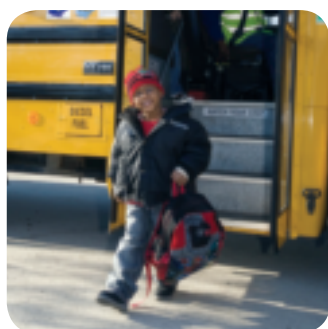


Corporate Social Responsibility Report **2011**



Message from the Chief Executive



I am pleased to present to you our CSR report for 2010/11. I became Chief Executive during the second half of the year, on 1 November 2010 and I am proud to join a company with a strong culture of safety and a commitment to constantly review and improve all aspects of its performance.



Our overall BITC score this year was 87% which places us in the silver performance band.



First is a FTSE4Good constituent company. The FTSE4Good Index Series measures the performance of companies that meet globally recognised corporate responsibility standards.



A strong CSR culture should be important to any business. I believe it drives us to improve performance resulting in better employee engagement, improved customer service and greater business efficiency. CSR is also about ensuring we help tackle some of our society's wider challenges such as congestion, resource consumption and climate change.

As a business we are fully committed to helping to deliver part of the solution by ensuring that public transport provides an attractive, low emissions alternative to other forms of travel. To make this happen, partnerships are essential. We will continue to build and develop our many effective partnerships so that our growing customer base receives a better service. To help us achieve this goal we will continue, with our industry partners, to support the development of policy changes at both national and local level.

Safety remains our core value and the businesses have continued their relentless delivery of improved safety results. Since 2006 Lost Time Injuries and passenger injuries are down by approximately 50%. Nonetheless, during the year, four of our employees were tragically killed as a result of accidents at work. While our thoughts are with their families, friends and colleagues these terrible tragedies remind us that there is nothing more important than the safety of our staff and our customers. We remain relentless in the pursuit of our goal to eliminate workplace accidents and injuries.

In the last two years the economic climate has presented challenges. In parts of the business we have had to adjust local networks to meet passenger demand which we recognise has impacted on some of our customers. However, going forward our focus is on growth. We will continue to develop and improve our services, for example, through improvements to customer information and communication systems, and investment in new vehicles and infrastructure. We recently announced a £160m order for over 950 new buses – a clear demonstration of this commitment.

In the coming year we will reinvigorate our vision and values as part of promoting improved employee engagement. We will also align CSR more closely with our business strategy to help us deliver the highest quality customer service and to drive growth in all of our businesses.

Tim O'Toole, Chief Executive



Introduction

Who we are

FirstGroup plc is the leading transport operator in the UK and North America. Almost all our operations are in the UK and North America with revenues that are split fairly evenly between the two.

In the UK we provide bus and rail services. In North America we operate yellow school bus services and Greyhound coaches, and provide transit management and vehicle maintenance services. In UK Rail, First Student and First Transit, our business is contract-based and we provide services on behalf of third parties.

Key statistics

Revenue
£6.4bn

Number of employees
approximately
125,000

Spending on goods,
materials and services
£2.9bn

Transport around
2.5bn
passengers a year

Employee costs (wages,
benefits and pensions)
£2.8bn



What CSR means to us

CSR drives us to improve business performance and ensures that our business decisions help to deliver more sustainable transport systems. Engagement with our stakeholders and effective partnerships are crucial.

In this report we set out our progress in delivering our CSR objectives with regard to:

- providing safe and secure services
- improving customer service
- valuing our employees
- reducing our environmental impact
- developing our role in the community.

How we manage CSR

CSR is led from the top of the company and is the management responsibility of the Executive Management Board (EMB) that reports to the plc Board throughout the year.

We are committed to conducting our business with honesty, integrity, and openness and respecting human rights and the interest of others. This commitment is set out in our Code of Business Ethics and associated policies which can be found online at www.firstgroup.com/corporate/csr

We review the significance of CSR issues annually through a materiality assessment process. This evaluates CSR issues in relation to their significance to the business and to our stakeholders, drawing on the findings of our stakeholder engagement programmes. Safety and security, customer satisfaction and employee engagement are amongst our highest material issues. Our assessment of CSR risks is integrated into our risk and control management processes. Further details are available online at www.firstgroup.com/corporate/csr

About this report

This summary CSR report provides an overview of our performance and presents the main highlights. Further data and information can be found in our full report at www.firstgroup.com/corporate/csr. These reports cover all operations apart from our joint venture with DSB in Denmark and Sweden, and our bus operations in Germany which represent less than 1% of our Group revenue.



Quick facts: an overview of 2010/11

- Our Lost Time Injury rate has reduced by 11%.
- Our vehicle collision rate has reduced by 6%.
- Punctuality and reliability remains above 90% across most of the business. However improvement targets have not been met in a number of areas due partly to severe weather conditions. We set out in this report how we have improved our capacity to respond to such situations in the future.
- Customer satisfaction remains high across most of the business with particular improvements in First Student.
- We launched the Corporate Travel Club for large employers to help them promote bus travel to their employees.
- In partnership with Greener Journeys, the UK Bus industry conducted its first joint consumer campaign.
- Our Group-wide employee satisfaction survey generated a 67% response rate and although the results were below industry benchmark in many areas we now have extensive data around which to plan employee engagement programmes.
- We have increased by 40% the number of people completing Passenger Carrying Vehicle S/NVQs in UK Bus.
- 85% of our UK Bus employees have access to lifelong learning.
- More than 1,000 employees are working towards national numeracy and literacy standards via our Skills for Life programme.
- We have recruited 65 new engineering apprentices in the UK and put an additional 100 people through our new driver apprenticeship programme.
- We have reduced our carbon emissions per passenger km by a further 7% in UK Rail.
- Our DriveGreen programme has reduced carbon emissions per km by 2.3% in UK Bus.
- In North America energy usage in our top 100 properties has reduced by 11%.
- We have increased our waste recycling levels by 9% in the UK and 4% in North America.
- Our contribution to community investment was £2,451,775.





View from the CSR External Advisory Group

We have continued our collaboration with FirstGroup and have worked in close partnership with the Head of CSR as well as engaging with the Group more broadly. Over the last year we have convened on four occasions and met with senior managers from the UK Bus division, Human Resources and Engineering. In addition, the Group met with Tim O'Toole, the new Chief Executive.

