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– Corporate Governance  
and Internal Control

Ports are one of the vertical segments that impose special requirements on security. Security Officer Aaron Johnson transports employees and visitors to APM Terminals, one of the world's largest operators of container terminals, to various parts of the port area of Tacoma, Washington State, USA.









**Melker Schörling**

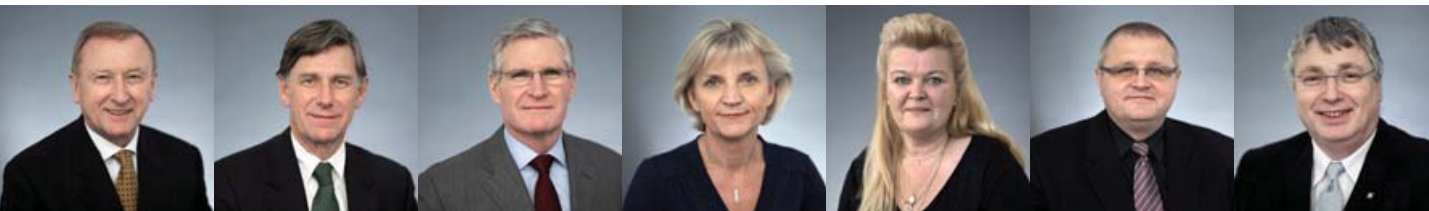
**Gustaf Douglas**

**Thomas Berglund**

**Annika Falkengren**

**Sofia Schörling Högberg**

**Carl Douglas**



**Berthold Lindqvist**

**Fredrik Palmstierna**

**Stuart E. Graham**

**Marie Ehrling**

**Susanne Bergman Israelsson**

**Gunnar Larsson**

**Björn Drewa**

## Board of Directors

**Melker Schörling** (Chairman) b. 1947  
Director of Securitas AB since 1987 and  
Chairman since 1993.

*Other board assignments:* Chairman of MSAB,  
AarhusKarlshamn AB, Hexagon AB and Securitas Systems  
AB. Vice Chairman of Assa Abloy AB. Director of Hennes  
& Mauritz AB.

*Principal education:* BSc in Economics and Business  
Administration.

*Previously:* President and CEO of Securitas AB  
1987–1992, President and CEO of Skanska AB 1993–1997.  
*Shares in Securitas:* 4,500,000 Series A-shares and  
11,761,700 Series B-shares, privately and through  
Melker Schörling AB.

**Gustaf Douglas** (Vice Chairman) b. 1938  
Chairman of Securitas AB 1985–1992 and  
Vice Chairman since 1993.

*Other board assignments:* Chairman of Assa Abloy AB,  
Investment AB Latour and Säki AB.

Director of Securitas Direct AB, Stiftelsen Svenska  
Dagbladet and the Conservative Party of Sweden.  
*Principal education:* MBA Harvard with  
distinction, 1964.

*Previously:* CEO of Dagens Nyheter AB 1973–1980.  
Business owner. Owns with family Förvaltnings AB  
Wasatornet. Principal owner of Investment AB Latour and  
Säki AB.

*Shares in Securitas:* through Investment AB Latour  
4,000,000 Series A-shares and 23,090,000 Series  
B-shares, through Säki AB 8,642,600 Series A-shares  
and 4,000,000 Series B-shares, through Förvaltnings  
AB Wasatornet 2,000,000 Series B-shares and through  
Karpalunds Ångbryggeriaktiefbolag 400,000 Series  
B-shares.

**Thomas Berglund** b. 1952

Director of Securitas AB since 1993.

Leaving the Board at the 2007 Annual General Meeting.  
Leaving the position of President and CEO of Securitas  
March 5, 2007.

President of Securitas AB and Chief Executive Officer  
of the Securitas Group 1993–2007.

*Other board assignments:* Chairman of Securitas Direct AB.

*Principal education:* BSc in Economics and Business  
Administration.

*Previously:* Joined the Group in 1984 after a career in  
the Swedish government administration and later as a  
consultant for the Swedish Management Group.  
*Shares in Securitas:* 500,000 Series B-shares.

**Annika Falkengren** b. 1962

Director of Securitas AB since 2003.

President and Group Chief Executive Officer, SEB  
*Other board assignments:* Director of  
Ruter Dam and Mentor.

*Principal education:* B.A., Business Administration  
and Economics.

*Previously:* Several executive positions at SEB.  
*Shares in Securitas:* 7,500 Series B-shares.

**Sofia Schörling Högberg** b. 1978

Director of Securitas AB since 2005.

Trademark consultant at Essen International AB.

*Other board assignments:* Director of MSAB.

*Principal education:* BSc in Economics and Business  
Administration.

*Shares in Securitas:* 2,400 Series B-shares.

**Carl Douglas** b. 1965

Deputy Director of Securitas AB since 1992.

Director since 1999.

Business owner.

*Other board assignments:* Director of Assa Abloy AB,  
Securitas Systems AB, Swegon AB and Säki AB.

*Principal education:* Bachelor of Arts.

*Previously:* Business owner.

*Shares in Securitas:* 100,000 Series B-shares.

**Berthold Lindqvist** b. 1938

Director of Securitas AB since 1994.

*Other board assignments:* Chairman of Munters AB.

Director of Cardo AB, Trelleborg AB and JM AB.

*Principal education:* Ing. Med. Dr.hc.

*Previously:* Executive Vice President of Wilhelm  
Sonesson AB 1983–1984, President and CEO of  
Gambro 1984–1998.

*Shares in Securitas:* 2,000 Series B-shares.

**Fredrik Palmstierna** b. 1946

Director of Securitas AB since 1985.

CEO of Säki AB.

*Other board assignments:* Director of Säki AB, Investment  
AB Latour, AB Fagerhult, Hultafors AB, Nobia AB and  
Academic Work AB.

*Principal education:* BSc in Economics and Business  
Administration, MBA.

*Previously:* CEO of Säki AB since 1997.

*Shares in Securitas:* 80,224 Series B-shares.

**Stuart E. Graham** b. 1944

Director of Securitas AB since 2005.

President and CEO of Skanska AB.

*Other board assignments:* Director of Skanska AB.

*Principal education:* BSc in Economics.

