John Connolly
Chairman

Committed to good governance

"Ensuring that good governance is achieved throughout G4S is vital for the delivery of long term sustainable value for shareholders and for all the group's stakeholders. It is important therefore that the right tone is set by the board and the way it operates. It is equally important that strong governance frameworks are applied throughout the group."

This report explains how the G4S group is governed by setting out the details of the work of the board over the last year and the processes adopted by the board. It also describes some of the mechanisms by which the board satisfies itself that adequate controls are maintained throughout the group.

In a group as large and diverse as ours, it is important to ensure that strong controls are in place and that there are adequate processes to ensure those controls are implemented. At the same time, we are aware of the need to allow our business to develop and, most importantly, to concentrate on meeting the needs of our customers. The board is conscious of the importance of maintaining the right balance.

After a period of considerable change in the recent past, 2014 was a year of stability and consolidation for the board in terms of membership and indeed the frequency with which the board met. As the new members of the board have learned more about the business and relationships between board members have developed and strengthened, the board has become more effective at providing an environment for constructive challenge and debate. It is my expectation that the work of the board will concentrate more on business as usual after the challenges of the past couple of years, but we will not lose sight of the need for the board – and for the entire group – to maintain the highest governance standards.

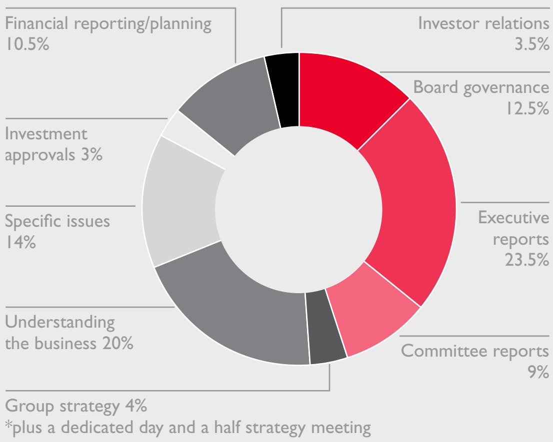
John Connolly
Chairman

In this section

Board highlights 2014

- Concluded an investigation by external lawyers on the board's behalf into events surrounding the group's electronic monitoring contract with the UK Ministry of Justice (MoJ) and agreed a financial settlement with the MoJ
- Conducted visits to three business sites in the UK
- Received in-depth presentations on the UK & Ireland and Europe regions, the group's technology and IT strategy, service excellence centres and risk management processes
- Conducted a review of the group's strategy
- Agreed to recommend a change of external auditor
- Approved a new £1bn revolving credit finance facility
- Focused on the health and safety of employees
- Commissioned a review of its own performance

Board priorities in 2014 (%)



John Connolly
Non-executive director/Chairman of the board

N Ri

June 2012

Key strengths and experience: Developing the board and its governance of the group. Extensive experience of working in a global business environment and in sectors of strategic importance to the group. A chartered accountant, John spent his career until May 2011 with global professional services firm Deloitte, was Global Chairman between 2007 and 2011, and prior to that Global Managing Director between 2003 and 2007. He was Senior Partner and CEO of the UK partnership from 1999 until his retirement from the firm.

Current external commitments: Chairman of Amec Foster Wheeler plc and of a number of private companies. Beyond commercial business roles, he is on the Board of Governors of London Business School, chairman of the Board of Trustees of Great Ormond Street Hospital Charity and a member of the CBI President's Advisory Council.

Ashley Almanza
Executive director/ Chief executive

Ri

May 2013

Key strengths and experience: Extensive board and executive management experience and strong track record working across international borders in complex businesses. Held a number of senior executive roles at BG Group from 1993 to 2012, including Chief Financial Officer from 2002 to 2011 and Executive Vice President from 2009 to 2012. As Executive Vice President he was accountable during 2009 and 2010 for the strategic and operational management of BG Group's UK, European and Central Asian businesses. He also led a consortium of global companies through complex government negotiations in Central Asia.

He holds an MBA from London Business School and was previously Chairman of the 100 Group of Finance Directors.

Current external commitments: Non-executive director of Schroders plc and Noble Corporation, but will step down from the board of Noble Corporation in the near future. Board member of the Ligue Internationale des Sociétés de Surveillance.

Adam Crozier
Non-executive director

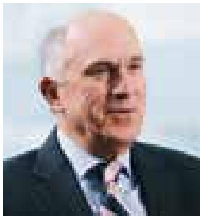
A N

January 2013

Key strengths and experience: Wide-ranging experience of business transformation in a number of public and private sector organisations in the media, logistics and retail sectors and a serving FTSE 100 CEO.

Started his career with Mars before joining the Daily Telegraph followed by Saatchi and Saatchi, where he became joint chief executive. He then became chief executive of the Football Association and was subsequently appointed chief executive of the Royal Mail Group, where he oversaw an extensive programme of modernisation and change to enable the business to compete in the UK and international marketplaces. Since April 2010 he has been chief executive of ITV plc.

Current external commitments: Chief executive of ITV plc.



Mark Elliott
Non-executive director/Senior independent director

Re N

September 2006

Key strengths and experience: Extensive international board and executive experience having held a number of senior management positions at IBM, including leadership of IBM's operations in Europe, the Middle East and Africa with responsibility for operations in more than 110 countries. General Manager IBM Global Solutions; Managing Director of IBM Europe, Middle East and Africa; member of the board of IBAX, a hospital software company jointly owned by IBM and Baxter Healthcare; formerly chairman of Reed Elsevier's remuneration committee and chairman of the Dean's Advisory Council of the Kelly School of Business, Indiana University.

Current external commitments: Non-executive chairman of QinetiQ Group plc and chairman of Kodak Alaris Holdings Limited.

Grahame Gibson
Executive director

April 2005

Key strengths and experience: Extensive knowledge of the group and its predecessor companies in many different markets and in a number of executive functions. Joined Group 4 in 1983, starting as finance director (UK) followed by a number of senior roles, including deputy managing director (UK), vice president (corporate strategy), vice president (finance and administration), vice president operations (central and south eastern Europe and UK) and chief operating officer of Group 4 Falck A/S. He was the group's regional CEO for the Americas until November 2014 and was chief operating officer between 2005 and 2012. Will retire from the board at the conclusion of the 2015 AGM.

Current external commitments: Board member of the Ligue Internationale des Sociétés de Surveillance.

Winnie Kin Wah Fok
Non-executive director

C Re

October 2010

Key strengths and experience: International board and senior management experience with extensive knowledge of Asian markets and strong involvement in Scandinavia.

Takes a particular interest in the group's businesses in Asia.

An auditor by training, was involved in management positions in finance, audit and corporate advisory work and a wide range of roles in asset management firms investing with a focus in Asia. Senior partner of EQT and CEO of EQT Partners Asia Limited; managing director of CEF New Asia Partners Limited.

Current external commitments: Senior adviser to Wallenberg Foundations AB; non-executive director of Volvo Car Corporation; non-executive director of SEB AB, Kemira Oyj and HOPU Investments Co Ltd.

Himanshu Raja
Executive director/ Chief financial officer

Ri

October 2013

Key strengths and experience: Strong track record as a financial executive in global services businesses.

As well as having responsibility for all core finance functions including tax, audit, treasury and investor relations, Himanshu oversees the IT, procurement and Service Excellence Centres for G4S globally.

Prior to joining G4S, Himanshu was CFO at Misys, and from 2010 to 2012 he was CFO of Logica plc. Himanshu worked for more than 10 years at BT Group in a number of divisional finance director roles including Chief Financial Officer of BT Global Services, BT Design, BT Operate and BT Wholesale. His early career included finance and systems roles at Worldcom International, UUNET and MFS.

Himanshu is a qualified chartered accountant and holds an honours degree in law.

Current external commitments: None

Mark Seligman
Non-executive director/Deputy chairman

Re

January 2006

Key strengths and experience: Extensive financial and management experience having worked in the financial services sector, with a focus on investment banking. Takes particular interest in the financial performance of the company, including its financing and transactional activity. Qualified as a chartered accountant with Price Waterhouse. Senior roles at SG Warburg & Co Ltd and Barclays de Zoete Wedd; Head of UK Investment Banking at CSFB; Chairman of UK Investment Banking at Credit Suisse; member of the Credit Suisse Global Investment Banking Executive Board and senior adviser to Credit Suisse Europe. Will retire from the board at the conclusion of the 2015 AGM.

Current external commitments: Alternate member of the Panel on Takeovers and Mergers; member of the Regional Growth Fund Advisory Panel; non-executive director and audit committee chairman for BG Group plc; and senior independent director of Kingfisher plc.

Paul Spence
Non-executive director

A C Ri

January 2013

Key strengths and experience: In-depth knowledge of outsourcing in both the public and private sectors and extensive international experience in key developing countries such as India, China and Brazil. A graduate of the Wharton School at the University of Pennsylvania with a degree in economics and decision sciences; served a 30-year career with Capgemini and its predecessors. Having started in the US and become managing partner of mid-Atlantic information and technology for Ernst & Young, he went on to gain significant international experience for 16 years as managing partner of Ernst & Young Consulting Australia, CEO of Capgemini Ernst & Young in Asia and CEO Capgemini Ernst & Young UK. He then spent eight years serving on Capgemini's executive management committee during which time his roles included deputy group CEO and CEO of Capgemini Global Outsourcing Services.

Current external commitments: None

Clare Spottiswoode
Non-executive director

C Re

June 2010

Key strengths and experience: Considerable experience in the public sector, the energy markets and the financial services sector as well as setting up and managing her own businesses. A mathematician and economist by training, worked for the UK Treasury, director general of Ofgas, the UK gas regulator; policyholder advocate for Norwich Union's with-profits policyholders at Aviva and a member of the Independent Commission on Banking and the Future of Banking Commission.

Current external commitments: Chairman of Gas Strategies Group and Flow Group; non-executive director of Ilika plc, Enquest plc, Partnership Assurance Group plc, Seven Energy International Limited and BW Offshore Limited; and independent director of the Payments Council.

Tim Weller
Non-executive director

A Ri

April 2013

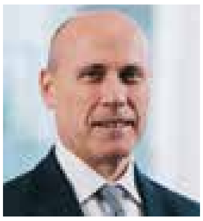
Key strengths and experience: Significant experience of the energy and utilities sectors and serving FTSE 250 CFO. An accountant by training, joined KPMG in 1985, rising to partnership in 1997 before joining Granada plc as director of financial control. Between 2002 and 2010, he gained significant further experience in the energy and utilities sectors holding CFO positions with Innogy (one of the UK's leading integrated energy companies at the time), RWE Thames Water (the world's third largest water and wastewater service company) and United Utilities Group PLC (a UK-based water and wastewater service company). He was Chief Financial Officer of Cable & Wireless Worldwide plc between 2010 and 2011.

Current external commitments: CFO of Petrofac Limited, the international oil and gas service provider and a non-executive director of the Carbon Trust.

Key to committee membership

- N Nomination
- Re Remuneration
- A Audit
- C CSR
- Ri Risk

Executive committee



Ashley Almanza
Executive director/ Chief executive

See page 52 for full biography

Our executive team
G4S is managed through a functional and regional structure.

Our structure enables us to deliver our strategic objectives, maintain a strong governance framework, develop integrated solutions, target key regional markets and build customer relationships.

Martin Alvarez
Regional president, Latin America & Caribbean

Martin joined G4S as Regional President, Latin America and Caribbean for G4S Americas in 2013.

Martin has extensive experience working in the region and a wealth of experience in strategic commercial and operational roles. Martin joined G4S from Dell, where he served eight years as executive director of multi-country Latin America (MCLA), responsible for 38 countries, more than US $1 billion in revenue and the Americas |Shared Service Centre with over 3,000 employees. Prior to Dell, Martin spent 10 years with DHL holding various management and leadership roles including vice president, DHL Mexico. and General Manager for several other countries in the region.

Martin has an MBA from IESE in Barcelona and a Bachelor's degree in International Trade and Finance from Louisiana State University.

Andy Baker
Regional president – Africa

Andy joined G4S as Regional President for G4S Africa in 2012.

Andy has wide ranging experience of managing and building sustainable businesses across Africa, with a strong emphasis on technology and logistics.

Andy joined G4S from Nashua Group, the second largest ICT business in South Africa, where he was Group Chief Executive Officer.

Prior to this, Andy spent four years as group chief operating officer of Altech, a JSE listed technology group with revenues of US $1.2bn and operations in 15 countries. Andy also spent 13 years at DHL as regional MD of Southern Africa and Turkey.

Andy holds an MBA from Cranfield University.

Mel Brooks
Group strategy & commercial director

Mel became group strategy and commercial director in July 2014, responsible for ensuring that the group has robust strategy and planning processes, a technology strategy and high quality sales operations and bidding resources across the organisation.

Mel's previous role within G4S was regional strategy director for the Asia Middle East region and CEO for G4S India where he lead the transformation of the businesses, focusing on key customer segments and improving customer service.

Prior to joining G4S, Mel held a number of senior line and functional roles in the defence and technology industry where he was responsible for service line and commercial strategies, technology development and leadership of a number of business unit turnaround programmes.

Irene Cowden
Group HR director

Irene has spent her career in HR management, specialising in employee relations, organisational development, talent management, employee engagement, compensation and health and safety matters.

She has been involved in major change projects including the cultural and integration aspects of mergers and acquisitions, as well as large scale organisational change involving workforce restructuring and working in partnership with major trade unions.

Irene has worked in the security industry for 37 years and has held director level positions at business unit, divisional and corporate level. She was appointed to the board of Securicor plc in 2002 as group HR director. She will retire from the group executive in June 2015.

Irene is a Fellow of the Chartered Institute of Personnel and Development (FCIPD).

John Kenning
Regional CEO for North America & technology

John joined G4S in November 2014 to lead the diverse range of services the North America businesses provide such as consulting, investigations, security, technology and youth services solutions across multiple private and public sectors.

John has a proven track record leading global organisations. Prior to joining G4S, John was executive vice president and president, commercial business for OfficeMax where he led the global, business-to-business (B2B) division. John was formerly president, North America commercial for ADT/Tyco Security Services, where he led the transformation of the business to a technology services leader and also led the separation of the residential and commercial security businesses in North America.

John is a board member for Miami University Advisory Athletic Board and past board member of the Make-a-Wish Foundation. John holds a bachelor's degree in business from Miami University.

Graham Levinsohn

Regional CEO – Europe

Graham became Regional CEO – Europe in November 2013. Graham has more than 20 years' experience in the security industry, having joined Securicor Cash Services in 1994 as general manager – marketing.

Since then, Graham has held a number of commercial and line management positions in both the cash and security lines of the business. Graham was responsible for the creation of the UK cash centres outsourcing business in 2001 as managing director, before moving on to become divisional managing director for G4S Cash Services UK, and then regional president – Nordics. He became group strategy and development director in 2008 and joined the executive committee in 2010.

Graham is a fellow of the Chartered Institute of Marketing and a director of COESS, ESTA and member of the Ligue Internationale des Sociétés de Surveillance.

Himanshu Raja

Group chief financial officer

See page 53 for full biography

Søren Lundsberg-Nielsen

Group general counsel

Søren began his career as a lawyer in Denmark and since 1984 he has had a wide range of legal experience as general counsel for international groups in Denmark, Belgium and the US before joining Group 4 Falck in 2001 as Group General Counsel.

Søren has been involved in a wide range of successful mergers and acquisitions during his career, including the acquisition of Wackenhut and the Group 4 Falck merger with Securicor.

Søren has overall responsibility for all internal and external legal services for G4S as well as the group's insurance programme.

Søren is a member of the Danish Bar and Law Society, a member of the advisory board of the Danish UK Chamber of Commerce and author of the book ***Executive Management Contracts***, published in Denmark.

Dan Ryan

Regional CEO – Asia Middle East

Dan joined G4S in August 2010, from global logistics and transportation company Neptune Orient Lines (NOL), where he was a member of the group executive team and held a number of senior management positions including regional president roles for Greater China, Middle East and Europe during his 20-year career there. In his last position with the group, Dan led the project to review, redesign and transform NOL's organisation across all its Americas divisions.

