

# Directors' Remuneration Report

At 31 December 2007

This report, prepared on behalf of and approved by the board, provides details of the remuneration of each of the directors and sets out the company's remuneration policies for the current financial year and, subject to ongoing review, for subsequent financial years. The report will be put to the company's Annual General Meeting for approval by the shareholders.

The Remuneration Committee met five times during the period under review. The members of the committee, all of whom are considered to be independent, are Lord Condon (chairman), Mark Elliott, Bo Lerenius and Mark Seligman. Mark Elliott joined the committee on 1 March 2007. The committee is responsible for setting all aspects of the remuneration of the chairman, the executive directors, the three other members of the group executive committee and the company secretary. It is also responsible for the operation of the company's share plans. Its terms of reference are available on the company's website.

Towers, Perrin, Forster & Crosby, Inc.\* ("Towers Perrin") has been appointed by the committee to provide executive and senior management remuneration advice to the company. Their terms of appointment are available on the company's website. In addition Alithos Limited ("Alithos") has been appointed by the committee to verify the calculation of certain elements of payments due under the company's performance share plan. Neither Towers Perrin nor Alithos has provided any other services to the company during the period under review.

Nick Buckles, chief executive, provided guidance to the committee on remuneration packages for senior executives within the group. Further guidance was received from the group's HR director, Irene Cowden. Neither Mr Buckles nor Mrs Cowden participated in discussions regarding their own remuneration.

## Remuneration policy

The policy for the remuneration of the executive directors and the executive management team aims to achieve:

- > the ability to attract, retain and motivate high calibre executives;
- > a strong link between executive reward and the group's performance;
- > alignment of the interests of the executives and the shareholders; and
- > provision of incentive arrangements which focus on both annual and longer-term performance.

A significant proportion of total remuneration is related to performance, through participation in both short-term and long-term incentive schemes. The performance-related element amounts to around 43% of the total package for target performance and around 63% of the total package for stretch performance. The committee believes that the current balance is appropriate, although it is kept under review.

The committee is satisfied that the incentive structure for the board does not raise environmental, social or governance risks by inadvertently motivating irresponsible behaviour.

Bonus payments do not form part of salary for pension purposes.

## Elements of remuneration

### (a) Base salary and benefits

The salaries of the executive directors are reviewed with effect from 1 January each year. Interim salary reviews may be carried out following significant changes in responsibility. The salaries take account of a benchmarking exercise based on similarly sized companies with a significant part of their business overseas and also reflect responsibility, individual performance, internal relativities and salary and other market information supplied by Towers Perrin. The overall objective is to achieve salary levels which provide a market competitive base salary, with the opportunity to earn above market norms, on the delivery of superior performance, through the company's incentive schemes. Benefits include pension arrangements and the provision of a company car (or a cash allowance in lieu of a car), health insurance and life assurance.

\* Towers Perrin and Alithos have each given, and not withdrawn, their written consent to the issue of this document with the inclusion of the reference to their respective names in the form and content in which they appear. Copies of the consent letters are available for inspection at the company's registered office.

# Directors' Remuneration Report (continued)

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## (b) Performance-related bonus scheme

For the year under review, the executive directors participated in an annual performance-related bonus scheme, payments under which were dependent on the attainment of defined PBTA (profit before tax and amortisation) targets of the group, adjusted for the effect of any exceptional items and discontinued operations and using constant exchange rates. The committee believes that PBTA best reflects the various key drivers of business success within the group. For achievement of a threshold level of profits which is slightly below the budgeted profit target, a bonus payment of 25% of base salary was due. 40% of base salary was payable on achievement of the budgeted target and the amount of bonus increases on a straight line basis up to 80% of base salary for achievement of a stretch profit target. A further 20% was payable on achievement of pre-defined key business objectives approved by the Remuneration Committee. These objectives vary for each individual according to their responsibilities and support longer-term business development. Any such bonus up to the value of 50% of the executive director's salary was payable in cash with any excess balance being awarded in the form of deferred shares. Any deferred shares will normally only be transferred to the executive director if he remains in employment (otherwise than where he leaves in certain specified circumstances) for a period of three years from the date of the award of the shares.

The PBTA budgeted targets used for the above scheme are the same as the company's budgeted PBTA for the corresponding period (assuming constant exchange rates).

The company performed well in 2007, with PBTA exceeding target but below maximum full stretch target performance. As a result the Remuneration Committee agreed that the resulting payment for this component of the bonus should be at the 75.2% of base salary level. In addition the committee agreed that the element of bonus dependent on achievement of pre-defined key business objectives should be paid at between 16% and 20% of base salary.

