

REMUNERATION COMMITTEE: Terms of Reference

Adopted pursuant to a resolution of the Board of Directors dated 19 February 2004, amending earlier resolutions from 30 December 1992.

Note: References to "The Committee" shall mean the Remuneration Committee and references to "The Board" shall mean the full Board of Directors of Stagecoach Group (previously Holdings) plc ("the Company").

A. Membership

1. The Committee shall comprise of a chairman and at least two other non-executive directors. Other individuals may be invited to attend as and when appropriate.
2. All members of The Committee shall, in the opinion of The Board, be independent of the management of the Company and free from any business or other relationship which could interfere with the exercise of their independent judgment. Members of The Committee shall be appointed by the Board, on the recommendation of the Nomination Committee in consultation with the The Committee Chairman.
3. The Board shall appoint The Committee Chairman who shall be an independent non-executive director and determine the period for which he/she shall hold office. The Chairman of The Committee should not be the Chairman of The Board.
4. The Company Secretary or his/her nominee shall be the Secretary of The Committee.

B. Meetings

1. The Committee shall meet formally at least twice a year and at such other times as The Chairman of The Committee shall require.
2. A meeting of The Committee may be called by any member of The Committee or by the Secretary.
3. Unless otherwise agreed, notice of each meeting confirming the date, the venue and time together with an agenda of items to be discussed together with relevant supporting papers shall be forwarded to each member of The Committee, where practical, not fewer than five working days prior to the date of the meeting.
4. The quorum for The Committee meetings shall be two. 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.
5. In the absence of The Committee Chairman and/or an appointed deputy, the remaining members present shall elect one of their number to chair the meeting.
6. Only members of The Committee have the right to attend The Committee meetings. Other individuals, however, such as the Chairman of The Board and the Group Chief Executive may be invited to attend and speak for all or part of any meeting as and when appropriate.
7. The Committee or its Chairman shall report to The Board following each meeting.
8. The Secretary shall keep records of all meetings of The Committee, including the names of those present and in attendance, with minutes of the proceedings and resolutions.
9. After preliminary approval by the Chairman, copies of the minutes of the meetings shall be circulated to all members of The Committee and to the Chairman of The Board. Any other director may upon request to the Secretary of The Committee, as long as there is no conflict of

interests, obtain copies of The Committee's agenda with relevant supporting papers and minutes.

10. No Committee attendee shall participate in any discussion or decision on his/her own remuneration.

C. Duties

The Committee shall:

1. Determine and agree with The Board the framework and broad policy for the remuneration of the executive directors, the Chairman of the Board, and such other senior members of the executive management as it is designated to consider. The remuneration of non-executive directors shall be a matter for The Board excluding non-executive directors. In order to assure his/her independence, The Committee will also review and recommend to The Board the remuneration of the Company Secretary.
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 and the Group are provided with appropriate rewards and incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Stagecoach Group. The Committee shall also liaise with the Nomination Committee to ensure that the remuneration of newly appointed (or to be appointed) executives is within the Company's overall policy.
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.
4. Within the terms of the agreed policy, determine the total individual remuneration packages of each executive director and such other senior members of the executive management as it is designated to consider, including, where appropriate, bonuses, incentive payments and share options.
5. Determine the policy for and scope of pension arrangements, service agreements for each executive director and such other senior members of the executive management as it is designated to consider, termination payments and compensation commitments.

6. In determining such packages and arrangements, give due regard to the comments and recommendations of the Combined Code as well as the UK Listing Authority's Listing Rules and associated guidance.
7. Review competitor companies but ensure that automatic increases are not implemented, thereby avoiding "ratchet" effects.
8. Be aware of and oversee any major changes in employee benefit structures throughout the Company or group.
9. To the extent not done so by the Audit Committee, vet and authorise the reimbursement of any claims for expenses from the Chief Executive and the Chairman of the Board.
10. Ensure that provisions regarding disclosure of remuneration including pensions, as listed in the Directors' Remuneration Report Regulations 2002, are fulfilled.
11. Produce an annual report of The Committee's remuneration policy and activities which will form part of the Company's Annual Report and Accounts.
12. Ensure that the Chairman of The Committee attends the AGM prepared to respond to any shareholder questions about directors' remuneration and The Committee's activities.
13. The Committee shall, at least once a year, review its own performance, constitution and terms of reference to ensure it is operating effectively and recommend any changes it considers necessary to The Board for approval.

D. Authority

1. The Committee is authorised by The Board to seek any necessary information to fulfil its duties.
2. The Committee is authorised by The Board, when the fulfilment of its duties requires, to obtain any outside legal or other professional advice including the advice of independent remuneration consultants, to secure the attendance of external advisers at its meetings, if it considers this necessary, and to obtain reliable, up-to-date information about remuneration in other companies at the Company's expense. The Committee shall have full authority to commission any reports or surveys which it deems necessary to help fulfil its duties.
3. In connection with its duties, The Committee is required by The Board to select, set the terms of reference and appoint independent remuneration consultants.
4. Although The Committee can seek the advice and assistance of any of the Group's executives, it needs to ensure that this role is clearly separated from their role within the business.