Dan is a charter member of the Middle East Logistics/Supply Chain Management Forum, Hong Kong Liner Shipping Association and the American Chamber of Commerce – Shanghai. He holds an MBA from the University of Notre Dame in Indiana and a B.S. Finance, from California State University, Sacramento.

Peter Neden

Regional president – UK & Ireland

Peter became Regional President of UK & Ireland in January 2015, following his appointment on an interim basis in May 2014. Peter was previously Regional managing director of G4S Outsourcing Services for the UK & Ireland region.

Previous roles included responsibility for the business development programme within G4S in the UK and Africa regions, as well as a number of senior positions in both the commercial and government businesses across the group.

Prior to the merger between Group 4 Falck and Securicor, Peter was Securicor's development director, having joined the company in 2001. Peter's early career included a number of sales, marketing and general management roles within Centrica.

Peter has a degree in economics from the University of Nottingham.

Debbie Walker

Group communications director

Debbie is group communications director, heading the corporate communications team which focuses on the group's key audiences – media, government, employees and customers. Debbie is also responsible for the group's CSR and human rights strategies.

Prior to the merger between Group 4 Falck and Securicor, Debbie held a number of senior marketing and communications roles within the Securicor group from 1993 to 2004.

Debbie is also vice chairman of the CBI South East Regional Council (the representative body for all CBI member companies based in the South East of England and the Thames Valley), having previously served as chairman for two years.

Our governance framework

The board leads the group's governance framework, setting broad strategic targets, monitoring progress, approving proposed actions and ensuring appropriate controls are in place and operating effectively.

Management decisions, development of strategies and policies and implementation of board decisions fall to the group executive committee.

Regional management teams have responsibility for businesses within their regions and are tasked with implementing policies and controls at business unit level, as well as ensuring they meet agreed financial and non-financial goals.

The presence of a majority of independent non-executive directors on the board ensures objectivity, challenge and debate. It is the primary responsibility of the board to provide effective leadership for the group and this is done by, amongst other things, ensuring that decision making is conducted throughout the group within a strong internal control framework – and by setting values and standards.

There is a detailed schedule of matters which are reserved to the decision of the board.

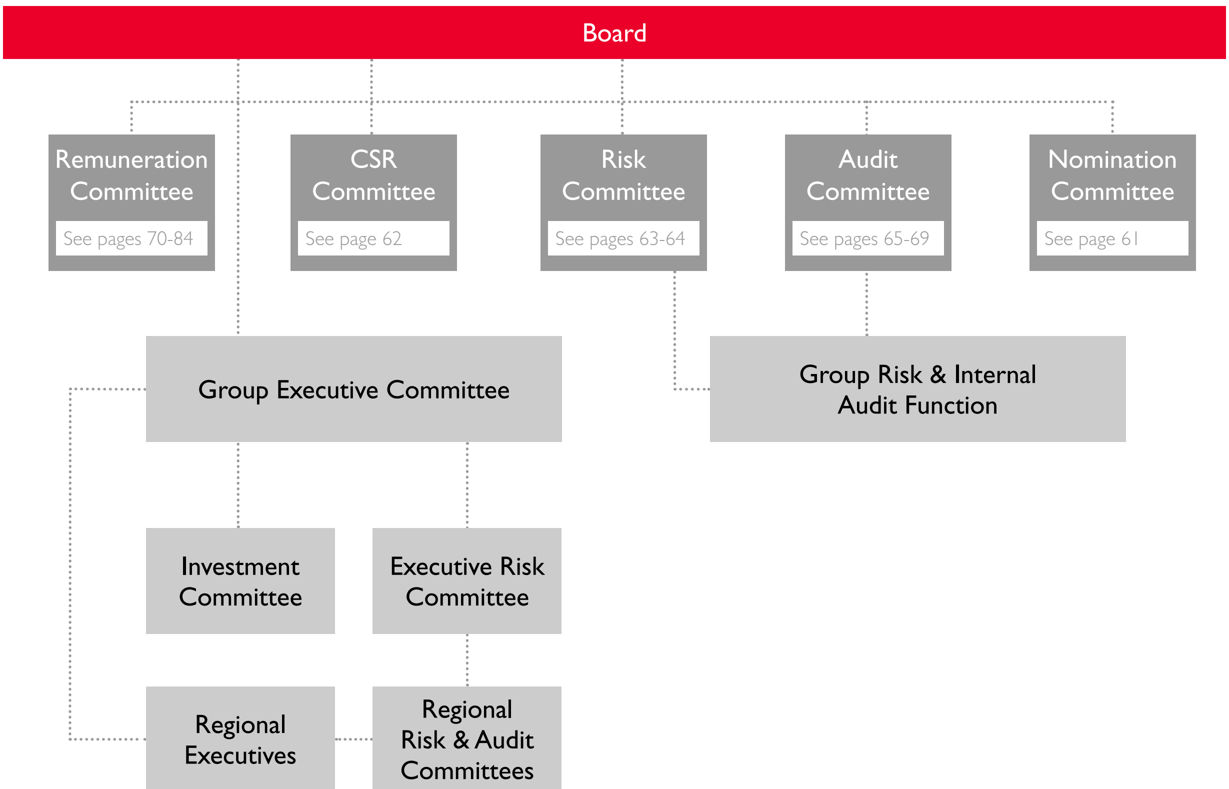
These matters fall under 12 categories:

- Strategy and management
- Structure and capital
- Financial reporting and controls
- Risk and internal controls
- Contracts
- Communication
- Board membership and other appointments
- Remuneration
- Delegation of authority
- Corporate governance matters
- Policies
- Other matters – such as settling material litigation, making major changes to the group's pension scheme rules and the appointment of group advisors

By way of example, board approval is required for: unbudgeted capital projects of more than £10m; entering into a sales contract where annual revenue is anticipated to be more than £50m; any changes to the group's capital structure; and the annual operating and capital expenditure budgets.

The board fulfils a number of its most important functions through its committees. The work of these committees is described below in this report. The terms of reference of each of the committees are available on the company's website at www.g4s.com.

Governance structure



Board balance

Board composition

As at the date of this report, the board comprises 11 members: the non-executive chairman (John Connolly), seven other non-executive directors and three executive directors. The board considers all the non-executive directors to be independent.

The names of the directors serving as at 31 December 2014 and their biographical details are set out on pages 52 and 53. All the directors served throughout the year. Grahame Gibson, one of the executive directors, and Mark Seligman, the non-executive deputy chairman, will retire from the board at the conclusion of the company's 2015 Annual General Meeting.

The Nomination Committee is engaged in a process to recruit a new non-executive director.

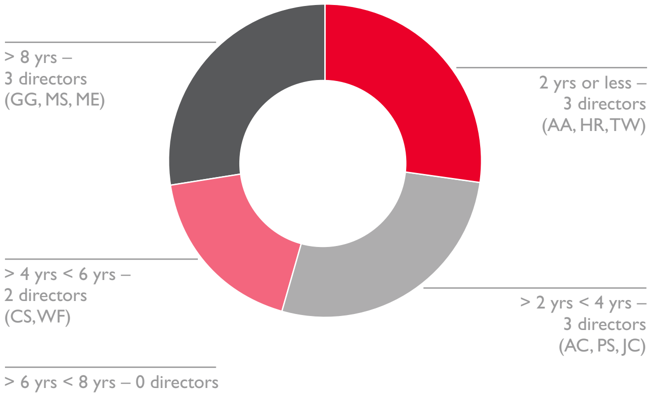
Induction, information and professional development

A tailored induction is provided to new directors joining the board. In the case of non-executive directors, this includes spending time with the executive directors and other senior executives to understand the business, its structure and people, as well as the company's strategy and financial performance. Induction also provides details of the group's governance policies and structure and risk management framework.

To build on the induction programme, directors receive further briefings both to help in their own development and also to enhance their awareness of the different elements of the business. Briefings are provided to all board members on legal, governance, compliance and reporting developments and to those members of board committees on matters which are relevant to their work on the committees in question.

In addition, non-executive directors are encouraged to learn about the group's business and to meet employees and management through site visits, attendance at group and regional conferences. In 2014, non-executive directors visited a cash centre, an adult prison and a youth training centre operated by the group and attended part of the group management conference.

Board tenure



Board performance review

In 2014, Lintstock Limited conducted a performance review for the board. The review involved detailed self-assessment questionnaires being completed by board members and regular board committee attendees, as well as individual interviews with each director and the company secretary. The resulting report was considered by the board when it reviewed its own performance and informed its planning for the board's priorities in 2015. Lintstock also reviewed the performance of each of the board committees, which in turn considered the resulting reports when reviewing their performance.

As part of its review process, Lintstock also reported on the performance of each of the directors and separately on that of the chairman. The individual director reviews were used as the basis for the chairman's individual discussion with each of the directors about their performance and any training and development needs. The report on the chairman was used to inform the discussion about the chairman which was conducted by the senior independent director without the chairman being present.

Lintstock has no connection with the company other than evaluating the board and its committees' performance.

Board balance

Non-Executive directors 8	John Connolly, Adam Crozier, Mark Elliott, Winnie Fok, Mark Seligman, Paul Spence, Clare Spottiswoode, Tim Weller
Executive directors 3	Ashley Almanza, Grahame Gibson, Himanshu Raja

2015 primary board objectives

Following consideration of Lintstock's report on the board's performance, and after consideration of priorities chosen by the board and the strategy adopted by the company, the board has agreed a set of primary objectives for its work in 2015, which will include:

- Reviewing progress on strategy execution and a range of business improvement programmes approved by the board
- Monitoring the performance of the wider leadership team
- Addressing the new requirements of the UK Corporate Governance Code
- Increasing focus on people in terms of succession planning for the senior executives, employee satisfaction and management development
- Maintaining emphasis on risk management
- Gaining greater understanding of markets and competitors

Director re-election
The company's articles of association require that all continuing directors are subject to election by shareholders at the next Annual General Meeting following their appointment and that they submit themselves for re-election at least every three years and that at least one-third of the directors not standing for election for the first time stand for re-election at each annual general meeting. However, in accordance with the UK Corporate Governance Code provision on re-election of directors, all the continuing directors stand for re-election every year.

Conflicts authorisation
Each of the directors has disclosed to the board any situations which apply to them as a result of which they have or may have an interest which conflicts or may conflict with the interests of the company. In accordance with the company's articles of association, the board has authorised such matters. The affected directors did not vote when their own interests were considered. Where the board deemed it appropriate, such authorisation was given subject to certain conditions. The board reviews such matters on a regular basis.

Diversity
With operations in over 110 countries, the group operates in very diverse communities and its workforce reflects that diversity in terms of its mix of gender, age, race, religion, nationality, language, background and experience. The board recognises that the group benefits greatly from this diversity and needs to continue to promote it in order to help create an organisation which attracts, supports and promotes the broadest range of talent. This allows individuals to reach their full potential and the group to provide the best service to its customers. Diversity is a consideration that forms part of any new recruitment for, and appointment to, the board. Although appointments will always be made on merit, the Nomination Committee and the board recognise that the board performs better when its members are from varying backgrounds and possess different experiences and perspectives. Diversity will therefore continue to be a key consideration when contemplating the composition and refreshing of the board and senior management, although the board has no specific targets in relation to diversity including gender.

Relations with shareholders
The company actively seeks to engage with shareholders and during 2014, senior management had contact via one-on-one meetings, group meetings and telephone conference calls with shareholders representing over 80% of the share register across over 150 institutions.

In November, the chief executive and chief financial officer provided a capital markets update via a webcast, which is available on the company's website. Additional meetings are held after the preliminary and half-year results are announced.

The chairman met with major shareholders as part of a general governance road show. The chair of the CSR Committee, Clare Spottiswoode, and relevant senior executives met with a group of socially responsible investors in June 2014, updating them on the group's corporate responsibility programme. Tim Weller, in his capacity as chair of the Audit Committee, consulted major shareholders regarding the external audit tender. As chair of the Remuneration Committee, Mark Elliott engaged with a number of shareholders and their representatives on remuneration issues.

It is intended that all the directors will attend and be available to answer questions at the company's Annual General Meeting which is an important opportunity for communication between the board and shareholders, particularly private shareholders. At the Annual General Meeting, the meeting is informed of the number of proxy votes cast and the same information is published subsequently on the company's website.

Board meetings and information flow

Seven board meetings were held during the year ended 31 December 2014. One of these meetings was an extended two-day board and strategy session at which, in addition to normal board business, the board and executive committee met and reviewed the group strategy by region and by business line, as well as considering succession planning, risk appetite, the technology used by the group and the financial basis of the strategy.

Prior to each board meeting, comprehensive papers are circulated to the directors addressing not only the regular agenda items on which the executives will report, but also details of any matters requiring approval or decisions, such as significant transactions or events or important market issues.

At each meeting the board receives reports from the chairman, the chief executive, the chief financial officer and the company secretary, an HR and health and safety report and an investor relations report, which includes summaries of analysts' reviews and any comments received from major shareholders since the previous board meeting. The board receives regular in-depth presentations from regional management and from the management of business units and the board makes visits to business sites from time to time. After meetings of the board committees, the respective chairmen report to the board on the matters considered by each committee.

Regular board dinners are held prior to board meetings which provide an opportunity for the directors to discuss topics in an informal environment outside the more formal setting of the board meeting.

After each board meeting the chairman holds meetings with the non-executive directors without the executives being present.

There are seven board meetings scheduled for the current year, including a two-day board and strategy meeting.

Meeting attendance in 2014

	Board scheduled
Executive directors	
Ashley Almanza (CEO)	7/7
Himanshu Raja (CFO)	7/7
Grahame Gibson	6/7
Non-executive directors	
John Connolly (chairman)	7/7
Mark Seligman (deputy chairman)	7/7
Mark Elliott (senior independent director)	7/7
Clare Spottiswoode	7/7
Winnie Fok	7/7
Paul Spence	7/7
Adam Crozier	6/7
Tim Weller	6/7

Fair, balanced and understandable assessment

In relation to compliance with the Code, the board has given consideration to whether the annual report and accounts, taken as a whole, is fair, balanced and understandable. The preparation of the annual report and accounts is coordinated by the finance, investor relations and company secretariat teams with group-wide support and input from other areas of the business. Comprehensive reviews were undertaken at regular intervals throughout the process by senior management and other contributing personnel within the group. The statement required to be given by the directors by Code provision C.1.1 can be found on page 88.

Risk management and internal control

The directors acknowledge their responsibility for the group's system of risk management and internal control and for reviewing its effectiveness each year. The system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The group's key risks are summarised in the principal risks section on pages 44 to 50.

The key features of the group's risk management process, which was in place throughout the year under review, are:

- Senior executives in each business unit and region use a common risk management framework* to provide a profile of those risks which may have an impact on the achievement of their business objectives.
- Each significant risk is documented in the group's risk management system, showing an overview of the risk, its owner, how the risk is managed, and any improvement actions. Risk appetite/tolerance is considered in the context of the residual (after controls and mitigation) risk with a particular focus on "High" net risks. To be categorised as "High" a risk must meet at least one of the following criteria:
  – major impact on the achievement of the business strategy;
  – serious damage to business reputation;
  – severe business disruption;
  – impact of > 5% on operating profit or assets.
- The risk profiles ensure that internal audit reviews of the adequacy, application and effectiveness of risk management and internal controls are targeted on the key risks.
- Risk management committees have been established at regional and group level.
- Risk and control self-evaluation exercises are undertaken for each operating company, for most companies at least twice a year, and updated risk profiles are prepared. Similar exercises are undertaken as part of the integration process for all major acquisitions. The results of the company risk evaluations are assessed by the regional risk management committees*
- Both the regional committees and the group executive risk committee receive internal audit reports and regular reports on risks. They monitor the actions taken to manage risks.

The process is carried out under the overall supervision of the group executive risk committee, which comprises the group chief financial officer, the group general counsel, the group communications director, the group human resources director, the group director risk and audit and the group head of risk. The group executive risk committee reports to the group executive and to the Risk Committee of the board. The process outlined above is reviewed regularly by the board through its Risk Committee to ensure its robustness and suitability to meet the group's needs.