## (c) Performance Share Plan (Long-term incentive plan)

The Performance Share Plan was introduced in July 2004. Under the plan, the executive directors and certain other senior executives receive conditional allocations of the company's shares which are released to them only on the achievement of demanding performance targets.

Following approval of revisions to the plan at the company's 2007 Annual General Meeting, the maximum annual award of shares payable under the plan has increased to two and a half times base salary. The annual award approved by the committee for the year under review is one and a half times base salary for the executive directors and one times salary for senior executives below board level. The extent to which allocations of shares under the plan vest is determined, as to two thirds of the award, by the company's normalised earnings per share growth relative to the RPI over a single three-year period and, as to the remaining third of the award, by the company's ranking by reference to TSR (total shareholder return; being share price growth plus dividends paid) using a bespoke global group of 16 support services companies as a comparator group, again over a single three-year period.

In relation to awards made in previous years, the conditions subject to which allocations of shares vest under this plan differ in a number of respects: half of any award is determined by the company's normalised earnings per share growth relative to the RPI over a single three year period and the other half of the award by the company's ranking by reference to TSR using the FTSE-100 constituent companies as at the date of the award as a comparator group, again over a single three year period. There is no provision for retesting.

The following targets apply to two-thirds of awards granted in the year under review, with the three-year EPS (earnings per share) period ending on 31 December 2009:

Average annual growth in EPS	Proportion of allocation vesting
Less than RPI + 6% per annum	Nil
RPI + 6% per annum (18% over three years)	25%
RPI + 6 – 11% per annum	Pro rata between 25% and 100%
RPI + 11% per annum (33% over three years)	100%

The same targets apply to the first half of awards granted in previous years.

**(c) Performance Share Plan (Long-term incentive plan) (continued)**

The following targets apply to the remaining one third of each award granted in the year under review:

Ranking of the company against the bespoke comparator group by reference to TSR	Proportion of allocation vesting
Below median	Nil
Median	25%
Between median and upper quartile	Pro rata between 25% and 100%
Upper quartile	100%

The same targets apply to the second half of each award granted in previous years, but the ranking applied is that of the company against the FTSE-100 constituent companies as at the date of the award.

In addition, participants in the PSP will receive a further share award with a value equivalent to the dividends which would have been paid in respect of PSP awards vesting at the end of the performance period.

In relation to awards made before 2007, there will only be a transfer of shares under the second half if the growth in EPS of the company has exceeded the growth in RPI by 10% over a performance period of three financial years.

Furthermore, there will only be a transfer of shares under the final third (or second half in respect of awards made before 2007) if the Remuneration Committee is satisfied that the company's TSR performance is reflective of the company's underlying performance.

The Remuneration Committee believes that a combination of earnings per share growth and total shareholder return targets is the most appropriate performance measure for the performance share plan, as it provides a transparent method of assessing the company's performance, both in terms of underlying financial performance and returns to shareholders. 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, whilst TSR ranking will be determined by Towers Perrin whose findings are verified by Alithos.

Awards will not normally vest where an employee ceases to be employed within the group unless cessation of employment is due to death, injury, disability, redundancy, retirement or following a change of control of, or sale outside the group of, his or her employing company. In these situations, vesting will occur in the normal course and the performance targets will need to be satisfied pro rata to the time the allocation has been held. Only a proportion of the award, based on the time which has elapsed from the award date to the end of the last complete month in which the employee was employed, will vest in these circumstances in most cases. The Remuneration Committee does however retain the ability to allow for a greater award to vest if it considers it to be appropriate in exceptional circumstances.

The company's current policy is to use market purchased shares to satisfy performance share plan awards.

The Remuneration Committee believes that continued shareholding by executive directors will strengthen the alignment of their interests with shareholders' interests. Accordingly, executive directors of the company will be expected to retain shares to the value of 30% of the after-tax gains made on the vesting of performance share plan awards until they have built up a shareholding equivalent to one times base salary.

**Chief executive's remuneration review**

A review of the company's executive remuneration conducted for the committee by Towers Perrin identified that the chief executive's total pay over the past few years has been somewhat behind competitive market norms. Following a consultation with major shareholders and shareholder representative bodies, the Remuneration Committee has therefore approved a change to the Performance Share Plan element of the chief executive's remuneration with effect from 1 January 2008 whereby he will receive annual awards up to a face value of 200% of base salary (maintaining the same 2/3 and 1/3 split on EPS and TSR respectively). This change results in the chief executive's total direct compensation being at a level which is closer to, but still some way behind, market norms. The Remuneration Committee will keep this position under review.

