

REPORT OF THE BOARD OF DIRECTORS OF PROSEGUR COMPAÑÍA DE SEGURIDAD, S.A. WITH RESPECT TO CHANGES TO COMPANY BYLAWS, REFERRED TO IN ITEM SIX OF THE AGENDA OF THE SHAREHOLDERS' GENERAL MEETING CONVENED FOR 27 APRIL 2016, ON FIRST CALL, AND FOR 28 APRIL 2016, ON SECOND CALL

The Board of Directors of Prosegur Compañía de Seguridad, S.A. (the "Company") has issued this report in order to justify the proposal for the changes to bylaws submitted for approval of the Shareholders' General Meeting under item six of the agenda, as set forth in article 286 of the Spanish Corporations Act. To these effects, this report includes the entire text of the proposed changes.

1. PROPOSED CHANGES AND JUSTIFICATION

The purpose of the proposed changes to by-laws, which affects Articles 24 (*The faculties of the Board of Directors* - only with respect to article 24.4), 26 (*Appointments and Remuneration Committee*) and 27 (*The Audit Committee*) of the Company Bylaws is to update and adapt to the latest legislative developments and the good governance and regulating of the Appointments and Remuneration Committee and the Audit Committee and to introduce technical improvements in its drafting. Thus, it is worth noting the following modifications:

- The recommendations of the 47th and 48th sections of the Code of Good Governance of listed companies approved by the Council of the Comisión Nacional del Mercado de Valores in February 2015 provide for the possibility that the Appointments and Remuneration Committee may be split into two separate committees, an Appointments Committee and Remuneration Committee. Faced with this possibility, a change is proposed to Section 4 of Article 24 (*The Powers of the Board of Directors*) and Section 1 of Article 26 (*The Appointments and Remuneration Committee*) of the Company Bylaws.
- The recommendations of the 47th section of the Code of Good Governance of listed companies state that the majority of the members of the Appointments and Remuneration Committee should be independent directors, with the additional technical improvements being included in Article 26 (*The Appointments and Remuneration Committee*) of the Company Bylaws.
- Under the new wording of Article 529 quaterdecies of the Spanish Corporations Act, as amended by the 4th final disposition of Law 22/2015 of 20 July, on Auditing of Accounts, it is stated that most members the Audit Committee must be independent directors, also introducing additional technical improvements in Article 27 (*The Audit Committee*) of the Company Bylaws, in particular to contemplate the provisions of the 39th recommendation of the Code of Good

Governance of listed companies in regard to the requirements for forming part of this Committee.

The text of the amendments proposed to the articles is reproduced below:

“Article 24.- The powers of the Board of Directors.

24.1. The representation of the Company within and without corresponds to the Board of Directors, who will decide and manage all matters pertaining to the business or trade of the Company. Accordingly, the Board shall have the broadest powers for the management and administration of the Company, without limitation or qualification, and is specially authorized to:

- 24.1.1. Represent the Company before the government, authorities, agencies and offices of all classes and hierarchies, and to any company, firm or individual, performing all acts and contracts and undertaking whatever actions may be required to better defend the interests of the Company and for the development and effectiveness of its business or commercial activities.*
- 24.1.2. Agree the convening of the Shareholders' General Meeting.*
- 24.1.3. Prepare the Financial Statements, Management Report and Consolidated documents, if any, that must be submitted to the General Meeting and propose the application of results and drafting other documents and reports required by law.*
- 24.1.4. Carry out all transactions which, under Article 2 of the Bylaws, constitute the corporate purpose or contribute to facilitating its implementation.*
- 24.1.5. Agree to the creation, deletion, transfer, assignment and other acts and transactions relating to the Offices, Branches and Representatives of the Company, both in Spain and abroad.*
- 24.1.6. Approve the Internal Regulations of the Company with the power to modify and even to abrogate them.*
- 24.1.7. Formulate budgets and authorize expenditure.*
- 24.1.8. Enter into contracts of all kinds.*
- 24.1.9. Agree the distribution to shareholders of interim dividends, without the annual accounts having been completed or approved for the respective financial year, all in accordance with current legislation.*
- 24.1.10. Acquire, possess, sell, mortgage, and levy a lien on all kinds of real*

estate, real rights of any nature and carry out, with respect to such property and rights, any acts and civil, commercial and administrative contracts, without exception, including constitution, modification and cancellation of mortgages and other real rights as well as the sale, purchase and transfer of assets and / or liabilities of the Company.