*Previously:* Various executive positions in the  
construction industry including 17 years with Skanska.

*Shares in Securitas:* 5,000 Series B-shares.

**Marie Ehrling** b. 1955

Director of Securitas AB since 2006.

*Other board assignments:* Director of  
World Childhood Foundation.

*Principal education:* BSc in Economics and  
Business Administration

*Previously:* CEO of Telia Sonera 2003–2006,  
deputy CEO of SAS AB, responsible for SAS Airlines  
and other executive positions at SAS, Information Secretary  
at the Ministry of Finance and Ministry of Education and  
Research and financial analyst at Fjärde AP-fonden.

*Shares in Securitas:* 4,000 Series B shares.

### Employee representatives

**Rune Lindblad** b. 1947

Director of Securitas AB since 1995.

Left the Board of Securitas AB in September 2006.

Employee Representative, Swedish Electricians' Union.

Service technician at Securitas Larm AB.

*Shares in Securitas:* 4,920 Series B-shares.

**Susanne Bergman Israelsson** b. 1958

Director of Securitas AB since 2004.

Employee Representative, Chairman of Swedish Transport  
Workers' Union local branch 19 in Norra Mälardalen.  
Security Officer at Securitas Bevakning AB.

*Shares in Securitas:* 0.

**Gunnar Larsson** b. 1959

Director of Securitas AB since 2005.

Deputy Director of Securitas AB since 2002.

Employee Representative, Chairman of Swedish  
Transport Workers' Union local branch in Gothenburg.

*Shares in Securitas:* 0.

**Björn Drewa** b. 1946

Director of Securitas AB since September 2006.

Deputy Director of Securitas AB since 1996.

Employee Representative, Salaried Employees'  
Union local branch in Stockholm.

Staff Engineer at Securitas.

*Shares in Securitas:* 0.

### Deputies

**William Rosborg** b. 1961

Deputy Director of Securitas AB since 2005.

Left as Deputy Director in February 2007.

Employee Representative, Swedish Transport  
Workers' Union local branch 19 in Västerås.  
Team leader.

*Shares in Securitas:* 0.

**Rose-Mari Settergren** b. 1970

Deputy Director of Securitas AB since 2005.

Employee Representative, Swedish Transport  
Workers' Union local branch 10 in Skövde.

Secretary, Karlsborg section, Securitas Bevakning AB.

*Shares in Securitas:* 0.

### Auditors

**Göran Tidström** b. 1946

Authorized Public Accountant, Auditor in charge,  
PricewaterhouseCoopers AB.

Auditor in charge of Securitas AB since 1999.

*Principal education:* BSc in Economics and Business  
Administration

*Previously:* Auditor with PricewaterhouseCoopers AB  
since 1969.

*Other audit assignments:* TeliaSonera, Trelleborg,  
Volvo, Meda and Studsvik.

*Other assignments:* Chairman of EFRAG (European  
Financial Reporting Advisory Group), Director of  
IFAC (International Federation of Accountants) and  
Member of the Swedish Industry & Commerce Stock  
Exchange Committee.

**Lennart Danielsson** b. 1959

Authorized Public Accountant,

PricewaterhouseCoopers AB.

Auditor of Securitas AB since 2006.

*Principal education:* BSc in Economics and  
Business Administration

*Previously:* Auditor at PricewaterhouseCoopers AB  
since 1983.

*Other audit assignment:* Indutrade.

All figures refer to holdings on December 31, 2006.

For further information, see the section Independence of Board members on page 116 in the Report of the Board of Directors – Corporate Governance and Internal Control.

For further information, please see note 8 Remuneration to the Board of Directors and Senior Management on page 84.



Thomas Berglund



Håkan Winberg



Santiago Galaz



William Barthelemy



Brad van Hazel



Tore K. Nilsen



Morten Rønning

## Group Management

**Thomas Berglund** b. 1952  
President of Securitas AB and Chief Executive Officer of the Securitas Group 1993–2007.  
Leaving the position of President and CEO of Securitas March 5, 2007.  
*Shares in Securitas:* 500,000 Series B-shares.

Thomas Berglund joined the Group in 1984 after a previous career in the Swedish government administration and later as a consultant for the Swedish Management Group. Thomas has a background as an accountant and holds a B.Sc in Economics and Business Administration.

**Håkan Winberg** b. 1956  
Executive Vice President and Chief Financial Officer of Securitas AB  
*Shares in Securitas:* 745,000 Series B-shares.

Håkan Winberg became a Controller at Securitas AB in 1985 after holding the position of Controllor at Investment AB Skrinet. He was appointed Chief Financial Officer in 1991 and Executive Vice President of the Securitas Group in 1995. Håkan holds a B.Sc. in Economics and Business Administration and started his career as an auditor after finishing university in 1980.

**Santiago Galaz** b. 1959  
Divisional President, Security Services North America  
*Shares in Securitas:* 50,000 Series B-shares.

Santiago Galaz has been in the security business for over twenty years. He joined Securitas in 1995 as the Managing Director of Security Services Spain after twelve years at the Eulen Group, one of the largest services groups in Spain. In 1997 he was appointed

the Spanish Country Manager for Security Services, Systems and Cash Handling Services and later became Divisional President of Cash Handling Services Europe. He was appointed Divisional President of Security Services USA in March 2003.

**William Barthelemy** b. 1954  
Chief Operating Officer, Security Services North America  
*Shares in Securitas:* 17,000 Series B-shares.

William Barthelemy brings nearly 30 years of industry experience to the organization. With a Criminology Degree from Indiana University of Pennsylvania, Bill began his career as an Investigator, moving to the Security Division after two years. He has worked in many field capacities, including Scheduling, Operations Manager, Branch Manager, Regional Operations Director and Region President. Bill brings further client service focus to the management team. Bill is an active member of the American Society of Industrial Security, as well as the National Association of Chiefs of Police.

**Brad van Hazel** b. 1957  
Regional President, Security Services North America  
*Shares in Securitas:* 0.

Brad Van Hazel is responsible for the coordination and management of the National Account Team in the USA. In addition, he coordinates account activity on a global basis, which involves partnering with Group, Divisional and Country Management. Van Hazel joined Pinkerton in 1983 as a Security Officer and quickly moved up the ranks to Operations Manager and then was promoted in 1984 to Branch Manager of Pinkerton's Colorado Springs Office. Prior to joining Pinkerton, van Hazel served six years in the US Marine Corps

and was attached to the White House during the Carter Administration for high-level dignitary functions.