# Directors' Remuneration Report (continued)

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## Fees, service contracts and letters of appointment

The chairman's annual fee is £250,000. The annual fee for the non-executive directors, which is set by the chairman and the executive directors, is £51,030, with a further £42,000 for the role of deputy chairman, £15,750 for the chairmanship of each of the Audit and Remuneration Committees and £15,750 for the role of senior independent director. No other fees are paid for membership of the board committees. These fees are subject to periodic review which takes into account comparative fee levels in other groups of a similar size and the anticipated time commitment for the non-executive directors.

The service contracts of those who served as executive directors during the period are dated as follows:

Nick Buckles	2 June 2004
Trevor Dighton	2 June 2004
Grahame Gibson	6 December 2006

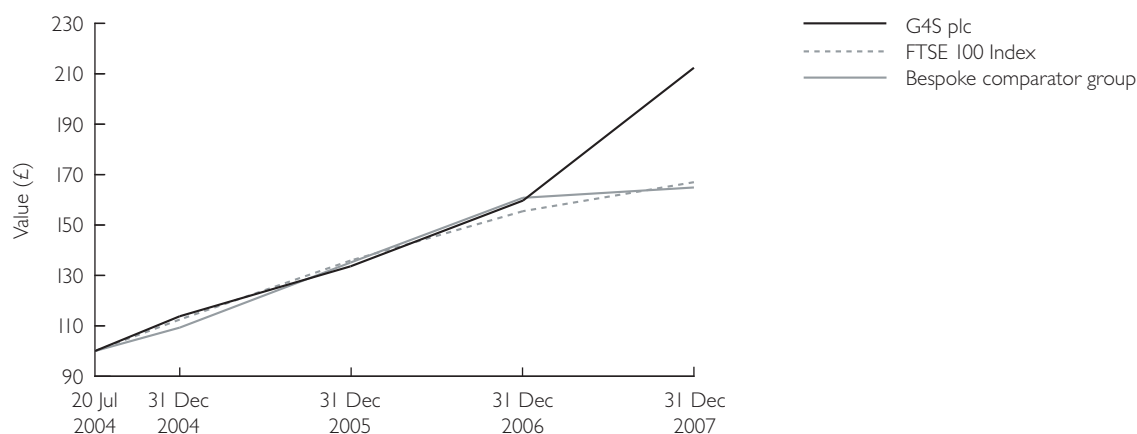
The contracts of Messrs Buckles, Dighton and Gibson are terminable by the company on 12 months' notice. The contracts are terminable by the executive directors on 12 months' notice. There are no liquidated damages provisions for compensation payable upon early termination, but the company reserves the right to pay salary in lieu of notice. It is the company's policy that it should be able to terminate service contracts of executive directors on no more than 12 months' notice and that payments for termination of contract are restricted to the value of salary and other contractual entitlements for the notice period. The Remuneration Committee is satisfied that the current arrangements are appropriate and in line with best practice.

The chairman and the other non-executive directors do not have service contracts but letters of appointment which provide for three-year terms. In the case of Mr Seligman, this term began on 1 January 2006, and in the case of Mr Elliott, it began on 1 September 2006. The other non-executive directors have been granted three year extensions to their initial letters of appointment beginning on 19 May 2007. All continuing directors are required to stand for re-election by the shareholders at least once every three years.

It is the company's policy that executive directors may each hold not more than one external non-executive appointment and may retain any associated fees. Mr Buckles is a non-executive director of Arriva plc for which he received fees of £35,500 in the year ended 31 December 2007. Neither of the other executive directors currently holds an external non-executive appointment.

## Performance graph

The performance graph below shows the total cumulative shareholder return of the company from its first day of listing, 20 July 2004, until 31 December 2007, based on a hypothetical shareholding worth £100, compared with the return achieved by the FTSE-100 constituent companies over the same period. 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, since December 2007, the company has itself become a FTSE 100 company. The graph also compares the company's performance over the same period with the bespoke group of companies which is used now for comparative total shareholder return purposes in the company's performance share plan. (Until 2007, the FTSE-100 constituent companies were used for this purpose). The values attributable to the bespoke comparator group companies have been weighted in accordance with the market capitalisation of the companies and spot exchange rates were used at each of the relevant dates to obtain constant currency.



This graph shows the value at 31 December 2007 of £100 invested in G4S plc on 20 July 2004 compared with the value of £100 invested at the same time in both the FTSE 100 Index and the bespoke comparator group used in the company's PSP scheme. The other points plotted show the value at the intervening financial year ends.

