

CORPORATE SOCIAL RESPONSIBILITY POLICY

Applicable to FirstGroup PLC and all of its subsidiaries

FirstGroup seeks to be a good corporate citizen in everything that it does.

We have therefore determined to bring together our existing operating principles into one framework policy under the heading of Corporate Social Responsibility (CSR). The principles encompassed in this policy cover all areas of the Group's operations and have been developed and continue to be reviewed against and updated by reference to relevant codes of corporate governance and international standards including the United Nations (UN) Universal Declaration of Human Rights, the International Labour Organisation (ILO) Declaration on Fundamental Principles and Rights at Work, the Guidelines for Multinational Enterprises established by the Organisation for Economic Cooperation and Development (OECD), the Rio Declaration on Environment and Development and the UN Convention against Corruption. The FirstGroup Board of Directors supports the principles set out in those codes and standards and the aim of this policy is to translate that support into a set of guidelines and standards that set a common approach for FirstGroup companies and provide practical guidance for our managers and employees on the ground.

Compliance, monitoring and reporting

Compliance with this policy will be continuously monitored and subject to review by the Board of FirstGroup, supported by the Audit Committee. Compliance will be reported to stakeholders through the Group's Annual Report or its annual Corporate Social Responsibility Report.

Each local manager is responsible for ensuring that the principles set out in this policy are communicated to, understood and observed by all employees and for ensuring compliance in their area of responsibility.

Employees who reasonably suspect that there has been a breach of this policy must report it to their line manager, senior management, or via the Group's confidential reporting procedures if they prefer. We recognise that employees may be reluctant to report concerns for fear of retaliation and will take disciplinary action against any employee who threatens or engages in retaliation, retribution or harassment of any person who has reported or is considering reporting a concern in good faith.

The Board of FirstGroup will not criticise management for any loss of business resulting from adherence to the principles set out in this policy. All sections of this policy are underpinned by the Group's Code of Business Ethics, which is set out in Section 1. The other areas covered by this policy are Safety and Security (Section 2), Employment (Section 3), Customer and Community (Section 4) and Environment (Section 5).

SECTION 1

CODE OF BUSINESS ETHICS

This code applies to all of the operations of FirstGroup and its subsidiaries and sets out the minimum standards which the Board of FirstGroup expects from staff in their internal and external dealings with colleagues, customers, stakeholders and third parties.

1.1 Basic Standards of Conduct

- (a) We will conduct every aspect of our business with honesty, integrity and openness, respecting human rights and the interests of our employees, customers and third parties.
- (b) We will respect the legitimate interests of third parties with whom we have dealings in the course of our business.
- (c) We will maintain the highest standards of integrity – for example, we will not promise more than we can reasonably deliver or make commitments we cannot or do not intend to keep.

1.2 Employees

Each FirstGroup company

- (a) is committed to creating and maintaining a safe and healthy working environment for its employees.
- (b) will strive to create a workplace in which there is mutual trust and respect and where every person feels responsible for the performance and reputation of our company.
- (c) will respect the individual and each other's rights, customs and traditions including the right to freedom of association and the right to decide whether or not to join a trade union and will negotiate in good faith with the properly elected representatives of its employees.
- (d) will work towards achieving a diverse workforce, recruiting, employing and promoting employees only on the basis of objective criteria and the qualifications and abilities needed for the job to be performed.
- (e) will maintain good communications with employees through our information and consultation procedures.
- (f) will assist employees in realising their potential.

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1.3 Customers

- (a) FirstGroup is committed to providing safe, value for money, high quality, consistent, accessible and reliable services to its customers.

1.4 Shareholders

- (a) FirstGroup will conduct its operations in accordance with the principles of good corporate governance.
- (b) We will provide timely, regular and reliable information on the business to all our shareholders.

1.5 Business Partners and Stakeholders

- (a) We aim to develop strong relationships with our suppliers, stakeholders and others with whom we have dealings, based on mutual trust, understanding and respect.
- (b) In those dealings, we expect our partners to adhere to business principles consistent with our own.
- (c) FirstGroup companies will conduct their operations in accordance with the principles of fair competition and applicable regulations.

