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Dear Sirs,

FRC consultation on changes to the UK Corporate Governance Code

G4S is broadly supportive of the proposed changes to the UK Corporate Governance Code (the "New Code"), which focus very much on principles of good governance rather than setting a prescriptive approach and re-affirm the flexibility provided by the "comply or explain" approach in relation to the Provisions. The non-mandatory nature of the Provisions remains a distinctive feature of the UK governance model, which must be preserved and promoted with investors, sometimes used to differing approaches to governance with an emphasis on strict compliance with a set of specific rules in some jurisdictions. The "comply or explain" approach promotes a more thoughtful and company-specific approach to governance, which we would respectfully encourage the FRC to continue to keep promoting and communicating clearly.

To this end, we note that the introduction to the New Code sets out that the purpose of the Provisions is to "establish good practice", which we think could be understood as implying that any deviation could be regarded as bad practice. We would suggest that the wording of the introduction on "comply or explain" in the current Code which says that "It is recognised that an alternative to following a provision may be justified in particular circumstances if good governance can be achieved by other means" provides helpful guidance, which should be retained in the New Code.

There are also certain aspects of the changes envisaged by the New Code, which do raise some concerns with us, which we have set out below.

General point

Overall, the Draft New Code, Draft Revised Guidance on Board Effectiveness and Draft Guidance on the Strategic Report seem to bring about a broadening of the directors' duties. We agree that greater awareness of a company's stakeholders is useful, indeed vital, for all companies, however the wording of section 172 of the

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Companies Act 2006 is clear in that a director's duty is to act in a way that promotes the success of the company for the benefit of its members as a whole. In doing so, a director needs to have regard to other stakeholders' views and interests.

We are concerned that this fundamental principle, which constitutes current law, is being altered and given a broader interpretation, which is likely to generate uncertainty and could influence court interpretation. We would welcome a greater alignment of the FRC's approach to directors' duties with that of the current law or a definition of directors' duties by cross-reference to section 172, which would ensure that as and when the legislator sees fit to amend the definition of directors' duties, consistency is maintained. This comment is equally valid in relation to the reference to the "function" of the board found in the Principles in section 1 of the New Code which includes to "contribute to wider society".

Q3. Do you agree that the proposed methods in Provision 3 are sufficient to achieve meaningful engagement?

We agree that meaningful engagement is vital to the success of the organisation. We currently do this in a variety of ways including using consultation committees, employee forums, newsletters, and a biennial global employee engagement survey which goes to all employees to seek their views. The results and employee comments from the survey form the basis of business wide action plans focused on increasing employee commitment, improving two-way communications and addressing any barriers to employee engagement. Recognition programmes and suggestion schemes are also widely used.

With over 30% of employees covered by collective bargaining agreements, union representatives provide another avenue for employees to raise concerns and give feedback on ideas for improvements. Internal grievance and welfare procedures are in place as well as the opportunity for all employees to report concerns (anonymously if they wish), via a whistle blowing service which is provided by an independent third party and accessible in several ways. Processes are already in place to investigate and act on matters raised via this service.

Taking account of the difference in structures, cultures, markets and regulatory environments in which organisations operate, and the fact that many businesses, like ours, already have well developed process in place to meet their needs, we believe that Provision 3 should offer flexibility.

Our view is that it would be better to expressly include the opportunity for companies to determine the most appropriate way to achieve meaningful workforce engagement within their own organisations, which could include methods not specified already in the list provided. Thus, it would be useful to expand on the current list provided at

Provision 3 to set out expressly additional flexibility for companies to determine the most appropriate way to achieve meaningful engagement with the workforce within their organisations, which could include methods not specified in the list provided in Provision 3.

Q7. Do you agree that nine years, as applied to non-executive directors and chairs, is an appropriate time period to be considered independent?

