October 2017, at which time they will also become members of the nomination committee. The committee will then comprise the Chairman and four independent non-executive directors.

## Committee's purpose and responsibility

The main purpose of the nomination committee is to monitor the balance of skills, experience, knowledge, independence and diversity of the Board and to keep succession arrangements for the Board and senior management under review.

The committee usually meets at least twice a year, excluding meetings held to review its effectiveness as part of the annual performance evaluation. This year, a number of additional sub-committee meetings were held to focus on the non-executive director search process. Members' individual attendance at committee meetings for the year under review can be found on page 48.

By invitation, the Group Chief Executive and Group Chief Financial Officer attend meetings and there are regular presentations from senior management.

## Time commitments

The majority of the Board, excluding the Chairman (who was independent upon appointment), are independent non-executive directors. The independence, effectiveness and time commitment of each non-executive director are reviewed on an annual basis. This year, a particularly rigorous review was undertaken for Katherine Innes Ker, who, as at 1 July 2017, has served on the Board for almost seven years. The committee also keeps under continual review the time commitments of all Board members, to ensure they do not become overstretched.

This included seeking comfort from the new non-executive directors, who will join the Board in October 2017, that they could devote the time required in addition to reviewing any changes to the commitments of our existing Board members during the year.

The review this year resulted in the committee being satisfied that the contribution made by all directors continued to be effective and that all directors are able to commit fully to their role. Accordingly, all current directors (with the exception of Nick Horler) will stand for re-election at the 2017 Annual General Meeting. Harry Holt and Leanne Wood will stand for election for the first time at the 2017 Annual General Meeting, with full details provided in the Notice of Meeting.

## Terms of reference

A full list of responsibilities is detailed in the committee's terms of reference which are reviewed annually and approved by the Board. During the year, the terms of reference were updated in accordance with best practice and a copy is available on our corporate website at www.go-ahead.com or upon request from the Group Company Secretary.

## Effectiveness of the nomination committee

The externally facilitated Board development programme undertaken during the year concluded that the committee was fulfilling its duties effectively, with the committee spending more time discussing succession planning, leadership capability and talent management and diversity initiatives. The work undertaken as part of the Board development programme during the year was also pivotal to enhancing the Board's composition and overall effectiveness.

## Succession planning and talent pipeline

The annual leadership review now highlights succession strength to business critical roles, performance of leaders, functional expertise, leadership strengths and deficits, mobility and gender diversity. It also identifies those with longer term leadership potential.

During the year, the committee was updated on developments in the approach to building a strong and resilient talent pipeline. Three pools of talent are now actively supported including high-potential employees, mid-level managers and graduates. Several of our bus and rail businesses also support talent pools locally.

### Interview

Candidates were initially interviewed by the Chairman, Senior Independent Director, Group Chief Executive and Group Company Secretary and then met all other Board members

### Balance of skills

In order to maximise the effectiveness of the Board, two non-executive directors were appointed, increasing the size of the Board but more importantly ensuring that the Board has the right balance of skills and experience

### Appointment

Harry Holt and Leanne Wood were announced as joining the Board and members of the audit, remuneration and nomination committees, succeeding Nick Horler as independent non-executive director

### Induction

The committee will play an active part in providing a bespoke induction that will be tailored to the skills and experience of each of the new non-executive directors

Graduate recruitment is an important way of introducing talent into both bus and rail operations. The first year of the rail graduate scheme has successfully concluded and a further tranche of graduate entrants will join the Group in September 2017. The bus graduate scheme is under review and will evolve so it aligns with and complements the bus business strategy, particularly where operations are being mobilised overseas. The committee tracks the careers of graduate entrants and a number of former graduates are now in management or senior management positions.

Consultation with leaders from the bus and rail operating companies established new requirements for improving talent development and, in early 2017, colleagues with longer term leadership potential were identified and commenced either a high-potential programme or a management development programme to accelerate their growth. Entry to the high-potential programmes is determined by a robust set of criteria and the programme is a blend of formal and experiential development.

The committee recognises that, in addition to developing our own people, identifying external talent fulfils an important role in improving organisational capability. We continue to be able to attract high calibre talent to senior roles both in the UK and overseas and are pleased to have recruited females into leadership positions. In the year ahead, we intend to be more proactive in tracking external talent so that we are able to respond quickly to sourcing external talent.

## Board Diversity Policy

Our approach to diversity on the Board is set out in our Board Diversity Policy, which is reviewed annually.

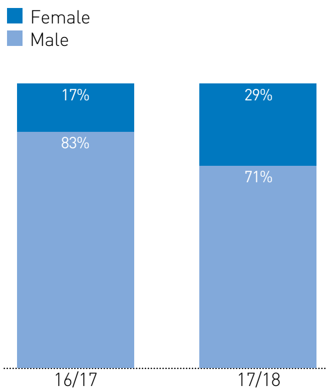
The Board remains committed to improving levels of female representation on the Board, whilst ensuring that diversity in its broadest sense remains a key priority. With the appointment of Leanne Wood on 23 October 2017, our female representation on the Board will increase from 17% to 29%.

The Board is also committed to developing and strengthening our talent pipeline and culture to improve the number of females in senior management positions.

To achieve this ambition, the committee will endeavour always to engage executive search firms that are accredited under The Enhanced Code of Conduct for Executive Search Firms, which promotes gender diversity and best practice.

The charts below show the gender diversity of the Board as at the year ended 1 July 2017 and also for the forthcoming year, which reflects the appointment of Harry Holt and Leanne Wood on 23 October 2017 and the retirement of Nick Horler at the 2017 Annual General Meeting.

## Gender diversity




## Diversity and inclusion initiatives across the Group

The committee has been updated on the diversity strategies developed across the Group, which have objectives and actions that are common across all of our operating companies. Equality and diversity training has been made available to all managers across head office and the bus division, with training planned in our rail division over the coming year. A refreshed equality and diversity policy was launched during the year, which outlines our responsibilities under the Equality Act 2010, detailing the definitions of discrimination and the steps we take to ensure equal opportunities are made available to all employees.

Our bus division has completed a diversity monitoring exercise to identify areas of focus and action plans to ensure inclusive practices around recruitment, customer experience and colleague development. We have made progress in setting our baseline and ensuring that we are well placed to measure our continued performance as an inclusive employer. In support of this we have taken Champion membership of 'Opportunity Now', Business in the Community's (BITC) gender campaign, and Core membership of 'Race for Opportunity', the BITC race campaign.

Analysis of our Group Executive Committee and their direct reports shows that we have achieved more than 30% female representation in our leadership teams. Our focus will be on ensuring there is female representation at senior levels throughout our bus business and developing action plans for fair Black, Asian and Minority Ethnic representation at all levels in the organisation.

Across the year ahead, the committee will oversee the move into the implementation phase of strategies developed by the Bus and Rail Working Groups. Priorities include ensuring our practices around people data are compliant with the General Data Protection Regulation as improved people data will enable action plans to be monitored with better accuracy. We will also review recruitment practices across the Group to ensure these are inclusive. In support of this, inclusive recruitment training is to be developed and made available to all managers. Our Champion membership of 'Opportunity Now' will provide access to tools and best practice ensuring those undertaking the review are equipped.

We are due to publish data on our Gender Pay Gap in April 2018 and we will use our membership of BITC to support female career progression.

## Development opportunities for colleagues

The committee continues to recognise the importance of supporting the development of all colleagues across the Group. Development is supported in many ways including initiatives delivered by rail and bus HR teams as well as Group-wide approaches. The Group Academy has evolved and is now branded as The Learning Hub. The services offered by The Learning Hub include a catalogue of management development and personal effectiveness programmes and online learning resources. The committee will oversee the further development of this service over the coming year to support the delivery of compliance and regulatory training and to provide more online resources to support managers and leaders.

There will also be a greater focus on leadership development over the year ahead as a key enabler of the business strategy, and senior management team members will be supported to put robust development plans with attributed hours to ensure they invest in their professional development.

"It is important that our overall remuneration policy is structured to support both the financial objectives and strategic priorities of the Group."

**Katherine Innes Ker,**
Remuneration Committee Chair

### Annual statement

## Dear Shareholder,

As Remuneration Committee Chair, I am pleased to present the directors' remuneration report for the year ended 1 July 2017. This report sets out our remuneration policy, which was last approved by shareholders at the 2015 Annual General Meeting (AGM), how this policy was implemented during 2016/17 and how we will apply the policy for the forthcoming year 2017/18.

## Performance and reward – executive directors

During the year under review, the executive directors informed the committee that they did not wish to be considered for their 2016/17 annual performance-related bonus in acknowledgement of the operational issues and difficulties which continued to be experienced in GTR, and the direct and negative impact this was having on customers. This is the second consecutive year that the Group Chief Executive has declined his annual performance-related bonus. The committee accepted that no annual performance-related bonus would be paid to either of the executive directors for the year ended 1 July 2017.

The committee also considered the extent to which the Long Term Incentive Plan (LTIP) award granted to the Group Chief Executive in November 2014 should vest. As this award was set three years ago and based on specific long term value creation targets at this time, the committee determined that a proportion of this award should vest in November 2017 based on the achievement of certain performance conditions. Full details of the performance achieved against the stretching total shareholder return, earnings per share and Group operating profit targets are provided on pages 89 and 90. This award will be paid in shares to further align the interest of the Group Chief Executive with those of our shareholders.

Both the Group Chief Executive and the Group Chief Financial Officer received an inflationary increase of 2% to their base salaries from 1 April 2017. This was the first salary increase the Group Chief Executive had received for three years, following his request that no increase be awarded in April 2015 and April 2016. This was also the first increase awarded to the Group Chief Financial Officer since he was appointed in March 2016, with his salary remaining below that of his predecessor. This year, average pay increases across our businesses were in line with inflation and we continue to support the Voluntary Living Wage.

Full details of the remuneration earned by the Group Chief Executive and the Group Chief Financial Officer can be found in this report.

## Single remuneration figure (£'000)

The total single remuneration figure for our executive directors for the year ended 1 July 2017 is shown below:

| | **2017** | 2016 |
|---|---|---|
| Group Chief Executive – David Brown | **801** | 1,214* |
| Group Chief Financial Officer – Patrick Butcher | **422** | 269** |

* Restated from last year to reflect actual value of the 2013/14 LTIP award which vested in November 2016. See page 89 for further information.

** The total single remuneration is for part-year only from the Group Chief Financial Officer's appointment on 14 March 2016 to 2 July 2016.

## Executive remuneration policy

We thank our major shareholders and shareholder representative bodies for their engagement last year in helping the committee to determine the threshold and maxima Earnings Per Share (EPS) metrics for the 2016/17 LTIP award. This was in response to the revised outlook for GTR and analysts repositioning their forecasts. Following this consultation, the committee confirmed the revised EPS metrics to our major shareholders and shareholder representative bodies. Full details of all of the LTIP metrics for the 2016/17 award can also be found on pages 90 and 91.