1.6 Compliance with Law

- (a) All members of the Group will comply with the laws and regulations applicable wherever they do business.

1.7 Business Integrity

- (a) No FirstGroup company shall offer, give, seek or receive, either directly or indirectly, inducements or other improper advantages for business or financial gain and no employee may offer, give, seek or receive any gift or payment which is, or could be construed as, such. If an employee is in any doubt as to whether he or she may accept an offer, that employee should discuss the issue with his or her manager, Group Legal Director or General Counsel.
- (b) FirstGroup accounting and other records and supporting documents must accurately describe and reflect the nature of the underlying transactions.
- (c) No undisclosed or unrecorded account, fund or asset will be established or maintained.

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1.8 The Environment

- (a) FirstGroup is committed to making continuous improvement in the management of its environmental impact.
- (b) We will work with our partners to promote environmental care, increase understanding of environmental issues and disseminate good practice.

1.9 Community Involvement

- (a) FirstGroup strives to be a good corporate citizen and to fulfil our responsibilities to the societies and communities in which we operate.

1.10 Conflicts of interest and confidentiality

- (a) All FirstGroup employees are expected to avoid personal activities and financial interests, which could conflict with their responsibilities to FirstGroup.
- (b) FirstGroup employees and consultants must not seek gain for themselves or others through misuse of their positions or company property.
- (c) Information received by anyone in the course of his or her employment must not be used for personal gain or for any purpose other than that for

which it was given.

(d) Where information is confidential, that confidentiality must be respected.

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SECTION 2

SAFETY AND SECURITY

2.1 Safety

The health and safety of our employees and customers is our paramount concern. Safety underpins all our operations and our central motto is “If you cannot do it safely, don’t do it”.

We have developed the following high-level health and safety policy, which underpins all of our operational health and safety policies:

(a) General Statement

The Board of Directors of FirstGroup is committed to ensuring, so far as is reasonably practicable, the health, safety and welfare of all of its employees at work and also the safety of customers and others.

(b) This policy seeks continuous improvement and compliance with legislation, having proper regard to the protection of people, premises, property and the environment. It is based on the principles that:

- ☹ All injuries can be prevented
- ☹ The goal is zero injuries
- ☹ Safety is the responsibility of all employees
- ☹ Working safely is a condition of employment

(c) The Managing Directors (UK Bus and UK Rail) and Presidents, FirstGroup Student, FirstGroup Transit and FirstGroup Services (“the nominated directors”), are tasked to ensure that so far as is reasonably practicable:

- ☹ There are adequate arrangements and organisation for health and safety in place within their area of responsibility
- ☹ Responsibilities for carrying out these arrangements are clearly allocated
- ☹ All staff are given appropriate information, instruction and training
- ☹ Adequate supervision is provided to ensure compliance with policies and safe systems of work
- ☹ All other legal and statutory duties on health and safety incumbent upon FirstGroup are complied within all their operations and locations
- ☹ Performance targets are set to achieve a step change in safety performance
- ☹ Adequate resources are allocated and competent persons are appointed to support the achievement of the above objectives.

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(d) We will continually monitor the health and safety performance of our operations which will be subjected to periodic safety audits to assess performance. The nominated directors will:

✂ Present a monthly report on health and safety to the Executive Safety Committee

✂ Report to the Board all fatal and notifiable injuries to staff or other persons within 24 hours.

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The nine key **safety principles** with which all FirstGroup employees are required to comply are set out below:

✂ **Do not endanger yourself or others.**

Report any hazardous condition or practice that may cause injury to people property or the environment.

✂ **Obey all rules, signs and instructions.**

If you do not understand speak to your manager before you start work.

✂ **Keep your work area clean and tidy.**

Disorder causes accidents, wastes time, energy and materials.

✂ **Wear protective clothing and equipment as required.**

Keep it in good condition, wear it correctly and ask for a replacement if it becomes damaged or unfit for use.

✂ **All accidents, incidents and near misses must be reported to your manager.**

Seek immediate help and first aid (if necessary).

✂ **Do not adjust modify or repair any piece of work equipment unless you are competent and authorised to do so.**

✂ **Use only the correct tools and equipment for the job.**

Check that they are in good condition before use and use them safely.