During 2015 the risk management improvement plan will focus on:

- embedding the risk management approach into businesses across the group;
- enhancing the quality of information being provided by businesses;
- managing the group's residual risk exposure;
- progress on implementation of mitigation action plans;
- new and emerging risks;
- rolling-out enhanced contract approval and contract review processes for large contracts piloted in the UK region across the rest of group.

Further information about the Risk Committee, its remit, work during 2014 and its plans for 2015 can be found on pages 63-64.

The internal control system includes clearly defined reporting lines and authorisation procedures, a comprehensive budgeting and monthly reporting system, and written policies and procedures.

In addition to a wide range of internal audit reports, senior management also receive assurance from other sources including security inspections, third party reviews, company financial control reviews, external audit reports, summaries of whistleblowing activity, fraud reports and risk and control self-evaluations.

The group has in place robust internal control and risk management systems for financial reporting. The group has a single global consolidation system which is used for both internal management reporting, budgeting and planning as well as external reporting. The group has a comprehensive budgeting process with the budget being approved by the board. Forecasts for the year are reported quarterly. Actual results at business unit, region and group level are reported monthly and variances are reviewed. A programme of business internal financial reviews is performed by a finance team from either region or group to check the accuracy of financial reporting and compliance with the group finance manual.

The Audit Committee undertakes a high-level review of risk management and internal control each year. As well as the above processes and sources of assurance, the Audit Committee also considers the following year end reporting in conducting this review:

- Summary of internal audit work including update on all open audits with a deficient rating, analysis of results by region, common audit findings and areas identified for improvement in internal controls
- Summary of internal financial reviews including significant accounting or financial control issues and common concerns identified
- Overview of year-end financial control status reports completed by all businesses confirming adherence to group standards with any exceptions reported
- A broad overview of the general risk management and internal control systems in place during the year.
- Review of risk management processes and of the group's principal residual risks by the Risk Committee of the board
- External audit year end reporting on financial controls and accounting.

Further information about the Audit Committee, its remit, work during 2014 and its plans for 2015 can be found on page 65-69.

The Audit Committee has confirmed that it is satisfied that the group's risk management and internal control processes and procedures are appropriate. The board has reviewed the group's risk management and internal control system for the year to 31 December 2014 by considering reports from the Audit Committee and the Risk Committee and has taken account of events since 31 December 2014.

* G4S Government Solutions, Inc. ("GSI") which was disposed of in November 2014 was governed through a proxy agreement under which the group was excluded from access to operational information, therefore GSI was not subject to the same risk management process as is applied to other group companies. The board had however satisfied itself as to the adequacy of the internal control processes adopted by GSI which included a risk review by an external advisor.

Compliance with the UK Corporate Governance Code

The board's statement on the company's corporate governance performance is based on the September 2012 edition of the UK Corporate Governance Code, which is available on the Financial Reporting Council's website (https://www.frc.org.uk).

The Listing Rules require companies to disclose whether or not they have complied with all relevant provisions in the Code and to report how the main principles in the Code have been applied by the company. The Code recognises that alternatives to following its provisions may be justified in particular circumstances if good governance can be achieved by other means, provided the reasons are explained clearly and carefully. In such cases companies must also illustrate how their actual practices are consistent with the principle in question and contribute to good governance.

The company complied throughout the year under review with the provisions of the Code. The Corporate governance report, together with the Audit committee report and the Directors' remuneration report, describe how the board has applied these provisions.

The Nomination Committee

"There have been no changes to the composition of the board or its committees during 2014. Nevertheless the committee has been active to ensure that the membership of the board is appropriate and, where necessary, refreshed. Both Grahame Gibson and Mark Seligman will leave the board in 2015 and this has meant that the future composition of the board and its committees have been given careful consideration."

John Connolly
Nomination Committee Chairman

Committee membership and attendance	Meetings attended
John Connolly (chairman)	3 of 3
Adam Crozier	3 of 3
Mark Elliott	3 of 3

Responsibilities

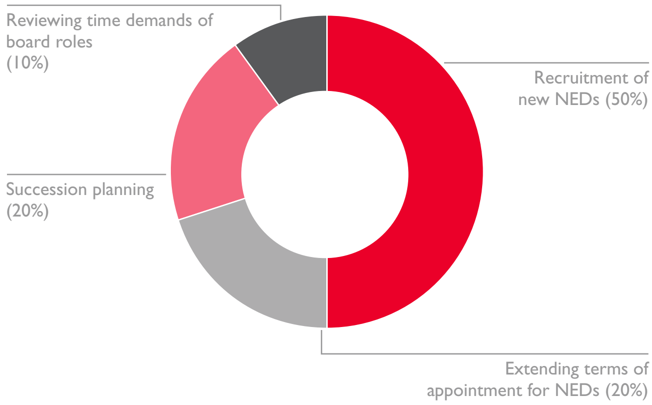
The Nomination Committee is responsible for making recommendations to the board on appointments and on maintaining a balance of skills and experience on the board and its committees. Succession planning for the board is a matter which is devolved primarily to the Nomination Committee, although the committee's deliberations are reported to and debated by the full board. The board itself also reviews more general succession planning for the senior management of the group.

The committee's terms of reference are available at w.w.w.g4s.com/investors.

Succession planning

The entire board has considered succession planning for the senior management of the group in some detail during 2014 and, in addition, the Nomination Committee gave further consideration to the succession plans for the most senior board roles.

Main activities of the Nomination Committee during the year (%)



Refreshing the board

After the changes to the board and the board committees made in 2013, it was felt that no changes were required during 2014, but the chairmanship of the Audit Committee passed to Tim Weller following the AGM. Mark Seligman will retire from the board in 2015 and stood down from the Audit Committee at the end of 2014. The Nomination Committee has therefore begun a process to seek a new non-executive director. The specification for the ideal candidate was drawn up after discussion by the full board and the Nomination Committee is being assisted by the external executive search consultant, the Zygos Partnership. Zygos has no other connection with the company other than as provider of recruitment consultancy services to the Nomination Committee.

Grahame Gibson will also stand down from the board in 2015, but the board and the Nomination Committee have agreed not to seek a replacement executive director at this time.

A number of the serving non-executive directors' terms of appointment expired during 2014 and the committee recommended to the board that such appointments be extended after consideration of the directors' independence, commitment to the role, their other commitments and the experience and qualities they bring to the board. When the directors concerned were also members of the Nomination Committee, they did not participate in the committee's deliberations.

Diversity

The board's approach to diversity is set out on page 58.

Committee performance

The performance of the Nomination Committee was reviewed as part of the exercise undertaken by Lintstock to assess the performance of the board and each of its committees. Whilst the Nomination Committee's performance was determined to have been satisfactory, the review did identify additional issues which it could consider. The committee has already begun to address those issues.

Priorities for 2015

The committee's primary specific focus in 2015 will be the recruitment of a new non-executive director. In more general terms though, it will continue to monitor carefully the need to refresh the membership of the board and each of its committees and to ensure that membership has an appropriate range of talents and experience to fulfil their duties and to meet the needs of the group and its strategy over the medium and longer term. It will also ensure that succession planning is given appropriate prioritisation.

The CSR Committee

"We are aware that both the inherent nature of the group's activity and the numerous and often complex and challenging environments in which it operates has a potential impact on societies. Our task is to ensure that such impact is a positive one. The work of the committee focuses on health and safety, business ethics and anti-bribery and corruption and human rights to ensure it is closely aligned to the group's values. Good progress was made in health and safety during the year with the safety rules campaign which took place across the group and road traffic awareness material made available to all businesses. However, too many of our colleagues still lose their lives to work-related incidents, therefore health and safety remains a priority in 2015."

Clare Spottiswoode
CSR Committee Chair

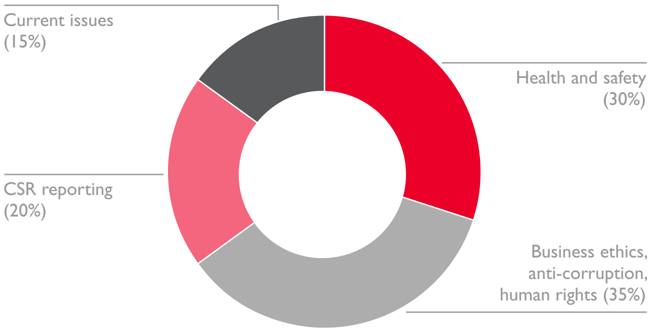
Committee membership and attendance	Meetings attended
Clare Spottiswoode (chair)	3 of 3
Winnie Kin Wah Fok	3 of 3
Paul Spence	3 of 3

Other regular attendees include Grahame Gibson, one of the executive directors of the board, the group communications director and the group human resources director. When Grahame Gibson steps down later in the year, Peter Neden, Regional President for the UK and Ireland region and a member of the group executive committee will succeed him as the regular executive attendee at CSR Committee meetings. Peter has already attended one meeting in 2015.

Responsibilities

The CSR Committee reviews and monitors the group's CSR strategy, which includes developing policies on various CSR-related matters for consideration by the board and reviewing the activities of the executives who have responsibility for CSR matters. The CSR Committee also reviews and monitors how the group performs against relevant policies. The committee oversees reporting on CSR matters and the company's separate CSR Report for 2014, which provides more detail on the group's CSR strategy and progress made during the year, is available at www.g4s.com. Further details of the committee's responsibilities can be found in the committee's terms of reference which are available at www.g4s.com/investors

Main activities of the CSR Committee during the year (%)



As part of the CSR Committee's focus on health and safety during the year, the committee oversaw a number of initiatives such as the roll-out of health and safety training to the senior management community and the Safety First campaign aimed at embedding 10 fundamental rules of safety in all businesses. As part of its normal cycle of work, the committee received six critical country reviews (CCRs) during the year. CCRs provide important information to senior management and the committee and are an important tool to support those businesses where fatalities have occurred in assessing their health and safety management, raising awareness and sharing good practices. The committee also reviewed the process for and policy on serious incident reporting and investigation.

As part of the annual review of the group's Business Ethics Policy, the document which defines what the group considers are acceptable and unacceptable business practices, the committee reviewed and commented on proposed changes. In addition, the committee oversaw the review of the whistleblowing policy and practices in place across the group, which resulted in a number of changes being made to better align it with the principles of the "Whistleblowing Commission's" code of practice in the UK. This review also led to the selection of a new global whistleblowing hotline system, which will be implemented during 2015. A new case management tool which will enable the capture of information on whistleblowing cases across the group and the analysis of trends and issues raised in a more systematic way is also due to be implemented.

The CSR Committee receives regular updates on current issues and allegations from the group's internal audit, human resources and CSR teams.

Committee performance

The assessment of the committee's performance concluded that it performed well in monitoring compliance with CSR policies and reviewing the integration of CSR processes within the group's broader risk management regime. The committee's targeted approach focusing on a small set of issues was found to be effective.

Priorities for 2015

Priorities for 2015 are to drive continued improvements in health and safety and to monitor and review the implementation of enhanced whistleblowing systems and case management tools across the group.

The Risk Committee

"In 2013, recognising that risk oversight and risk governance are vital to the continued growth and profitability of the group, the board constituted a separate Risk Committee. The Risk Committee was tasked with providing robust oversight of the management of risk within the group. We have made considerable progress in this respect. During the past year, changes to the governance structures and processes were implemented. These are now well embedded in the business and are supported by a new risk management information system. In 2015 we will focus on ensuring that the business gets the maximum value from the investments made in 2014 by focusing on the quality of risk assessments and on making measurable progress on planned mitigation actions at all levels of the business."

John Connolly
Risk Committee Chairman

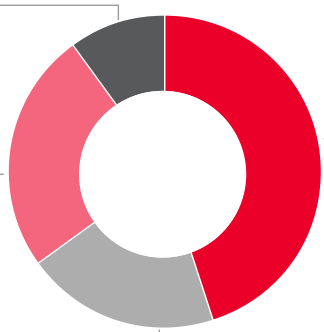
Committee membership and attendance	Meetings attended
John Connolly (chairman)	3 of 3
Ashley Almanza	3 of 3
Himanshu Raja	3 of 3
Paul Spence	3 of 3
Tim Weller	2 of 3

Other regular attendees include the group general counsel, and the group director of risk and audit.

Responsibilities

The Risk Committee advises the board on the group's overall risk appetite, develops the group's risk management strategy, advises the Audit Committee and the board on risk exposures and reviews the level of risk within the group and assesses the effectiveness of the group's internal control and risk management systems. The committee's composition ensures that a broad-ranging set of skills and experience come together to look at how the group manages risk in the business. The Risk Committee will consider all significant risks to the group, not only financial risks. Further details can be found in the committee's terms of reference available at www.g4s.com/investors.

Main activities of the Risk Committee during the year (%)



In 2014, a significant amount of the Risk Committee's time was allocated to risk governance. The committee reviewed and approved the revised group risk framework developed in response to the report commissioned from Deloitte during 2013. In doing so, the committee sought to ensure that the proposed changes would reinforce the group by providing a sound risk management and internal controls system to identify the risks facing the group as a whole, assess their likelihood and impact, develop robust mitigation plans and define clear control processes. Throughout the year, the committee received regular reports on the progress of its implementation.

The committee also defined the company's risk appetite and developed a more precise and formal group risk appetite statement which was subsequently approved by the board.

The principal residual risks to the group's 2014 business plan were reviewed and approved and reports from the group risk function on implementation by management of mitigation actions to address them were also received. The committee noted that the progress in reducing residual risk levels over the year across the group was variable. In some cases, this was due to changes external to G4S such as an increase in terrorism threats, political instability and civil unrest in certain regions, while in others the level of investment and timescales required to drive improvement in specific areas needed to be recognised. For example, although there was significant progress in the approach to health and safety across the group during 2014, more time is needed to ensure new practices become fully embedded in all businesses and translate into a significant reduction in the risk of injuries.

The committee tasked management with ensuring that the right balance is struck between the level of residual risk and the allocation of the group's resources to opportunities for improvement. Further details of the principal risks and uncertainties facing the business are set out on pages 44 to 50.

Contract risk management was another key area of focus for the committee which oversaw the inception and implementation in the UK of new review processes for new and ongoing contracts. With regard to new contracts, the group risk function was tasked with reviewing and improving contracts "onboarding" processes to ensure that, in addition to financial assessment criteria, other criteria focusing on the ability to win and deliver the opportunity were also considered. These changes to the group's contract risk management were implemented in the UK during the year and implementation across the rest of the group is planned during 2015.

The committee will receive regular reports on its implementation and key themes identified through these contract reviews are to be reported regularly to the committee.

The committee also conducted a review of two large high-risk and complex on-going contracts in the UK and a sub-committee considered a major contract bid, the risks associated with it and proposed mitigation plans.

Committee performance

The assessment of the committee's performance showed that the composition of the committee and the chairman's leadership were highly rated. It was also reported that the committee was effective in providing oversight of the controls in place over significant risks.

Priorities for 2015

Areas of focus for 2015 will include reviewing progress on embedding a risk management approach into businesses across the group with a view to increasing the quality of information being reported, reviewing the group's residual risk exposure and progress of mitigation action plans, as well as reviewing new and emerging risks.

The Audit Committee

"As announced in last year's report, I succeeded Mark Seligman as chairman of the Audit Committee after the AGM in June 2014. Mark remained a member of the committee until the end of the year and I am very grateful for his support during this time. During the year, the group made significant progress in strengthening the organisation in terms of finance, internal audit and risk management. The Audit Committee's work focused on the group's system of internal controls, the quality of our group financial reporting and the effectiveness of the external and internal audit processes. We also conducted a tender for the role of the group's external auditor. This has resulted in the proposal to shareholders at the 2015 AGM to confirm the appointment of PricewaterhouseCoopers LLP as group auditor."

Tim Weller
Audit Committee Chairman

Committee membership and attendance	Meetings attended	
	Scheduled	Unscheduled
Tim Weller (chairman)[1]	4 of 4	2 of 2
Mark Seligman[2]	4 of 4	2 of 2
Adam Crozier	4 of 4	2 of 2
Paul Spence	4 of 4	2 of 2

1. Tim Weller became chairman after the AGM in June 2014.
2. Mark Seligman stood down as chairman after the AGM in June 2014 and as a member on 31 December 2014.