- 24.1.11. Acquire, sell, exchange, convey, encumber, subscribe, offer all kinds of movable assets, securities, shares, bonds, formulate public sale or purchase of securities and holdings in all kinds of companies or firms.*
- 24.1.12. Constitute companies, associations, foundations, subscribing shares or holdings, providing all kinds of goods, as well as signing contracts of concentration and cooperation of companies or businesses.*
- 24.1.13. Secure or guarantee all types of obligations, either of the Company itself or third parties.*
- 24.1.14. Settle on goods and rights of all kinds.*
- 24.1.15. Determine the use of available capital.*
- 24.1.16. Take in all circumstances the measures it deems appropriate to protect the assets belonging to the Company.*
- 24.1.17. Receive any amount due to the Company.*
- 24.1.18. Represent the Company, either as plaintiff or as defendant, before the courts of all levels and before the Public Administration and Contentious-Administrative Courts, exercising and upholding all kinds of actions and demands and abandoning ones or the other when appropriate.*
- 24.1.19. Submit disputes, disagreements or claims issues to arbitration in equity or law.*
- 24.1.20. Appoint and dismiss all officers, agents and employees, fix their remuneration and their salaries and give them bonuses.*
- 24.1.21 Fix and approve the general strategies of the Company.*
- 24.1.22 Approve the investments and divestments of the Company.*
- 24.1.23. Submit to the General Meeting proposals for the modification or addition to these Bylaws, and increase or decrease in capital, as well as matters concerning extension, merger or early dissolution of the Company.*
- 24.1.24. Agree on all matters relating to the administration of the Company.*

- 24.1.25. Delegate, except for the powers that may not be delegated according to the Act or to these Bylaws, all or part of its powers to the Committees that it names or in one or more of its directors, and confer powers of all kinds, both jointly and severally, in favour of the people it sees fit, even if external to the Company.
- 24.1.26. Interpret the Bylaws and supplement its omissions, reporting to the General Meeting for ratification or rectification of the resolutions adopted in this regard.
- 24.1.27. Exercise the other powers and functions vested in these Bylaws or granted by the General Meeting.
- 24.2. The list contained in the preceding paragraph 24.1 above is merely illustrative and does not limit in any way the powers vested to govern and manage the affairs and interests of the Company in all matters not specifically reserved to the competence of the General Meeting of Shareholders and should be interpreted in the broadest sense possible under the Act.
- 24.3 The Board may delegate permanently all or part of its powers to an Executive Committee and one or more Directors except for the powers which may not be delegated under the Act or pursuant to the corporate bylaws. The permanent delegation of any power of the Board of Directors to the Executive Committee or the Managing Directors and the appointment of the directors who hold such positions requires the affirmative vote of two-thirds of the board members.
- 24.4. The Board of Directors shall also establish ~~an Executive Appointments and Remuneration Committee (or two separate committees)~~, an Appointments Committee and a Remuneration Committee) and an Audit Committee, ~~all of them~~ with the powers determined by the Act, in these Bylaws, and in the Regulations of the Board of Directors ~~and, where appropriate, by the Act~~.
- 24.5. In addition to those mentioned, the Board of Directors may create all and any commissions and committees as necessary or advisable to ensure the smooth running of the Company, and in such cases shall establish their faculties."
- "Article 26.- The Appointments and Remuneration Committee**
- 26.1. The Board of Directors shall create a permanent Appointments and Remuneration Committee ~~(or two separate committees, an Appointments Committee and a Remuneration Committee, in which case the references in these Bylaws to the Appointments and Remuneration Committee shall be construed as made to the relevant Committee)~~, an internal informative and consulting body, with no executive functions, for providing information, advice and proposals within the area of its competence. The Appointments and Remuneration

Committee shall have the powers set out in the Act and the Regulations of the Board.