✂ **Before lifting, assess the load and your capability to move it.**

Make sure you get help with any heavy or awkward items, and follow approved techniques.

✂ **If you have any suggestions to improve safety in your workplace, tell your supervisor or manager.**

We also require contractors to comply with this policy whilst they are working at our premises.

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2.2 Security

(a) General Statement

Security is a key issue for our passengers, our staff and our business. We recognise the range of security issues which can arise and have implemented the following high level security policy.

(b) The Board of Directors of FirstGroup is committed to ensuring, so far as is reasonably practicable, the security of passengers using our services, our employees at work and our property.

(c) The threats to security are wide ranging, significant and, in the main, driven by external influences. The ability to control risks varies.

However, we have the ability to address or mitigate all of the threats which apply. To be successful in this we need the co-operation and engagement of all of our staff and our passengers.

(d) Security is an area in which we seek continuous development and improvement and compliance with existing and emerging legislation. We will heighten the profile of security to ensure all members of staff understand why they should and how they can play their part. We will also work on ways to involve passengers. Our efforts will bring greater personal and corporate security and business benefit.

(e) This statement provides guidance and direction to all employees on what is both required and expected of them. We are confident our staff will appreciate the reasons for this and the benefits to them, their colleagues, our passengers and our property.

(f) We aim to achieve, so far as is reasonably practicable:-

✂ A secure environment for passengers using our services

✂ A secure environment for staff in their work

✂ Security of our property

✂ Security of our systems and processes

(g) We will develop systems to monitor our performance on security within our operations. All operations will be subject to periodic inspection and review.

(h) The Group Head of Security will provide regular reports on group security to the Executive Management Board.

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(i) FirstGroup recognises that this security policy needs to be supported by actions and processes to ensure delivery. The following measures are in place to assist this:

✂ A security strategy is in place, which underpins our policy, identifies the key strategic security issues for the business and the approach being taken to address these. This is designed to provide a structure, which allows measurement, review and ongoing refinement.

(j) A specialist security department has been developed which operates across all of our United Kingdom and North American operations.

(k) The importance of security is emphasised to all staff through regular security briefings and a 'Security' section has been created on our intranet system. This provides security advice and guidance and contact details for key security personnel. It also ensures our security specialists can be accessed by all our staff when they are needed.

✂ Staff are actively encouraged to report security concerns. To support this there is a confidential telephone reporting system which allows staff to report any concerns with anonymity. This is specifically designed to give staff the confidence to report their concerns even in circumstances where they may find conventional line management routes difficult.

(l) This approach to security allows us to ensure we have a process to translate our policy into effective implementation within the organisation. It also allows us to formally recognise and demonstrate our commitment to the need for continuous development and improvement in this important aspect of our business.

We also require contractors to comply with this policy whilst they are working at our premises.

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SECTION 3

EMPLOYMENT

In formulating its policies in this area, FirstGroup has been guided by the framework established by the OECD in its Guidelines for Multinational Enterprises. The Guidelines encourage companies to foster openness, sustainability and respect for employee rights. The policies cover all employees of the Group.

3.1 Equal Opportunities Policy

(a) FirstGroup is an equal opportunities employer. This means that it is FirstGroup's policy that there should be no discrimination against, harassment or bullying of any employee or job applicant either directly or indirectly on the grounds of:

- ✂ Race, colour, nationality or national or ethnic origin;
- ✂ Sex or marital status;
- ✂ Disability (e.g., a long term mental or physical impairment);
- ✂ Gender reassignment;
- ✂ Sexual orientation;
- ✂ Religion or philosophical belief;
- ✂ Political belief;
- ✂ Caring responsibilities;
- ✂ Trade union activity; or
- ✂ Age.

(b) FirstGroup's policy is aimed at

- ✂ Encouraging and promoting diversity and inclusion among its employees
- ✂ Eliminating discrimination, bullying and harassment from the workplace;
- ✂ Encouraging all its employees to take an active role against all forms of discrimination, bullying and harassment;
- ✂ Deterring employees from participating in discriminatory behaviour, bullying or harassment;
- ✂ Demonstrating to all employees that they can rely upon FirstGroup's support in cases of discrimination, bullying or harassment at work.