THE FOLLOWING INFORMATION HAS BEEN AUDITED

### Base salaries and bonuses

	Salary and fees £	Benefits (excluding pension contribution) £	Performance related bonus £	2007 Total £	2006 Total £
<b>Chairman</b>					
(non-executive)					
Alf Duch-Pedersen	237,500	–	–	237,500	161,250
Jørgen Philip-Sørensen (retired 30 June 2006)	–	–	–	–	90,000
<b>Executive directors</b>					
Nick Buckles (see note 1 below)	705,000	30,111	671,160	1,406,271	1,182,990
Trevor Dighton (see note 1 below)	436,000	18,083	397,632	851,715	724,763
Grahame Gibson (see notes 1 & 2 below)	482,016	29,521	448,721	960,258	828,994
<b>Other non-executive directors</b>					
Lord Condon	106,190	–	–	106,190	67,633
Mark Elliott	49,815	–	–	49,815	16,200
Thorleif Krarup	65,190	–	–	65,190	60,550
Bo Lerenius	49,815	–	–	49,815	46,800
Waldemar Schmidt (retired 30 June 2006)	–	–	–	–	22,500
Mark Seligman	49,815	–	–	49,815	46,800
Sir Malcolm Williamson	65,190	–	–	65,190	61,800
<b>Total</b>	<b>2,246,531</b>	<b>77,715</b>	<b>1,517,513</b>	<b>3,841,759</b>	<b>3,310,280</b>

Notes:

- 1 The performance-related bonuses derived from the company's bonus scheme were paid as 50% of basic salary in cash and the remainder through the award of deferred G4S shares, based on a share price of 222.67p, being the average middle market closing price of the company's ordinary shares over the three days immediately following the date of the company's preliminary results announcement, 11 March 2008. The deferred share awards were:

Nick Buckles	143,110 shares
Trevor Dighton	80,673 shares
Grahame Gibson	90,826 shares

- 2 Grahame Gibson was reimbursed £64,761 for expenses associated with his relocation from the West Midlands to Surrey. This sum is subject to UK income tax. The company also paid air fares amounting to £29,013 for flights between the UK and the USA for Mr Gibson's wife and children. This sum is taxable in the USA.

The annual base salaries of the executive directors and the annual fees of the non-executive directors at 31 December 2007 were:

	£
<b>Executive directors</b>	
Nick Buckles	705,000
Trevor Dighton	436,000
Grahame Gibson	490,875
<b>Non-executive directors</b>	
Alf Duch-Pedersen (chairman)	250,000
Lord Condon	108,780
Mark Elliott	51,030
Thorleif Krarup	66,780
Bo Lerenius	51,030
Mark Seligman	51,030
Sir Malcolm Williamson	66,780

# Directors' Remuneration Report (continued)

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## Directors' share options

	Option	At 31.12.06	Granted during 2007	Outstanding at 31.12.07	Option price (p)
Nick Buckles	A	72,901	–	72,901	107.98
	B	95,000	–	95,000	164.00
	C	75,000	–	75,000	133.75
	D	55,000	–	55,000	153.00
	E	700,000	–	700,000	108.00
Trevor Dighton	B	55,000	–	55,000	164.00
	C	40,000	–	40,000	133.75
	D	30,000	–	30,000	153.00
	E	350,000	–	350,000	108.00

Option A = 1996 Securicor Executive Share Option Scheme, exercisable until June 2008

Option B = Securicor Executive Share Option Scheme, exercisable until December 2009

Option C = Securicor Executive Share Option Scheme, exercisable until June 2010

Option D = Securicor Executive Share Option Scheme, exercisable until December 2010

Option E = Securicor Executive Share Option Scheme, exercisable until December 2011

The above options, which had been granted over Securicor plc shares, were rolled over into options over G4S plc shares. No further grants of options under these schemes will be made.

Neither of the above directors exercised options under any of the above schemes during the year.

As a result of implementation of the Scheme of Arrangement of Securicor plc in July 2004, the performance conditions for the executive share options referred to above ceased to apply. This would not occur under the current Performance Share Plan.

The market price of an ordinary share at 31 December 2006 was 188p. At 31 December 2007 it was 244.75p.

The highest and lowest market prices of an ordinary share during the year to 31 December 2007 were 244.75p and 181.75p respectively.

### Directors' interests in Performance Share Plan

	At 31.12.06	Shares awarded conditionally during year	Date of award	Market price at date of award	Vesting date	2004 awards	At 31.12.07
Nick Buckles	1,062,075	483,250	06.06.07	212.50p	06.06.10	368,830	1,176,495
Trevor Dighton	746,500	298,860	06.06.07	212.50p	06.06.10	276,130	769,230
Grahame Gibson	735,110	336,480	06.06.07	212.50p	06.06.10	252,460	819,130

The conditions subject to which allocations of shares vest under this plan are described under (c) Performance Share Plan on pages 38 and 39.

