

Remuneration report

2020



INTRODUCTION

This report describes how the applicable guidelines for remuneration to the individuals who are included in the Group Management of Securitas (the “senior management employees”) were implemented in 2020. The report also provides information on remuneration to the President and CEO, and a summary of the company’s outstanding share-related and share price-related incentive plans. The report has been prepared in accordance with the Swedish Companies Act and the Rules on Remuneration of the Board and Executive Management and on Incentive Programmes issued by the Swedish Corporate Governance Board.

Further information on remuneration to the senior management employees is available in note 9 of the Annual Report 2020. Information on the work of the remuneration committee in 2020 is set out in the corporate governance report available on pages 42–64 of the Annual Report 2020.

Remuneration to the Board of Directors is not covered by this report. Such remuneration is resolved annually by the Annual General Meeting and disclosed in note 9 of the Annual Report 2020.

KEY DEVELOPMENTS 2020

The President and CEO summarizes Securitas’ overall performance in the CEO statement on page 6 in the Annual Report 2020.

SECURITAS’ REMUNERATION GUIDELINES

A prerequisite for the successful implementation of Securitas’ business strategy and safeguarding of its long-term interests, including its sustainability, is that the company can recruit and retain qualified personnel. To this end, the company must offer competitive remuneration. The company’s remuneration guidelines enable the company to offer executives a competitive total remuneration. Under the remuneration guidelines, executive remuneration shall be on market terms and may consist of the following components: fixed basic salary, variable cash remuneration, pension benefits and other benefits. Variable cash remuneration shall be awarded based on the outcome of clearly measurable performance-based targets that are set as close to the local business as possible and aim for long-term profitability of Securitas. The performance-based targets may for example relate to EBITA, EPS

and/or cash flow within each senior management employee’s area of responsibility (group or division). Furthermore, the performance-based targets are intended to contribute to Securitas’ business strategy and long-term interests, including its sustainability, by, among other things, promoting the senior management employee’s long-term development within Securitas and reconciling the shareholders’ interests with the employee’s interests.

The guidelines are found in note 9 of the Annual Report 2020. During 2020, Securitas has complied with the applicable remuneration guidelines adopted by the general meeting. No deviations from the guidelines have been decided and no derogations from the procedure for implementation of the guidelines have been made. The auditor’s report regarding the company’s compliance with the guidelines is available on <https://www.securitas.com/en/corporate-governance/>. No remuneration has been reclaimed. In addition to remuneration covered by the remuneration guidelines, the annual general meetings of the company have resolved to implement share-related incentive plans.

Total President and CEO remuneration in 2020 (kSEK)

Name and position	Base salary ¹	Other benefits ²	One-year variable ³	Multi-year variable ⁴	Extra-ordinary items	Pension expense	Total remuneration	Proportion of fixed and variable remuneration
Magnus Ahlqvist (President and CEO)	15 253	152	3 604	2 378	n/a	4 505	25 892	77/23

¹ Including holiday pay KSEK 253.

² Including life insurance, medical insurance and company car.

³ Relating to cash paid out in 2020 for one-year variable remuneration relating to 2019 (KSEK 3 604).

⁴ Relating to shares vested in 2020 relating to share-based incentive for 2018 (18 274 shares with a fair value of SEK 130.14 per share on vesting day, KSEK 2 378). Shares vested include 483 shares as compensation in lieu of cash dividend during the vesting period.

SHARE-BASED REMUNERATION

Outstanding share-related and share price-related incentive plans

Securitas has implemented share-related incentive plans. Every year since 2010, the Annual General Meeting has resolved on share related incentive schemes including approximately 2,600 employees within the Group. The outcome of these incentive schemes relates to how the criteria for awarding variable cash remuneration are satisfied and thus they are distinctly linked to Securitas' business strategy, long-term interests and sustainability.

Furthermore, the Annual General Meetings 2019 and 2020 resolved on long-term incentive programs (LTI 2019/2021 and LTI 2020/2022, together the "LTI Programs") including the CEO, other members of the Group Management and certain other key employees. The LTI Programs are intended to work as an alternative incentive solution to the aforementioned incentive scheme and includes approximately up to 80 employees within Securitas. The outcome of the LTI Programs are based on the annual development of Securitas' earnings per share. The LTI Programs are conditional upon the participant's own investment

and holding periods of several years. For every Securitas series B share purchased or nominated within the scope of the LTI Programs, the company will grant so called performance awards free of charge. The number of performance awards that will entitle participants to receive Series B shares in the company depends on the annual development of Securitas' earnings per share, compared to minimum and maximum target levels as defined by the Board of Directors, during the measurement period (LTI 2019/2021: 1 January 2019–31 December 2021, LTI 2020/2022: 1 January 2020–31 December 2022) where each year during the measurement period is compared to the previous year. The outcome is calculated yearly, whereby one third of the performance awards is measured against the outcome for the first year, one third is measured against the outcome for the second year and one third is measured against the outcome for the third year. If the minimum level is not reached for the relevant year, each performance award pertaining to that year will entitle participants to receive zero Series B shares, whereas if the maximum level is reached, each performance award pertaining to the relevant year will entitle participants to receive

one Series B share. If the outcome falls between the minimum level and the maximum level, participants' entitlement to Series B shares will be calculated linearly between zero and one series B share per performance award. The participants are divided in three categories and will be granted five (President and CEO), four (Group management) or three (other participants) performance awards for each nominated share. The share-related incentive plans have been resolved by the general meeting and are therefore excluded from the remuneration guidelines. More information on Securitas' incentive plans is available on Securitas' website securitas.com, section Corporate Governance – Remuneration to Senior Management.