In conjunction with the committee's independent remuneration advisors, New Bridge Street (a trading name of Aon Hewitt, part of Aon plc), the committee undertakes a broad and detailed review of executive remuneration policy each year. This year, the review focused on executive remuneration trends, which included current investor views, market sentiment and the corporate governance climate generally. Key points considered as part of this review included executive salary increases above inflation, differences in pension provisions between executives and the wider workforce, alternatives to LTIP, increase in share ownership quantum for executives, post-employment shareholding requirements and disclosure of pay ratios.

## About this report

This report sets out details of the remuneration policy for our executive and non-executive directors, describes the implementation of the approved remuneration policy and sets out the remuneration received by the directors for the year ended 1 July 2017. No changes have been made other than to reflect changes to salary levels and the fact that the policy was formally approved by shareholders at the 2015 AGM. The report complies with the provisions of the Companies Act 2006, Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 and the Listing Rules of the Financial Conduct Authority (FCA). The Group also follows the requirements of the UK Corporate Governance Code published in April 2016 (the Code).

For completeness and transparency, this part of the directors' remuneration report includes the remuneration policy in the same form as it was approved by shareholders at the 2015 AGM (set out on pages 82 to 87 and intended to operate until the 2018 AGM. The annual statement by the Remuneration Committee Chair set out on this page and page 78 and the annual report on remuneration (set out on pages 88 to 95 will be subject to an advisory vote at the 2017 AGM.

The Group's remuneration policy was last approved by shareholders at the 2015 AGM and it will apply until the 2018 AGM. As such, we will not be asking shareholders to vote on the policy at the 2017 AGM. The committee will consult with the Group's major shareholders and shareholder representative bodies on the new policy which will be put to shareholders at the 2018 AGM. The committee will focus on a fundamental review of long term incentives, pension provision for future executive appointments, share ownership quantum for executives and post-employment shareholding requirements and best practice reporting.

At last year's AGM, 99.40% of the votes cast supported the resolution to approve the annual report on remuneration. This indicates support for the committee's focus on implementing the key principles of our executive remuneration policy.

## Remuneration linked to strategy

The committee believes it is very important that our overall remuneration policy 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 key principles underpinning the remuneration policy approved at the 2015 AGM are as follows; and these will be reviewed again as part of the review of wider executive remuneration policy in 2018:

- **Prioritising long term shareholder value** – a large proportion of the executive directors' remuneration is payable in shares. Half of the total annual performance-related bonus is awarded as deferred shares, to be held for a period of three years and subject to recovery and withholding provisions. Awards under the LTIP are also made in shares, further aligning the interests of our executive directors with those of our shareholders. Awards granted under the LTIP are subject to an additional two year holding period following the vesting of awards.
- **Balance** – we assess performance through a balanced range of measures to ensure we cover all aspects of our executive directors' performance.
- **Pay for performance** – there is a clear link between the performance of the Group and payments made to the executive directors and senior managers. Performance related elements of remuneration are relevant, transparent, stretching and rigorously applied. Care is taken to avoid paying more than necessary and due regard is given to pay and employment conditions elsewhere in the Group.
- **Risk** – remuneration incentives are designed to be aligned with the Group's risk policies and systems.
- **Culture** – incentives are structured to support Go-Ahead's vision and culture by focusing on both individual director and collective Board accountability. With alignment to our strategic objectives, we target long term sustainable performance, with fair recruitment and leaver policies.

## Implementation of remuneration policy 2017/18

The committee is not proposing any changes to the remuneration policy for the financial year 2017/18.

The committee has however agreed that the Group Chief Financial Officer's shareholding requirement will increase from 100% to 150% of base salary in accordance with best practice. While it will not be incorporated into the current remuneration policy until next year, it is effective immediately.

We look to shareholders to approve the report at the forthcoming AGM.

**Katherine Innes Ker,**
Remuneration Committee Chair
6 September 2017

## Performance in 2016/17

The Group is in a strong financial position and has delivered good strategic progress in the year. Key highlights of the year included:

- Southeastern franchise extended by six months to December 2018 and shortlisted to bid for the new South Eastern franchise
- Regional bus continues to deliver revenue growth broadly in line with our expectations and slightly ahead of wider industry trends
- Sector-leading customer satisfaction score of 90% in regional bus operations
- Largest operator of electric buses in the UK and opened the UK's first fully dedicated electric depot in London
- Acquisition of two regional bus businesses which will deliver cost synergies and drive revenue in the long term through the expertise of local teams
- Positive response from customers to contactless payment options with a strong take-up of this new payment channel where it has been rolled out in Oxford and parts of the North East
- London Midland's financial performance remains strong; revenue and passenger numbers are growing ahead of the wider industry, with the franchise extended by eight weeks to 10 December 2017
- Southeastern achieved the largest ever improvement in customer satisfaction of any UK rail operator, and there were continued high levels of customer satisfaction at London Midland
- Third German rail contract secured, which will generate around €20m of annual revenue and will commence in December 2019
- Bus contract in Singapore commenced and delivering high performance levels
- Actively exploring further bus and rail opportunities in international markets
- Proposed full year dividend increase of 6.5% to 102.08p, in line with interim dividend growth
- Net cash of £230.3m, adjusted net debt of £285.8m and an adjusted net debt to EBITDA ratio of 1.3x, below the Group's target level
- Launched a seven year £250m sterling bond with an interest coupon of 2.5%. Proceeds from the bond will be used to repay the £200m bond due in September 2017 and for general corporate purposes

Despite good financial performance across the Group during the year, overall Group performance has, as expected, been impacted by rail profitability as a result of ongoing challenges in GTR. As announced in July 2017, and in agreement with the DfT, GTR will fund a package of performance and passenger improvements worth £13.4m. This agreement resolves financial uncertainty relating to past industrial action and allows GTR to focus on continuing to improve services for Southern customers and delivering the significant passenger benefits with the Thameslink Programme.

# DIRECTORS' REMUNERATION REPORT AT A GLANCE



The actions of the remuneration committee have focused on areas that have impacted the key performance areas of society, customers, our people and finance.

## Committee objectives 2016/17

- Set targets and review outcomes for performance-related remuneration, taking into account strategic objectives, risk policies and systems
- Continue to review remuneration policy in the context of best practice and emerging developments
- Ensure regular dialogue with major shareholders and shareholder advisory bodies and take their views into account when formulating policy and making decisions
- Ensure compliance with all regulatory requirements, including overseeing compliance with the Equal Pay Bill and gender pay gap reporting
- Review the overall remuneration policy for senior management and pay and employment conditions elsewhere in the Group
- Review performance of the committee and its external advisors

## What we have done

- Set targets for performance-related remuneration, taking into account long term strategy, culture and business needs
- Reviewed executive remuneration policy with the committee's advisors, particularly in the context of emerging developments and best practice
- Consulted with major shareholders and representative bodies on proposed changes to the 2016/17 LTIP award threshold and maxima EPS metrics
- Approved and increased the shareholding requirement for the Group Chief Financial Officer from 100% to 150%
- Considered the extent to which the Group Chief Executive's 2014/15 LTIP award should vest
- Reviewed the overall remuneration policy for senior management and pay and employment conditions elsewhere in the Group
- Reviewed performance of the committee and its external advisors
- Ensured compliance with all regulatory requirements, including Equal Pay Bill and gender pay gap reporting

## Committee focus 2017/18

- Comprehensive review of remuneration policy ahead of shareholder vote on the new policy at the 2018 AGM
- Shareholder and shareholder advisory body consultation on proposed changes to remuneration policy
- Consider means of pro actively engaging with the wider workforce on how decisions on executive pay reflect wider pay policy and how pay and incentives align across the Group
- Set targets for performance-related remuneration taking into account long term strategy and review outcomes
- Review the overall remuneration policy for senior management and pay and employment conditions elsewhere in the Group
- Ensure compliance with all regulatory requirements, in particular Equal Pay Bill and gender pay gap reporting, in April 2018
- Review performance of the committee and its external advisors

## Remuneration committee membership

| Remuneration committee membership | | Attendance | | | | |
|---|---|---|---|---|---|---|
| Katherine Innes Ker | Committee Chair | ■ | ■ | ■ | ■ | ■ |
| Andrew Allner | Chairman | ■ | ■ | ■ | ■ | ■ |
| Nick Horler[1,2] | Independent Non-Executive Director | ■ | ■ | ■ | ■ | |
| Adrian Ewer | Independent Non-Executive Director | ■ | ■ | ■ | ■ | ■ |

Carolyn Ferguson attends the meetings in her capacity as Group Company Secretary

1. In accordance with the Board's succession plan, Nick Horler will retire from the Board at the 2017 Annual General Meeting. Harry Holt and Leanne Wood will be appointed as independent non-executive directors and members of the remuneration committee on 23 October 2017 and details of the rigorous selection process that was carried out in respect of their appointments can be found in the nomination committee report on pages 73 to 76.
2. Nick Horler was unable to attend one scheduled remuneration committee meeting on 7 June 2017 due to a long standing prior commitment.

# DIRECTORS' REMUNERATION REPORT AT A GLANCE

## Remuneration principles

**Prioritising long term shareholder value**
A large proportion of the executive directors' remuneration is payable in shares, aligning the interests of executive directors with shareholders

**Balance**
A balanced range of measures is used to ensure all aspects of executive directors' overall performance are covered

**Pay for performance**
A clear link exists between the performance of the Group and payments made to the executive directors and senior managers

**Risk**
Remuneration incentives are designed to be compatible with Go-Ahead's risk policies and systems

## Remuneration policy

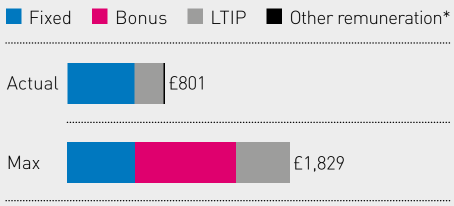
| Component of remuneration | 2017 – 2021 | Link to strategy |
|---|---|---|
| Salary, pension and other benefits | 2017 | • Core reward to recruit and retain individuals of the calibre required to deliver our strategic objectives |
| Bonus – cash | One-year performance (2017) | • Rewards the delivery of key financial and strategic priorities<br>• Aligns executive directors' interests with those of shareholders<br>• Encourages sustained performance in line with shareholder interests as part of a balanced range of measures |
| Bonus – deferred shares | One-year performance (2017); Three year vesting (2018–2020) | |
| LTIP | Three year performance (2017–2019); Two year performance (2020–2021) | • Encourages the delivery of long term sustainable returns to shareholders |
| Share ownership | 2017–2021 | • Aligns the financial interests of the executive directors with those of shareholders |

**Culture**
Incentives are structured to support Go-Ahead's vision, beliefs and attitudes. We target long term sustainable performance with fair recruitment and leaver policies

