

The Risk Committee

As announced on 24 April 2020, I succeeded Paul Spence as chair of the Risk Committee on the same date. Paul's deep knowledge and significant experience of complex businesses was extremely valuable in leading the committee effectively. The committee's role is to ensure that risk management is embedded into the Group's processes and that there is a robust risk management framework in place that is able to identify and manage the principal and emerging risks of our business. Effective risk management is key to ensuring the long-term sustainability of the business for all our stakeholders.



STEVE MOGFORD
RISK COMMITTEE CHAIRMAN

Responsibilities

Formed in 2013, the Risk Committee advises the board on the Group's overall risk appetite, reviews and approves 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, in relation to principal and emerging risks. The Risk Committee also assesses the effectiveness of the Group's risk management systems and reports thereon to the Audit Committee.

The committee's composition ensures that a broad set of skills and experience comes together to consider how the Group manages risk in the business. The committee's terms of reference have been reviewed in light of developing practice and the new Code and to ensure that the committee's composition, which consists of both non-executive directors and executive directors remains compliant with the Code principles. This also includes ensuring that there are methods for reporting and for the escalation of significant emerging risks which may be critical to the company. Further details can be found in the committee's terms of reference available at g4s.com/investors.

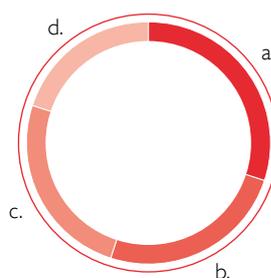
Committee membership during 2019

	Member since
Paul Spence (Chairman) ^a	January 2013
Ashley Almanza	May 2013
John Connolly	January 2013
Steve Mogford ^b	January 2018
Tim Weller	April 2013

- a. Paul Spence retired from the board and as chair of the Risk Committee on 31 March 2020.
b. Steve Mogford took over the role of chairman of the Risk Committee on 24 April 2020.

Other regular attendees include the Group Director of Risk and Internal Audit. There were four scheduled meetings and three unscheduled meetings held during the year ended 31 December 2019. Members' attendance at committee meetings is shown on page 102.

Main activities (%)



- a. 30% – Risk governance/ internal control
b. 25% – Contract risk management
c. 25% – In depth review of high risk contracts/projects
d. 20% – Committee governance and reporting

Links to strategic priorities



People, culture & values



Growth



Profitability

Risk governance

As part of its continued focus on risk governance, the committee reviewed the governance processes and controls in place, including the risk and control matrix. This review also included the review and approval of the Group's risk management policy, which defines G4S' strategic approach to risk management. The committee also reviewed both the process and results of control self-assessments (CSAs) completed by business units across the Group on a regular basis. The CSAs, which cover many of the control standards addressing the Group's high inherent risks, are seen as a positive way in which to ensure that key controls specified by the Group to reduce such risks, are embedded and compliance enhanced. During the process, regional functional leaders review and challenge the results of business unit self-assessments. The internal audit function also performs tests to identify and correct any potential discrepancy between the results of CSAs and its findings. The committee also reviewed the Group's risk appetite and considered the developing and changing impact of certain risks on the Group and whether the risk appetite level for certain principal risks should be adjusted in light of such developments. The committee concluded that the current levels remained appropriate and recommended the risk appetite for approval by the board.

As part of the year-end work, the committee reported to the Audit Committee to confirm that it was satisfied that the Group's risk management processes were appropriate. In turn, the Audit Committee reports to the board on the matter.

Starting in late 2019, the Risk Committee is overseeing a review of the screening and vetting processes in North America as well as internal controls in place regarding the firearms framework.

Emerging risks and Principal risks

Over the course of the year under review, the Risk Committee received presentations on the Group's process for identifying, monitoring and managing emerging risks and principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity and reputation. As part of its assessment of control effectiveness, the committee also reviews mitigation in place for each principal risk and the level of residual risks such mitigations achieved to ensure these were set at an acceptable level. The committee reported to the board the results of such assessment. The Group's approach to

emerging and principal risks is set out on pages 78 to 87.

A presentation on a particular principal risk takes place at each committee meeting. In 2019, presentations covered culture and values, major contracts, cash losses and laws and regulations. These presentations describe the inherent risks, mitigations in place and management of the residual risk. This also included a review of risk management best practice and improvements. Further details of the significant risks and uncertainties facing the business are set out on pages 81 to 87.

Major contracts and projects

In rapidly changing markets contract risk management continues to remain a key area of focus for the company and the committee, which undertakes a review of a major contract at each of its meetings. Managers from the relevant business attend the meeting to present an overview of the particular contract due for review. These sessions focus on the key risks relating to that particular contract, whether operational, strategic, relating to people or otherwise. Management reports on how such risks are mitigated, and on how assurance is obtained that controls are in place and operate effectively. The level of residual risk is also discussed where relevant. These sessions give the committee the opportunity to gain a better understanding of the particular risks associated with these contracts and to interact with those who manage such risks on a day-to-day basis.

The committee has delegated authority from the board to review and approve the acceptance and execution of those major contracts that require board approval due to their size or level of risk, as defined in the risk management policy. During the year under review, the Risk Committee considered several major contract bids, both during scheduled meetings and during additional meetings held specifically for this purpose.

The committee continues to have particular oversight for the project developing lean order-to-cash processes through the development and implementation of a standard IT system for the manned security operations, project javelin. The committee receives regular reports on this project and oversaw the implementation of the project in the UK during 2019. The committee is also reviewing the overall javelin deployment strategy across other businesses. Further information about this project is set out on page 45.

In addition, the committee has oversight of the cyber defence strategy to ensure that the Group's business continuity capabilities are robust. Regular updates are received on cyber risk from the Group's Chief Information Officer.

Committee performance

The assessment of the committee's performance, conducted with assistance from Lintstock, concluded that the composition and management of the committee continued to be effective and that the focus provided by a separate board risk committee continued to be beneficial for the Group.

The review also concluded that the committee effectively monitored the risks associated with major contracts and projects. In 2020, the committee will focus on the Group's overall risk management strategy and policy and undertake deeper reviews of new, emerging or changing risks, such as the Covid-19 pandemic. A key area of focus for the committee will be on overseeing the risk management framework to ensure it is appropriate and effective for the Group as it completes the sale of the majority of its conventional cash businesses over the course of the year.