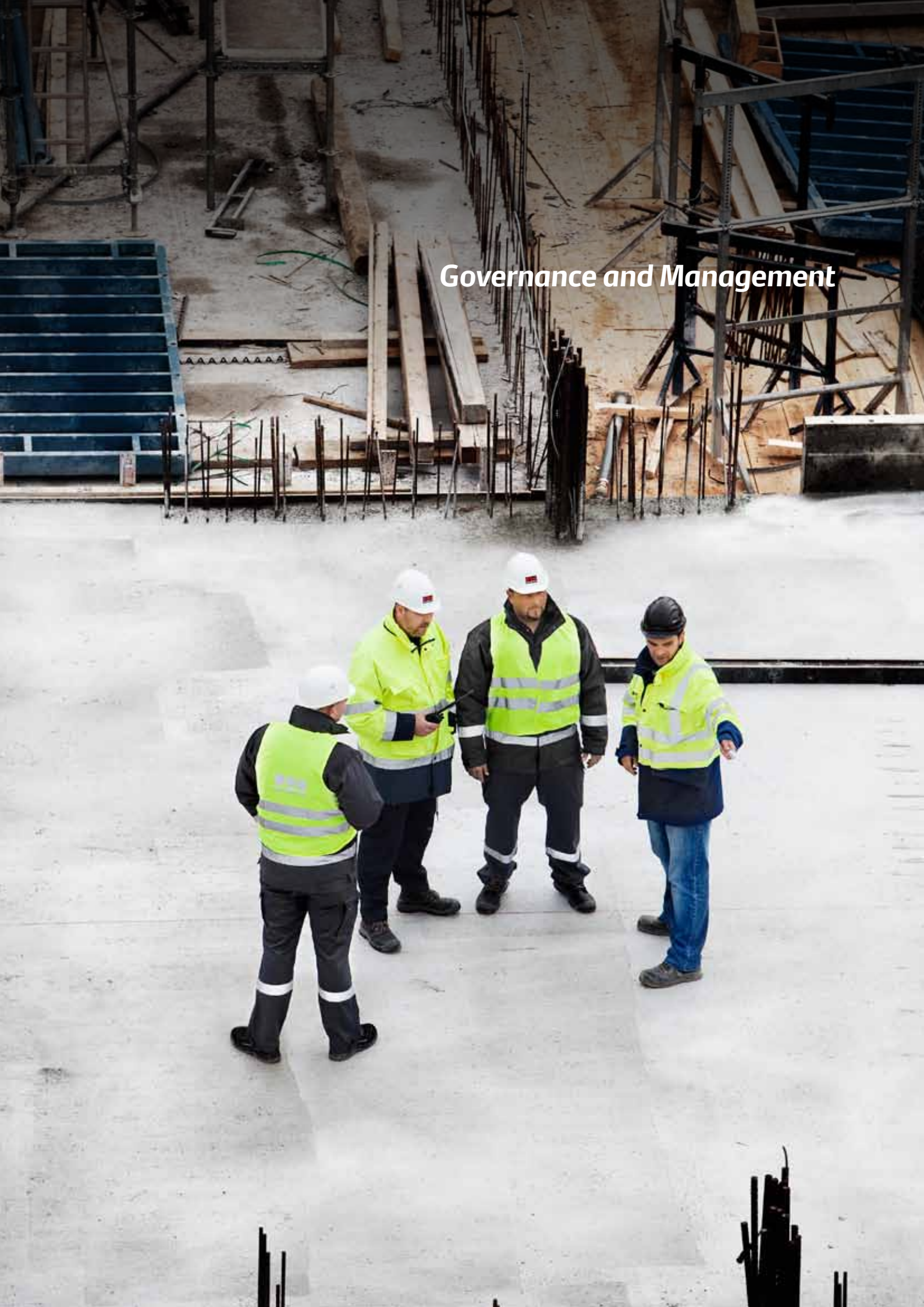


*Governance and Management*



## A Unique and Decentralized Organization

### ↓ Read more at

[www.securitas.com/governance](http://www.securitas.com/governance). Securitas has published its principles for corporate governance in previous annual reports. A separate section on the Group website contains the Articles of Association and other key company documents.

**Securitas promotes management based on local responsibility in close proximity to customers and employees. This unique and decentralized organization encourages entrepreneurship but requires a solid governance and management system.**

Securitas has a decentralized organizational model that focuses on the approximately 1750 branch managers who run the company's daily operations.

The company's customer offerings improve when decisions are made in close proximity to customers, which must be promoted but conducted within a well-controlled environment. An effective governance structure requires that all components interact in order to reach the set strategic objectives.

The illustration below shows what the following parts of the Annual Report contain and the key components of the overall governance structure, as well as demonstrating that governance and risk management run through all layers of the organization.

Share holders  
Annual General Meeting  
Board of Directors  
CEO  
Group Management  
Divisional Management  
Operating unit  
*Country/region, area, branch office*

### Corporate governance, pages 37-51

This section describes Securitas' view on governance and how the top layers of the governance structure interrelate in order to achieve effective governance. This includes such components as governing policies, strategic decision making and development of frameworks.

**Compliance with the Swedish Corporate Governance Code (the Code)** The section, prepared in accordance with Chapter 6, section 6 of the Swedish Annual Accounts Act, provides key information on compliance with the Swedish Corporate Governance Code, shareholders, the Annual General Meeting, Nomination Committee, Board of Directors and their work including committees, remuneration and division of responsibilities throughout the governance structure. Securitas' system of internal control and risk management is also covered,

which is the responsibility of the Board of Directors according to the Swedish Companies Act and the Swedish Corporate Governance Code. This description does not form part of the Annual Report.

In the area of the Internal Control section pertaining to risk, we have opted to widen the scope of our description to also explain how enterprise risk management works in the broader perspective regardless of the type of risk, which means that we not only focus on risk related to internal controls over financial reporting. Fulfilling our strategies and objectives is imperative, which is why risk management procedures span all levels of the organization. This section also describes our various risk categories and risks requiring high-level management attention, including details about how they are managed.

### Operational management, pages 52-57

Securitas' management model is described in this section. The model, called the Toolbox, conveys our corporate culture and creates a shared platform, which ensures that Securitas' values, work methods and management philosophy are shared throughout the organization.

This section also contains further details about the financial model, which is specifically tailored to Securitas'

business and central to operational management. The model focuses on the operational factors that impact profit and cash flow, thus making financial performance more transparent for operational managers. The section ends with a presentation of Group Management, which assumes responsibility for operational management and carries out the agreed strategies.

## Clear and Effective Structure for Governance

**To meet high standards of corporate governance, Securitas has created a clear and effective structure for responsibility and governance.**

**Securitas' governance not only serves to protect stakeholder interests, but also ensures value creation.**

The overall structure begins with shareholders and their influence. Strong principal shareholders attract considerable attention interest and establish commitment to the success of the business.

### Significant shareholders

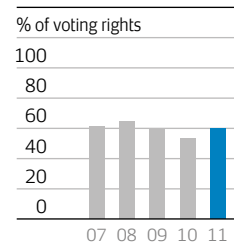
The principal shareholders in Securitas on December 31, 2011 were Gustaf Douglas, who through his family and the companies within the Investment AB Latour Group and Förvaltnings AB Wasatornet holds 11.5 percent (11.5) of the capital and 30.0

percent (30.0) of the votes, and Melker Schörling who through his family and Melker Schörling AB holds 5.6 percent (5.6) of the capital and 11.8 percent (11.8) of the votes. For more detailed information on shareholders, see the table on page 33.

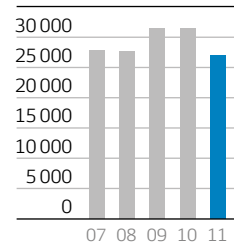
### Annual General Meeting

All shareholders are able to exercise their influence at the Annual General Meeting, which is the company's highest decision-making body. The Articles of Association do not contain any limitation on the number of votes that each shareholder may exercise at a shareholders' meeting. Each shareholder may thus vote for all shares held at the shareholders' meeting. The Annual General Meeting of Securitas AB (publ.) was held on May 4, 2011, and the minutes are available on Securitas' webpage, where all resolutions passed can be found. Shareholders representing 60.0 percent of the votes attended either personally or by proxy. For election and remuneration of Board members, see page 38.

ANNUAL GENERAL MEETING ATTENDANCE 2007-2011



NUMBER OF SHAREHOLDERS 2007-2011



|      |        |
|------|--------|
| 2007 | 27 780 |
| 2008 | 27 616 |
| 2009 | 31 527 |
| 2010 | 31 458 |
| 2011 | 27 011 |

### Compliance with the Swedish Corporate Governance Code (the Code)

As a Swedish public company listed on NASDAQ OMX Stockholm, Securitas applies the Swedish Corporate Governance Code (the Code). Securitas complies with the Code principle of "comply or explain" and has two deviations to explain for 2011:

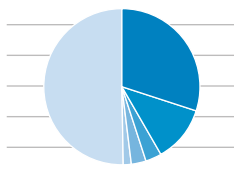
**Code Rule 7.3** An audit committee is to comprise no fewer than three board members.

**Comments:** The Board of Directors deems that two members is sufficient to correctly address Securitas' most important areas in regard to risk and audit issues, and that the incumbent members have long-standing and extensive experience in these areas from other major listed companies.

**Code Rule 9.8** For share-based incentive programs, the vesting period, or the period from the commencement of an agreement to the date on which the shares are acquired, is to be no less than three years.

**Comments:** The implementation of the Securitas Share-based Incentive Scheme in 2010 was based on the existing bonus structure of the Securitas Group. In simple terms, the bonus potential was increased in exchange for a salary freeze and one third of the cash bonus outcome was to be received in shares in March of the year following the year when the cash bonus would have been paid out, provided that the person remained employed by Securitas at such time. The shares are acquired through a swap arrangement at the time the cash bonus is determined and the shares are released approximately one year later.