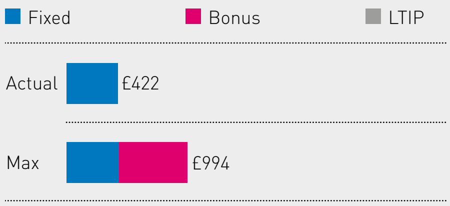
## Executive director remuneration – actual vs policy (£'000)

The charts below show a comparison of the total single remuneration received by the executive directors for the year ended 1 July 2017 compared with the maximum reward opportunity that was available under Go-Ahead's remuneration policy:

**David Brown**
**Group Chief Executive**




**Patrick Butcher**
**Group Chief Financial Officer**




* The value of the gross cumulative dividend payment in relation to the 2013/14 deferred share bonus award which vested in November 2016 following the end of the three year deferral period

**Key features and application for the year ahead**

- Salary reviewed annually by the committee
- Salary increases will not normally exceed the average increase awarded to other UK based employees unless certain circumstances apply
- From 1 April 2017, the Group Chief Executive and Group Chief Financial Officer received a 2% base salary increase from the previous year to £552,600 and £377,400 respectively
- The Group Chief Executive does not receive any form of pension provision. The Group Chief Financial Officer receives a non-pensionable cash supplement of 13% of base salary
- The Group Chief Executive and Group Chief Financial Officer receive family private healthcare, death in service and life assurance cover (4x base salary), free travel on the Group's services and professional membership subscriptions

- Maximum bonus award of 150% of base salary
- Half of bonus is paid in cash and half is based in shares deferred for a period of three years
- Perfomance metrics include Group operating profit (65%), Group cashflow (10%) and strategic KPIs (25%)
- Unvested deferred shares are subject to malus and clawback. Malus applies to the period prior to vesting and clawback applies to cash and deferred shares for a period of three years from the date the cash payment is made and the date the share awards are granted

- Maximum LTIP award of 150% of base salary for the Group Chief Executive and 100% of base salary for the Group Chief Financial Officer
- Awards vest after a three year perfomance period
- Awards granted from 2015 must be retained (other than to pay tax or NICs due on receipt of the shares) for two further years
- Performance metrics include compound annual growth in EPS (40%), relative TSR (40%), and customer satisfaction ratings (20%)
- Malus applies to the period prior to vesting and clawback applies for three years following the date on which the award vests

- Executive directors are required to retain 50% of the post tax gain on vested LTIP and deferred shares awards until such time as the Group Chief Executive and Group Chief Financial Officer have achieved holdings of 200% (150%) and 150% (100%) respectively*

* Last year, the Group Chief Executive's shareholding requirement was increased from 150% to 200% in accordance with best practice. This year, the Group Chief Financial Officer's shareholding requirement has been increased from 100% to 150%. While these changes will not be incorporated into the current remuneration policy until the 2018 Annual General Meeting, they are immediately effective.

## Remuneration policy report

The Group's remuneration policy (the Policy) is set out in this section. The Policy was approved by shareholders at the 2015 AGM, held on 22 October 2015, and is effective until the 2018 AGM.

The policy table that follows provides detail on each key element of remuneration, including the maximum potential value of each element, a brief summary of how it works and details of any performance metrics.

## Remuneration policy table for executive directors

| Element & maximum | Purpose & link to strategy | Operation |
|---|---|---|
| **Base salary** | • Salary is the core reward for the role and enables the Group to recruit and retain individuals of the calibre required to deliver its strategic objectives and lead its management team, without paying more than is necessary<br>• Base salary also reflects the individual's skills, expertise, experience and role within the Group | • Paid monthly in cash<br>• In determining base salaries, the committee considers:<br>- Pay levels at companies of a similar size and complexity in the FTSE 250<br>- External market conditions<br>- Pay and conditions elsewhere in the Group<br>- Individual performance, skills, experience in post and potential<br>• Salaries are normally reviewed annually with changes taking effect from 1 April each year<br>• The committee may also review salaries on an ad hoc basis if an individual is promoted and/or there is an increase in their responsibilities |
| **Performance-related bonus** | • Focuses on the key priorities for the coming year<br>• Deferral of half of bonus into Group shares aligns executive directors' interests with those of shareholders | • Annual, non-pensionable payments made after the AGM<br>• Half of any bonus is paid in cash following the AGM and half is paid in shares deferred for a period of three years<br>• Based on the achievement of specific financial and non-financial objectives<br>• Subject to recovery and withholding provisions for three years following the award |
| **Long Term Incentive Plan (LTIP)** | • Aligned to the strategic objectives of the Group to deliver long term returns to shareholders | • Annual grant of performance shares that vest three years after grant (subject to the satisfaction of performance conditions)<br>• Awards granted from 2015 must be retained (other than to pay tax or NICs due on receipt of the shares) for two further years<br>• Subject to recovery and withholding provisions for three years following vesting |
| **Pension allowance** | • Provides a cash alternative to pension contributions in line with market practice | • Monthly, non-pensionable payment, paid in cash |
| **Other benefits** | • Ensures package is competitive with market practice and employees have a minimum level of insured benefits | • The main benefits include family private healthcare, death in service and life assurance cover (4x base salary), free travel on the Group's services and professional membership subscriptions |
| **All employee share plans** | • Executive directors are eligible to participate in HMRC approved all employee schemes which encourage share ownership | • Executive directors may participate in these plans in line with HMRC guidelines currently prevailing (where relevant), on the same basis as other eligible employees |
| **Share ownership** | • To align the financial interests of the executive directors with those of shareholders | • Executive directors are required to retain 50% of the post tax gain on vested LTIP and deferred share awards until such time as the Group Chief Executive has achieved a holding of 200% (150%) of salary and other executive directors have achieved 150% (100%) of salary |

1. In line with our commitment to transparent reporting, EPS is now reported on a statutory basis. Where targets have been based on adjusted EPS (EPS before amortisation and exceptional items), vesting will be determined by a calculation on an adjusted basis, based on reported Group operating profit adding back amortisation and any exceptional items, which is consistent with prior years.

2. The current Group Chief Executive does not receive any form of pension provision from the Group. The Group Chief Financial Officer receives a cash allowance of 13% of salary.

| Maximum | Performance targets |
|---|---|
| • Annual salary increases for executive directors will not normally exceed the average increase awarded to other UK based employees<br>• However, larger increases may be awarded in certain circumstances including but not limited to:<br>- Increase in scope of responsibilities of the role<br>- To apply salary progression for a newly appointed director<br>- Where a director's salary has fallen significantly below market position | n/a |
| • Maximum of 150% of salary | • Performance metrics will normally include Group profit, cash and individual strategic goals with profitability accounting for at least half of the opportunity<br>• A quality of earnings review and health and safety target thresholds also apply to the full bonus |
| • Maximum of 150% of salary for Group Chief Executive and 100% of salary for other executive directors<br>• Exceptional circumstances maximum (e.g. on recruitment) of 200% of salary | • Performance measured over three financial years<br>• Performance metrics will include compound annual growth in adjusted EPS[1] and relative TSR with each accounting for at least 25% of the award<br>• From the 2015/16 awards adjusted EPS has a 40% weighting, relative TSR has a 40% weighting and customer satisfaction ratings in our bus and rail divisions will each have a 10% weighting<br>• For the EPS and TSR measures not more than 25% of the award may vest at threshold performance<br>• The committee has the discretion to vary the weighting and choice of metrics including the comparator groups prior to each award. However, it would consult with shareholders before introducing significantly different metrics |
| • A cash allowance of up to 15% of salary may be provided[2] | n/a |
| • Benefits are intended to be market competitive but are not subject to a maximum as the cost of providing the insured benefits is set by third party providers and can vary from year to year | n/a |
| • Participation levels operate in accordance with HMRC limits as amended from time to time | n/a |
| • 200% (150%) of salary holding for the Group Chief Executive[3] and 150% (100%) of salary holding for other executive directors[4] | n/a |

3. Last year, the Group Chief Executive's share ownership guideline was increased from 150% to 200% in accordance with best practice. While it will not be incorporated into the current remuneration policy until the next opportunity, it was immediately effective.

4. This year, the Group Chief Financial Officer's shareholding requirement has increased from 100% to 150%. Similarly, while it will not be incorporated into the current remuneration policy until the next opportunity, it is immediately effective.

## Considerations when determining remuneration policy

The remuneration committee considers shareholder feedback received, and guidance from shareholder representative bodies more generally when reviewing remuneration policy, in addition to best practice and the Code.

A substantial proportion of the executive directors' pay is performance-related, with half of the annual bonus also being subject to deferral into the Group's shares. A broad range of financial and non-financial targets are included in our incentive structure and recovery and withholding provisions apply to both the annual performance-related bonus and LTIP. In addition, awards granted under the LTIP since 2015 are subject to an additional two year holding period following the vesting of awards.

Working with the audit committee, the remuneration committee ensures that risk is properly considered in setting the overall remuneration policy. The executive directors are also incentivised to take environmental, social and governance matters seriously and to consider the long term implications of their decision making. Accordingly, in line with the Investment Association Guidelines on responsible investment disclosure, the committee has linked a proportion of the annual performance-related bonus to the achievement of safety and good governance objectives.

In setting the remuneration policy the committee considers the remuneration packages offered to employees across the Group. As a point of principle salaries, benefits, pensions and other elements of remuneration are benchmarked regularly to ensure they remain competitive in the markets in which we operate.

As would be expected, we have differences in pay and benefits across the businesses which reflect individual responsibility, market and geographical location. When considering annual salary increases, the committee reviews the proposals for salary increases for the employee population generally, as it does for any other changes to remuneration policy being considered.

The committee did not formally consult with employees when drawing up the directors' remuneration policy. However, the committee considers any informal feedback received through employee staff surveys or other channels. Over the year ahead, the committee will be considering how there can be more pro-active engagement with the wider workforce on matters of executive pay and wider pay policy.

## Committee discretions

The committee operates the Group's variable incentive plans according to their respective rules and in accordance with HMRC rules where relevant. To ensure the efficient administration of these plans, the committee will apply certain operational discretions. These include the following:

- Selecting the participants in the plans on an annual basis
- Determining the timing of grants of awards and/or payment
- Determining the quantum of awards and/or payments (within the limits set out in the policy table on pages 82 and 83
- Determining the extent of vesting based on the assessment of performance
- Making the appropriate adjustments required in certain circumstances (e.g. change of control, rights issues, corporate restructuring events, and special dividends)
- Determining good leaver status for incentive plan purposes and applying the appropriate treatment
- Undertaking the annual review of weighting of performance measures, and setting targets for the annual performance-related bonus and LTIP from year to year

If an event occurs which results in the annual performance-related bonus or LTIP performance conditions and/or targets being deemed no longer appropriate (e.g. a material acquisition or divestment), the committee will have the ability to adjust appropriately the measures and/or targets and alter weightings, provided that the revised conditions or targets are not materially less difficult to satisfy.

The committee would only expect to exercise discretion to deal with exceptional circumstances and would always provide context and explanation of the extent to which the discretion has been used.

