**Registered No: 02057284**

# Go North East Limited
# (the "Company")

The following Section 172(1) Statement and corporate governance arrangements disclosure have been extracted from pages 6 to 10 and from pages 15 to 17 respectively of the Company's Annual Report and Financial Statements for the year ended 2 July 2022 (the "Annual Report"). All page references relate to the Annual Report (available at Companies House).

## Section 172 statement

In their discussions and decisions during the year, the directors of the Company acted in a way that they considered, in good faith, was most likely to promote the success of the Company for the benefit of its sole member. In doing so, they had regard to the Company's key stakeholders and the matters set out in section 172(1)(a)-(f) of the Companies Act 2006 as explained below.

### The likely consequences of any decision in the long term:

The directors recognise that their decisions will have an impact on the Company's long-term success. Board discussions take account of all stakeholder interests, and the decision-making process includes balancing competing interests, whether short or long term. Decisions may benefit some stakeholders more than others, and the impact on each stakeholder group forms an integral part of board debate. In particular, board decisions take into account and seek to align with, the purpose and strategy set by the Company's parent, The Go-Ahead Group Limited (the "Group"), for the Go-Ahead Group as a whole. Further information on stakeholder engagement and its impact on principal decisions made during the year is set out in the respective sections below.

### The interests of the Company's employees:

The Company's employees are fundamental to its success, both in the short and long term, and their health, safety and wellbeing is a top priority for the directors. "Health and safety", "People and engagement" and "Industrial relations" have been mandated by the Group as items to be considered at each scheduled board meeting of every operating company within the Group, supported by detailed briefing papers circulated in advance of each meeting. The Company's employees are a key stakeholder group, and further information on workforce engagement, outcomes from that engagement and any impact on principal decisions is set out in the stakeholder engagement and principal decisions sections below.

### The need to foster the Company's business relationships with suppliers, customers and others:

Positive business relationships with suppliers, customers, government and other key stakeholders underpin the Company's delivery of services. Relations with suppliers are guided by the Group's Sustainable Procurement Supply Chain Charter, particularly in relation to dealings with smaller suppliers, which can be found, together with other related policies, on the Group website www.go-ahead.com/sustainability/policies. Further information on stakeholder engagement is set out on pages 7 to 9.

### The impact of the Company's operations on the community and the environment:

As an operator of public transport, the Company aims to enhance the lives and wellbeing of every community where it operates by providing them with vital transport services. Communities are a key stakeholder group and further information on community engagement and outcomes is set out in the stakeholder engagement section on pages 7 to 9. Environmental considerations are central to the strategy of the Group, and therefore to the Company. The Group has committed to reduce carbon emissions by 75% by 2035 and consolidating zero emissions capabilities is one of five key enablers underpinning the Group's strategic priorities. Further information on the Group's approach to environmental considerations can be found in the Group's Annual Report & Accounts 2022 published on www.go-ahead.com.

### The desirability of the Company maintaining a reputation for high standards of business conduct:

The directors acknowledge their responsibility for setting and monitoring the Company's culture, values and reputation. This is undertaken in line with the Group's purpose and values and the Group Code of Conduct which can be found at www.go-ahead.com/sustainability/policies.

### The need to act fairly as between members of the Company:

The Company has a single shareholder, Go-Ahead Holding Limited, and forms part of the group of companies owned by the Group. The Group is structured around a devolved operating model and the Company is managed by its board of directors as a standalone business unit. Further details are set out in the corporate governance arrangements section of the Directors' Report.

## Stakeholder Engagement

The Board is clear on the importance of good governance and effective communication to deliver our purpose and to protect the Company's brand, reputation and relationships with all our stakeholder community including the Group, workforce, customers, local authorities, suppliers and the local communities in which we work. The board believes that listening and engaging effectively with our key stakeholders is critical to ensuring that the right decisions are made which consider their needs and priorities. During the year, an established reporting process was in place, where the Company was required to report formally to the Group Board on what engagement had taken place with our key stakeholders and the outcome of such engagement.