Since the program replaces an immediate cash bonus payout and is not granted in addition to already existing bonus rights, the Board is of the opinion that the two-year period from the start of the program until the release of the shares is well motivated and reasonable in order to achieve the purpose of the program.

ELECTED MEMBERS<sup>1</sup>  
NOMINATION COMMITTEE

- Gustaf Douglas, major shareholder, 30.0%<sup>2</sup>
- Mikael Ekdahl, Melker Schörling AB (major shareholder), 11.8%<sup>2</sup>
- Jan Andersson, Swedbank Robur Funds, 3.4%<sup>2</sup>
- Per-Erik Mohlin, SEB Funds, 2.9%<sup>2</sup>
- Henrik Didner, Didner & Gerge, 1.7%<sup>2</sup>
- Share of votes not represented in the Nomination Committee, 50.2%<sup>2</sup>

<sup>1</sup> At the Annual General Meeting held on May 4, 2011.

<sup>2</sup> Share of votes as of May 4, 2011.

**Extraordinary General Meeting**

An Extraordinary General Meeting of Securitas AB (publ.) was held on June 13, 2011. The meeting resolved to approve the Board's decision to make a public offer to the shareholders of Niscayah Group AB, including the major shareholders of Securitas, and to authorize the Board to resolve upon the issuance of new shares to constitute consideration for acquisition of shares in Niscayah Group AB. The offer was rejected by the shareholders of Niscayah Group AB in favor of a competing cash bid.

**Nomination Committee**

The Nomination Committee is a body established by the Annual General Meeting with the task of preparing motions regarding the election of Board members, the Chairman of the Board, and remuneration to Board members and Board committees. Before each Annual General Meeting, where the election of auditors takes place, the Nomination Committee also prepares motions regarding the election of auditors and decisions about fees to auditors and other related matters, after consultation with the Board of Directors and the Audit Committee.

Gustaf Douglas was re-elected as Chairman of the Nomination Committee. The Nomination Committee is entitled to appoint one additional member to the Nomination Committee. The Annual General Meeting 2011 resolved that in the event that a shareholder represented on the Nomination Committee ceases to be one of the major shareholders of Securitas (based on votes), or if a member of the Nomination Committee is no longer employed by such a shareholder, or for any other reason leaves the committee before the Annual General Meeting 2012, the committee is entitled to appoint another representative of another major shareholder to replace this member.

The committee's work is established in the Procedure and Instructions for the Nomination Committee of Securitas AB. The committee should hold meetings as often as necessary in order for the committee to fulfill its duties. However, the committee should hold at least one meeting annually. The committee met twice in 2011.

**Members of the Board of Directors**

According to the Articles of Association, the Board of Directors should have between five to ten Board members elected by the Annual General Meeting, with no more than two Deputy Directors. The Directors and Deputy Directors are elected by the Annual General Meeting for the period up to and including the first Annual General Meeting to be held in the year after the Director or Deputy Director was elected. Securitas' Board of Directors has nine members elected by the Annual General Meeting, three employee representatives and one deputy employee representative.

The Annual General Meeting 2011 re-elected Fredrik Cappelen, Carl Douglas, Marie Ehrling, Annika Falkengren, Alf Göransson, Fredrik Palmstierna, Melker Schörling and Sofia Schörling Högberg. The Annual General Meeting re-elected Melker Schörling as Chairman of the Board and Carl Douglas as Vice Chairman. Mikael Ekdahl, attorney at law, is the secretary of the Board. For further information on the members of the Board of Directors and the President and CEO, see pages 40–41. It was resolved that the fees to the Board should total SEK 4 700 000 (including fees of SEK 450 000 for committee work), to be distributed among the Board members as follows: Chairman of the Board: SEK 1 000 000, Vice Chairman of the Board: SEK 750 000 and each of the other Board members (except the President and CEO and the employee representatives): SEK 500 000.

**Responsibilities of the Board of Directors**

The Board of Directors is responsible for the organization and administration of the company and the Group in accordance with the Swedish Companies Act and also 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. The Group's auditors participate in the meeting of the Board of Directors held in conjunction with the yearly closing of the books.

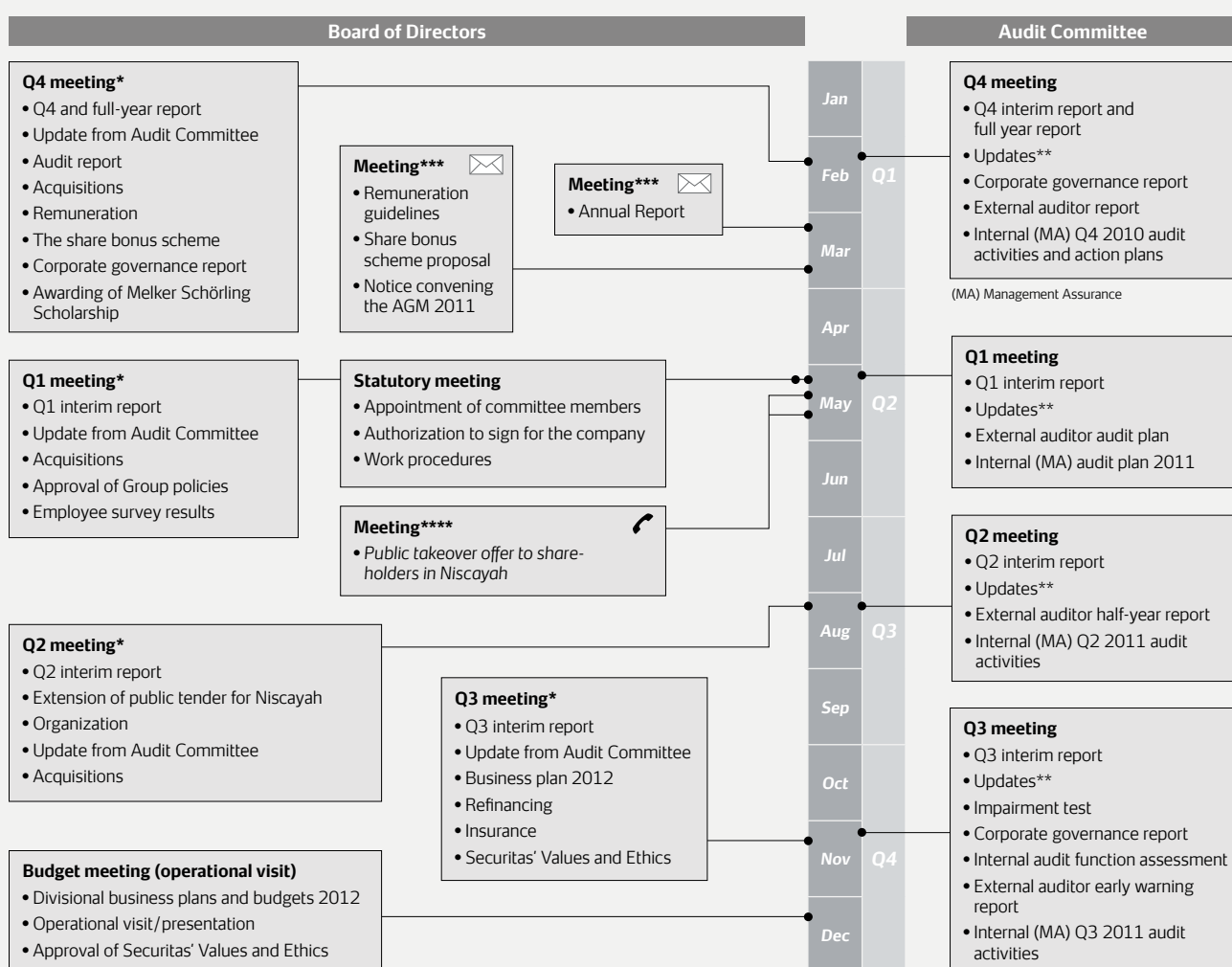
The Board ensures the quality of financial reporting through a series of Group policies, procedures and frameworks, clear structures with defined responsibilities and through documented delegation of authority, which is further described in the Internal Control Report.

## The work 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 documented in a written instruction, which is adopted by the Board each year after the Annual General Meeting. According to these procedures, the Board should determine, among other things, the Group's overall strategy, corporate acquisitions and property investments, and establish a framework for the Group's operations through the Group's budget.

The procedures include a work instruction for the President and CEO, as well as instructions for financial reporting. The procedures also prescribe that an annual evaluation of the work of the Board of Directors should be carried out and presented to the Annual General Meeting.

The Board held ten meetings in 2011, of which two were held per capsulam. The auditors participated and presented the audit at the Board meeting held in February 2011.



## The work of the 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, which meets with Securitas' auditors at least four times per year. The committee supports the work of the Board in terms of quality control of financial reports and internal control over financial reporting.

Specifically, the committee monitors the financial reporting, the effectiveness of internal control, internal audit activities and the risk management system. The committee also stays informed about the annual statutory audits. It assesses the external auditor's independence and approves non-audit services to be performed.

The committee presents its findings and proposals to the Board, before the Board's decision. For details regarding members, independence and attendance, refer to the table on page 40-41. The committee met four times during 2011. The major topics discussed are listed above.

\* In addition to the topics listed, other areas are discussed continuously, such as operational performance, updates from divisions, strategy, market and competition, acquisitions, insurance, credit risk, tax matters, legal matters, funding and refinancing.

\*\* Includes a standing agenda with updates on accounting, treasury, acquisitions, risk/insurance, legal, tax, internal control, enterprise risk management, audit/consultancy cost and auditor independence.

