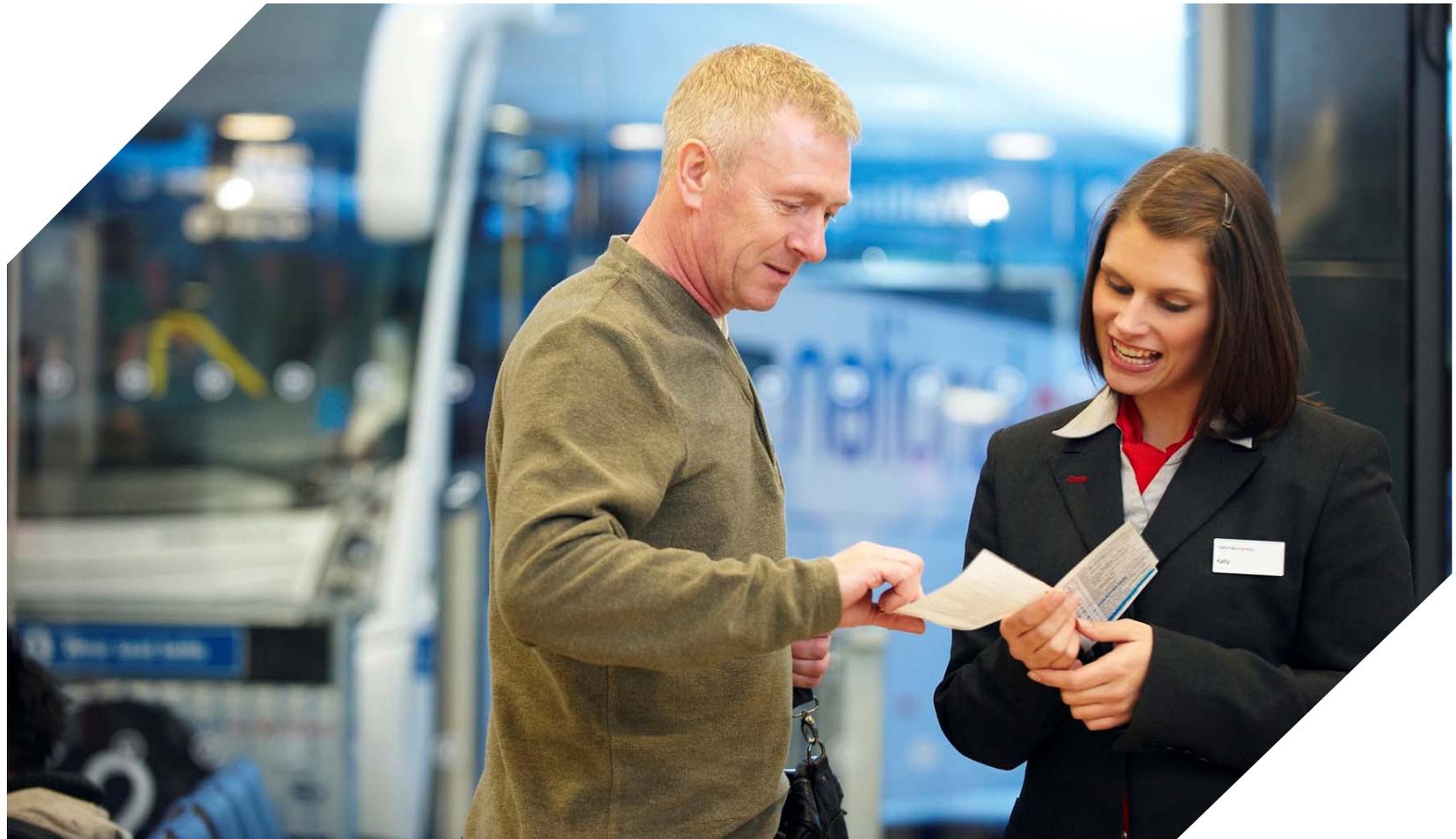


National Express Group Plc  
The Board of Directors and its Corporate  
Governance

April 2011



# Chairman's Statement (1 of 2)



*Dear Shareholder,*

*When I joined the Board of National Express Group PLC in April 2009, the Company was facing some of the most serious challenges in its history. I am pleased to say that, since that time, the Company has made great strides in addressing the challenges that it faced and re-positioning itself to take advantage of the opportunities that now lie ahead. I would like to thank all of my Board colleagues for their contributions to this.*