### *The Go-Ahead Group Limited (the Group)*

The board believe that effective communication and proactive engagement with the Group is paramount in establishing a mutual understanding of both the Company's and the Group's wider objectives. Feedback from the Group forms part of the board's strategic discussions. We operate our business responsibly and with strong financial discipline to protect the interests of the Group.

All Directors participate in group wide forums such as the Managing Directors Forum, Finance Directors Forum, Operations Directors Forum, Engineering Directors Forum and the Commercial Directors Forum. Various other layers within the organisation also participate in group-wide project and initiatives. These forums have improved collaboration and sharing of best practice across the Group. During the year, the Group launched its new "The Next Billion Journeys" strategy which aims to deliver profitable growth and a sustainable future. Go North East is actively part of this new initiative in order to focus on performance improvement, grow the business and progress new opportunities. This will be enabled through strengthened governance and transparency, increased digital and data capabilities, creating a centre of excellence for zero-emission capabilities, rebuilding confidence with passengers and customers and through enhanced collaboration with people.

### *Workforce*

Our business is built by colleagues whose commitment, innovation and ambition help deliver the best possible transport service to our customers. We have an experienced, diverse and dedicated workforce who we recognise as a key asset of our business and to whom we have a strong commitment to personal development.

The Company regularly communicates to its employees through depot-based information screens, staff-forum nights, internal employee newsletters, video updates on closed group social media pages and business update discussions with the trade union.

The board considers the results of all employee engagement surveys a good barometer of the workforce's confidence in the Company's strategic direction, optimism in the future and career opportunities. Quarterly "pulse" surveys are now performed to allow colleagues to provide honest feedback about their experience working at the Company, the results of which provide a measure of colleague engagement and help us identify areas of improvement. The most recent survey conducted in May 2022 showed an overall colleague engagement score of 45%.

During the year, in order to improve colleague engagement, the Company launched a new employee collaboration and communication tool called Blink with more than 70% of staff registering with this new tool since its launch. By enabling us to communicate freely and efficiently, Blink has broken down the barrier between management and the frontline, creating a vibrant and open culture that encourages us all to do our best work.

In April 2022, Go North East hosted its 70th Long Service Awards dinner to celebrate colleagues who had reached 25, 30, 35, 40, 45 and 50 years of service. The awards, which had been delayed in recent years due to the COVID-19 pandemic, celebrated 196 team members who'd reached their milestones in 2019, 2020 and 2021, together totalling an astonishing 6,185 years of service with the region's largest bus company.

The Company has a formal whistleblowing policy in place where employees can, in confidence, raise legitimate concerns about wrongdoing within their workplace. This policy is reviewed by the board on an annual basis, with this year's review confirming that the policy remains fit for purpose and enables a good level of communication with colleagues at all levels of the business. The Company makes use of intranet sites, notice boards, staff intranet and induction processes etc. to ensure that employees are fully aware of the process for raising concerns and providing a safe and secure environment for doing so. Employees also have access to a wide range of alternative and more informal channels through which to raise concerns. These include regular depot level 'Employee Relations Forums' with directors and senior management, staff representatives, closed group depot social media sites, management site visits, personal development reviews, grievance procedures, one-to-one meetings with managers, 'open-door' policies and trade unions. There is also increasing visibility of directors across the depots with depot review meetings being moved from headquarters to the depots from last year.

### *Customers*

Customers are at the heart of the business and we are dedicated to providing them with safe, convenient and reliable services. We build our relationships with our customers through passenger-facing colleagues, customer events and social medial channels. Our customers' needs are constantly evolving, and these interactions enable us to better understand the needs of our customers. Social media plays an increasing role in our communication and engagement with our customers, providing a platform for customers to engage with the Company and for the Company to understand the needs and demands of our customers. Our Customer Service teams use social media to provide instant feedback to queries and comments raised by customers on our social media channels. Customer events such as depot open days gives an opportunity to engage with our local communities.