Outstanding share incentive awards that remain unvested or unexercised at the date of this report, as detailed on pages 91 and 92, remain eligible for vesting or exercise based on their original award terms.

## Consistency with remuneration for the wider Group

Remuneration arrangements are determined throughout the Group based on the same principles: that reward should be sufficient to attract and retain high-calibre talent and that reward should support the delivery of business strategy. The committee reviews the remuneration for those employees immediately below the executive directors to ensure that this incentivises the delivery of both strategy and business objectives.

Through our devolved structure, local management are then empowered to create tailored remuneration packages on an individual business-by-business basis. As a result, the components and levels of remuneration for different employees will differ from the policy for executive directors as set out above. Employees may receive bonus, pension and share awards which vary according to the local business and market practice. The maximum provision and incentive opportunity available are determined by the seniority and responsibility of the role.

Participation in the LTIP is currently limited to executive directors only while participation in the deferred share bonus plan is limited to executive directors and senior management.

It is an important part of Go-Ahead's values that all colleagues, not just management, have the opportunity to become shareholders in the Group. All employees, with at least six months' continuous service, therefore have the opportunity to participate in our Share Incentive Plan and Save As You Earn schemes.

## Performance measure selection

With the exception of base salary, benefits, pension allowance and participation in all employee share plans, all other elements of the remuneration packages of the executive directors are linked to performance.

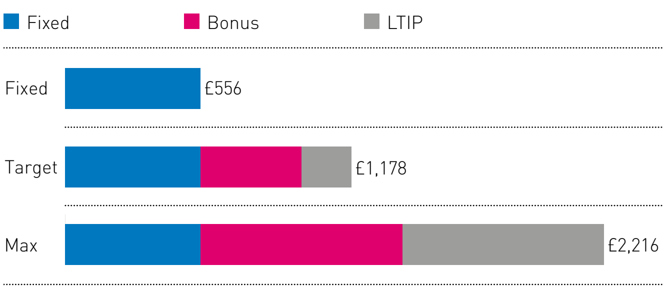
In choosing the performance metrics and targets we have sought to provide a strong and demonstrable link between management incentives and the Group's strategic objectives. We have also set a performance based framework for remuneration which is consistent with the Group's scale and unique structure. This enables the executive directors and senior managers to share in the long term success of the Group without delivering excessive benefits or encouraging short termism or excessive risk taking. It also aligns their interests with those of our shareholders.

The choice of performance measures for the annual performance-related bonus is based on a mixture of financial, non-financial, personal and strategic targets, with a clear alignment to the Group's short and long term strategic objectives.

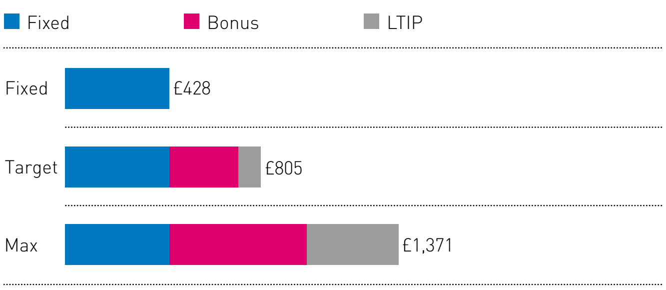
A significant proportion of executive directors' potential remuneration is performance-related. This comprises annual bonuses under the performance-related bonus and long term incentives under the LTIP. The charts below provide estimates of the potential future reward opportunity for the executive directors split between fixed, target and maximum remuneration scenarios. The scenarios do not take into account share price appreciation or dividends.

## Total remuneration by performance scenario for 2017/18 financial year (£'000)

### Group Chief Executive




### Group Chief Financial Officer




The assumptions underlying each scenario are described below:

Fixed remuneration: base salary as at 1 April 2017, benefits as received in 2016/17 and, for the Group Chief Financial Officer only, the value of his pension allowance.

Target: fixed remuneration plus half of the maximum annual performance-related bonus award (75% of base salary) plus threshold vesting under the LTIP awards (37.5% of base salary for the Group Chief Executive and 25% of base salary for the Group Chief Financial Officer).

Maximum: fixed remuneration plus the maximum annual performance-related bonus award (150% of base salary) plus full vesting of LTIP awards (150% of base salary for the Group Chief Executive and 100% of base salary for the Group Chief Financial Officer).

## Recruitment remuneration

On appointing a new executive director, the committee would seek to align the remuneration package for the relevant individual with the Group's remuneration policy as set out on pages 82 and 83. It would aim not to pay more than necessary to secure the right candidate and the package would take into account the experience and calibre of the individual concerned. The remuneration package for a new executive director would be set in accordance with the terms of the approved remuneration policy in force at the time of appointment.

Where a newly appointed executive director is required to relocate, the Group may pay the costs of relocation if appropriate and may provide tax equalisation and assistance with reasonable legal fees.

Any executive director promoted internally may remain eligible for payments under incentive plans joined and/or contractual arrangements entered into before joining the Board. However, the committee will have regard to best practice in reviewing the treatment of any such entitlements.

The committee assesses on an individual basis whether it is necessary to compensate executive directors for incentives lost from their previous employers. The level and timing of such compensation will normally seek to reflect or take account of the term and performance conditions of the payments or awards forgone on a like for like basis.

Compensation will normally take the form of conditional awards or options over Group shares but cash and/or time vested payments may be made where the committee believes these would offer better value for money for shareholders. Existing arrangements will be used where possible; however, the committee also reserves the ability to make use of the flexibility provided under the Listing Rules without prior shareholder approval. The committee is sensitive to investor concerns about such arrangements and will endeavour to take cost effective approaches.

## Service agreements of executive directors

The Group Chief Executive and the Group Chief Financial Officer entered into a service agreement with The Go-Ahead Group plc on 1 April 2011 and 14 March 2016 respectively. The term of each service agreement is undefined and is terminable by either the Group on one year's notice or by the executive director on six months' notice. The directors' service agreements are available for inspection at the Group's registered office.

## External appointments

In accordance with their service agreements, the executive directors are able to accept external appointments and are permitted to retain any fees paid for such services, provided that approval is given by the Board. The Group Chief Executive is a director of the Rail Delivery Group Limited and ATOC Limited and he does not receive any fees for either of these roles. From 3 April 2017, the Group Chief Executive was also appointed as non-executive director of Renew Holdings plc for which he receives £35,000 per annum. The Group Chief Financial Officer does not have any external appointments.

## Departure of executive directors

Executive directors' service agreements contain a provision, exercisable at the discretion of the Group, to pay an amount in lieu of notice on early termination of the agreement. Such payments are limited to base salary plus pension allowance and other benefits (such as family private healthcare and life assurance cover), but would not automatically include entitlement to bonus or share awards.

The Group can also pay legal fees and outplacement services. There are no provisions for special pension benefits, such as beneficial early retirement terms. Other than the notice periods specified above, the executive directors are not due any contractual compensation payments in the event of early termination of a service agreement. The committee believes that the agreements provide appropriate protection of the interests of shareholders when negotiating a termination, at which time the committee would take into account the departing director's duty to mitigate his/her loss when determining the amount of any compensation.

## Loss of office payments

The treatment of remuneration for executive directors whose service with Go-Ahead terminates will be considered on a case-by-case basis. However, the table below sets out the treatment of elements of remuneration that would normally apply:

| Reason for termination | Retirement, redundancy, disability, death or change of ownership | Other leavers (e.g. resignation/misconduct) |
|---|---|---|
| Salary and contractual benefits | Payment equal to the aggregate of the base salary and the value of any contractual benefits for the notice period including any accrued or untaken holiday | Paid to date of termination, including pay for any accrued but untaken holiday |
| Performance-related bonus (cash) | Bonus awarded (subject to satisfaction of performance targets) for the relevant financial year, pro-rated accordingly for the period of employment to the date of cessation of employment | No award for year of termination |
| Performance-related bonus (deferred shares) | Awards vest in accordance with normal timetable with the exception of ill-health retirement cases which are reviewed by the committee on a case by case basis | Awards lapse in full on cessation of employment |
| Unvested LTIP awards | Awards normally vest at the normal vesting date unless the remuneration committee determines the award should vest on the date of cessation of employment<br>The amount of award vesting will be subject to the satisfaction of performance conditions and will normally be reduced pro rata to reflect time elapsed between grant and cessation of employment although the committee has discretion to waive pro-rating where it believes it would be appropriate to do so | Awards lapse in full on cessation of employment |

## Policy table for Chairman and non-executive directors

The remuneration policy for the Chairman and the non-executive directors is set out in the table below. Non-executive directors are not involved in any discussions or decisions about their own remuneration.

| Element | Purpose and link to strategy | Operation |
|---|---|---|
| Fees | The basic fee for the Chairman and non-executive directors is a fixed annual fee commensurate with the time each director is expected to spend on the Group's affairs and with the responsibility assumed as director of a listed company<br>Fees are set at a level to attract and retain individuals with appropriate expertise to complement the Group's strategy | The remuneration of the non-executive directors takes the form solely of fees, which are set annually by the Board<br>The level of fees set is subject to the current limits as set out in the Group's articles of association (currently aggregate fees of £500,000 for all non-executive directors)<br>Fees are reviewed on 1 April each year with reference to comparable listed companies in the FTSE 250 |
| Additional fees payable for duties | Additional fees may be paid to non-executive directors who are chair of a Board committee and/or who occupy the role of Senior Independent Director to reflect the additional responsibility and time commitment required | Non-executive directors are not eligible to receive performance-related remuneration or pension entitlements or to participate in share option schemes<br>Non-executive directors may also be provided with limited travel, hospitality and accommodation expenses |

The Chairman and non-executive directors do not receive benefits in kind nor do they participate in the Group's short and long term incentive arrangements or in its pension scheme.

## Letters of appointment for Chairman and non-executive directors

Each non-executive director has a letter of appointment which provides for a notice period of six months. The terms of appointment contain no entitlement to compensation for early termination. The letters of appointment are available for inspection at the Group's registered office during normal business hours and will also be available for inspection prior to and during the AGM.

The contract dates and notice periods for the non-executive directors are shown in the table below:

| Director | Date of service agreement | Notice period from the Group | Notice period from the director |
|---|---|---|---|
| Andrew Allner | October 2008 | 6 months | 6 months |
| Katherine Innes Ker | July 2010 | 6 months | 6 months |
| Nick Horler | November 2011 | 6 months | 6 months |
| Adrian Ewer | April 2013 | 6 months | 6 months |

## Retirement and re-election of directors

In accordance with the Group's articles of association and the provisions of the Code, all directors are required to submit themselves for re-election at each AGM. Accordingly, all directors will be submitting themselves for re-election at the 2017 AGM with the exception of Nick Horler, who will retire at the conclusion of the AGM. Harry Holt and Leanne Wood will offer themselves for election as independent non-executive directors for the first time at the 2017 AGM. Details of the rigorous selection process that was carried out in respect of their appointments can be found in the nomination committee report on pages 73 to 76.