*We successfully launched our rights issue in late 2009 and shortly thereafter completed the restructuring of our balance sheet through a combination of bond issuance and renegotiation of our bank facilities.*

*In early 2010 we recruited Dean Finch to fill the vacant post of Group Chief Executive. With Dean onboard and with a collective determination to deal with the consequences of the turmoil of 2009 (both within the Company and in the markets generally) my colleagues and I believed that a period of Board stability was in the best interests of the Company and its shareholders.*

*2010 saw the Company focus on its existing businesses. During the year we made great strides in improving those businesses and increasing the margins. Whilst we have been successful in bringing the margins of our business back in line with industry averages, we believe that there is still further improvement we can make in this regard and work will continue on this during 2011.*

*At the end of 2010 we undertook a Board evaluation exercise. One of the common messages emerging from this exercise was that 2011 would be an opportune time for the Board to further strengthen its membership. A strengthened Board would support the Company both in developing its existing businesses and taking advantage of the opportunities that it was once again able to pursue in its existing and other markets. The Nomination Committee of the Board therefore began a search for two further independent non executive directors who could complement the existing mix of skills and experience on the Board.*

# Chairman's Statement (2 of 2)



*In making appointments of directors, as in all other regards, the Board is conscious of the need to comply with good corporate governance practice. 2010 was a year of significant change in this area, with the Financial Reporting Council's proposed changes to the Combined Code ("2008 Code") being brought into effect in May 2010 by the publication of the UK Corporate Governance Code (the "Code"). The Code applies to the financial years beginning on or after 29 June 2010.*

*We, as a Board, welcome the new Code with its greater emphasis on the principles contained within it. We also welcome the UK Stewardship Code published in July 2010 which aims to enhance the quality of engagement between institutional investors and the companies in which they invest by setting out good practice on engagement.*

*The Company was in full compliance with the 2008 Code during 2010, save for Jorge Cosmen's membership of our Nomination Committee. We will aim for the same level of compliance, from this year onwards, with the new Code.*

*Jorge Cosmen is our only non-independent Non Executive Director. He was appointed to the Board at the time that the Company made its entry into the Spanish market, where Jorge has extensive experience and connections.*

*In preparing this document I wish to share with shareholders and other stakeholders my views on the strength of the Board of National Express and our Corporate Governance compliance record.*

**John Devaney, Chairman**  
**April 2011**

# Executive Summary



- Eight person Board of directors consisting of chairman, five non-executive directors and two executive directors
- Well developed committee structure to ensure appropriate focus on audit, remuneration, nominations and safety & environment decisions
- Engaged Board with an active role in the oversight of strategy
  - Regular Board meetings with an almost 100% attendance record
  - Steps taken to ensure Board is fully engaged with the business including induction programme, site visits, stakeholder dinners and meetings in international locations
- Independent Board with 4 of the 5 non executive directors being independent
  - The remaining non executive director is Jorge Cosmen, the Deputy Chariman and a representative of the Cosmen family who became a key shareholder following the Company's acquisition of its Spanish business in 2005
- Experienced Board with a mix of industry specific knowledge and functional skills
  - Includes substantial experience of M&A
- Currently in the process of seeking two additional non-executive directors to broaden Board capabilities
- Governance in full compliance with UK Code save for Jorge Cosmen's position on Nominations Committee