On the basis of our interactions with FirstGroup and its leadership team we believe that we have obtained a depth of insight into their thinking around areas that are crucial to corporate social responsibility. In particular, we welcome the strategic review that the organisation is currently undertaking and trust that it will allow FirstGroup to build on their existing thinking as to how CSR activities are linked to their core activities now and in the future. In addition, two areas of particular focus have taken up our thinking during the last year.

- How FirstGroup might respond to the opportunities and challenges that emerge from the global climate change agenda remains a key focus. The existing targets in the area of greenhouse gas emission reductions are not all being achieved and after further discussion and analysis the initial approach to this area needs further consideration. For example, reduction in service provision in UK Bus has reduced emissions but is not necessarily desirable. Likewise, substantial modal shift from cars to public transport might increase FirstGroup's own emissions but is in the interests of society more broadly if it enables a net emissions reduction from the transport system as a whole. As a result, we support a refresh of the global climate change strategy and suggest that a relative target based on emissions per passenger kilometre would be a good metric, in combination with a commitment to keep pace with, or surpass, the ongoing significant improvements in car performance in this area. In keeping with more of a whole systems view of FirstGroup's greenhouse gas emissions, we are impressed with FirstGroup's leadership in terms of working with other transport providers as well as central and local governments in order to design transport systems that will support behaviour change on a larger scale. These activities are necessary for realising the objectives of the recent Government White Paper Creating Growth, Cutting Carbon as well as supporting the goals of the associated Local Sustainable Transport Fund.
- In the area of employee relations FirstGroup has also made some progress in terms of the completion of a staff survey across the whole business. The survey has provided an indication of areas where work is needed and the response from various business divisions has been positive. Moreover, progress on diversity issues – such as benchmarking on race and gender – has been made and the translation of this into specific action is anticipated.

In many areas FirstGroup has SMART targets that allows a reader to judge their progress in a variety of corporate social responsibility areas. As the strategic process unfolds in FirstGroup and as the climate change strategy is refined we would recommend that targets become more consistently specific and measurable across all CSR focus areas.

We welcome the opportunity to continue to work in partnership with FirstGroup in these and other areas.

CSR External Advisory Group members



Sir Emyr Jones Parry (Chair)



Professor Jan Bebbington



Paul Godier



Rupert Fausset

Delivering sustainable travel

Public transport has an important role to play in the development of more sustainable transport solutions.

Greenhouse gas emissions continue to rise worldwide and congestion presents society with increasing costs. The world needs transport solutions which address these issues. The UK Government's White Paper Creating Growth, Cutting Carbon challenges local partnerships to encourage a greater move to more sustainable travel, which will in turn support passenger growth.

Partnerships

Partnerships are central to the effective delivery of public transport. These partnerships may be with our contract customers, the network providers, other transport providers or other operators. At local level we promote these partnerships to find ways of improving our services and developing more integrated travel solutions.

At a strategic level we work across the industry and in broader collaborations to promote the role of public transport.

- We are founder members of Greener Journeys, a bus and coach industry collaboration that seeks to encourage greater use of bus and coach travel, and influence the development of policies that support this.
- We are active members of the Sustainable Rail Programme, a cross-industry collaboration to aid the development of a more sustainable rail industry.
- In Scotland we are members of the 2020 Climate Change Group, a group of industries which advises the Scottish Government on meeting their climate change targets.

Promoting behaviour change

One of the biggest contributions we can make to more sustainable travel is to encourage more people to use public transport. To achieve this we continually invest in our services as well as developing marketing and information campaigns to encourage the use of public transport.



Sometimes you can't beat the bus

In September 2010 Greener Journeys launched a national campaign targeted at three pilot areas to promote increased bus travel. These pilots demonstrated that with the right conditions such campaigns can be effective, but that local circumstances are a big factor in their likely success. Greener Journeys is continuing its campaign to encourage more bus travel through 2011. For more information go to www.greenerjourneys.com



Corporate Travel Club

Our new Corporate Travel Club is aimed at large employers wanting to promote greener travel amongst their employees. We offer significantly discounted travel which employees can purchase in easy monthly instalments. To date 160 employers have signed up to the scheme.

The ftr supports passenger growth

The development of our ftr services demonstrates the value gained from effective local partnerships that support behaviour change. This year our Swansea ftr service (launched in September 2009) welcomed its one millionth passenger on board. Passenger growth on this service is 10% above predictions and passenger satisfaction is higher than for previous bus services. The success of the partnership between First and the City and County of Swansea was recognised at the 2010 National Transport Awards, where the scheme received the award for Improvements to Bus Services.



Transport integration

We continue to support the Government's ambition for greater service integration that attracts more people to public transport.

Across our UK businesses we have developed a range of integrated tickets and easy-to-understand travel information to help customers make through journeys. We participate in integrated ticketing initiatives in Edinburgh, Leicester, West and South Yorkshire, Greater Manchester, Merseyside and Glasgow. Schemes include the industry-wide PlusBus integrated ticketing product whose sales continue to expand. We are also exploring relationships with other transport providers to offer complementary journeys.

We support the Government's objective to develop a national strategy for smart and integrated ticketing. Government funding has enabled us to install smart card readers in Scotland and Wales, and some locations in England for concessionary travellers. We are now evaluating how this technology can be applied to a broader range of commercial products. In UK Rail we continue to explore additional avenues in smart retail such as introducing new products on smart cards, extending the ITSO products to other media and exploring new retail channels; we do this both independently and collaboratively.

Stakeholders

Our ability to deliver more sustainable travel depends on good relationships with our stakeholders and a clear understanding of their needs. We have a wide range of means to engage with our stakeholders and their feedback helps to shape our business strategy and drive continuous improvement. We summarise the main stakeholders and engagement mechanisms below. Further information is available online in our full report.