## Annual report on remuneration

The remuneration committee presents the annual report on remuneration which, together with the annual statement from the Remuneration Committee Chair, will be put to shareholders as an advisory vote at the AGM to be held on 2 November 2017.

## Remuneration committee report

The committee comprises the Chairman and three independent non-executive directors.

The committee met seven times during the year. Five of these meetings were scheduled, with two additional meetings being held so that additional time could be given to certain key considerations such as the structure and targets for the 2016/17 annual performance-related bonus and to discuss shareholder feedback on the remuneration consultation in respect of EPS metrics for the 2016/17 LTIP award.

## Role of the committee

The committee's principal responsibilities are to:

- Develop the remuneration policy for the executive directors, including the balance between fixed and performance-related, cash and share-based, immediate and deferred remuneration
- Review the ongoing appropriateness and effectiveness of the Group's remuneration policy
- Regularly review the design and targets for performance-related pay arrangements and approve the total annual payments and awards
- Ensure adherence to the policy set for executive directors' service agreements, including recruitment and compensation payment policies
- Recommend and monitor the level and structure of remuneration for senior management within the Group
- Determine the fees of the Chairman

The members of the committee have no personal interests in the matters to be decided by the committee other than as shareholders, and have no conflicts of interest arising from cross-directorships. Committee members did not attend meetings where matters associated with their own remuneration were considered.

During the year, the committee's recommendations were all accepted unanimously by the Board and implemented without amendment.

## Terms of reference

The committee's terms of reference are reviewed annually and approved by the Board. During the year, the terms of reference were updated in accordance with best practice and a copy is available on our corporate website at www.go-ahead.com or upon request from the Group Company Secretary.

## External advisors to the committee

New Bridge Street (NBS) (a trading name of Aon Hewitt Limited, part of Aon plc) act as independent remuneration advisors to the committee. The advisor was selected through a thorough process led by the Remuneration Committee Chair and was appointed by the committee. Neither Aon Hewitt Limited nor the wider Aon plc provided any other services to the Group during the year and therefore the committee was satisfied that it provided objective and independent advice. NBS is a member of the Remuneration Consultants Group and complies with its code of conduct. The fees payable to NBS for advice throughout the year were £26,526 (2016: £38,816).

## Statement of voting at general meeting

At last year's AGM (3 November 2016) the directors' remuneration report received the following votes from shareholders:

| | Votes for and discretionary | Votes against | Total votes | Withheld |
|---|---|---|---|---|
| Remuneration report | 27,882,523 | 168,318 | 28,050,841 | 8,736 |
| | 99.40% | 0.60% | 100% | |

The remuneration policy was last approved for 2014/15 at the AGM held on 22 October 2015, the voting outcome of which was:

| | Votes for and discretionary | Votes against | Total votes | Withheld |
|---|---|---|---|---|
| Remuneration policy | 21,842,550 | 497,285 | 22,339,835 | 5,227,804 |
| | 97.77% | 2.23% | 100% | |

# Implementation of remuneration policy for 2016/17

## Executive directors' annual base salary (audited)

Base salary levels for executive directors are shown below and will remain in place until April 2018 when they will be reviewed again:

| Executive director | From 1 April 2017 | From 1 April 2016 | % Increase |
|---|---|---|---|
| Group Chief Executive, David Brown | 552,600 | £541,800 | 2 |
| Group Chief Financial Officer, Patrick Butcher | 377,400 | £370,000 | 2 |

## Executive directors' remuneration (audited)

The table below summarises all remuneration that was earned by each executive director during the year and computes a single total remuneration figure for the year. The remuneration for the Group Chief Executive and Group Chief Financial Officer reflects their request not to be considered for the 2016/17 annual performance-related bonus award. The value of the LTIP reflects the award granted to the Group Chief Executive in November 2014, a proportion of which will vest in November 2017 as a result of the achievement of certain long term performance conditions set three years previously and ended at the completion of the financial year on 1 July 2017. The LTIP value in the table below is based on the average market share price in the last quarter of 2016/17 of £17.89. This value has been estimated as the award will not actually vest until shortly after the 2017 AGM.

The remuneration committee reviews all incentive awards prior to payment and uses judgement to ensure that the final assessments of performance are fair and appropriate. If circumstances warrant it, the committee may adjust the final payment or vesting downwards.

| | | | | Short term incentives (Performance-related bonuses) | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Executive director | | Salary £'000 | Taxable benefits[1] £'000 | Cash bonus[2] £'000 | Deferred share bonus[2] £'000 | Long term incentives LTIP[3] £'000 | Pension allowance[4] £'000 | Other remuneration[5] £'000 | Single total remuneration figure £'000 |
| Group Chief Executive, David Brown | **2017** | **545** | **3** | **–** | **–** | **239** | **–** | **14** | **801** |
| | 2016 | 542 | 3 | – | – | 647 | – | 22 | 1,214* |
| Group Chief Financial Officer, Patrick Butcher | **2017** | **372** | **2** | **–** | **–** | **–** | **48** | **–** | **422** |
| | 2016 | 112 | 1 | – | 141 | – | 15 | – | 269 |

* Restated from last year's value of £1,310,583 to reflect actual value of the Group Chief Executive's 2013/14 LTIP award which was £557,429 based on the share price as at 16 November 2016 of £20.333. The cash equivalent value of the gross cumulative dividend payment disclosed last year of £70,821 is restated as £89,332, the difference being the cash equivalent value of the dividend that was paid to all shareholders on the register at close of business on 11 November 2016. This is in accordance with the LTIP rules which provide that a cash equivalent to the value of the gross cumulative dividend should be paid as if the participant had been the holder of the shares from the date of award to the day prior to the date on which he exercised his award.

### 1. Taxable benefits

The taxable benefit for the executive directors comprises family healthcare membership.

### 2. Cash bonus and deferred share bonus (annual performance-related bonus)

At the request of the executive directors, the committee accepted that no annual performance-related bonus would be paid to either the Group Chief Executive or the Group Chief Financial Officer for the year ended 1 July 2017.

### 3. Vesting of 2014/15 LTIP award – Group Chief Executive only

The table on page 90 summarises the performance conditions for the Group Chief Executive's 2014/15 LTIP award and the actual performance achieved. This award was subject to performance conditions measured over the three financial years ending with the 2016/17 financial period.

As shown overleaf, 27.5% of the adjusted EPS growth target (30% weighting) was achieved and there was no vesting for the TSR element of the 2014/15 LTIP award.

The Group operating profit applying to 40% of the 2014/15 LTIP award is payable on a sliding scale between the threshold and maximum targets. No element of this award vests unless Group operating profit has increased from the Group's operating profit for the year ended 28 June 2014 by at least 25% over the three financial years ended 1 July 2017. At threshold, 20% vests if the Group has achieved 25% growth in 2016/17 operating profit. At maximum, 40% vests if operating profit has grown by 50%. A sliding scale applies for growth between 25% and 50%.

The Group's restated operating profit (before amortisation) for the year ended 28 June 2014 was £115.4m. The Group's operating profit (before amortisation) for the year ended 1 July 2017 was £153.7m. The Group's operating profit (before amortisation) has therefore increased by 33% over the three years, resulting in a 26.5% of 40% vesting for this element of the award.

### Performance conditions and actual performance achieved for the 2014/15 LTIP award

| | Payout (% of each element) | Compound annual growth in adjusted EPS* | Relative TSR vs FTSE 250 (excluding certain sectors) | Group operating company profit* |
|---|---|---|---|---|
| Weighting (% of total award) | – | 30% | 30% | 40% |
| Below threshold | 0% | Less than RPI + 2% p.a. | Below median | See commentary on previous page |
| Threshold | 25% | RPI + 2% p.a. | Median | |
| Between threshold and maximum | Between 25% and 100% | Between RPI + 2% p.a. and RPI + 8%p.a. | Between median and upper quartile | |
| Maximum | 100% | RPI + 8% p.a. | Upper quartile | |
| Performance achieved | | Adjusted EPS of 212.6p<br>From a base of 163p this is equivalent to growth of RPI + 7.34% | | |
| Actual % vesting | 54% | 27.5% | 0% | 26.5% |

* In line with our commitment to transparent reporting, EPS and operating profit are now reported on a statutory basis. At the time of this LTIP award, the targets were based on adjusted EPS and adjusted operating profit (before amortisation and exceptional items). The vesting of the 2014/15 LTIP has therefore been calculated on an adjusted basis, based on reported Group operating profit adding back amortisation and any exceptional items, which is consistent with prior years.

The value of the Group Chief Executive's LTIP award is shown in the executive directors' remuneration table on page 89. This includes the value of the long term incentive shares vesting which amounts to £206,093 based on the average market share price in the last quarter of 2016/17 of £17.89. This value has been estimated as the award will not actually vest until shortly after the 2017 AGM. The cash equivalent value of the gross cumulative dividend payment is also payable equating to £33,169.

#### 4. Pension allowance

The Group Chief Financial Officer receives a non-pensionable cash supplement of 13% of his base salary. The Group Chief Executive does not receive any form of pension provision from the Group.

#### 5. Other remuneration

The value of the gross cumulative dividend payment in relation to the 2013/14 deferred share bonus award which vested in November 2016 following the end of the three year deferral period.

## 2016/17 LTIP awards granted during the year ended 1 July 2017 (audited)

LTIP awards were granted to the executive directors during the year ended 1 July 2017, structured as nil-cost options, exercisable at the end of a three year performance period commencing with the start of the 2016/17 financial period and ending with the 2018/19 financial period, subject to the satisfaction of performance conditions. Vested awards are then subject to a further two year holding period other than for sales to settle any tax or NIC liability on exercise of the awards. The 2016/17 grant policy was to grant awards with a face value of 150% of salary for the Group Chief Executive and 100% of salary for the Group Chief Financial Officer as follows:

| Executive director | Basis of award granted | Share price at grant date | Number of shares over which award was granted[1] | Face value of award[2] (£'000) | % of award which vests as threshold | Vesting determined by performance over |
|---|---|---|---|---|---|---|
| David Brown | 150% of salary | £20.08 | 39,698 | 797 | 10% for EPS, 25% for TSR and 10% for each customer element | Three financial years ending on 29 June 2019 |
| Patrick Butcher | 100% of salary | £20.08 | 18,073 | 363 | 10% for EPS, 25% for TSR and 10% for each customer element | Three financial years ending on 29 June 2019 |

1. The number of shares over which the award was granted was calculated using a share price of £20.472, this being the average of the middle market quotations during the period of five dealing days immediately prior to the date of grant in accordance with the plan rules.

2. The face value of the award has been calculated on a share price of £20.08. This was the share price on 16 November 2016, the date of grant.

The committee consulted with major shareholders and shareholder representative bodies on proposed changes to the LTIP's threshold and maxima EPS metrics in response to the revised outlook for GTR and analysts' repositioning of their forecasts. The revised EPS metrics are shown in the table on page 91, together with the TSR and customer service targets which were unchanged from the previous year.

