

Recommendation and explanatory notes relating to business to be conducted at the Annual General Meeting on 29 May 2008

The board of G4S plc considers the resolutions set out in the Notice of Annual General Meeting are likely to promote the success of the Company and are in the best interests of its shareholders as a whole. The directors unanimously recommend that members vote in favour of the resolutions as they intend to do in respect of their own beneficial holdings.

Explanatory notes in relation to certain of the business to be conducted at the meeting are set out below:

1 Authority to Allot Shares (Resolution 7)

At the last AGM of the Company, held on 31 May 2007, the directors were given authority under section 80 of the Companies Act 1985 ("the 1985 Act") to allot ordinary shares in the capital of the Company up to a maximum nominal amount of £105,500,000 representing approximately 33% of the Company's then issued ordinary share capital. This authority was granted for a period ending on 1 May 2012.

The 1985 Act provides for such authority to be granted either by a company in general meeting or by the articles of association, and in both cases such authority must be renewed at least every five years. Notwithstanding the statutory provisions, institutional best practice indicates that this authority be renewed annually and that the authority be limited to the lesser of the authorised but unissued share capital and one third of the issued share capital.

Accordingly, the board considers it appropriate that a further similar authority be granted to allot ordinary shares in the capital of the Company up to a maximum nominal amount of £106,500,000, representing a little less than one-third of the Company's issued ordinary share capital as at 7 April 2008, during the period up to the conclusion of the next AGM in 2009.

The intention of the directors is to allot shares upon the exercise of options granted over Securicor plc shares and rolled over into options over the Company's shares. The directors do not have any other present intention of exercising this authority.

The Company does not hold any treasury shares as such. However, the 5,209,320 shares held within the employee benefit trust and referred to on page 92 (note 37 to the consolidated financial statements) are accounted for as treasury shares.

2 Disapplication of Pre-emption Rights (Resolution 8)

Resolution 8 will empower the directors to allot ordinary shares in the capital of the Company for cash on a non pre-emptive basis (a) in connection with a rights or similar issue and (b) (otherwise than in connection with a rights issue) up to a maximum nominal value of £16,000,000, representing approximately 5% of the issued ordinary share capital of the Company as at 7 April 2008. Again, institutional best practice suggests that this authority should be renewed annually.

3 Purchase of Own Shares (Resolution 9)

Resolution 9 gives the Company authority to buy back its own ordinary shares in the market as permitted by the 1985 Act. The authority limits the number of shares which could be purchased to a maximum of 128,000,000 (representing a little less than 10% of the Company's issued ordinary share capital as at 7 April 2008) and sets minimum and maximum prices. This authority will expire at the conclusion of the AGM in 2009.

The directors have no present intention of exercising this authority, but will keep the matter under review, taking into account the financial resources of the Company, the Company's share price and future funding opportunities. The authority will be exercised only if the directors believe that to do so would result in an increase in earnings per share and would be in the interests of shareholders generally. No shares were purchased pursuant to the equivalent authority granted to the directors at the Company's last AGM.

4 Amendment of Articles (Resolution 10)

The Company proposes to amend its articles of association to reflect the provisions of the Companies Act 2006 (the "2006 Act") which came, or will come, into effect in 2007 and 2008. As the 2006 Act will not be fully in force until October 2009, and it is not yet possible fully to reflect the 2006 Act changes, it is anticipated that shareholders will be asked to approve further changes to the articles of association at the 2009 AGM. The principal changes to the articles of association proposed to be made following the 2008 AGM relate to shareholder meetings and resolutions, transfers of shares and directors' conflicts of interest.

The provisions of the 2006 Act regarding shareholder meetings and resolutions came into force in October 2007, replacing the corresponding provisions of the 1985 Act. The new articles incorporate amendments in relation to meetings and resolutions to ensure consistency with the 2006 Act.

From 1 October 2008, under the 2006 Act a director has a statutory duty to avoid a situation where he has, or can have, a direct or indirect interest which conflicts, or possibly may conflict, with the company's interests. The 2006 Act allows directors of public companies to authorise conflicts or potential conflicts where the articles of association contain a provision allowing this authorisation. It is proposed that the Company's new articles of association should include such a provision.

The principal changes to the articles of association can be summarised as follows:

(a) Transfer of shares (article 40)

Under the 2006 Act, a company must either register a transfer or give the transferee notice of, and reasons for, its refusal to register the transfer. Any registration of a transfer or notice of refusal must be made or given as soon as practicable and in any event within two months from the date that the transfer is lodged with the company. Reasons for refusal must also be provided if a reasonable request is made by the transferee. The revised article will reflect these requirements.

(b) Disclosure of interests (article 48)

The provisions relating to the disclosure of interests in shares contained in the 1985 Act, including section 212 on company investigation powers, were repealed in January 2007. Section 793 and related sections in Part 22 of the 2006 Act, which contain the corresponding company investigation powers previously contained in section 212, were brought into force simultaneously. Article 38 reflects the replacement of section 212 of the 1985 Act with section 793 of the 2006 Act.