**Tore K. Nilsen** b. 1956  
Divisional President, Security Services Europe  
*Shares in Securitas:* 153,811 Series B-shares.

Tore K. Nilsen joined Securitas as a sales representative for Securitas Services in Stavanger, Norway after eight years as a police officer. Tore K. Nilsen has a degree from the Norwegian Police Academy. He has now been with the company for 20 years. In 1988 he was appointed Branch Manger for Stavanger, where he stayed for a year before becoming Area Manager for Rogaland and later for Oslo. Before his appointment as Divisional President of Security Services Europe he was the Managing Director of Securitas AS in Norway for five years.

**Morten Rønning** b. 1960  
Head of the Mobile business unit  
*Shares in Securitas:* 89,998 Series B-shares.

Morten Rønning has been with the company for 21 years and joined Securitas in 1985 as a supervisor for Security Services in Stavanger, Norway after five years in the Military Police. In 1990 he was appointed Area Manager for the Southwest region in Norway and later became the Managing Director for Securitas AS in Norway. In 2004, Morten became the Vice President of Security Services Europe after having worked as the Managing Director for Security Services UK and Ireland for two years.

## President and CEO Securitas as of March 5, 2007



**Alf Göransson** b. 1957  
President of Securitas AB and Chief Executive Officer of the Securitas Group from March 5, 2007.  
*Shares in Securitas:* 0.

Alf Göransson's previous experience includes posts as CEO of NCC AB, 2001–2007, CEO of Svedala Industri AB, 2000–2001, Business Area Manager at Cardo Rail, 1998–2000, and President of the contracting company Swedish Rail Systems AB in the Scancem Group, 1993–1998. He holds an international BSc in Economics and Business Administration from the School of Business, Economics and Law, Göteborg university. Other assignments: Chairman of the Lund Institute of Technology, Director of the Stockholm Chamber of Commerce, Axel Johnson Inc., USA and NCC AB until April 2007.

## Loomis



**Håkan Ericson** b. 1962  
President of Loomis  
*Shares in Securitas:* 0.

Håkan Ericson was appointed President of Loomis (formerly Securitas Cash Handling Services) in September 2006. He has a total of 17 years' experience of the logistics industry and came from the post of Executive Vice President of SAS AB with responsibility for Airline Support and Airline Related Businesses. He previously held a number of management positions in the DHL Group and ASG AB. Håkan has the degree of BSc in Economics and Business Administration from Stockholm university and began his career at Ericsson AB.

## Loomis Board

Jacob Palmstierna,  
*Chairman of the Board as of April 2007.*  
Håkan Ericsson, *President, Loomis.*  
Alf Göransson,  
*President of Securitas AB and Chief Executive Officer of the Securitas Group.*  
Jan Svensson, *President, Latour AB.*  
Ulrik Svensson, *President, Melker Schörling AB.*  
Håkan Winberg,  
*Executive Vice President and Chief Financial Officer, Securitas AB.*

All figures refer to holdings on December 31, 2006.  
For further information, please see note 8 Remuneration to the Board of Directors and Senior Management on page 84.

## Report of the Board of Directors – Corporate Governance and Internal Control

Securitas AB is a Swedish public company with its registered office in Stockholm, Sweden. Securitas AB, which has been listed on the Stockholm Stock Exchange since 1991, is governed by the Swedish Companies Act and Swedish stock exchange rules. This report does not form a part of the Annual Accounts and has not been audited.

### Securitas Approach to Corporate Governance

Securitas is committed to meeting high standards of Corporate Governance. The ultimate aim of the Corporate Governance is to lead Securitas to success.

### Compliance to Swedish Code for Corporate Governance

Securitas has published principles for Corporate Governance in previous Annual Reports and has a separate section on the Group website. Securitas complies with the Swedish Code for Corporate Governance and provides explanations for the following deviations;

- There is no majority of non Board members in the nomination committee and the chairman of the Board is the chairman of the nomination committee.
- The majority of the Directors elected by the shareholders' meeting are not considered independent of the company and its management.
- The Board of Directors and the Managing Director have not, immediately before signing the annual report, certified that the annual accounts have been prepared in accordance with good accounting practices for a stock market company.
- The number of audit committee members does not amount to at least three members and the majority of members are not considered independent of the company and its management.

Deviations from the Swedish Code for Corporate Governance are described and explained in more detail under each section below.

### Significant Shareholders

The principal shareholders in Securitas AB on December 31, 2006 were Investment AB Latour, which together with Förvaltnings AB Wasatornet and SäkI AB held 11.4 percent (11.0) of the share capital and 30.0 percent (29.7) of the votes, and Melker Schörling AB, with 4.5 percent (4.2) of the share capital and 10.9 percent (10.7) of the votes. These shareholders are represented on the Board of Directors by Gustaf Douglas, Carl Douglas, Fredrik Palmstierna, Melker Schörling and Sofia Schörling Högberg. The company's share capital consisted of 17,142,600 Series A-shares and 347,916,297 Series B-shares as of December 31, 2006. Each Series A-share carries ten votes

and each Series B-share one vote. In the event that the company issues new Series A and B-shares, current shareholders have the preferential right to subscribe for new shares of the same series in proportion to their existing holdings.

### Annual General Meeting

All shareholders are able to exercise their influence at the Annual General Meeting, which is the company's highest decision-making body. The Annual General Meeting also provides shareholders with an opportunity to ask questions directly to the Chairman of the Board, the Board of Directors and the President and CEO, even though the company strives to respond to queries from shareholders as they arise during the year. The company's auditors are present at the meeting. The Annual General Meeting resolves, among other things, on the following issues:

- adoption of income statement and balance sheet;
- appropriation of the company's profit or loss;
- appointment of nomination committee members;
- discharge of the Directors of the Board and the Managing Director from their liability;
- election of Directors of the Board, Chairman of the Board and appointment of Auditors;
- determination of fees for the Board of Directors and the Auditors.

