

# CORPORATE GOVERNANCE REPORT

## Corporate Governance and Management 24-45

Compliance with the Code	24
Comments by the Chairman	25
Securitas governance model	26
Shareholders	27
Annual General Meeting	27
Nomination Committee	27
Board of Directors	28
Audit Committee	29
Remuneration Committee	29
Auditors	31
Facts on Board of Directors	31-33
Facts on Group Management	34-35
Enterprise risk management (ERM) and internal control	36
Signatures of the Board of Directors	45
Auditor's report on Corporate Governance Statement	45

## COMPLIANCE WITH THE SWEDISH CORPORATE GOVERNANCE CODE (THE CODE)

The corporate governance report, which has been prepared in accordance with Chapter 6, Section 6 and 8 of the Swedish Annual Accounts Act, provides key information concerning compliance with the Swedish Corporate Governance Code (the Code), shareholders, the Annual General Meeting, Nomination Committee, Board of Directors and their work, including committees, remuneration and the division of responsibilities throughout the governance structure. This section also covers Securitas' system of internal control and risk management, 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 Internal control section pertaining to risk, we have opted to widen the scope of our description and explain how enterprise risk management works in the broader perspective regardless of the type of risk, which means that our focus is not confined to risk related to internal controls over financial reporting. Fulfilling our strategies and objectives while maintaining an appropriate risk level is imperative, which is why risk management procedures span all levels of the organization.

### Read more at [www.securitas.com/corporate-governance](http://www.securitas.com/corporate-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 complies with the Code principle of "comply or explain" and has two deviations to explain for 2017.

**Code rule 2.4** Neither the company chair nor any other member of the Board may chair the Nomination Committee.

**Comment:** Investment AB Latour has appointed Carl Douglas as Chairman of the Nomination Committee. The Committee considers it important to have a representative from the major shareholders as Chairman of the Committee.

**Code Rule 9.7** 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.

**Comment:** Securitas' share-based incentive scheme was implemented in 2010 and has been renewed annually since then. It was based on the then-existing bonus structure of the Securitas Group. In simple terms, the bonus potential was increased in exchange for a one-time salary freeze and one-third of the cash bonus outcome was to be received in shares in March of the year following the year in which the cash bonus would have been paid out, provided that the person remained employed by Securitas at such time.

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



**“We aim to transform the security industry and to position ourselves as a trusted security advisor, enabling us to offer predictive security to our customers.”**

MARIE EHRLING,  
CHAIRMAN OF THE BOARD, SECURITAS AB

## COMMENTS BY THE CHAIRMAN

---

Securitas is continuing to lead the transformation of the global security industry – shifting from traditional guarding to protective services based on people, technology and knowledge. The cost of manpower continues to increase at the same time as technology is becoming more affordable. We are in the forefront of the transformation and are skilled at integrating different forms of technology to support our people, bringing value to our customers and contribute to a safer society.

We have a strong strategic focus, and our way to achieve Vision 2020 is based on a phased approach, whereby we strengthen our foundation and accelerate the growth of protective services. We are now ready to take the next step, to become the number one intelligent security company beyond 2020.

The role of the Board of Directors of Securitas is to work for Securitas' long-term development and in the best interests of the company's shareholders and other stakeholders. Sound corporate governance is a prerequisite to achieve this.

This means formulating an overall strategy for the Group, but also applying solid and appropriate corporate governance processes that create the foundation for a responsible and sustainable business, which requires systematic and purposeful work.

To facilitate this work, we have solid systems, routines and procedures in place for monitoring targets, internal control and risk management. The Board performs its duties through formal Board meetings and committee work. New Board members were appointed during the year, bringing new expertise to the table,

which has been beneficial in our strategic planning for the future development of Securitas.

Together with Securitas' management, we establish a direction for the company and make overall decisions on how Securitas' assets are to be used for investments, acquisitions and dividends. All of our decisions are well founded and thoroughly discussed to ensure that we are moving in a direction that is in line with the strategy, always considering a long-term perspective and promoting responsible and sustainable business.

The Board of Securitas is grateful to be working with a management team that is dedicated to driving the company's strategic agenda and with employees who invested a great deal of effort over the year in order to build a strong foundation for the future Securitas, which will benefit all stakeholders. Special thanks to Alf Göransson, who successfully led the company and its transformation for 11 years. We now welcome Magnus Ahlqvist as the new CEO, who will continue to guide Securitas in its journey as the leading security company in the industry.

Stockholm, March 15, 2018

A handwritten signature in black ink that reads "Marie Ehrling". The signature is fluid and cursive.

Marie Ehrling  
Chairman of the Board  
Securitas AB

## GOVERNANCE STRUCTURE

# Solid system for Governance and Management

Securitas' structure for governance serves to protect the long-term interests of our stakeholders, ensure value creation and encourage an entrepreneurial corporate culture. A sound corporate governance model also creates the foundation for responsible and sustainable business.

Securitas has a decentralized organizational model that promotes entrepreneurship and focuses on the approximately 1 700 branch managers who run the company's daily operations in 55 countries. The company's offerings improve when decisions are made in close proximity to customers and the employees who perform the services. Local decisions are therefore encouraged but require a solid governance and management system. To facilitate this work, Securitas has systems, routines and procedures in place for monitoring targets, internal control and risk management.

As a global company, Securitas operates in many different markets where laws, regulations, environmental requirements and social conditions may differ. Therefore, it is vital that we always act transparently and ethically. Sustainability is well integrated into Securitas' everyday work. Securitas' sustainability work is based on our fundamental values – Integrity, Vigilance and Helpfulness – and guided by our key corporate policies and principles, such as Securitas' Values and Ethics Code.

**SECURITAS VALUES ARE STRONGLY LINKED** to its management model – The Securitas Toolbox. A key function of the Toolbox is to convey our corporate culture and create a shared platform through our values. Securitas' Toolbox management model has a methodical structure that includes several well-defined

areas or "tools" that serve as a framework at all levels, and is maintained through continuous training and discussion forums. The different areas of the model describe 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. All Securitas employees are expected to assume responsibility for the customers and operations and for our shared values. Responsibility is clarified through the measurement and systematic evaluation of results.

As part of our decentralized management approach, 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.

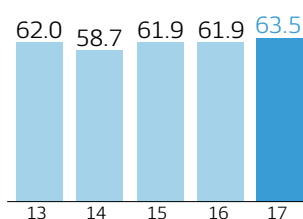
**THE FINANCIAL FRAMEWORK AND MODEL** continuously measure the Group's performance, from the branch offices through to Group level. The aim of the Group's financial reporting is to produce the most timely and accurate information possible to enable managers and employees to make the decisions necessary for achieving profitable growth in line with Securitas' strategies,

### NUMBER OF SHAREHOLDERS 2013-2017

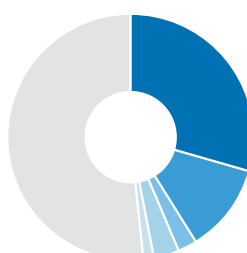
2013	26 054
2014	24 274
2015	25 734
2016	31 221
<b>2017</b>	<b>33 913</b>