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# The Board of Directors

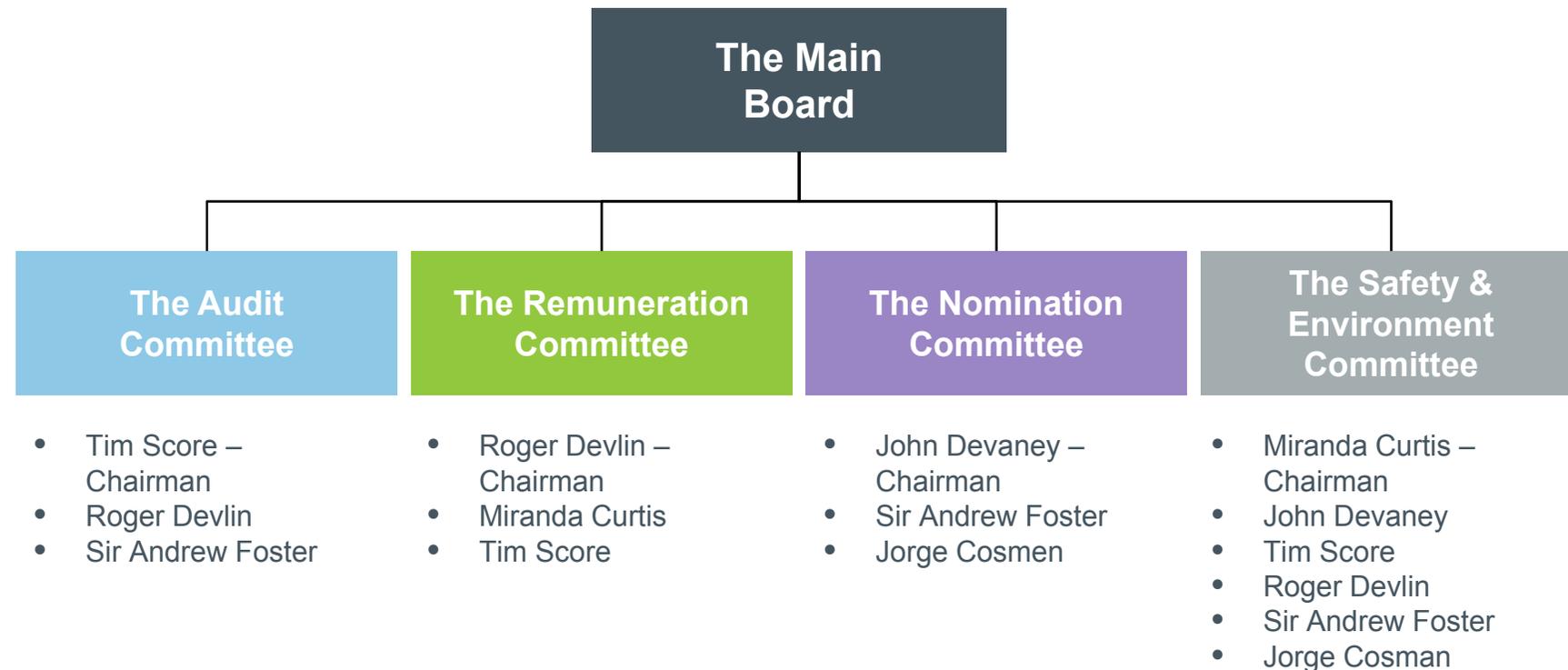
## Overview of Board of Directors



Name	Position	Age	Length of Service (as at April 2011)	Independent	Commentary
<b>John Devaney</b>	Chairman	64	2 yrs	N/A	<ul style="list-style-type: none"> <li>Senior management and operational experience</li> <li>Heavy Board experience at range of major organisations</li> <li>Industrials and infrastructure expertise</li> </ul>
<b>Miranda Curtis</b>	Safety Committee Chairman	55	2 yrs 10 mths	✓	<ul style="list-style-type: none"> <li>Significant Board experience e.g. Liberty Global, Telewest and Flextech</li> </ul>
<b>Jorge Cosmen</b>	Deputy Chairman	42	5 yrs 4 mths	-	<ul style="list-style-type: none"> <li>Expertise in transportation industry</li> <li>Key shareholder representative</li> </ul>
<b>Roger Devlin</b>	Remuneration Committee Chairman	53	3 yrs 6 mths	✓	<ul style="list-style-type: none"> <li>M&amp;A expertise</li> <li>Chartered accountant</li> </ul>
<b>Sir Andrew Foster</b>	Non-Executive Director	66	6 yrs 8 mths	✓	<ul style="list-style-type: none"> <li>Significant public sector and infrastructure experience</li> </ul>
<b>Tim Score</b>	Senior Independent Director	50	6 yrs 2 mths	✓	<ul style="list-style-type: none"> <li>Financial expertise fom CFO positions</li> <li>Has acted as interim chairman</li> </ul>
<b>Dean Finch</b>	Group Chief Executive	44	1 yr 2 mths	N/A	<ul style="list-style-type: none"> <li>Significant transportation sector experience</li> </ul>
<b>Jez Maiden</b>	Group Finance Director	49	2 yrs 5 mths	N/A	<ul style="list-style-type: none"> <li>Significant financial expertise</li> <li>Chartered accountant</li> </ul>

# The Board's Committees

## Overview of Committee Structure



# The Board's Committees

## Roles and Responsibilities of Committees



### The Audit Committee

- Oversees the process for selecting the external auditor, assesses the continuing independence of the external auditor and recommends approval of the audit fee to the Board.
- Responsible for ensuring that provision of non-audit services does not impair the external auditor's independence or objectivity.
- It discusses with the external auditor the nature and scope of the audit and any issues or concerns arising from the audit process.
- Reviews the internal audit programme, considers major findings of the internal audit investigations and reviews management's financial reporting and risk management.
- Reviews the half-year and annual financial statements and the effectiveness of the Company's internal control and risk management systems.