During the year under review the following performance share plan awards from 2004 vested:

Nick Buckles	232,362 shares gross (368,830 maximum award; 63% vested; 136,902 shares released after tax, NIC etc)
Trevor Dighton	173,961 shares gross (276,130 maximum award; 63% vested; 102,493 shares released after tax, NIC etc)
Grahame Gibson	159,049 shares gross (252,460 maximum award; 63% vested; 114,575 shares released after tax, NIC etc)

The market price at date of award (21 July 2004) was £1.23 per share. The market price at the vesting date (30 August 2007) was £1.985 per share.

### Directors' interests in shares of G4S plc (unaudited)

(including awards of deferred shares but excluding shares under option and shares awarded conditionally under the performance share plan, both as shown above)

	At 31.12.07	At 31.12.06
Nick Buckles	1,079,849	975,043
Lord Condon	2,000	2,000
Trevor Dighton	729,427	650,964
Alf Duch-Pedersen	128,560	128,560
Mark Elliott	—	—
Grahame Gibson	512,409	397,834
Thorleif Krarup	3,206	3,206
Bo Lerenius	16,000	16,000
Mark Seligman	50,496	50,000
Sir Malcolm Williamson	2,000	2,000

All interests shown above are beneficial.

Changes in the executive directors' holdings have taken place since 31 December 2007 relating to the vesting of the 2005 Performance Share Plan and the award of deferred shares relating to the 2007 annual bonus scheme as a result of which their interests as at 7 April 2008 are:

Nick Buckles	1,202,544
Trevor Dighton	821,284
Grahame Gibson	641,878

As at 31 December 2007, each of Nick Buckles, Trevor Dighton and Grahame Gibson also had a deemed interest in 5,209,320 ordinary shares held in the Group 4 Securicor Employee Benefit Trust.

# Directors' Remuneration Report (continued)

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## Directors' pension entitlements

For the period under review, both Nick Buckles and Trevor Dighton participated in non-contributory categories of a group defined benefit pension scheme with a normal retirement age of 60. Trevor Dighton accrued pension at a rate of 1/30ths and Nick Buckles accrued pension at a rate of 1/52ths of their final pensionable salaries. An actuarial reduction is applied to pensions payable before normal retirement age and an increase is applied where retirement is deferred beyond normal retirement age.

For death before retirement a capital sum equal to four times pensionable salary is payable, together with a spouse's pension of 50% of the member's prospective pension at the age of 60 plus a return of any contributions paid prior to the admission to the non-contributory category.

For death in retirement, a spouse's pension of 50% of the member's pre-commutation pension is payable.

Post retirement pensions increase in line with the increase in the Retail Prices Index subject to a maximum of 5% per annum.

Grahame Gibson opted for enhanced protection and receives a salary supplement in lieu of pension of 40% of his basic salary.

Pension entitlements and corresponding transfer values increased as follows during the 12 months ended 31 December 2007 (all figures are in £'000s):

	Gross increase in accrued pension (1)	Increase in accrued pension net of inflation (2)	Total accrued pension at 31/12/07 (3)	Value of net increase in accrual over period (4)	Total change in transfer value during period (5)	Transfer value of accrued pension at 31/12/07 (6)	Transfer value of accrued pension at 31/12/06 (7)
Nick Buckles	31	21	294	248	606	3,735	3,129
Trevor Dighton	17	15	62	273	362	1,128	766
Grahame Gibson	11	3	217	48	607	2,975	2,368

## Notes

- (i) Pension accruals shown are the amounts which would be paid annually on retirement based on service to the end of the year with the exception of Mr Gibson whose accrual ended on 5 April 2006.
- (ii) Transfer values have been calculated in accordance with version 8.1 of guidance note GNI 1 issued by the actuarial profession.
- (iii) The value of net increase (4) represents the incremental value to the director of his service during the year, calculated on the assumption that service terminated at the year-end. It is based on the increase in accrued pension (2) with the exception of Mr Gibson whose accrual ended on 5 April 2006.
- (iv) The change in transfer value (5) includes the effect of fluctuations in such value due to factors beyond the control of the company and the directors, such as stock market movements.
- (v) Mr Gibson receives a salary supplement in lieu of pension of 40% of his basic salary.

## Lord Condon

Chairman of the Remuneration Committee

7 April 2008