### ANNUAL GENERAL MEETING ATTENDANCE 2013-2017

% of voting rights

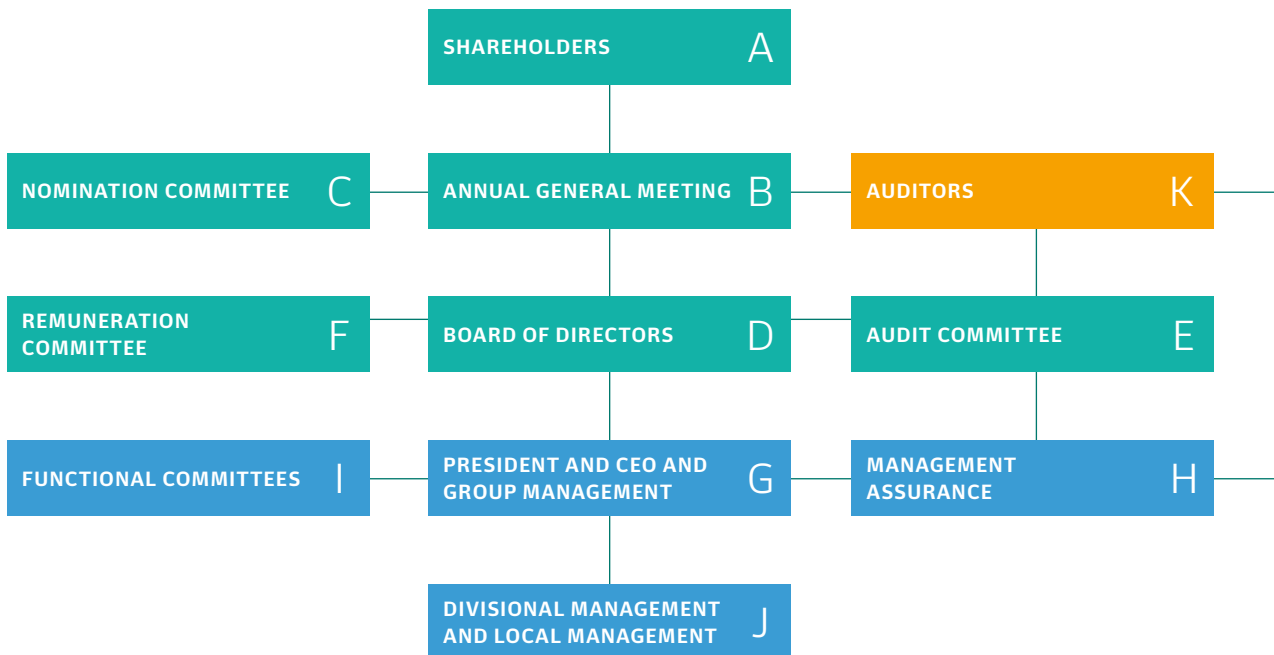


### ELECTED MEMBERS,<sup>1</sup> NOMINATION COMMITTEE



- Carl Douglas, major shareholder, 29.58%<sup>2</sup>
- Mikael Ekdahl, Melker Schörfling AB, major shareholder, 11.60%<sup>2</sup>
- Jan Andersson, Swedbank Robur Funds, 2.50%<sup>2</sup>
- Johan Sidenmark, AMF, 3.42%<sup>2</sup>
- Johan Strandberg, SEB Investment Management, 1.31%<sup>2</sup>
- Share of votes not represented in the Nomination Committee, 51.59%<sup>2</sup>

<sup>1</sup> At the Annual General Meeting held on May 3, 2017.  
<sup>2</sup> Share of votes as of May 3, 2017.



and to control risks to ensure that the company's objectives are achieved. Financial reporting also forms the basis for sound internal control. The financial model makes it possible to monitor a number of key figures that can be understood by all managers. Each branch has its own statement of income, for which it is fully responsible. It also helps managers to understand the connection between risks and opportunities, and how various factors impact their areas of responsibility as well as how we can monitor and control these factors. It visualizes 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 pages 46-47 for more information.

## A SHAREHOLDERS

At the top of the governance structure, shareholders influence the overall direction of the company. Strong principal shareholders provide considerable attention and interest in our business, and establish commitment to the success of the business.

On December 31, 2017, the principal shareholders in Securitas were Gustaf Douglas who, through his family and Investment AB Latour Group, held 10.9 percent (10.9) of the capital and 29.6 percent (29.6) of the votes, and Melker Schörling who, through his family and Melker Schörling AB, held 5.4 percent (5.4) of the capital and 11.6 percent (11.6) of the votes. For more detailed information about shareholders, see the table on page 135.

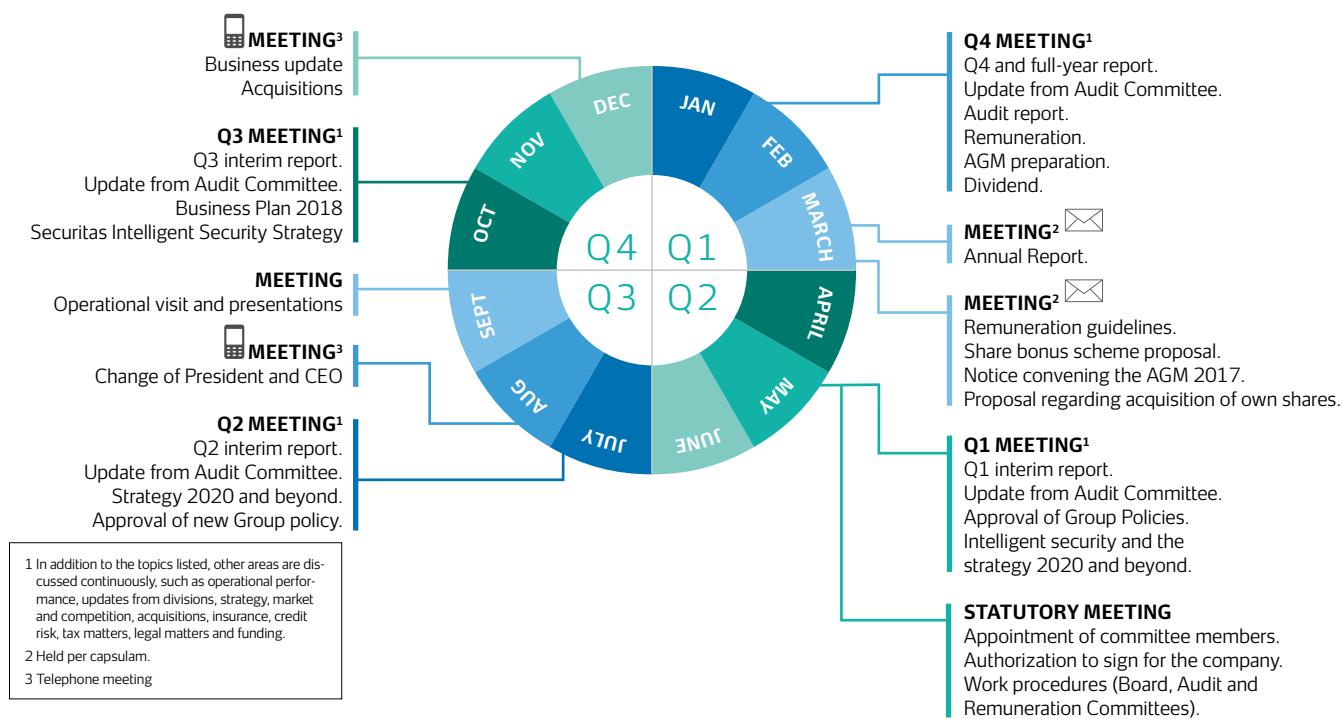
## B ANNUAL GENERAL MEETING

All shareholders are able to exercise their influence at the Annual General Meeting, which is the company's highest decision-making body. The Annual General Meeting decides on changes to the Articles of Association. The Articles of Association contain no 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 was held on May 3, 2017, and the minutes are available on [www.securitas.com](http://www.securitas.com), where all resolutions passed can be found. One of the resolutions passed in 2017 was the authorization for the Board to resolve upon acquisition of the company's own shares. Shareholders representing 63.5 percent (61.9) of the votes attended either personally or by proxy. For information about election and remuneration of Board members, see the Board of Directors section (D).