The investment community

Key issues

- Shareholder value
- Return on investment
- Effective risk management
- Corporate governance

Engagement methods

- Quarterly trading updates
- Regulatory News Service announcements
- Corporate reporting and communications
- Face to face meetings
- Response to specific queries

National and local authorities

Key issues

- Link to transport strategy
- Service delivery
- Investment in services
- Delivering sustainable travel
- Passenger growth
- Regulatory compliance

Engagement methods

- Response to consultation
- One-to-one meetings
- Stakeholder forums
- Partnerships

Customers

Key issues

- Punctuality and reliability
- Frequency
- Cost
- Driver attitude
- Safety and security

Engagement methods

- Customer surveys
- Meet the Manager
- Customer forums
- Focus groups
- One-to-one meetings (North America)
- Stakeholder forums
- Response to individual issues or complaints



Employees

Key issues

- Understanding strategy, vision and values
- Management: respect, recognition, responsiveness
- Customer service
- Working conditions
- Communication
- Freedom of association

Engagement methods

- Employee surveys
- Employee directors on boards
- Safety committee meetings
- Company operating meetings
- One-to-one feedback
- Trade union meetings
- Newsletters

Suppliers

Key issues

- Supplier agreements and payment methods
- Required supplier standards

Engagement methods

- Code of Business Ethics and Supplier Code of Conduct
- Partnerships with strategic suppliers
- Performance monitoring/score cards
- Terms of business

Community

Key issues

- Service performance
- Consultation and engagement
- Commitment to local community programmes

Engagement methods

- Stakeholder forums
- Consultation on route changes
- Membership of local business groups
- Engagement with local community groups
- Community programmes and charitable giving
- Partnerships

Safety and security



Our goal is zero injuries.

We work to continually improve the safety and security of our operations and strive to achieve the highest safety standards.

11%

reduction in Lost Time Injuries.



6%

reduction in Vehicle Collisions.

Performance against our 2010/11 objectives and targets

Targets - Reduce the following injury and collision rates by 50% by 2013 from a 2009/10 baseline.

Performance

Staff injury rate



Lost Time Injury rate



Passenger injury rate



Vehicle collision rate



Increase number of locations with zero Lost Time Injury and collision rates.



Key



Target met



Improvement in performance but below target



No change in performance



Deterioration in performance

2011/12 objectives and targets

Reduce staff injury rate by 10%.

Reduce Lost Time Injury rate by 10%.

Reduce passenger injury rate by 10%.

Reduce vehicle collision rate by 10%.

Reduce SPAD rate by 20%.

We have reviewed and revised targets this year as part of our strategic planning process and have reverted to annual targets in line with previous years.



Injury Prevention

Safety is one of our core values. We are continually working to improve health and safety conditions, and reduce injury to our employees, passengers and third parties. Safety is led by the Executive Safety Committee chaired by the Chief Executive. Our message is simple: 'If you cannot do it safely, don't do it.'

We have continued to improve our safety performance although the rate of progress has slowed in some areas. We are therefore renewing efforts to engage our employees in the safety agenda and will assess new tools for developing the safety culture at local level. For example we are working with the Rail Safety and Standards Board to develop the Safety Climate Tool for bus operations.

Tragically we experienced four employee and five passenger fatalities this year as a result of road traffic accidents, collisions and falls. Further details are available in our online report. We deeply regret all these incidents and will strive continuously to prevent their occurrence.

Through our Injury Prevention programme we work to reduce everything from catastrophic risk to minor injury. Driver training and route risk assessment are an important focus. We have recently introduced a system for risk profiling our drivers to ensure they receive appropriate levels of monitoring and support. We have also enhanced our Incident Investigation System and associated training. Our Signals Passed at Danger (SPAD) rate has increased slightly this year. Working with the University of Aberdeen our SPAD Working Group has reviewed global best practice to identify what more we can do to eliminate SPADs and share best practice effectively.

We continue to focus on passenger safety initiatives. In North America we work with many communities to increase driver awareness of how to manoeuvre past school buses without risking child safety.



Promoting passenger safety

In November 2010 our UK Bus division pioneered Passenger Safety Month. Throughout the month we promoted safe behaviour to our employees, passengers and community groups with the aim of reducing passenger injury. As part of this initiative we promoted our Safe Journey Cards which enable customers to alert the driver to any special requirements they have to keep them safe.

Trialling the Safety Climate Tool

Developed for the rail industry, the online Safety Climate Tool helps companies to secure cultural change in attitudes to safety. Those of our operating companies in Glasgow and Manchester which have underperformed in safety over the past few years have trialled the tool and full evaluation will take place in the coming year. Wider roll-out is proposed if the tool is successful.

Making school bus travel safer

In partnerships with other North American operators we are working to reduce the risk of rear-end collisions on the approach to railway crossings. New procedures require earlier deceleration and the use of warning lights. We are also engaged with stakeholders including the National Safety Council to raise awareness of distracted driving. Following a national summit we will participate in follow-up efforts to bring attention to this issue and increase public focus on distracted driving risks.

Protecting children and vulnerable passengers

We have a responsibility to protect children and vulnerable passengers, in particular in North America, where the majority of our passengers are schoolchildren. Our checking processes for school bus drivers exceed legal requirements in both the UK and North America. We continue to look for new and innovative ways to achieve our goal of zero sleeping children left on buses.

Security

Our security procedures focus on protecting passengers, staff and property, and on incident prevention and management. Where appropriate we use technology and continue to invest in CCTV on buses, trains, stations and premises. We gather and analyse data for all security incidents across the business, allowing us to identify and manage hotspots and trends.

We actively engage our staff and other stakeholders in security management. We have partnerships with the police and the Transport Security Administration (TSA) in the US, with whom we have piloted airport style ‘passenger screening’ at our Greyhound terminals in Houston and Los Angeles.

Emergency response

An emergency response procedure has been rolled out across the Group. We are now implementing a continuous programme of training and exercises to ensure staff are able to respond effectively in an emergency.

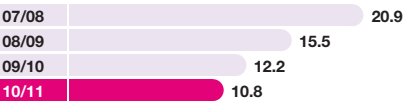
Promoting the Small Rider policy

In North America there is no consistent approach to dropping off ‘Small Riders’ (children in kindergarten and first grade). Nearly 30% of the districts we serve do not require a parent or guardian to be present at the bus stop for kindergarten children and an even larger number have no policy for first grade students. We continue to raise awareness of this issue and encourage school districts to adopt a Small Rider policy. We are also raising driver awareness of the issue as part of driver start-up training. This approach is achieving results, with a recent reduction in the frequency of Small Riders dropped off without a parent or guardian present.



Group-wide safety performance

Lost Time Injuries (over 1 day) per 1,000 employees



Passenger injuries per million miles



Vehicle collisions per million miles (excludes UK Rail)



SPADs* (Cat A) per million miles**



* SPAD – Signal Passed At Danger

** A Category A SPAD is where a stop signal was displayed correctly and in sufficient time for the train to stop safely at the signal irrespective of location.

