

## Section 172 statement

The Directors believe that in the decisions taken during the year ended 29 April 2023, they have acted, both individually and together, in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole. In doing so, the Directors have had regard to, amongst other things, the matters set out in section 172(1)(a–f) of the Companies Act 2006.

This Board's general approach to decision making and stakeholder engagement is set out below.

### Our approach to decision making

#### Strategy

- The Group's strategy is set out in section 1.4.2.
- The Board's decision making is undertaken in the context of that strategy.

#### Culture and values

- We have a business culture reflecting a commitment to conduct business in a socially responsible way – this is described further in section 1.4.1.
- Our culture is supported by our corporate values – more information is provided in section 1.7.6.
- Our culture and values are supported by our Code of Conduct and whistleblowing arrangements – see section 1.7.6.2.
- The Board's decision making reflects our culture and values.
- The Board monitors the Group's culture through the results of staff surveys, reports from the Risk Assurance function, reports from the whistleblowing process and activity outside of "the Boardroom" such as meetings with various staff from across the Group and visits to operational locations.

#### Delegated authorities

- Clear delegated authorities are in place to provide clarity as to where in the Group decision making responsibility lies.
- The Group Authorisation Policy, which sets out delegated authorities, includes a reminder of directors' duties, including under section 172. That serves as a reminder not only to directors of the Company but to directors of all of the Company's direct and indirect subsidiaries, and to other decision makers.
- Certain matters are reserved for decision making by the Board. A copy of the latest matters reserved for the Board is available on our website at <https://www.stagecoachgroup.com/about/managing-the-business/governance/matters-reserved.aspx>
- Each committee of the Board has clear, written terms of reference and those are available on our website as indicated in the report from each Committee in this Annual Report.

Recognising the Directors' duty to have regard to stakeholders, the Board engages with, and receives updates from various stakeholders as explained elsewhere in this annual report, including:

### Stakeholder Engagement

Stakeholder Group	Example sources of information and engagement	Section(s) in this Annual Report
Employees	<ul style="list-style-type: none"> <li>• Staff survey</li> <li>• Whistleblowing process</li> <li>• Other meetings and events outside scheduled Board meetings with staff from across the Group</li> </ul>	1.4.4, 1.7.3, 1.7.4, 1.7.6
Suppliers	<ul style="list-style-type: none"> <li>• Reports from management on its engagement with suppliers</li> <li>• Reserved responsibility on major expenditure such as vehicle purchases</li> <li>• Board attendance at events where suppliers are represented</li> </ul>	1.4.4
Customers	<ul style="list-style-type: none"> <li>• Customer satisfaction surveys</li> <li>• Other bespoke customer surveys</li> <li>• Regular summaries of media reports</li> </ul>	1.4.4
Government and regulatory bodies	<ul style="list-style-type: none"> <li>• Reports from management on its engagement with various governmental and regulatory bodies</li> <li>• Regular summaries of media reports</li> </ul>	1.4.4
The financial community (including lenders and credit rating agencies)	<ul style="list-style-type: none"> <li>• Reports from management on lender and rating agency feedback</li> <li>• Regular summaries of media reports</li> </ul>	1.4.4
Pension scheme members	<ul style="list-style-type: none"> <li>• Presentation to Board from Pensions Director</li> </ul>	
Shareholder	<ul style="list-style-type: none"> <li>• Four Board members appointed by DWS Infrastructure</li> </ul>	
The community	<ul style="list-style-type: none"> <li>• Regular summaries of media reports</li> </ul>	

The Board considers the impact of the Group's operation on the environment through reports from its Health, Safety and Environmental Committee. Section 1.7.2 of this Annual Report provides more detail on environmental matters and climate change.

In the year ended 29 April 2023, the Group transitioned from public ownership to ownership by DWS Infrastructure and the Board composition was adjusted to one more appropriate for that ownership. The Board also commissioned a review of the management structure and organisation of the Group to identify possible efficiencies and reviewed its strategy in this context. The Group substantially reduced the funding risk of its main pension scheme. The Group submitted bids for operations in the first and second tranches of the Greater Manchester bus franchises. The Group also purchased two bus operating businesses in the Greater London area to consolidate its position in that market and give a broader footprint on which to build its London operations. In common with many businesses, the Group has faced a significant challenge to recruit sufficient employees (particularly drivers and engineering staff) to allow for the operation of its services to a high standard. The Board has worked to ensure that relationships with customers and other stakeholders were maintained in this difficult environment. We outline below how discharging their duties under section 172 influenced the Board's decision making:

- The services provided by the Group can help the government to achieve its stated ambitions around decarbonisation, levelling up of communities, driving economic recovery, and securing better health outcomes for citizens. The Board considers the Group's core business of delivering public transport to have good long-term prospects and that these services can be considered as part of the infrastructure on which society will continue to rely over a long term. The Group's goals and strengths align well with those of its shareholder.
- In each of the decisions referred to above, the Board was taking action that it believed would benefit the Group in the long term, such as by increasing the sustainability of long-term revenue, growing its revenue base and reducing risk.
- During the movements in gilt and other asset prices following the autumn 2022, "mini budget" the Board identified and was able to take advantage of an opportunity to de-risk the Stagecoach Group Pension Scheme ("the Scheme"). The trustees were able to sell the majority of its equity holdings and buy lower risk assets, including government gilts and corporate bonds. The outcome of these changes has been to significantly accelerate the Scheme's journey to self-sufficiency across the three sections of the Scheme. The Scheme trustees and Board have continued to monitor the Scheme's funding position and the support of the employer covenant during these changes, ensuring the interests of beneficiaries of the Scheme were considered throughout the process.
- The interests of the Group's employees were considered within the Board's decision-making throughout the year. Some of the changes made to the business have unfortunately resulted in redundancies, mainly at a middle and senior management level. The Group has good relationships with government and the Board recognises that strong partnership working between bus operators, national government and local transport authorities is fundamental to transforming the country's bus networks.
- The Board also remained mindful of the Group's impact on the community, underpinned by our clear purpose of connecting people and communities. The Group generally has good relations with the communities it serves, and we see scope for these to improve further, as the transition to zero emission vehicles should help improve air quality and emissions in local communities. Challenging recruitment conditions led to a deterioration in bus service levels in some areas and the Board has worked closely with senior management to find solutions to improve recruitment and retention of the employees who are key to our future success. This has resulted in improved service operation in the later part of the year.
- Some of the climate-related risks and opportunities we face are long-term in nature and in developing the Group's sustainability strategy, the Board has considered the consequences of its decisions on the long-term.
- DWS Infrastructure has expressed a desire to invest in the Group's sustainability strategy, including supporting the transition to zero emission vehicles. The significant capital DWS Infrastructure has to invest should benefit the environment. Board members have met with management of suppliers to understand how the Group's business can align with their businesses to facilitate the roll-out of low carbon technologies.
- In considering proposals throughout the year the Board has considered whether they would impact the Group's reputation for high standards of business conduct. Under DWS Infrastructure's ownership the Group continues to target maintaining investment grade status, supports the continuation of the Code of Conduct and the values set out in that code and facilitates whistleblowing through its "Speak Up" policy. The Board has reviewed and approved the continuance of a number of its other policies and procedures that aim to foster high standards of conduct in its businesses.

This Strategic report was approved by the Board of Directors and signed on its behalf by:



**Mike Vaux**  
Company Secretary  
29 June 2023