

Requisition by members pursuant to s 376 Companies Act 1985 for notice of a resolution as set out below, to be voted on at the 2006 Annual General Meeting of FirstGroup PLC, and for circulation of a statement in support of that Resolution.

To the Company Secretary, First Group PLC:

We the undersigned, being 100 members holding shares in the company on which there has been paid up an average sum, per member, of not less than £100 per member,

Hereby require you, in accordance with section 376 of the Companies Act 1985, to give to members of the company entitled to receive notice of the next Annual General Meeting notice of the following resolution, being a resolution that may properly be moved and is intended to be moved at that meeting, and to circulate to members receiving that notice a copy of the annexed statement with respect to the matters referred to in that resolution:

1. That FirstGroup PLC's Board of Directors adopt, and ensure the implementation, enforcement, and monitoring of, a company-wide workplace human rights policy that is designed to:

a. Minimize the risks to shareholder value that could arise from unsatisfactory labour relations outcomes such as work stoppages, reputational harm, poor employee morale, high employee turnover, or high levels of internal or external conflict;

b. Ensure compliance with the International Labour Organization's Declaration on Fundamental Principles and Rights at Work ("ILO Declaration"), including the right of employees to establish and join independent trade unions and to bargain collectively (ILO Convention 87 and 98), the protections against discrimination or interference by employers in the exercise of those rights (ILO Convention 98), and the protections against discrimination in employment (ILO Conventions 100 and 111);

c. Encourage the resolution of and prevention of labour problems that could be disruptive to financial performance.

2. That the Board prepare an annual report available to shareholders, as well as to other stakeholders within the Company, concerning implementation of this policy, prepared at reasonable cost and omitting proprietary information. Such a report shall be based on means of assessment determined by the Board, subject to independent verification, and shall include a discussion of any deficiencies in the company's labour practices that could result in non-compliance with the ILO Declaration, perceptions by important stakeholders of non-compliance with the ILO Declaration, or avoidable labour conflict.

3. That the expenses incurred in giving effect to the requisition of this resolution and the circulation of the requisitioners' statement in support be met by the company.

Supporting Statement Requested to Be Distributed to FirstGroup PLC Shareholders

FirstGroup PLC is the largest surface transportation company in the United Kingdom and has extensive operations in North America. Much of FirstGroup's business is based on contracts tendered by governmental or quasi-governmental agencies. Managing operations effectively and increasing shareholder value is in part contingent on public and governmental perceptions of, and support for, the Company.

FirstGroup's *2005 Corporate Social Responsibility (CSR) Report* highlights the management challenges for our Company, including the need to raise "overall standards and to build greater consistency in the management of human resources across the Group." (pg. 12) We appreciate the Company's efforts to meet this challenge. However, we believe, these efforts are not enough to prevent unfair or discriminatory practices in our Company's facilities, nor do they establish best practice procedures for all employees across varying legal standards in regions where FirstGroup operates.

Furthermore, we are concerned that controversies surrounding FirstGroup's labour policies and practices may cause reputational harm to the company, undermine the attractiveness of our brands, and risk disruption to business operations.

Allegations of poor labour and employment practices, including unfair treatment of employees seeking to exercise their rights to free association, heighten our concerns as shareholders about potential inadequacies in FirstGroup's policies in this area.

- FirstGroup's respect for human and labour rights has been called into question in the United States, owing to certain practices at its subsidiary First Student. In 2003 the U.S. National Labor Relations Board accused First Student of using Chief Operating Officer Carey Paster to threaten the employees with losses of pay and benefits if they elected the union and of sacking a union activist during an election campaign. Although denying the allegations, FirstGroup settled the case, paying U.S. \$16,000 to the discharged employee and assuring all workers that there would be no retaliation for supporting the union.
- Lance Compa, a Senior Lecturer at Cornell University and a specialist in international labour and human rights standards, recently examined FirstGroup's U.S. labour record. He said, "In my view, First Student management demonstrates a coordinated strategy to block workers' freedom of association by a pattern of interference at company locations around the United States, in violation of recognised international human rights."
- U.S. employment issues appear to have prompted the Company to hire a private consultant, John Lyons, to complete an investigation in October 2005 of anti-trade union behaviour and vehicle safety standards at U.S. subsidiaries. We believe the report was critically flawed. For example, Mr. Lyons primarily investigated already unionised facilities, rather than depots where anti-trade union sentiment and discrimination are alleged. Even so, Lyons noted that "it is crystal clear to me the positive culture of FirstGroup towards trade unions had not been properly embraced by some First Student managers" and that "clearly, some Managers felt they had an obligation to organise against trade union recognition and ostracise union activists." ["Investigation into Vehicle Safety and Anti-Trade Union Behaviour at First Student," 20 October 2005.]

- First Student has faced reputational risk related to its employment standards and policies. For example, school officials in Riverside, California, decided in February 2006 that First Student's reputation, employment standards, and references were so deficient that the district would prefer a more expensive bidder than to hire First Student. [Superintendent Memo, Riverside Unified School District, 6 February 2006].
- According to the Transport and General Workers Union, at First UK bus operations, there were nine strike ballots and seven ballot results in favour of strikes in 2005. "No other bus company has such a poor industrial relations record during the year just ended," noted Andrew Dodgshon in an article entitled, "First Group – First for Strikes?" [*T&G Record*, January/February, 2006, page 9]
- Growing discontent amongst the Company's workforce at FirstGroup's South Yorkshire subsidiary, one of the biggest within the UK Bus Division, led to a prolonged industrial action in 2004, which impacted operating profits and resulted in one of the longest strikes in the bus industry since World War II. The turmoil of these events, in our view, combined with raised fares and reduced service, led South Yorkshire Passenger Transport Authority to pass a vote of "no confidence" in FirstGroup in November 2005. ["Transport firm hit by vote of no confidence," *Sheffield Star*, 3 November 2005.]

A company-wide workplace human rights policy, adequately defined and enforced consistently, would help ensure that FirstGroup is not associated with human rights violations at the workplace. We believe that adherence to such a policy would improve workplace relations, discourage workplace discrimination, reduce employee turnover, and better protect the Company's human resources in regions where such practices are not as clearly defined or enforced.

Adopted in 1998, the principles of the ILO Declaration are widely supported. The ILO is a specialized agency of the United Nations composed of business, government and employee representatives of 174 countries, including the United Kingdom, the United States, and Canada, where our Company does business.

FirstGroup's current *Code of Business Ethics*, its annual *CSR Report*, and its *Equal Opportunities Policy* all lack reference to the international standards of the ILO. We believe the development of a workplace human rights policy by the Board, based on the principles of the ILO Declaration, would greatly enhance the Company's existing codes and policies.

Institutional investors, including some that are shareholders in FirstGroup, are increasingly concerned with the impact of company workplace practices on shareholder value, as evidenced by social responsibility policies that incorporate reference to the ILO Declaration and other standards of conduct in labour relations.

In our view, a comprehensive policy based on the ILO Declaration as well as a report to shareholders would help bolster FirstGroup's brand name integrity, reduce its human rights risks, and, in turn, increase long-term shareholder value.

We urge you to vote FOR this resolution.