- 26.2. *The Appointments and Remuneration Committee shall consist of a minimum of three and a maximum of five ~~non-executive~~members who are ~~directors~~named by the Board of Directors. ~~The majority of the~~members of the Appointments and Remuneration Committee, at least, shall be ~~independent~~ directors. The Board of Directors shall designate a Chair of the Appointments and Remunerations Committee from among the independent directors who form part of the same, as well as its ~~Secretary~~, who will not necessarily be a director nor a member of the Committee.*
- 26.3. *The Appointments and Remuneration Committee will regulate its own operation. In all other aspects it shall be governed by the regulations applicable to the Board of Directors.*
- 26.4. *The Appointments and Remuneration Committee shall meet whenever the Board of Directors or its Chair requests a report or that proposals be adopted and, in any event, whenever it is advisable for the correct performance of its duties.*

“Article 27.- The Audit Committee.

- 27.1. *The Board of Directors shall create a permanent Audit Committee, an internal informative and consulting body, with no executive functions, for providing information, advice and proposals within the area of its competence. The Audit Committee shall have the powers set out in the Act and the Regulations of the Board.*
- 27.2. *The Audit Committee shall have a minimum of three and a maximum of five ~~members~~who are non-executive directors ~~named by~~ the Board of Directors of which ~~at least two shall be Directors~~. ~~The members of the Audit and Compliance Committee, and especially its Chair, shall be appointed based on their knowledge and experience in accounting, auditing or risk management. The majority of the members of the Audit Committee must be independent directors~~ and at least one of them must be appointed based on his/her knowledge and experience of accounting, auditing or both.*
- 27.2. *The Audit Committee shall have the powers set out in the Act and the Regulations of the Board.*
- 27.3. *The Board of Directors shall designate a Chair of the Audit Committee from among the independent directors who form part of the same, as well as its Secretary, who will not necessarily be a director. The Chair of the Audit Committee is elected for a term of up to four years. At the end of this period, the Chair may not be re-elected until at least one year has elapsed since his/her term, without prejudice to the possibility of holding his/her position as a Committee*

member or being re-elected as one.

27.4. The Audit Committee will regulate its own operation. In all other aspects it shall be governed by the regulations applicable to the Board of Directors.

27.5. The Audit Committee shall hold at least four ordinary sessions every year. Extraordinarily, the Audit Committee shall meet whenever the Board of Directors or its Chair requests a report or that proposals be adopted and, in any event, whenever it is advisable for correct performance of its duties."

2. PROPOSED RESOLUTION FOR THE SHAREHOLDERS' GENERAL MEETING

The proposed resolution for the Shareholder's General Meeting with respect to item six of the agenda is literally transcribed below:

Modification of articles 24 (the Faculties of the Board of Directors – section 24.4 only), 26 (Appointments and Remuneration Committee) and 27 (The Audit Committee) of the company's Articles of Association to update and adapt to the latest legislative changes with regard to the proper governance, composition and regulation of said Committees.

With the objective of updating and adapting to the latest legislative changes regarding good governance, the composition and regulation of the Appointments and Remuneration Committee and the Audit Committee, modify articles 24 (The faculties of the Board of Directors), 26 (Appointments and Remuneration Committee) and 27 (The Audit Committee) of the Articles of Association which henceforth shall read as follows:

"Article 24.- The powers of the Board of Directors.