(c) FirstGroup is fully committed to providing a good and harmonious working environment that offers equal treatment and equal opportunities for all employees and where every employee is treated with respect and dignity. FirstGroup's aim is that remuneration, recruitment, promotion

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and retention should not be affected by irrelevant considerations and stereotyping.

(d) FirstGroup recognises that the provision of equal opportunities in the workplace is not only good management practice but also makes sound

business sense. FirstGroup's equal opportunities policy will help all employees to develop their full potential so that the talents and resources of the workforce will be fully utilised to maximise the efficiency of the organisation.

(e) Whilst FirstGroup recognises that the overall responsibility for the effective operation of this policy lies with the Board of Directors, all employees, whatever their position within FirstGroup, have some measure of responsibility for ensuring its effective implementation in their day to day activities and working relationships with colleagues.

(f) Employees should ensure that:

☞ They co-operate with any measures introduced to develop equal opportunities;

☞ They respect the diversity of others;

☞ They refrain from taking discriminatory actions or decisions which are contrary to either the letter or spirit of this policy and, for employees of managerial status, that they ensure that those who report to them also comply with the policy;

☞ They do not instruct, induce, or attempt to induce or pressurise other employees to act in breach of this policy;

☞ Employees who make complaints of breaches of this policy in good faith are treated fairly and responsively both when the complaint is made and thereafter.

(g) Breaches of FirstGroup's equal opportunities policy and procedures and any unfair or unlawful discrimination will not be tolerated and will be dealt with under the Group's disciplinary procedures. In serious cases, this could lead to dismissal of the relevant individual.

(h) We also require contractors to comply with this policy whilst they are working at our premises.

Recruitment and Selection

(i) Recruitment and selection must be carried out according to objective job-related criteria which must be subject to regular review. The Company will endeavour through appropriate training to ensure that employees making selection decisions will not discriminate whether consciously or unconsciously in making these decisions.

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Training

(j) Equal opportunities must be integrated into all training concerned with selection skills, staff assessment, counselling, staff development and the management or supervision of staff. The importance of equal opportunities in the field of customer care initiatives is also recognised. The Company's policy will form part of the induction training of all staff.

Promotion

(k) It is in FirstGroup's interest to provide equal opportunities when promoting employees. Managers must continually assess the promotion potential of all employees and all promotion decisions must be made in accordance with objective selection criteria.

Grievance and discipline

(l) Employees who believe that they have experienced unfair or unlawful discrimination, bullying or harassment should raise their concern through the applicable grievance procedure in their local area.

(m) Where such grievances may concern the normal line of supervision or management, individuals should follow the procedure in the relevant grievance policy.

Monitoring

(n) Data on staff will be collected on an anonymous basis for analysis and interpretation across the Group with the objectives to:-

- ✧ identify areas of and reasons for under-representation of particular groups in the workforce
- ✧ assess the effect of employment procedures and practices
- ✧ enable FirstGroup to review and amend its equal opportunities policy and programme of action as may be necessary.

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3.2 Human Rights

FirstGroup supports the principles of the UN Universal Declaration of Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work.

We will adhere to the following principles in respect of our staff:

- (a) We will treat all employees fairly and honestly, regardless of where they work. All staff will have agreed terms and conditions in accordance with local law or practice and will be given appropriate job skills training.
- (b) We will pay a fair wage reflecting local markets and conditions. We will always meet any national minimum wage.
- (c) Working hours shall not be excessive. They shall comply with industry guidelines and national standards where they exist.
- (d) Employment must be freely chosen. We will not employ illegal child labour, forced or bonded labour, forced overtime or condone illegal child labour.
- (e) Employees have the rights of freedom of association and collective bargaining. We respect the right of our employees to choose whether or not to join a trade union without influence or interference from management. Furthermore we support the right of our employees to exercise that right through a secret ballot.
- (f) We will negotiate in good faith with the properly elected representatives of our employees.

