

## Directors' report

This is the report of the directors of the board of G4S plc for the year ended 31 December 2016.

### 1 The company

G4S plc is a parent company incorporated in England and Wales with company number 4992207. It trades primarily through its subsidiaries and joint ventures in numerous jurisdictions. A list of those subsidiaries and joint ventures is set out on pages 162 to 176.

G4S plc has its primary listing on the London Stock Exchange and a secondary listing on the NASDAQ OMX exchange in Copenhagen.

### 2 Reporting obligations

In compliance with relevant listing rules and also DTR4.1.5.R and DTR4.1.8R, the annual report contains the consolidated results for the year, shown in the Consolidated income statement on page 110, a management statement contained in the strategic report and in the Directors' report and responsibility statements on pages 99 to 102.

Details of the development and performance of the Group's business during the year, its position at the year end, future developments, principal risks and uncertainties and prospects of the Group and other information which fulfil the requirements of a management report are contained on pages 4 to 55 of the strategic report and are incorporated by reference in this Directors' report. The Corporate governance report, the Audit Committee report and the Directors' remuneration report set out on pages 56 to 98 and the Chief Financial Officer's review on pages 32 to 40 are also incorporated in this report by reference. The Group's financial risk management objectives and policies in relation to its use of financial instruments and its exposure to price, credit, liquidity and cash flow risk, to the extent material, are set out in note 31 to the consolidated financial statements on pages 144 to 148 which is also incorporated by reference in this Directors' report.

None of the matters required to be disclosed by LR 9.8.4C R apply to the Company other than shareholder waiver of dividends which is referred to in section 4 of this Directors' report.

### 3 Dividends

The directors propose the following dividend for the year:

- Interim dividend of 3.59p (DKK 0.3143 ) per share paid on 14 October 2016
- Final dividend of 5.82p (DKK 0.5029) per share payable on 9 June 2017

Shareholders on the Danish VP register will receive their dividends in Danish kroner. Shareholders who hold their shares through CREST or in certificated form will receive their dividends in sterling unless they prefer to receive Danish kroner by way of a cheque payable in the UK, in which case they should apply in writing to the Registrars by no later than 27 April 2017.

### 4 Capital

The issued share capital of G4S plc at 31 December 2016 is as set out on page 157 (note 35 to the consolidated financial statements) and consisted of 1,551,594,436 ordinary shares of 25 pence each. The number of shares in issue as at 28 March 2017 remains unchanged.

In general there are no restrictions on the holder's ability to transfer their shares or exercise their voting rights, other than in situations where the Company is legally entitled to impose such restrictions (usually where amounts remain unpaid on the shares after request, or the holder is otherwise in default of an obligation to the Company).

The Company is not aware of any agreements between its shareholders that may restrict the transfer of their shares or the exercise of the voting rights attaching to them except in relation to the G4S Employee Benefit Trust ("the Trust") which has been established to facilitate certain employee share plans.

Resolutions granting the directors power, subject to certain conditions, to allot and make market purchases of the Company's shares will be proposed at the Company's annual general meeting. At 31 December 2016 the directors had authority in accordance with a resolution passed at the Company's annual general meeting held on 26 May 2016 to make market purchases of up to 155,159,000 of the Company's shares.

The Company does not hold any treasury shares as such. However, the 4,844,243 shares held within the Trust and referred to on page 157 (note 36 to the consolidated financial statement) are accounted for as treasury shares. The Trust has waived its right to receive dividends in respect of the Company's shares which it held during the period under review.

### 5 Significant agreements – change of control

The Company is party to a £1,000,000,000 multi-currency revolving credit facility agreement which requires prompt notification of a change of control event following which funds committed but unutilised could be cancelled and repayment of outstanding funds utilised would need to be made within 45 days.

The Company entered into two US Private Placement Note Purchase Agreements (the "USPP Agreements"), on 1 March 2007 and 15 July 2008 respectively. The first USPP Agreement is for \$550,000,000 and series B-D senior notes representing \$450,000,000 remain outstanding and mature between 1 March 2017 and 1 March 2022. The second USPP Agreement is for \$513,500,000 and £69,000,000 and series D-F senior notes representing \$298,500,000 and £44,000,000 remain outstanding and mature between 15 July 2018 and 15 July 2020. Under the terms of both USPP Agreements, the Company is required to offer the note holders the right to purchase the notes at par value together with interest thereon upon a change of control.

