

THE GO-AHEAD GROUP PLC (the “Company”)

REMUNERATION COMMITTEE TERMS OF REFERENCE

Latest update by resolution of the Board 15 February 2018

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 comprise at least three members, all of whom shall be independent Non-Executive Directors of the Company. The Chairman of the Board can also serve on the Committee as an additional member if he or she was considered independent on appointment as Chairman of the Board. Members of the Committee shall be appointed by the Board on the recommendation of the Nomination Committee and in consultation with the Chair of the Remuneration Committee. The Board shall determine the period for which members shall hold office ensuring that Remuneration Committee membership is refreshed and that undue reliance is not placed on particular individuals.

2.2 Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Group Chief Executive, Group Chief Financial Officer and external advisers may be invited for all or part of any meeting, as and when appropriate and necessary. No person (including Directors and the Chairman of the Board) shall participate at a meeting of the Committee (or during a relevant part) at which any part of their remuneration is being directly discussed or participate in any recommendation or decision specifically concerning their remuneration.

2.3 The Chair of the Committee shall be appointed by the Board from the independent Non-Executive Directors of the Company. In the absence of the Chair of the Committee, the remaining members present shall elect one of themselves to chair the meeting. The Chairman of the Board shall not be the Chair of the Committee.

2.4 Through the Chairman of the Board, the Committee shall ensure that the Company (whether through the Committee or otherwise) maintains contact as required with its principal shareholders about remuneration.

2.5 The Chair of the Committee shall review membership of the Committee annually, as part of the annual performance evaluation of the Committee.

3. Secretary

The Group Company Secretary or his or her nominee shall act as Secretary of the Committee and will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to the issues.

4. Quorum

The quorum necessary for the transaction of business shall be two members, present in person or by audio or video conference.

5. Frequency of Meetings

The Committee shall meet at least four times a year.

6. Notice of Meetings

6.1 Meetings of the Committee shall be called by the Secretary of the Committee at the request of the Chair of the Committee.

6.2 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.

7. Voting Arrangements

7.1 Subject to Paragraph 7.2 and Paragraph 7.3, each Committee member shall have one vote which may be cast on matters considered at the meeting. Votes can only be cast by members attending a Committee meeting whether in person or by audio or by video conference.

7.2 If a matter that is considered by the Committee is one where a Committee member, either directly or indirectly has a personal interest, that member shall not be permitted to vote at the meeting.

7.3 Except where he has a personal interest, the Chair of the Committee shall have a casting vote.

8. Minutes of Meetings

8.1 The Secretary (or his or her nominee) shall minute the proceedings and resolutions of all meetings, including recording the names of those present and in attendance, in addition to ascertaining the existence of any conflicts of interest.

8.2 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.

8.3 A resolution in writing and signed by all Committee members will be as effective as a resolution passed at a Committee meeting. Any written resolution shall be tabled and noted at the next meeting of the Committee.

9. Annual General Meeting

10. All Committee members shall attend the Annual General Meeting and the Chairman of the Committee (or other appropriate member) shall be available to respond to any shareholder questions on the Committee's activities. **Duties**

The Committee will carry out the following duties:-

10.1 **Remuneration Policy**

- The remuneration of Non-Executive Directors shall be a matter for the Chairman and the Executive Directors of the Board. For the Operating Company Directors and Senior Group Management, the Committee shall, acting in an advisory capacity only, recommend and monitor the level and structure of remuneration, but it shall be for the Group Chief Executive to determine the amount of any sum or benefit payable taking into consideration the advice of the Committee and the views of his Executive Director colleague(s).
- In determining such remuneration policy, and particularly when determining annual salary increases for the directors, take into account all factors which it deems necessary including:
 - All relevant legal and regulatory requirements, the provisions and recommendations of the UK Corporate Governance Code and associated guidance;
 - an appropriate balance between fixed and performance-related remuneration, immediate and deferred remuneration;
 - the need to promote the long-term success of the Company without paying more than is necessary, having regard to the views of shareholders and other stakeholders and ensuring that Executive Directors (and Senior Management) are rewarded in a fair and responsible manner and are provided with appropriate incentives to encourage enhanced performance and are rewarded for their individual contributions;
 - the business strategy of the Company and the Group and how the policy reflects and supports the business strategy;
 - the Company's risk appetite and risk management strategy ensuring that the remuneration policy is aligned to the Company's risk policies and systems and long-term strategic goals;
 - remuneration trends and employment conditions across the Company and the Group;
 - whether the Executive Directors should be required to hold a minimum number of shares for a further period after vesting or exercise, including a period after leaving the Company; and
 - the transparency of the performance-related elements, ensuring they are stretching and rigorously applied.
- Review at least annually the on-going appropriateness and relevance of the remuneration policy and consult with significant shareholders as appropriate.
- Determine, within the terms of the agreed remuneration policy, each element of the total individual remuneration package for each Executive Director including:
 - Base salary
 - Performance-related bonus