### At the 2006 Annual General Meeting of Securitas AB (publ.) on April 3, the following was resolved:

#### *Adoption of income statement and balance sheet, distribution of profits and discharge of liability*

The Annual General Meeting resolved to adopt the presented income statement and balance sheet, the consolidated income statement and consolidated balance sheet and to dispose of the retained earnings and the net income for 2005 by distributing to the shareholders SEK 3.50 per share. April 6, 2006 was determined record day for the dividend. The Annual General Meeting also resolved to discharge the Board and the Managing Director from liability for the financial year 2005. The shareholders listed in exhibit A in the minutes of the Annual General Meeting, representing approximately 25,000 votes, did not vote in favour of this resolution.

#### *Election of Board of Directors and Chairman of the Board*

The Annual General Meeting resolved that the number of Board members should be ten, with no deputy members. The meeting re-elected Board members Thomas Berglund, Carl Douglas, Gustaf Douglas, Annika Falkengren, Stuart E. Graham, Berthold Lindqvist, Fredrik Palmstierna, Melker Schörling and Sofia Schörling Högberg and elected Marie Ehrling as new Board member. Melker Schörling was re-elected Chairman of the Board. It was resolved that the fees to the Board should amount to SEK 4,650,000 in total (excluding fees for commit-



tee work) to be distributed among the Board members as follows; Chairman of the Board: SEK 900,000, deputy Chairman of the Board: SEK 650,000 and each of the other Board members (except the Managing Director) SEK 400,000.

#### *Nomination Committee*

Gustaf Douglas, Melker Schörling, Marianne Nilsson (Swedbank Robur) and Annika Andersson (Fourth Swedish National Pension Fund) were re-elected members of the Nomination Committee before the next Annual General Meeting. Gustaf Douglas was re-elected Chairman of the Nomination Committee. The General Meeting resolved that in case a shareholder, whom a member of the Nomination Committee represents, is no longer one of the major shareholders of Securitas (based on votes), or if a member of the Nomination Committee is no longer employed by such shareholder or any other reason leaves the committee before the Annual General Meeting 2007, the Committee shall have the right to appoint another representative of the major shareholders to replace such member. The General Meeting further resolved that the Nomination Committee shall have the task of preparing, before future Annual General Meetings, the election of Chairman and other member of the Board of Directors, the election of Chairman of the Annual General Meeting, the election of auditors (where applicable) and the determination of fees and matters pertaining thereto.

#### *Auditors*

The auditing firm PricewaterhouseCoopers AB, with authorized public accountant Göran Tidström as chief auditor, was elected as auditors at the AGM of 2004 for a period of four years.

#### *Amendment of Articles of Association*

The proposal by the Board of Directors to amend the Articles of Association was presented. The General Meeting resolved to amend the Articles of Association, in accordance with the proposal of the Board of Directors.

#### **At the 2006 Extraordinary General Meeting of Securitas AB (publ.) on September 25, the following was resolved:**

The Extraordinary General Meeting resolved, in accordance with the proposal of the Board, to distribute all shares in the wholly owned subsidiaries Securitas Direct AB (“Direct”) and Securitas Systems AB (“Systems”) to the Securitas shareholders. The book value of the dividend in the Parent Company Securitas AB was MSEK 8,519.2 and for the Group representing net assets of MSEK 3,614.0.

#### **Annual General Meeting 2007**

An invitation to the Annual General Meeting of 2007, which will be held in Stockholm on April 17, will be announced at least four weeks prior to the meeting and the date has been published on the corporate website six months in advance.

#### **Nomination Committee**

The Nomination Committee is an organ established by the Annual General Meeting of the company with the task of preparing the election of members of the Board of Directors and the election of the Chairman of the Board, the establishment of fees to the Board of Directors and other related matters before the forthcoming Annual General Meetings. In addition, the Committee shall, before such General Meetings where election of auditors shall take place, after consultation with the Board of Directors and Audit Committee, prepare the election of auditors, the resolution on fees to the auditors, and matters pertaining thereto.

At the Annual General Meeting held on April 3, 2006, Gustaf Douglas and Melker Schörling, representing the principal owners of Securitas AB with 15 percent of the share capital and 40 percent of the votes, together with Marianne Nilsson (representing Swedbank Robur with 3.8 percent of the share capital and 2.6 percent of the votes) and Annika Andersson (representing Fourth Swedish National Pension Fund with 1.9 percent of the share capital and 1.4 percent of the votes) were re-elected members of the Nomination Committee before the Annual General Meeting 2007.

The Committee’s work is established in the “Procedure and Instructions for the Nomination Committee of Securitas AB”. The Committee shall hold meetings as often as necessary in order for the Committee to fulfill its duties. However, the Committee shall hold at least one meeting annually. During 2006 the committee has met four times.

According to the Swedish Code for Corporate Governance the majority of the members of the nomination committee should not be members of the Board of Directors. In addition the chairman of the Board of Directors or another Board member is not to chair the nomination committee.

Two out of four members of the Securitas nomination committee are Board members and one of these is the chairman of the committee. The principal owners presently represented in the nomination committee find it important for an efficient continuously ongoing nomination work that there are a limited number of nomination committee members. At the same time, the two major owners must be represented. This results in an equal number of Board members and external members of the nomination committee. A majority of external members would require a total number of five members, which is considered too many. Furthermore, the above mentioned owners find it natural that the representative of the largest shareholder in terms of votes is the chairman of the committee.

## Board of Directors

### *The members of the Board of Directors*

According to the Articles of Association the Board of Directors shall have five to ten board members elected by the Annual General Meeting, with no more than two deputy directors. Securitas has ten members elected by the Annual General Meeting, three employee representatives and three deputy employee representatives. The General Meeting re-elected Thomas Berglund, Carl Douglas, Gustaf Douglas, Annika Falkengren, Stuart E. Graham, Berthold Lindqvist, Fredrik Palmstierna, Melker Schörling and Sofia Schörling Högberg and elected the new Board member Marie Ehrling. The General Meeting re-elected Melker Schörling as Chairman of the Board. The attorney of law, Mikael Ekdahl, is the permanent secretary of the Board. For further information on the members of the Board of Directors, please see page 112.

