

STAGECOACH GROUP CODE OF BUSINESS CONDUCT

Overview

Stagecoach Group takes its corporate responsibilities seriously and the responsible way we do business is firmly embedded in our Group's culture. From our approach to safety and the environment, to how we treat our people, our customers, our local communities and other key stakeholders, we have a very clear set of values.

Our business is about the delivery of local services to local communities by local people. As well as providing a range of economic and environmental benefits, our bus and rail services help promote social inclusion and bring people together. We are committed to encouraging more people to use public transport. This is central to our growth strategy, to the future success of our Group, and also important to the future of the communities in which we operate around the world. We have the same long-term goal of sustainable development as our stakeholders and it is in our collective interest to have an ongoing dialogue on how that can best be achieved.

This Code of Business Conduct confirms our core values and policies in a number of areas: how we deal with our employees, suppliers, customers, competitors, and the wider communities in which we work. These values apply to every director, manager and employee in all our companies across our global operations.

It is one thing to have a vision, but how that vision is implemented is equally important. Like any business in any sector, we can get better. We are continually striving to improve our policies, practices and service delivery to make an increasingly positive impact on society and the environment. Building trust with our stakeholders in the wider community is vital and providing clear information on our progress and performance is part of that process.

Stagecoach has put in place a number of performance indicators that reflect our engagement with a range of stakeholders and these are tracked on a regular basis.

Mission statement

Stagecoach Group is committed to being a market-leading public transport business with long-term growth prospects based on high-quality services and investment in innovation. Our vision is to create sustained shareholder value and share our success with our people, our customers and our communities.

Our values

Stagecoach has a set of core values that have been central to our success in business over the past 25 years. These values are clear in our dealings with fellow employees in the workplace, and in our contact and business with our stakeholders

What we stand for

- Meeting and exceeding the needs and expectations of our customers
- Total commitment to health and safety
- Innovation, new ideas and initiative to out-perform our competitors
- Short chains of command and no unnecessary bureaucracy
- Building constructive relationships with all our stakeholders
- Promoting a sustainable environment
- Encouraging our people to maximise their potential
- Ambition, openness and honesty
- A culture that encourages mutual respect and teamwork
- Incentives to perform and rewards for calculated risk
- Commitment to ongoing improvement and effectively managing change
- An active member of our local communities

Compliance with laws and regulations

We are committed to complying with all relevant laws and regulations in each of the marketplaces in which we operate. Each of our directors, managers and our employees is expected to understand how these laws affect their own individual work responsibilities. Stagecoach also expects its directors, managers and employees to protect and maintain the Group's good reputation, and demonstrate a high standard of integrity, responsibility and professional conduct in their dealings with customers, suppliers, competitors, fellow employees and other stakeholders, such as Government and public sector bodies.

Conflicts of interest

Every individual has a private life outside the workplace and Stagecoach respects directors' and employees' rights to manage their own personal affairs. However, directors and employees must not engage in any activity that represents a conflict between their personal interests and those of the Company. Such unacceptable activity could involve showing favouritism in business dealings to family members or friends, taking any unauthorised additional employment with another business or starting up a new venture where this creates a conflict of interest. Directors and employees are expected to carry out their duties objectively and they have an obligation to report any potential conflict of interest to their manager. Where circumstances dictate, we ensure appropriate additional management controls are in place to protect the integrity of the business.

Confidentiality and inside information

Directors and employees may come into contact with sensitive and confidential information during the course of exercising their responsibilities. This information must be used solely for the purpose of carrying out their respective duties. The use of inside information – particularly material of a market-sensitive nature – for personal gain or for the profit of others is both unethical and illegal. For example, directors and employees must not disseminate information about the Group on internet message boards for personal gain or to the detriment of the business. Stagecoach Group maintains a list of employees whose dealings (and those of immediate family members) in the company's shares are restricted and subject to authorisation.

Disclosure

The shares of Stagecoach Group are listed on the London Stock Exchange and the Group is committed to strict compliance with regulations governing publicly listed companies. We have a long-standing policy of providing full, clear, fair, accurate and timely disclosure of corporate and financial information. This information is made available on the same equal basis to all of our stakeholders and we are committed to complying with both the spirit and the letter of the law.

Equal opportunities

Our people are central to the success of our business and we are committed to providing a working environment that treats all individuals fairly, with respect and values their contribution. We invest significant time and resources to ensure we have the right people in place to deliver what our customers need. Our processes for the employing individuals and suppliers is based on strict criteria centred on their key skills and proven performance. We have a strong commitment to equal opportunities in terms of recruitment, remuneration and promotion. As a major employer, we also recognise the need for on-going training and development for all our directors and employees, not just so our people can do their job, but so they can develop individually.

Human Rights

As a major employer with transport operations in a number of continents, we recognise the fundamental civil, political, economic and social human rights and freedoms of every individual and we strive to reflect this in our business.

Freedom of Association

We fully support the right of our employees to join or form trade unions and, where a significant proportion of the workforce agree, to bargain collectively. In addition, we have a culture of partnership working with our employees and trade unions across our operations, covering issues such as health and safety, managing change in our business and other issues affecting the Group.

Discrimination and harassment

Stagecoach will not tolerate discrimination or harassment of any kind based on race, religion, gender, sexual orientation, age or disability. Unwelcome or inappropriate conduct is treated extremely seriously. Directors and employees are expected to treat their colleagues with respect and not engage in any behaviour that may lead to a potential complaint. We are fully committed to investigating any complaints and taking appropriate disciplinary action.