The committee members were selected for their range of commercial and financial expertise, necessary to fulfil the committee's responsibilities. Each member of the Audit Committee brings significant and relevant experience gained at senior management level. Their skills and experience are set out on pages 52 and 53. The Audit Committee's chairman Mr Weller is, and Mr Seligman was, considered by the board to be members of the Audit Committee with recent and relevant financial experience.

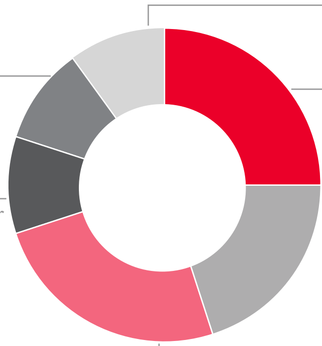
Audit Committee meetings are attended by the chief financial officer, the group financial controller, the head of group internal audit, the company secretary, the group director of risk and audit and representatives of the group's external auditor. The chairman of the board and the chief executive also attend meetings from time to time in agreement with the chairman of the committee.

After each meeting, the chairman of the committee reports to the board on the matters which have been discussed.

Responsibilities

The committee makes sure there is effective governance of the group's financial reporting and internal controls to ensure the integrity of its financial statements and adequacy of related disclosures. The committee also has oversight of the performance of both the internal audit function and the external auditor. Further details can be found in the committee's terms of reference available at www.g4s.com/investors.

Main activities of the Audit Committee during the year (%)



The committee has an annual agenda which includes standing items that the committee considers regularly, as well as specific matters that require the committee's attention.

Governance

Significant issues considered by the Audit Committee

The primary issues considered by the committee in the 2014 financial statements, and how these were addressed, were:

Significant issue considered	Mitigation/Action
Revenue recognition on UK Government and other contract-related provisions	
The group delivers outsourcing services that can be complex in nature. There is a risk that billing and revenue recognition on these contracts is not in accordance with contractual entitlements or that contracts are forecast to be loss making over the remaining life of the contracts and therefore provisions may be required. The identification of potential loss making contracts, and measurement of any related provision requires judgement to be exercised and there is a risk that provisions are not estimated appropriately. This was a prime area of focus for the Audit Committee and external audit.	During the year, management enhanced the processes and controls for contract reviews and now reviews on a quarterly basis the top 25 contracts for each region, as well as those contracts with low profitability. In addition, a new process of 360 degree contract review on the largest and most complex contracts was introduced, covering financial, legal, reputational and operational risk criteria. These reviews are attended by at least one member of the group executive committee. Each quarter, the Audit Committee receives a report summarising the results of these reviews and the contract judgements made. The committee was satisfied that the judgements made by management were balanced and the recommended provisions were appropriate.
Goodwill impairment testing	
The total value of the group's goodwill and other intangible assets as at 31 December 2014 was £2.1bn and relates to a significant number of historic acquisitions. The estimation of the recoverable amount of goodwill supported by the group's cash generating units requires significant judgement, primarily in relation to the achievability of long-term business plans and macroeconomic assumptions and related modelling assumptions underlying the valuation process. During the year there have been some changes in material contracts that required further focus on the review of future projections. Consequently this continued to be a significant area of focus for the committee, and a prime area of external audit focus.	The committee addressed these matters through receiving reports from management outlining the basis for the assumptions used in relation to terminal growth, resulting headroom and sensitivities applied by management and alternative valuation bases such as reference to transactions for similar assets. The committee was satisfied with the carrying value of goodwill.
Taxation	
The group operates in many tax jurisdictions, including countries where tax legislation is not always applied consistently and under certain complex contractual circumstances where the responsibility for tax arising is not always clear.	The committee asked the external auditor to ensure that taxation constituted an important area of focus during the external audit and to report on key tax issues identified during the audit process. The committee also asked management to pay particular attention to the review of the level of estimation of tax provisions and contingencies in the financial statements. The committee was satisfied with the report from the external auditor and that the provisions in the financial statements are adequate.
Risk of management override of internal controls	
The group operates in a large number of diverse locations with a significant number of local financial systems and processes which could potentially lead to management override of internal controls. During the year, the group has continued to make significant investment in strengthening capability in finance, internal audit and risk, and introduced stronger internal controls and group oversight to mitigate these risks. These include monthly reviews of the quality of earnings, a comprehensive internal audit plan and a regular cycle of reviews of local business units or country balance sheets and controls.	The committee reviewed the overall control environment of the group, and monitored progress against the approved group internal audit plan for the year, the different financial control and balance sheet review processes and the output of the whistleblowing process. In addition, the committee received regular updates on the implementation of risk and audit committees in each of the regions, the consistent application of the different financial control processes across the group, and the half year review of financial statements by the external auditor. The committee also examined significant accounting estimates and judgements and the supporting documentation for evidence of fraud or bias that may represent a risk of material misstatement. The committee satisfied itself that the risk of material misstatement resulting from management override of internal controls was not significant.
Presentation of the income statement	
In order to give better understanding of the underlying performance of the business, the underlying results of the group are presented with separate disclosure of restructuring changes and specific items.	The committee discussed the rationale for this presentation with management and with the external auditor and concluded that separate presentation of the restructuring charges and other specific items provides users of the group's financial statements with added clarity and transparency and therefore facilitates a clearer assessment of the group's performance over time. Management confirmed to the committee that appropriate accounting policies, guidance and controls had been exercised over the treatment of restructuring items and other specific items, allowing the committee to be satisfied that the presentation and disclosures were fair, balanced and reasonable.
Going concern and liquidity risk	
The group has net debt of £1,578 million and the board has set a goal of net debt to EBITDA of <2.5 times over the medium term.	The committee reviewed the group's forecasts of cash flow and net debt, taking into account reasonably possible risk sensitivities; as well as the financing facilities available to the group; noting the group had renewed its revolving credit finance facility for up to a further seven years. The committee also reviewed compliance with covenants and the availability of headroom in relation to those covenants. The committee was satisfied that the group adopt the going concern basis of accounting in the financial statements and recommended the same to the board.

Internal control

The group has in place robust systems of internal control and risk management for financial reporting. Their main features include clearly defined reporting lines and authorisation procedures, a comprehensive budgeting and monthly reporting system, written policies and procedures and the use of a single global consolidation system for both internal management reporting, budgeting and planning as well as external reporting. The group budget is approved by the board. A regular update is provided by the group CFO on the outlook. Actual results at business unit, region and group level are reported monthly and variances reviewed. A programme of business internal financial reviews (IFRs) is performed by a finance team from either region or group to check the accuracy of financial reporting and compliance with the group finance manual.

The system is designed to ensure the integrity of financial reporting and the committee's responsibility is to ensure these internal controls remain effective. The committee does this primarily through reviewing the process followed by management to review the group's control environment such as IFRs.

The committee also receives quarterly reports from group internal audit, summarising the results of internal audits carried out. Open audits with a deficient rating, as well as common audit findings and areas identified for improvement, any instances of alleged fraud, in particular allegations of fraud involving employees in roles with responsibility over internal controls, are also included.

In addition, during 2014, the group introduced regional risk and audit committees in each of the regions formed by regional management, group management and internal and external auditors. They bring together a formal review of risk management for each region, internal and external audit issues arising and any significant judgements in the financial statements. The Audit Committee reviews the issues arising from these regional risk and audit committees. The Audit Committee has confirmed to the board that it is satisfied that the group's risk management and internal control processes and procedures are appropriate.

Internal audit review

The Institute of Internal Auditors suggests that internal audit functions are subject to an external assessment at least every five years. In May 2013, the Audit Committee commissioned an independent review of the group's internal audit function by Deloitte.

Deloitte reported in November 2013 and found that the existing internal audit function was organised and diligent and made some suggestions for improvement in certain areas. The committee adopted Deloitte's recommendations aimed at strengthening the internal audit function and placing more emphasis on auditing the "third line of defence" activities. Resources available to the internal audit function were increased significantly.

A follow-up report from Deloitte was commissioned to assess the progress made by the group internal audit function. The report, submitted to the committee in August 2014, concluded that, although good progress had been made, certain areas required further work. Several initiatives, such as increasing collaboration between the risk and group internal audit functions, developing a risk-based internal audit plan, as well as changes to the reporting and communication on a quarterly basis of summary audit findings to the regional risk and audit committees, had resulted in clear improvements. The need to ensure the efficient coordination of initiatives from internal audit, the finance team and the risk function was identified and addressed through the creation of a working group.

In October 2014, the group director, risk and programme assurance was appointed to the combined role of group director of risk and audit. The group internal audit team was reinforced significantly, both through increasing the size of the team and also its expertise through the addition of a number of specialists in the areas of contracts and IT.

Each year, the committee reviews and approves the internal audit plan. The 2015 plan is more risk based than its predecessors and covers 55% of the group's businesses and 83% of the group's revenue. Reports from internal audit are reviewed at each committee meeting and the committee monitors senior management's responsiveness to issues raised in these reports.

External auditor

The committee considers the reappointment of the external auditor, including the rotation of the audit partner, each year and assesses its independence on an ongoing basis. The external auditor is required to rotate the audit partner responsible for the group audit every five years. The current external auditor, KPMG Audit Plc was first appointed in 2005 and the current lead audit partner has been in place since June 2014. KPMG undertook the audit of the group's consolidated accounts for the year ending 31 December 2014, having been reappointed at the company's 2014 AGM.

Last year, the company indicated that it planned to put the external audit engagement for the 2015 financial year out to tender and the associated tender process is outlined on page 68. The 'Big Four' audit firms were invited to take part in the tender. After discussion with the committee, the company and KPMG mutually agreed that KPMG would not participate in the tender, noting the longevity of their appointment. Responses to the audit tender were assessed using detailed evaluation criteria which incorporated key aspects of the Financial Reporting Council's audit quality framework, including organisation, capability and service delivery, audit quality, audit approach, and team capability and fit. Having concluded the process at the end of September 2014, the committee recommended to the board that PricewaterhouseCoopers LLP (PwC) be appointed as the group's external auditor for the 2015 financial year. A resolution to this effect will be put to the shareholders at the company's AGM on 4 June 2015.

Subject to shareholders' approval, PwC will take over the audit engagement contract for the year ending 31 December 2015. There are no contractual obligations restricting the company's choice of external auditor.

A tri-partite transition plan setting out the agreed principles, framework and timeline to ensure the efficient and effective transfer of the external audit arrangement from the incumbent to PwC has been prepared.

Audit tender process

In April 2014, having considered proposed changes to the UK Corporate Governance Code and the recommendations of the Financial Reporting Council, the company announced its intention to put the external audit engagement for the 2015 financial year out to tender. The process the company followed is outlined below.

RFP development	A request for proposal document was developed following consultation between the chairman of the Audit Committee and the chief financial officer and distributed to the four largest ('Big Four') audit firms in May 2014.
Expressions of interest received	Having received the request for proposal document, each of the participant audit firms completed a confidentiality undertaking and a conflict of interest declaration and affirmed its intention to respond.
Preliminary meetings	A preliminary meeting was held with each of the participant audit firms and members of the Audit Committee and chief financial officer in early June 2014 in order to establish the committee's overall requirements and the significance attached to the selected evaluation criteria.
Data room access	Access was then granted to historic information held within an externally hosted virtual data room throughout June-July 2014.
Meetings with G4S senior management	A series of meetings and conference calls were held during June-July 2014 between the participant audit firms and members of the group finance leadership team, company secretariat and regional finance directors in order to supplement the data room material.
Written proposals	A written response to the request for proposal was received from participant audit firms in early August 2014 together with a preliminary indication of the firms' independence to act as the group's auditor.
Evaluation and assessment of the proposals	During August-September 2014, these proposals were assessed and scored against the group's weighted evaluation criteria by executives from the group finance leadership team, company secretariat and regional finance directors.
High-level meetings	During August-September 2014, additional meetings were held between participant audit firms and the chairman of the Audit Committee and, separately, the chief financial officer.
Presentations	At the end of September 2014, participant audit firms made a final presentation of their overall proposals – and confirmed their independence to act as the group's auditor – to the members of the committee, chief executive officer and chief financial officer.
Recommendation to the board by the Audit Committee	On the basis of the above – and in conjunction with the evaluation of the audit firms' written proposals – the committee recommended to the board that PricewaterhouseCoopers LLP be selected as the group's external auditor for the 2015 financial year.
Board decision	The board accepted the committee's recommendation at its October 2014 meeting.

Non-audit services

To ensure that the independence of the audit is not compromised, the committee has put a policy in place on the non-audit services that can be provided by the external auditor, the relevant approval process for certain services and those services the auditor is prohibited from providing. In essence, the external auditor is prohibited from providing services that could create a conflict of interest, result in the audit firm auditing its own work or result in the performance of management functions. The committee has pre-approved certain services which can be provided by the auditor subject to specified fee limits above which further approval is required. All other services would require prior approval by the committee.

Every year the Audit Committee reviews its policy on the provision of non-audit services by the external auditor. This year, the Audit Committee's review was carried out in light of the new EU regulatory framework for statutory audit, which was adopted in April 2014 and is due to come into force in June 2016. The review resulted in a number of amendments to the non-audit services policy to better align the policy with the proposed EU reforms. The list of pre-approved services, which includes consultation and due diligence services related to mergers and acquisitions, audits of employee benefit plans, reviews of internal accounting and control policies and general advice on financial reporting standards, was amended to include work of a reporting accountant nature (for example, stock exchange circulars or comfort letters). The approval process for non-audit services was also amended so that a two-tier approval process is now in place, whereby any engagement with the external auditor for pre-approved services above a certain threshold requires the joint prior approval of the Audit Committee chairman and the chief financial officer and any engagement with the external auditor for any other services or for pre-approved services above a second, higher, threshold requires prior approval from the committee.

The provision of any non-audit services by the audit firm must, in any event, comply with the requirements in that regard of the Auditing Practices Board. The auditor, KPMG Audit Plc, has written to the Audit Committee confirming that, in its opinion, it was independent for the period through to 5 March 2015.

Details of the fees paid for audit services, audit-related services and non-audit services can be found in note 10 to the financial statements. The external audit is a complex exercise involving more than 1,000 KPMG personnel covering over 110 countries in which G4S operates.

In anticipation of taking over the audit engagement contract for the year ending 31 December 2015, in order to ensure independence, PwC had previously terminated all services which fell within the scope of the non-audit services policy by 31 December 2014.

Since the Audit Committee is keeping under review whether and when to bring tax compliance and tax advisory services within the scope of the non-audit services policy, it is anticipated that the vast majority of tax compliance and tax advisory services being undertaken by PwC will have either terminated or transitioned by 30 June 2015. There were around thirty such services ongoing across the group at the beginning of 2015, however, these are deemed insignificant both individually and in aggregate.

Effectiveness of the external auditors

A combination of formal and informal processes is used in the assessment of the effectiveness of the external audit process. A formal questionnaire is completed at the end of the audit by members of the audit committee, group finance department and the finance directors of significant operations across the group and the output is reviewed by the Audit Committee. The assessment of the external audit concluded that it remained effective and the external auditor independent.

Committee performance

The assessment of the committee's performance showed that the committee remains effective at discharging its responsibilities and in particular in reviewing the quality of the group's financial reporting.

Priorities for 2015

The priorities for the committee for the next year will include overseeing the transition of the group's external audit to the new auditor, reviewing the implementation of further changes to the internal audit function and testing the effectiveness of changes made to the internal controls environment.

The Remuneration Committee

"I am pleased to present the directors' remuneration report for 2014. As indicated by John Connolly and Ashley Almanza in their respective statements, in 2014 we made considerable progress in the implementation of our strategy and improved financial results. Those results are reflected in the pay outcomes for our executive directors."

Mark Elliott
Remuneration Committee Chairman

The Remuneration Committee spent much of its time communicating with management on the implementation of our new annual and long term incentive systems. We focused on ensuring that these systems supported leaders both in delivering desired financial results and in the delivery of our strategy. In particular, we discussed non-financial measures of health and safety and group values and the manner in which they interact with our financial measures. We also discussed those items to be included in and excluded from our underlying performance metrics to ensure they reflect the highest quality outcomes. We are satisfied that our new leadership team has embraced and communicated those principles as they have delivered the new incentive systems across the group.