24.1. The representation of the Company within and without corresponds to the Board of Directors, who will decide and manage all matters pertaining to the business or trade of the Company. Accordingly, the Board shall have the broadest powers for the management and administration of the Company, without limitation or qualification, and is specially authorized to:

24.1.1. Represent the Company before the government, authorities, agencies and offices of all classes and hierarchies, and to any company, firm or individual, performing all acts and contracts and undertaking whatever actions may be required to better defend the interests of the Company and for the development and effectiveness of its business or commercial activities.

- 24.1.2. *Agree the convening of the Shareholders' General Meeting.*
- 24.1.3. *Prepare the Financial Statements, Management Report and Consolidated documents, if any, that must be submitted to the General Meeting and propose the application of results and drafting other documents and reports required by law.*
- 24.1.4. *Carry out all transactions which, under Article 2 of the Bylaws, constitute the corporate purpose or contribute to facilitating its implementation.*
- 24.1.5. *Agree to the creation, deletion, transfer, assignment and other acts and transactions relating to the Offices, Branches and Representatives of the Company, both in Spain and abroad.*
- 24.1.6. *Approve the Internal Regulations of the Company with the power to modify and even to abrogate them.*
- 24.1.7. *Formulate budgets and authorize expenditure.*
- 24.1.8. *Enter into contracts of all kinds.*
- 24.1.9. *Agree the distribution to shareholders of interim dividends, without the annual accounts having been completed or approved for the respective financial year, all in accordance with current legislation.*
- 24.1.10. *Acquire, possess, sell, mortgage, and levy a lien on all kinds of real estate, real rights of any nature and carry out, with respect to such property and rights, any acts and civil, commercial and administrative contracts, without exception, including constitution, modification and cancellation of mortgages and other real rights as well as the sale, purchase and transfer of assets and / or liabilities of the Company.*
- 24.1.11. *Acquire, sell, exchange, convey, encumber, subscribe, offer all kinds of movable assets, securities, shares, bonds, formulate public sale or purchase of securities and holdings in all kinds of companies or firms.*
- 24.1.12. *Constitute companies, associations, foundations, subscribing shares or holdings, providing all kinds of goods, as well as signing contracts of concentration and cooperation of companies or businesses.*
- 24.1.13. *Secure or guarantee all types of obligations, either of the Company itself or third parties.*
- 24.1.14. *Settle on goods and rights of all kinds.*
- 24.1.15. *Determine the use of available capital.*

- 24.1.16. Take in all circumstances the measures it deems appropriate to protect the assets belonging to the Company.
- 24.1.17. Receive any amount due to the Company.
- 24.1.18. Represent the Company, either as plaintiff or as defendant, before the courts of all levels and before the Public Administration and Contentious-Administrative Courts, exercising and upholding all kinds of actions and demands and abandoning ones or the other when appropriate.
- 24.1.19. Submit disputes, disagreements or claims issues to arbitration in equity or law.
- 24.1.20. Appoint and dismiss all officers, agents and employees, fix their remuneration and their salaries and give them bonuses.
- 24.1.21 Fix and approve the general strategies of the Company.
- 24.1.22 Approve the investments and divestments of the Company.
- 24.1.23. Submit to the General Meeting proposals for the modification or addition to these Bylaws, and increase or decrease in capital, as well as matters concerning extension, merger or early dissolution of the Company.
- 24.1.24. Agree on all matters relating to the administration of the Company.
- 24.1.25. Delegate, except for the powers that may not be delegated according to the Act or to these Bylaws, all or part of its powers to the Committees that it names or in one or more of its directors, and confer powers of all kinds, both jointly and severally, in favour of the people it sees fit, even if external to the Company.
- 24.1.26. Interpret the Bylaws and supplement its omissions, reporting to the General Meeting for ratification or rectification of the resolutions adopted in this regard.
- 24.1.27. Exercise the other powers and functions vested in these Bylaws or granted by the General Meeting.
- 24.2. The list contained in the preceding paragraph 24.1 above is merely illustrative and does not limit in any way the powers vested to govern and manage the affairs and interests of the Company in all matters not specifically reserved to the competence of the General Meeting of Shareholders and should be interpreted in the broadest sense possible under the Act.
- 24.3 The Board may delegate permanently all or part of its powers to an Executive