Under the terms of the £2,500,000,000 Euro Medium Term Note Programme the Company issued four tranches of Medium Term Notes (MTNs) to various institutions on 13 May 2009 (£350,000,000), 2 May 2012 (€600,000,000), 6 December 2012 (€500,000,000) and 9 November 2016 (Euro 500,000,000). In the event of a change of control, a put option comes into force, according to which holders of any MTN may require the Company to redeem the MTNs at par if the MTNs carry a sub-investment grade in the period immediately prior to the change of control, or in certain circumstances where the MTNs are downgraded to sub-investment as a result of the change of control.

The Group's UK pension scheme trust deed contains provisions which apply if a takeover event occurs. Following such an event, the appointment and removal of trustees becomes subject to unanimous trustee agreement and the trustees acquire the unilateral power to set the employer contribution rates in certain sections of the scheme.

### 6 Post balance sheet events

There have been no significant events from 31 December 2016 to the date of this report.

### 7 Research and development expenditure

Research in connection with the development of new services and products and the improvement of those currently provided by the Group is carried out continuously. Research and development written-off to profit and loss during the year amounted to £4m (2015: £8m).

## 8 Employees

With such a large and geographically dispersed workforce, consultation and communication has to be both continuous and consistent. We use all methods available to us and are constantly looking to improve. The software technology we've invested in has brought multiple benefits including greater reach and accessibility for employee communications. The global intranet now connects around 65,000 employees and allows them to share information and stay up to date on the Company's performance and significant changes. Global communities such as those developed for health and safety are helping drive improvements in some key areas of business focus. Our employee relations agreements with trade unions and global employee engagement survey are two other critical channels for sharing information on Company performance and gathering employee feedback on a range of issues affecting them. More information on both can be found on pages 16 and 18.

To be effective and grow we know we need to foster an environment where people feel able to share their own ideas and challenge each other's in a supportive way. Working inclusively and treating each other with respect are not only core to our values but vital to our sustained success so we invest time and effort in our diversity and inclusion strategies. We have robust policies and procedures in place to prevent discrimination and harassment and provide training on diversity and inclusion for managers and people involved in recruitment and promotion, while proactive local initiatives support our philosophy and commitments in this area.

Where existing employees become disabled as a result of injury or illness, we also want to ensure we continue to support them, including making reasonable adjustments or offering support through our Employee Trust Fund where applicable. For further information on our approach to diversity and inclusion please go to page 16.

## 9 Political donations

Each year the Company's shareholders have passed a resolution on a precautionary basis to allow the Company and its subsidiaries to make political donations or incur political expenditure not exceeding £50,000. However, the board confirms that the Group's policy is not to make any financial contribution to political parties and that the Company and its subsidiaries have made no contributions during the year to political parties carrying on activities, or to candidates seeking election within the EU, or anywhere else in the world.

## 10 Greenhouse gas emissions

Alongside the risks faced by people and infrastructure from climate change are the challenges presented by global economic conditions.

Managing fuel costs and the impact of "carbon taxes" through programmes to improve the Group's energy efficiency and reduce its environmental impacts are important to the continued effectiveness and sustainability of the Group's business.

## What we are doing

We follow WBCSD\* and WRI\*\* Greenhouse Gas Protocol to measure our Scope 1 and 2 emissions – vehicle fleet, fuel, refrigerants and electricity usage for G4S businesses over which the Group has financial and operational control. In addition the Group has measured Scope 3 emissions from employee business air travel.

The businesses that reported data in the 2016 GHG measurement represent 91.6% of the Group's operations, across a 12 month period. This level of measurement, including each of the Group's main service types, allows reliable calculation of the total GHG emissions for 100% of the Group.

## How we are performing

The G4S total carbon footprint during 2016, extrapolated to 100% of the business equates to some 503,821 t/CO<sub>2</sub>e. These CO<sub>2</sub>e emissions, including emissions generated by services which our customers have outsourced to G4S, have decreased by 1.01% since 2015 – against a 6.3% growth in the business during the same period, reflecting the efforts made to increase the energy efficiency of our business.