### *The responsibilities of the Board of Directors*

The Board of Directors is responsible for the Group's organization and administration in accordance with the Swedish Companies Act and appoints the President and CEO, the Audit Committee and the Remuneration Committee. In addition, the Board of Directors decides on the President and CEO's salary and other remuneration. The Board meets a minimum of six times annually. At least one meeting per year involves visiting the operations of one of the Group's divisions. The Group's auditors participate in the meeting of the Board of Directors in conjunction with the yearly closing of the books.

### *The procedure of the Board of Directors*

The activities of the Board of Directors and the division of responsibility between the Board and Group Management are governed by formal procedures, which are adopted by the Board each year after the Annual General Meeting. According to these rules, the Board shall decide on, among other things, the Group's overall strategy, corporate acquisitions and property investments, in addition to establishing a framework for the Group's operations by approving the Group's budget. The rules include a working instruction for the Chief Executive Officer as well as instruction for the financial reporting. The Board's procedures are documented in a written instruction.

### *Independence of Board members*

The Swedish Code for Corporate Governance requires the majority of the Directors elected by the shareholders' meeting are to be independent of the company and its management, and at least two Directors that are independent of the company and its management should also be independent of the company's major shareholders. The provision is not complied with because of the so called "12-year-rule". Out of ten Board members in total, six are considered as dependent of the company according to the definition of the Code. With respect to

five of these, the dependence arises merely due to the so called "12-year-rule". The nomination committee is of the opinion that in a company such as Securitas dependence does not arise merely due to the fact that a Board member has worked with and gained knowledge about the company over a period of time.

Board Member	Independence in relation to the company	Independence in relation to the shareholders
Melker Schörling	No (owing to: Board Member > 12 yrs)	No
Gustaf Douglas	No (owing to: Board Member > 12 yrs)	No
Thomas Berglund	No (managing director)	Yes
Annika Falkengren	Yes	Yes
Carl Douglas	No (owing to: Board Member > 12 yrs)	No
Stuart E. Graham	Yes	Yes
Berthold Lindqvist	No (owing to: Board Member > 12 yrs)	Yes
Fredrik Palmstierna	No (owing to: Board Member > 12 yrs)	No
Sofia Schörling Högberg	Yes	No
Marie Ehrling	Yes	Yes
<b>Total</b>	<b>4</b>	<b>5</b>

### *The work of the Board of Directors*

In 2006, the Board held ten meetings, whereof two telephone conferences. The auditors participated and presented the audit at the Board meeting in February 2006. The proposed offer to list the divisions was discussed by the Board at several occasions and a formal decision for the distribution and listing of Securitas Systems and Direct was taken in August 2006. Special attention was also paid to the Loomis division, in particular the listing of this division. The Loomis subsidiary Securitas Cash Management and the proposal to introduce the Loomis name and logo throughout the entire organization have also been discussed. The appointment of the new CEO, Alf Göransson was approved by the Board in August 2006. The Security Services Europe division made a special presentation to the Board in connection with the acquisition of the Spanish PSI company. During 2006 the divisions have also presented their budgets for 2007 to the Board of Directors.

### **The attendance of each of the Board members during 2006 is presented below;**

	Board	Audit Committee	Remuneration Committee
No of meetings 2006	10	4	2
<b>Board of Directors</b>			
Melker Schörling	10		2
Gustaf Douglas	10	4	
Thomas Berglund	10		
Annika Falkengren	10		
Carl Douglas	9		
Stuart E. Graham	9		
Berthold Lindqvist	9	4	1
Fredrik Palmstierna	10		
Sofia Schörling Högberg	8		
Marie Ehrling <sup>1</sup>	9		
<b>Employee representatives</b>			
Susanne Bergman Israelsson	9		
Gunnar Larsson	10		
Rune Lindblad <sup>2</sup>	7		
Björn Drewa <sup>3</sup>	8		

<sup>1</sup>Appointed member of Board of Directors at Annual General Meeting April 3, 2006.

<sup>2</sup>Resigned from Board of Directors at Extraordinary General Meeting September 25, 2006.

<sup>3</sup>Deputy Director of Securitas AB since 1996. Appointed member of Board of Directors at Extraordinary General Meeting September 25, 2006.

### *Financial Reporting*

The Board ensures quality of financial reporting by instructing the Audit Committee to review and recommend all financial reports delivered by the Group to the Board. The financial reporting including valuation issues, judgments and potential changes in estimates and accounting policies when necessary are continuously considered by the Audit Committee and presented to the Board. The audit committee also covers legal matters and litigations on a quarterly basis. All interim reports and the full year reports are approved by the Board.

The auditors of the company annually submit to the Board of Directors a report stating that they have audited the company and the result thereof. This report shall be presented orally by the auditors at the Board meeting that deals with the year-end report. The members of the Board shall during this meeting be given the opportunity to ask questions to the auditors. It is expected that the statement of the auditors shall, inter alia, indicate whether the company is organized in a way that makes it possible to supervise, in a safe manner, accounting, management of assets and the financial relations of the company. In addition the auditors take part in the audit committee meetings for which the contents are reported back to the Board.

According to the Swedish Code for Corporate Governance the Board of Directors and the Managing Director, immediately before signing the Annual Report, are to certify that to the best of their knowledge, the annual accounts have been prepared in accordance with good accounting practices for a stock market company and that the information presented is consistent with the actual conditions and that nothing of material value has been omitted that would affect the picture of the company presented in the Annual Report. Currently no such certification is made. The Board of Directors is of the opinion that liability issues are exhaustively governed by the Swedish Companies Act and that a specific certification as proposed by the Code is thus superfluous.

### **Audit Committee**

The Board of Directors has established an Audit Committee, which operates under the “Instructions for the Audit Committee appointed by the Board of Directors”, that meets with Securitas’ auditors at least four times per year. The committee is focused on accounting matters and the presentation of financial information and its internal control, as well as overseeing risk matters. The committee presents its findings and proposals to the Board, before the Board’s decision-making.

The Board of Directors has elected Gustaf Douglas (Chairman) and Berthold Lindqvist as members of the Audit Committee for the period up to and including the Annual General Meeting 2007. The committee met four times in 2006. The proposed offer to list the divisions, internal control activities, the subsidiary Securitas Cash Management Ltd operations and its main exposures, contingent liabilities and assets have been major topics during 2006. In addition the restatement of 2005

and 2006 Financial accounts, the Financial Reporting for 2007 and the Insurance strategy for 2007 were discussed.