We increased by 1% the number of locations with zero Lost Time Injury rates and zero collision rates over the last 12 months compared to the previous 12 months.

Reducing the risk of sleeping children

This year we developed a new training DVD, The Invisible Child, in cooperation with the Pupil Transportation Safety Institute, in the US. The DVD aims to educate employees about ‘inattention blindness’, which is a failure to attend to something which is clearly in one’s visual field. We also continue to reprogramme the Child Checkmate system on our First Student fleet to reduce the risk of disarming or bypassing the system.

Our customers



We continually seek to improve our service performance. Customer satisfaction levels and service performance data are key performance indicators we use to assess our progress.

£1m

invested in improving customer information in First Capital Connect.



4%

improvement in customer satisfaction in First Student.

Performance against our 2010/11 objectives and targets

Targets	Performance
Improve the UK Bus 'overall opinion of journey' score (percentage satisfaction) measured through our independent Bus Customer Satisfaction Survey.	
Meet our punctuality targets in UK Bus as agreed with the local authorities, or where no such targets have been agreed to achieve annual improvements towards the national Traffic Commissioner target of 95%.	
Achieve the PPM performance targets set for our train operating companies.	
Increase the number of cancellation-free days across the UK Rail division.	
Improve our customer satisfaction scores in each of the North American businesses.	
Carry out further qualitative research to better understand the actions that UK Bus should take to improve each of the key drivers of overall customer satisfaction.	

Key



Target met



Improvement in performance but below target



No change in performance



Deterioration in performance

2011/12 objectives and targets

Review current stakeholder engagement processes and develop a Group-wide stakeholder engagement strategy.

Provide additional management training for First Student and First Transit location/contract managers.

Meet our PPM performance targets in UK Rail.

Improve punctuality across each of our UK Bus regions by working closely with our stakeholder partners.

Equip all the customer-facing staff in First Great Western, First Capital Connect and First ScotRail with mobile devices to provide them with continuous access to real-time information.

Customer satisfaction

Across the business we seek feedback from our customers. In North America we undertake annual surveys supported by regular one-to-one contact with customers. In the UK we hold user group meetings, local Meet the Manager sessions and surveys commissioned both internally and externally. Customer feedback drives our programme of service improvements.

We fully recognise that over the last year, some of our UK Bus customers have been affected by the reductions in service levels which were a necessary response to the recession. Going forward, our focus is on growth including a range of measures to improve our services. Overall customer satisfaction levels have increased slightly to 81%. We have seen improvements in customer perception of ride smoothness and safety, reflecting our investment in DriveGreen technology. Areas of weakness identified include the attitude of some drivers and inadequate on- and off-board information: we will now focus on these areas.

In UK Rail our satisfaction scores lie close to or above the national average: the exception to this is First Capital Connect (FCC). We are working to improve satisfaction at FCC by focusing on our customers' biggest concerns - punctuality, customer information and capacity. In 2010 we invested over £1m in customer information during times of disruption, and added over 6,500 seats and extra services to our December timetable on the Great Northern route. Further capacity increases are planned for the Thameslink route.

In North America we have seen customer satisfaction scores improve, particularly in First Student where we have specifically improved our customer service training and focus. This year, Greyhound will launch a new online customer survey process to replace its paper-based system.

Overall customer satisfaction scores for our bus operations (% satisfaction)

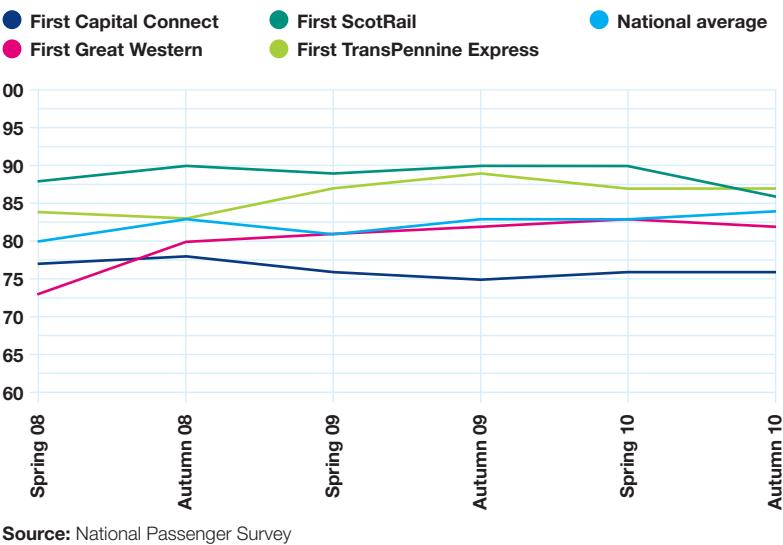
	2010	2011
UK Bus	80%	81%
First Transit	84%	85%
First Student	77.5%	81.6%

In the UK our surveys seek feedback from the travelling customer. In First Transit and First Student the survey respondents are our contract customers.

Improving accessibility

We are committed to supporting customers with restricted mobility or special needs. We continue to increase the number of buses with low floor access (85% of our UK buses are now low floor) and all our train operating companies have Access and Inclusion Managers available to assist those with special needs. We work with both national and local disability groups to improve our awareness and build our understanding of how best to improve our offer. In North America we equip our school buses with specialised equipment as required and ensure our drivers are appropriately trained to use the equipment and support our passengers.

'Overall opinion of journey' scores UK Rail (% satisfaction)



Why people don't use the bus

During the year we conducted independent, non-bus user research to identify the triggers that might persuade non-users to switch to the bus. A key finding was that people sometimes value their time more highly than cost. Respondents gave convenience, speed and reliability as the key reasons for not using the bus. Parking costs and the difficulty of parking in town centres were the strongest motivators for bus use, rating significantly higher than environmental considerations and fuel costs.



Service performance

We know from our customer surveys that service performance has one of the biggest influences on passenger satisfaction.

In the UK service performance has been affected by the poor weather conditions in November and December 2010. Therefore, although we have largely maintained service levels above 90% in both UK Bus and Rail, we have not met our improvement targets.