In 2017, we will continue to implement energy efficiency strategies with the aim of reducing carbon intensity by at least 4.5% per annum.

\* World Business Council for Sustainable Development

\*\* World Resources Institute

For further details, please visit [www.g4s.com/env](http://www.g4s.com/env)

## GHG emissions

(Based on 91.6% measurement)	2015	2016
Vehicles (inc. refrigerants)	269,003	275,793
Total buildings (inc. refrigerants)	149,900	143,388
Including electricity emissions of	111,599	114,243
Air Travel	16,102	15,275

## Carbon intensity

	2014	2015	2016
Tonnes CO <sub>2</sub> e per £m turnover	73.6	70.9	68.4

## 11 Substantial holdings

The Company had been notified under DTR 5 of the following interests in the ordinary capital of G4S plc:

### As at 31.12.2016

Invesco	186,129,638 (11.99%)
BlackRock, Inc.	87,814,349 (5.66%)
Mondrian Investment Partners Limited	78,613,679 (5.07%)
Woodford Investment Management LLP	78,247,804 (5%)
Harris Associates LP	78,143,564 (5.04%)
Tweedy, Brown Company LLC	71,420,862 (5.06%†)

### Between 1.1.2017 and 28.3.2017

BlackRock, Inc. – 7.3.17	88,396,749 (5.69%)
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† notification received prior to issue of 140,925,757 new shares in August 2013, therefore percentage based on total shares in issue at that date

## 12 Auditor

A resolution to re-appoint PricewaterhouseCoopers LLP, chartered accountants, as auditor to the Company for 2017, and for their remuneration to be fixed by the Audit Committee, will be submitted to the annual general meeting.

## 13 Directors

The directors, biographical details of whom are contained on pages 58 and 59, held office throughout the year, apart from Steve Mogford who was appointed on 27 May 2016, Barbara Thoralfsson who was appointed on 1 July 2016 and Ian Springett who was appointed on 1 January 2017. Mark Elliott and Adam Crozier retired from the board at the conclusion of the Company's annual general meeting on 26 May 2016 and Himanshu Raja stepped down from the board on 1 October 2016.

In accordance with the code provisions on re-election of directors in the UK Corporate Governance Code, each of the directors continuing in office will offer themselves for re-election. The board believes that the directors standing for re-election possess experience and expertise relevant to the Company's operations; that they continue to be effective; that they are committed to the success of the Company; and that they should be re-elected (or elected) at the annual general meeting.

The contracts of service of the executive directors have no unexpired term since they are not for a fixed term. They are terminable at 12 months' notice. None of the non-executive directors has a contract of service.

The Company has executed deeds of indemnity for the benefit of each of the directors in respect of liabilities which may attach to them in their capacity as directors of the Company. These deeds are qualifying third-party indemnity provisions as defined by section 234 of the Companies Act 2006 and have been in effect since 14 June 2010 for Ms Spottiswoode, 1 October 2010 for Ms Fok, 8 June 2012 for Mr Connolly, 1 January 2013 for Mr Spence, 1 April 2013 for Mr Weller, 1 May 2013 for Mr Almanza,

5 June 2015 for Mr Daly, 27 May 2016 for Steve Mogford, 1 July 2016 for Barbara Thoralfsson and 1 January 2017 for Ian Springett. Copies of the forms of indemnity are available on the Company's website. In addition, indemnities have been granted by the Company in favour of certain of the directors of some of the Group's subsidiaries in the UK, the USA, Germany, the Netherlands, India and the Philippines. The Company has maintained a directors' and officers' liability insurance policy throughout the year under review.

Details of directors' interests (including the interests of their connected persons) in the share capital of G4S plc are set out on pages 94 and 95, and of the directors' remuneration are set out on pages 89 and 90.

The directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware, and each director has taken all the steps that he or she ought to have taken as a director to make himself or herself aware of any relevant audit information, and to establish that the Company's auditor is aware of that information.

None of the directors had a material interest in any contract significant to the business of the Group during the financial year.

By order of the board

**Celine Barroche**  
Company Secretary

28 March 2017