The Swedish Code for Corporate Governance requires the Board to establish an audit committee consisting of at least three Directors. The majority of the audit committee members should be independent of the company and senior management. At least one member of the committee is to be independent of the company’s major shareholders.

At present the audit committee has only two members, who are not independent of the company. It is the intention of the Board of Directors to increase the number of audit committee members to three, as soon as any of the independent Board members who were elected during recent years has obtained the necessary knowledge about the company in order to carry out a meaningful work within the committee.

### **Remuneration Committee**

The Board has also formed a Remuneration Committee to deal with all issues regarding salaries, bonuses, options and other forms of compensation for Group Management, as well as other management levels if the Board of Directors so decides. The committee presents its proposals to the Board, before the Board’s decision-making.

The Board of Directors has elected Melker Schörling (Chairman) and Berthold Lindqvist as members of the Remuneration Committee for the period up to and including the Annual General Meeting 2007. The committee held two meetings during 2006.

Information on remuneration to the Board of Directors and Senior Management is disclosed in the notes and comments to the consolidated financial statements 2006.

### **Group Management**

Group Management is charged with overall responsibility for conducting the business of the Securitas Group in line with the strategy and long-term goals adopted by the Board of Directors of Securitas AB. Group Management 2006 comprised the President and CEO, the Executive vice president and CFO and five executives. For further information on the members of the Group Management, please see page 113.

### **Auditors**

The Annual General Meeting 2004 elected PricewaterhouseCoopers AB as audit firm, with authorized public accountant Göran Tidström as auditor in charge, for a period of four years.

The auditors’ work is performed from an audit plan, which is determined in agreement with the Audit Committee and Board of Directors. The auditors participate in all meetings with the audit committee and present their findings from the audit at the Board meeting in February. In addition the auditors shall annually inform the Board of Directors about services rendered in excess of the audit, fees received for such services



and other circumstances that might effect the evaluation of the auditors' independence. The auditors shall also participate in the Annual General Meeting, presenting their performed audit work and conclusions.

The audit is performed in compliance with the Swedish Company's Act and good auditing practice in Sweden, which is based on International Standards on Auditing (ISA). The auditors have, upon instruction from the Board of Directors, conducted a general examination of the Interim Report for the period January 1 until June 30, 2006.

Göran Tidström has been an auditor of Securitas AB since 1999. In addition to the Securitas assignment he acted as auditor in charge for TeliaSonera, Trelleborg, Meda, Volvo and Studsvik, among other stock listed companies in 2006.

### Audit Fees and Reimbursement

The following fees and reimbursements to auditors have been paid for audit and other review in accordance with existing laws, as well as for advice and assistance in combination with undertaken reviews. Fees have also been paid for independent advice. The main part of the advice is audit related consultations in accounting and tax matters in relation to restructuring work.

#### Audit Fees and Reimbursement (PwC)<sup>1</sup>

MSEK	Group			Parent Company		
	2006	2005	2004	2006	2005	2004
Audit Assignment	40.6	38.0	35.1	8.2	6.9	5.9
Other Assignments	54.6	44.6	61.8	12.7	3.0	10.4

<sup>1</sup> Audit fees and reimbursement to PwC relates to continuing operations (excluding Systems and Direct). Comparatives have been restated.

### Communication Policy

Securitas has adopted a Communication Policy, approved by the Board of Directors, in accordance with the stock market's requirements for information with the aim of ensuring that the company fulfills these requirements. The Policy covers both written information and verbal statements and applies to the Board of Directors, Group and Divisional Management as well as Country and Regional management.

The Policy states that communication shall be used in a comprehensive manner in order to create an understanding and knowledge of Securitas' strategy, business operations and financial position. Securitas' financial and other communication shall at all times comply with the Stock Exchange Rules and other relevant rules and legal obligations that might apply to Securitas, as well as with general stock market practice.

The Group is fully focused on creating shareholder value, which includes providing the investment community with high-quality financial information. The Policy includes routines for Year End Report, Interim Reports, Annual Report, Annual General Meeting, the company website etc. Crisis communication and information leaks are also included in the Policy.

### Insider Policy and Records

The Board of Directors of Securitas AB has adopted an Insider Policy as a complement to the insider legislation in force in Sweden. This policy is applicable to all persons reported to the Swedish Financial Supervisory Board (Finansinspektionen) as holding insider positions in Securitas AB (subsidiaries included) as well as certain other categories of employees. Each person covered by the Insider Policy is individually notified thereof. The list of persons holding an insider position in Securitas AB, which is kept by Finansinspektionen, is regularly reviewed.

The Insider Policy sets the routine for "closed periods", where trading in financial instruments issued by (or related to shares in) Securitas AB is prohibited.

