

Governance and management

Board of Directors' report on corporate governance and internal control



Input and risk identification

The ERM system is integrated into the Group's business planning and performance monitoring processes, regardless of the risk category concerned. As part of the annual budget process, each level of the organization prepares an ERM business plan.

Seven key risks 2013

1. Customer Contract Risk
2. Acquisition Risk
3. Assignment Execution Risk
4. Compliance (regulatory and other) Risk
5. IT Failure Risk
6. Price Risk
7. Securitas' Values and Ethics Compliance Risk

The ERM business plan includes risk assessment, controls, risk management activities and action plans. This sets the main focus and priorities for operational risk management within countries, divisions and the Group for the coming year.

Key risk determination The yearly risk assessment process is coordinated by the Group risk organization, which is also responsible for maintaining the risk register. The risk register contains about 50 risks and is updated annually, primarily based on the country ERM business plans, but also

other sources of input such as audits and self-assessment results and management input. Out of the 50 risks, about 15 are selected as top risks that will be subject to monitoring activities. Out of these, seven risks are currently considered Group key risks with primary focus for the forthcoming year. For an example of these risks and how they are managed, refer to www.securitas.com/Corporate-Governance/Enterprise-risk-management.

The ultimate prioritization of key risks for each year is decided by Group Management.

> Examples of activities during 2013

The structure of the ERM business plan was amended and an updated risk assessment tool was implemented. The purpose of the new tool is to facilitate the risk assessment process, as well as action planning, depending on the level of risk and controls that are in place. Extensive training was provided on how to use this tool, in addition to guidelines on how to conduct country-level workshops to identify risks and assess the level of control in place, involving local risk owners and country management.

The top-seven key Group risks and a minimum of two country/division-specific risks are assessed. This analysis forms the basis of the ERM business plan, which also includes action plans for how to further mitigate the risks with the highest remaining exposure. Due to Securitas' increased strategic focus on technology, separate risk assessments and risk mitigation activities for the specific risks related to technology activities were completed in 2013.

Separate risk assessments were also performed for the Aviation business.

Part of the new updated risk assessment tool (example)

