

Risk management

Committed to managing risk effectively

During the year, we have continued to see the internal and external environment evolve. The Board of Mobico Group recognises managing risk and uncertainty is a key element in the successful delivery and achievement of its strategy. As both the internal and external environment change, the level of risk changes too. Some increase, some reduce, and new risks emerge. Positioned as a global leader in the transportation industry, Mobico is exposed to an evolving landscape of risks, which could potentially impact performance or reputation negatively, as well as positively. The Board remains ultimately responsible for the effective management of risk in the Group and continues to remain committed to driving continuous improvement and adopting best practice in this crucial area. In addition to the broad strategic responsibilities, the Board:

- approves the Group Risk Appetite Statement;
- reviews and approves the Group Emerging Risks;
- reviews the Principal Risks faced by the Group and approves the Group Risk Register.

The Audit Committee reinforces the process further by conducting 'deep dive' reviews, on specific risks and through discussions with divisional leadership teams to challenge their divisional risk registers.

a. Group Risk Appetite Statement

The Board recognises that in continuing to deliver Mobico's strategy and achieve our objectives we need to take some calculated risks. However, Mobico will tolerate a level of risk that is consistent with our core purpose and values, can be managed effectively and be in line with the expectations of our shareholders and other stakeholders to offer superior returns. The acceptable level of risk is reviewed on an annual basis, which defines the appetite and tolerance level against key risks by analysing the mitigation actions in place and what additional measures might be needed. This ensures alignment between our view of acceptable risk exposure and the strategic priorities of the Group.

Mobico's strategy and objectives, including the focus on the Evolve strategy outcomes are reflective of its risk appetite. Mobico has:

- A strategy to create value for shareholders and society in a sustainable way;
- A clear understanding of its risks and opportunities in the transport industry across all geographic regions the business operates in (with any future expansion into new regions being subject to deep and rigorous country risk reviews) ensuring that the appropriate governance arrangements are in place aligned with the Group's strategy and values; and
- No appetite for risks impacting the safety of our employees, customer or general public, brought on by unsafe vehicles or actions.

Mobico is exposed to a universe of risks for which it has a varying degree of appetite and tolerance. In determining its appetite and tolerance for specific risks, the Board and Audit Committee ensures that:

- Risks are consistent with Mobico's core purpose and values, strategy and financial objectives;
- Risks are tolerated only when high standards of control and mitigation have been implemented and appropriate review and approval has been attained through the Risk Management Framework and improvement and reward is achievable; and
- Risks are actively reviewed and monitored through the appropriate allocation of resources.

The Board remains ultimately responsible for determining the nature and extent of the risk it is willing to take to achieve strategic objectives, ensuring an effective management of those risks in the Group, and is committed to driving continuous improvement and adopting best practice in this important area.



b. Group Emerging Risks

Emerging risks are reviewed and approved by the Board. The Group considers an emerging risk to be one that cannot yet be fully assessed and is not currently having a material impact on the business, but has a reasonable likelihood of impacting future strategy or operations. The Group's approach to identifying and managing emerging risk exposure is to:

- identify a wide universe of potential emerging risks using horizon scanning techniques, published external research and peer/competitor review;
- preliminarily assess these risks, taking into account our industry sector and market position, and our strategy, to determine broad relevance;
- consider the potential impact of each risk on the Group's strategy, finances, operations and reputation, taking into account the likelihood of the risk occurring, and the speed with which it may manifest; and
- develop actions to address the risks where appropriate.

From a very wide universe of potential emerging risks, the Group has, through the above process, identified a number of risks that warrant closer review. Based on the rate of development of the risk, they have been further segregated into those requiring only a monitoring approach at present and those where actions are being developed alongside the principal risks. The majority of the emerging risks identified continue to relate to frontier technologies such as:

- disruptive new technologies and use of AI, and the ethical aspects of AI use;
- training of employees for those new technologies; and
- autonomous vehicles and their impact in the industry.

In addition, we continue to evaluate potentially disruptive operating models arising from ZEV transformation and are closely monitoring macroeconomic and geopolitical developments and the varying impact to our geographical regions. It should be noted that the Group considers some of these areas to bring opportunities as well as risks.

c. Group Principal Risks

Our Risk Management Framework and lines of assurance

In our continuous review of best risks management processes and governance models to apply to Mobico, we continue to use the "Three Lines Model" as the one which provides an optimal structure with clear roles and oversight that work together to achieve good assurance. The "Three Lines Model" is summarised below.

Our process of identifying and managing principal risks

At Mobico, the management of risk is embedded in the day-to-day operations of divisional management teams. A key element of this is the regular review and update of detailed risk registers in each division, in which risks are identified and assessed in terms of both the probability of the risk occurring and its potential impact. Group-level risks are derived from a combination of a "top-down" and "bottom-up" approach, and either from the divisional risk registers, because the risk either affects multiple divisions, or is of a materiality in itself that is considered of Group significance. Each of these Group-level risks is then assessed by the Board in terms of its potential impact on the Group and its key stakeholders. The Group prioritises risk mitigation actions by considering risk likelihood and impact.

Our Group Principal Risks