We are developing ways to improve customer service in poor weather conditions. Our UK Bus division has been working to progress customer information during disruptions using live updates on bus websites, SMS and social media. Working with Network Rail we are developing solutions to improve rail services during severe weather. Initiatives include using weather forecasts to develop contingency timetables on a daily basis and delivering better customer information. First ScotRail has pioneered trials with train skirts for de-icing.

In North America, on-time performance remains high in First Transit. Greyhound performance was impacted by the winter weather and a reduction in the active fleet size. On average 30-40 buses are being refurbished and not available for operation, which can impact on-time performance during peak times. On-time performance in the major Northeast markets remained at over 90% and the new Greyhound Express service in the Midwest was at 95% or better.

Improving services in First Student

During the year First Student introduced FOCUS, a bespoke software tool which offers superior customer service for our school transportation customers. This unique system allows us to manage our locations more efficiently: idling time, speeding and excess mileage can be monitored and reduced. It also enables us to monitor the activity of the bus throughout the day, improving on-time performance, safety and security. A growing number of our customers are using the service and we are also piloting the development of an interface that gives customers access to the system.



Average punctuality of the UK Bus fleet (%)



How often the bus arrives on time.

Average reliability of the UK Bus fleet (%)



The number of scheduled services operated.

Train company PPM performance against target (%)

	PPM	Target
First Capital Connect	89.3	91.7
First ScotRail	90.1	91.6
First Great Western	90.3	92.4
First TransPennine Express	91.1	92.3
First Hull Trains	82.2	89.6
National average	90.9	

PPM – Department for Transport Public Performance Measure (a combined measure of punctuality and reliability).

In line with the national average, PPM performance deteriorated slightly in all our train operating companies apart from First Hull Trains. Severe weather conditions were the main contributory factor. In First Great Western we faced additional challenges related to the reliability of the infrastructure which also affected performance. We work closely with Network Rail to address these issues and trends improved in the spring of this year.

On-Time Performance (%)

First Transit



Greyhound



Our employees



Our employees are fundamental to our business success. We want to be the employer of choice in our industry and our People Strategy sets out our route towards this goal.

40%

increase in number of employees completing passenger carrying vehicle S/NVQs.



67%

response rate to our Group-wide employee response survey.

Performance against our 2010/11 objectives and targets

Targets	Performance
Give all our UK Bus employees access to lifelong learning programmes by 2012.	
Complete a Group-wide employee opinion survey.	
Increase the range of well-being programmes available to our employees.	
Develop a single development review framework across the Group that helps managers to deliver effective development reviews and performance management conversations.	
Ensure our managers have skills in core areas such as communication, issue resolution and Injury Prevention.	

Key



Target met



Improvement in performance but below target



No change in performance



Deterioration in performance

2011/12 objectives and targets

Revise and reinvigorate our Group vision and values.

Develop divisional CSR plans for embedding the vision and values across the Group.

Improve employee engagement as measured by sample surveys in 2011 and a full follow-up survey in 2012.

Reduce workplace absenteeism in the UK by 5%.

Deliver access to lifelong learning to 100% of UK Bus employees.

Provide all UK Bus drivers with a minimum of seven hours of training through the Driver CPC Programme.



Employee engagement

An important commitment within our People Strategy is to ask our employees how they feel about working for us.

The completion of our first ever Group-wide employee engagement survey using a consistent, replicable method is a major step forward. It will provide the benchmark for measuring future changes in engagement. Over 85,000 employees responded to the survey with a pleasing average response rate of 67%.

Results showed levels of engagement lower than industry benchmarks over much of the business. In part, this probably reflects the economic climate which in some areas has demanded reductions in staff numbers and services. In UK Rail where we have more than one year's data and the operating environment has remained more stable, engagement improved in three out of five operating companies.

Although the results were disappointing we now have extensive information about the issues we need to address:

- development and communication of direction, vision and values
- supervisory and management behaviours, capability and knowledge
- customer service skills and information for customers.

The survey findings have been communicated to employees and action plans are now in place at both local and Group level. Improving engagement is a high priority for us.

The majority of our employees are represented by trade unions, with membership of around 90% of the UK workforce and 62% in North America. We also have Employee Directors on many UK company boards and the plc Board.

Improving engagement in First Student

Project Frontline was developed in response to feedback from First Student field managers about the amount of time spent on unproductive tasks. It provides the opportunity for frontline staff to propose changes that streamline their role and provide customer and employees focus. The project has already resulted in improvements to approval processes, IT, safety and other procedures. Following its initial success the project is being extended to further locations and employees.

Improving communication in Greyhound

Following evaluation of the responses to the staff survey, Greyhound has sought to improve communication and management development. Managers have conducted executive briefings across Greyhound locations and additional management development and customer service training have been introduced.

Compliance monitoring in the US

To protect the rights of our employees to freedom of association we operated a Compliance Monitoring Program in the US. Any employee who feels our Freedom of Association Policy has been violated can make a complaint. Prior to December 2010 complaints were considered by Professor William Gould of Stanford University Law School in California. Between April and December 2010 there were 64 complaints, of which 14 were upheld. All these complaints were from the same location and the issues there have now been resolved. In view of the low level of complaints we have now established an alternative dispute resolution procedure. We are confident that these revised arrangements will continue to protect the interests of our employees in this area.



Learning and development

All employees have access to development programmes which generally lead to recognised vocational qualifications. This year we increased the number of people completing Passenger Carrying Vehicle S/NVQs by 40% and around 400 people completed Customer Service NVQs.

We continue to improve our management development programmes. In the UK we have launched a new online training portal accessible to all staff. First Transit has undertaken a fundamental review of their management training programmes.

In the UK we have recruited 65 engineering apprentices and 100 apprentices have been put through the new driver apprenticeship scheme co-developed with Transport for London and Go-Skills. The scheme will be extended to our Yorkshire bus operations this year.

Lifelong learning remains core to our learning provision. We retain access to learning centres for around 85% of our UK staff. We promote literacy development through our short story competition, which is now an annual event attracting over 500 entries per year.

Our commitment to lifelong learning

Since signing the UK Government's Skills Pledge in 2007, we have extended our employees' opportunities for developing their numeracy and literacy skills. All employees can access online learning tools to assess their current numeracy and literacy levels, and raise their skills to national numeracy and literacy standards. At any one time around 1,000 of our employees are taking advantage of these opportunities to progress.