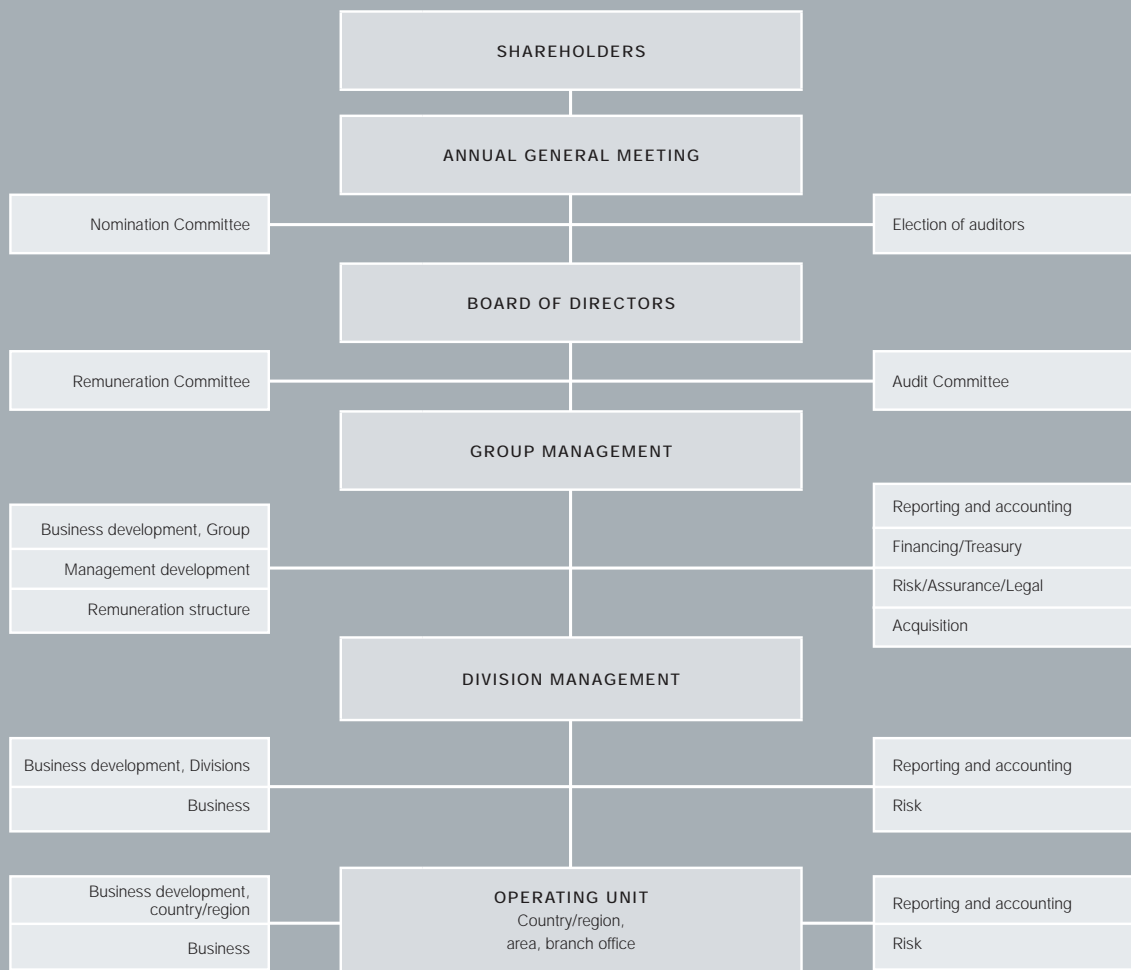
Securitas AB also maintains an internal insider register in accordance with the instructions from time to time issued by the CEO. Such register shall include, inter alia, information about all persons having access to inside information, the type of registered inside information and the date when the register was updated.

An insider trading report covering all insider trading activities in Securitas AB is presented every calendar quarter to the Board of Directors, the Auditors and Group Management.

### Code of Conduct

Securitas has adopted a Code of Conduct to ensure that the company upholds and promotes the highest ethical business standards. Securitas supports and respects fundamental human rights and recognizes the responsibility to observe those rights wherever Securitas operates. The company also believes in building relationships based on mutual respect and dignity with all employees. Securitas will not use forced, involuntary or underage labour and will respect the right of all employees to form and join trade unions. Securitas is an equal-opportunity employer and does not tolerate bullying or harassment. Securitas also recognizes the importance of open communication with everyone who is in contact with the operations, including clients, workforce, investors and the general public.

## Organization of Corporate Governance



## Report of the Board of Directors

### – Internal Control

The Board of Directors is according to the Swedish Companies Act and the Swedish Code of Corporate Governance responsible for the internal control. This report has been prepared in accordance with section 3.7.2 and 3.7.3 in the Swedish Code of Corporate Governance as well as the “Instructions for Application of the Code’s Rules on Internal Control Reporting” issued by The Swedish Corporate Governance Board, and is therefore limited to internal controls over financial reporting.

Securitas’ system of internal control is designed to manage rather than eliminate risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material financial reporting misstatement or loss.

#### *Control environment*

The Group has established a governance framework. The key features of the control environment within the framework include; the clear terms of reference of the Board and each of its committees, a clear organizational structure, with documented delegation of authority from the Board to Group Management, the quality of employees and a series of Group policies, procedures and frameworks.

The Group overall operates in a flat and specialized organization whereby managers are given clear objectives and are authorized to make their own decisions and develop their operations close to the customers. Delegation of authority is documented in an approval matrix which provides a clear direction for managers at all levels.

Emphasis is placed on the quality and abilities of the Group’s employees with continuing education, training and development actively encouraged through a wide variety of schemes and programs. The Group has adopted a set of values to act as a framework for its people to exercise judgment and make decisions on a consistent basis.

The Group’s major financial policies, procedures and frameworks include a comprehensive manual, Financial Policies and Guidelines, a Reporting Manual, the Six Fingers model for financial control, Group Treasury Manual and the IT Security Manual. These are all periodically reviewed and updated.

#### *Risk assessment*

At the highest level, the Board considers where future strategic opportunities and risks lie and helps shape the corporate strategy going forward. Accountabilities for managing operational risks are clearly assigned to the Group, Divisional and local management. The Group Management team has the day-to-day responsibility for the identification, evaluation and management of risks and for the implementation and maintenance of control systems in accordance with the Board’s policies. Specifically Divisional Management and established functional committees have the responsibility to ensure that there is a

process throughout the division to create risk awareness. Operating unit managers and country risk managers are responsible for ensuring that risk management is part of the local corporate culture at all levels within a country.

The Group has an established, but evolving, system of business risk management, which is integrated into the Group’s business planning and performance monitoring processes. Additionally, business risk reviews and risk reviews are conducted routinely throughout the Group. Procedures exist to ensure that significant risks and control failures are escalated to Group Management and the Board, as necessary, on a periodic basis.

For Loomis a separate evaluation of risks has been initiated during 2006 and will be finalized during the first half of 2007. A separate structure has also been implemented for Loomis with an independent audit committee focused on risk matters in Loomis. One of the key focus points is Securitas Cash Management Ltd (SCM) – refer to Note 4, Critical estimates and judgments, of the notes and comments to the consolidated financial statements.

#### *Control activities*

Internal control covers all divisions and subsidiaries in the Group and includes methods and activities for securing assets, controlling the accuracy and reliability of internal and external financial reports and ensuring compliance with defined guidelines.

