A STRONG GOVERNANCE CULTURE – KEY TO SUSTAINABLE SUCCESS

I am delighted that, building on the foundations laid in recent years, the Group has improved both its performance and financial position in 2017. This is particularly notable, in light of the challenging trading conditions that prevailed in the Middle East & India markets.

As shown in the business review section of this report, the Group has made substantial progress on its strategic priorities. The board is pleased with the focus, energy and leadership that the executive team brings to the Group.


John Connolly, Chairman

Strong governance culture

Ensuring that G4S is resilient and agile and therefore able to deal with constant change and evolving economic and geo-political situations, is of paramount importance. This can only be achieved with a skilled and experienced board and management team and an appropriate culture and governance structure.

The board and I see strong governance, adapted to the Group's needs, circumstances and business model, as a source of competitive advantage. G4S is a large, geographically diverse organisation, doing business in complex and sometimes sensitive environments. Sharing a common understanding of the company's purpose and values is essential. To promote this, the board continues to support the application of G4S values throughout the organisation. A strong governance culture is supported by continuous monitoring, review and promotion of the Group's values, standards and policies. It is also essential that directors feel able to provide not only support but also constructive challenge.

BOARD AREAS OF FOCUS IN 2017

In my statement last year, I listed six areas of focus for the board. These were:

- Annual review of Group strategy and management's execution of the strategy
- Induction and integration of new board members
- Board and management succession planning
- Monitoring business performance
- Continued understanding of the Group's businesses and management teams
- Maintaining emphasis on risk management and efficient structures

We made good progress in all these areas and further information on the key areas of activities for the board in 2017 are set out in the governance report.

Therefore we strive to foster open and effective communication within the boardroom and with the executive team. This process is informed by best practice as well as feedback received and views collated from our key stakeholders. There are a number of ways in which the board gathers stakeholders' views, which are set out on pages 78 and 79. This year, as in previous years, I met with major shareholders as part of our annual programme of governance meetings.

Given the business undertaken by the Group and the complex markets in which we operate, it is essential to understand the key risks faced by the organisation and to ensure that the company has appropriate policies, systems, processes and management action plans to mitigate these risks to an acceptable level. The board therefore maintains a Risk Committee, which is separate from the Audit Committee, to provide the necessary focus on risk management and mitigation.

Supporting change

Planning for the future requires us to review the board's composition regularly to ensure that it remains fit to support the changing needs of the Group. Management development and succession planning are also key areas of interest for the board. This was also particularly important this year, as management implemented important organisational changes, with the Secure Solutions business segment now organised into four regions and the creation of a global Cash Solutions division.

In 2017, the board visited the Americas business and the technology business in the UK. Further details of these visits can be found on pages 78 and 79. In both instances, the board and I were impressed with the quality of the products and services offered and the importance of technology both in creating new services and also enhancing offerings when combined with traditional security and cash services.

As chairman, it is my role to ensure that the board has the right skills to understand, support and challenge these developments. We give careful consideration to this need during the board members recruitment process but also when reviewing committees composition, as we did in December. I am confident that the board has significant, diverse and relevant skills and experience, with strong international exposure and knowledge of a significant number of industries (further information on the board balance is set out on page 74).

Performance evaluation

Our externally facilitated performance evaluation was conducted between July and December 2017. The results confirmed that the board and its committees continue to operate well, with all directors contributing to the overall success of the Group. I led the performance evaluation process, with assistance from the Senior Independent Director and the company secretary. All the directors participated. The knowledge gained from the previous external evaluation allowed us to conduct a more focused evaluation this year. The board and committees performance review process is described in detail on page 77 and I am pleased to confirm that no significant issues were raised.

Changes to the board

Due to continued ill health, Ian Springett retired from the board on 20 June 2017. We were very sorry that Ian was unable to join our board and we wish him well for the future. Paul Spence, who was already a member of the Audit Committee, served as interim chair with effect from 20 January. I am very grateful to Paul for his strong stewardship.

The Nomination Committee oversaw the process to find a new non-executive director qualified to act as chairman of the Audit Committee, which led to John Ramsay joining the board on 1 January 2018. I am pleased to welcome John, whose experience in highly international, innovation-focused businesses and his extensive background in finance and accounting will be very valuable to our board and in leading our Audit Committee.

As announced in December 2017, after eight years on the board, Clare Spottiswoode will step down after the company's annual general meeting on 15 May 2018. I would like to thank Clare for her thoughtful contributions to the board and her strong commitment, as chair of the CSR Committee since 2014, to help the company develop and promote CSR policies and processes. The Nomination Committee has initiated a search to find a new non-executive director to join the board.

Further information about the work of the Nomination Committee during the year under review is set out on page 80.

Results

I am pleased to report on another year of good financial progress with continued growth in revenue and earnings and, importantly, a reduction in net debt with achievement of the Group's leverage target of below 2.5 times net debt to Adjusted EBITDA by the end of the year.

Our statutory results showed a 3.1% increase in revenue, which rose to £7.8 billion, Adjusted PBITA up 6.5% to £491 million and earnings up 19.2% to £236 million benefiting primarily from a combination of profitable growth in our core businesses and profits on disposal of a number of businesses as our portfolio rationalisation programme drew to a close.

As noted elsewhere, our core businesses in all regions apart from the Middle East & India grew revenue and Adjusted PBITA such that total Group revenue from core businesses was up 3.2% to £7.4 billion and Adjusted PBITA grew by 4.2% to £496 million.

The management team's continued focus on cash and working capital enabled the Group to deliver good operating cash flow conversion and this, coupled with net proceeds from disposal of a number of portfolio businesses of £156 million offset by organic capital investment of over £100 million, meant that the Group's net debt to Adjusted EBITDA ratio reduced from 2.8 times at the end of 2016 to 2.4 times at the end of 2017, in line with the board's stated leverage reduction target.

The board is confident in the Group's outlook and proposes to increase the final dividend by 5% to 6.11p (DKK 0.5097) per share, payable on 15 June 2018. With an interim dividend of 3.59p (DKK0.2948) paid on 13 October, this will bring the total dividend for the year to 9.70p per share.

People

The Group has around 570,000 employees in over 90 countries, often providing complex services in difficult environments. This can create significant challenges. It is therefore pleasing that the outcome of the 2017 employee engagement survey, which consisted of questions relating to G4S' new corporate values, provided an 84% favourable response rate.

On behalf of the board, I wish to thank the employees of G4S for their engagement, enthusiasm, hard work and dedication.

John Connolly
Chairman

COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE

The board's statement on the company's corporate governance performance is based on the April 2016 edition of the UK Corporate Governance Code (the "Code"), which is available on the Financial Reporting Council's website (frc.org.uk).

The company complied throughout the year under review with the provisions of the Code, except in relation to the composition of the Audit Committee. This matter is addressed on page 85. The Corporate governance report, together with the Audit Committee report, the Risk Committee report and the Directors' remuneration report, describe how the board has applied these provisions.