\*\*\* Held per capsulam.

\*\*\*\* Telephone meetings.

## 40 Governance and management

Board of Directors' report on corporate governance and internal control

### Board of Directors



| Name                                  | Melker Schörling  | Carl Douglas  | Alf Göransson   | Fredrik Cappelen  | Marie Ehrling  |
|---------------------------------------|---|---|---|---|--|
| Position                              | Chairman  | Vice Chairman   | Member  | Member  | Member   |
|                                       | Director of Securitas AB since 1987 and Chairman since 1993.  | Deputy Director of Securitas AB since 1992 and Director since 1999. Vice Chairman since 2008. | President and CEO of Securitas AB since 2007.   | Director of Securitas AB since 2008.  | Director of Securitas AB since 2006.   |
| Principal education                   | BSc in Economics and Business Administration  | Bachelor of Arts  | International BSc in Economics and Business Administration  | BSc in Business Administration  | BSc in Economics and Business Administration   |
| Born                                  | 1947  | 1965  | 1957  | 1957  | 1955   |
| Other board assignments               | Chairman of Melker Schörling AB, Hexagon AB, AAK AB and Hexpol AB. Director of Hennes & Mauritz AB. | Director of ASSA ABLOY AB, Swegon AB and Investment AB Latour.                                | Chairman of Loomis AB, Director of Hexpol AB and Axel Johnson Inc., USA.  | Chairman of Bygghuset AB, Munksjö AB, Sanitec Oy and Dustin AB. Director of Granngården AB and within the Carnegie Holding Group.   | Vice Chairman of Nordea Bank AB. Director of Oriflame Cosmetic SA, Schibsted ASA, Safegate AB, Loomis AB, Axel Johnson AB, World Childhood Foundation and IVA.   |
| Previously                            | President and CEO of Skanska AB 1993-1997. President and CEO of Securitas AB 1987-1992.             |   | President and CEO of NCC AB 2001-2007, CEO of Svedala Industri AB 2000-2001, Business Area Manager at Cardo Rail 1998-2000 and President of Swedish Rail Systems AB in the Scancem Group 1993-1998. | President and Group Chief Executive of Nobia 1995-2008. Marketing Director of Stora Finepaper, President of Kaukomarkkinat International Sweden and Norway and Managing Director of Kaukomarkkinat GmbH, Germany. | CEO of Telia Sonera Sverige 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. |
| Attendance                            | Board meetings (10 total)   | 10  | 10  | 10  | 10   |
|                                       | Audit Committee meetings (4 total)  |   |   |   | Member<br>4  |
|                                       | Remuneration Committee meetings (2 total)   | Chairman<br>2   |   |   | Chairman<br>4  |
| Total fee <sup>2</sup> , SEK          | 1 100 000   | 750 000   | 0   | 600 000   | 700 000  |
| Independent to company (7 total)      | Yes   | Yes   | No  | Yes   | Yes  |
| Independent to shareholders (4 total) | No  | No  | Yes   | Yes   | Yes  |
| Shares in Securitas:                  | 4 500 000<br>Series A shares and<br>16 001 500<br>Series B shares. <sup>3</sup>                     | 12 642 600<br>Series A shares and<br>29 470 000<br>Series B shares. <sup>4</sup>              | 30 000<br>Series B shares.  | 4 000<br>Series B shares.   | 4 000<br>Series B shares.  |

1 Employee representatives, appointed members of the Board of Directors at the Annual General Meeting. Deputy employee representative is Thomas Fanberg (b. 1961) who has been Deputy Director of Securitas AB since 2008. Employee Representative, Chairman of Salaried Employees' Union local branch, Securitas Norrland.

2 Total fee includes fees for committee work. In total, SEK 450 000 was paid out for committee work, of which SEK 150 000 for Remuneration Committee work and SEK 300 000 for Audit Committee work. For more details, refer to the minutes of the AGM 2011 on Securitas' website: [www.securitas.com](http://www.securitas.com).

3 Through Melker Schörling AB.

4 Via holdings by family members, Investment AB Latour Group and Förvaltnings AB Wasatomet.

Employee representatives<sup>1</sup>

| Annika Falkengren   | Sofia Schörling Högberg                            | Fredrik Palmstierna  | Susanne Bergman Israelsson  | Åse Hjelm  | Jan Prang  |
|---|--|--|---|--|--|
| Member  | Member   | Member   | Member  | Member   | Member   |
| Director of Securitas AB since 2003. President and CEO of SEB.                    | Director of Securitas AB since 2005.               | Director of Securitas AB since 1985.   | Director of Securitas AB since 2004. Employee Representative, Chairman of Swedish Transport Workers' Union local branch 19, Norra Mälardalen. | Director of Securitas AB since 2008. Deputy Director of Securitas AB since 2007. Employee Representative, Chairman of Salaried Employees' Union local branch, Securitas Stockholm. | Director of Securitas AB since 2008. Employee Representative, Chairman of Swedish Transport Workers' Union local branch, Securitas Göteborg. |
| BSc in Economics  | BSc in Economics and Business Administration       | BSc in Economics and Business Administration, MBA  |   |  |  |
| 1962  | 1978   | 1946   | 1958  | 1962   | 1959   |
| Director of SEB. Member of the Supervisory Boards of Munich RE and Volkswagen AG. | Director of Melker Schörling AB and EM Holding AB. | Chairman of Investment AB Latour. Director of AB Fagerhult, Hultafors AB, Nobia AB and Academic Work AB. |   |  |  |
| Several executive positions at SEB.   |  |  |   |  |  |
| 10  | 9  | 10   | 10  | 9  | 9  |
| Member<br>2   |  |  |   |  |  |
| 550 000   | 500 000  | 500 000  | 0   | 0  | 0  |
| Yes   | Yes  | Yes  | -   | -  | -  |
| Yes   | No   | No   | -   | -  | -  |
| 7 500<br>Series B shares.   | 2 400<br>Series B shares.                          | 17 200<br>Series B shares.   | -   | 120<br>Series B shares.  | -  |

All figures refer to holdings on December 31, 2011.

For comparative information about remuneration to the Board of Directors and senior management, please see note 8 on pages 93-95.

**Remuneration Committee**

The Board has also formed a Remuneration Committee to deal with issues related to salaries, bonuses, share-based incentive schemes 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, for the Board's decision. The committee held two meetings during 2011. For details regarding members and attendance, refer to the table on page 40–41.

**A share-based incentive scheme** was adopted at the Annual General Meeting 2011, which enables the Group to gradually have approximately 2 500 of Securitas' top managers as shareholders, thus strengthening employee commitment to Securitas' future success and development for the benefit of all shareholders. The adopted incentive scheme entails in principal that one third of any annual bonus earned under the performance-based cash bonus schemes will be converted into a right to receive shares, with delayed allotment and subject to continued employment. For more information on the actual outcome of the share-based incentive scheme in 2011, see note 12 on page 102.

**The guidelines for remuneration** to senior management that were adopted at the Annual General Meeting 2011 primarily entailed that remuneration and other terms of employment for senior management should be competitive and in accordance with market conditions, to ensure that Securitas will be able attract and retain competent managers. The total remuneration to Group Management should consist of a fixed basic salary, variable remuneration, pensions and other benefits.

Thus, in addition to a fixed annual salary, Group Management may also receive a variable remuneration which will be based on the outcome of set financial goals and growth targets within the individual area of responsibility (Group or division) and such remuneration should agree with the interest of the shareholders.

The variable remuneration should amount to a maximum of 60 percent of the fixed annual salary for the President and CEO and a maximum of 42 to 200 percent of the fixed annual salary for other members of Group Management. The undertakings of the Group as regards variable remuneration to Group Management may, at maximum within all divisions during 2011, amount to MSEK 57. The complete guidelines for remuneration can be found on Securitas' webpage.

Additional information on remuneration to the Board of Directors and Group Management, including the outcome, is disclosed in the Notes and comments to the consolidated financial statements 2011. See note 8 on pages 93–95.

**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. The primary tool used by Group Management to measure accomplishment of strategies and to guide the employees and organization toward achieving its objectives is the financial framework and model that are further described on pages 54–55. In 2011, Group Management comprised the President and CEO and 13 executives. For further information on Group Management, please see pages 56–57.

**Policies that apply to governance**

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 Board of Directors of Securitas 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 subject to the insider policy is individually notified thereof. Securitas has adopted **Securitas' Values and Ethics** to ensure that the company upholds and promotes the highest ethical business standards. Securitas' basic requirement is to act within the framework of laws and international conventions, for example the United Nations Universal Declaration of Human Rights. This means that Securitas respects and complies with competition rules, environmental legislation, labor market regulations, agreements and safety requirements and other provisions that set the parameters of our operations. For further information on Securitas' initiatives and responsibility with regard to social, economical and environmental issues, refer to pages 28-30.

#### Auditors

The Annual General Meeting 2008 elected PricewaterhouseCoopers AB (PwC) as the Group's audit firm, with authorized public accountant Peter Nyllinge as auditor in charge, for a period of four years.

The auditors' work is based on an audit plan, which is agreed with the Audit Committee and Board of Directors. The auditors participate in all meetings of the Audit Committee and present their findings from the annual audit at the Board meeting held in February. In addition, the auditors should inform the Audit Committee on an annual basis of any services rendered, other than audit assignments, and the auditing fees received for such services and other circumstances that might affect the evaluation of the auditors' independence. The auditors should also participate in the Annual General Meeting, presenting the Audit report and its conclusions.

The audit is performed in compliance with the Swedish Companies Act, generally accepted auditing standards in Sweden and International Standards on Auditing (ISA).