### Remuneration Committee

- The key responsibilities of the Committee are to:
  - Determine the fees of the Chairman;
  - Determine the remuneration and conditions of employment (including any termination arrangements) of the Executive Directors;
  - Approve the remuneration and conditions of employment of the Divisional Chief Executives and Company Secretary;
  - Review the remuneration and conditions of employment of the senior management team
  - Select and appoint any remuneration consultants who advise the Committee

# The Board's Committees

## Roles and Responsibilities of Committees



### Nomination Committee

- Responsible for identifying and nominating, for the approval of the Board, candidates to fill Board vacancies as and when they arise.
- Gives full consideration to succession planning, and keep under review the leadership needs of the organisation, both Executive and Non-Executive.
- Reviews the time required from a Non-Executive Director and uses performance evaluation to assess whether the Non-Executive Director is spending enough time on fulfilling their duties.
- Leads the process for Board appointments and makes recommendations to the Board.
- Prepares a description of the role and requirements for any particular appointment based on its evaluation of the Board as a whole.

### Safety & Environment Committee

- Responsible for reviewing and challenging constructively the structure, content and operation of the safety management arrangements put in place by members of the executive management of the Group's operating companies.
- Reports periodically to the Board its observations on the safety management arrangements in place and reviews and makes recommendations to the Board on any specific safety management issues relating to the Group or any subsidiary company.
- Reviews and monitors the Company's environmental performances and targets.

# The Board's Oversight and Engagement

## Key Role in Oversight of Strategy and Performance



### Oversight and Benchmarking

- The Board regularly and rigorously reviews and benchmarks operational and financial performance.
- At each of its meetings it receives a report from the CEO on the operational performance, and from the Finance Director on the financial performance, of the Group as a whole and each of the Group's businesses individually.
- In addition it receives a presentation at each of its meetings from either a business MD or a functional head.

### Strategy

- The Board meets on an annual basis (outside of the normal round of Board meetings) to review strategy at a micro and macro level.
  - It will thereafter meet as often as required to review progress against strategic goals set and to react to strategic developments.

### Shareholder Feedback

- The Board considers input and feedback from shareholders and actively solicits such feedback in meetings with investors and analysts throughout the year.

### External Analysis

- The Board formally engages financial, legal and strategic advisers to assist it, and the Remuneration Committee formally engages independent remuneration consultants to assist it with its work.

# The Board's Oversight and Engagement

## A Focused and Engaged Board



### Regular schedule of meeting and strong track record of attendance:

- The Board has a regular schedule of meetings and convenes additional meetings as required.
- Details of the number of meetings held and attendance at those meetings for the past three years is set out on the following slide.
- The average attendance rate of the main Board between 2008-2010 was 99.7%, despite a significant number of additional sessions to discuss external offers for the Company.

### Directors are close to the business:

- Each new member of the Board receives a detailed induction upon joining the Board. This will include visits to the operations of the Group and meetings with senior managers within the Group both in the UK and overseas.
- Each year the Board holds one meeting in both Spain and North America.
- Each overseas Board visit is combined with a stakeholder dinner. In addition both executive and non-executive members of the Board take part in other stakeholder events throughout the year.

### Regular review of Board effectiveness:

- The strategy of the Company is reviewed by the Board as a whole at least annually. The last annual review of strategy took place in January 2011 and was followed by an interim review in April 2011.
- The performance of each individual director and the Board as a whole is reviewed annually.
- Active and ongoing review of Board composition (as discussed in annual report).