Recognition and reward

Our industry-leading reward programmes offer pension and employee share schemes to all UK employees. This year we particularly encouraged younger employees to invest in these award-winning schemes. We also offer financial education and access to Credit Unions to help employees to save and borrow responsibly. We provide free travel and discounted travel offers for employees and their families.

Health and well-being

Many of our workforce operate in stressful environments and driving is a sedentary job. Our employees have access to employee assistance programmes and we provide a free and confidential employee hotline.

We are also working to strengthen our broader well-being provision. In the UK we are developing our first well-being strategy in partnership with Change4Life. A series of pilot programmes aimed at promoting healthy lifestyles is being rolled out across the business. In North America a Health and Well-being tour has visited sites across the country. These programmes are an important part of our employee retention and engagement strategy and will continue to develop in response to employee needs.



Strengthening training in First Transit

First Transit University has been in place for a number of years providing training to frontline, supervisory and management staff. This year a full evaluation of the training provision was undertaken. It has now been significantly enhanced, building on the latest thinking in management and leadership development, including the incorporation of change management and coaching skills.

The environment



Public transport makes an important contribution to reducing emissions from travel. We are also committed to continuously reducing our own emissions.

7%








reduction in carbon emissions per passenger km in UK Rail.



9%

increase in waste recycling in the UK.

Performance against our 2010/11 environmental targets

Targets	Performance
Achieve an 8% reduction in carbon emissions in our UK Bus division and 10% in our UK Rail division by 2012 on 2006 levels.	 UK Bus  UK Rail
Secure a 2% reduction in energy use in the UK and 100 largest energy using facilities in North America.	 UK  North America
Increase waste recycling by 2% in the UK and North America.	
Implement green travel plans across 50% of our UK business.	
Develop and implement an underground storage tank training programme throughout North America.	

Key



Target met



Improvement in performance but below target



No change in performance



Deterioration in performance

2011/12 objectives and targets

Reduce carbon emissions in line with the targets set out in our revised Climate Change Strategy.

Increase waste recycling by 2% in both our UK and North American businesses.

Reduce energy usage by 2% in the UK and the top 100 properties in North America.

Reduce non-carbon emissions by 5% in UK Bus.

Achieve the Carbon Trust Standard for our UK operations and implement BS EN 16001 for our train operating companies.

Carbon reduction

We are committed to supporting the achievement of national targets to reduce carbon emissions from travel.

- We will seek to achieve this by:
- improving the efficiency of our services
 - remaining competitive with other transport modes
 - attracting more people to our services from more carbon-intensive modes.

Our commitments are embodied in our revised Climate Change Strategy which can be found at www.firstgroup.com/corporate/csr. We have now moved from total emissions targets to targets based on measurements per passenger kilometre. We believe that the new measurements better reflect our contribution to reducing carbon emissions by providing lower carbon travel. The new measurements also remove the impact of changes in the economy.

Our estimated carbon footprint is 3,010,781 tonnes with emissions from our vehicles making up over 95% of the footprint; this represents a reduction of 2% on the previous year. The carbon savings are a direct result of our efforts to reduce emissions through improved fuel efficiency. For example in our UK Bus division our average carbon dioxide emissions per vehicle kilometre have reduced by 2.3% since 2008 and in our Rail division by 6% over the same period. Part of the reduction reflects the need to cut mileage in a number of areas of the business due to the economic downturn. We continue to reduce our carbon emissions through investment in technology and improvements to our servicing and vehicle management systems.

Driving fuel efficiency improvements in UK Bus

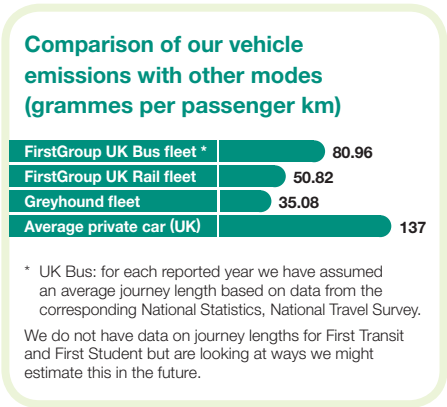
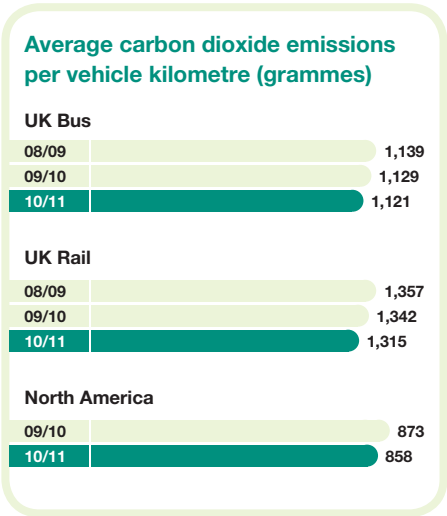
Following the introduction of DriveGreen across our UK Bus fleet we have achieved fuel efficiency improvements of around 2.3% (16,000 tonnes of carbon dioxide). We are developing the technology to deliver further fuel savings. In addition we are investigating a wide range of variables such as the impacts of tyre type and pressure, vehicle tuning and gearbox design.

Delivering lower carbon rail travel

We have led the industry in introducing Driver Advisory Systems to our rail fleet. Systems are already in place in First Hull Trains and will be fitted to our First Great Western HST fleet, the largest single consumer of fuel within our UK Rail division. We have successfully implemented ecodriving programmes. New trains are fitted with regenerative braking and as part of a major vehicle overhaul programme we are seeking to achieve significant improvements in fuel efficiency and reliability of our vehicles.

Carbon reduction programmes in North America

In North America we have conducted extensive trials to determine how we can improve fuel efficiency in the existing Greyhound and First Student fleets. The resulting engineering improvements have been included in all new and refurbished Greyhound buses. In First Student engineering adjustments have now been made to around 30,000 vehicles in response to the trials.





Alternative technology

We continue to take every opportunity to evaluate new technology and carefully monitor the impacts of trials to inform our long-term vehicle purchase and engine strategy.

- We continue to work with Transport for London on trials of hybrid vehicles and have successfully secured funding to introduce a further 40 hybrids in Leeds, Manchester and Glasgow.
- In partnership with Transport for London we introduced the first hydrogen bus into service in London this year.
- In North America we are trialling 12 electric buses in partnership with Los Angeles County's Foothill Transit Authority.