#### Auditor in charge

Peter Nyllinge born 1966, Authorized Public Accountant, Auditor in charge, PricewaterhouseCoopers AB. Peter has been auditor in charge of Securitas AB since 2008. Other audit assignments: ASSA ABLOY AB and Telefonaktiebolaget LM Ericsson.



Auditor Peter Nyllinge

### Audit fees and reimbursement (PwC)

**Audit fees and reimbursement** to auditors have been paid for audit assignments and other reviews 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 mainly pertains to audit-related consultations in accounting and tax matters in relation to restructuring work.

| MSEK                           | Group             |                   |                  | Parent Company |             |             |
|--------------------------------|-------------------|-------------------|------------------|----------------|-------------|-------------|
|                                | 2011              | 2010              | 2009             | 2011           | 2010        | 2009        |
| Audit assignments              | 29.8              | 27.2              | 25.6             | 5.4            | 5.2         | 4.9         |
| Additional audit assignments   | 1.1               | 2.8               | 2.8              | 0.1            | 0.6         | 0.6         |
| Tax assignments                | 14.6              | 17.1              | 19.4             | 4.1            | 4.4         | 4.9         |
| Other assignments <sup>1</sup> | 16.3 <sup>2</sup> | 15.0 <sup>2</sup> | 6.0 <sup>2</sup> | 1.6            | 4.0         | 3.4         |
| <b>Total PwC</b>               | <b>61.8</b>       | <b>62.1</b>       | <b>53.8</b>      | <b>11.2</b>    | <b>14.2</b> | <b>13.8</b> |

<sup>1</sup> Fees for other assignments performed by PwC include fees for audit-related advisory services relating to accounting, including IFRS, IT, acquisitions, divestments and matters relating to the Group's internal bank.

<sup>2</sup> Other assignments include capitalized fees of MSEK 0.0 (0.0 and 1.5).

## Internal Control Provides Assurance

**Securitas' internal control system has been designed to manage rather than eliminate the risk of failure to achieve business objectives. The system provides reasonable but not absolute assurance against material financial reporting misstatement or loss.**

### Control environment

The key features of the control environment 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 competence of employees and a series of Group policies, procedures and frameworks.

The Group operates in a flat and decentralized organization, where managers are given clear objectives and authorized to make their own decisions and develop their operations together with the customers. *For more information on the management model, refer to pages 52-55.* Delegation of authority is documented in an approval matrix, which provides clear directions for managers at all levels.

Emphasis is placed on the competence 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 three fundamental values - Integrity, Vigilance and Helpfulness - to help its employees exercise judgment and make decisions on a consistent basis.

The Group's major financial policies, procedures and frameworks include a comprehensive manual, Group policies and guidelines, a reporting manual and Securitas' model for financial control (for more detailed information on the model, refer to pages 54-55). 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.

Risk management is an integral part of our work. Risk management is necessary for the fulfillment of Securitas' strategies and the achievement of its corporate objectives. Enterprise risk management

(ERM) is an integral component of Securitas' operations, and risk awareness is part of the company culture. The ERM process is described on the following page.

Accountability for managing risks is clearly assigned to the Group, divisional and local management. Group Management 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 are responsible for ensuring that a process for creating risk awareness exists throughout the division. The divisional presidents are responsible for all aspects of operations in their divisions, including operational risk management and risk minimization.

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.

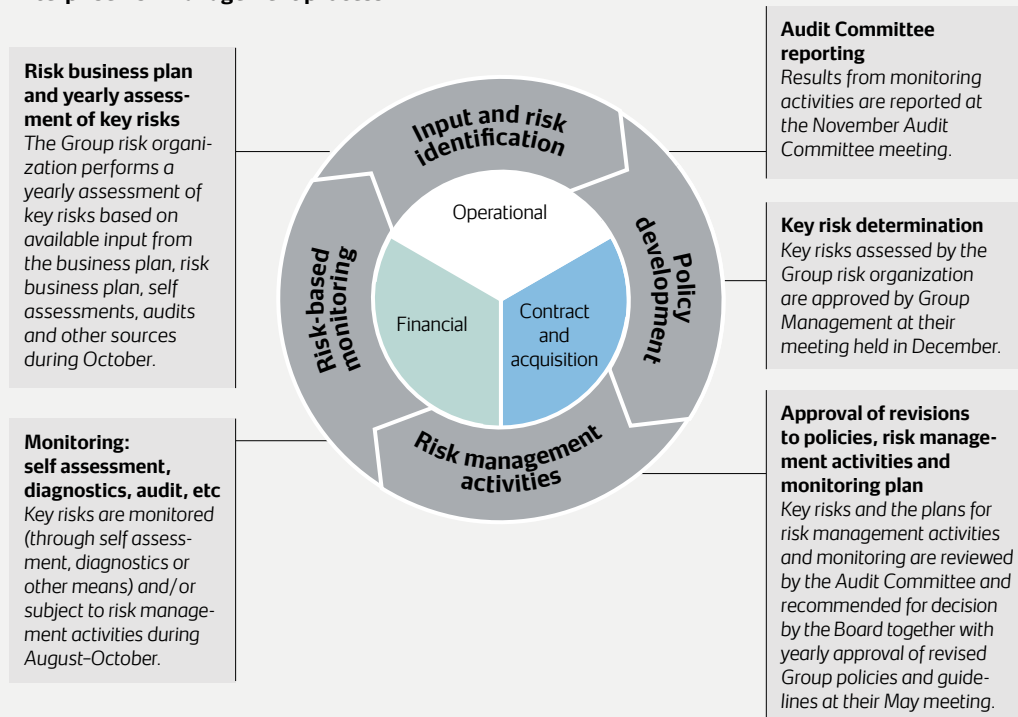
To be successful, all of Securitas' branch managers must understand the risks associated with providing services and be able to assess and control these risks. Securitas work actively with risk management seminars to increase awareness and knowledge.

### RISK RESPONSIBILITIES

| Principal activities | Branch/<br>area | Country/<br>division | Group |
|----------------------|-----------------|----------------------|-------|
| Risk assessment      | ■               | ■                    | ■     |
| Contract management  | ■               | ■                    | ■     |
| Loss prevention      | ■               | ■                    |       |
| Claims settlement    |                 | ■                    | ■     |
| Insurance purchasing |                 |                      | ■     |

Procedures are in place to ensure that significant risks and control failures are conveyed to Group Management and the Board, as required, on a periodic basis.

## Enterprise risk management process



**ERM at Securitas** The cornerstones of enterprise risk management (ERM) are the Group policies and guidelines that establish the framework for all policies and compliance monitoring in the Group. The ultimate responsibility for risk management lies with the Board of Directors, but the work involved in minimizing risks takes place through a structured process of assigning responsibility to all levels of the organization.

At Group level, Group Management sets the risk management policies for the entire Group. Ultimately, the responsibility for claims settlement and for purchasing strategic insurance programs also lies at Group level. In addition, the Group conducts at least one business risk evaluation seminar each year for all divisions, with participants from the divisions, countries or regions. The purpose of these seminars is to increase awareness and understanding of the risks to which the company is exposed, and to monitor compliance with policies and guidelines by reviewing certain contracts and/or processes.

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 a risk business plan, which sets the main focus and priorities for operational risk management within countries, divisions and the Group for the coming year. Mobile and Monitoring and the new market organizations use shared risk management resources. Security Services North America regularly monitors risk exposure

through a coordinated effort between the risk management and legal organizations in conjunction with North American Divisional Management. Security Services Europe and Aviation have their own risk committees, which meet on a regular basis to monitor and follow up risk exposure.

The yearly risk assessment process is coordinated by the Group risk organization, which is also responsible for maintenance of the risk register.

Securitas is exposed to various types of risks in its daily business. When providing security services, Securitas manages not only its own risks, but also risks on behalf of its customers. Minimizing the risk of a loss occurring, and thereby protecting our customers and employees, is the most important objective. Securitas' risks have been classified into three main categories: **contract and acquisition**, **operational assignment** and **financial risks**. The categories are based on the natural flow of the business – first you enter into a contract, followed by the execution of the assignment and ending up with a financial result. Similar risk categories are also relevant for acquisitions, but are then classified as acquisition risks, operational integration risks and financial integration risks. All of the risks in these categories can impact the Group's financial performance and position if they are not managed in a structured way. Given that operational assignment risks and contract risks arise in local operations, these are best managed through a decentralized approach. Customer contract management and loss prevention measures are essential for minimizing these risks.

**Risk categories**

Securitas' risks have been classified into three main categories: contract and acquisition, operational assignment and financial risks.

The category **Contract risks (and acquisition risks)** encompasses the risks related to entering into a customer contract and the risks related to the acquisition of a new business.

