

## **THE GO-AHEAD GROUP PLC**

### **REMUNERATION COMMITTEE TERMS OF REFERENCE**

**Adopted by Resolution of the Board dated 1 April 2004  
Updated by Resolutions of the Board dated 26 October 2006,  
19 May 2008, 24 March 2009 and 10 December 2009**

#### **1. Constitution**

The Board has resolved to establish a Committee of the Board to be known as the Remuneration Committee.

#### **2. Membership**

- 2.1 The Committee shall be appointed by the Board from the Non-Executive Directors of the Company and shall consist of a minimum of two such members.
- 2.2 The Board of Directors should appoint the Chairman of the Remuneration Committee and determine the period for which he/she shall hold office. In accordance with the Combined Code, the Chairman of the Company shall not be the Chairman of the Remuneration Committee.
- 2.3 The Company Secretary shall act as Secretary of the Committee.

#### **3. Meetings and Related Matters**

- 3.1 The Committee shall meet formally at least three times a year.
- 3.2 A meeting of the Committee may be called by any member of the Committee or by the Company Secretary.
- 3.3 The quorum necessary for the transaction of business by the Committee shall be two.
- 3.4 The Chairman of the Company and the Group Chief Executive will normally be invited to attend at meetings of the Committee. Other individuals may also be invited to attend at all or part of any meeting as appropriate.
- 3.5 Members of the Committee and any person attending its meetings shall not participate in any discussion or decision on their own remuneration.
- 3.6 Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an Agenda of items to be discussed and appropriate disclosures, shall be forwarded to each member of the Committee or any other person invited to attend, approximately one week before the date of the meeting.
- 3.7 The Company Secretary shall minute the proceedings and resolutions of all meetings, in addition to ascertaining the existence of any conflicts of interest.

- 3.8 Minutes of all meetings of the Committee, once agreed will be circulated to all members of the Committee and Board, unless a conflict of interest exists.

#### **4. Authority**

- 4.1 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 including having access to service contracts for the Executive Directors and Senior Executives.
- 4.2 The Committee is authorised by the Board to obtain any external legal or other professional advice, including that of independent remuneration consultants and to secure their attendance at its meetings, at the Company's expense, if it considers this necessary. It is envisaged that in obtaining external advice, the Committee will act through its Chairperson. The Committee is exclusively responsible for establishing the selection criteria, electing, appointing and setting the terms of reference for any remuneration consultants who advise the Committee.

#### **5. Duties**

##### **5.1 Executive Directors**

The Committee shall:-

- 5.1.1 Determine and agree with the Board, the framework or broad policy for the remuneration of the Group's Executive Directors. The objective of such policy shall be to ensure that the Executive Directors are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Group.
- 5.1.2 Review and determine the total individual remuneration packages of each Executive Director within the terms of the agreed policy, including where appropriate, salaries, bonuses, pension arrangements, share options and participation in long term incentive schemes.
- 5.1.3 Approve the design of, and determine targets for, any performance related pay or bonus schemes operated by the Company and approve the total annual payments made under such arrangements,
- 5.1.4 Review the design of all share incentive plans for approval by the Board and shareholders. For any such plans, determine each year whether awards will be made and if so, the overall amount of such awards, the individual awards to Executive Directors and the performance targets to be used.
- 5.1.5 Determine the remuneration package of Executive Directors joining the Group and be informed in advance of implementation of the financial and/or other arrangements relating to the recruitment of senior executives.

- 5.1.6 Determine the terms of the financial settlement (if any) when Executive Directors leave and be informed in advance of implementation of the financial and/or other arrangements relating to the departure of senior executives. 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.
- 5.1.7 Regularly review the ongoing appropriateness and relevance of the remuneration policy. Review and note annually the remuneration trends across the Company and obtain reliable, up-to-date information about remuneration in other companies.
- 5.1.8 Agree the policy for authorising claims for expenses from the Chief Executive and Chairman.

## 5.2 Senior Executive Managers

The Committee shall be responsible for advising the Board in relation to the remuneration of senior executive managers employed by the Group who are not main board directors. Their objective shall be to ensure that senior executive managers of the Group are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Group.

- 5.2.1 Where any senior executive manager is to participate in a share incentive scheme, the Committee shall be responsible for formulating suitable performance related criteria applicable to the senior executive's participation and shall be responsible for monitoring the operation of those criteria and determining the extent of the benefits of the senior executive manager under the scheme.
- 5.2.2 With regard to any other bonus or incentive scheme (other than a share incentive scheme) to be paid to or established for the benefit of senior executive managers, the Committee shall act in an advisory capacity only and it shall be for the Chief Executive to determine the amount of any sum or benefit payable to the senior executive manager under the relevant scheme taking into consideration the advice of the Committee and the views of his Executive Director colleagues.

## 5.3 Share Option Schemes

Should the Company introduce a Share Option Scheme, the Committee shall be responsible for administering all aspects of any such share option scheme, including (subject always to the rules of that scheme and any applicable legal and regulatory requirements):-

- 5.3.1 the selection of those eligible employees of the Group to whom options should be granted;
- 5.3.2 the timing of any grant;
- 5.3.3 the numbers of shares over which options are to be granted;

- 5.3.4 the exercise price at which options are to be granted; and
- 5.3.5 the imposition of any objective condition which must be complied with before any option may be exercised.

#### 5.4 Corporate Governance

- 5.4.1 In determining and implementing remuneration policy and generally in fulfilling its function under these terms of reference the Committee shall have regard to the Combined Code on Corporate Governance as amended from time to time and, where the Remuneration Committee determines that compliance with the Code is not appropriate for the Group, to the reasons for such non-compliance.
- 5.4.2 The Committee shall also give due regard to any relevant legal requirements, the provisions and recommendations in the Combined Code and the UK Listing Authority's Listing Rules and associated guidance.
- 5.4.3 The Committee shall review annually its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

### 6. Remuneration of the Chairman and Non-Executive Directors

The Committee shall be responsible for determining and agreeing the remuneration of the Chairman, in the absence of the Chairman.

The remuneration of Non-Executive Directors shall be a matter for the Board of Directors, in the absence of the Non-Executive Directors.

### 7. Reporting Responsibilities

- 7.1 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 7.2 The Committee shall recommend for approval by the Board, the Remuneration Report for inclusion in the annual report. The Remuneration Report shall be put to shareholders for approval at general meeting. The Committee shall ensure that all provisions regarding disclosure of remuneration, including pensions, are fulfilled.
- 7.3 The Chairman of the Committee shall attend the Annual General Meeting prepared to respond to shareholder questions on the Committee's activities.