## C 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. The Nomination Committee applies rule 4.1 in the Swedish Corporate Governance Code as its diversity policy. As basis for its proposal, the Nomination Committee takes the complete outcome of the performed evaluation of the Board and its work into account as well as the competences needed in the

**THE WORK OF THE BOARD OF DIRECTORS**



future. The committee sought to establish a Board composition with equal gender distribution, characterized by diversity and width regarding the qualifications, experience and background of the Board members. The Board at the moment consists of three women and six men, that is, the percentage of women in the Board is 33 percent which is two percent below the level of ambition that the Swedish Corporate Governance Board has expressed. It is the ambition of the Nomination Committee to continue the work to create an equal gender distribution in the Board.

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, following consultation with the Board of Directors and the Audit Committee.

In 2017, Carl Douglas was re-elected as Chairman of the Nomination Committee. Refer to AGM minutes for information on procedures for replacing members of the Nomination Committee who leave before its work is concluded.

The Committee has adopted working instructions that govern its work. The Nomination Committee should hold meetings as often as necessary to fulfill its duties. However, the Nomination Committee should hold at least one meeting annually. The Nomination Committee met six times in 2017.

**D BOARD OF DIRECTORS**

According to the Articles of Association, the Board of Directors should have between five and 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 re-elected Marie Ehrling as Chairman of the Board and Carl Douglas as Vice Chairman. For further information about the members of the Board of Directors and the President and CEO including remuneration, see pages 31-33.

**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 determines the President and CEO's salary and other remuneration. The Board meets a minimum of six times annually.

The Board of Directors of Securitas AB has approved a number of policies that apply to governance. Examples of such policies are found on page 41.

The Board ensures the quality of financial reporting through Group policies, procedures and frameworks, clear structures with

defined responsibilities and through documented delegation of authority, which is further described in the enterprise risk management and internal control report, beginning on page 36. The Board has formed an Audit Committee (see section E) and a Remuneration Committee (see section F).

**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 above a certain level, and establish a framework for the Group's operations through the Group's business plan. The Board also plays an important role in the ongoing process of identifying and evaluating significant risks faced by the Group.

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. On a yearly basis, all Board members submit their answers to a questionnaire issued by the Nomination Committee about the quality of the work in the Board. Based on this report, an evaluation is made in the Board and in the Nomination Committee.

The Board held ten meetings in 2017, of which two were held per capsulam and two were held by phone. The auditors participated in the Board meeting that was held in conjunction with the yearly closing of the books, in February 2017, where they presented the audit.

**E AUDIT COMMITTEE**

The Board of Directors has established and appointed an Audit Committee, which operates under the instructions for the Audit Committee and meets with Securitas' auditors at least four times per year. The Committee supports the Board's quality-control work in terms of financial reports, and its internal control over financial reporting.

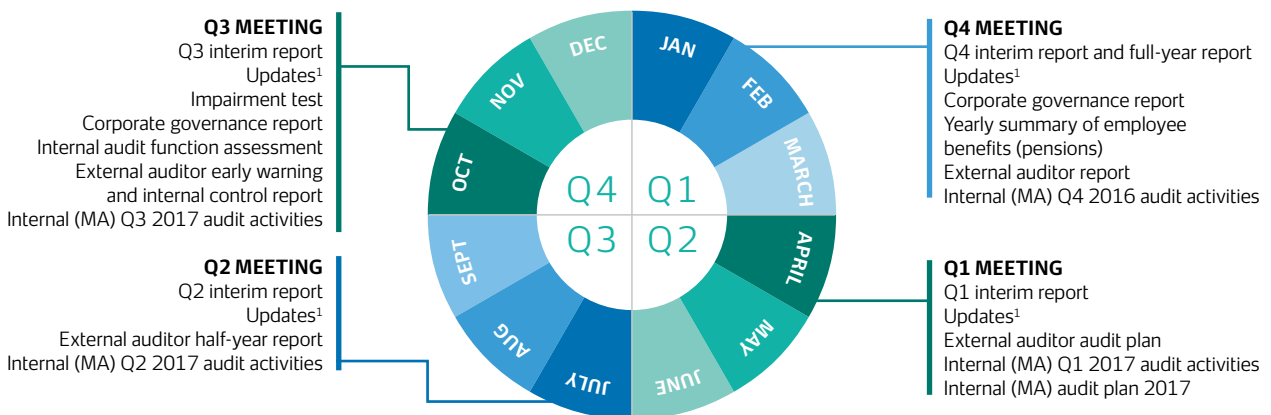
Specifically, the Committee monitors the financial reporting, the effectiveness of internal control, internal audit activities and the risk management system. The Committee also stays informed about annual statutory audits. It assesses the external auditor's independence and approves the performance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

The Committee presents its findings and proposals to the Board, prior to the Board's decision. The Committee met four times during 2017. The major topics discussed are listed below.

**F REMUNERATION COMMITTEE**

The Board has formed a Remuneration Committee to prepare decisions related to salaries, bonuses, share-

**THE WORK OF THE AUDIT COMMITTEE**



<sup>1</sup> Topics based on a set rolling agenda format with updates on accounting, treasury, acquisitions, risk/insurance, legal, tax, internal control, sustainability, enterprise risk management, audit/consultancy costs and auditor independence.

(MA) Management Assurance

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 2017.

**A share-based incentive scheme** was adopted at the Annual General Meeting 2017, enabling the Group to gradually have approximately 2 500 of Securitas' top managers as shareholders. The scheme strengthens employee commitment to Securitas' future success and development for the benefit of all shareholders. In principal, the adopted incentive scheme entails that one-third of any annual bonus, earned under the performance-based cash bonus schemes, is converted into a right to receive shares, with delayed allotment and subject to continued employment in Securitas. The scope and content of the incentive scheme is unchanged compared to the share-based incentive scheme that was adopted at the Annual General Meetings in 2010 and forward.

For more information on the actual outcome of the share-based incentive scheme in 2017, see note 12 on page 92.

**The guidelines for remuneration** to senior management that were adopted at the Annual General Meeting 2017 primarily entailed that remuneration to senior management and their terms of employment should be competitive and comply with market conditions, to ensure that Securitas is able to attract and keep competent senior management employees. 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 variable remuneration, which shall be based on the outcome in relation to financial goals within the individual area of responsibility (Group or division) and which shall be aligned 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 cost of the company for 2017 in terms of its obligations to pay variable remuneration to the Group Management is established to not exceed a total of MSEK 93 at maximum outcome. The complete guidelines for remuneration can be found on [www.securitas.com](http://www.securitas.com).

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 2017. See note 8 on pages 84-87.

## **G PRESIDENT AND CEO AND GROUP MANAGEMENT**

The President and CEO and Group Management are 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 President and CEO and Group Management to measure the execution of strategies and to guide the employees and organization toward achieving its objectives is the financial framework and the financial model.

In 2017, Group Management comprised the President and CEO and 11 executives with representatives from the divisions. For further information on Group Management, see pages 34-35.

## **H MANAGEMENT ASSURANCE**

The Management Assurance staff function operates as the Group's internal audit function and reports to the Senior Vice President Finance with an open line of communication to the Audit Committee.

This 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 during 2017.

For more information on the current responsibilities of the Management Assurance function, refer to [www.securitas.com](http://www.securitas.com).