- Long-term incentive plan
- Pension allowance
- Participation in share option schemes and share ownership plans; and
- Other benefits in cash or in kind.

Ensure, where relevant, that any payments made are permitted under the latest shareholder approved remuneration policy and, if not, that either a revised remuneration policy or the proposed payment is submitted for shareholder approval.

- Engage in appropriate discussions as necessary with institutional investors on policy or any other aspects of remuneration.

10.2 **Share based remuneration**

The Committee shall:

- Recommend for approval by the Board the design of, and determine the targets for, the operation of all long-term incentive schemes, including all schemes involving the award of shares or the grant of options, in which the Executive Directors and Senior Management participate. For any such schemes and plans, determine each year whether the awards will be made, and if so, approve the levels of participation in such schemes by those individuals;
- Monitor and assess any performance conditions applicable to any long-term incentive awards granted under any schemes adopted by the Company. Ensure that the performance conditions are fully explained and clearly linked to the enhancement of shareholder value;
- Design and invoke agreed safeguards, for example clawback or withholding the payment of any sum, to protect against rewards for failure through appropriate risk management of incentive arrangements to ensure that any performance-related payments reflect actual achievements; and
- Ensure that all incentive arrangements are aligned to the Company's risk policies and systems and comply with provisions set out in Schedule A of the UK Corporate Governance Code.

10.3 **Performance-related bonus**

- The Committee shall consider whether the Executive Directors should be eligible for an annual performance-related bonus. Performance-related bonuses shall be used to reward contribution to the business which exceeds the level expected.
- The Committee shall, in relation to any performance-related bonus scheme operated by the Company, determine annual targets and key performance indicators for, and assess performance against targets and key performance indicators, by the Company and individual Executive Directors.

10.4 **Pensions**

The Committee shall determine the policy for, and scope of, pension arrangements for each Executive Director.

10.5 **Remuneration consultants**

- To help it fulfil its obligations, the Committee shall have full authority to appoint remuneration consultants and to commission or purchase any reports, surveys or information which it deems necessary, within any budgetary restraints imposed by the Board.
- Be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee.

10.6 **Service contracts and severance**

The Committee shall:

- Approve the terms of the service contracts, the duration of which shall not exceed one year's notice period, for Executive Directors and any material amendments to those contracts;
- Determine the policy for, and scope of, termination payments and compensation commitments for each Executive Director. Ensure that there is a clear policy to link non-contractual payments to performance; and
- Ensure that contractual terms on termination, and any payments made, are fair to the individual and the Company and in accordance with legal and regulatory requirements, that failure is not rewarded and that the duty to mitigate loss is fully recognised.

10.7 **Shareholder approval**

The Committee shall:

- Report annually to shareholders on matters relating to remuneration. In preparing the report, the Committee shall include:
 - An annual statement by the Chairman of the Committee;
 - The directors' remuneration policy when it must be submitted for approval in accordance with this paragraph 10.7 and, in any other case, either the directors' remuneration policy, a summary of such policy or details of when the directors' remuneration policy was approved and where it can be found on the Company's website; and
 - An annual report on directors' remuneration.