# The Board's Oversight and Engagement

## Regular meetings and strong attendance



	Main Board	Audit Committee	Remuneration Committee	Nomination Committee	Safety & Environment Committee
2008	14	3	3	3	4
2009	26	3	5	3	4
2010	8	2	3	1	4
<b>Average % Attendance 2008-10</b>	<b>99.7%</b>	<b>100%</b>	<b>97%</b>	<b>98%</b>	<b>97%</b>

<sup>1</sup> 26 Board meetings in 2009 reflect need for additional sessions to discuss external offers for National Express

# The Board's Composition and Evolution

## An Independent Board



- The Board of National Express consists of:
    - The Chairman (who was independent upon appointment);
    - The Deputy Chairman (who is not independent);
    - 2 Executive Directors and
    - 4 Non Executive Directors (all of whom are independent).
  - The Chairman and Deputy Chairman are both Non Executive.
  - Excluding the Chairman, the Board therefore has a majority of independent Non Executive Directors.
- 
- Jorge Cosmen, the only non-independent member of the Board was appointed at the time of the Company's acquisition of the Alsa Spanish bus and coach business from the Cosmen family.
    - Despite his non-independence, the Board felt that it would benefit greatly from Jorge Cosmen's market knowledge and connections when entering a new geography.
  - The Audit and Remuneration Committees are comprised solely of independent directors.
  - The Nomination Committee is comprised of the Chairman, the Deputy Chairman and an independent non-executive director.

# The Board's Composition and Evolution

## Broad Range of Complementary Capabilities



- The Board members are drawn from a diverse range of backgrounds
- The biographies of the directors in the Appendix to this document contain more detailed information

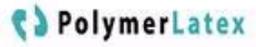
Name	Public Board Experience	Operational Experience	International Experience	Legal/M&A Experience	Finance Experience	Government/Regulatory Experience
John Devaney	✓	✓	✓	✓	✓	✓
Miranda Curtis	✓	✓	✓	✓		✓
Jorge Cosmen	✓	✓	✓	✓	✓	
Roger Devlin	✓	✓	✓	✓	✓	
Sir Andrew Foster	✓	✓	✓		✓	✓
Tim Score	✓	✓	✓	✓	✓	
Dean Finch	✓	✓	✓	✓	✓	✓
Jez Maiden	✓	✓	✓	✓	✓	✓

# The Board's Composition and Evolution

## The Board Has Substantial M&A Experience



### Board Expertise with M&A Transactions

Name	Selected Acquisitions	Selected Divestments
John Devaney		
Miranda Curtis		 
Jorge Cosmen		
Roger Devlin	 	
Sir Andrew Foster		
Tim Score	  	
Dean Finch		 (Various assets)
Jez Maiden		 

# The Board's Composition and Evolution

## Regular Review of Board Composition



- The Board is regularly reviewed to ensure that the mix of skills and experience on the Board is appropriate to meet the current needs of the Company.
  - There have been 18 changes to the Board in the last seven years including changes in the non-executive members of the Board in five of the last seven years.
  - The average tenure of current Board members is 3 years and 9 months.

### Evolution of the Board 2004 – 2010: Regular refresh of Membership

Year	Left Board	Joined Board
2004	Larry Durham Δ	Sir Andrew Foster
2005	Tim Stevenson	Jorge Cosmen * Tim Score
2006	Phil White Δ	Richard Bowker Δ
2007	Sue Lyons	Roger Devlin
2008	Adam Walker Δ <b>David Ross ●</b> Barry Gibson	Jez Maiden Δ Miranda Curtis
2009	Richard Bowker Δ	<b>John Devaney ●</b>
2010	Ray O'Toole Δ	Dean Finch Δ

\* = Non Independent NED Δ = Executive Director ● = Chairman

# The Board's Composition and Evolution

## Additional Non-Executive Directors



- At the end of 2010 the Board undertook an evaluation exercise and concluded that 2011 would be an opportune time to further strengthen the Board's membership
- The Nomination Committee of the Board therefore began a search for two further independent non executive directors who could complement the existing mix of skills and experience on the Board
- The Nomination Committee has determined the specific areas of expertise which would further enhance the strength of the Board and support the business through the next stage of its growth
- The Board feels that all candidates for Board positions should participate in a proper selection and evaluation process managed by the Nominations Committee to ensure that the best candidates are appointed and that those appointed will represent the interest of all the Company's shareholders
- This is consistent with the clear provisions of the UK Corporate Governance Code which prescribes for a "*formal, rigorous and transparent procedure*" for appointing new directors and states that there should be "*a nomination committee which should lead the process*"