## Performance conditions attaching to the 2016/17 LTIP award

| | EPS payout (% of element) | Compound annual growth in adjusted EPS* | Payout (% of TSR element) | Relative TSR vs FTSE 250 (excluding certain sectors) | Payout (% of each customer element) | Rail customer service target | Bus customer service target |
|---|---|---|---|---|---|---|---|
| Weighting (% of total award) | – | 40% | – | 40% | – | 10% | 10% |
| Below threshold | 0% | Less than RPI + 2% p.a. | 0% | Below median | 0% | Less than 78% | Less than 90% |
| Threshold | 10% | RPI + 2% p.a. | 25% | Median | 10% | 78% | 90% |
| Between threshold and maximum | Between 10% and 100% | Between RPI 2% p.a. and RPI 10% p.a. | Between 25% and 100% | Between median and upper quartile | Between 10% and 100% | Between 78% and 82% | Between 90% and 93% |
| Maximum | 100% | RPI + 10% p.a. | 100% | Upper quartile | 100% | 82% | 93% |

* In line with our commitment to transparent reporting, EPS is now reported on a statutory basis. At the time of grant, the 2016/17 LTIP targets were based on adjusted EPS (EPS before amortisation and exceptional items). When determining the vesting of the 2016/17 LTIP after the year ending 2018/19, the calculation will be on an adjusted basis, based on reported Group operating profit adding back amortisation and any exceptional items, which is consistent with prior years.

The customer satisfaction targets will be as measured by the independent passenger watchdog Transport Focus (formerly Passenger Focus) and published in the annual report. This is a key operating performance measure for Go-Ahead. It is a strategic priority for the Group to provide high-quality service and customer satisfaction is a critical measure of our performance. Ensuring management is focused on this strategic measure is critically important as a driver of long term shareholder value.

The above EPS targets are based on current accounting policies and will be adjusted should there be any changes to these policies. Awards will continue to vest three years after grant, subject to the performance conditions being met over broadly the same period.

## Statement of directors' shareholdings and share interests (audited)

The committee believes that the shareholding requirements for executives play an important role in the alignment of the interests of executives and shareholders and help to incentivise executives to deliver sustainable long term performance.

From the 2016/17 financial year, the Group Chief Executive's guideline was 200% of salary, which had increased from 150% previously, while the Group Chief Financial Officer's guideline was 100% of salary. Until they reach these levels, the executive directors are expected to retain 50% of the post-tax gain on vested LTIP and deferred share awards. LTIP awards granted from 2015 must be retained (other than to pay tax and NICs due on receipt of shares) for a further two years. During the year, the committee agreed that the Group Chief Financial Officer's share ownership guidelines should increase to 150% of salary.

Details of the interests of the executive directors in shares and long term incentive interests for the period ended 1 July 2017 are set out in the table below. At this date, the Group Chief Executive beneficially held 66,011 shares equating to 210% of base salary (based on the closing share price on 1 July 2017) and therefore meets the shareholding requirement. The Group Chief Financial Officer beneficially held 4,363 shares equating to 20% of base salary and therefore does not yet meet the shareholding requirement.

| Executive director | | | David Brown[9] | Patrick Butcher |
|---|---|---|---|---|
| Ordinary shares[1] | 2 July 2016 | | 46,261 | 1,886 |
| | **1 July 2017** | | **66,011[2]** | **4,363[3]** |
| Shareholding requirement (% of basic salary) | | | 200% | 150% |
| Current shareholding as at 1 July 2017 (% of basic salary)[4] | | | 210% | 20% |
| Shareholding requirement met | | | Yes | No |
| Share options[5] | Without performance conditions | Sharesave[6] | 197 | 0 |
| | With deferral conditions | Unvested deferred share bonus awards[7] | 26,932 | 6,770 |
| | With performance conditions | Unvested LTIP awards[7] | 72,316 | 18,073 |
| | | Awards eligible for vesting 2016/17[8] | 11,520 | 0 |
| Shareholding when 2014/15 DSBP and LTIP awards vest in November 2017 (% of basic salary) | | | 253% | 20% |

1. Ordinary shares are beneficial holdings which include the directors' personal holdings and those of their spouses. They also include the beneficial interests in shares which are held in trust under the Group's Share Incentive Plan.
2. During the year, David Brown's beneficial shareholding increased by 19,750 ordinary shares. This comprised 2,326 and 14,464 ordinary shares acquired through the post-tax gain on the 2013/14 deferred share bonus and LTIP awards respectively which vested in November 2016. Additionally, David Brown purchased 2,868 shares in March 2017 and 92 shares were purchased under the Group's Share Incentive Plan during the period 3 July 2016 to 1 July 2017. For further details on the vesting of the 2013/14 deferred share bonus and LTIP awards, please see page 92.
3. During the year, Patrick Butcher's beneficial shareholding increased by 2,477 ordinary shares which he purchased in March 2017.
4. Shareholding as a % of salary includes only ordinary shares. Unvested deferred shares or LTIP awards have not been included. Shareholding is based on the closing share price on 1 July 2017.
5. Deferred share bonus plan and LTIP awards are structured as nil cost options.
6. Sharesave is an all-employee share option plan and has no performance condition as per HMRC Regulations.
7. Excludes LTIP awards which will be granted in November 2017 for the year ended 1 July 2017. As per the request of the Group Chief Executive and Group Chief Financial Officer, there were no deferred share awards granted for the year ended 1 July 2017.

8. Relates to the 2014/15 LTIP award, which will be eligible to vest from November 2017 in respect of the three-year performance period ended 1 July 2017.
9. In the period 1 July 2017 to 6 September 2017, David Brown's ordinary shareholding increased from 66,011 to 66,028 as a result of shares purchased under the Group's Share Incentive Plan. There have been no other changes in the shareholdings of the executive directors between 1 July 2017 and the date of this Annual Report and Accounts.

## Executive directors' interests in outstanding share awards and options (audited)

The table below sets out details of the executive directors' outstanding share awards (which will vest in future years subject to performance conditions and/or continued service).

### Group Chief Executive, David Brown

| | | | | | | | | | Awards eligible for vesting 2016/17[1] | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Plan | Date of grant | Mid-market price on date of grant (£) | Option price (£) | Balance at 2 July 2016 | Granted in year | Vested in 2015/16 but exercised during year | Lapsed in year | Balance at 1 July 2017 | Vested | Lapsed | Balance post exercise |
| Sharesave[2] | 25.03.14 | – | 17.34 | 103 | – | – | – | 103 | – | – | 103 |
| | 22.03.16 | – | 19.11 | 94 | – | – | – | 94 | – | – | 94 |
| Deferred share bonus plan | 30.10.13 | 16.84 | – | 4,432 | – | 4,432[3] | – | – | – | – | – |
| | 05.11.14 | 25.03 | – | 15,601 | – | – | – | 15,601 | – | – | 15,601 |
| | 29.10.15 | 24.13 | – | 11,331 | – | – | – | 11,331 | – | – | 11,331 |
| LTIP | | | | | | | | | – | | |
| | 30.10.13 | 16.84 | – | 30,462 | – | 27,415[3] | 3,047 | – | – | – | – |
| | 05.11.14 | 25.03 | – | 21,335 | – | – | – | 21,335 | 11,520 | 9,815 | – |
| | 04.11.15 | 25.46 | – | 32,618 | – | – | – | 32,618 | – | – | 32,618 |
| | 16.11.16 | 20.47[2] | – | – | 39,698 | – | – | 39,698 | – | – | 39,698 |
| Total | | | | 115,976 | 39,698 | 31,847 | 3,047 | 120,780 | 11,520 | 9,815 | 99,445 |

1. Relates to the 2014/15 LTIP award, which will be eligible to vest from November 2017 in respect of the three-year performance period ended 1 July 2017.
2. Sharesave is an all-employee share option plan and has no performance condition as per HMRC Regulations. David Brown's sharesave options which were granted in 2014 matured in May 2017 and David has until 25 October 2017 to exercise his sharesave options.
3. The 2013/14 deferred share bonus and LTIP awards were exercised on 16 November 2016 with a share price of £20.333. David Brown's gain on his 2013/14 DSBP and LTIP awards were therefore £90,116 and £557,429 respectively.

### Group Chief Financial Officer, Patrick Butcher

| | | | | | | | | | Awards eligible for vesting 2016/17 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Plan | Date of grant | Mid-market price on date of grant (£) | Option price (£) | Balance at 2 July 2016 | Granted in year | Vested in 2015/16 but exercised during year | Lapsed in year | Balance at 1 July 2017 | Vested | Lapsed | Balance post exercise |
| Deferred share bonus plan | 15.11.16 | 20.81 | – | – | 6,770 | – | – | 6,770 | – | – | 6,770 |
| LTIP | 16.11.16 | 20.47 | – | – | 18,073 | – | – | 18,073 | – | – | 18,073 |
| Total | | | – | – | 24,843 | – | – | 24,843 | – | – | 24,843 |

## Payments to former directors and payments for loss of office (audited)

There were no payments made to former executive directors during the year ended 1 July 2017 (2016: nil).

## Percentage change in the Group Chief Executive's remuneration

The table below shows the percentage change in the Group Chief Executive's total remuneration between the financial years 2 July 2016 and 1 July 2017, compared to the average change for all employees of the Group.

| | % change from 2016 to 2017 | | |
|---|---|---|---|
| | Salary | Benefits | Bonus |
| Group Chief Executive | 0.6 | – | – |
| Average employees | 2.6 | – | 2.1 |

## Group Chief Executive remuneration comparison

| Year | Group Chief Executive | Single total figure of remuneration £'000 | Annual performance-related bonus (actual award v maximum opportunity) £'000 (and % vesting) | Long term incentive vesting (vesting v maximum opportunity) £'000 (and % vesting) |
|---|---|---|---|---|
| 2016/17 | David Brown | 801[1] | £0 | £239 (54%) |
| 2015/16 | David Brown | 1,214[2] | £0 | £647[3] (90%) |
| 2014/15 | David Brown | 2,134[2] | £558 (69.6%) | £1,067 (100.0%) |
| 2013/14 | David Brown | 1,960 | £766 (97.5%) | £666 (80.0%) |
| 2012/13 | David Brown | 942 | £422 (55.3%) | – |
| 2011/12 | David Brown | 1,022 | £513 (68.0%) | – |
| 2010/11 | David Brown | 251[4] | £125 (100.0%) | – |
| 2010/11 | Keith Ludeman | 1,564 | £530 (100.0%) | – |

1. The single total figure of remuneration for 2016/17 includes the vesting of the 2014/15 LTIP award. At the request of the Group Chief Executive, there was no annual performance-related bonus paid for the year ended 1 July 2017. The Group Chief Executive received a 2% base salary increase with effect from 1 April 2017.
2. The single total figure of remuneration for 2015/16 (restated) and 2014/15 includes the vesting of the 2013/14 and 2012/13 LTIP awards respectively.
3. Restated from last year to reflect actual value of the Group Chief Executive's 2013/14 LTIP award which was £557,429 based on the share price as at 16 November 2016 of £20.333. The cash equivalent value of the gross cumulative dividend payment disclosed last year of £70,821 is restated as £89,332, the difference being the cash equivalent value of the dividend that was paid to all shareholders on the register at close of business on 11 November 2016. This is in accordance with the LTIP rules which provide that a cash equivalent to the value of the gross cumulative dividend should be paid as if the participant had been the holder of the shares from the date of award to the day prior to the date on which he exercised his award.
4. Following his appointment in April 2011, the Group Chief Executive was paid a pro-rata performance-related bonus for the financial year 2010/11.

