

Report of the Board of Directors – Corporate Governance and Internal Control**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 since 1991 on the Stockholm Stock Exchange, now called the OMX Nordic Exchange Stockholm, 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 protect the interests of shareholders' (and other stakeholders). In order to achieve this Securitas has created a clear and effective structure for responsibility and governance.

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 principle of "comply or explain" and all deviations from the Code are presented and explained in the below table. In all other respects Securitas believes that the Code requirements were met as of year end 2007.

Significant Shareholders

The principal shareholders in Securitas AB on December 31, 2007 were Investment AB Latour, which together with Säkl AB, Förvaltnings AB Wasatornet and Karpalunds Ångbryggeri AB held 11.6 percent (11.4) of the share capital and 30.1 percent (30.0) of the votes, and Melker Schörling AB, with 4.7 percent (4.5) of the share capital and 11.1 percent (10.9) 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. For more detailed information on shareholders please see the table on page 20. The company's share capital consisted of 17,142,600 Series A shares and 347,916,297 Series B shares as of December 31, 2007. 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 minutes from the Annual General Meeting can be found at Securitas website. 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 President and CEO 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.

The Annual General Meeting of Securitas AB (publ.) was held on April 17, 2007 and the minutes are available on Securitas webpage.

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, before General Meetings at which the election of auditors is to take place and after consultation with the Board of Directors and Audit Committee, the Committee shall prepare for the election of auditors, the resolution on fees to the auditors, and matters pertaining thereto.

§	Deviation	Explanation
2.1.2	The majority of the Nomination Committee members do not consist of non Board members and the chairman of the Nomination Committee is a Board member.	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.
3.2.4	The majority of the Directors elected by the shareholders' meeting are not considered independent of the company and its management.	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. Refer to Board of Directors section on page 93 for an overview of the Board's independence.
3.8.2	The majority of the Audit Committee members are not considered independent of the company and its management.	Out of the three members in total, two are considered as dependent of the company according to the definition of the Code merely due to the "12 year rule". The Board of Directors 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.
4.2.1	None of the Remuneration Committee members are considered independent of the company and its management.	Both of the members of the Remuneration Committee are considered as dependent of the company according to the definition of the Code merely due to the "12 year rule". The Board of Directors 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.

At the Annual General Meeting held on April 17, 2007, Gustaf Douglas and Melker Schörling, representing the principal owners of Securitas AB with 16 percent of the share capital and 41 percent of the votes, together with Marianne Nilsson (representing Swedbank Robur with 2.8 percent of the share capital and 2.0 percent of the votes) were re-elected as members and Mats Tunér (representing SEB Fonder with 3.9 percent of the share capital and 2.8 percent of the votes) was elected as new member of the Nomination Committee before the Annual General Meeting 2008.

Gustaf Douglas was re-elected Chairman of the Nomination Committee. The Nomination Committee shall be entitled to appoint one additional member 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 2008, the Committee shall have the right to appoint another representative of the major shareholders to replace such member.

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 2007 the committee has met 4 times.

During 2007 the Committee has prepared for the election of auditors, since the four-year period for which the Annual General Meeting in 2004 elected PricewaterhouseCoopers AB as audit firm expired with the financial year end 2007 and thus the election of Group auditors will be on the agenda at the Annual General Meeting in 2008. The Nomination Committee has consulted with the Board of Directors and Audit Committee in this process.

As part of the proposed process for the election of Group auditors for the period 2008-2011, the Audit Committee suggested that an internal evaluation of current auditors be conducted. The evaluation has been carried out via a questionnaire focusing on certain key areas with statements to be ranked. This evaluation covered all reporting units within the Group including Loomis.

The Audit Committee made a recommendation to the Board of Directors based on the comprehensive evaluation and other information presented and the Nomination Committee has been recommended to base its recommendation to the Annual General Meeting upon this.

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 two deputy employee representatives. The General Meeting 2007 re-elected Carl Douglas, Gustaf Douglas, Marie Ehrling, Annika Falkengren, Stuart E. Graham, Berthold Lindqvist, Fredrik Palmstierna, Melker Schörling and Sofia Schörling Högberg and elected as a new Board member Alf Göransson, who succeeded Thomas Berglund as President as of March 5, 2007. Thomas Berglund declined re-election. The General Meeting re-elected Melker Schörling as Chairman of the Board. Mikael Ekdahl, Attorney of law, is the secretary of the Board. For further information on the members of the Board of Directors and President and CEO, please see pages 102–103.