In Summer 2021, Go North East launched a £1 evening fare offer with the aim of helping more people get back on buses, boosting the region's local economy, reducing congestion and improving air quality. In addition, the Company launched new blanket fare offers for those travelling around certain areas of the network with a headline maximum single fare.

In April 2022, Go North East launched the 'Kids go free' initiative to help make family travel more affordable during the Easter holidays. As part of this initiative up to 3 children aged 11 or under could travel for free on any Go North East service, all day, every day when accompanied by an adult aged 18 or over.

### *Suppliers*

Our suppliers are fundamental contributors to the success of our business. Regular meetings and forums are held to manage relationships, understand challenges and to source, identify and implement new solutions and alternative ways of working. Having strong supplier relationship management with our key suppliers, particularly of parts and materials, has helped us to reduce costs and improve the reliability of our fleet.

In February 2022, Go North East partnered up with bus manufacturer, and current supplier, Wrightbus to trial an electric double-decker bus that boasts the latest technology on the Company's popular Angel 21 route. The trial follows on from the Company's introduction of the region's first electric fully-electric bus fleet in November 2020, with the buses operating around Gateshead and Newcastle each day on Go North East services 53 and 54.

Go North East hopes that, through further electric bus trials, it can help shape future investment strategies as the Company looks to have all of its buses running on electricity or hydrogen by 2035, and to become a net zero business by 2045.

### *Local authorities*

Working closely with local authorities enables us to contribute our private sector experience and expertise to the public agenda and produce better policy outcomes and service delivery. We have a constructive and strong relationship with the local authorities in which we operate. Collaboration is built through regular discussion and meetings in order to discuss local short-term priorities as well as to understand the long-term strategic agenda.

In April 2022, the Department for Transport (DfT) announced that the region had been awarded £163.5m in funding over three years as part of the 'Bus Service Improvement Plans' (BSIP). As part of the BSIP, Go North East is committed to working with Transport North East and other stakeholders on the Enhanced Partnership Scheme in order to unlock the payment of the indicative funding as soon as possible. This funding will allow the region to dramatically transform bus services across the Northeast, greatly improving the bus network for millions of passengers and encouraging more people to make the switch to bus.

### *Local communities*

As an operator of public transport, we provide a vital service to communities, transporting passengers to work, education, facilities and services. We strive to provide the social and economic benefits of affordable and accessible travel in the towns and cities in which we operate.

Following its success last year, Go North East brought back its magical open-top Santa bus in December 2022.

The various depot teams across Go North East organised fund raising events to support local charities in the region. In total £30,000 of donations were shared with local charities such as the Great North Air Ambulance, Tiny Lives and various local food banks.

In May 2022 Go North East opened the doors of its Gateshead Riverside depot for a jubilee-themed community open day. The day included the North East Soft Play Bus, as well as an ice cream van, tombola, bake sale and, best of all, the tours through the bus wash. Many hundreds of people attended the day, which was part of a co-event with the North East Bus Preservation Trust's Metrocentre Bus Rally, and raised money for the Disasters Emergency Committee's Ukraine Humanitarian Appeal. The amount raised thanks to the generosity of those from the local community who came along totalled an amazing £3,696.40.

## Principal Decisions

Examples of key decisions taken by the Board during the year ended 2 July 2022 in accordance with Section 172 are set out below.

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| Decision | <u>Closure of Chester-le-Street depot</u><br><br>The board evaluated and approved the business case to close the depot in Chester-le-Street. |
| Stakeholders considered | The Group, Workforce, Customers, Local Communities |
| Section 172(1) stakeholder considerations and impacts | The Company aspires to provide colleagues with a safe and inspiring workplace and minimise disruption to the local community with having a bus depot in the vicinity. Due to reduction in service levels across the network, the Company decided to reduce its property footprint by closing its oldest depot which was no longer fit for purpose. In formulating this decision, the appropriate trade union was engaged. The board was also able to guarantee jobs to colleagues and that there would be no adverse impact to passengers, the local community or the local authority. |