How performance is reflected in remuneration outcomes

- There was strong growth in underlying group profit before tax and amortisation (PBTA) and underlying group operating cash flow, which reflected strong operating performances overall in both emerging and developed markets. At group level, the stretch financial targets set for the annual bonus were exceeded, resulting in maximum payouts under the financial element of the annual bonus for two of the executive directors.
- Scoring for non-financial metrics ranged from 57% to 98% of maximum. As indicated above, we place a great deal of emphasis on health and safety across the group, and take our responsibilities to our employees and to wider society very seriously. As there were a number of health and safety incidents in the year, the Remuneration Committee took these into account for the bonus outcomes for all of our senior executives. Full details of the bonus outcomes for each of the executive directors are set out on page 79.
- In line with our policy, any annual bonus due to the directors in excess of 50% of maximum will be deferred for a period of three years and paid in G4S shares.
- Although operational performance in the year was strong, awards that had been made under our performance share plan in 2012 did not pay out. The threshold level of performance over the three-year performance period of the plan that ended in 2014 was not met for either relative TSR or EPS growth. This largely reflects the challenges the business has faced, and now addressed, in the earlier years of the performance period.

How we implemented our remuneration policy

When operating the policy, the committee takes account of the overall approach and structure of employee reward across the group and pay decisions for the wider workforce as well as the results of relevant benchmarking data. It is the committee's intention that pay should reflect the responsibility attached to the role fulfilled, individual performance and other relevant market information. Our remuneration must allow the company to attract, retain and motivate directors who will lead the group in the long term interest of its stakeholders.

Base salary increases

As disclosed last year, the CEO's salary was increased to £890,000 with effect from 1 January 2014, whereas salaries for other executive directors were unchanged. This year, both the CEO and CFO received a salary increase from 1 January of 3%. This increase took account of market salary levels as well as salary increases elsewhere in the group. As announced in October 2014, Grahame Gibson will be retiring from the board at the AGM in 2015 and his salary will remain unchanged again in 2015.

How we operate our annual bonus plan

There were no changes to the way in which we operated our annual bonus during 2014. For 2015, the committee has decided to operate the annual bonus with financial measures of performance of underlying group earnings and underlying group operating cash flow before capex. The non-financial measures of performance are aligned with the group's strategic objectives and will continue to include health and safety. Underlying group earnings will replace the underlying group PBTA financial performance measure under the annual bonus for 2015, as we consider this to be a better indicator of the group's performance going forward.

Our long-term incentive plan

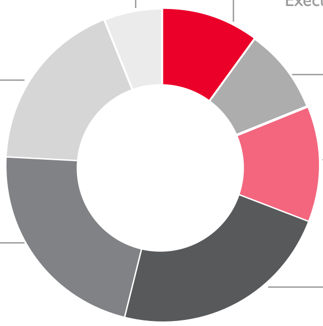
We gained c.97% support from our shareholders for our new long-term incentive plan at the AGM in 2014. We plan to continue to operate our long-term incentive plan unchanged in 2015.

UK Code compliance

We had anticipated the changes which were introduced by the revised UK Corporate Governance Code in September 2014 with respect to malus and clawback. Our incentive arrangements are already subject to malus and clawback, as explained on page 75.

As a result, no changes were needed to our incentive arrangements to comply with the new requirements in 2015. The Remuneration Committee's terms of reference have also been amended to bring them into line with the new Code requirements and can be found on our website at www.g4s.com/investors.

Main activities of the Remuneration Committee during the year (%)



Consulting with our shareholders

We are committed to consulting with our top shareholders on key remuneration issues. In late 2013 and early 2014, we consulted with 13 of our largest shareholders as well as certain shareholders' representative bodies in respect of the proposed new LTIP and the directors' remuneration policy. Their feedback caused us to add clarifications on our policy statement and to alter some of the performance measures in the new LTIP. I will be available to answer questions and listen to the views of our shareholders at the forthcoming Annual General Meeting.

Retirements

Trevor Dighton stepped down from the board at the 2013 Annual General Meeting and retired from the company on 30 July 2014. Details of Mr Dighton's termination arrangements are set out in detail on page 81.

As reported above, in October 2014 it was announced that Grahame Gibson would retire from the board at the Annual General Meeting on 4 June 2015. The committee will consider the retirement arrangements for Mr Gibson over the coming months, and we will provide full disclosure of these arrangements in next year's report.

I would like to take this opportunity to thank Mark Seligman, who will step down from the Remuneration Committee this year when he leaves the board at the AGM in 2015. The committee has benefited greatly from Mark's knowledge and experience.

The committee's performance

The committee's formal performance review carried out at the end of 2014 concluded that the committee was effective and continued to perform well. In particular, the committee had achieved its goal to have greater involvement in the operation of incentive schemes across the group and to monitor the level and structure of remuneration for senior managers across the group.

Voting on remuneration

The annual report on remuneration will be put to an advisory vote at this year's Annual General Meeting, and we look forward to receiving shareholders' support once again this year.

Mark Elliott
Remuneration Committee Chairman

26 March 2015

Committee membership and attendance	Meetings attended	
	Scheduled	Unscheduled
Mark Elliott (chairman)	3 of 3	2 of 2
Winnie Fok	3 of 3	2 of 2
Mark Seligman	3 of 3	2 of 2
Clare Spottiswoode	3 of 3	1 of 2

Responsibilities

The Remuneration Committee is responsible for all elements of the remuneration of the executive directors, other members of the group executive committee and the chairman of the board. It also agrees with the board the framework and policy for the remuneration of other senior managers of the group and reviews and recommends the remuneration of the company secretary. In determining remuneration policy, the committee takes into account a variety of legal and regulatory requirements, and the relevant provisions of the UK Corporate Governance Code.

The committee also determines policy on the duration, notice period and termination payments under the contracts with the executive directors, with a view to recognising service to the company whilst ensuring that failure is not rewarded and that the duty to mitigate loss is recognised.

The committee approves the design and determines the targets and formulae for performance-related pay schemes operated by the company. It approves the eligibility of executive directors and other group executive committee members for annual bonuses and benefits under long term incentive plans and assesses performance against the objectives of those plans.

The committee's terms of reference are available on the company's website at w.w.w.g4s.com/investors.

Our remuneration approach

We seek to attract and retain the best people whilst ensuring that the remuneration policy and practice drive behaviours that are in the long-term interests of the company and its shareholders.

Fixed pay

- base pay
- retirement benefits
- other benefits

Short-term incentives

- annual bonus plan (one year)

Long-term incentives

- Long term incentive plan (three years)

Remuneration Policy

The company's remuneration policy for directors was set out in full in the company's 2013 Annual Report and Accounts on pages 66 to 72 and can also be found on the company's website. It was approved by shareholders at the company's Annual General Meeting held on 5 June 2014 with 98.38% of all votes cast in favour. The policy refers to a new long term incentive plan which was also approved at the 2014 Annual General Meeting, with 96.88% of all votes cast in favour. That policy came into effect on 6 June 2014 and will continue to apply for up to three financial years unless a new or revised policy is approved by shareholders in the meantime. No changes are proposed. For convenience a summary of some of the main features of the policy is set out on pages 72 to 77 below.

Directors' remuneration policy – summary

Remuneration policy for executive directors

Base pay

Purpose and link to strategy
Base pay is set at competitive levels in order to recruit and retain high calibre executives with the skills required in order to manage a company of the size and global footprint of G4S.

The level of pay will reflect a number of factors including individual experience, expertise and role.

Operation
Reviewed annually and fixed for 12 months commencing 1 January. Interim salary reviews may be carried out following significant changes in role, scope or responsibility or at any other time at the committee's discretion.

The final salary decision may also be influenced by role, experience, individual and company performance, internal relativities and increases for group employees.

Maximum opportunity
Actual base pay for each executive director is disclosed each year in the Directors' remuneration report.

In determining salary increases, the committee considers market salary levels including those of appropriate comparator companies.

Ordinarily, annual salary increases would be no more than the average annual increase across the group. However, in exceptional circumstances a higher level of increase may be awarded, for example:

- following a significant change to the nature or scale of the business; or
- following a significant change to the nature or scope of the role; or
- for a new appointment, where the base pay may initially be set below the market level and increased over time, as experience develops and with reference to the individual's performance in the first few years in the role.

Where exceptional increases are made we will fully disclose and explain the rationale for such increases.

Performance measures
None, although individual performance may have a bearing on salary increases.

Benefits

Purpose and link to strategy
As with base salary, a suitable range of benefits is made available in order to recruit and retain high calibre executives.

Operation
Executives are entitled to a number of benefits comprising paid holiday, healthcare for themselves and their family and life insurance of up to 4 times base salary, car allowance, business related transport, limited financial advice from time to time and expatriate benefits where relevant. A relocation allowance reflecting reasonable costs actually incurred will be paid. Other benefits may be granted at the discretion of the Remuneration Committee.

Reasonable business expenses in line with G4S' expenses policy (e.g. travel, accommodation and subsistence) will be reimbursed and in some instances the associated tax will be borne by the company.

Maximum opportunity
maximum benefits per director per annum:

- holidays – 30 days
- car allowance – £20,000
- business related local transport – £40,000
- for financial advice, expatriate benefits and relocation expenses, the expense will reflect the cost of the provision of benefits from time to time but will be kept under review by the committee
- other benefits granted at the discretion of the committee up to 3% of base pay per annum per director
- reasonable business expenses which are reimbursed are not subject to a maximum, since these are not a benefit to the director

Any allowance in relation to relocation will provide for the reimbursement of reasonable costs incurred.

Performance measures
None.

Annual bonus

Purpose and link to strategy
Rewards the achievement of annual financial and strategic business targets and delivery of personal objectives.

Deferred element encourages long-term shareholding and discourages excessive risk taking.

Operation
Awarded annually based on performance in the year. Targets are set annually and relate to the group and/or the business managed by the executive.

Bonus outcome is determined by the committee after the year end, based on annual performance against targets.

Bonuses are paid in cash, but executives are required to defer any bonus payable in excess of 50% of their maximum bonus entitlement into shares. Deferral is for a minimum period of three years. Dividends or equivalents accrue during the deferral period on deferred shares.

Bonuses are not pensionable.

Maximum opportunity
Maximum opportunity of 150% of base pay per annum for the CEO and the CFO.

125% of base pay per annum for any other executive director.

Performance measures
Typically, executive directors' bonus measures are weighted so that:

- between 70% and 85% of the bonus is based on achievement of challenging financial performance measures (e.g. profit before tax and amortisation, organic growth, cash-flow measures, etc.), with each measure operating independently of the others; and
- the remainder is linked to personal and/or non-financial measures, which are strategic or operational in nature.

Each year, the committee may use its discretion to vary the exact number of measures, as well as their relative weightings, and this will be disclosed in the annual remuneration report.

As a result of the number of factors taken into account in determining bonus, there is no minimum pay-out level. For illustrative purposes, in the event that only threshold has been achieved, pay-out would be 35% of maximum, rising to full pay-out should achievement of a stretch performance level be achieved for all measures assuming the non-financial performance measures were satisfied.

The deferred element of the bonus is not subject to any further performance measures but is subject to clawback in certain circumstances. The non-deferred part of the bonus, which is settled in cash, is also subject to clawback. (See separate section below on page 75)

Long Term Incentive Plan (current)

Purpose and link to strategy
Incentivises executives to achieve the company's long-term financial goals, as well as focus on value creation, whilst aligning the interests of executives with those of shareholders.

Operation
Executive directors are granted awards on an annual basis, which vest over a period of at least three years subject to continued service and the achievement of a number of key performance measures.

The Remuneration Committee reviews the quantum of awards to be made to each executive each year to ensure that they remain appropriate.

Dividends or equivalents accrue during the vesting period on awards that vest.

The award is settled by the transfer of market-purchased shares to the executive directors.

All the released shares (after tax) must be retained until the minimum shareholder requirement is met. Currently, the minimum shareholding requirement is 200% of base salary for the CEO and 150% for the other executive directors.

Maximum opportunity
Maximum opportunity of 250% of base pay per annum for the CEO.

Maximum opportunity of 200% of base pay per annum for the other executive directors.

Performance measures
Awards vest based on performance over a period of at least three financial years commencing with the financial year in which the award is made.

Performance will be measured based on a combination of earnings per share growth, total shareholder return against a comparator group and average operating cash flow. For awards made in 2014, these were in the proportion of 40%, 30% and 30% respectively. However, the committee retains the flexibility to amend these proportions, provided that no single measure will be a significantly greater proportion than the others.

At threshold, 25% of the relevant portion vests. This increases on a straight-line basis up to 100% for performance in line with maximum. Targets are set out on page 83.

Awards are subject to clawback in certain circumstances (see below on page 75.)

Retirement benefits

Purpose and link to strategy
As with base salary and other benefits, making available a suitable retirement benefits package aids the recruitment and retention of high calibre executives, allowing such executives to provide for their retirement.

Operation
G4S operates a defined contribution group-wide personal pension plan in the UK in which executives may participate. Alternatively, G4S may provide a cash allowance in lieu of a contribution into such plan.

The current executive directors receive cash allowances. The CEO receives 25% of base pay as a cash allowance; the CFO receives 20% of base pay and the other executive director receives 40% of base pay reflecting his historic participation in a defined benefits plan which has been closed.

The level of award is kept under review by the committee and is intended to be broadly market comparable for the roles.

Maximum opportunity
Maximum opportunity of up to 25% of base pay for the CEO and 20% for the other executive directors save that 40% of base pay per annum is payable to Grahame Gibson.

Performance measures
None.

Remuneration policy for non-executive directors

Chairman's fee

Purpose
To attract and retain a high calibre chairman by offering a market competitive fee, which also reflects the responsibilities and time commitment. There are no performance-related elements.

Operation
The chairman's fee is disclosed each year in the Directors' remuneration report. The fees are reviewed annually by the committee. The annual fee is an all-inclusive consolidated amount. The committee retains the discretion to review the chairman's fees at any other time if appropriate.

The chairman's fees are reviewed against other companies of a similar size.

Maximum opportunity
Ordinarily, any increase of the chairman's fee would be in line with other increases for similar roles in other companies.

Fees payable to the chairman and other non-executive directors in aggregate per annum shall not exceed the maximum specified in the company's articles of association for the relevant year.

Non-executive directors' fees (excluding the chairman)

Purpose
To attract and retain high calibre non-executive directors (NEDs) by offering market competitive fees which should reflect the responsibilities and time commitment. There are no performance-related elements.

Operation
NED fees including any additional fee for any additional role listed below are disclosed each year in the Directors' remuneration report.

With the exception of the chairman, the fees for NEDs are structured by composition build-up consisting of:
- a base fee
- an additional fee for chairing a committee
- an additional fee for the role of deputy chairman
- an additional fee for the role of senior independent director.

The NED component fees are reviewed annually by the executive directors. The board retains the discretion to review the NED fees at other times, as appropriate, to reflect any changes in responsibilities or commitment.

The basic fee covers committee membership and each NED is expected to participate in one or more board committees. All the fees are reviewed against other companies of a similar size.

Maximum opportunity
Ordinarily, any increase of the NEDs' fees would be in line with other increases for similar roles in other companies.

Fees payable to non-executive directors (including the chairman) in aggregate per annum shall not exceed the maximum specified in the company's articles of association for the relevant year.

Benefits

Purpose

Benefits may be provided from time to time in connection with the chairman and other NEDs performing their roles, such as business travel, subsistence and entertainment, accommodation and professional fees for tax and social security compliance, and other ancillary benefits.

Operation

Reasonable business expenses in line with G4S expenses policy (e.g. travel, accommodation and subsistence) will be reimbursed and in some instances the associated tax will be borne by the company.

Maximum opportunity

Reasonable business expenses which are reimbursed are not subject to a maximum, since these are not a benefit to the director.

Benefits and expenses will reflect the actual cost of provision.

Governance

Notes to the directors' remuneration policy summary

1. Performance measures

Annual Bonus Plan – The actual performance measures and targets are set by the Remuneration Committee at the beginning of each year. The performance measures used for our annual bonus plan have been selected to reflect the group's key performance indicators. The committee aims to ensure that the measures appropriately encourage the executive directors to focus on the company's strategic annual priorities, whilst the targets are set to be stretching but achievable.