## **I FUNCTIONAL COMMITTEES**

The Group has established a number of functional committees and work groups, including the functions for Finance/Tax and Assurance, Corporate Finance/Treasury and Legal/Risk and Insurance. These committees include the CFO, Senior Vice President 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, at which topics that will be reported to the Audit Committee are discussed.

## **J DIVISIONAL AND LOCAL MANAGEMENT**

Securitas' philosophy is to work in a decentralized environment where local management is primarily responsible for monitoring and ensuring compliance by local units with the Group Policies, 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.

## AUDITORS

The Annual General Meeting 2017 elected PricewaterhouseCoopers AB (PwC) as the Group's audit firm, with authorized public accountant Patrik Adolfson as auditor in charge, for a period of one year.

The auditors' work is based on an audit plan, which is agreed upon in consultation with the Audit Committee and the 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 any auditing fees received for such services or other circumstances that might affect the evaluation of the auditors' independence. The auditors should also participate in the Annual General Meeting to present 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

Patrik Adolfson, born 1973, Authorized Public Accountant, Auditor in charge, PricewaterhouseCoopers AB. Patrik Adolfson has been auditor in charge of Securitas AB since 2015. Other audit assignments: AcadeMedia AB (publ), Attendo AB (publ), Nordstjernan Investment AB and Pandox AB (publ). Member of Far.

**Audit fees and reimbursement to auditors (PwC)** have been paid for audit assignments and other reviews in accordance with existing laws, and for advice and assistance in connection with reviews undertaken. Fees have also been paid for independent advice. This advice mainly pertains to audit-related consultations for accounting and tax compliance matters including tax returns.

MSEK	Group		Parent Company	
	2017	2016	2017	2016
Audit assignments	40.6	37.9	6.6	5.7
Additional audit assignments	3.1	3.5	1.2	1.7
Tax assignments	14.2	13.3	2.2	1.9
Other assignments <sup>1</sup>	10.3	29.0	1.5	1.6
<b>Total PwC</b>	<b>68.2</b>	<b>83.7</b>	<b>11.5</b>	<b>10.9</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, divestitures and matters relating to the Group's internal bank. In 2016 MSEK 24.8 pertained to advisory services regarding the acquisition of Diebold's Electronic Security in North America.



Auditor Patrik Adolfson

## COMPOSITION OF THE BOARD AND ATTENDANCE IN 2017

Board member	Position			Attendance			Total fee <sup>1</sup> , SEK	Independent to company (8)	Independent to shareholders (6)
	Board of Directors	Audit Committee	Remuneration Committee	Board meetings (10)	Audit Committee meetings (4)	Remuneration Committee meetings (2)			
Marie Ehrling	Chairman	-	Chairman	10	-	2	1 800 000	Yes	Yes
Carl Douglas	Vice Chairman	-	Member	9	-	2	850 000	Yes	No
Alf Göransson (President and CEO)	Member	-	-	10	-	-	0	No	Yes
Ingrid Bonde	Member	-	-	6 <sup>3</sup>	-	-	550 000	Yes	Yes
John Brandon	Member	-	-	6 <sup>3</sup>	-	-	550 000	Yes	Yes
Anders Böös	Member	Member	-	10	4	-	725 000	Yes	No
Fredrik Cappelen	Member	Chairman	-	8	4	-	825 000	Yes	Yes
Sofia Schörling Högberg	Member	Member	-	10	3	-	725 000	Yes	No
Dick Seger	Member	-	-	6 <sup>3</sup>	-	-	550 000	Yes	Yes
Susanne Bergman Israelsson <sup>2</sup>	Member	-	-	8	-	-	0	-	-
Åse Hjelm <sup>2</sup>	Member	-	-	9	-	-	0	-	-
Jan Prang <sup>2</sup>	Member	-	-	10	-	-	0	-	-

<sup>1</sup> Total fee includes fees for committee work. In total, SEK 775 000 was paid out for committee work, of which SEK 150 000 for Remuneration Committee work and SEK 625 000 for Audit Committee work. For more details, refer to the minutes of the Annual General Meeting 2017 on Securitas' website: [www.securitas.com](http://www.securitas.com).

<sup>2</sup> Employee representatives, appointed members of the Board of Directors at the Annual General Meeting. Deputy employee representative is Thomas Fanberg. Thomas Fanberg (b. 1961) has been Deputy Director of Securitas AB since 2008. Employee Representative, Chairman of Salaried Employees' Union local branch, Securitas Norrland.

<sup>3</sup> Appointed member of the Board of Directors at the Annual General Meeting on May 3, 2017.

For comparative information about remuneration to the Board of Directors and senior management, please see note 8 on pages 84-87.



## BOARD OF DIRECTORS

**MARIE EHRLING**

Chairman, b. 1955  
 Director of Securitas AB since 2006  
 and Chairman since 2016  
 Chairman of Telia Company AB,  
 Vice Chairman of Axel Johnson AB and  
 Director of Axel Johnson International  
*Previously:* President of Telia Sonera Sverige,  
 Deputy CEO of SAS AB, responsible for SAS  
 Airlines and other executive positions at SAS  
*Shares in Securitas:* 7 000 Series B shares

**CARL DOUGLAS**

Vice Chairman, b. 1965  
 Deputy Director of Securitas AB since 1992,  
 Director since 1999 and Vice Chairman  
 since 2008  
 Vice Chairman of ASSA ABLOY AB,  
 Director of Investment AB Latour  
*Shares in Securitas:* 12 642 600 Series  
 A shares and 27 190 000 Series B shares<sup>1</sup>

**ALF GÖRANSSON<sup>2</sup>**

Member, b. 1957  
 President and CEO of Securitas AB since 2007  
 Chairman of International Security Lique and Loomis  
 AB, Director of Hexpol AB and Axel Johnson Inc., US  
*Previously:* 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  
*Shares in Securitas:* 100 702 Series B shares

**INGRID BONDE**

Member, b. 1959  
 Director of Securitas AB since 2017  
 Chairman of Hoist Finance AB, The Swedish  
 climate policy council and Director of Loomis AB  
*Previously:* Board member, CFO and deputy  
 CEO of Vattenfall AB, President and CEO of  
 AMF Pensionsförsäkringar AB, Vice President  
 Finance of SAS AB and Director General of the  
 Swedish Financial Supervisory Authority  
*Shares in Securitas:* 2 600 Series B shares

**JOHN BRANDON**

Member, b. 1956  
 Director of Securitas AB since 2017  
 Director of Hexagon AB  
*Previously:* Vice President of Apple International,  
 Vice President of Apple Americas and Asia,  
 and President and CEO of Academic Systems.  
*Shares in Securitas:* 0

**ANDERS BÖÖS**

Member, b. 1964  
 Director of Securitas AB since 2016  
 Director of Investment AB Latour and  
 Stronghold Invest AB  
*Previously:* CEO of H&Q AB and Drott AB,  
 Chairman of IFS AB and Cision AB,  
 Director of Haldex AB and Niscayah AB  
*Shares in Securitas:* 25 000 Series B shares

<sup>1</sup> Private holdings and through Investment AB Latour Group.

<sup>2</sup> As of March 1, 2018, Alf Göransson left his position as President, CEO, member of the Group Management and Board of Directors.

<sup>3</sup> Private holdings and through Melker Schörfling AB. In addition, related parties hold 4 800 Series B shares.

All figures refer to holdings on December 31, 2017.