Committee and one or more Directors except for the powers which may not be delegated under the Act or pursuant to the corporate bylaws. The permanent delegation of any power of the Board of Directors to the Executive Committee or the Managing Directors and the appointment of the directors who hold such positions requires the affirmative vote of two-thirds of the board members.

- 24.4. *The Board of Directors shall also establish an Appointments and Remuneration Committee (or two separate committees, an Appointments Committee and a Remuneration Committee) and an Audit Committee, all of them with the powers determined by the Act, in these Bylaws, and in the Regulations of the Board of Directors.*
- 24.5. *In addition to those mentioned, the Board of Directors may create all and any commissions and committees as necessary or advisable to ensure the smooth running of the Company, and in such cases shall establish their faculties."*

"Article 26.- The Appointments and Remuneration Committee

- 26.1. *The Board of Directors shall create a permanent Appointments and Remuneration Committee (or two separate committees, an Appointments Committee and a Remuneration Committee, in which case the references in these Bylaws to the Appointments and Remuneration Committee shall be construed as made to the relevant Committee), an internal informative and consulting body, with no executive functions, for providing information, advice and proposals within the area of its competence. The Appointments and Remuneration Committee shall have the powers set out in the Act and the Regulations of the Board.*
- 26.2. *The Appointments and Remuneration Committee shall consist of a minimum of three and a maximum of five non-executive members who are named by the Board of Directors. The majority of the members of the Appointments and Remuneration Committee, at least, must be independent directors. The Board of Directors shall designate a Chair of the Appointments and Remuneration Committee from among the independent directors who form part of the same, as well as its Secretary, who will not necessarily be a director nor a member of the Committee.*
- 26.3. *The Appointments and Remuneration Committee will regulate its own operation. In all other aspects it shall be governed by the regulations applicable to the Board of Directors.*
- 26.4. *The Appointments and Remuneration Committee shall meet whenever the Board of Directors or its Chair requests a report or that proposals be adopted and, in any event, whenever it is advisable for the correct performance of its duties.*

"Article 27.- The Audit Committee.

- 27.1. *The Board of Directors shall create a permanent Audit Committee, an internal informative and consulting body, with no executive functions, for providing information, advice and proposals within the area of its competence. The Audit Committee shall have the powers set out in the Act and the Regulations of the Board.*
- 27.2. *The Audit Committee shall consist of a minimum of three and a maximum of five non-executive directors who are named by the Board of Directors. The members of the Audit and Compliance Committee, and especially its Chair, shall be appointed based on their knowledge and experience in accounting, auditing or risk management. The majority of the members of the Audit Committee must be independent directors and at least one of them must be appointed based on his/her knowledge and experience of accounting, auditing or both.*
- 27.3. *The Board of Directors shall designate a Chair of the Audit Committee from among the independent directors who form part of the same, as well as its Secretary, who will not necessarily be a director. The Chair of the Audit Committee is elected for a term of up to four years. At the end of this period, the Chair may not be re-elected until at least one year has elapsed since his/her term, without prejudice to the possibility of holding his/her position as a Committee member or being re-elected as one.*
- 27.4. *The Audit Committee will regulate its own operation. In all other aspects it shall be governed by the regulations applicable to the Board of Directors.*
- 27.5. *The Audit Committee shall hold at least four ordinary sessions every year. Extraordinarily, the Audit Committee shall meet whenever the Board of Directors or its Chair requests a report or that proposals be adopted and, in any event, whenever it is advisable for correct performance of its duties."*

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Madrid, 21 March 2016