Board Member	Independence in relation to the company	Independence in relation to shareholders
Melker Schörling	No (owing to: Board Member > 12 yrs)	No
Gustaf Douglas	No (owing to: Board Member > 12 yrs)	No
Alf Göransson	No (President and CEO)	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
Total	4	5

It was resolved that the fees to the Board should amount to SEK 4,350,000 in total (excluding fees for committee 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 President and CEO) SEK 400,000.

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 work instruction for the Chief Executive Officer as well as instruction for the financial reporting. The Board's procedures are documented in a written instruction. The procedures prescribe that an annual evaluation of the work of the Board of Directors shall be carried out.

Report of the Board of Directors – Corporate Governance and Internal Control**The Work of the Board of Directors**

In 2007, the Board held 9 meetings, of which 2 were telephone conferences. The auditors participated and presented the audit at the Board meeting in February 2007. Topics which have been discussed among other things are:

- The new strategy
- Interim and Annual Reports
- Presentation of the divisional business plans and budgets for 2008
- Discussions regarding timetable for the listing of Loomis and continuous updates on the subsidiary Loomis Cash Management Ltd.
- Investment and acquisition activities
- Valuation and impairment assessment regarding goodwill
- Financing
- Guidelines for remuneration and bonuses and other personnel related matters
- Reporting by the Board of Directors' Committees
- Policies and instructions
- Audit and election of auditors for 2008–2011
- Annual assessment of the work of the Board of Directors

The attendance of each of

the Board members during 2007 is presented below:

	Board	Audit Committee	Remuneration Committee
No of meetings in 2007	9	6	2
Board of Directors			
Melker Schörling	9		2
Gustaf Douglas	8	6	
Alf Göransson ¹	7		
Thomas Berglund ²	1		
Annika Falkengren	7		
Carl Douglas	8		
Stuart E. Graham	6		
Berthold Lindqvist	6	5	2
Fredrik Palmstierna	9		
Sofia Schörling Högberg	8		
Marie Ehrling ³	8	3	
Employee representatives			
Susanne Bergman Israelsson	7		
Gunnar Larsson	9		
Björn Drewa	9		

¹ Appointed member of Board of Directors at Annual General Meeting April 17, 2007.

² Resigned from Board of Directors at Annual General Meeting April 17, 2007.

³ Appointed member of Audit Committee at the Statutory Meeting of the Board of Directors on April 17, 2007.

Audit Committee

The Board of Directors has established an Audit Committee, operating 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 focuses 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), Berthold Lindqvist and Marie Ehrling as members of the Audit Committee for the period up to and including the Annual General Meeting 2008. The committee met 6 times in 2007.

Topics which have been discussed among other things are:

- Continuous updates on the subsidiary Loomis Cash Management Ltd's operations and its main exposures
- Discussions and updates within the areas of; accounting, financing, acquisitions, risk, insurance strategy, tax and legal
- Financial Reporting for 2007
- Internal control activities
- Audit-related matters including audit cost and policy for approval of additional services

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 2008. The committee held 2 meetings during 2007.

Guidelines for Remuneration to Management

The Annual General Meeting 2007 resolved on adoption of guidelines for remuneration to Group Management principally entailing that the remuneration and other terms of employment shall be competitive and in accordance with market conditions in order to ensure that the Group will be able to attract and keep competent Group Management employees. To sum up, the guidelines entail that the total remuneration to management shall consist of fixed annual salary, variable remuneration, pensions and other benefits. The variable remuneration shall amount to a maximum of 50 percent of the fixed annual salary for the President and CEO, and 35–100 percent for other Group Management employees, and be based on the outcome in relation to financial goals and growth targets within the individual area of responsibility (Group or division).

Pension rights for Group Management employees shall be applicable as from the age of 65 at the earliest. The pension plans shall be fee-based and insurance premiums transferred from the individual's total remuneration and paid by the company during the term of employment. At dismissal of a Group Management employee, the notice period shall amount to a maximum of 12 months with a right to redundancy payment equivalent to a maximum of 100 percent of the fixed salary for not more than 12 months. At resignation by a management employee, the notice period shall amount to a maximum of 6 months.

Additional information on remuneration to the Board of Directors and Senior Management is disclosed in the Notes and Comments to the Consolidated Financial Statements 2007. See note 8 page 61.

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 2007 comprised the President and CEO and ten executives. For further information on the members of the Group Management, please see pages 104–105.