Under LTI 2019/2021 and LTI 2020/2022 the President and CEO has received so called performance awards corresponding to a maximum award of 60,410 and 94,775 series B shares, respectively, subject to the above mentioned annual development of Securitas' earnings per share. The below table sets out the number series B shares awarded/vested etc. as applicable, on the basis of the annual development of Securitas' earnings per share during 2019 and 2020.

Share award plans (President and CEO)

Main conditions						Information regarding the reported financial year ¹						
						Opening balance	During the year			Closing balance		
Name	Name of plan	Performance period	Share award date	Share vesting period	End of retention period ²	Shares held at beginning of year	Shares awarded 2020	Shares vested 2020	Subject to performance condition	Awarded and unvested at year-end	Subject to retention period ²	
Magnus Ahlqvist (President and CEO)	LTI 2019/2021 ³	2019	2020-02-06	2022-02-28	–	0	2 197 ⁶	0	0	2 197	–	
		2020	2021-02-03	2022-02-28	–	0	0	0	0	0	–	
		2021	N/A ⁵	2022-02-28	–	–	–	–	20 137	–	–	
		2019–2021	Multiple	2022-02-28	–	0	2 197	0	20 137	2 197	–	
		LTI 2020/2022 ⁴	2020	2021-02-03	2023-02-28	–	0	0	0	0	0	–
	2021		N/A ⁵	2023-02-28	–	–	–	–	31 591	–	–	
	2022		N/A ⁵	2023-02-28	–	–	–	–	31 592	–	–	
	2020–2022	Multiple	2023-02-28	–	0	0	0	63 183	0	–		
TOTAL						0	2 197	0	83 320	2 197	–	

¹ Personally invested shares, in which the President and CEO has invested to become eligible to participate in the plans, are not included in the table.

² End of retention period coincides with vesting date.

³ Under LTI 2019/2021 the CEO has received so called performance awards corresponding to a maximum award of 60 410 series B shares, subject to performance condition.

⁴ Under LTI 2020/2022 the CEO has received so called performance awards corresponding to a maximum award of 94 775 series B shares, subject to performance condition.

⁵ Share award date in February the year following the performance period to be determined.

⁶ Based on earnings per share adjusted for items affecting comparability in 2019. Value KSEK 326 based on the closing price for series B shares on the award date.

Share options issued by major shareholders (CEO)

In addition to the above outstanding share-related and share price-related incentive plans described above, the President and CEO holds 200 000 share options regarding acquisition of Securitas series B-shares,

issued by Melker Schörling AB and Investment AB Latour.

APPLICATION OF PERFORMANCE CRITERIA

Short-term as well as long-term incentives for the President and CEO include clearly measurable

performance-based targets that aim for long-term profitability of the Group. The performance targets that are required to achieve maximum bonus are based on development of real change in earnings per share adjusted for items affecting comparability.

Performance of the President and CEO in the reported financial year: variable cash remuneration

Name	Description of the criteria related to the remuneration component	Relative weighting of the performance criteria	Measured performance	Actual award KSEK
Magnus Ahlqvist (President and CEO)	Real change in Earnings Per Share adjusted for Items Affecting Comparability. Target 0–5% real change.	100 %	–12 %	0

For the President and CEO Magnus Ahlqvist the variable short-term cash compensation relating to the 2020 performance amounted to KSEK 0.

Performance of the President and CEO in the reported financial year: share-based incentives

Name	Name of plan	Description of the criteria related to the remuneration component	Relative weighting of the performance criteria	Measured performance	Actual award KSEK ¹
Magnus Ahlqvist (President and CEO)	LTI 2019/2021	Real change in Earnings Per Share adjusted for Items Affecting Comparability. Target 1–7% real change.	100 %	–12 %	0
	LTI 2020/2022	Real change in Earnings Per Share adjusted for Items Affecting Comparability. Target 1–7% real change.	100 %	–12 %	0

¹ Under LTI 2019/2021 a maximum of 20 137 shares can be awarded per year 2019, 2020 and 2021 or in total 60 410 shares. The grant date value according to IFRS2 corresponds to SEK 161.40 per share. During 2020 no new shares were awarded as the performance criteria were not met and the cost was thus KSEK 0. Under LTI 2020/2022 a maximum of 31 592 shares can be awarded per year 2020, 2021 and 2022 or in total 94 775 shares. The grant date value according to IFRS2 corresponds to SEK 118.70 per share. During 2020 no new shares were awarded as the performance criteria were not met and the cost was thus KSEK 0.

COMPARATIVE INFORMATION ON THE CHANGE OF REMUNERATION AND COMPANY PERFORMANCE**Change of remuneration and company performance over the last two reported financial years (RFY) (kSEK)**

Name	2020	2019	Change	Change, %
Magnus Ahlqvist (President and CEO), KSEK	25 892	23 550	2 342	10
Group Operating result, real change %	–10	3	–13	– ²
Group EPS, real change %	–23	6	–29	– ²
Group EPS adjusted for IAC, real change %	–12	–1	–11	– ²
Average remuneration full time equivalent basis for employees of the parent company, KSEK ¹	1 349	1 378	–29	–2

¹ Full time equivalents are adjusted for staff joining and staff leaving and retiring and is based on salary plus benefits, pension and variable salary. Members of Group Management employed by the parent company have been excluded.

² Change in column given as percentage points and thus not calculated in percent except for average remuneration.

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