The category **Operational assignment risks (and operational integration risks)** includes risks that are associated with our daily operations and the services we provide to our customers, such as when services do not meet the required standards and result in loss of property, damage to property or bodily injury. This category also encompasses

**Overview of risks and how they are managed**

Below are examples of risks requiring high-level management attention.

|            | Contract risks (and acquisition risks)  | Operational assignment risks (and operational integration risks)  |   |
|------------|---|---|---|
| Key risks  | <p><b>Contract risk</b> – risk that unreasonable obligations and risks are undertaken in the contract, entailing unbalanced terms for the type of assignment in question, such as unreasonable liability, unrealistic service levels or unfavorable pricing mechanisms. These factors could impact margins and profitability.</p>   | <p><b>Acquisition risk</b> – risk that the due diligence process and other activities do not identify all necessary information for making the proper decision, from a financial perspective but also from a cultural perspective and/or that the share purchase agreement is not structured properly for managing risks related to findings from the process.</p>  | <p><b>Assignment execution risk</b> – risk that agreed contractual requirements are not met, which in turn could adversely impact the contract portfolio churn rate, growth, customer relations and Securitas' reputation.</p>  |
| Mitigation | <p>In order to manage contract risks in a structured way in the operations, we use a business risk evaluation model known as the Scale, which is part of Securitas' management model, the Toolbox. The model evaluates the assignment, risk, contract terms and financial aspects (for a more detailed description of how the model works, refer to pages 38–39 of the 2009 Annual Report). The Group has formal policies and guidelines for defining the approval process and authorization levels for new contracts, as well as how to manage existing contracts. In addition, operations are protected by a customized Securitas insurance program, should unforeseen events occur.</p> <p>Since contract risk is a key risk, Securitas monitors this through reviews (called diagnostics) to test the effectiveness of controls in the contract management process. The areas reviewed include whether the Scale is properly used and understood, whether local policies comply with Group policies, whether approval has been obtained at the designated level, whether standard contracts have been used where possible, and whether appropriate follow-up procedures are in place.</p> | <p>The Group has formal acquisition policies and guidelines for defining the approval process pertaining to acquisitions, to ensure that all business acquisitions are appropriately approved and rigorously analyzed to determine the possible financial and operational implications of the acquisition. Policies cover such areas as approval levels, share purchase agreement deal structures, due diligence checklists and how the due diligence is to be performed with regard to internal and external resources depending on the characteristics of the acquisition. The Group also conducts post-acquisition appraisals on a periodic basis.</p> | <p>Local procedures for security services should include a process for written site instructions ensuring they are defined, up-to-date, known and understood.</p> <p>The Group policy requires local human resources policies covering the areas of hiring employees, retaining employees, development and training, and compliance with relevant laws and regulations. Proper recruitment, training and supervision of security officers are important to mitigating the risk of inappropriate assignment execution.</p> |

all risks related to the infrastructure necessary to run the business, including such functions as IT, human resources and legal.

The category **Financial risks (and financial integration risks)** includes risks related to financial reporting, as well as financial risks related to external financing needs and currency exposure. To allow

the divisions, countries and regions to focus fully on their operations, management of financial risks (other than those related to financial reporting) is centralized to the greatest extent possible to the Group Treasury Centre.

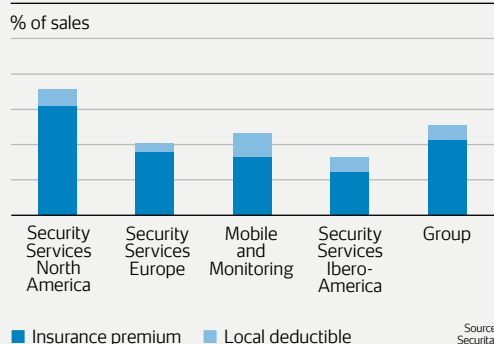
|  |  |  |  | Financial risks<br>(and financial integration risks)  |
|--|--|--|--|---|
|  | <p><b>Compliance (regulatory and other) risk</b> – risk that regulatory and other requirements are not met, which could result in lower quality, higher costs, lost income, delays, penalties, fines or reputational damage.</p> | <p><b>IT failure risk</b> – risk of not being able to manage disruptions in an effective manner, which could cause significant disruption to the operations, affect the accuracy and timeliness of reporting and potentially cause reputational damage.</p>                | <p><b>Price risk</b> – risk of not being able to manage price/wage increases in a desired manner, which could lead to deteriorated margins.</p>  | <p><b>Management estimates and assumption risks</b> – risk that account balances and off-balance sheet items with high subjectivity (such as goodwill, contract portfolios, deferred considerations, provisions for bad debt, pensions, legal exposures, risk reserves, deferred taxes, etc.) are not properly scrutinized resulting in an inaccurate presentation of the financial position.</p> |
| <p>It is mandatory that local processes include procedures to ensure compliance with relevant laws and regulations, that there is an assigned responsibility for recurring review and that action plans are in place for addressing any issues identified.</p> <p>The review procedures in the Group are also designed to identify any changes in regulatory requirements, which may also affect Securitas' activities, and to take appropriate actions.</p> | <p>Group IT policies and guidelines require controls over IT disruptions including such areas as risk assessment and contingency plans, covering all relevant areas including regular updates and testing.</p>                   | <p>The Group focuses on and monitors price/wage increases on a regular basis. The processes include measurement, communication, training and support for staff involved in the pricing of our services, both at the inception of a contract and for price adjustments.</p> | <p>Financial risks are mainly managed through the continuous measurement and monitoring of financial performance, with the help of Securitas' financial model (read more on pages 54-55). This model identifies certain key figures that are vital to the profitability of the operations, and facilitates the detection and handling of risks.</p> <p>It is mandatory that estimates are documented, signed and authorized by the appropriate parties. Monthly reviews include the analysis of account balances and off-balance sheet items with high subjectivity. The accuracy of assumptions used in pension plan measurement is monitored. In addition to the use of external actuaries for each plan, the Group also retains actuarial advisors to advise on the Group's overall pension exposure. The Group has a structured process that focuses on the accuracy of the assumptions used and a review of the pension reporting and governance.</p> |   |

**Insurance as a risk management tool** A significant part of Securitas' risk management work involves detecting and analyzing frequent and large losses with the aim of indentifying the underlying driving forces.

We work proactively and implement claims management processes in order to monitor and review trends and developments. Claim reports with updated information on claims and reserves are sent to all local risk managers and controllers on a monthly basis, and claims are analyzed. Regular meetings are also held with insurance companies. Throughout Securitas, we set up loss prevention and loss-limiting measures as if we were uninsured. The insurance premium allocation seeks to reflect historical loss levels; all divisions are measured on their cost of risk (insurance cost plus cost of retained losses).

The Group's external insurance premiums are partly determined by the historic loss record. Consequently, a favorable loss record will contribute to lower premiums and a lower cost of risk. The insurance programs are procured with the objective of creating a balanced and cost-efficient protection against negative financial impact. Securitas seeks to achieve economies of scale through coordinated insurance programs and the optimal utilization of the Group's insurance captives. The use of our insurance captives offers a wide range of risk financing possibilities, which provides management with an option to establish some independence from the cyclical nature of the commercial insurance markets.

COST OF RISK - PROPORTIONS<sup>1</sup>



<sup>1</sup> The purpose of the graph is to illustrate that cost of risk proportions vary between the different divisions depending on risk exposure and retained cost for frequency losses.

The design and purchase of all insurance programs is based on the risk exposure analyzed in the business risk evaluation model. The following types of insurance are strategically important to the Group and are the subject of central purchasing: liability insurance, including aviation liability and aviation war liability, crime insurance, directors' and officers' liability insurance, fiduciary insurance and employment practice liability insurance. Catastrophe exposure is protected by insurance companies with a minimum rating of A (Standard & Poor's).

**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.

**Self assessment**

Every major operating unit throughout the Group performs an annual self assessment, which is part of the enterprise risk management process and includes the risks requiring high-level management attention described on

the previous pages, as well as other key risks, including financial reporting risks and measures and compliance with the Group policies and reporting manual. Self assessment promotes control awareness and accountability.

The results are signed off and the sections related to financial reporting are signed off by each entity's president and controller, and other parts are signed off by the responsible function. As a part of this process, the external auditor and/or another internal or external resource, performs a validation of the answers given in the questionnaire to ques-

tions deemed to be risk areas, for the selected reporting units. The answers are compiled at the divisional and Group levels to support benchmarking within a division or between divisions. Each reporting unit is responsible for acting on any deviations that include written action plans to address these deviations and a deadline for when planned actions will be in place. The Group closely monitors the progress made as of the first and second quarterly business reviews. Any prioritized areas for improvements are also addressed in the business plans. All reports are made available to Divisional Management, Group Management and the Audit Committee.

**Risk and control diagnostics** The Group performs risk and control diagnostics in functional areas, which by nature have a high degree of inherent risk. These diagnostics are performed in addition to the recurring areas of the self assessment questionnaire.

In 2011, the focus on new countries in the Group continued, since they have been assessed as a risk area in terms of integration from a financial reporting and control standpoint. The diagnostic entails a kit covering IFRS reporting compliance, as well as key controls within financial reporting processes, contract management and IT security. These reviews are usually conducted within the first year from the acquisition date and a follow-up is performed during the second year, provided that significant areas for improvement have been identified.

Another area that was subject to specific diagnostics in 2011 was the contract management key risk area (refer to the table on page 46) and compliance with Group policies in this area. These reviews are conducted on a rotational basis for all countries.

**Financial reporting** Regular analyses of the financial results at the different levels within the organization using the Financial Model ensure that the financial information is of a high quality. Controllers at all levels hold 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 controllers are responsible for ensuring compliance with the approved set of policies and frameworks, and for ensuring that internal controls pertaining to financial reporting processes are implemented.

The controller is also responsible for reporting financial information that is correct, complete and timely. The controller receives continuous feedback on reporting quality from the Group, which is an effective tool for enhanced reporting. In addition, each division has a divisional controller with corresponding responsibilities at the divisional level.

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

#### **Information and communication**

Channels for information and communication exist and are constantly developed to ensure that all staff are given clear objectives and are made aware of the parameters that constitute acceptable business practices and the expectations 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 that support complete, accurate and timely financial reporting and provide management with the necessary reports on business performance relative to the established objectives. The Group reporting department regularly issues guidance on reporting matters. Reporting units regularly prepare financial and management reports that are discussed at review meetings at different levels. These include an analysis of financial performance and risks.

**Monitoring**

Monitoring is performed at different levels and by different functions in the organization. Key functions include the Board of Directors, the Audit Committee, Group Management, functional committees, management assurance, the Group legal function, the Group risk organization and Local and Divisional Management.

**Group Management**

Group Management reviews performance through a comprehensive reporting system based on an annual budget, with regular business reviews of actual results, analysis of variances, key performance indicators (Securitas' model for financial control, refer to pages 54-55, adapted by division) and regular forecasting. This reporting is also reviewed by the Board.