The directors' remuneration policy and the annual report on directors' remuneration should include the information required to be disclosed by the Companies Act 2006 (including any regulations made under that Act), the UK Corporate Governance Code, the Listing Rules (as published by the Financial Conduct Authority) and any other relevant statutory, regulatory or governance codes.

- Submit the directors' remuneration policy for approval on a binding basis by the Board and shareholders:
 - Every three years; or
 - In any year which there is a change relative to the prior year; or
 - If shareholder approval was not achieved when last submitted; or
 - If majority shareholder approval was not achieved on the last submitted annual Remuneration Report.

- Submit the annual report on directors' remuneration for approval on an advisory basis by the Board and shareholders annually at the annual general meeting each year.
- Subject to delegation of authority by the Board, engage in appropriate discussions as necessary with shareholders, if, in the opinion of the Board, a significant proportion of votes have been cast by shareholders against a resolution to approve the annual remuneration report or directors' remuneration policy (or any long-term incentive scheme) at any annual general meeting or general meeting, as the case may be, and agree with the Board any appropriate disclosure.

10.8 **Other matters**

The Committee shall:

- Monitor and review the level and structure of remuneration of senior management in the context of the remuneration policy of the Group as a whole, pay and conditions elsewhere in the Group, and the overall cost to shareholders;
- Keep abreast of external remuneration trends and market conditions including receiving an annual presentation from its external remuneration consultants;
- Oversee any major changes in employee benefits structures throughout the Group;
- Agree the policy for authorising claims for expenses from the Group Chief Executive and Chairman;
- Decide on any ex-gratia payments to be made and benefits granted to the Executive Directors and their surviving spouses;
- Subject to the delegation of authority by the Board, determine whether the disclosure of any information on performance conditions would be commercially sensitive;
- Exercise any discretion or judgement on remuneration issues in accordance with the remuneration policy;
- Prepare and adopt a report on the Committee's work and activities for inclusion in the Company's annual report;
- Make available to shareholders these terms of reference by placing them on the Company's website;
- Consider such other matters as referred to the Committee by the Board; and
- Work and liaise as necessary with all other Board Committees.

11. **Reporting Responsibilities**

11.1 The Chair of the Committee shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.

11.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

11.3 The Committee shall ensure that provisions regarding disclosure of information, including pensions, as set out in the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended) and the UK Corporate Governance Code, are fulfilled.

- 11.4 Prepare a formal report for shareholders to be incorporated in the Company's annual report that should include the matters referred to and ensure that it is submitted for approval in accordance with Paragraph 10.7 above.
- 11.5 If the Committee has appointed remuneration consultants, the annual report of the Company's remuneration policy should identify such consultants and state whether they have any connection with the Company.
- 11.6 Through the Chairman of the Remuneration Committee, ensure that the Company maintains contact as required with its principal shareholders about remuneration.

12. Other Matters

The Committee shall:-

- 12.1 Have access to sufficient resources in order to carry out its duties, including access to the Company Secretariat for assistance as required.
- 12.2 Be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members.
- 12.3 Give due consideration to laws, regulations and any published guidelines or recommendations regarding the remuneration of directors of listed companies and formation and operation of share schemes including but not limited to the Companies Act 2006, the provisions and recommendations of the UK Corporate Governance Code, the requirements of the UK Listing Authority's Listing Rules, the Financial Conduct Authority's Prospectus and Disclosure and Transparency Rules as well as guidelines published by the Investment Association, the Pensions and Lifetime Savings Association, the GC100 and Investor Group and any other applicable rules, as appropriate.
- 12.4 Arrange for periodic reviews of its own performance and, at least annually, review its 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.

13. Authority

The Board authorises the Committee to:

- 13.1 Obtain, at the Company's expense, appropriate independent legal or professional advice on any matter within its terms of reference as it considers necessary;
- 13.2 Seek any information it requires from any employee of the Company or any of the Company's subsidiaries in order to perform its duties;
- 13.3 Seek the attendance of external advisers at its meetings if it considers this necessary, at the Company's expense;
- 13.4 Call any employee to be questioned at a meeting of the committee as and when required; and

13.5 Have the right to publish in the Company's annual report details of any issues that cannot be resolved between the Committee and the Board.