# Compliance with the Combined Code

## Full Compliance On Almost All Issues



Principle in Combined Code	Key Principles	National Express Full Compliance
A.1 The Board	<ul style="list-style-type: none"> <li>Every company should be headed by an effective Board, which is collectively responsible for the success of the company.</li> </ul>	✓
A.2 Chairman and Chief Executive	<ul style="list-style-type: none"> <li>There should be a clear division of responsibilities at the head of the company between the running of the Board and the executive responsibility for the running of the company's business.</li> </ul>	✓
A.3 Board Balance and Independence	<ul style="list-style-type: none"> <li>The Board should include a balance of executive and non-executive directors (and in particular independent non-executive directors) such that no individual or small group of individuals can dominate the Board's decision taking.</li> </ul>	✓ (other than due to Jorge Cosmen's membership of Nomination Committee)
A.4 Appointments to the Board	<ul style="list-style-type: none"> <li>There should be a formal and transparent procedure for the appointment of new directors to the Board.</li> </ul>	✓
A.5 Information and Professional Development	<ul style="list-style-type: none"> <li>The Board should be supplied in a timely manner with information in a form and of a quality appropriate to enable it to discharge its duties.</li> <li>All directors should receive induction on joining the Board and should regularly update their skills.</li> </ul>	✓
A.6 Performance Evaluation	<ul style="list-style-type: none"> <li>The Board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual directors.</li> </ul>	✓
A.7 Re-election	<ul style="list-style-type: none"> <li>All directors should be submitted for re-election at regular intervals, subject to continued satisfactory performance.</li> </ul>	✓
B.1 The level and make-up of Remuneration	<ul style="list-style-type: none"> <li>Levels of remuneration should be sufficient to attract, retain and motivate directors quality</li> <li>A significant proportion of executive directors' remuneration link rewards to performance.</li> </ul>	✓
B.2 Procedure	<ul style="list-style-type: none"> <li>There should be a formal and transparent procedure for developing policy on executive remuneration</li> <li>No director should be involved in deciding his or her own remuneration.</li> </ul>	✓
C.1 Financial Reporting	<ul style="list-style-type: none"> <li>The Board should present a balanced assessment of the company's position and prospects.</li> </ul>	✓
C.2 Internal Control	<ul style="list-style-type: none"> <li>The Board should maintain a sound system of internal control to safeguard shareholders' investment and the company's assets.</li> </ul>	✓
C.3 Audit Committee and Auditors	<ul style="list-style-type: none"> <li>The Board should establish formal and transparent arrangements for considering how they should apply the financial reporting and internal control principles and for maintaining an appropriate relationship with the company's auditors.</li> </ul>	✓
D.1 Dialogue with Institutional Shareholders	<ul style="list-style-type: none"> <li>There should be a dialogue with shareholders based on the mutual understanding of objectives.</li> </ul>	✓
D.2 Constructive use of the AGM	<ul style="list-style-type: none"> <li>The Board should use the AGM to communicate with investors and to encourage their participation.</li> </ul>	✓



Directors'  
Biographies

**Appendix**



# DIRECTORS' BIOGRAPHIES



## John Devaney



John Devaney has managed businesses across Europe, the UK, Canada, USA and Japan. His previous roles include Chairman of Kelsey Hayes (part of Varsity Corporation), Eastern Group, Exel and Marconi and Non-Executive Director of HSBC Bank Plc, Ocean Group and British Steel. He is currently Non-Executive Chairman of Cobham Plc and Chairman of National Air Traffic Services Ltd and Tersus Energy Plc.

## Miranda Curtis



Miranda Curtis has over twenty years in the US corporate environment originally as an executive office and now a main board director of a Nasdaq quoted company. Miranda is a Non-Executive Director of Liberty Global Inc (Denver, Colorado) having retired from her executive role as President of Liberty Global Japan and Jupiter Telecommunications (J:COM) in Tokyo after leading the sale of Liberty's Japanese interests in February 2010. She is the only Western woman ever to lead a Japanese public company board. Miranda has also served on the boards of Liberty subsidiaries in Singapore, Ireland, France and Spain and has many years' experience of M&A in Asia, the United States and Europe.. She is a Trustee and member of the Board of Governors of the Institute for Government and a Director of Garsington Opera. Between 1998 and 2002 she was a Non-Executive Director of Telewest Communications plc and between 1998 and 2000 a Non-Executive Director of Flextech plc.