**Functional committees**

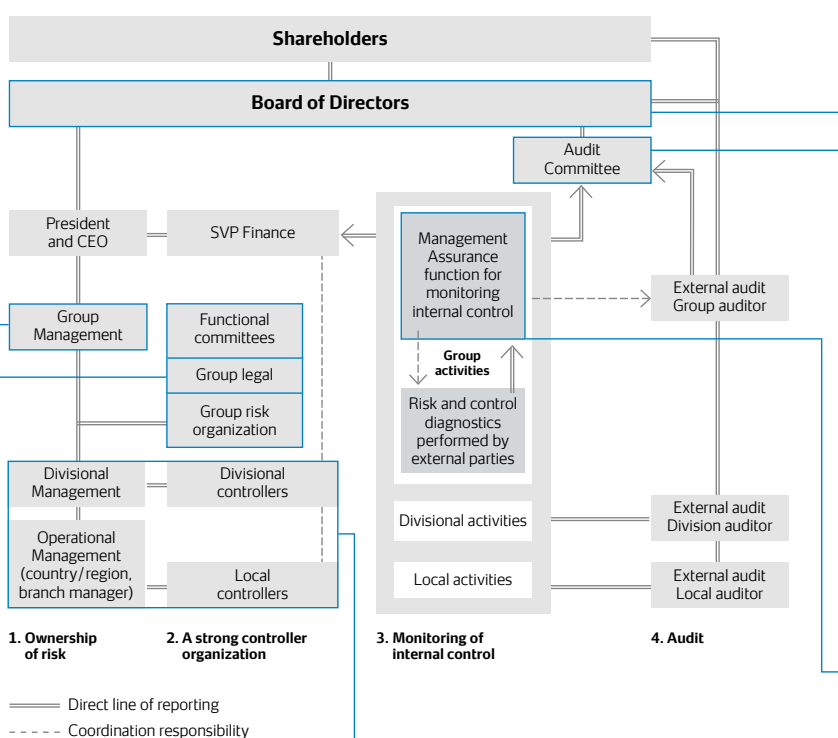
The Group has established a number of functional committees and work groups, including the functions for Finance/Tax & Assurance, Corporate Finance/Treasury and Legal/Risk & Insurance. These committees include the Senior Vice President Finance, Senior Vice President Corporate Finance, Senior Vice President General Counsel and the appropriate functional area experts.

The main purpose of these functional committees is to determine appropriate policies, communicate the policies and ensure local understanding (including training) of the policies, as well as monitoring key issues within each area of responsibility. Quarterly meetings are held with the President and CEO, during which topics that must be reported to the Audit Committee are discussed.

**Group legal function**

The legal function is responsible for maintaining an adequate infrastructure to ensure that legal matters are brought to the attention of Group Management in an appropriate and timely manner. This function is headed by the Senior Vice President General Counsel. The legal function further monitors and manages legal risk exposures identified by the operating units. A report on outstanding legal disputes is provided to Group Management on a monthly basis. The legal function provides a comprehensive report on major legal matters to the Audit Committee on a quarterly basis.

**Organization of internal control**



**Group risk organization**

The Group risk organization is responsible for providing opportunities to identify and manage the risks that are necessary to achieve Securitas' strategies and goals. Risk management is an integral part of the Securitas culture. The risk management process is continuously evolving.

**Local and Divisional Management responsibilities**

Since Securitas' philosophy is to work in a decentralized environment, local management is primarily responsible for monitoring and ensuring compliance by local units with the Group policies and guidelines approved by the Board of Directors, including any division-specific policies and guidelines. Local management is responsible for the establishment and continued operations of a system of procedures and controls that ensures the reliability of the company's management and financial reporting information in the most economical and efficient manner possible. This includes ensuring a minimum of basic and supervisory controls in order to mitigate relevant risks. Local management reports to Group Management through Divisional Management on operational matters and local controllers report through Divisional Controllers on financial reporting matters. In order for this to work, Securitas has established a close link between these different levels of the organization.



**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. The Board considers risk assessment and control to be fundamental to achieving its corporate objectives with an acceptable risk/reward profile. The Board plays an important role in the ongoing process of 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 regarding risk areas identified by 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 monitor the effectiveness of the Group's internal control systems and financial reporting process.

**Audit Committee**

The Audit Committee reviews all annual and quarterly financial reports before recommending their publication on behalf of the Board. The Audit Committee in particular 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.

**Management Assurance**

The Group has a coordinating and monitoring function in relation to certain internal control activities at Group level. The Management Assurance staff function operates as the Group's internal audit function and reports directly to the Senior Vice President Finance with an open line of communication to the Audit Committee.

The function prepares an annual plan for its work, which is approved by the Audit Committee. The results of the function's work, which includes

the execution and coordination of internal audit-related activities during the year, are presented at the Audit Committee meetings. The Management Assurance Director participated in all Audit Committee meetings in 2011.

In line with one of the Group's fundamental principles, this function has continued to develop step-by-step to improve the Group internal control through different activities during the year, including fine-tuning of follow-up procedures and reporting, as well as the identification of risks related to financial reporting and the examination of the effectiveness of related internal controls. During 2011, specific focus was placed on further development and improvement of the enterprise risk management process and related tools. Sharing knowledge through different activities is also a key part of improving the control environment. The function utilizes a combination of internal resources and external resources in the form of external auditors, consultants and experts, depending on the specific situation and area. This enables greater flexibility and responsiveness to the risks faced by the Group, which fits Securitas' business model. For more information on the current responsibilities of the Management Assurance function, refer to [www.securitas.com/governance/corporate-governance-organization](http://www.securitas.com/governance/corporate-governance-organization).

The function is subject to an annual assessment by the Board to ensure that the activities undertaken enable a well-functioning monitoring structure, together with the other components of the Group's internal control described within this report.

Stockholm, March 16, 2012

The Board of Directors of Securitas AB

The Auditor's report of the Corporate Governance Statement is presented on page 137.

## Well-established Management and Financial Model

**Securitas promotes management based on local responsibility in close proximity to customers and employees. The company's management model, known as the Toolbox, assists line managers in all areas of their daily operations and ensures that Securitas' values, work methods, management philosophy and customer perspective are shared throughout the organization.**

Securitas' Toolbox management model has a methodical structure comprising several well-defined areas or "Tools" that provide guidance for the company's managers. Each area of the model describes how Securitas' managers are to conduct themselves in various aspects and stages of the company's operations. The model also describes the approach we are expected to take with regard to the market, our customers and employees.

The Toolbox offers practical support for managers by acting as a guide at all levels and is maintained through continuous training and discussion forums. A key function of the Toolbox is to convey our corporate culture and create a shared platform, which is primarily symbolized by a focus on Securitas' values: Integrity, Vigilance and Helpfulness.

### **Decentralized organization and responsibility promote entrepreneurship**

Securitas has a decentralized organizational model that focuses on approximately 1 750 branch managers who run the company's daily operations. The company's customer offering improves when decisions are made in close proximity to customers and the employees who perform the services. Our customers are entitled to be demanding, and to work with independent and strong local managers with the right expertise. The branch offices are run by qualified managers with considerable freedom to develop and conduct operations. Each branch has its own statement of income, for which they are fully responsible. Incentive programs are used to further encourage personal dedication to the operating and financial performance of the company.

Securitas' extensive decentralization promotes a high degree of personal entrepreneurship.

However, freedom also entails responsibility. All Securitas employees are expected to assume responsibility for their customers and operations and our shared values. Responsibility is always about "here and now," and not "there and then." Responsibility is clarified through the measurement and systematic evaluation of results.

As part of our decentralized management, we are required to set and follow up on strict financial targets by continuously measuring and monitoring the Group's performance. Financial control is not simply about implementing controls, it also functions as an incentive for those employees who are in a position to personally influence Securitas' financial results.

### **A financial model that is easy to understand**

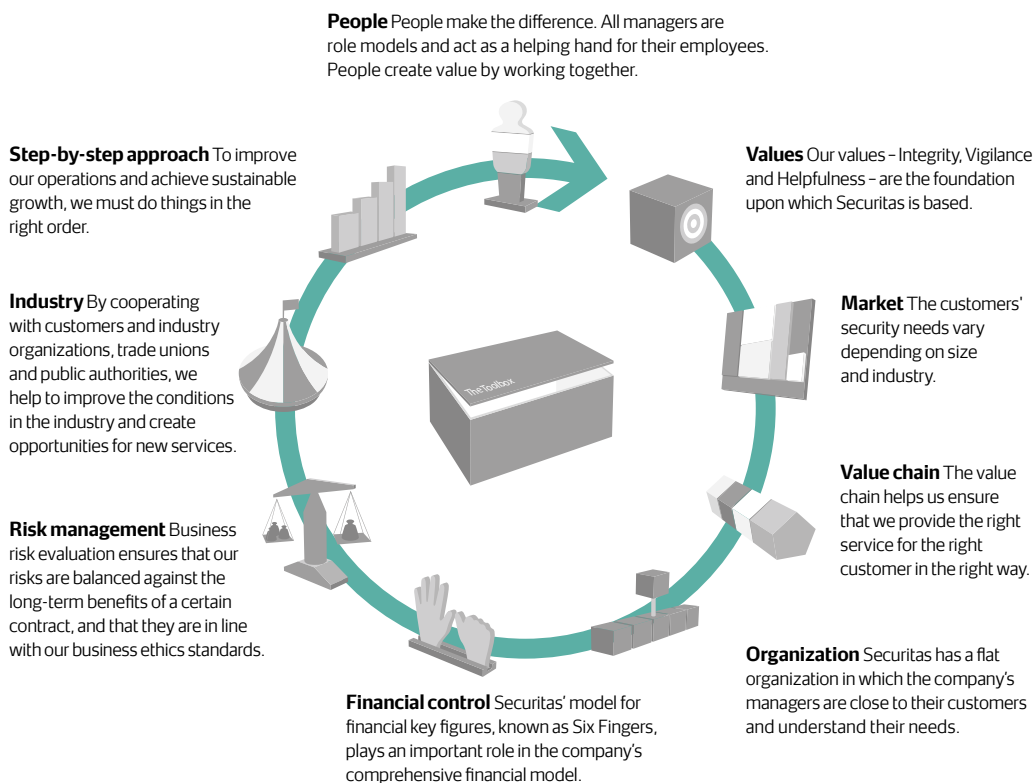
To ensure that the company is able to implement its strategies, and to guide Securitas' employees and organization in their efforts to achieve their objectives, the Group has established a financial framework that continuously measures the Group's performance, from the branch offices through to Group level.