#### FREDRIK CAPPELEN

Member, b. 1957  
Director of Securitas AB since 2008  
Chairman of Terveystalo Oy,  
Dustin Group AB, Dometic Group AB and  
Transcom AB  
*Previously:* President and Group Chief  
Executive of Nobia 1995-2008,  
Chairman of Byggmax Group AB and Sanitec Oy,  
Vice Chairman of Munksjö AB  
*Shares in Securitas:* 4 000 Series B shares



#### SOFIA SCHÖRLING HÖBERG

Member, b. 1978  
Director of Securitas AB since 2005  
Director of Melker Schörling AB,  
Hexagon AB and ASSA ABLOY AB  
*Shares in Securitas:* 4 500 000 Series A shares  
and 15 237 000 Series B shares<sup>3</sup>



#### DICK SEGER

Member, b. 1953  
Director of Securitas AB since 2017  
*Previously:* CEO, Chairman of the Board  
and Board member of Verisure Group  
(previous Securitas Direct).  
*Shares in Securitas:* 26 Series B shares

#### EMPLOYEE REPRESENTATIVES



#### SUSANNE BERGMAN ISRAELSSON

Member, b. 1958  
Director of Securitas AB since 2004  
Employee Representative, Chairman of  
Swedish Transport Workers' Union local  
branch 19, Norra Mälardalen  
*Shares in Securitas:* 0



#### ÅSE HJELM

Member, b. 1962  
Director of Securitas AB since 2008  
Deputy Director of Securitas AB since 2007  
Employee Representative, Vice Chairman  
of Salaried Employees' Union local branch,  
Norrländ, Chairman of the Securitas Council  
for Salaried Employees  
*Shares in Securitas:* 120 Series B shares



#### JAN PRANG

Member, b. 1959  
Director of Securitas AB since 2008  
Employee Representative, Chairman  
of Swedish Transport Workers' Union  
local branch, Securitas Göteborg  
*Shares in Securitas:* 0

## GROUP MANAGEMENT

---



1 As of March 1, 2018, Alf Göransson left his position as President, CEO, member of the Group Management and Board of Directors. He was replaced as President and CEO by Magnus Ahlqvist, also Divisional President for Security Services Europe.

2 The actual allocation of shares to Group Management under the Securitas share-based incentive scheme 2016 can be found on page 87, and the total potential allocation of shares to Group Management under the Securitas share-based incentive scheme 2017 can be found on page 85.

3 Share options regarding acquisition of Securitas Series B shares, issued by Melker Schörling AB and Investment AB Latour.

### 1. ALF GÖRANSSON

**President and CEO of Securitas AB<sup>1</sup>**

Born: 1957

Employed: 2007

Shares in Securitas: 100 702 Series B shares<sup>2</sup>

### 2. BART ADAM

**Chief Financial Officer**

Born: 1965

Employed: 1999

Shares in Securitas: 31 337 Series B shares<sup>2</sup>

### 3. MAGNUS AHLQVIST

**Divisional President<sup>1</sup>,**

Security Services Europe

Born: 1974

Employed: 2015

Shares in Securitas: 101 920 Series B shares<sup>2</sup>,  
200 000 share options<sup>3</sup>

### 4. MARTIN ALTHÉN

**Chief Information Officer**

Born: 1968

Employed: 2016

Shares in Securitas: 0

### 5. WILLIAM BARTHELEMY

**Chief Operating Officer,**

Security Services North America

Born: 1954

Employed: 1999

Shares in Securitas: 52 072 Series B shares<sup>2</sup>

### 6. SANTIAGO GALAZ

**Divisional President,**

Security Services North America

Born: 1959

Employed: 1995

Shares in Securitas: 201 679 Series B shares<sup>2</sup>

### 7. GISELA LINDSTRAND

**Senior Vice President, Corporate  
Communications and Public Affairs**

Born: 1962

Employed: 2007

Shares in Securitas: 4 082 Series B shares<sup>2</sup>

### 8. JAN LINDSTRÖM

**Senior Vice President, Finance**

Born: 1966

Employed: 1999

Shares in Securitas: 9 576 Series B shares<sup>2</sup>

### 9. AIMÉ LYAGRE

**Chief Operating Officer and Chief Technology  
Officer, Security Services Europe**

Born: 1959

Employed: 2004

Shares in Securitas: 21 470 Series B shares<sup>2</sup>

### 10. MARC PISSENS

**President Aviation**

Born: 1950

Employed: 1999

Shares in Securitas: 49 234 Series B shares<sup>2</sup>

### 11. LUIS POSADAS

**Divisional President,**

Security Services Ibero-America

Born: 1958

Employed: 1995

Shares in Securitas: 35 973 Series B shares<sup>2</sup>

### 12. HENRIK ZETTERBERG

**Senior Vice President, General Counsel**

Born: 1976

Employed: 2014

Shares in Securitas: 1 301 Series B shares<sup>2</sup>,  
45 000 share options<sup>3</sup>

Antonio Villaseca, Senior Vice President Technical Solutions, decided to gradually retire as of July 1, 2017 and is since June 30, 2017 no longer a member of Securitas Group Management.

## ENTERPRISE RISK MANAGEMENT

# Proactive Risk Management and Internal Control

Securitas' process for enterprise risk management (ERM) seeks to identify, prioritize and manage the key risks to our business at all levels and in all parts of the business. Securitas' internal control system is designed to manage, rather than eliminate, the risk of failing to achieve business objectives. The system provides reasonable, but not absolute, assurance against material misstatement or loss, as well as compliance with the main policies.

Internal control over financial reporting is included as a part of the overall internal control of Securitas and constitutes a central part of the Group's corporate governance. The description below covers a broader perspective on how Securitas' internal control is organized, using a structure based on the COSO model, but also makes specific reference to items pertaining directly to internal control over financial reporting. On pages 39-43 we describe the company's enterprise risk management process, which sets the overall process for Securitas' proactive and continuous work with risk management and internal control. Securitas' insurance and claims strategy is to "act as if uninsured". Refer to page 44 for more information about insurance as a risk management tool.

## CONTROL ENVIRONMENT

The key features of the control environment include: clear terms of reference for the Board and each of its committees, a clear organizational structure with documented delegation of authority documented in an approval matrix, from the Board to President and CEO and further to Group Management. It also includes the competence of employees and a series of Group policies, procedures and frameworks.

Emphasis lies on the competence and abilities of the Group's employees, with continuous training and development actively encouraged through a wide variety of training programs.

The Group has three fundamental values - Integrity, Vigilance and Helpfulness - to help its employees exercise good judgment and make decisions on a consistent basis.

Policies that apply to internal control over financial reporting are described in Securitas' Group Policies, which include the company's model for financial control (for more detailed information on the model, refer to pages 46-47), and in the Securitas Report-

ing Manual, which specifically focuses on reporting matters to ensure compliance with reporting requirements and rules. This creates an environment that supports reliable and accurate reporting.