## Jorge Cosmen



Jorge Cosmen was appointed to the Board in December 2005 at the time of the ALSA transaction. He was appointed Deputy Chairman in October 2008. Jorge is also a non executive director of Brunara, a company listed in the Madrid MAB market and a former Vice President of FENEBUS (the Spanish Bus and Coach National Federation). He was Corporate Manager for the ALSA Group from 1995, becoming Chairman in 1999. During this period Jorge was involved in the acquisition of the State owned coach transport operator (ENATCAR) through a public tender privatisation process that was, at the time, the largest public transaction in the Spanish transport sector. Between 1986 and 1995, he worked in sales, distribution and banking. He spent three years in the Peoples Republic of China as Vice General Manager of TKC Foods, a Sino-foreign joint venture in the food industry. Jorge also worked in the International Development Department of Banco Exterior and within the tourism industry for companies in Portugal and Switzerland. He is a Business Administration graduate and has an International MBA from the Instituto de Empresa in Madrid

# DIRECTORS' BIOGRAPHIES



## Roger Devlin



Roger Devlin spent 13 years as a Director of Hill Samuel where he was global head of Mergers and Acquisitions and the youngest ever Chief Executive of their US investment banking operations. He then moved to Ladbrokes, later Hilton PLC, as Group Corporate Development Director with responsibility for the strategy of the core hotels business as well as Ladbrokes. He went on to assume operational responsibility for the casino, health club and timeshare businesses and was instrumental in the \$7bn demerger and sale of Hilton International back to Hilton Hotels Corp.. He now chairs three substantial private companies, Principal Hotels, Gamesys and Satellite Information Services having previously chaired, realised value in and successfully exited three private equity businesses. He is also Senior Independent Director of RPS Group Plc, Europe's leading environmental consultancy.

## Sir Andrew Foster



Sir Andrew has had an extensive career in the public sector, having served as Chief Executive of the Audit Commission for England and Wales between 1992 and 2003. Before this, he was Deputy Chief Executive and Chief Operating Officer of the NHS and Regional CEO for Yorkshire. He is currently Deputy Chairman of the Royal Bank of Canada Europe Limited, specialising in infrastructure, and Chairman of Commonwealth Games England. He is also Non-Executive Director at PruHealth. Sir Andrew has conducted independent reviews for the government into the Intercity Express Project, the Building Colleges for the Future programme, and previously into further education and the future of athletics.

## Tim Score



Tim Score was appointed to the Board in February 2005 and acted as Interim Chairman between December 2008 and April 2009. He is Chief Financial Officer at ARM Holdings plc, a FTSE 50 and Nasdaq listed business which is the world's leading semiconductor IP company with a market capitalisation of almost £8bn. Before joining ARM he worked as Finance Director of Rebus Group Limited, a London listed software company, which he joined in 1999. Between 1997 and 1999, he was Group Finance Director of William Baird plc, which he joined from LucasVarity plc. He is a chartered accountant. Tim was voted best CFO at investor relations in the FTSE 250 in 2009, one of the best five CFOs in the FTSE 100 in 2010 and was runner up for best CFO in the Technology/Semiconductor sector as voted by both the buy and sell sides in the Institutional Investor All-Europe Executive Team rankings in 2011.

# DIRECTORS' BIOGRAPHIES



## Dean Finch



Prior to joining National Express, Dean Finch was Group Chief Executive of Tube Lines from June 2009. Before that he worked for over 10 years in senior roles within FirstGroup plc. He joined FirstGroup in 1999 having qualified as a Chartered Accountant with KPMG, where he worked for 12 years specialising in Corporate Transaction Support Services, including working for the Office of Passenger Rail Franchising on the privatisation of train operating companies. At FirstGroup, he was Managing Director of the Rail Division from 2000-2004 and then was appointed to the main Board as Group Commercial Director in 2004, before being made Group Finance Director. With the completion of the Laidlaw acquisition he became Chief Operating Officer in North America before returning to the UK as Group Chief Operating Officer.

## Jez Maiden



Jez Maiden was formerly Chief Finance Officer at Northern Foods plc. Prior to that, he was Group Finance Director of British Vita plc, Director of Finance of Britannia Building Society and Group Finance Director of Hickson International plc. He is currently a Non-Executive Director of Yule Catto & Co plc and is a Fellow of the Chartered Institute of Management Accountants.