(c) Notice of general meetings (article 57)

The provisions in the revised articles dealing with the convening of general meetings and the length of notice required to convene general meetings are in line with the relevant provisions of the 2006 Act. In particular, a general meeting (other than the annual general meeting) to consider a special resolution can be convened on 14 days' notice whereas previously 21 days' notice was required.

(d) Quorum (article 70)

The article has been amended to make it clear that two persons who are proxies for the same member or representatives of the same body corporate can constitute a quorum.

(e) Polls (article 78)

The article has been amended to avoid any potential conflict with the provisions of section 329 of the 2006 Act which details the rights conferred on a proxy to demand a poll in various circumstances.

(f) Votes of members, proxies and corporate representatives (articles 90 and 99)

Under the 2006 Act, proxies are entitled to vote on a show of hands as well as on a poll, and members may appoint a proxy to exercise all or any of their rights to attend, speak and vote at meetings. Multiple proxies may be appointed provided that each proxy is appointed to exercise the rights attached to a different share or shares. The amendments reflect these new proxy rights (article 90). The 2006 Act also provides for multiple corporate representatives to be appointed and the articles therefore refer to the right to appoint multiple corporate representatives (article 99).

(g) Receipt of appointments of proxy and termination of proxy authority (article 93)

The article provides that proxies for a poll to be taken after the date of a meeting or adjourned meeting must be received not less than 24 hours, or such shorter time as the directors may determine, before the time of the poll.

(h) Availability of appointments of proxy (article 97)

The article provides for the directors to make available to the members at the Company's expense, facilities for appointing proxies. The article provides that proceedings at shareholder's meetings will not be invalidated as a result of any accidental omission or the failure due to circumstances beyond the Company's control to send or make available to shareholders appointments of proxy or invitations to appoint proxies.

Recommendation and explanatory notes relating to business to be conducted at the Annual General Meeting on 29 May 2008 (continued)

4 Amendment of Articles (Resolution 10) (continued)

(i) Directors' appointments, interests and conflicts of interest (articles 127, 127A and 132)

The 2006 Act sets out directors' general duties which largely codify the existing law but with some changes. Under the 2006 Act, from 1 October 2008 a director has a statutory duty to avoid a situation where he has, or can have, a direct or indirect interest which conflicts, or possibly may conflict, with the company's interests. The requirement is very broad and could apply, for example, if a director becomes a director of another company or a trustee of another organisation. The 2006 Act allows directors of public companies to authorise conflicts and potential conflicts where appropriate, if the articles of association contain a provision to this effect. The 2006 Act also allows the articles to contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty.

Article 127, which is the provision for dealing with conflicts in the current articles, allowing directors to be interested in transactions and to be an officer of or employed by or interested in a body corporate in which the Company is interested, has been amended so that it confirms that such interests, offices or employment will not infringe the conflicts duty as codified in the 2006 Act.

New article 127A gives the directors authority to approve conflict situations including other directorships held by the Company's directors and includes other provisions to allow conflicts of interest to be dealt with in a similar way to the current position.

There are safeguards which will apply when directors decide whether or not to authorise a conflict or potential conflict. First, only directors who have no interest in the matter being considered will be able to take the relevant decision and, secondly, in taking the decision the directors must act in a way they consider, in good faith, will be most likely to promote the Company's success. The directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate.

The proposed new article 127A also contains provisions relating to confidential information, attendance at board meetings and availability of board papers to protect a director from being in breach of duty if a conflict of interest or potential conflict of interest arises. These provisions will only apply where the position giving rise to the potential conflict has previously been authorised by the directors.

The proposed amendment to Article 132, which deals with the quorum requirement for board meetings, clarifies that the presence of a quorum will be determined separately in relation to each matter or resolution considered or voted on at the meeting. This will mean that if a director cannot count in the quorum for a particular resolution (because for example he is interested in the outcome of the resolution) he may still count in the quorum for the other resolutions to be voted on at the meeting.

(j) Permitted interests and voting (article 137)

Article 137 identifies certain matters in relation to which directors are permitted to vote notwithstanding an interest in those matters. The 2006 Act contains a much wider definition of "connected person" of a director than had applied under the 1985 Act which would make declaration by directors of relevant interests very difficult in practice. It is therefore proposed to retain the status quo by preserving the definition of connected person which applied under the 1985 Act.

The previous exception relating to retirement schemes was confined only to schemes approved by the Inland Revenue. This has now been combined with a broader exception which relates to all arrangements including retirement benefit schemes in respect of which directors have no special privilege or advantage not generally awarded to the employees to whom the arrangements relate.

The other change in this article relates to the question of whether or not a director is interested in a resolution by virtue of holding shares in a company to which the resolution relates. The proposed amendment excludes shares which are held as treasury shares when calculating such directors' interests.

(k) Miscellaneous

The articles have also been amended to:

- (1) delete references to sections of the 1985 Act and replace them with references to corresponding sections of the 2006 Act, where appropriate; and
- (2) account for the fact that certain concepts under the 1985 Act have been done away with (for example, the concept of "extraordinary" resolutions).