Summary of our environmental performance

- Energy usage in buildings in the UK has reduced by 0.5% (1.5% below target) but by 7% over the last two years.
- Energy usage in the 100 highest energy consuming facilities in North America has reduced by 11% (9% ahead of target).
- Air pollutants from our vehicles continue to fall following investment in new low emission vehicles. In the UK particulate emissions have fallen by a further 7% this year, with a total reduction of 25% since 2007.
- Water usage in the UK has reduced by 6%. In North America we now have two years of water usage data which shows no significant change in consumption during this period.
- We continue to improve our recycling levels. In the UK our recycling levels are currently at 40% (a 9% improvement on last year). In North America recycling levels have increased by 4%. We have targets within our waste management contracts in both the UK and North America to improve on these levels.
- Through our sustainable procurement programme we are increasing the number of suppliers we are working with to deliver improvements in environmental performance as part of our contract.

Working with vehicle suppliers to improve fuel efficiency

Emissions from our vehicles contribute to over 95% of our carbon footprint. We are therefore working actively with our vehicle suppliers to ensure they provide us with vehicles that are best in class in terms of fuel efficiency which is a central measure on the supplier scorecard. In both the UK and North America we are challenging our suppliers to ensure that the introduction of Euro VI technology and new Environment Protection Agency (EPA) standards do not lead to a reduction in vehicle fuel efficiency.

Sustainability features in buildings

We work with our design teams to assess options for sustainability features in newbuilds. Our depot in Southampton uses solar panels and harvests rainwater, and Lea Interchange depot in London uses a mixture of gas condensing and wood pellet boilers. Ground source heat pumps are installed in our new head office in Aberdeen.



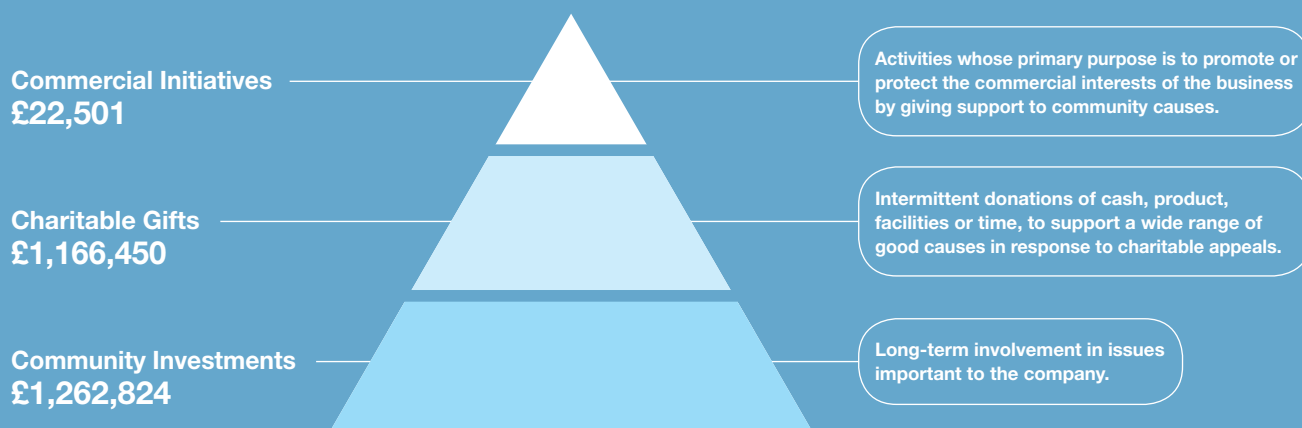
Community



Public transport services lie at the heart of the local community. They are critical to economic competitiveness carrying people to work, places of education and other destinations every day.

We also seek to support the communities in which we work and measure this contribution using the London Benchmarking Group model.

London Benchmarking Group breakdown of community investments



This year our community contributions (excluding management costs) totalled £2,451,775. This represents 2% of pre-tax profits, which were down on the previous year.



Performance against our 2010/11 objectives and targets

Targets	Performance
Target our community strategy to increase employee and customer involvement in our community programmes.	
Increase the number of operating companies with local community partnerships.	
Measure the indirect impacts of our community programmes using the London Benchmarking Group framework.	

Key



2011/12 objectives and targets

Develop a toolkit to ensure all employees have the opportunity to participate in fund-raising and community initiatives.

Finalise the process that will allow us to measure the indirect impacts of our community programmes using the London Benchmarking Group framework.

Work with RADAR to increase awareness of public transport travel options for disabled people.



Our role in the community

Our operations touch all members of the community. Our relationship with the local communities we serve is therefore very important to us. In addition to service provision we endeavour to work with local authorities, city and state authorities, and school boards to provide broader community benefits such as initiatives to promote improved safety and to tackle antisocial behaviour, truancy and bullying.

Charitable giving

In the UK, we are proud to support the work of Save the Children. Since 2007 we have donated £4m in cash and kind supporting the charity's work to end child poverty in the UK.

Our donation has helped to fund two early intervention projects that help parents support their children both at home and in education. We are also helping raise awareness of the 'No child born to die' campaign which will be featured across our UK Bus fleet during 2011.

In North America our chosen charity, The Children's Miracle Network, is dedicated to saving and improving the lives of children by raising much needed funds for children's hospitals. Throughout North America our employees have been engaged in many fund-raising activities for this important cause.

Our charitable contributions are managed through our Charity and Sponsorship Committees both in the UK and North America.



"Save the Children believes that no child should be born without a chance. Our incredible partnership with FirstGroup has enabled us to transform the lives of children living in poverty in the UK today."

Justin Forsyth, Chief Executive, Save the Children UK



Save the Children

\$195,324

donated to The Children's Miracle Network through our staff in North America.



FirstGroup America launches Community First Volunteer award

FirstGroup America has launched an award designed to encourage and support the volunteer efforts of FirstGroup America employees. These awards honour the outstanding efforts of employees by granting four annual awards of \$2,500 each to the not-for-profit organisation where the employee shares his/her time, talent and energy.