- (g) We will abide by the non-discrimination laws in every country where we operate.
- (h) We will not use or condone the use of corporal punishment, mental or physical coercion or verbal abuse. We have disciplinary procedures for any member of staff whose conduct falls below the required standard.
- (i) We have formal grievance procedures through which staff can raise personal and work-related issues.
- (j) All staff will be given reasonable access to bathroom and rest facilities.

3.3 Data Protection

- (a) We will comply with the relevant principles governing data protection in each country in which we operate.

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SECTION 4 CUSTOMER AND COMMUNITY

4.1 Customers

Our vision is to Transform Travel. FirstGroup wants to lead the way in transforming the way people travel and the way they feel about public transport. By aiming for the top in everything that we do, and helping each other, we can deliver the highest levels of safety and service and give greater customer and employee satisfaction. We will share all the success of our Company and reach our destination as the number one transport provider.

We will

- ✧ act in accordance with fair business, marketing and advertising practices and take all reasonable steps to ensure the safety of our services
- ✧ respect the human rights of our customers – our security and revenue protection arrangements are consistent with international standards for law enforcement
- ✧ provide transparent and effective procedures that address customer complaints and contribute to fair and timely resolution of disputes without undue cost or burden
- ✧ not make representations or omissions nor engage in any other practices that are deceptive, misleading, fraudulent or unfair
- ✧ respect customer privacy and provide protection for personal data in accordance with the relevant local law.

4.2 Stakeholders

We are committed to maintaining open and regular dialogue with all our stakeholder groups in matters that affect their interests. These range from formal consultation to regular informal contact on a day-to-day or week-to-week basis.

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4.3 Suppliers

Ethical Purchasing Policy

(a) We purchase a wide range of goods and services required in the operation of our business and we also rely heavily on a number of key suppliers for the delivery of our core services. Good working relationships with our suppliers are therefore central to the success of our business. For this reason, we clearly state our purchasing policy as part of ensuring that our business standards are integrated throughout the supply chain.

(b) We are committed to obtaining and retaining competitive goods and services while at the same time ensuring they are from sources which have not jeopardised human rights, safety or the environment.

(c) We aim to develop strong relationships with our suppliers, based on mutual trust, understanding and respect.

(d) More specifically we expect our suppliers to:

☞ Adhere to business principles consistent with our own.

☞ Ensure that their products and services are produced and delivered to comply with all legislation relevant to their business.

☞ Seek to maintain continuous improvement in their supply chain relationship with us.

☞ Ensure they adopt and implement acceptable safety, environmental, product quality, product stewardship, labour, human rights, social and legal standards in line with our own code and to ensure these issues are acceptably managed within the supply chain for any products supplied to us.

(e) We will seek to work with our key suppliers to:

☞ Develop long-term meaningful relations to the benefit of both parties.

☞ Improve the quality, environmental performance and sustainability of goods and services where this can be achieved to the benefit of both parties.

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4.4 Community

As a public transport operator, we provide an essential service to the community. We play a role in connecting people with each other, with other communities and key community services. The operation of our services touches on all members of the community with the potential to impact positively on quality of life. We also operate from a significant number of properties and have responsibility to those living and working nearby as well as being a significant employer.

Our relationships with the local communities we serve are therefore very important to us and are an essential part in the growth of our business. When developing our services, we have a role to play in improving services for the community as a whole and not just our individual customers.

Through our community strategy, we therefore engage with the

community at a range of levels as customers, neighbours, potential employees, businesses and residents. Through our community strategy, we seek to play our part in promoting socially inclusive policies, encouraging the young and disadvantaged and helping older members of the community and the disabled.

In line with our core values, our community strategy incorporates the following elements:

- ✂ Engagement with the local communities in which we operate on the quality of our services and any changes to those services;
- ✂ Working with local authorities, businesses and other interested parties to promote sustainable travel to reduce congestion and improve quality of life;
- ✂ Offering employment opportunities to all sectors of the community through non-discriminatory policies and promoting opportunities to disadvantaged and vulnerable groups;
- ✂ Promoting engagement between our staff and the community;
- ✂ Supporting local community groups and charities;
- ✂ Improving the environment in and around our operations;
- ✂ Promoting broader opportunities for workplace learning;
- ✂ Supporting local initiatives for the development and education of young people in the areas we serve; and

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- ✂ Working closely with local law enforcement agencies to address antisocial behaviour, crime and vandalism as well as promoting road safety.