The aim is to strike an appropriate balance between incentivising annual financial and strategic business targets, and each executive director's key role-specific objectives for the year.

Long Term Incentive Plan – In choosing the performance measures for the Long Term Incentive Plan, the committee aimed to find a balance of measures which reflect the company's long-term financial goals as well as incentivise executives to create sustainable, long-term value for shareholders.

Legacy plans – The committee reserves the right to make any remuneration payments and payments for loss of office notwithstanding that they are not in line with the policy summarised above where the terms of the payment were agreed (i) before the policy came into effect or (ii) at a time when the relevant individual was not a director of the company and, in the opinion of the committee, the payment was not in consideration for the individual becoming a director of the company.

For these purposes, payments may include the committee satisfying awards of variable remuneration. In cases where all or part of the variable remuneration award was in the form of shares, the payment terms are those agreed at the time the award was granted.

In particular, awards made under the previous Performance Share Plan will continue to vest in accordance with the rules of that plan and to the extent that the relevant performance tests are met. Details of the vesting of the awards will be published in the annual remuneration report each year.

The non-executive directors do not participate in any incentive schemes nor do they receive any benefits other than those referred to in the above table.

2. Malus and claw-back mechanisms

Since 2010, any cash and/or shares awarded under the annual bonus plans and the previous Performance Share Plan may be subject to clawback. The Long Term Incentive Plan and the annual bonus plan may be subject to malus or clawback from the executive director concerned if the Remuneration Committee so determines and, in the case of misstatement of accounts, where the Audit Committee concurs. The time period in which the clawback can be operated depends on the reason for the overpayment as set out in the table below.

The amount to be clawed back directly from the executive director will be the overpaid amount, but the Remuneration Committee retains the discretion to claw-back the "net" (i.e. post-tax) amount of the award received by the executive director.

Malus and claw-back	Annual Bonus Plan (including deferred elements)	LTIPs	
	2014 Plan	PSP (previous)	Current LTIP
Material misstatement of group financial accounts	up to 2 years after the payment of the cash element	up to 2 years after vesting (except where due to fraud or reckless behaviour when it shall be 6 years after vesting)	up to 2 years after vesting
Misconduct	up to 6 years after the payment of the cash element		up to 6 years after vesting
Fraud	unlimited		unlimited

Principles and approach to recruitment and internal promotion of directors

When hiring a new executive director, or promoting to the board from within the group, the committee will offer a package that is sufficient to retain and motivate and, if relevant, attract the right talent whilst at all times aiming to pay no more than is necessary. Ordinarily, remuneration for a new executive director will be in line with the policy set out in the table summarised above. However, discretion may be required for exceptional circumstances such as dealing with remuneration relinquished in a previous job. The maximum level of on-going variable pay that may be awarded to new executive directors on recruitment or on promotion to the board shall be limited to 400% of base salary as set out in the policy table summarised above (calculated at the date of grant, excluding any buy-out awards – see below). Remuneration and any buy-out arrangements will be announced as far as possible at the time a new executive director or chairman is appointed, or in the following Directors' remuneration report.

When determining the remuneration of a newly appointed executive director, the Remuneration Committee will apply the following principles:

- The on-going remuneration package to be designed in accordance with the policy table summarised above.
- New executive directors will participate in the annual bonus scheme and long term incentive plan on the same basis as existing executive directors.
- The Remuneration Committee shall have discretion to grant one-off cash or share-based awards to executive directors where it determines that such an award is necessary to secure the recruitment of that executive director and where it is in the best interests of the company to do so. Such awards would only be made as compensation for remuneration relinquished under a previous employment (i.e. buy-out arrangements) and would be intended to mirror forfeited awards as far as possible by reflecting the value, nature, time horizons and performance measures attached. In such circumstances, the company will disclose a full explanation of the detail and rationale for such one-off awards.
- In certain circumstances, it may be necessary to buy out long notice periods of previous employment.
- With regard to internal promotions, any commitments made before promotion and unconnected with the individual's promotion may continue to be honoured even if they would not otherwise be consistent with the policy prevailing when the commitment is fulfilled.
- For external and internal appointments, the Remuneration Committee may agree that the company will meet certain relocation expenses (including legal fees), as set out in the policy table.
- In determining the approach for all relevant elements, the Remuneration Committee will consider a number of factors, including (but not limited to) external market practice, current arrangements for existing executive directors and other internal relativities.

Service contracts

Shareholders are entitled to inspect a copy of executive directors' service contracts at the company's head office and annually at the AGM.

Executive directors' service contracts all have the following features:

- Contracts are drafted in line with best practice at the time the executive directors were appointed.
- Terminable on 12 months' notice by either party.

Specific provisions for Ashley Almanza and Himanshu Raja's contracts (dated 2013) that are not in Grahame Gibson's contract (dated 2006) include:

- Following board approval, Ashley Almanza is allowed to hold two external non-executive appointments (he is currently a non-executive director of Noble Corporation and of Schroders plc, although he will stand down from the board of Noble Corporation in the near future) and retain the fees paid directly to him for the appointments. Himanshu Raja is allowed to hold one external non-executive appointment and retain any fees paid directly to him for the appointment. Grahame Gibson's contract does not specifically deal with NED positions, which will therefore be subject solely to board discretion.
- Mitigation obligations on termination payments are explicitly included in the 2013 contracts. Notice payments for Ashley Almanza are payable monthly and those for Himanshu Raja are payable in two six-monthly instalments, in advance.

There are no express mitigation provisions in Grahame Gibson's contract.

Non-executive directors' letters of appointment:

- Appointment is subject to the provisions of the articles of association of the company, as amended from time to time regarding appointment, retirement, fees, expenses, disqualification and removal of directors.
- All continuing non-executive directors are required to stand for re-election by the shareholders at least once every three years, although they have agreed to submit themselves for re-election annually in accordance with the UK Corporate Governance Code.
- Initial period of appointment is two years.
- All reasonably incurred expenses will be met.
- Fees are normally reviewed annually.

Loss of office payment

The duration of the notice period in each of the executive directors' contracts is 12 months.

The Remuneration Committee would consider the application of mitigation obligations in relation to any termination payments where such provisions exist in the executive director's contract.

The contracts do not provide for the payment of a guaranteed bonus in the event of termination. Directors (other than Himanshu Raja) will not be eligible for bonus accrual during any period of garden leave. In the case of Himanshu Raja, his contract provides for such accrual although any payment would depend on the discretion of the Remuneration Committee.

The value of the termination payment would cover the balance of any salary and associated benefits payments due to be paid for the remaining notice period, the value of which will be determined by the Remuneration Committee. The Remuneration Committee would also retain the discretion to make appropriate payments necessary to finalise any settlement agreement, but in exercising such discretion the Remuneration Committee will remain mindful to ensure that there is no reward for failure.

The fees for outplacement services and reasonable legal fees in connection with advice on a settlement agreement may be met by the company.

The table below illustrates how each component of pay would be calculated under different circumstances:

Plan	Automatic "good leaver" categories	Treatment for "good leavers"	Treatment for other leavers
Annual bonus (cash element)	All leavers other than voluntary resignation and summary dismissal.	Executive directors may receive a bonus to be paid on the normal payment date and in accordance with the agreed performance measures but reduced pro-rata to reflect the time employed.	Bonus opportunity will lapse.
Annual bonus (deferred share element)	• Injury, disability or ill health • Redundancy • Retirement • Death • Termination without cause • Change of control or sale of employing company or business • Any other circumstances at the discretion of the Remuneration Committee	Deferred shares may be released if the executive director ceases employment prior to the third anniversary as a result of one of the good leaver reasons.	Deferred share awards shall lapse.
Performance Share Plan (previous)	• Injury, disability or ill health • Redundancy • Retirement • Death • Change of control or sale of employing company or business • Any other circumstances, provided that the Remuneration Committee considers there are exceptional circumstances	Awards will vest on the relevant vesting date on a time-apportioned basis, unless the Remuneration Committee determines otherwise, and subject to the achievement of the performance measures.	Awards will lapse.
Long Term Incentive Plan (current)	• Injury, disability or ill health • Redundancy • Retirement • Death • Change of control or sale of employing company or business • Any other circumstances at the discretion of the Remuneration Committee	Awards will vest on the relevant vesting date on a time-apportioned basis, unless the Remuneration Committee determines otherwise, and subject to the achievement of performance measures at the relevant vesting date. The vesting date for such awards will normally be the original vesting date, unless otherwise determined by the Remuneration Committee.	Awards will lapse.

As directors may leave employment for a wide range of reasons, the Remuneration Committee retains discretion to approve payments where the reason for leaving does not fall precisely within the prescribed "good leaver" category. The committee will take account of the director's performance in office and the circumstances of their exit. The committee will seek to balance the interests of shareholders, the departing director and the remaining directors. Any awards subject to performance conditions would be assessed at the end of the relevant period and be subject to time apportionment.

ANNUAL REPORT ON REMUNERATION

SINGLE TOTAL FIGURE OF REMUNERATION (AUDITED INFORMATION)

Executive directors

The following table shows a single total figure of remuneration in respect of qualifying services for the 2014 financial year for each executive director, together with the comparative figures for 2013. Aggregate executive directors' emoluments are shown in the final column of the table.

	Base pay £		Benefits £		Annual Bonus £		PSP £		Pension related benefits £		Total £	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
Ashley Almanza	**890,000**	600,000	**100,559**	61,556	**1,308,300**	648,000	**n/a**	n/a	**222,500**	150,000	**2,521,359**	1,459,556
Grahame Gibson	**609,084**	639,483	**83,604**	110,652	**439,823**	103,000	**0**	0	**243,633**	255,793	**1,376,864**	1,108,928
Himanshu Raja	**625,000**	156,250	**121,729**	25,179	**890,625**	234,375	**n/a**	n/a	**125,000**	31,250	**1,762,354**	447,054

Notes:

1. Certain information in 2013 relates to part years during which Ashley Almanza and Himanshu Raja served as executive directors:

a. For Ashley Almanza, figures for 2013 include the period from 1 April 2013 when he commenced employment and when he was Group CFO from 1 May 2013 (during which time his base pay was £625,000 per annum) prior to his appointment as Group CEO from 1 June 2013 (when his base pay increased to £850,000 per annum).

b. For Himanshu Raja, figures for 2013 are from his appointment date on 7 October 2013 and this includes the period from 1 October 2013.

2. Benefits include car allowance, business related travel, healthcare, disability and life assurance. Benefit values include the cost of certain travel, overnight accommodation and meals which HMRC treats as a taxable benefit and on which the company will pay tax in due course as it does not consider such expenses to be benefits in the ordinary sense. The grossed-up amounts for 2014 are £43,541 for Ashley Almanza, £59,521 for Himanshu Raja and £14,861 for Grahame Gibson. Benefit values also include local travel costs of £9,180 and £22,320 for Ashley Almanza and Himanshu Raja respectively who bear the tax themselves and other business costs which HMRC deems to be benefits. In 2014 for Grahame Gibson, the benefits value includes a total value of £31,257 relating to flights for him and his family between the UK and US.

3. The benefits values for 2014 also include taxes met by the company in respect of certain expenses which were incurred in 2013.

4. Part of Mr Gibson's salary is paid in sterling and part in US$. The US$ element has been converted into sterling for the purposes of reporting, at the exchange rates prevailing in each month in which Grahame Gibson was paid. The average exchange rate during the year was $1.65055 ($1.564933 in 2013).

5. Any bonus due above 50% of the individual's maximum bonus entitlement is awarded as deferred shares which vest after a period of three years.

6. In addition, Ashley Almanza received £122,500 from Schroders plc and a fee of $96,000 as well as shares valued at $230,993 from Noble Corporation from his non-executive directorships referred to on page 76 and retained such remuneration.

Non-executive directors

The following table shows a single total figure of remuneration in respect of qualifying services for the 2014 financial year for each non-executive director, together with the comparative figures for 2013. Aggregate non-executive directors' emoluments are shown in the last column of the table.

	Base fee		SID		Chair of Committee		Deputy Chair		Benefits		Total	Total
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
John Connolly	**356,500**	348,000	**n/a**	n/a	**n/a**	n/a	**n/a**	n/a	**5,307**	2,638	**361,307**	350,638
Adam Crozier	**58,400**	56,800	**n/a**	n/a	**n/a**	n/a	**n/a**	n/a	**1,489**	2,198	**59,889**	58,998
Mark Elliott	**58,400**	56,800	**10,750**	5,896	**17,775**	17,550	**n/a**	n/a	**2,495**	3,871	**89,420**	84,117
Winnie Fok	**58,400**	56,800	**n/a**	n/a	**n/a**	n/a	**n/a**	n/a	**10,087**	15,117	**68,487**	71,917
Mark Seligman	**58,400**	56,800	**n/a**	n/a	**7,582**	17,550	**46,800**	46,800	**2,166**	3,772	**114,948**	124,922
Paul Spence	**58,400**	56,800	**n/a**	n/a	**n/a**	n/a	**n/a**	n/a	**39,545**	72,348	**97,945**	129,148
Clare Spottiswoode	**58,400**	56,800	**n/a**	n/a	**17,775**	9,855	**n/a**	n/a	**1,916**	3,099	**78,091**	69,754
Tim Weller	**58,400**	42,600	**n/a**	n/a	**10,192**	n/a	**n/a**	n/a	**1,954**	1,256	**70,546**	43,856

Notes: The above fees were pro-rated where the appointments or retirements were part way through the year.

1. Mark Elliott was appointed as chair of the Remuneration Committee and senior independent director on 6 June 2013.
2. Clare Spottiswoode was appointed as chair of the CSR Committee on 6 June 2013.
3. Mark Seligman stepped down as chair of the Audit Committee on 5 June 2014.
4. Tim Weller was appointed as Chair of the Audit committee on 6 June 2014.
5. Benefit values include the cost of overnight accommodation, travel and meals which HMRC treats as a taxable benefit and on which the company will pay tax in due course as it does not consider such expenses to be benefits in the ordinary sense.
6. The 2013 benefits values differ from the figures reported in the 2013 remuneration report in some cases following a review of the calculation methodology. This is mainly related to the classification of the reimbursement for flights to attend board meetings.

Further notes to the single total figure of remuneration tables

2014 Annual bonus

During the financial year ending 31 December 2014, the performance measures relating to the annual bonus scheme rules were consistent with the remuneration policy, with 85% of the bonus for all executive directors based on achievement of challenging financial performance measures set at the beginning of the year. The financial performance measures that applied to Ashley Almanza and Himanshu Raja were based on budgeted group profit before tax and amortisation and budgeted group operating cash flow before capital expenditure. The financial performance measures for Grahame Gibson consisted of four financial objectives, three of which were for the Americas region and the fourth was related to group PBTA. On-target performance would result in a payment of 60% of maximum entitlement, with 100% only being earned in the event of achievement of a stretch performance significantly in excess of budget.

The remaining 15% was linked to objectives relating to non-financial performance, which consist of personal objectives or relate to the organisation. In line with all senior business leaders across the group, the executive directors' personal performance-related objectives included an objective on health and safety.

The maximum bonus potential has remained unchanged from 2013. It is 150% of base pay for Ashley Almanza and Himanshu Raja and 125% of base pay for Grahame Gibson. Bonuses are paid in cash up to 50% of maximum entitlement. Where the bonus amount is in excess of 50% of the maximum bonus potential, the amount which exceeds 50% will be delivered in the form of a deferred share award which vests after a period of three years.

The tables below show how pay was linked to performance in 2014 and set out details of each of the financial measures the targets in respect of these measures and the actual outcomes:

Ashley Almanza

Financial measures	Targets	Achievement	% of maximum bonus	Score achieved
Group PBTA	£279m	£304m	70%	70%
Group OCF	£511m	£553m	15%	15%
Total			**85%**	**85%**

Non-financial objectives were set in the following areas;

Health and Safety

Strategy

People, organisation & values

Governance

Stakeholder Engagement

15 % of maximum bonus potential was allocated to non-financial measures and the level of achievement was assessed at 13%.