##### 1. Self assessment

Every operating unit throughout the Group annually performs a control self assessment of the compliance with Financial Policies and Guidelines, the Reporting Manual and IT Security Manual. An extensive questionnaire is used to measure to what extent defined requirements are fulfilled. The control self assessment is signed off by the President as well as the Controller within the respective entities. As a part of the process, the external auditor performs a validation of the answers made in the questionnaire. Answers are compiled on a divisional level as well as on a Group level in order to support benchmarking within a division or between divisions. Reported deviations include written comments on planned improvements to address deviations and a deadline for when planned actions will be in place. All reports are made available to Divisional Management, Group Management and the Audit committee.

##### 2. Risk and control diagnostics

The Group engages third parties to perform risk and control diagnostics in functional areas which by nature have high inherent risk. During 2006 the Aviation business, Pension management and Tax compliance have been subject to reviews and assessments of pervasive controls using the Group’s designated control framework (COSO) as a reference point.



The findings from these diagnostic reviews are presented to Group Management and the Audit Committee.

### 3. Financial reporting

Controllers at all levels have a key role in terms of integrity, professionalism and the ability to work in teams in order to create the environment that is needed to achieve transparent, relevant and timely financial information. Local Divisional Controllers are responsible for ensuring compliance with the approved set of policies and frameworks and that internal control procedures in relation to financial reporting are implemented. The Controller is also responsible for reporting financial information that is correct, complete and on time. In addition each division has a Divisional Controller with corresponding responsibilities at an aggregated level.

### 4. Letter of representation

The Group has a representation process in which operating unit managers and controllers in connection with year-end sign a letter of representation stating their opinion on whether or not the internal control over financial reporting and the report packages give a true and fair view of the financial position.

### 5. Acquisition routines

The Group has specific policies and procedures to ensure that all acquisitions of any business are appropriately approved and rigorously analyzed for the financial and operational implications of the acquisition. The Group also conducts post acquisition appraisals on a periodic basis.

## *Information and Communication*

A program of communication exists and is constantly being developed to ensure that all staff are given clear objectives and are made aware of the parameters that constitute acceptable business practice and the expectation of the Board in managing risks. This provides clear definition of the Group's purpose and goals, accountabilities and the scope of permitted activities of employees.

Systems and procedures have been implemented to provide the management with necessary reports on the business performance relative to established objectives. Appropriate information systems exist to ensure that reliable and timely information is made available to management, enabling them to carry out their responsibilities adequately and efficiently.

## *Monitoring*

### 1. Board of Directors

The activities of the Board of Directors and division of responsibility between the board and the Group Management are governed by formal procedures.

The Board considers risk assessment and control to be fundamental to achieving its corporate objectives with an acceptable risk/reward profile and is a part in the ongoing process for identifying and evaluating significant risks faced by the Group and the effectiveness of related controls. The processes used by the Board in order to review the effectiveness of the system of internal control include:

- Discussion with Group Management on risk areas identified by the Group Management and the performed risk assessment procedures.
- Review of significant issues arising from the external audits and other reviews/investigations.

The Board of Directors has established an Audit Committee in order to provide an independent oversight on the effectiveness of the Group's internal control systems and financial reporting process.

### 2. Audit Committee

The Audit Committee reviews all annual and quarterly financial reports before recommending their publication on behalf of the Board. In particular the Audit Committee discusses significant accounting policies, estimates and judgments that have been applied in preparing the reports. The Audit Committee supervises the quality and independence of the external auditors.

### 3. Group Management

Group Management reviews performance through a comprehensive system of reporting based on an annual budget, with monthly business reviews against actual results, analysis of variances, key performance indicators (Six Fingers adapted by division) and regular forecasting. This reporting is also reviewed by the Board.

### 4. Functional committees

The Group has established a number of functional committees including for the functions Reporting, Finance, Insurance/Risk, Legal, Tax, IT and Compliance. These committees include the Executive Vice President and Chief Financial Officer and the appropriate functional area experts. The main purposes of these functional committees are to determine appropriate policies, communicate these policies, and ensure local understanding (including training) of policies and to monitor key issues within each area of responsibility. All committees regularly prepare a report for the Audit Committee.

### 5. Function for monitoring the internal control

In 2005 a need to create an objective coordinating function in relation to certain internal control activities at Group level was

identified. As such, a new function was established reporting directly to the Executive Vice President and Chief Financial Officer with an open line of communication to the Audit Committee. In line with one of the Group's fundamental principles, it is developing this function step-by-step and foresees further evolution over the next few years. The current responsibilities include:

- Assistance in the control self-assessment process specifically ensuring follow up where required.
- Monitoring the results of the risk and control diagnostics undertaken during the year and ensuring appropriate follow up of agreed actions.
- Monitoring communication from the external auditors and ensuring prompt follow up and implementation on any recommendations impacting the internal controls of the company.
- Coordinating the process of updating and renewing the Financial Policies and Guidelines, the Reporting Manual and the IT Security Manual.

#### 6. Group Legal Function

This function has responsibility for maintaining an adequate infrastructure to ensure that legal matters are appropriately brought to the attention of Group Management on a timely basis. In addition, this function follows up on any legal risk exposures identified by each Operating Unit and a large-claims report is presented to the Audit Committee on a quarterly basis. In addition a full consolidated legal report is compiled twice a year and is available to the Group Management and the Audit committee.

#### *Internal audit function assessment*

##### Basis for assessment

In compliance with the requirements section 3.7.3 of the Swedish Code of Corporate Governance, the Board has developed a process to evaluate the need for the Group to develop an internal audit function. The foundation of the Board's assessment is to consider how the existence of an internal audit function would help it achieve its objectives and create shareholder value by adding an objective analysis on how the Board and Group Management manage risks and monitor operations.

The assessment process highlighted certain inherent risks in the Group's business model and organizational structure such as the decentralized structure and a result driven culture. The assessment process also involved analyzing the major control mechanisms in place to address these inherent risks.

A summary of these control mechanisms is listed above and they had a significant influence on the Board's analysis. The Board's intention is to build off the recently created function for monitoring the internal control.

##### Assessment

In the light of the assessment made, it has not been deemed necessary to create a special Internal Audit Function. The assessment performed by the Board of Directors will hereafter be done on yearly basis as a part of the corporate governance process within the Group.

## Organization of internal control