This financial model makes it possible to monitor a number of simple and clear key figures that can be understood by all managers. The model helps managers understand the connection between risks and opportunities, and how various factors impact their areas of responsibility. The model also helps us understand how we can monitor and control these factors, and see the direct link between

income and expenses in the statement of income, capital employed in the balance sheet and the generation of free cash flow (refer to the fact box on page 54 for more information). The goal is to achieve average annual profitability growth of 10 per cent, measured as earnings per share, and a free cash flow of 0.20 in relation to net debt. Transparent and accurate financial reporting is also the basis of sound management. The aim of the Group's financial reporting is to produce the most accurate information possible to enable managers and employees to make the decisions necessary for achieving profitable growth in line with Securitas' strategies, and to control risks to ensure that the company's objectives are achieved. Financial reporting also forms the basis for sound internal control.

Securitas' financial reporting is based on the following foundations:

- Group policies and guidelines, which is the Board of Directors' policies and guidelines for financial planning and reporting, long-term financing and treasury, risks and insurance, communications, branding, legal issues and IT
- Guidelines in Securitas' financial model, which create the framework for a simple and clear internal reporting method, including timely and accurate follow-up of financial key figures (Securitas Six Fingers)
- Securitas' reporting manual, which provides all managers and financial staff with detailed instructions and definitions for financial reporting
- The controller, who is responsible for continuously ensuring that the financial information provided is accurate, transparent, relevant and up to date



## Securitas' financial model

### RELATIONSHIP BETWEEN INCOME, CASH FLOW AND BALANCE SHEET

#### Statement of income

The statement of income is broken down according to function, making responsibility for each profit level clear. Managers with operational responsibility can easily see what is expected of them and concentrate on the factors they can affect. Gross margin and operating margin are key indicators, and used in reviewing operations at both division and Group level. Amortization of acquisition-related intangible assets, acquisition-related costs, financial items and taxes is monitored separately.

#### Statement of cash flow

In principle, operating income should generate the same amount of cash flow from operating activities. The cash flow is affected by investments in, and depreciation of, non-current tangible and intangible assets used in operations and by changes in working capital. Cash flow from operating activities is an important indicator at operational level. It is defined as operating income less investments in non-current tangible and intangible assets plus reversal of depreciation, change in accounts receivable and change in other operating capital employed.

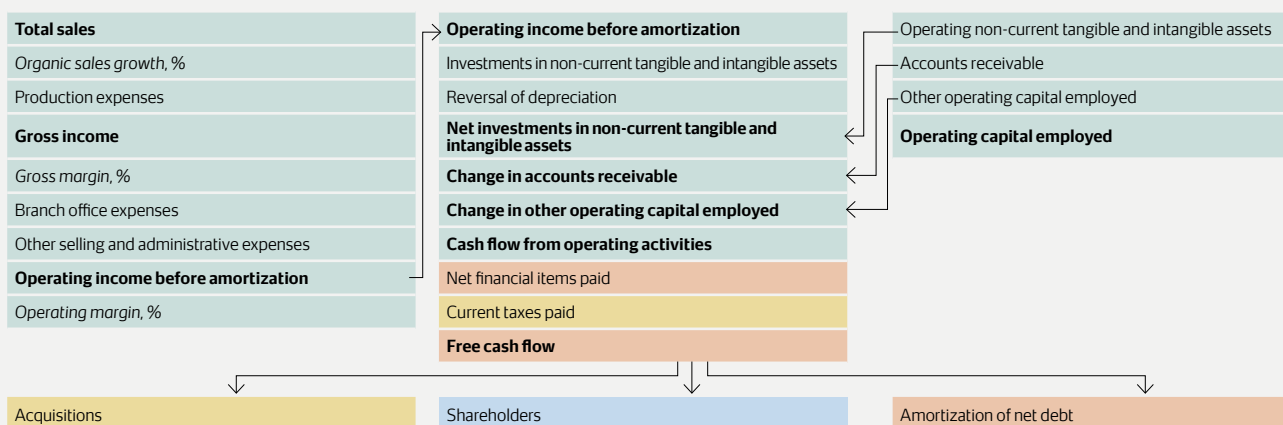
Free cash flow is cash flow from operating activities less net financial items paid and current taxes paid. Cash flow for the year is arrived at when cash flow relating to acquisitions and shareholders' equity is deducted from free cash flow. The consolidation of net debt in foreign currencies usually generates a translation difference that is reported separately. In addition, accounting stan-

dards require that certain elements of the net debt are revalued to market value after the initial recognition and this revaluation is also reported separately. The change in net debt corresponds to cash flow for the year plus the change in loans, translation differences and also the revaluation of financial instruments.

#### Balance sheet

Securitas uses the terms "capital employed" and "financing of capital employed" to describe the balance sheet and financial position. Capital employed consists of operating capital employed plus goodwill, acquisition-related intangible assets and shares in associated companies.

Operating capital employed, which consists of operating non-current tangible and intangible assets and working capital, is continuously monitored at the operating level to avoid unnecessary tied-up capital. Capital employed is financed by net debt and shareholders' equity.



This picture shows the connection between the statement of income, the statement of cash flow and the balance sheet. Different colors are used for the sake of clarity.  
■ Operating items    ■ Net-debt-related items    ■ Goodwill, taxes and non-operating items    ■ Items related to shareholders' equity

### FINANCIAL KEY FIGURES AND HOW WE USE THEM

Securitas' model focuses on the factors that impact profit, and are clearly linked to operations. Factors are grouped into categories: volume-related factors, efficiency-related factors and capital-usage-related factors. These factors are then assigned key figures that are measured continuously, allowing managers to make decisions based on facts, enabling them to make quick adjustments if needed. The model is also used when analyzing acquisition targets.

The factors and key figures are used throughout our operations from branch level up to Group level. Six key figures represent the backbone of the model (highlighted in the text and table), but there are complementary key figures used by all divisions, such as organic sales growth and operating margin. There are also complementary key figures tailored to the measurement needs of a particular division. In Security Services North America, Security Services Europe and Security

Services Ibero-America, which offer specialized security services to large and medium-sized customers, gross margin on new sales and on terminations as well as the wage cost increase are particularly important key figures. For Mobile and Monitoring, new/cancelled connections, prospects visited, cost per sale/order, average contract size and payback/duration are the key figures that are monitored closely.

### Volume-related factors

The first two key figures, **New sales** (of contracts) and **Net change** (of contract portfolio), relate to the development of the customer contract portfolio. **New sales** are newly signed contracts that will increase the monthly fixed sales. **Net change** in the customer contract portfolio refers to new starts (a newly signed contract that has started) plus increased sales in existing contracts, less terminated customer contracts and reduced sales in existing contracts. Price changes are measured separately and added to **Net change** to determine the period's closing balance of the contract portfolio. The closing balance is the total value of monthly invoicing on our monthly fixed contracts at the closing date for the current period.

The table below is an example illustrating the details of the contract portfolio:

|                        | Value      | % change in opening portfolio |
|------------------------|------------|-------------------------------|
| <b>Opening balance</b> | <b>100</b> |                               |
| + New starts           | 15         |                               |
| + Increases            | 5          |                               |
| - Terminations         | -12        |                               |
| - Reductions           | -4         |                               |
| <b>Net change</b>      | <b>4</b>   | <b>4</b>                      |
| <b>Price change</b>    | <b>3</b>   | <b>3</b>                      |
| <b>Closing balance</b> | <b>107</b> | <b>7</b>                      |

The third key figure, taken from the statement of income, is **Total sales**, which in addition to contract-based sales, includes short-term assignments.

### Efficiency-related factors

The efficiency-related key figures provide managers with tools to monitor service efficiency and cost trends. The fourth and fifth key figures are: **Gross margin**, which is defined as total sales less

direct expenses as a percentage of total sales, and **Indirect expenses**, which pertain to the organization and include sales and administrative expenses (costs of branch, area and regional/country offices). Gross income less **indirect expenses** equals operating income before amortization of acquisition-related intangible assets and acquisition-related costs. When this is expressed as a percentage of total sales, it indicates the Group's operating margin, which in Securitas' financial model, comes before acquisition-related items.

### Capital-usage-related factors

In general, Securitas' operations are not capital-intensive. Accounts receivable tie up the most capital. The sixth key figure is **Days of sales outstanding** (DSO). Payment terms and effective collection procedures are decisive in determining how much capital is tied up in accounts receivable. These figures are followed up on an ongoing basis at all levels in the organization.