Himanshu Raja

Financial measures	Targets	Achievement	% of maximum bonus	Score achieved
Group PBTA	£279m	£304m	70%	70%
Group OCF	£511m	£553m	15%	15%
Total			**85%**	**85%**

Non-financial objectives were set in the following areas;

Health & Safety

People, capability building, values and organisation

Governance & control

Operational Excellence

Cost Leadership initiatives

15% of maximum bonus potential was allocated to non-financial measures and the level of achievement was assessed at 10%.

Grahame Gibson

Financial measures	Targets	Achievement	% of maximum bonus	Score achieved
Group PBTA	£279m	£304m	15%	15%
Regional PBITA	£118m	£114m	40%	19.04%
Regional Organic Growth	8.1%	9.2%	15%	15%
Regional OCF	£138m	£110m	15%	0
Total			**85%**	**49.04%**

Non-financial objectives were set in the following areas;

Health & Safety

Business Development/growth

Operational Excellence

People, Organisation & values

Cost leadership initiatives

15% of maximum bonus potential was allocated to non-financial measures and the level of achievement was assessed at 8%.

The table below sets out the annual bonus awards which were made to executive directors in respect of the financial year ending 31 December 2014:

	2014 annual bonus (£)*	2014 annual bonus (% of salary)	2014 annual bonus deferred (% of salary)*
Ashley Almanza	£1,308,300	147%	72%
Himanshu Raja	£890,625	142%	68%
Grahame Gibson	£439,823	71%	9%

* Any bonus due above 50% of the individual's maximum bonus entitlement is awarded as deferred shares which vest after a period of three years:

	Cash	Deferred shares
Ashley Almanza	£667,500	£640,800
Himanshu Raja	£468,750	£421,875
Grahame Gibson	£380,678	£59,145

Performance Share Plan (PSP)

The PSP value shown in the single figure table relates to the 2012 PSP awards made in March 2012. The performance measures were earnings per share growth and relative total shareholder return. Neither of these performance tests were met and the outstanding award lapsed.

TOTAL PENSION ENTITLEMENTS (AUDITED INFORMATION)

Neither Ashley Almanza nor Himanshu Raja is a member of the group's pension plan, which is a defined contribution group personal pension plan available to all UK employees. Instead they receive cash allowances of 25% and 20% of their base pay, respectively.

Grahame Gibson ceased accruing pensions under the company's defined benefit scheme in 2006. A salary supplement in lieu of pension of 40% of basic salary was paid. His accrued pension at the relevant dates in the defined benefits scheme (all figures are in £'000s) is shown in the table below.

	Pension input amount 2014	Pension input amount 2013	Total accrued annual pension at 31/12/14	Total accrued annual pension at 31/12/13	Date accrual ceased	Normal retirement date
Grahame Gibson	0	0	24.2	21.7	6/4/2006	17/1/2013

Notes:

1. In 2011, Grahame Gibson transferred the majority of his pension benefits to a private pension arrangement leaving a residual pension payable from age 60. Grahame Gibson has passed normal retirement date and the accrued pension shown includes the application of a late retirement factor.
2. The earliest date when entitlement to a pension arises without consent and without actuarial reduction is age 60 (the normal retirement date).
3. On 3 March 2015, Grahame Gibson transferred his remaining and residual pension benefits in an amount of £363,188 to a private pension arrangement. The transfer value was calculated using the same actuarial basis as that used by the trustees of the pension scheme for all members.

SCHEME INTERESTS AWARDED DURING THE FINANCIAL YEAR (AUDITED INFORMATION)

Awards under the LTIP approved by the shareholders at the company's AGM in June 2014 were made in July 2014. They were, however, deemed to have been made in March in order to be consistent with the company's normal grant policy. Details of the awards made to the executive directors are summarised in the table below and further details are given in the table on directors' shareholdings and interests on page 81:

Director	Award type	Number of shares	Face value (£)	Performance condition	EPS, TSR and AOCF Performance period	% vesting at threshold
Ashley Almanza	Conditional shares	962,370	2,225,000	40% EPS/ 30% TSR / 30% AOCF	01/01/2014 – 31/12/2016	25%
Grahame Gibson	Conditional shares	463,615	1,071,880	40% EPS/ 30% TSR / 30% AOCF	01/01/2014 – 31/12/2016	25%
Himanshu Raja	Conditional shares	540,657	1,250,000	40% EPS/ 30% TSR / 30% AOCF	01/01/2014 – 31/12/2016	25%

1. The face value calculation was based on a share price of £2.312 which represents the average closing share price during the three business days following the announcement of the company's 2013 financial results.
2. Further details on performance conditions are set out in the table below

PERFORMANCE MEASURES FOR LONG TERM INCENTIVES AWARDED IN 2014

40% of each award granted		30% of each award granted		30% of each award granted	
Average annual growth in EPS period ending on 31 December in the third year	**Proportion of allocation vesting**	**Ranking against the bespoke comparator group by reference to TSR**	**Proportion of allocation vesting**	**Average operating cash flow**	**Proportion of allocation vesting**
Less than 5% pa	Nil	Below median	Nil	<105%	Nil
5% pa (15% over 3 years)	25%	Median	25%	105%	25%
+ 5 to 12% pa	Pro-rata between 25% and 100%	Between median and upper quartile	Pro-rata between 25% and 100%	Between 105% and 125%	Pro-rata between 25% and 100%
Greater than + 12% pa (36% over 3 years)	100%	Upper quartile	100%	125%	100%

The bespoke comparator group consists of companies constituent of the FTSE 100 index corrected to exclude financial institutions and companies in the extractive sector and include competitor companies which are outside that index.

The company's current policy is to use market purchased shares to satisfy LTIP awards. Participants in the LTIP will receive a further share award with a value equivalent to the dividends which would have been paid in respect of LTIP awards, vesting at the end of the performance period.

The company calculates whether the EPS performance targets have been achieved by reference to the company's audited accounts which provide an accessible and objective measure of the company's earnings per share. The committee may alter the terms of the EPS measure if it feels that it is no longer a fair measure and is no longer incentivising. TSR ranking will be verified externally.

STATEMENT OF DIRECTORS' SHAREHOLDING AND SHARE INTEREST (AUDITED INFORMATION)

The executive directors are required to build up a minimum shareholding in G4S, as explained in the remuneration policy. Shares are valued for these purposes at the year-end price, which was 277.90p per share at 31 December 2014.

	Number of shares owned outright					
	2014	2013	Number of Deferred shares held as at 31/12/14	Total shares under LTIP awards subject to performance	Share ownership requirements (% of salary)	Shareholding requirements achieved
Ashley Almanza	100,000	100,000	85,640	1,739,407	200%	31%
Himanshu Raja	50,000	0	50,686	888,188	150%	22%
Grahame Gibson	657,553	659,208	0	1,111,310	150%	100%

Notes:

1. Deferred share awards and PSP or LTIP awards do not include the further shares with a value equivalent to the dividends which are paid in respect of shares received. The number of shares is gross and will be subject to tax when they are released.
2. In addition to the above, each of the directors has a deemed interest in the total number of shares held by the company's employee benefit trust. As at 31 December 2014, the trustees of the employee benefit trust held 6,408,450 shares (2013 – 6,934,564).
3. Includes any shares owned by connected persons.
4. The table does not include the deferred shares awarded to Ashley Almanza, Himanshu Raja and Grahame Gibson in respect of the portion of their annual bonus for the 2014 financial year which exceeds 50% of their respective maximum bonus entitlement.
5. There were no vested but unexercised interests.

The shareholdings for non-executive directors are shown below.

	As at 31.12.2014	As at 31.12.2013
John Connolly	**200,000**	100,000
Adam Crozier	**2,000**	0
Mark Elliott	**25,000**	25,000
Winnie Fok	**20,000**	20,000
Mark Seligman	**75,496**	75,496
Paul Spence	**10,000**	10,000
Clare Spottiswoode	**4,681**	4,681
Tim Weller	**37,570**	37,570

There have been no changes in the interests of each of the directors between 31 December 2014 and the date of this report.

There are no requirements for the non-executive directors or former directors to hold shares once they have left the company.

PAYMENTS TO PAST DIRECTORS (AUDITED INFORMATION)

No payments have been made to former directors of the company during the financial year ended 31 December 2014 other than those payments set out below (Payments for loss of office).

PAYMENTS FOR LOSS OF OFFICE (AUDITED INFORMATION)

Trevor Dighton

Trevor Dighton, who stepped down as a director of the company in June 2013, ceased to be an employee on 30 July 2014. Mr Dighton was entitled under the terms of his contract to payment comprising the following until his departure:

- Base pay of £42,500 per month
- Car allowance of £1,333.33 per month
- Cash allowance in lieu of pension of £17,000 per month

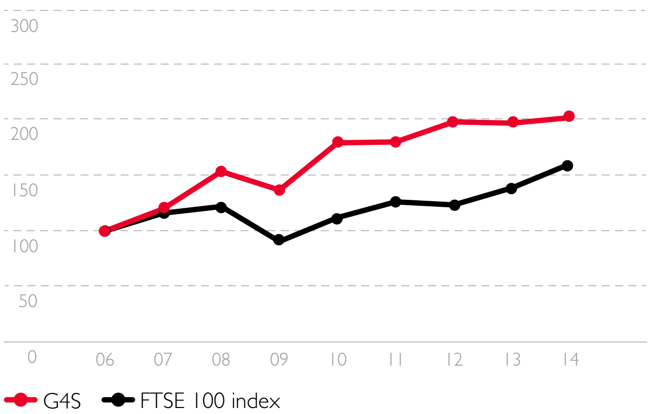
The total payment made for the period from 1 January 2014 to 30 July 2014 was £425,833. No further payment is due to be made.

Trevor Dighton has not received any bonus in respect of the year under review. His unvested awards under the PSP were subject to performance and were pro-rated to 30 July 2014. The award made in 2012 did not vest as the performance tests were not met. The award made in 2013 remains subject to performance which will be tested at the normal vesting date.

PERFORMANCE GRAPH AND TABLE

The line graph below shows the nine-year annual Total Shareholder Return (TSR) performance against the FTSE 100 index. The directors believe this to be an appropriate form of broad equity market index against which to base a comparison given the size and geographic coverage of the company and the fact that the company is itself a member of the FTSE100.

2006 – 2014 Total Shareholder Return



CEO'S PAY IN LAST NINE FINANCIAL YEARS

Year	2006	2007	2008	2009	2010	2011	2012	2013[1]		2014
Incumbent	Nick Buckles	Nick Buckles	Nick Buckles	Nick Buckles	Nick Buckles	Nick Buckles	Nick Buckles	Nick Buckles	Ashley Almanza	Ashley Almanza
CEO's total single figure of annual remuneration(£'000)	1,908	2,269	2,376	3,248	2,823	1,542	1,186	514	1,459	2,521
Bonus % of maximum awarded	76%	95%	83%	74%	53%	0%	0%	0%	72%	98%
PSP% of maximum vesting	63%	75%	100%	!00%	58%	14%	0%	0%	n/a	n/a

Notes:

1. Nick Buckles stepped down as CEO on 31 May 2013 and Ashley Almanza took over as CEO from 1 June 2013.
2. After July 2011, the CEO's total single figure of annual remuneration included payment in lieu of pension. This was 40% of base pay for Nick Buckles and is 25% of base pay for Ashley Almanza. Prior to July 2011, a notional sum equal to 40% of relevant base pay has been included. The value of shares that vested in the relevant year under the PSP (or a notional value in the case of shares vested but unexercised) have been included in the prior year's CEO's total figures since that is the most relevant year for measurement of performance.
3. The figures before 2013 did not include taxable expenses

PERCENTAGE CHANGE IN CEO'S REMUNERATION

The table below shows how the percentage change in the CEO's salary, benefits and bonus between 2013 and 2014 compares with the percentage change in the average of each of those components of pay for a selected group of G4S employees. The Remuneration Committee has chosen all employees in the UK as the group which should provide the most appropriate comparator.

	Percentage change in remuneration between 2013 and 2014		
	Salary	Benefits	Annual Bonus
CEO	5.7%	18%	101%
Average change for all other UK employees	(2.9%)	(3.3%)	See note below

* Information on bonuses is not readily available for all other UK employees.

G4S employs over 623,000 employees globally. Inflation is a key driver of general increases in salary and the structure of the benefits provided is often driven by the local market practice. Hence, as the Group CEO is based in the UK, employees in the same country rather than all employees within the group have been chosen as the comparator.

RELATIVE IMPORTANCE OF SPEND ON PAY

The table below illustrates the relative importance of spend on pay compared with other disbursements from profit.

Disbursements	**2014**	2013	Change
Dividends paid	**£138m**	£130m	6.2%
Total employee costs	**£4,952m**	£5,333m*	(7.2%)

* Restated for IFRS 10 and 11.

There were no share buy-backs effected in either year.

STATEMENT OF IMPLEMENTATION OF REMUNERATION POLICY IN 2015

A summary of the directors' remuneration policy is set out on pages 72 to 77 and the full policy can also be found on www.g4s.com/investors.

Executive directors' remuneration

Retirements

As reported in October 2014, Grahame Gibson will retire from the board at the Annual General Meeting on 4 June 2015.

The committee will consider the retirement arrangements for Mr Gibson over the coming months, and we will provide full disclosure of these arrangements in next year's report.

Base pay

For 2015, at the annual pay review, it was decided to increase Ashley Almanza's and Himanshu Raja's base pay by 3% from £890,000 and £625,000 respectively to £916,700 and £643,750 respectively. No change was made to the base pay of Grahame Gibson.

Annual Bonus Scheme

The annual bonus for the 2015 financial year will operate on the same basis as that for 2014 and will be consistent with the remuneration policy. The maximum bonus opportunity remains at 150% of base pay for both Ashley Almanza and Himanshu Raja and 125% of base pay for Grahame Gibson. The financial measures are group earnings and operating cash flow. These have been selected as they support the company's key strategic objectives. As for last year, the financial measures are allocated an 85% weighting. For Messrs Almanza and Raja non-financial measures will account again for up to 15% of their maximum bonus opportunity.

These are based on the group's core values and cover the following key areas:

- Health & Safety
- Growth, Market Share and Reputation
- Best People
- Operational Excellence
- Cost leadership
- Values

Mr Gibson's bonus will be measured solely against the financial measures mentioned above. Details of the performance measures and targets are deemed to be commercially sensitive since they relate to the 2015 financial year. To the extent that they are no longer commercially sensitive, targets and performance levels against them will be disclosed in the company's 2015 annual report and accounts. The proposed target levels for 2015 have been set to be challenging and align with the business plan. In reviewing the targets, the committee took into account a number of factors including for example the fact that in relation to group earnings, the minimum target that needs to be met in order for any bonus to be payable must be at least equal to the earnings in 2014. The committee considered the proposed targets relating to non-financial measures and concluded that these were also demanding.

Long Term Incentive Plan

The level of awards due to be granted in the 2015 financial year under the LTIP approved by the shareholders at the 2014 AGM will be consistent with the remuneration policy. As for 2014, the Remuneration Committee considers that a combination of earnings per share growth, total shareholder return and cumulative cash flow targets are the most appropriate performance measures for the 2015 awards, as they provide a transparent method of assessing the company's performance, both in terms of underlying financial performance and returns to shareholders.

Awards granted under the LTIP during the 2015 financial year are subject to the performance conditions listed in the table below:

PERFORMANCE MEASURES FOR LONG TERM INCENTIVES AWARDED IN 2015

40% of each award granted		30% of each award granted		30% of each award granted	
Average annual growth in EPS period ending on 31 December in the third year	**Proportion of allocation vesting**	**Ranking against the bespoke comparator group by reference to TSR**	**Proportion of allocation vesting**	**Average operating cash flow**	**Proportion of allocation vesting**
Less than 5% pa	Nil	Below median	Nil	<105%	Nil
5% pa (15% over 3 years)	25%	Median	25%	105%	25%
+ 5 to 12% pa	Pro-rata between 25% and 100%	Between median and upper quartile	Pro-rata between 25% and 100%	Between 105% and 125%	Pro-rata between 25% and 100%
Greater than + 12% pa (36% over 3 years)	100%	Upper quartile	100%	125%	100%

The company's current policy is to use market purchased shares to satisfy LTIP awards.

Participants in the LTIP will receive a further share award with a value equivalent to the dividends which would have been paid in respect of LTIP awards vesting at the end of the performance period.