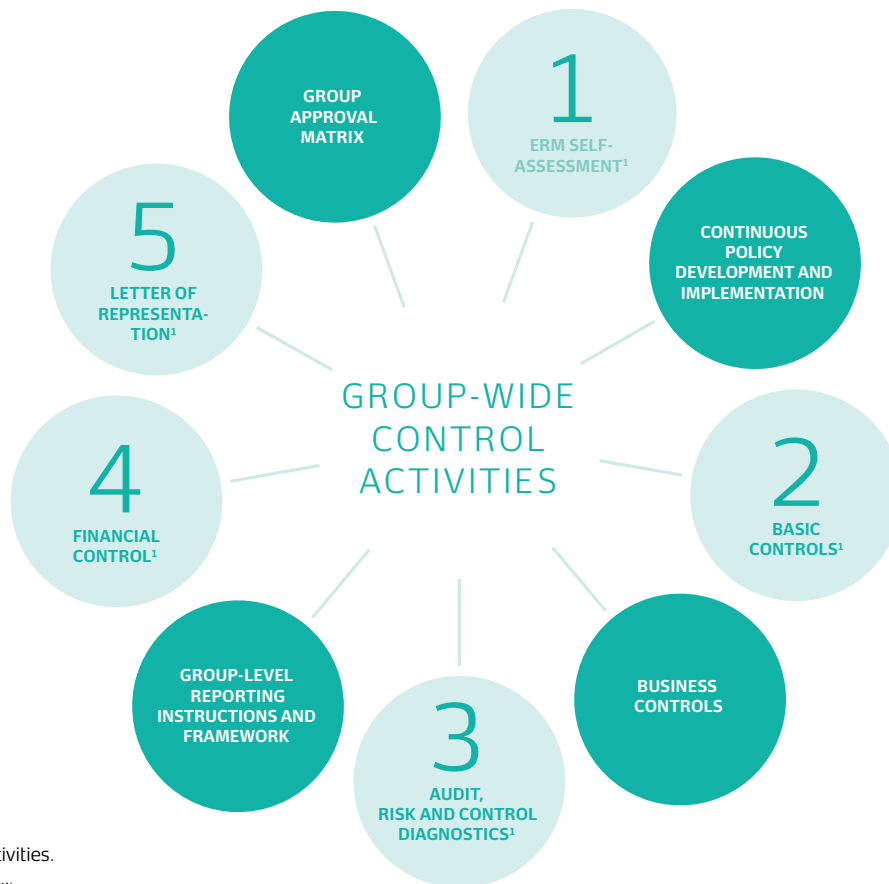
## RISK ASSESSMENT

At the highest level, the Board considers where future strategic opportunities and risks lie, and helps shape the corporate strategy. Balanced and focused 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. Risk assessments are conducted within the framework of the Securitas ERM process, regardless whether the assessments pertain to operational risks or financial reporting risks. Securitas does not classify compliance risk as a separate category. Instead, it is included in the operational category. Risk assessment is a dynamic process that aims to identify and analyze risks in relation to Securitas' objectives. It serves as the basis for implementing mitigating actions after considering the controls in place (reduce, transfer/share or accept the risk in question). See page 40 for more details on the risk assessment and planning process.

## GROUP-WIDE CONTROL ACTIVITIES

Internal control covers all divisions and subsidiaries in the Group. Internal control activities are established by policies and processes, which help ensure that all management directives to manage risks are executed. Controls are performed on several levels within the organization and are established based on the process concerned.



This illustration shows an overview of the key Group-wide control activities.

1 Described in further detail below.

## 1 ERM SELF-ASSESSMENT

Every major country throughout the Group performs an annual self-assessment, which is a part of the process to manage enterprise-wide risks. It covers key risks, including financial reporting risks, measures taken and compliance with Securitas Group Policies and Securitas Reporting Manual. An example of an operational risk included in the self-assessment package is assignment execution risk. An example of a financial reporting risk is fraud and error. The self-assessments are subject to an annual revision and update. The content is updated on a continuous basis to reflect the risks that Securitas is facing, which includes ensuring that risks related to the strategy and development of the technology offering are incorporated as appropriate. For further information, refer to [www.securitas.com](http://www.securitas.com).

The self-assessments promote control awareness and accountability and results are signed off by each country president. The answers are compiled at the divisional and Group levels to support benchmarking within and between divisions. The answers are also used as input for further audit or review procedures, or other risk management activities. Group and division create action plans and activities to follow up and support the countries. Each reporting country is responsible for acting on any deviations.

## 2 BASIC CONTROLS

Detailed controls in financial reporting processes such as revenue, payroll and IT, are included as one component of Securitas' overall Group-wide control structure called "basic controls". Basic controls set the minimum Group requirement with regard to what needs to be in place based on risk assessment. Supplementary controls ensure full protection of the company's assets and assure accurate and reliable financial reporting tailored to the entity's company's specific conditions. These controls can include manual, application or general IT controls.

Key areas covered:

- > protection of company assets
- > completeness and timeliness of customer invoicing
- > credit collection procedures
- > contract management
- > HR/payroll
- > IT (including information security)
- > business continuity planning
- > validity of payments to third parties
- > accuracy of general ledger
- > timeliness and accuracy of Group reporting
- > compliance with local requirements

### 3 AUDIT, RISK AND CONTROL DIAGNOSTICS

One important audit activity is the country diagnostics. The diagnostics comprise a work program covering IFRS compliance, as well as key controls within financial reporting processes, contract management and IT security. These reviews are usually conducted within the first year after an acquisition has been made and a follow-up is performed during the second year, provided that significant areas for improvement have been identified. The Group also performs risk and control diagnostics in functional areas which, by nature, have a high degree of inherent risk. These diagnostics aim to ensure compliance with key policies such as the Contract management policy and Securitas' Values and Ethics. Securitas develops this audit and review process on a continuous basis using both internal and external resources.

### 4 FINANCIAL CONTROL

Control activities specifically aimed at managing risks related to financial reporting include methods and activities for securing assets, controlling the accuracy and reliability of internal and external financial reports, and ensuring compliance with defined guidelines.

Regular analyses of the financial results at the various levels of the organization using the financial model ensure that financial information maintains a high level of quality. Securitas' financial reporting is based on the following foundations:

- > Securitas Group Policies 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

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

### 5 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 report, 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.

The letter also covers the broader perspective of internal control, including compliance with Securitas Group Policies related to financial reporting.

### INFORMATION AND COMMUNICATION

Securitas' channels for information and communication are constantly developed to ensure that all employees are given clear objectives and are made aware of the parameters that constitute acceptable business practices, as well as 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. Securitas Group Policies are available in a Group-wide IT system.

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 and the reporting manual is available in a Group-wide database. 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 in order for the organization to understand its responsibility with regard to internal control and its impact in relation to risks, goals and objectives.

### MONITORING

Monitoring is performed at different levels and by different functions within the organization depending on whether it is related to operational or financial reporting matters. Key functions include the Board of Directors, the Audit Committee, Group Management, functional committees, Management Assurance, the Group risk organization, and local and divisional management. Refer to page 43 for more information.

# Four-step process for managing enterprise risk

Securitas' enterprise risk management process (ERM) is engrained in the business and based on close cooperation between operative management and all functions working with the different parts of the risk management process.

- 1** The process starts with risk identification and prioritization during the ERM planning process
- 2** Securitas Group Policies as well as local processes, rules and procedures establish the framework for day-to-day risk management
- 3** The identified risks and adopted policies also set the structure for all compliance monitoring in the Group
- 4** The ultimate responsibility for governance of 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



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 stakeholders, is an important objective. Securitas' risks have been classified into three main categories: **contract and acquisition risks**, **operational assignment risks** and **financial risks**. The categories are based on the natural flow of the business – entering into a contract, execution of the assignment and the 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. This is why Securitas has developed its four-step process approach for managing enterprise risks.

To support the ERM work, Securitas has a web-based governance, risk and compliance (GRC) system that comprises all four steps in Securitas' enterprise risk management process and gathers the ERM information in one database. The GRC system supports the overall ERM work in the Group. It is used to streamline the ERM processes to further structure current processes and workflows. The main workflows included in the system are ERM self-assessment, ERM business plan, policy management, sustainability reporting, audit module and risk register. Also, the system automates current processes, such as reports, with the aim to improve the overall quality of the ERM work and serves as a single point of information.