## The relative importance of spend on pay

The following table sets out the percentage change in dividends and overall spend on pay in the financial year being reported on, compared to that of the previous year.

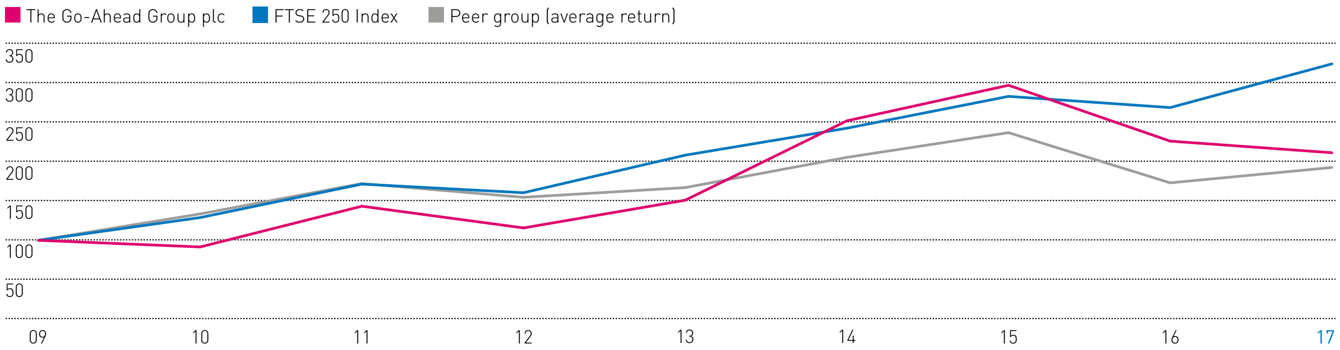
| | **2016/17 £'m** | 2015/16 £'m | % change |
|---|---|---|---|
| Dividends | **£41.8** | £39.4 | 6.1 |
| Overall expenditure on pay | **£1,237.6** | £1,170.3* | 5.8 |

* Restated from £1,215.5m for the change in accounting policy regarding rail pensions as explained in note 3 of the financial statements.

The Group has not made any other significant distributions and payments or other uses of profit or cashflow deemed by the directors to assist in understanding the relative importance of spend on pay.

## Total shareholder return (TSR) performance graph

The graph below shows a comparison of The Go-Ahead Group plc cumulative TSR against that achieved by the FTSE 250 Index for the last eight financial years to 1 July 2017. In assessing the performance of the Group's TSR, the Board believes the FTSE 250 index comparator group it has chosen represents an appropriate and fair benchmark upon which to measure the Group's performance for this purpose.




The table above shows the total remuneration figure for the Group Chief Executive over the same eight year period. The total remuneration figure includes the performance-related bonus and LTIP awards (and the percentage of the maximum opportunity that these represent).

## Chairman and non-executive director fees

The fee level for the Chairman was reviewed on 1 April 2017 and increased by 2%. The fee levels for the non-executive directors were also reviewed on 1 April 2017 and increased by 4.2%, with the additional fees for chairing the remuneration and audit committees also increased to £8,000. These increases were made to reflect the additional time commitment and responsibilities now attributable to these roles, which remain below the FTSE 250 median. There was no change to the additional fee paid to the Senior Independent Director.

| Non-executive director | | Base fee | Additional fee for Senior Independent Director | Additional fee for chairing a committee | Total |
|---|---|---|---|---|---|
| Andrew Allner | **From 1 April 2017 £'000 p.a.** | **179** | **–** | **–** | **179** |
| | From 1 April 2016 £'000 p.a. | 176* | – | – | 176* |
| Katherine Innes Ker | **From 1 April 2017 £'000 p.a.** | **50** | **5** | **8** | **63** |
| | From 1 April 2016 £'000 p.a. | 48 | 5 | 5 | 58 |
| Nick Horler | **From 1 April 2017 £'000 p.a.** | **50** | **–** | **–** | **50** |
| | From 1 April 2016£'000 p.a. | 48 | – | – | 48 |
| Adrian Ewer | **From 1 April 2017 £'000 p.a.** | **50** | **–** | **8** | **58** |
| | From 1 April 2016 £'000 p.a. | 48 | – | 5 | 53 |

*The base fee for the Chairman as at 1 April 2016 is restated from last year's Annual Report which incorrectly reflected the Chairman's single figure of £173,000 rather than the 2% increase to his base fee.

## Chairman and non-executive directors' remuneration (audited)

The table below sets out a single figure for the total remuneration received by each non-executive director for the year ended 1 July 2017 and the prior year:

| | Single total remuneration figure £'000 | |
|---|---|---|
| Non-executive director | **2017** | 2016 |
| Andrew Allner | **177** | 173 |
| Katherine Innes Ker | **59** | 54 |
| Nick Horler | **48** | 47 |
| Adrian Ewer | **54** | 53 |

## Non-executive directors' shareholdings (audited)

Non-executive directors are not subject to a shareholding requirement. The shareholdings of each non-executive director are as follows:

| | **As at 1 July 2017** | As at 2 July 2016 |
|---|---|---|
| Andrew Allner | **1,242** | 742 |
| Katherine Innes Ker | **116** | 116 |
| Nick Horler | **1,038** | 1,038 |
| Adrian Ewer | **3,003** | 138 |

## Material contracts

There have been no other contracts or arrangements during the financial year in which a director of the Group was materially interested and/or which were significant in relation to the Group's business.

# Implementation of remuneration policy for 2017/18

Details of how the remuneration policy will be implemented for the 2017/18 financial year are set out below.

## 2017/18 base salaries

The base salaries of the executive directors will remain unchanged until the next review on 1 April 2018.

## Benefits

The benefits for both executive directors will remain consistent with those detailed in the remuneration policy section on pages 82 and 83.

## Pension

The current pension arrangements described on page 90 will remain in place for the forthcoming financial year.

## 2017/18 Performance-related bonus

The performance measures and weightings for 2017/18 which remain unchanged from 2016/17 are as follows:

| Metric | Weighting (% of maximum bonus) |
|---|---|
| Operating profit | 65% |
| Group cashflow | 10% |
| Strategic KPIs | 25% |

Operating profit, cashflow and strategic KPI targets will be stretching for the 2017/18 financial year and more information on the specific targets and performance against them will be provided retrospectively in next year's remuneration report to the extent that they are not commercially sensitive at the time. The strategic KPIs include a number of non-financial strategic and personal objectives, including customer satisfaction, communication and reputational KPIs.

A health and safety target threshold will continue to apply to the full bonus, with the remuneration committee having discretion to reduce bonus payments potentially to zero should it be considered appropriate.

The additional rail customer service threshold introduced from 2016/17 will also continue to apply to the 2017/18 bonus. The remuneration committee has discretion to scale back the bonus if customer satisfaction across the Group's train operating companies in Spring 2018, as measured by the Transport Focus National Rail Passenger Survey (NRPS) averaged across the Group's train operating companies (Southeastern, Southern, Thameslink and Great Northern, Gatwick Express and London Midland), is less than the London and South East Sector NRPS reported for Spring 2017.

Any bonus payable will be satisfied 50% in cash and 50% in deferred shares. Recovery and withholding provisions will apply to the full performance-related bonus and the audit committee will undertake a formal end-of-year quality of profit and budget review in conjunction with the auditor before approval of any bonus payment.

## 2017/18 LTIP awards

The structure of LTIP awards to be granted in 2017 will remain the same as for the 2016 awards with the EPS and TSR elements of the awards accounting for 40% each and a customer satisfaction target award of 20% split equally between rail and bus. The LTIP award will be subject to recovery and withholding provisions for three years following vesting. An additional two year holding period following the vesting of awards will also apply during which any vested awards may not be sold (other than to pay any tax and NICs due on exercise). This will result in an overall five year period before executives can realise the gain on vested shares.

For the year commencing 2 July 2017, the LTIP award for the Group Chief Executive and the Group Chief Financial Officer will have a face value of 150% and 100% of salary respectively. The EPS and TSR performance measures and targets for awards to be made in 2017/18 are detailed below and are unchanged from those made in 2016/17 when the committee consulted with major shareholders and shareholder representative bodies on proposed changes to the LTIP's threshold and maxima EPS metrics in response to the revised outlook for GTR analysts' repositioning of their forecasts. The bus customer service targets are unchanged, with the rail customer service targets increased to reflect a higher threshold based on an increase in the Spring 2017 London and South East Sector NRPS score.

| | EPS payout (% of element) | Compound annual growth in EPS | Payout (% of TSR element) | Relative TSR vs FTSE 250 (excluding certain sectors) | Payout (% of each customer element) | Rail customer service target | Bus customer service target |
|---|---|---|---|---|---|---|---|
| Weighting (% of total award) | – | 40% | – | 40% | – | 10% | 10% |
| Below threshold | 0% | Less than RPI + 2% p.a. | 0% | Below median | 0% | Less than 82% | Less than 90% |
| Threshold | 10% | RPI + 2% p.a. | 25% | Median | 10% | 82% | 90% |
| Between threshold and maximum | Between 10% and 100% | Between RPI 2% p.a. and RPI 10% p.a. | Between 25% and 100% | Between median and upper quartile | Between 10% and 100% | Between 82% and 86% | Between 90% and 93% |
| Maximum | 100% | RPI + 10% p.a. | 100% | Upper quartile | 100% | 86% | 93% |

The committee is not proposing any changes to remuneration policy for the financial year 2017/18.

## Non-executive directors' fees

The non-executive directors' fees will remain unchanged until the next annual fee review is undertaken on 1 April 2018.

**Katherine Innes Ker,**
Remuneration Committee Chair

6 September 2017

# DIRECTORS' REPORT

The directors present their report and audited financial statements for the year ended 1 July 2017.

This report has been prepared in accordance with the requirements of The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 and forms part of the management report as required under Disclosure and Transparency Rule (DTR) 4. Certain information that fulfils the requirements of the directors' report can be found elsewhere in this document and is referred to below.