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| Decision | <u>Appointment of Nigel Featham as Managing Director</u><br><br>Following the resignation of Martijn Gilbert as Managing Director of Go North East, the board approved the appointment of Nigel Featham as Managing Director of Go North East in addition to his role of Managing Director for Go North West. |
| Stakeholders considered | The Group, Workforce, Customers, Local Communities, Local Authorities |
| Section 172(1) stakeholder considerations and impacts | Seamless succession planning was achieved through the appointment of an experienced Managing Director. Nigel Featham has held senior positions within the Go-Ahead Group and brings years of experience in the regional bus business in the UK having held senior director roles at Go-Ahead Group and Arriva. When making this decision, the appropriate trade union was also engaged. |

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| Decision | <u>Support local bid for the North-East to deliver its programme of decarbonising transport through the Government's Levelling Up Fund</u><br><br>The board approved funding of 50% towards purchase of 18 new double-deck zero-emission vehicles and 10% towards infrastructure investment. |
| Stakeholders considered | The Group, Workforce, Customers, Local Community, Local Authorities |
| Section 172(1) stakeholder considerations and impacts | The board continue to target ways to decarbonise the fleet as reflected in the Go-Ahead Climate Change Strategy. With our funding from the UK government and private sector partners, and significant investment from the Group, the decision to commit to funding the purchase of 18 new zero-emission double-decks vehicles will deliver significant benefits in air quality for our workforce, customers and communities. |

## Corporate governance arrangements

During the year, the Company applied the Wates Corporate Governance Principles for large private companies (the "Wates Principles"). The Wates Principles are published by the Financial Reporting Council (the "FRC") and are available on its website. The way in which the Company applied these principles is set out below.

### Principle 1 - Purpose and leadership

*Purpose*

The Company is a subsidiary of The Go-Ahead Group Limited (the "Group") and therefore is aligned to the Group's purpose which is "Moving you and the next generation towards a smarter and healthier planet" and which has been promoted to the workforce and wider stakeholders through employee communications and briefings. Further details regarding engagement with key stakeholders and its impact on certain key decisions are set out in the stakeholder engagement and principal decisions sections on pages 7 and 9 respectively of the strategic report.

*Values and Culture*

The Company is also aligned to the Group's values which are to be collaborative, transparent, accountable, open-minded and agile. These have been integrated into the Company's functions and business operations through both individual and company-wide briefings and incorporated in the Performance & Development Review process. The Company's values and behaviours contribute to its culture, which is monitored through employee engagement surveys, individual 1-2-1 discussions and regular engagement with the trade union. The Company benefits from the Group's Code of Conduct and its policy and framework for the workforce to raise concerns about misconduct and unethical practices. These policies can be found on the Group's website www.go-ahead.com/sustainability/policies.

*Strategy*

The Group's strategy, "The Next Billion Journeys", is supported by three strategic priorities: performance improvement; organic and external growth; and the leverage of existing capabilities and resources to progress new opportunities. Under this umbrella, the Company's own specific strategic objective is to be a thriving bus business leading the way in team spirit, partnership and service excellence. This has been clearly articulated and implemented throughout the Company by briefings and company strategy setting sessions with the wider leadership team. In pursuing these objectives, the Company's board of directors is responsible for balancing short term imperatives with long term strategic intentions.

### Principle 2 – Board Composition

*Chair*

For part of the year, meetings of the Company's board of directors were chaired by the Group's Chief Executive Officer, who was also a member of the Company's board of directors. However, the Group's devolved operating model was further enhanced during the year and the Group's previous executive directors, who left the Group during the year, ceased to be members of the Company's board of directors. Meetings of the Company's board of directors were chaired instead by the Company's Managing Director. The Group's more recently appointed executive directors attend the Company's quarterly board meetings to provide support and challenge from a Group perspective.

*Balance and diversity*

The board comprises members with a range of skills and knowledge, and includes key operational roles – the Managing Director, Finance Director, Commercial Director, Operations Director and Engineering Director. Appointments to these roles are based on merit, and each individual appointed is experienced both in their field of expertise and in the wider transport industry in which the Company operates. As a subsidiary within the Group, the Company applies the Group Equal Opportunities, Diversity & Inclusion policy, further details of which can be found on the Group's website www.go-ahead.com/sustainability/policies. Diversity in appointments to the Company's board is promoted by adherence to the Group policies.

