

# THE RISK COMMITTEE



PAUL SPENCE,  
Risk Committee Chairman

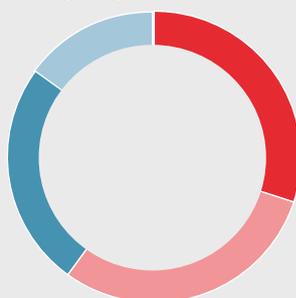
### Committee membership during 2018

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

Other regular attendees include the Group Director of Risk and Internal Audit.

There were four scheduled meetings and two unscheduled meetings held during the year ended 31 December 2018. Members' attendance at committee meetings is shown on page 81.

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



Risk governance/internal control	30%
Contract risk management	30%
In depth review of specific high risk contracts/projects	25%
Committee governance and reporting	15%

### Links to strategic priorities



Robust risk management processes and systems are essential to ensure sustainable performance for all our stakeholders, and it is the role of the Risk Committee to oversee the substantive assessment of the principal risks facing the Group. Throughout 2018 the committee reviewed the principal risks and assessed the processes and controls in place to mitigate those risks.

### 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. 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. Further details can be found in the committee's terms of reference available at [g4s.com/investors](http://g4s.com/investors).

### 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 and the assurance resources available, to ensure appropriate risk governance across the Group. This review also included 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 recommended its approval by the board.

The committee also reported to the Audit Committee to confirm that it was satisfied that the Group's risk management processes were appropriate.

### Principal risks

During the year, the Risk Committee received regular updates on the progress of mitigating the Group's principal risks set out on pages 67 to 71.

Presentations on cyber security, GDPR, geopolitical and people risks covering the inherent risks, mitigations in place and management of the residual risk, were also received. 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 67 to 71.

### Major contracts and projects

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 tend to focus on the key risks relating to that particular contract, whether operational, strategic, relating to people or otherwise. Management reports on how such identified 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 large 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.

In addition, 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 launch of the pilot project in Ireland in the last quarter of 2017 and is overseeing the implementation of the project in the UK. Further information about this project is set out on page 30.

### Committee performance

The assessment of the committee's performance, conducted with assistance from Lintstock, concluded that the committee had good oversight of the company's controls over significant risks and in relation to the Group's overall risk management strategy and policy.

The review also concluded that there was good alignment of the Group's risk management policies with the Group's overall strategy. The assessment highlighted the committee's desire for 2019 to focus on mitigating and eliminating operational risks. Another key area of focus identified for 2019 was to review the effectiveness of our compliance processes in relation to labour laws.