Further examples of community and charitable initiatives

We actively support a number of community partnerships. Some examples are given below:

- We have a national agreement with Remploy, a specialist service for people with complex barriers to work. We work with Jobcentre Plus to help the long-term unemployed back to work and we are actively involved in the Get Britain Back to Work Campaign.
- First Capital Connect provides unemployed people with free travel to interviews. Once employed, a recruit is also given one month's travel pass for First Capital Connect services.
- In North America we have been involved in safety awareness campaigns in many local communities.
- During the winter in Aberdeen we support First Football tournaments targeted at Social Inclusion Partnership areas where vandalism and crime tend to be high.
- A number of our operating companies engage with local schools by giving presentations and information on issues such as anti-vandalism and safe use of public transport.
- Greyhound continues to support the National Runaway Switchboard (NRS), focusing on Home Free, a programme offering runaway youths a free Greyhound bus ticket home. This year 410 Home Free tickets were issued - a 5.7% increase in use of the programme.



First Monster Challenge

Our First Monster Duathlon continues to raise thousands for good causes. In 2010 the competitors raised an estimated £188,000 in sponsorship.



Inspiring young people

Through our long-term partnership with Outward Bound, young people in the UK have the opportunity to develop the independence, confidence and life skills that help them build a better life. First's funding has enabled just over 1,000 young people between the ages of 11-18 to take part in an Outward Bound experience.

Green grants

Working with the Forestry Commission, First TransPennine Express has offered grants of up to £2,000 to projects which improve the environment near a station or along a route.

Funding football kits

Our First for Football initiative in the North of England has given 11 under-16 football teams a new strip in 2011.



First Student Alberta

High school students in Alberta have gained valuable experience at First Student Calgary through a long-term partnership with CAREERS, a public-private partnership that aims to cultivate qualified, talented youth for high-demand careers.

Independent assurance statement

Please find below ERM's summary assurance statement. For further details on the work undertaken, the engagement limitations, and our findings, please read our full assurance statement at www.firstgroup.com/corporate/csr

Our brief

FirstGroup plc ("FirstGroup") appointed Environmental Resources Management Limited (ERM) to provide independent assurance on selected information presented in its 2010/11 Corporate Social Responsibility (CSR) summary report and associated web pages ("the Report") as follows:

- A. AA1000 AccountAbility Principles: FirstGroup's status of alignment against the AA1000 AccountAbility Principles of Inclusivity, Materiality and Responsiveness; and
- B. Selected 2010/11 Key Performance Indicators (KPIs) as follows:

Safety (employees and customers)

- Total passenger injuries per million miles
- Total vehicle collisions per million miles
- Lost Time Injuries (over 1 day) per 1,000 employees
- Assaults on employees per 1,000 employees

Environment

- Average carbon dioxide emissions per vehicle kilometre

Our approach

We performed our work in accordance with the AccountAbility AA1000 Assurance Standard (AS) 2008 Type 2 requirements and delivered moderate assurance. We used the following assessment criteria when undertaking our work: AA1000 AccountAbility Principles Standard (APS) 2008 and FirstGroup's own definitions of the selected KPIs.

A multi-disciplinary team of sustainability and assurance specialists with experience in FirstGroup's industry sector performed work at corporate level and at a selection of seven operating locations in the UK and the USA.

Our assurance conclusions

Based on the work undertaken as described above, we conclude that in all material respects the following information selected for this assurance engagement has been appropriately reported:

- A. FirstGroup's status of alignment against the AccountAbility 1,000 Principles of Inclusivity, Materiality, and Responsiveness as presented in the online report; and
- B. The selected 2010/11 KPIs as presented throughout the Report.

Our key observations and recommendations

Based on our work set out above, and without affecting our conclusions, our key observations and recommendations for improvement are:

In relation to the Inclusivity Principle

- As presented within its CSR report, FirstGroup engages a wide range of stakeholders in the UK and the USA, at corporate, regional, operating company and local site levels. Looking forward, we recommend that the business:
 - Strengthens its engagement with local authorities to drive business performance improvement; and
 - Integrates further the relevant CSR issues within its assessment of stakeholder satisfaction.

In relation to the Materiality principle

- ERM recommends that FirstGroup better integrates the business risk assessment processes and the Materiality process as referred to in the AA1000 section of the online report; and
- Reviews and considers longer-term risk scenarios and their likely impacts on the business (e.g. climate change, demographical changes).

In relation to the Responsiveness Principle and the selected Performance Indicators we have reviewed

- ERM recognises that FirstGroup is making substantial progress with respect to the development of overall business and CSR strategies and looks forward to these being further articulated in the year ahead. In relation to such developments we recommend:
 - Developing a stronger narrative that integrates the company's business and CSR ambitions;
 - Continuing to explore how CSR can contribute to overall business success in the future for example how its CSR positioning and performance may influence the winning of new franchises and contracts; and
 - Improving internal communication of CSR-related activities, in particular to highlight the business benefits that have been realised from such efforts.
- We commend the work undertaken over the past year by FirstGroup America in further embedding the Group CSR initiatives and performance data collection and reporting processes. Looking forward, it is recommended that this process continues.
- With regards to the selected safety and environmental KPIs on which we have provided assurance, we note FirstGroup's continuing performance improvements.
- In ERM's view, FirstGroup is leading the way in many respects in terms of CSR reporting in its industry. Looking forward, we recommend that it increases the extent of reporting on its North American operations to reflect the contribution of these operations to the Group.



Environmental Resources Management Limited (ERM)
Edinburgh, UK, 13th June 2011



AA1000
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ERM is an independent global provider of environmental, social and corporate responsibility consulting and assurance services. Over the past 4 years we have worked with over half of the world's 500 largest companies, in addition to numerous governments, international organisations and NGOs.



**Principal and
Registered Office**

FirstGroup plc
395 King Street
Aberdeen AB24 5RP
T. +44 (0)1224 650100
F. +44 (0)1224 650140

Registered in Scotland
number SC157176

London Office

FirstGroup plc
50 Eastbourne Terrace
Paddington
London W2 6LG
T. +44 (0)20 7291 0505
F. +44 (0)20 7636 1338

www.firstgroup.com

We want to hear from you

We always welcome feedback on our report. Feedback is an important part of our dialogue with stakeholders and helps us to gain a better understanding of the issues they would like us to report on. Please do take the opportunity to provide us with your views by writing to us at the address below or e-mail us at CSR@firstgroup.com

Group Corporate Communications Department
FirstGroup plc, 50 Eastbourne Terrace,
Paddington, London W2 6LG
T. +44 (0)20 7291 0505
F. +44 (0)20 7636 1338
www.firstgroup.com



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