The company calculates whether the EPS performance targets have been achieved by reference to the company's audited accounts which provide an accessible and objective measure of the company's earnings per share.

Adjustments to the EPS will be made in respect of:

- Constant exchange rates – in line with previous years, these will be normalised to the rates in the base year
- Acquisitions – earnings will be added to the EPS base at the level used in the acquisition business case
- Disposals – earnings will be removed from the EPS base at the business plan rate
- Share buy-back – the company will only execute buy-backs if the investment is economically accretive and it is in the interest of the company. The adjusted EPS for the purposes of calculating performance against the LTIP target shall be further adjusted by (a) increasing the average number of shares in issue during the performance year by the number of shares bought back during the past three years
  (b) Decreasing the net interest cost in the performance year in respect of the interest charge on the cash cost of any share buy backs during the past three years. Interest will be calculated at the group's average costs of funds for the year.

The Remuneration Committee will apply discretion in the event of impairment. If the impairment is not a result of management failure, then it will not impact the payout.

The Remuneration Committee may alter the terms of the EPS measure if it feels that it is no longer a fair measure and is no longer incentivising.

Operating cash flow is a measure taken before capital expenditure and investments to ensure that management is not incentivised to under-invest in growth opportunities. Operating cash flow is expressed as EBITDA +/- working capital and provisions movement as a percentage of EBITDA. Average operating cash flow is the average over three years.

TSR ranking will be verified externally.

Non-executive directors' remuneration

The fees payable to the non-executive directors are set by the executive directors and the chairman. The fees payable to the non-executive chairman are set by the Remuneration Committee. In both cases, fees are reviewed mid-year.

ADVISORS TO THE REMUNERATION COMMITTEE

For 2014, the Remuneration Committee received advice from Deloitte as the committee's appointed advisor on executive and senior management remuneration matters. Towers Watson provided management remuneration information in respect of senior management who are not on the board. The Remuneration Committee has satisfied itself as to the independence of Deloitte. Deloitte is a member of the Remuneration Consultants Group and operates voluntarily under its code of conduct in the UK.

Advisor	Appointment	Services provided to Remuneration Committee	Fees for services to Rem Co	Other services provided to Company
Towers Watson	2006	Information on executive remuneration and pay benchmarking	£23,005	Provision of market remuneration data for senior management, collation of pension data for accounting purposes and pensions advice
Deloitte	2014	Advice on executive remuneration	£57,200	Advice on controls, tax advice on expatriate and share plans, and also provided other consulting services. These services were provided by different parts of Deloitte.
Alithos	2007	TSR – vesting indications for in-flight plans, verifying the TSR vesting percentage and advice on potential peer companies	£10,000	None

Fees for services to the Remuneration Committee are at an agreed rate based on time involved.

Herbert Smith Freehills LLP (HSF) provided legal advice to the company, including in relation to the operation of the company's incentive arrangements and on executive directors' service agreements. This advice was available to be considered by the Remuneration Committee.

The group chief executive, Ashley Almanza, provided guidance to the Remuneration Committee on remuneration packages for senior executives within the group. Further guidance was received from the group's HR director, Irene Cowden and the director of compensation and benefits Sok Wah Lee. Neither the group chief executive nor the group HR director participated in discussions regarding their own remuneration.

The Remuneration Committee is satisfied that the advice it received during the year was objective and independent based on the experience of its members generally.

Information about who are the members of the Remuneration Committee and their attendance at meetings of the committee during the year under review can be found on page 71.

STATEMENT OF VOTING AT GENERAL MEETING

At the company's Annual General Meeting which took place on 5 June 2014, two ordinary resolutions were passed, one to approve the Directors' Remuneration Policy set out in the annual report for the year ended 31 December 2013 and another to receive and approve the Directors' Remuneration Report for the year ended 31 December 2013.

The results of the vote are set out in the table below:

Resolution	For	Against	Withheld
Directors' Remuneration Policy	98.38%	1.62%	787,216
Directors' Remuneration Report	98.25%	1.75%	37,767,285

Mark Elliott
Remuneration Committee Chairman

26 March 2015

This is the report of the directors of the board of G4S plc for the year ended 31 December 2014.

1 The company

G4S plc is a parent company with subsidiaries, associated undertakings and joint ventures in numerous jurisdictions. 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 result for the year, shown in the consolidated income statement on page 99, a management statement contained in the Strategic Report and in the Directors' report and responsibility statements on pages 85 to 88.

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 8 to 50 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 51 to 84 and the chief financial officer's review on pages 89 to 95 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 137 to 141 which is also incorporated by reference in this Directors' report.

3 Dividends

The directors propose the following net dividend for the year:

- Interim dividend of 3.42p (DKK 0.3198) per share paid on 17 October 2014
- Final dividend of 5.82p (DKK 0.6041) per share payable on 12 June 2015

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, in which case they should apply in writing to the Registrars by no later than 7 May 2015.

4 Significant business acquisitions, disposals and developments

- In January 2014, G4S Cash Solutions (Canada) Limited was disposed of in Canada.
- In January 2014, G4S Holdings (Norway) AS was disposed of in Norway.
- In March 2014, a settlement agreement was entered into with the Ministry of Justice in the UK in relation to contracts for electronic monitoring services provided between 2005 and 2013 and two facilities management contracts.
- In July, G4S Secure Solutions AB was disposed of in Sweden.
- In November 2014, the US Government Solutions business was disposed of in the USA.
- In January 2015, refinancing of the multi-currency revolving credit facility agreement with a new principal amount of GBP 1,000,000,000 was completed.

5 Capital

The issued share capital of G4S plc at 31 December 2014 is as set out on page 151 (note 35 to the consolidated financial statements) and consisted of 1,551,594,436 ordinary share of 25 pence each. The number of shares in issue as at 26 March 2015 remains unchanged.

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. The resolutions are set out in the Notice of Meeting on pages 165 and 166 and further explanation is provided on pages 169 and 170. At 31 December 2014 the directors had authority in accordance with a resolution passed at the company's Annual General Meeting held on 5 June 2014 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 6,408,450 shares held within the G4S Employee Benefit Trust ("the Trust") and referred to on page 151 (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.

6 Significant agreements

The company was party to a GBP 1,100,000,000 multi-currency revolving credit facility agreement which required prompt notification of a change of control event following which funds committed but unutilised could be cancelled and repayment of outstanding commitments would need to be made within 45 days.

This facility was refinanced, effective 7 January 2015, with a new principal amount of GBP 1,000,000,000. The change of control clause remains unchanged.

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 USD 550,000,000 and series B-D senior notes representing USD 450,000,000 remain outstanding and mature between 1 March 2017 and 1 March 2022. The second USPP Agreement is for USD 513,500,000 and GBP 69,000,000 and series B-F senior notes representing USD 448,500,000 and GBP 69,000,000 remain outstanding and mature between 15 July 2015 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 GBP 2,000,000,000 Euro Medium Term Note Programme the company issued three tranches of Medium Term Notes (MTNs) to various institutions on 13 May 2009 (GBP 350,000,000), 2 May 2012 (Euro 600,000,000) and 6 December 2012 (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.

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 £10m (2013: £5m).

8 Employees

For the group's business to be successful and sustainable in the future, the directors recognise the importance of having highly engaged employees. They act as ambassadors for the G4S brand by providing great customer service and many want to stay with the organisation long term. To continually improve levels of employee engagement, the group aligns its strategies to the PRIDE model which sets out how the group should protect, respect, involve, develop and engage people. Businesses develop their own employee engagement plans based on feedback obtained from a group-wide biennial employee survey where the questions asked relate to the PRIDE model. In the last survey in 2013, over 380,000 employees shared their views about how they felt about working for G4S and for the last 12 months plans have been implemented to respond to the issues they raised.

As an organisation with a hugely diverse workforce, the group has opportunities for generating innovative ideas and creating competitive advantage. The group's ability to leverage this advantage is best achieved if an environment is created where employees feel included and able to share their own ideas and challenge other people's. To help create such an environment the group has employment policies and procedures that do not discriminate and make it clear that behaviours that seek to undermine the dignity of others will not be tolerated. These policies cover aspects of employment such as recruitment and training, development and promotion opportunities. They are intended to ensure that the group is able to reach the widest talent pools in order to source the best people. Once recruited, the group wants to enable people to reach their full potential regardless of their background or any disabilities. The group's inclusive approach to employment and efforts to support employees who face challenges when they become disabled in the course of their work are some of the many reasons why over 80% of respondents in the last employee engagement survey stated that they would recommend G4S as an employer to a friend.

Protecting the group's employees is important not only as one of the drivers of engagement, but also as a business priority given the group's challenging and sometimes hostile operating environments. Having robust security practices helps ensure the safety of the group's own employees as well as those of its customers, so that both can perform their duties without fear of harm. As well as these procedures, the group has a clearly defined health and safety strategy and management system that identifies the actions needed for businesses to improve their safety performance. This includes communication and consultation with employees on matters of health and safety. Safety committees and representatives fulfil a vital role in raising potential problems, reinforcing safety messages and updating processes and procedures as operations change.

In the last 12 months the group has accelerated its efforts to embed a health and safety culture with the addition of 'safety first' as a core value, the delivery of a series of toolkits and templates to improve road safety awareness and the provision of on-line training about safety leadership. There is much more to do and efforts will continue in 2015 to protect the group's people and work towards its goal of zero harm.

The group is committed to union relations at global, European and local country and business unit levels and has both a well-established international framework agreement with the global union federation, UNI, and a European Works Council. Some of the group's union relationships have existed for over a decade, with high levels of trust and respect developed on both sides. Regular meetings with employee representatives take place with consultation and communication including updates on the company's performance and any financial or economic factors affecting it. The meetings also enable businesses to gather feedback on employee views about proposed changes and any concerns which may otherwise escalate if not addressed quickly. In non-unionised businesses, other employee forums and communication channels such as newsletters and employee briefings are used to ensure people are updated regularly on the company's performance and have the opportunity to ask questions on matters likely to affect their interests.

9 Financial instruments

Details of the financial risk management objectives and policies of the group and exposure to interest risk, credit risk, liquidity risk and foreign exchange risk are given in note 31 to the consolidated financial statements.

10 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 to political organisations 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.

11 Greenhouse gas emissions

Alongside the risks faced by people and infrastructure from climate change are the challenges presented by the economic climate. Increased fuel costs and the introduction of "carbon taxes" ensure that energy efficiency and environmental impact remain important to the effectiveness and sustainability of our business. We recognise the impact that our business activities can have on the environment and are committed to managing this impact in a responsible manner. Through our climate action programme we measure, report and aim to reduce the intensity of our environmental impact.

What we are doing

Since 2008 we have used WBCSD* and WRI GHG** protocols to measure our Scope 1 and 2 emissions – vehicle fleet, fuel, refrigerants and electricity usage for G4S businesses over which we have financial and operational control. In addition we have measured Scope 3 emissions from employee business air travel.

The businesses that reported data in our 2014 GHG measurement represent 95.4% of the group's operations, across a 12 month period. This level of measurement, including each of our main service types, allows us to calculate reliably the total GHG emissions for 100% of the group.

How we are performing

The G4S total carbon footprint during 2014, extrapolated to 100% of the business equates to some 538,303 t/CO_2e. Since 2010, our carbon intensity has decreased by 15.7% per £m of revenue. This reduction translates to a real reduction of 5.6% in carbon emissions against a 24.6% growth in the business during the same period, much of which includes carbon emissions from services which our customers have outsourced to G4S. This is a positive achievement which recognises the efforts made to increase the energy and fuel efficiency of our business.

* World Business Council for Sustainable Development.

** World Resources Institute greenhouse gas.

GHG emissions

(Based on 95.4% measurement)	2013	**2014**
Vehicles (inc refrigerants)	319,902	**322,674**
Total buildings (inc refrigerants)	169,435	**157,031**
Including electricity emissions of	129,352	**124,000**
Air travel	23,793	**20,925**

Carbon intensity

	2010	2011	2012	2013	**2014**
Tonnes CO2e per £m turnover	90.5	85.4	79.3	81.4	**76.3**

Due to a failure of our supplier's management systems it has been necessary to estimate 33% of our UK energy consumption during 2014, equating to some 2% of our overall energy usage.

To estimate this figure, we calculated an average daily consumption rate based on our previous usage, taking national weather and temperature data into account, this was then extrapolated to cover the missing period.

Priorities for 2015

Continue to implement energy efficiency strategies with the aim of reducing carbon intensity by at least 4.5% per annum.

For further details of our climate action programme, please visit www.g4s.com/cap

12 Substantial holdings

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

As at 31.12.2014

Invesco	217,113,381(13.99%)
Tweedy, Brown Company LLC	71,420,862 (5.06%)*
College Retirement Equities Fund	49,655,900 (3.2%)

* notification received prior to the issue of 140,925,757 new shares on 28 August 2013, therefore percentage based on total shares in issue prior to that date.

Between 1.1.2015 and 26.3.2015

College Retirement Equities Fund	47,686,279 (3.073%)

13 Auditor

A resolution to appoint PricewaterhouseCoopers LLP, chartered accountants, as auditor to the company for 2015 and for their remuneration to be fixed by the Audit Committee will be submitted to the Annual General Meeting. The financial statements on pages 99 to 164 have been audited by KPMG Audit Plc.

14 Directors

The directors, biographical details of whom are contained on pages 52 and 53, held office throughout the year.

In accordance with the code provisions on re-election of directors in the UK Corporate Governance Code 2012, each of the directors continuing in office will offer themselves for re-election. Messrs Gibson and Seligman will retire from the board at the conclusion of the company's Annual General Meeting in 2015 and will not therefore stand 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 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 3 November 2006 for Messrs Elliott, Seligman and Gibson, 14 June 2010 for Ms Spottiswoode, 1 October 2010 for Ms Fok, 8 June 2012 for Mr Connolly, 1 January 2013 for Messrs Spence and Crozier, 1 April 2013 for Mr Weller, 1 May 2013 for Mr Almanza and 7 October 2013 for Mr Raja. 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 certain of the group's subsidiaries in the UK, Germany and the Netherlands. 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 and of the directors' remuneration are set out on pages 70 to 84.

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 him 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

Peter David
Company Secretary

26 March 2015

Statement of directors' responsibilities in respect of the annual report and the financial statements

The directors are responsible for preparing the Annual Report and the group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they are required to prepare the group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- for the group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the parent company financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' remuneration report and Corporate governance statement that comply with that law and those regulations.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' responsibility statement

Each of the directors, the names of whom are set out on pages 52 and 53 of this annual report, confirm that, to the best of his or her knowledge:

- the financial statements in this annual report have been prepared in accordance with the applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit of the company and the group taken as a whole; and
- the management report required by DTR4.1.8R (contained in the Strategic Report and the Directors' report) includes a fair review of the development and performance of the business and the position of the company and the group taken as a whole, together with a description of the principal risks and uncertainties they face.

The Strategic Report from the inside front cover to page 50 and pages 89 to 95 includes information on the group structure, the performance of the business and the principal risks and uncertainties it faces. The financial statements on pages 99 to 164 include information on the group and the company's financial results, financial outlook, cash flow and net debt and balance sheet positions. Notes 22, 26, 27, 30 and 31 to the consolidated financial statements include information on the group's investments, cash and cash equivalents, borrowings, derivatives, financial risk management objective, hedging policies and exposure to interest, foreign exchange, credit, liquidity and market risks. In addition to the above, the directors have considered the group's cash flow forecast for the next 12 months. The directors are satisfied that these cash flow forecasts, taking into account reasonably possible risk sensitivities associated with them and the group's current funding and facilities and its funding strategy show that the group will continue to operate for the foreseeable future.

Accordingly, the directors have a reasonable expectation that the group and the company will continue to operate within the level of available funding for the foreseeable future and it is therefore appropriate to adopt the going concern basis in preparing the financial statements.

The directors consider that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's performance, business model and strategy.

The statement of directors' responsibilities and the Strategic Report was approved by a duly authorised committee of the board of directors on 26 March 2015 and signed on its behalf by Himanshu Raja, chief financial officer.

Himanshu Raja
Chief Financial Officer

26 March 2015