Financial Reporting

The Board ensures the quality of financial reporting through a series of Group policies, procedures, frameworks, clear structures with defined responsibilities and through documented delegation of authority which is further described in the Internal Control report. The Board has also set up an Audit Committee that is instructed to review and recommend all financial reports delivered by the Group to the Board. Financial reporting including valuation issues, judgments and potential changes in estimates and accounting policies where necessary, is continually 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 submit a report to the Board of Directors annually stating that they have audited the company and the results thereof. This report shall be presented orally by the auditors at the Board meeting that deals with the year-end report. During this meeting, the members of the Board shall be given the opportunity to ask questions of 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. The auditors also issue a review report on the half year interim report. In addition the auditors take part in the Audit Committee meetings where the contents are reported back to the Board.

Immediately before signing the Annual Report and half year interim report The Board of Directors and the President and CEO certify that the reports give a true and fair overview of the Parent Company's and Group's operations, their financial position and results of operations, and describes significant risks and uncertainties facing the Parent Company and other companies in the Group.

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 of services rendered other than auditing 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 Companies Act and generally accepted auditing standards 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, 2007.

Göran Tidström has been an auditor of Securitas AB since 1999. In addition to the Securitas assignment, in 2007 he acted as auditor in charge for TeliaSonera, Trelleborg, Meda and Volvo, among other stock listed companies.

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 connection with reviews undertaken. Fees have also been paid for independent advice. The advice is mainly audit-related consultations in accounting and tax matters in relation to restructuring work.

Audit Fees and Reimbursement (PwC)¹

MSEK	Group			Parent Company		
	2007	2006	2005	2007	2006	2005
Audit Assignment	43.9	40.6	38.0	7.7	8.2	6.9
Other Assignments	32.0	54.6	44.6	3.1	12.7	3.0

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

Report of the Board of Directors – Corporate Governance and Internal Control**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 the 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", during which 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.

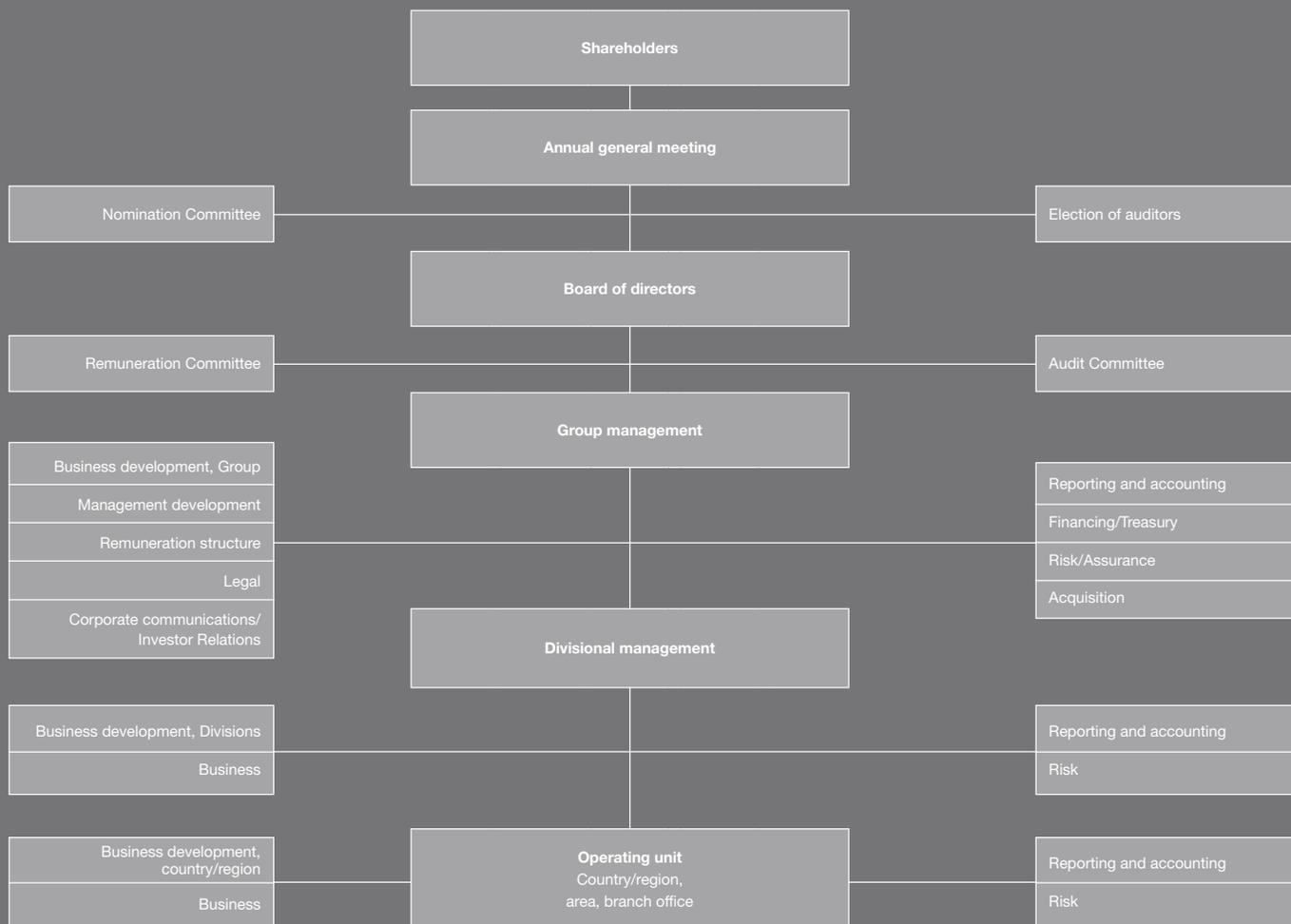
An insider trading report covering all insider trading activities in Securitas AB is presented every calendar quarter to the Board of Directors, the Auditors and the Group Management.