Gifts, Entertainment and Improper Payments

Entertainment in the company of stakeholders is a legitimate part of business. However, accepting any entertainment or gift that is designed to or may be seen to influence business decisions and relationships is not acceptable. Directors and employees are not permitted to accept gifts or paid-for entertainment that may compromise their business judgement and should report any behaviour of this nature to their manager. Likewise, bribes, payments received or made or inducements to award contracts are strictly prohibited.

Political activity

Stagecoach Group and its subsidiaries are strictly impartial and we have a clear policy of not making political contributions. While we respect the right of our directors and employees to have their own personal political views, no activities of a political nature are permitted during company time and the use of company resources (eg phones or computers) for such ends is strictly prohibited.

Competition

A fair and competitive free market is essential for a modern and successful economy. Stagecoach will continue to compete vigorously to win new business, protect our markets and attract more people to the benefits of public transport. We believe the strengths of our innovation, the value-for-money of our services, the operational expertise of our managers and the customer service of our frontline teams is what gives us a competitive advantage. One of the strengths of our business is its compliance with relevant competition law. Holding discussions with competitors about fixing prices or dividing up markets is illegal and strictly forbidden. Directors and employees aware of such activity have a duty to report such information to the relevant authorities.

Suppliers

Stagecoach is committed to dealing with its suppliers in a fair, honest and professional manner, while seeking best value for our business. Potential suppliers are treated on an equal basis and no favouritism is to be shown in the procurement of goods and services. We are committed to paying suppliers in accordance with agreed terms and conditions, and at the same time expect suppliers to meet their contractual obligations. Stagecoach encourages its suppliers to adhere to similar high standards of corporate responsibility as our own business. In particular, we expect our suppliers to be committed to high standards of health and safety and demonstrate a respect for the environment.

Health and safety

As a major international public transport operator, a commitment to the highest standards of safety is at the heart of our business. We strictly adhere to legislative regulations in all our areas of operation. Breach of these regulations could result in criminal and/or civil legal proceedings, fines and potential loss of contracts and licences to operate. Stagecoach has an excellent safety record and we have a proactive culture across the Group that ensures the health and safety of our customers and our employees is our top priority. Health and safety is monitored and reported on in every company across Stagecoach Group and immediate action is taken to address issues in our business processes. A senior executive has specific responsibility for safety issues across the Group and the board is updated on safety matters at each of its meetings. We have a Health, Safety and Environmental Committee that considers health, safety and environmental issues across the Group and reports to the Board on these matters. The Committee is chaired by a non-executive director. Safety matters are also considered at the Board and management meetings of each of our businesses. Our employees are provided with appropriate health and safety training and encouraged to report any concerns. We expect our suppliers and contractors to have a similar commitment to complying with appropriate regulations in this area.

Environment

The Group is committed to making continuing progress in improving the environmental management of its operations and helping to build a sustainable environment. We work hard to make sure our transport operations are as sustainable as possible. Across our global operations, we provide support and training for our employees to ensure compliance with legislation, as well as effective waste management, and improved energy consumption and environmental performance. Our Environmental Policy sets out our commitment to good environmental stewardship and we have put in place stretching targets to reduce emissions, cut water and energy consumption, minimise waste and identify opportunities for recycling.

Community investment and charitable activities

For 25 years, Stagecoach has been a key part of local communities around the world. As well as providing lifeline transport services and significant job opportunities, our company is committed to investing in each of the communities we serve. We want local people to share in our success and that is why every year we help fund the vital work of local, national and international charities.

Much of the backing we provide is focused on education and young people as well as many health charities. Stagecoach's support for the community is not just about money, though. Hundreds of our employees devote their own time to local projects that make a real difference in their area. Our businesses provide much-needed in-kind support, while our people also give charities the benefit of their expertise during secondments. Stagecoach is also promoting social inclusion within our communities by helping those who are the most vulnerable. Supporting the community. Working with the community. Part of the community. That is the cornerstone of our business philosophy.

Whistleblowing (“Speaking Up”)

Stagecoach Group has a whistleblowing policy, “Speaking Up”, which provides a mechanism for employees with serious concerns about the interests of others or the Group to come forward. Employees are actively encouraged to report concerns regarding malpractice, including financial impropriety. Detailed processes are in place to ensure that such complaints are logged, investigated and appropriate action is taken. Measures are also in place to ensure complaints are treated confidentially and those raising legitimate concerns in good faith are protected.

Corporate governance and accountability

The Group is committed to high standards of corporate governance. The Stagecoach Board is accountable to shareholders and others for the Group's activities and is responsible for the effectiveness of corporate governance practices within the Group. The Directors believe the company complies with all of the recommendations contained in the Combined Code.

Employee conduct and standards

Directors, managers and employees are required to conduct themselves in accordance with the letter and spirit of the Stagecoach Group Code of Business Conduct.

Conclusion

This document is approved by and has the full support of the Stagecoach Board. It is about rights and responsibilities. It is not just a set of aspirations; it is about how we do business in the real world. Through the commitment of our people, we believe this code will enhance our relationship with our stakeholders. Our reputation is critical to the success of our business and we believe that good ethics makes good business sense.

Further information about our standards is available in our Annual Report and on the Group's website, www.stagecoachgroup.com, including details of the steps we are taking to mitigate health and safety risks, a copy of our environmental policy and current performance, and details of the Group's corporate governance arrangements.

Stagecoach Group
January 2006