

FirstGroup plc Remuneration Committee - Terms of Reference

Definitions

References to “the Committee” shall mean the Remuneration Committee.

References to “the Board” shall mean the board of directors of FirstGroup plc

References to “the Chairman of the Committee” shall mean the Chairman of the Remuneration Committee

References to “the Chairman of the Company” shall mean the Chairman of FirstGroup plc

1 Membership

- 1.1 The Committee shall comprise at least three members, each of whom shall be appointed by the Board.
- 1.2 All members of the Committee shall be independent non-executive directors.
- 1.3 The Board should appoint the Chairman of the Committee and determine the period for which he/she shall hold office. The Chairman of the Company shall not be eligible to be appointed as Chairman of the Committee.

2 Quorum

The quorum necessary for the transaction of business of the Committee shall be any two members of the Committee. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

3 Secretary

The Company Secretary or his/her nominee shall act as the Secretary of the Committee.

4 Meetings

The Committee shall meet not less than twice a year and at such other times as the Chairman of the Committee shall require.

5 Notice of Meetings

- 5.1 Meetings of the Committee shall be called by the Secretary of the Committee at the request of the Chairman of the Committee or any member of the Committee.
- 5.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Committee, to any other person required to attend and all other non-executive directors, no fewer than three working days prior to the date of the meeting.

- 5.3 The Chief Executive and Group Employee Director shall have the right to address any meeting of the Committee and others may be called upon or shall be able to speak by prior arrangement with the Chairman of the Committee.

6 Minutes of Meetings

- 6.1 The Secretary shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance.
- 6.2 Minutes of Committee meetings shall be circulated to all members of the Committee.

7 Annual General Meeting

The Chairman of the Committee shall attend the Company's Annual General Meeting and be prepared to respond to any shareholder questions on the activities of the Committee.

8 Duties

The Committee shall:

- 8.1 determine and agree with the Board the framework or broad policy for the remuneration of the Chief Executive, the Chairman of the Company, the Executive Directors and such other members of the executive management as it is designated to consider. The remuneration of non-executive directors shall be a matter for the executive members of the Board. No director or manager shall be involved in any decisions as to his or her own remuneration.
- 8.2 in determining such policy, take into account all factors which it deems necessary. The objective of such policy shall be to ensure that members of the executive management of the Company are provided with appropriate incentives for retentive purposes and to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Company. It shall also liaise with the Nomination Committee to ensure that the remuneration of newly appointed executives is within the Company's overall policy.
- 8.3 determine targets for any performance related pay schemes operated by the Company and asking the Board, when appropriate, to seek shareholder approval for any long-term incentive arrangements.
- 8.4 within the terms of the agreed policy, determine the total individual remuneration package of each executive director including, where appropriate, bonuses, incentive payments and share options or other share awards.
- 8.5 determine the policy for and scope of pension arrangements, service agreements for the executive directors, termination payments and compensation commitments. The Committee shall ensure that contractual terms on termination, and any payments made, are fair to the individual and the Company, that failure is not rewarded and that the duty to mitigate loss is fully recognised;

- 8.6 in determining such packages and arrangements, give due regard to any relevant legal requirements, the provisions and recommendations of the Combined Code as well as the UK Listing Authority's Listing Rules and associated guidance;
- 8.7 review and give consideration to equivalent packages and arrangements of competitor companies;
- 8.8 ensure that the provisions regarding disclosure of remuneration including pensions, are fulfilled; and
- 8.9 produce an annual report of the Committee's remuneration policy and practices and which will form part of the Company's annual report and accounts.

9 Authority

- 9.1 The Committee is authorised by the Board to seek any information it requires from any employee of the Company in order to perform its duties.
- 9.2 In connection with its duties, the Committee is authorised by the Board to obtain, at the Company's expense, any external legal or other professional advice including the advice of independent remuneration consultants.
- 9.3 Although the Committee can seek the advice and assistance of any of the Company's executives, it must ensure that this role is clearly separated from their role within the business.