Code of Conduct

Securitas has adopted a Code of Conduct to ensure that the company upholds and promotes the highest ethical business standards. Our basic requirement is to act within the framework of laws and international conventions. This means that we respect and comply with competition rules, environmental legislation, labor market laws, agreements and safety requirements and other provisions that set the parameters of our operations.

Securitas supports and respects basic 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 labor 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 – Corporate Governance and Internal Control**Report of the Board of Directors – Internal Control**

According to the Swedish Companies Act and the Swedish Code of Corporate Governances, the Board of Directors is responsible for the internal control. This report has been prepared in accordance with section 3.7.2 and 3.7.3 of 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. Loomis’ system of internal control is based on Securitas’ governance framework but additional areas and control activities have been included to accommodate the distinctive characteristics and risks of its business.

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 for 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.

Overall the Group 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 that 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, Securitas model for financial control (for more detailed information on the model refer to page 26, a 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.

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 the 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 given in the questionnaire. Answers are compiled at divisional level as well as at 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 performs risk and control diagnostics in functional areas which by nature have high inherent risk. In addition to the recurring areas of the self assessment questionnaire, the areas of Customer Contract Policy and Labor Law were included as part of an expanded self assessment questionnaire in 2007, and 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 for ensuring internal control procedures in relating 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 sign a letter of representation in connection with year-end, 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 business acquisitions 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 a 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 the necessary reports on 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 plays 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 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 external audits and other reviews/investigations

The Board of Directors has established an Audit Committee in order to provide independent oversight of 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 regular business reviews against actual results, analysis of variances, key performance indicators (Securitas model for financial control 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 and working groups including for the functions Reporting, Finance, Insurance/Risk, Legal, Tax, and IT. These committees include the Senior Vice President Finance and/or Senior Vice President Corporate Finance 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. Quarterly meetings are held with the President and CEO where topics subject to reporting to the Audit Committee are discussed.

Report of the Board of Directors – Corporate Governance and Internal Control**5. Function for Monitoring the Internal Control**

The group has established an objective coordinating function in relation to certain internal control activities at Group level reporting directly to the Senior Vice President Finance 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
- Determine and plan for areas of specific focus and/or control diagnostics based on risk assessments made, discussions with divisional management and audit findings
- Monitoring communication from the external auditors and ensuring prompt follow-up and implementation of any recommendations impacting the internal controls of the company
- Support group management in reviewing and discussing audit plans with external auditors in order to internally coordinate and communicate matters such as; scoping, timing, documentation requirements, etc
- Coordinating the process of updating and renewing the Financial Policies and Guidelines, contributing with feedback on 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 through the Senior Vice President Chief Legal Counsel who is also part of Group Management. 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.

7. Group Risk Organization

The Group Risk Organization is responsible for providing Securitas with opportunities to take and manage the risks that are necessary in order to ultimately achieve Securitas strategies and goals. Risk management is an integral part of the Securitas culture which continuously evolves as a process. The risk management of the Group is further described on page 22.

Internal Audit Function Assessment**Basis for Assessment**

In compliance with the requirements of section 3.7.3 of the Swedish Code of Corporate Governance, the Board has developed a process for evaluating 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 of 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 results-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 further develop the 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 henceforth be carried out on yearly basis as a part of the corporate governance process within the Group.

Organization of internal control

