



John Connolly, Chairman

GOOD GOVERNANCE IN SUPPORT OF SUSTAINABLE GROWTH

In his introduction to the Strategic Report, our chief executive officer, Ashley Almanza, outlined the substantial progress made during 2016 in implementing our strategy. Having been chairman for nearly five years, I am pleased to see that the transformation programme initiated by Ashley and his team in 2013 is delivering tangible results and has created a solid platform for the Group to continue to develop further.

Our governance

Our governance structure, described in this report, is designed to enable the board to discharge its responsibilities. In leading the board I am keen to foster an environment conducive to rigorous challenge and open debate amongst board members on strategy, performance, risk, corporate accountability and sustainability. Our board performance, both collective and individual, is reviewed every year and this exercise allows particular focus on any area identified for further

development and board succession planning. We place an ever stronger focus on risk management. Good risk management is fundamental to us delivering our strategy and it is therefore central to our decision making process. In 2013, we established a Risk Committee designed to ensure adequate focus was given to defining and embedding a new risk management framework within the organisation. In 2016, the need for this committee, which is separate from the Audit Committee, was reviewed. We concluded that the scale of the on-going transformation of the Group warrants the additional focus that a stand-alone committee devoted to risk provides. Of equal importance is good communication with our shareholders and to this end we hold various events throughout the year. Further information on the engagements that took place during 2016 is set out on page 68. The Company's policy on remuneration of directors is set out on pages 80 to 88 of this report and a separate resolution to approve this policy will be put to shareholders at the annual general meeting on 25 May 2017. No material changes have been made since the policy was last approved in 2014. We look forward to receiving shareholders' support once again this year.

Changes to the board

Effective boards need directors who bring the right balance of skills, experience and knowledge and are drawn from a range of diverse backgrounds. The work associated with changes to the board and succession planning were important elements of the Nomination Committee's activity during the year under review. The work of the Nomination Committee during the year is described on page 69.

As announced previously, Mark Elliott and Adam Crozier retired from the board at the conclusion of the AGM on 26 May 2016. Mark Elliott, who had been a non-executive director since 2006 and Senior Independent

IN THIS SECTION

Board of directors	58
Executive committee	60
Corporate governance report	62
Audit Committee report	72
Directors' remuneration report	78
Directors' report	99
Directors' responsibilities	102

Director for nine years, handed over his role as chairman of the Remuneration Committee to John Daly. Himanshu Raja stepped down as Group CFO in October and was succeeded by Tim Weller - a former non-executive director of the G4S board and an experienced FTSE Chief Financial Officer. The board is grateful to Mark, Adam and Himanshu for their contributions during their tenure and delighted that Tim has moved into his new executive role within the Group.

Over the last twelve months, two new directors - Steve Mogford and Barbara Thoralfsson - joined the board. Steve Mogford, who was appointed on 27 May, took on the role of Senior Independent Director. Barbara Thoralfsson joined the board on 1 July. In December we announced that Ian Springett, a serving FTSE CFO with extensive international experience, would join the board from 1 January 2017 and take on the role of chair of the Audit Committee. Unfortunately, due to the onset of a medical condition, Ian was not able to take on the role of Audit Committee chair, although he remains on the board and we look forward to his return as soon as possible. Paul Spence, who was already a member of the Audit Committee and had chaired the December Audit Committee meeting, was appointed as interim chair with effect from 20 January 2017. Paul, who also chairs the Risk Committee, has strong leadership skills and extensive experience of the complexities faced by businesses with an international footprint.

The diversity of skills and experience brought by the new board members is already proving very valuable. Steve Mogford, a serving CEO and Barbara Thoralfsson both bring extensive technology and international business experience to the board. These appointments have undoubtedly added to the diversity of skills and backgrounds of the board. Succession planning and ensuring we have the skills required to enable the board to provide effective challenge and oversight in support of the continuing transformation of the Group is kept under constant review.

Results

It is pleasing to be able to report on good progress in 2016 with the management team working well together. As reported by our chief executive on page 4, 2016 saw further substantial progress in implementing the Group's strategy.

Continuing business performance saw a 6.3% increase in revenue, which rose to £6.8 billion. It is worth noting the increased contribution of technology, software and systems, which represented 13% of Group revenues in 2016 (10% in 2015). This increase reflects our continued investment in technology and innovation. The combination of growing revenues and better productivity generated a 9.7% increase in the Group's PBITA to £454 million. Improved profit and more effective working capital management saw operating cash flow rise by more than 61% to £638 million. Earnings per share rose by 16.5% to 15.9 pence per share.

Growth in profits and operating cash flow, together with disposal proceeds of £82 million helped reduce the Group's net debt to 2.8x (2015: 3.4x) and we remain on track to meet the target of 2.5x in the next 12 to 18 months.

The board is confident in the Group's outlook and proposes a final dividend of 5.82p (DKK 0.5029) per share, payable on 9 June 2017. With an interim dividend of 3.59p (DKK 0.3143) paid on 14 October, this will bring the total dividend for the year to 9.41p per share (DKK 0.8172).

Values

We recognise the value of a healthy corporate culture, which supports our strategic objectives and is not only an enabler and a differentiator (i.e. a source of competitive advantage), but also protects and generates value. It is important that our corporate culture is clear in its content and effective at all levels within our organisation. With this in mind, we embarked on an exercise to refresh our corporate values during 2016. The CSR Committee oversaw the process, reviewing progress and providing input at each of its meetings. This thorough exercise resulted in simpler values, that sit within a framework, which enables all employees across the Group readily to understand their relevance to our business and how they work together.

The values are being embedded in our human resources processes from recruitment through to evaluation. Our 2017 global senior management and employee surveys will also be aligned to the new values. During the year, the board will have a number of opportunities to engage with employees across the Group and these meetings will give directors useful insight into how the values are embedding in the business. Further information on our values can be found on page 15 and in our CSR Report 2016.

People

With operations in around 100 countries and over 585,000 employees, we are acutely aware that G4S is well placed to contribute positively to societies across the world. Our employees play an important role in this respect. On behalf of the board, I wish to thank the employees of G4S whose hard work and dedication in delivering services to customers in sometimes difficult and challenging environments is truly inspiring.

John Connolly
Chairman



BOARD CULTURE

Creating and maintaining an effective board culture is vital to ensuring good decision making, healthy debate and challenge and also to set the tone for the rest of the organisation. A key element of the selection process for each new board member is to assess whether a particular candidate will bring the right level of challenge, independence and openness. The result is a board where members are both challenging but also supportive of each other.

Culture features implicitly or explicitly in all discussions and interactions. We recognise that strong governance is an essential component of a healthy culture and that the board should set the tone for the entire organisation.