## SECURITAS' MODEL FOR FINANCIAL KEY FIGURES

| GROUP  | SECURITY SERVICES  | MOBILE AND MONITORING  |
|--|--|--|
| <b>Volume-related factors</b>  |  |  |
|  | <b>New sales</b>   | <b>New sales / New starts</b>  |
|  | Gross margin on new sales  |  |
|  | Terminations   | Terminations   |
|  | Gross margin on terminations   |  |
|  |  | New / cancelled connections (Monitoring)   |
|  | <b>Net change</b>  | <b>Net change</b>  |
|  | Price change   | Price change   |
| Organic sales growth   | Organic sales growth   | Organic sales growth   |
| Acquired sales growth  |  |  |
| Real sales growth  |  |  |
| Total sales  | <b>Total sales</b>   | <b>Total sales</b>   |
| <b>Efficiency-related factors</b>  |  |  |
|  | Employee turnover  | Employee turnover  |
|  | Wage cost increase   | Wage cost increase   |
|  |  | Prospects visited (Mobile)   |
|  |  | Cost per sale/order  |
|  |  | Average contract size (Mobile)   |
|  |  | Pay back time/duration   |
|  | <b>Gross margin</b>  | <b>Gross margin</b>  |
|  | <b>Indirect expenses</b>   | <b>Indirect expenses</b>   |
| Operating margin   | Operating margin   | Operating margin   |
| Income before tax  |  |  |
| Earnings per share   |  |  |
| <b>Capital-usage-related factors</b>   |  |  |
|  | <b>Days of sales outstanding</b>   | <b>Days of sales outstanding</b>   |
| Operating capital employed as % of sales   | Operating capital employed as % of sales   | Operating capital employed as % of sales   |
| Cash flow from operating activities as % of operating income before amortization | Cash flow from operating activities as % of operating income before amortization | Cash flow from operating activities as % of operating income before amortization |
| Free cash flow   |  |  |
| Return on capital employed   | Return on capital employed   | Return on capital employed   |
| Free cash flow in relation to net debt   |  |  |

## Group Management

### Alf Göransson b. 1957

President and CEO of Securitas AB.

*Shares in Securitas:* 30 000 Series B shares.\*

Alf Göransson's previous experience includes President and CEO of NCC AB, CEO of Svedala Industri AB, Business Area Manager at Cardo Rail, and President of Swedish Rail Systems AB in the Scancem Group. Alf holds an international BSc in Economics and Business Administration from the School of Business, Economics and Law, University of Gothenburg, Sweden.

*Other assignments:* Chairman of the Board of Loomis AB, Director of Hexpol AB and Axel Johnson Inc., USA.

### Bart Adam b. 1965

Divisional President, Security Services Europe.

*Shares in Securitas:* 4 500 Series B shares.\*

Bart Adam has over 20 years of security industry experience. In 1988, he joined the Group of Securis in Belgium (AviaPartner) and after Securitas acquired Securis in 1999, Bart became the Financial Manager for Securitas in Belgium in 2000. Two years later he was appointed Divisional Controller for Security Services Europe and in 2007 he became the division's Chief Operating Officer. In 2008, Bart was appointed Divisional President for Security Services Europe. Bart holds a Commercial Engineering degree from the University of Leuven, Belgium.

### William Barthelemy b. 1954

Chief Operating Officer, Security Services North America.

*Shares in Securitas:* 17 000 Series B shares.\*

Bill Barthelemy brings over 30 years of industry experience to the organization. With a

Criminology degree from Indiana University of Pennsylvania, USA, Bill began his career as an Investigator and has later worked in many field capacities, including Regional Operations Director and Region President. Bill is an active member of the American Society of Industrial Security, as well as the National Association of Chiefs of Police.

### Santiago Galaz b. 1959

Divisional President, Security Services North America.

*Shares in Securitas:* 60 000 Series B shares.\*

Santiago Galaz joined Securitas in 1995 as the Managing Director of Security Services Spain, after twelve years at the Eulen Group. In 1997 he was appointed Spanish Country President for Security Services, Systems and Cash Handling Services and later became Divisional President of Cash Handling Services Europe. Santiago was appointed Divisional President of Security Services North America in 2003.

### Erik-Jan Jansen b. 1965

Divisional President, Mobile.

*Shares in Securitas:* -\*

Erik-Jan Jansen joined Securitas in 1996 and has held several management positions, such as Country President of Security Services Netherlands and Chief Operating Officer, Security Services Europe. In 2010, Erik-Jan was appointed Divisional President Mobile. He holds a Bachelor's degree in Business Administration from the Hotel Management School in Maastricht, the Netherlands. Erik-Jan has previously held several international assignments in the hotel industry.

### Gisela Lindstrand b. 1962

Senior Vice President

Corporate Communications and Public Affairs.

*Shares in Securitas:* 1 000 Series B shares.\*

Gisela Lindstrand has a degree in Political science from Uppsala University, Sweden. She came to Securitas AB in 2007 from Pfizer AB, where she was the Government Affairs Director. Previous positions include Press Relations Manager at NCC AB, Information Director at SABO AB and Press Relations Manager and Political Advisor to the former Swedish Prime Minister Ingvar Carlsson. Gisela has also worked as a journalist.

### Jan Lindström b. 1966

Senior Vice President Finance.

*Shares in Securitas:* 3 500 Series B shares.\*

Jan Lindström joined Securitas in 1999 as controller for the Group's treasury in Dublin. In 2003 he became head of the Group's reporting function at the head office in Stockholm and in 2007, he was appointed Senior Vice President Finance. Jan holds a BSc in Economics and Business Administration from Uppsala University in Sweden and previously he worked as an Authorized Public Accountant in PricewaterhouseCoopers.



Aimé Lyagre

Jan Lindström

Åsa Thunman

Santiago Galaz

Lucien Meeus

Alf Göransson

Luis Posadas

**Aimé Lyagre** b. 1959

Chief Operating Officer, Security Services Europe.

*Shares in Securitas:* 1 400 Series B shares.\*

Aimé Lyagre joined Securitas in 2004 as General Manager of Securitas Alert Services in the Netherlands and one year later for the Benelux. In 2007, he became Country President of Security Services Belgium. In 2010, Aimé was appointed Chief Operating Officer Security Services Europe. Aimé graduated as an Industrial Engineer and holds a degree in Business Administration as well as a Master's degree in Industrial Management and Marketing Management.

**Lucien Meeus** b. 1947

Divisional President, Monitoring.

*Shares in Securitas:* 5 500 Series B shares.\*

Lucien Meeus previously worked in the telecom and pipeline industries, for Raychem Corporation and TD Williamson. In 1997, Lucien started Belgacom Alert Services, specializing in alarm monitoring, that became a subsidiary of Securitas AB in 2005. Lucien graduated as a Technical Engineer in Mechelen, Belgium, and holds a Postgraduate Diploma in Business Administration from UAMS, Antwerp, Belgium and has taken part in a Postgraduate Partnership Program at IMD, Lausanne, Switzerland.

**Marc Pissens** b. 1950

Divisional President, Aviation.

*Shares in Securitas:* -\*

Marc Pissens has over 20 years of security industry experience. Within Securitas he has been President for the Benelux organization, Managing Director of Securitas Netherlands and

Securis /Securair Belgium and President of Globe Aviation, USA. Marc Pissens is President of the CoESS (Confederation of European Security Services) and founder and President of ASSA-I (Aviation Security Services Association - International). Marc holds an engineering degree from the Engineering Institute of Brussels, Belgium.

**Luis Posadas** b. 1958

Divisional President, Security Services Ibero-America.

*Shares in Securitas:* 40 136 Series B shares.\*

Luis Posadas joined Securitas Spain in 1995, after 14 years in the Eulen Group. In 2000, he was appointed Country President for Security Services Spain. Between 2003 and 2005 he was responsible for operations in southern Europe within the division Security Services Europe. In 2006, Luis became Divisional President Security Services Latin America and in 2011, he was appointed Divisional President Security Services Ibero-America. Luis Posadas studied law at the University Complutense in Madrid, Spain.

**Kim Svensson** b. 1966

Senior Vice President Corporate Finance.

*Shares in Securitas:* 300 Series B shares.\*

Kim Svensson was employed at Securitas in 1993 and has broad experience in the security service industry. He has held several positions in Securitas, both operational and staff positions. In 2010, Kim was appointed Senior Vice President Corporate Finance. Previously, he worked as Divisional Controller of Security Services Latin America. Kim holds an International MSc in Economics and Business Administration from Växjö University in Sweden.

**Antonio Villaseca López** b. 1954

Senior Vice President Technical Solutions.

*Shares in Securitas:* -\*

Antonio Villaseca López joined Securitas as Site Manager in Madrid, Spain, in 1995. As from 1997, he was Country President for Niscayah's Spanish operations and Southern Europe Region Manager (Portugal, Italy and France). Antonio came back to Securitas in May 2011, as Senior Vice President Technical Solutions. Antonio has studied Economics at the UNED University in Madrid, Spain as well as a number of courses on for example telecommunications, networks and security system design.

**Åsa Thunman** b. 1969

Senior Vice President General Counsel.

*Shares in Securitas:* -\*

Åsa Thunman joined Securitas in 2009 as Senior Legal Counsel and was appointed Senior Vice President General Counsel in July 2011. Her previous experience includes a position as General Counsel and Executive Vice President Corporate Office of Elekta AB and Managing Director of Elekta Instrument AB. Before that she was a practicing solicitor at a major Swedish law firm. Åsa has a law degree from Uppsala University, Sweden, and a master in European Business Law from the University of Amsterdam, the Netherlands.

*Other assignments:* Director of Scania AB.

\* Actual allocation of shares under Securitas share based incentive scheme 2010 to the Group Management can be found on page 96, and the total potential allocation to the Group Management of shares under Securitas share based incentive scheme 2011 can be found on page 94.



Bart Adam

Kim Svensson

William Barthelemy

Antonio Villaseca López

Gisela Lindstrand

Erik-Jan Jansen

Marc Pissens