*Size and structure*

The number of directors appointed to the Company's board is calibrated to the size and complexity of the Company's operations. As the board benefits from the support of the Group's executive directors, it considers the appointment of independent non-executive directors to be unnecessary.

*Effectiveness*

The Company's board held 6 meetings during the year. In accordance with the Group's operating company board procedures manual (the "Board Manual"), board meetings addressed standing agenda items, and meeting papers were circulated to all directors in the week prior to each meeting to allow sufficient time for preparation. All directors are expected to attend all meetings of the Company's board. Attendance and contribution to board discussions is a key element of the Company's senior leadership roles. Explanation and guidance on the role and statutory duties of a director are provided to the board in the Board Manual, and further support is available to the directors from both the Group's Company Secretary and its Legal Director.

## Principle 3 – Director Responsibilities

*Accountability*

The Company's corporate governance practices are set out in the Board Manual which addresses matters such as board procedures, directors' duties and risk management. The Board Manual is reviewed and, if necessary, updated annually by the Group. Revisions are communicated to the Company's Managing Director, who is responsible for implementing any changes. Under the Group's devolved operating model, the board is responsible for the day-to-day running of the Company's business but remains accountable to the Group for business performance and compliance with key Group policies. The Group's executive directors attend Company board meetings to provide appropriate support and challenge from the shareholder perspective. Conflicts of interest, including interests in a proposed transaction or other arrangement, are a standing board agenda item that requires directors to declare any actual or potential conflicts or interests they might have. A register of conflicts is maintained, and a conflicted director is expected to recuse themselves from the relevant board discussion. Governance processes are kept under regular review and the Board Manual is updated annually by the Group.

*Integrity of information*

In accordance with the Board Manual, every board meeting agenda includes a report from the Managing Director covering financial performance and KPIs, capital expenditure, contracts and franchise bidding, health and safety, operating and engineering performance, people and engagement, market and competition, and industrial relations.

## Principle 4 – Opportunity and Risk

*Opportunity*

As the Company forms part of the Group, the Company's board of directors makes a business plan proposal to the Group as part of the Group's annual corporate plan. The proposal includes any growth opportunities that have been identified, and these are considered by the Group's board of directors as part of the Group board's strategic discussions and corporate plan approval process. With support from the Group, the Company's board is responsible for implementing the proposal. Information on stakeholders, and the impact on them of board decisions, is set out on pages 7 to 9 of the strategic report.

*Risk*

Assessment of principal and emerging risks is considered at each board meeting and forms part of the board's twice-yearly risk reporting to the Group's executive directors. Reporting summarises the Company's principal and emerging risks together with their mitigations. Risks that could have a material implication for the Group are escalated to the Group board for consideration.

*Responsibilities*

The Company benefits from the Group's risk management and internal control framework, and aligns with the Group's stated risk appetite, but remains responsible for identifying emerging and established risks facing the Company. The Company's principal risks are set out on pages 4 and 5.

## Principle 5 – Remuneration

There is a common approach to remuneration principles across all the Group's businesses, including the Company. Reward should be sufficient to attract and retain appropriate talent and it should support the delivery of business strategy. For the Group's executive directors who were appointed to the Company's board for part of the year, remuneration was determined by the Group's remuneration committee in line with Group remuneration policy. Further details of the policy and its implementation are set out in the Group annual report and accounts 2022 which can be found on the Group's website www.go-ahead.com/investors/results-reports-and-presentations.

Remuneration of the remainder of the Company's board of directors is set out on page 37 and it was determined with reference to the experience and expertise of each director, the relative size of the company, local market conditions and the relative value against the pay of the wider opco workforce pay and conditions.

## Principle 6 – Stakeholder Relationships and Engagement

A description of the Company's key stakeholders, how the Company's board has engaged with them and the outcomes of that engagement is set out on pages 4 and 5 of the strategic report.