The four steps and current actions are described in further detail on the following pages.

**To illustrate how the process works, we have selected one of our key risks:** The following examples pertain to the risk of non-compliance with the requirements in Securitas' Values and Ethics Code.



# 1 INPUT AND RISK IDENTIFICATION



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

The ERM business plan includes risk assessment, controls, risk management activities and action plans. It determines the main focus and priorities for operational risk management at the country, division and Group level for the coming year. Securitas' ERM business plan risk assessment tool is used to facilitate the risk assessment process, as well as action planning, depending on the level of risk and controls that are in place.

**Key risk determination** The yearly risk assessment process is coordinated by the Group risk organization, which is also responsible for maintaining the risk register. The risk register contains about 50 risks and is updated annually, primarily based on the country ERM business plans, but also on other sources of input such as audits, self-assessment results and management input. Out of the 50 risks, about 15 are selected as top risks that will be

subjected to monitoring activities. Out of these, six risks are currently considered key Group risks and have been assigned primary focus for the coming year. For examples of these risks and how they are managed, refer to [www.securitas.com](http://www.securitas.com).

The ultimate prioritization of key risks for each year is decided by Group Management and presented to the Audit Committee.

## Six key risks 2017

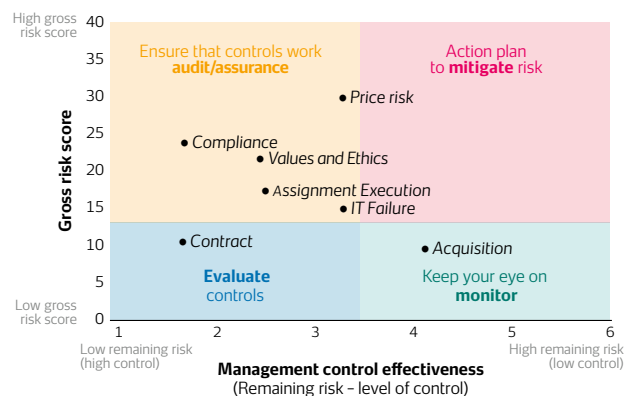
- > Customer contract risk
- > Assignment execution risk
- > Compliance (regulatory and other) risk
- > Business continuity risk including IT failure risk
- > Price risk
- > Securitas' Values and Ethics compliance risk

## EXAMPLE - INPUT AND RISK IDENTIFICATION: SECURITAS' VALUES AND ETHICS COMPLIANCE RISK

The top six key Group risks and a minimum of two country / division-specific risks are assessed in the ERM business plan risk assessment tool. Securitas' values and ethics compliance risk is one of the mandatory risks that all countries are required to plot out using a risk map. If the risk is managed incorrectly – for instance, through insufficient information to and training of employees, a lack of adequate policies and guidelines, or inadequate follow-up – it can ultimately for example result in reputational damage, lost revenues, penalties, fines, difficulties in recruiting.

First, each risk is assessed on a gross basis (impact and likelihood), which results in a gross risk score. The next step is to evaluate each risk on a net basis (gross risk score and management control effectiveness). This means that the control activities also have to be documented. Actions are then formulated based on where the "net" risk ends up in the heat map. The point is to further mitigate risks with the highest remaining exposure. For risks with a high gross risk score and a high level of control, we need to have assurance that the controls work.

### PART OF THE RISK ASSESSMENT TOOL - NET RISK: EXAMPLE COUNTRY X



## 2 POLICY DEVELOPMENT



One of the cornerstones of the ERM process is Securitas Group Policies, which establish the framework for all policies and compliance monitoring in the Group. The Group Policies are developed by management and key policies are approved by the Board.

Using all available input, both from internal ERM processes, including yearly risk assessment and establishing risk business plans, but also external such as changing regulations an assessment is made whether new policies need to be created or existing policies need to be updated. A general policy update is released after the statutory Board meeting in May every year, but specific policies are also issued when necessary throughout the year.

Some of the key policies adopted by Securitas that are relevant from a governance perspective are:

- > **Contract policy** sets out the process and main principles for managing customer contract risk, based on standard terms, a full customer and contract risk evaluation, as well as a framework of key policies for contracting guarding services and electronic security solutions. The objective is to manage the risks arising from customer contracts, and to ensure that all customer contracts have a fair and reasonable allocation of responsibility and risk between the customer and Securitas and that the price reflects the risk taken on by Securitas.
- > **Securitas' Values and Ethics Code** ensures 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, such as the United Nations Universal Declaration of Human Rights. This means that Securitas respects and complies with competition rules, labor market regulations, agreements and safety requirements, environmental legislation and any other provisions that set the parameters of our operations. Read more about our work with Securitas' values and Ethics Compliance risk below.
- > **Communication policy** in accordance with the stock market's requirements for information with the aim of ensuring that the company fulfills these requirements.
- > **Competition law compliance policy** to ensure that Securitas and its subsidiaries or affiliates are committed to full compliance with all competition laws and regulations.
- > **Insider policy** as a complement to the insider legislation in force in Sweden.

### EXAMPLE - POLICY DEVELOPMENT: SECURITAS' VALUES AND ETHICS COMPLIANCE RISK

In addition to Securitas' Values and Ethics Code, the Group has adopted a number of policies as complement to the Values and Ethics Code:

- > **Anti-corruption policy** sets out the principle of zero tolerance for any corrupt practices, with clear definitions, requirements for risk assessment, guidance regarding third-party relationships, training and follow-up.
- > **Securitas group emissions policy** states that we should strive to continually reduce our climate impact, focusing primarily on the energy and transport areas.
- > **Securitas supplier and subcontractor policy** stipulates that all supply arrangements are to be in accordance with applicable laws and all suppliers are to comply with Securitas' Values and Ethics Code.
- > **Geographical scope policy** defines the conditions under which Securitas is permitted to establish a permanent or temporary presence in a country where it has not done business before. Each new country should be assessed based on its suitability, taking into consideration a values and ethics perspective.
- > **Competition law policy** as described above.
- > **Securitas integrity reporting policy** addresses investigations of cases regarding possible violations of Securitas' policies, including Securitas' Values and Ethics Code.

### 3 RISK MANAGEMENT ACTIVITIES



Group Management sets the risk management policies for the entire Group. Accountability for managing risks is clearly assigned to management at Group, divisional and local level.

Group Management has overall responsibility for the 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 the 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.

Accountability for managing risks is clearly assigned to management at Group, divisional and local level.

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 actively pursues different risk management activities to increase awareness and knowledge. One important tool is the business risk evaluation model "The Scale". For further information on this, refer to [www.securitas.com](http://www.securitas.com).

#### RISK RESPONSIBILITIES

Principal activities	Branch/area	Country/division	Group
Risk assessment	■	■	■
Contract management	■	■	■
Loss prevention	■	■	■
Claims settlement		■	■
Insurance purchasing			■

#### EXAMPLE - RISK MANAGEMENT ACTIVITIES: SECURITAS' VALUES AND ETHICS COMPLIANCE RISK

##### Training and awareness are key components of risk management

Securitas has training centers in most countries and provides both basic and highly specialized training for employees at all different levels. In some countries, it is not mandatory to complete basic training before being allowed to work as a security officer, but Securitas ensures that all new security officers receive at least basic security training. All our employees are trained in Securitas' Values and Ethics Code.

In addition, we also have training requirements for the policies related to Securitas' Values and Ethics Code, such as the Anti-corruption policy, Competition law policy and Supplier and subcontractor policy. It is important that managers undergo training to ensure proper understanding of the principles of these policies, including any local rules and regulations.