In addition, local companies provide support to community based charities and projects in their respective areas including support for employees' efforts in fund raising and for small-scale projects.

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SECTION 5 ENVIRONMENT

5.1 Environmental Policy

Through our core business activities we are committed to providing good quality, reliable and cost effective public transport and rail freight services to all our customers. Our core business strategy is to increase passenger numbers and encourage a greater move towards the use of bus and rail transport. This will in turn support the needs of society to achieve more sustainable travel. At the same time we recognise the environmental impacts arising from our business activities and are committed to reducing these through effective environmental management.

Our policy is to strive to achieve continual improvement in environmental performance.

We are committed to:

- ✂ preventing pollution and reducing the overall impact of our operations on the environment.
- ✂ maintaining an internal management structure for the management of environmental issues which includes clearly defined responsibilities for environmental management capable of delivering this policy commitment
- ✂ complying with, and where possible exceeding applicable legal and other requirements relating to the organisation.
- ✂ monitoring our environmental performance and setting objectives and targets for improvement
- ✂ providing appropriate training and awareness programmes for our staff

We recognise the key role we have to play in both reducing and contributing to greenhouse gas emissions from the surface transport sector. Our commitment in this area is set out in our Climate Change Policy.

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5.2 Climate Change Policy

Climate change has now been recognised as an international issue with national governments on both sides of the Atlantic committed to taking action to reduce greenhouse emissions. As a major transport operator we recognise that we emit greenhouse gases from operating our vehicle fleet. At the same time we have a role in supporting governments and communities to reduce the impacts of climate change from road transport by helping to reduce traffic congestion and air pollution by offering a real alternative to the car.

We are committed to reducing the greenhouse gas emissions from our operations in a way which supports national government strategies and in line with our commitment to our passengers to provide safe, efficient and reliable services.

Our key climate change commitments are:

- ✂ To assess the potential impact to our business from evolving climate change policies as part of our on-going risk management processes.
- ✂ To work actively with our suppliers to improve the fuel efficiency of our vehicles.
- ✂ To report annually on our greenhouse gas emissions from all vehicles and property in our ownership.
- ✂ To actively promote improved energy efficiency and fuel efficiency within our business.
- ✂ To support research into transport policy and the use of alternative fuels.
- ✂ To stay abreast of alternative fuel developments and continue to

assess their commercial viability.

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5.3 Biodiversity Policy

Our policy in respect of conserving and promoting biodiversity reflects our commitment to furthering the aims of sustainable development in the management and development of our business. All businesses affect biodiversity through the use of resources and discharge of waste products. This Biodiversity Policy is therefore consistent with our broader Environmental Policy, which includes a stated commitment to minimise the environmental impacts of our operations and prevent pollution.

Our policy is to strive to enhance biodiversity where practicable.

Accordingly our commitments are:

☞ Where we operate from sites which are designated as being of importance due to their natural habitats, we will work with the relevant authorities and affected parties to ensure protection of these habitats through effective pollution control measures and management plans with the aim of conserving or enhancing the biodiversity of these sites.

☞ Where we are involved in the development of new sites, we will comply with all relevant statutory requirements and guidelines in respect of designated areas on any of our development sites. Where significant areas of landscaping are proposed, we will aim to promote biodiversity through, for example, sensitivity of planting taking account of any local biodiversity networks or action plans.

☞ Where we operate from existing sites the potential to promote biodiversity is likely to be limited. The nature of the operations conducted at our sites is such that they are largely covered in hard standing. We will however seek to identify any sites where the potential exists for enhancing biodiversity and over time develop appropriate actions plans to achieve this.

☞ Where we consider it appropriate to do so, we will support the implementation of the UK Biodiversity Action Plan and Local Biodiversity Action Plans defining areas which require special protection and management to ensure that biodiversity is maintained. We will seek to do this in partnership with the relevant authorities and affected parties, who promote biodiversity on a local and national level and seek to identify ways in which we may be able to support the development of selected schemes or initiatives.

Moir Lockhead

Group Chief Executive

November 2006