## Corporate governance statement

Under DTR Rule 7, a requirement exists for a corporate governance statement to be included in this directors' report. The corporate governance statement setting out how the The Go-Ahead Group plc (the Group) complies with the UK Corporate Governance Code published in April 2016 (the Code) and which includes a description of the main features of its internal control and risk management arrangements in relation to the financial reporting process is set out on pages 46 to 99. The information required by DTR 7.2.6R can be found in the shareholder information section on pages 176 to 177. A description of the composition and operation of the Board and its committees is set out on pages 50 to 56.

## Strategic report

The strategic report on pages 1 to 45 includes an indication of future likely developments in the Group, the Group's business and model strategy and greenhouse gas emissions.

## Articles of association

The Group's articles can only be amended by a special resolution at a general meeting of shareholders. Shareholders of the Group can request a copy of the articles by contacting the Group Company Secretary at the registered office.

## Directors and their interests

The directors of the Group as at the date of the approval of this Annual Report and Accounts are shown on pages 50 and 51. All were directors throughout the year to 1 July 2017.

The interests of directors and their connected persons in the shares of the Group, along with details of directors' share options, are contained in the directors' remuneration report set out on pages 77 to 95.

### Directors' conflicts of interests

The Board has established robust procedures for ensuring that its power to authorise conflicts of interest is operated in accordance with the Group's articles of association. The Board considers that the procedures in respect of this power, which have been properly followed, have operated effectively during the year and the conflicts register has been updated accordingly. The Board is aware of its directors' other commitments and any changes to these commitments are advised to and approved by the Board committees.

### Election and re-election of directors

The appointment and replacement of directors are governed by the Group's articles, the Code, the Companies Act 2006 (the Act) and related legislation. The directors are appointed by ordinary resolution at a general meeting of shareholders. The directors have the power to appoint a director during the year but any person so appointed must be subject to election at the first Annual General Meeting following their appointment. The current articles require that all directors are subject to re-election on an annual basis.

In accordance with the Board's succession plan, Nick Horler will retire from the Board at the 2017 Annual General Meeting and will therefore not be standing for re-election. All other directors will be submitting themselves for re-election at the 2017 Annual General Meeting in accordance with the Code. Harry Holt and Leanne Wood will offer themselves for election for the first time following their appointment to the Board on 23 October 2017. The Board is satisfied that each director is qualified for election/re-election by virtue of their skills, experience and contribution to the Board. Biographical details of all directors as at the year ended 1 July 2017 can be found on pages 50 and 51. Biographical details for Harry Holt and Leanne Wood will be included in the notice for the 2017 Annual General Meeting.

### Directors' indemnities

The Group maintains directors' and officers' liability insurance which gives appropriate cover for any legal action brought against its directors. The Group has also granted indemnities to each of its directors to the extent permitted by law. Qualifying third party indemnity provisions (as defined in Section 234 of the Act) were in force during the year ended 1 July 2017 and remain in force, in relation to certain losses and liabilities that the directors may incur to third parties in the course of acting as directors or employees of the Group or of any associated company. Neither the Group's indemnity nor its insurance provides cover in the event that a director is proven to have acted dishonestly or fraudulently.

## Share capital and substantial shareholdings

All information relating to the Group's capital structure, rights attaching to shares, dividends, any restrictions on the transfer of shares, the policy to repurchase the Group's own shares, substantial shareholdings and other shareholder information is shown on pages 176 to 177.

## Change of control

The details of the change of control provisions in the Group's rail franchise agreements, the sterling bond issue dated 24 March 2010, the sterling bond issue dated 6 July 2017 and the revolving credit facilities dated 16 July 2014 and 27 April 2017 are set out on page 177. Details of the powers of Transport for London and the Land Transport Authority to prevent the operation of contracts is also provided.

There are no agreements between the Group and its directors or employees providing for compensation for loss of office or employment (whether through resignation, purported redundancy or otherwise) that occurs because of a takeover bid.

## Dividends

Our current dividend policy, which is kept under regular review, is for progressive dividend growth whilst maintaining dividend cover of approximately two times earnings. Details of the proposed final dividend payment for the year ended 1 July 2017 are shown on the consolidated income statement on page 108 of the report.

## Listing Rule 9.8.4R disclosures

Disclosures required pursuant to Listing Rule 9.8.4R of the UK Financial Conduct Authority's Listing Rules, can be found within the following sections of the Annual Report and Accounts:

| Listing Rule 9.8.4 | Required disclosure | Reference |
|---|---|---|
| (1) | Interest capitalised and tax relief | Not applicable |
| (2) | Publication of unaudited financial information | Not applicable |
| (3) | Details of long term incentive schemes | Note 7 to the financial statements and directors' remuneration report on pages 77 to 95 |
| (4) | Waiver of emoluments by a director | Directors' remuneration report on pages 77 to 95 |
| (5) | Waiver of future emoluments by a director | Not applicable |
| (6) | Non pre-emptive issues of equity for cash | Not applicable |
| (7) | Non pre-emptive issues of equity for cash by major subsidiary undertakings | Not applicable |
| (8) | Parent participation in a placing by a listed subsidiary | Not applicable |
| (9) | Contracts of significance | Not applicable |
| (10) | Provision of services by a controlling shareholder | Not applicable |
| (11) | Shareholder waivers of dividends | Directors' report on pages 96 to 99 |
| (12) | Shareholder waivers of future dividends | Directors' report on pages 96 to 99 |
| (13) | Agreements with controlling shareholders | Not applicable |

## Share schemes

### Employee Benefit Trust

Computershare Trustees (Jersey) Limited, the Trustee of The Go-Ahead Group Employee Trust (the Trust), holds shares for the benefit of the Group's executive directors and senior managers, and in particular for the satisfying of awards made under the Group's Long Term Incentive Plan (LTIP) and Deferred Share Bonus Plan (DSBP). During the financial period, as part of a planned 12 month programme of monthly share purchases, the Trust purchased a total of 121,084 ordinary shares at a total price of £2,376,540.68 (including all associated costs). The average price was £19.11 per share. As at 6 September 2017 (being the latest practical date prior to the date of this report) the Trust held 187,817 ordinary shares representing 0.44% of the issued share capital of the Group, less treasury shares, in trust for the benefit of the executive directors of the Group under the LTIP and DSBP. The voting rights in relation to these shares are exercised by the Trustee and dividends are waived while the shares are held by the Trustee.

### Share Incentive Plan

The Group operated a Share Incentive Plan during the year under review, enabling employees of the Group to acquire shares in the Group. In order to preserve certain tax benefits, these shares are held in a trust by EES Corporate Trustees Limited for participating employees. Whilst these shares are held in trust, the voting rights attached to them will not be exercised by the Trustee or the employees for whom they are held. As at 6 September 2017 (being the latest practical date prior to the date of this report), 1% of the issued share capital of the Group, less treasury shares, was held by EES Corporate Trustees Limited. In the event of an offer being made to acquire these shares, the employees are entitled to direct EES Corporate Trustees Limited to accept an offer in respect of the shares held on their behalf.

### Save As You Earn Scheme

The Group also operates a save as you earn scheme known as The Go-Ahead Group Plc 2013 Savings-Related Share Option Scheme (Sharesave), for which the last launch was in February 2016. Under Sharesave, all permanent employees who have completed at least six months' continuous service with a participating company are invited to make monthly savings of between £5 and £50 for three years. At the end of the savings term, participants have the choice of their money back, or to purchase Go-Ahead Group shares at a 20% discount to the market price set at the date of invitation.

In May 2017, Sharesave 2014 matured with an option price of £17.34. Employees have until 25 October 2017 to submit their instructions.

### Political donations and expenditure

It is the Group's policy not to make political donations and accordingly no such payments were made in the year (2017: £nil). Additionally, the Group did not incur any political expenditure as defined in the Act (2017: £nil).

### Employees

Details of the Group's employee policies, including those concerning the employment of disabled persons and employee engagement, are provided on pages 36 to 37 within the 'People' section. There have been no significant changes to our policies over the year.

### Reappointment of external auditor

Details of the reappointment of the external auditor are provided on page 66.

### Post balance sheet events

On 6 July 2017, the Group raised a £250m bond which will replace the £200m bond.

### Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the strategic report. The financial position of the Group, its cashflows, liquidity position and borrowing facilities are described in the financial review on pages 30 and 31. In addition, note 22 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to price risk, credit risk, liquidity risk and cash flow risk.

Cash generation from the Group's bus and rail operations was strong and the balance sheet remains robust. Core financing is provided by a £250m sterling bond entered into on 6 July 2017 securing financing to 2024 and committed bank facilities of £280.0m to July 2021. The directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The directors have assessed, in the light of current and anticipated economic conditions, the Group's ability to continue as a 'going concern'. The directors confirm they are satisfied that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the 'going concern' basis in preparing the Annual Report and Accounts.

The directors are also required to provide a broader assessment of viability over a longer period, which can be found on page 41.

The directors going concern confirmation and viability statement have both been considered in accordance with the 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting' published by the Financial Reporting Council in September 2014.

## Directors' statement of responsibilities

The directors are responsible for preparing the Annual Report and Accounts in accordance with applicable United Kingdom law and regulations. Company law requires the directors to prepare Group financial statements for each financial year. Under that law, the directors are required to prepare Group financial statements under International Financial Reporting Standards (IFRS) as adopted by the European Union. Detailed below are statements made by the directors in relation to their responsibilities and disclosure of information to the Group's auditor.

## Financial statements and accounting records

Under company law, the directors must not approve the Group financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group at the end of the financial year and of the profit or loss of the Group for that period.

In preparing the Group financial statements, the directors are required to:

- Present fairly the financial position, financial performance and cashflows of the Group
- Select suitable accounting policies in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information
- Make judgements and estimates that are reasonable and prudent
- Provide additional disclosures when compliance with the specific requirements in IFRS as adopted by the European Union is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance
- State whether the Group financial statements have been prepared in accordance with IFRS as adopted by the European Union

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group, and enable them to ensure that the Group financial statements comply with the Act and Article 4 of the IAS Regulation. They are also responsible for the system of internal control, for safeguarding the assets of the Group and, hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for preparing the strategic report, directors' report, including the directors' remuneration report and the corporate governance report, in accordance with the Act and applicable regulations, including the requirements of the Listing Rules and the Disclosure and Transparency Rules.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's corporate website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Directors' statement of responsibility under the Disclosure and Transparency Rules

The directors confirm to the best of their knowledge:

- The financial statements, prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the undertakings included in the consolidation taken as a whole
- The strategic report includes a fair review of the development and performance of the business and the position of the Group and the undertakings included in the consolidation taken as a whole together with a description of the principal risks and uncertainties that they face

## Directors' statement under the UK Corporate Governance Code

The directors further confirm, to the best of their knowledge, that the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

## Disclosure of information to the auditor

Having made the requisite enquiries, so far as the directors are aware, there is no relevant audit information (as defined by section 418(3) of the Act), of which the Group's auditor is unaware and the directors have taken all the steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

By order of the Board

**Carolyn Ferguson,**
Group Company Secretary
6 September 2017