We do not believe that a specific period of time should be set beyond which independence is automatically lost. The current approach to assessing directors' independence seems to provide the right balance in ensuring the board is able to carry-out such assessment to decide whether or not the test for independence is met by a particular director. In certain circumstances the experience, skills and knowledge of a long-serving director may prove invaluable to the organisation and it may be in the company's best interest to secure the continuing service of such director beyond nine years. We are concerned that an automatic loss of independence upon reaching nine years of service may be understood as a requirement, which would likely result in adverse voting recommendations, often not fully taking account of a company's particular circumstances or needs justifying the proposed course of action. It seems to us, in the best interests of the company and its shareholders that the board should retain the current discretion over the matter of assessing directors' independence.

In addition, we note that under the New Code, the company's chairman is expected to be independent not only upon appointment but also thereafter on an on-going basis. We are concerned that the ability for companies to use internal succession planning for the appointment of the company's chairman from amongst its directors' ranks will be greatly reduced by the introduction of this requirement. This is not desirable, at it would reduce the range of choices available to a company.

Q11. What are your views on encouraging companies to report on levels of ethnicity in executive pipelines? Please provide information relating to the practical implications, potential costs and other burdens involved, and to which companies it should apply.

As a global organisation operating in over 90 countries, we embrace diversity and recognise it as a source of competitive advantage to G4S. We believe it helps us innovate and stay ahead of the competition. We have robust policies in place encouraging and promoting diversity and provide tools to employees to raise awareness and understanding of aspects of diversity such as cultural and religious differences. We also review annually our global diversity metrics and develop plans where there are under-represented groups. We aim to recruit from the widest talent

pools and our pay, promotion and development processes are based on equality and merit rather than any personal characteristics or subjective criteria.

Although we are very supportive of initiatives to promote and increase diversity across organisations, including the pipeline for executive roles, we believe that reporting on levels of ethnicity in relation to such pipeline may be very difficult in practice. The size of the population in scope, added to varying regulatory requirements relating to the processing of personal and sensitive data in different countries will render the gathering difficult and in some cases unlawful. There are additional rights to privacy in accordance with the Human Rights Act which would also need careful consideration. A consistent and clear definition of what ethnicity constitutes would be required together with an agreement about whether the request for disclosure is voluntary or mandatory. If mandatory, the basis for this is unclear and may be difficult to enforce.

As well as providing legal guidance and communications to employees in the executive pipeline about the requirement for disclosing ethnicity, our talent management systems would need modification in order to capture and report on ethnicity. Inevitably this would have a time and cost impact.

Whilst committed to improving ethnic balance in the senior levels of the organisation we believe the limitations outlined make gathering data difficult and may result in inaccurate or incomplete information being disclosed.

Q12. Do you agree with retaining the requirements included in the current Code, even though there is some duplication with the Listing Rules, the Disclosure and Transparency Rules or Companies Act?

We believe that duplication should be avoided as much as possible, to avoid the risk of requirements that may seem identical originally later diverging or being interpreted differently. A single source for any requirement is vastly preferable.

Q14. Do you agree with the wider remit for the remuneration committee and what are your views on the most effective way to discharge this new responsibility, and how might this operate in practice?

We do not agree with the wider remit for the remuneration committee. Although we believe that remuneration committees need to take into account remuneration and workforce policies and practices, we are concerned that the second limb of Provision 33 may broaden the remit of the remuneration committee significantly by including the remuneration and workforce policies and practices. We see such broad scope as neither practical nor desirable and there is a risk of tasking the remuneration

committee with activities that would normally fall within the remit of the human resources function.

For a global business with the size and footprint of G4S, the additional scope of matters for the remuneration committee's consideration the current draft seems to envisage, would pose some significant logistical problems (the group operates in over 90 countries) and would result in a significant increase in both the functional teams and remuneration committee's workload.

We would suggest that focusing on ensuring the remuneration committee has a good awareness of the organisation's remuneration and workforce policies and practices, when setting the policy for director remuneration, is both appropriate and sufficient.

Yours faithfully,

Celine Barroche
Company secretary