##### Extended due diligence

For each acquisition, it is a requirement to consider the Sustainability aspects included in the Group acquisition policy. The policy states that sustainability due diligence must always be performed when entering into new markets. Conducting any business in countries outside our permanent operational presence requires approval from the CEO and CFO, which is stated in the Group geographical scope policy. Securitas should avoid establishing a presence in countries with a disproportionate risk according to Securitas' Values and Ethics code or where Securitas cannot operate due to any other restrictions. When conducting the investigations, particular attention should be paid to countries where circumstances indicate an increased risk for corruption.

## 4 RISK-BASED MONITORING



Monitoring permeates all levels throughout the organization and is performed by different functions depending on whether it is related to operational or financial reporting matters. A range of activities are undertaken to monitor, follow up and mitigate risks.

- > **The Board of Directors** 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 Audit Committee** monitors the effectiveness of the Group's ERM and internal control systems. In addition, the Committee also supports the Board with the task of ensuring internal control over financial reporting. This is accomplished through several activities such as the review of basic controls. The Committee also reviews all quarterly and annual financial reports before publication.
- > **The President and CEO and Group Management** review performance through a comprehensive reporting system based on regular business reviews of actual results, analyses of variances, key performance indicators (Securitas' model for financial control, refer to pages 46-47) and regular forecasting.
- > **The functional committees** determine and communicate appropriate policies and monitor the key issues within each area of responsibility, refer to page 30.
- > **The ERM Committee** owns and manages the process which provides tools and helps management identify and manage the risks inherent in Securitas' line of business. The members of the committee consist of managers of the functional committees and other specialists.
- > **The Group Management Assurance function** has a coordinating and monitoring role in relation to certain internal control activities at Group level. Risk assessments together with analysis of ERM self-assessment results are used as the basis for determining which activities are to be carried out in relation to monitoring from an audit perspective.
- > **Local management** is primarily responsible for monitoring and ensuring compliance by local units with Securitas Group Policies including any division-specific policies and guidelines.

### EXAMPLE - RISK-BASED MONITORING: SECURITAS' VALUES AND ETHICS COMPLIANCE RISK

Since Securitas' values and ethics compliance risk is considered a key risk, Securitas monitors this risk through the various Group activities listed below, in addition to local monitoring activities.

- > Securitas' values and ethics compliance risk is included in the yearly ERM self-assessment process, during which countries evaluate themselves in relation to certain areas, included in the graph to the right. The results are analyzed closely and followed up.
- > Sustainability reviews are performed to test compliance with Securitas' Values and Ethics Code.
- > The comprehensive country-focused risk assessments that are carried out prior to acquisitions in countries where Securitas does not currently conduct operations are monitored at Group level.
- > The Group Sustainability Steering Committee establishes the principles for Securitas' sustainability work and closely follows up cases of alleged non-compliance with Securitas' Values and Ethics Code, reported through various reporting channels.

#### ERM Scoring Model: Example Country Y - Securitas' Values and Ethics Compliance risk

A scale from poor (red) to excellent (blue) is used to give a quick overview and feedback to the country's president and risk owner(s). Good is the acceptable level<sup>1</sup> for most of the risks.



<sup>1</sup> Built-in "risk appetite" or tolerance in the model.

## INSURANCE AS A RISK MANAGEMENT TOOL

### STRATEGY

Securitas' insurance and claims strategy is to "act as if uninsured." This means that while external insurance is used to protect the balance sheet and minimize fluctuations in earnings, our day-to-day task is to perform our assignment as if we do not have any insurance in place.

One important part of our risk management work involves taking a proactive approach to contracts and assignment instructions in order to prevent claims from occurring. From a risk management perspective, it is important that the contract clearly defines the assignment to be performed by Securitas and that our employees' assignment instructions mirror the contract. Our contract management process strives to find a fair distribution of risk between Securitas and our customers.

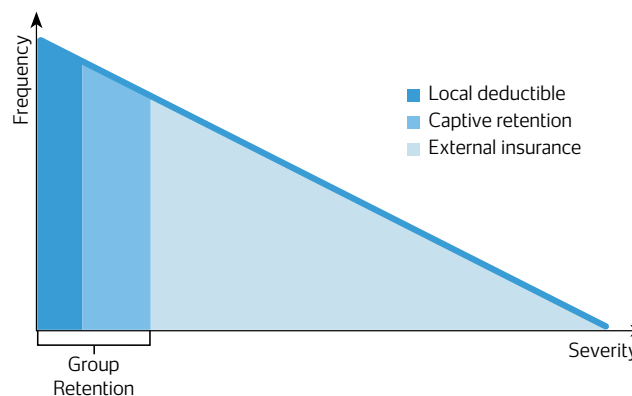
### IMPORTANCE OF ACTIVE CLAIMS MANAGEMENT

Another significant part of Securitas' risk management work involves active claims management, as well as ongoing claims analysis of frequent and large losses with the aim of identifying the underlying driving forces. The claims are analyzed to find out if there are certain types of services, contracts, regions and so forth that cause insurance claims. Claims reports with updated information on claims and reserves are sent to all local risk managers and controllers on a monthly basis. Regular meetings are also held with the insurance companies and loss adjusters with the aim of continuously developing the claims handling process and claims prevention measures. As the Group's external insurance premiums are partly determined by the historic loss record, a favorable loss record will contribute to lower premiums and a lower cost of risk.

### PROCUREMENT STRATEGY

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 strategy is to cover the more frequent claims arising in Securitas' own books. First, a local deductible is charged to the branch that has caused the claim; after that, our own insurance companies (captives) cover part of the cost. Using insurance captives gives the Group an opportunity to handle part of the claims process internally, and provides Group Management with an option to establish some independence from the cyclical nature of commercial insurance markets (see the graph overleaf).

The design and purchase of all insurance programs is based on the risk exposure identified using the business risk evaluation model.



**Distribution of risk with respect to claims.** The costs for high-frequency claims with a low value are charged to the local subsidiaries as a "local deductible cost" and to Securitas' insurance captives. Non-frequent and larger claims costs are absorbed by the external insurance companies.

### INSURANCE PROGRAMS

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 liability insurance and;
- > employment practice liability insurance.

### BENEFITS FOR OUR CUSTOMERS

An important advantage of our Global insurance programs is that our customers can be confident that Securitas' high-quality insurance cover is consistent in all markets.

Stockholm, March 15, 2018

*Marie Ehrling*  
Chairman

*Carl Douglas*  
Vice Chairman

*Ingrid Bonde*  
Director

*John Brandon*  
Director

*Anders Böös*  
Director

*Fredrik Cappelen*  
Director

*Sofia Schörling Högberg*  
Director

*Dick Seger*  
Director

*Susanne Bergman Israelsson*  
Director  
Employee Representative

*Åse Hjelm*  
Director  
Employee Representative

*Jan Prang*  
Director  
Employee Representative

*Magnus Ahlqvist*  
President and Chief Executive Officer

---

## AUDITOR'S REPORT ON THE CORPORATE GOVERNANCE STATEMENT

(translation of the Swedish original)

To the general meeting of the shareholders in  
Securitas AB, corporate identity number 556302-7241

### Engagement and responsibility

It is the Board of Directors who is responsible for the corporate governance statement for the year 2017 (on pages 24-45) and that it has been prepared in accordance with the Annual Accounts Act.

### The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance

statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

### Opinions

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Stockholm, March 15, 2018  
PricewaterhouseCoopers AB

*Patrik Adolfson*  
Authorized Public Accountant  
Auditor in charge

*Madeleine Endre*  
Authorized Public Accountant