

Corporate Governance



Governance and Management

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Compliance with the Swedish Corporate Governance Code (the Code)

The governance report is 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, 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 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

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.

A Unique and Decentralized Organization with a Clear and Effective Governance Structure

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' structure for governance serves not only to protect stakeholder interests, but also to ensure value creation.

An effective governance structure requires that all components interact in order to reach the set strategic objectives, and that governance and risk management permeate all layers of the organization.

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 52 countries.

The company's customer offerings improve when decisions are made in close proximity to customers and the employees who perform the services. Local decisions are therefore promoted but made within a well-controlled environment.

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.

Securitas' Toolbox management model has a methodical structure comprising several well-defined areas or "tools" that serve as a guide at all levels and is maintained through continuous training and discussion forums. Each area of the model describes how Securitas' managers are to conduct

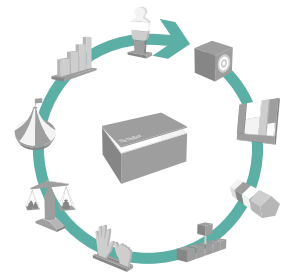
themselves in various aspects and stages of the company's operations. The model also describes the approach we are expected to take with regard to the market, our customers and employees.

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. It also ensures that work methods, management philosophy and customer perspective are shared throughout the organization. All Securitas employees are expected to assume responsibility for their customers and operations and our shared values. Responsibility is clarified through the measurement and systematic evaluation of results.

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.

In 2013, Group Management comprised the President and CEO and ten executives with representatives from the divisions. For further information on Group Management, please see pages 34–35.



Read more at
www.securitas.com/en/About-Securitas/Our-Management-Model/

Governance and management

Board of Directors' report on corporate governance and internal control

A financial model that is easy to understand

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.

The financial framework and model 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 key figures that can be understood by all managers. It also helps managers 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 the fact box on page 50 for more information).

Securitas has two financial targets. The first target is related to the income statement: an annual average earnings per share growth rate of 10 percent. The second target is related to the balance sheet: a free cash flow to net debt ratio of at least 0.20.

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 timely and 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.

Significant 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, 2013, the principal shareholders in Securitas were Gustaf Douglas who, through his family and companies in the Investment AB Latour Group and Förvaltnings AB Wasatornet, held 10.9 percent (11.5) of the capital and 29.6 percent (30.0) of the votes, and Melker Schörling who, through his family and Melker Schörling AB, held 5.6 percent (5.6) of the capital and 11.8 percent (11.8) of the votes. For more detailed information about shareholders, see the table on page 135.

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 2013:

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 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.

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 General Meeting decides on changes of 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 7, 2013, and the minutes are available on www.securitas.com, where all resolutions passed can be found. One of the new resolutions passed in 2013, was the authorization for the Board to resolve upon acquisition of the company's own shares. Shareholders representing 62.0 (65.5) percent of the votes attended either personally or by proxy. For information about election and remuneration of Board members, see section Board of Directors below.

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

In 2013, Gustaf Douglas was re-elected as Chairman of the Nomination Committee. The Annual General Meeting 2013 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 2014, the Committee is entitled to appoint another representative of another major shareholder to replace this member.

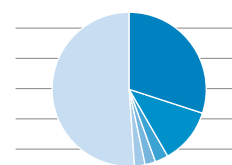
The Committee has adopted working instructions which governs the work in the Committee. The Committee should hold meetings as often as necessary to fulfill its duties. However, the Committee should hold at least one meeting annually. The Committee met one time in 2013.

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 eight members elected by the Annual General Meeting, three employee representatives and two deputy employee representatives.

The Annual General Meeting 2013 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 about the members of the Board of Directors and the President and CEO, see pages 32-33. 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 employee representatives): SEK 500 000.

Elected members,¹ Nomination Committee

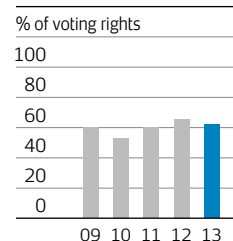


- Gustaf Douglas, major shareholder, 30.02%²
- Mikael Ekdahl, Melker Schörling AB (major shareholder), 11.75%²
- Jan Andersson, Swedbank Robur Funds, 2.54%²
- Henrik Didner, Didner & Gerge, 2.22%²
- Thomas Ehlin, Nordea Fonder, 2.40%²
- Share of votes not represented in the Nomination Committee, 51.07%²

¹ At the Annual General Meeting held on May 7, 2013.

² Share of votes as of May 7, 2013.

Annual General Meeting attendance 2009-2013



Number of shareholders 2009-2013

| | |
|------|--------|
| 2009 | 31 527 |
| 2010 | 31 458 |
| 2011 | 27 011 |
| 2012 | 27 222 |
| 2013 | 26 054 |

Governance and management

Board of Directors' report on corporate governance and internal control

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 Group's auditors participate in the meeting of the Board of Directors that is held in conjunction with the yearly closing of the books.

The Board of Directors of Securitas AB have approved a number of policies that apply to governance. Examples of policies of interest within this context are described 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 a Remuneration Committee (further described below) and an Audit Committee (further described on page 31).

Remuneration Committee

The Board has formed a Remuneration Committee to prepare decisions 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 2013. For details regarding members and attendance, refer to the table on pages 32-33.

A share-based incentive scheme was adopted at the Annual General Meeting 2013, enabling the Group to gradually have approximately 2 500 of Securitas' top managers as shareholders, thereby

strengthening 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. For more information on the actual outcome of the share-based incentive scheme in 2013, see note 12 on page 96.

The guidelines for remuneration to senior management that were adopted at the Annual General Meeting 2013 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 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). The remuneration should be determined in a manner consistent with shareholder interests.

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 2013, amount to MSEK 56. The complete guidelines for remuneration can be found on www.securitas.com.

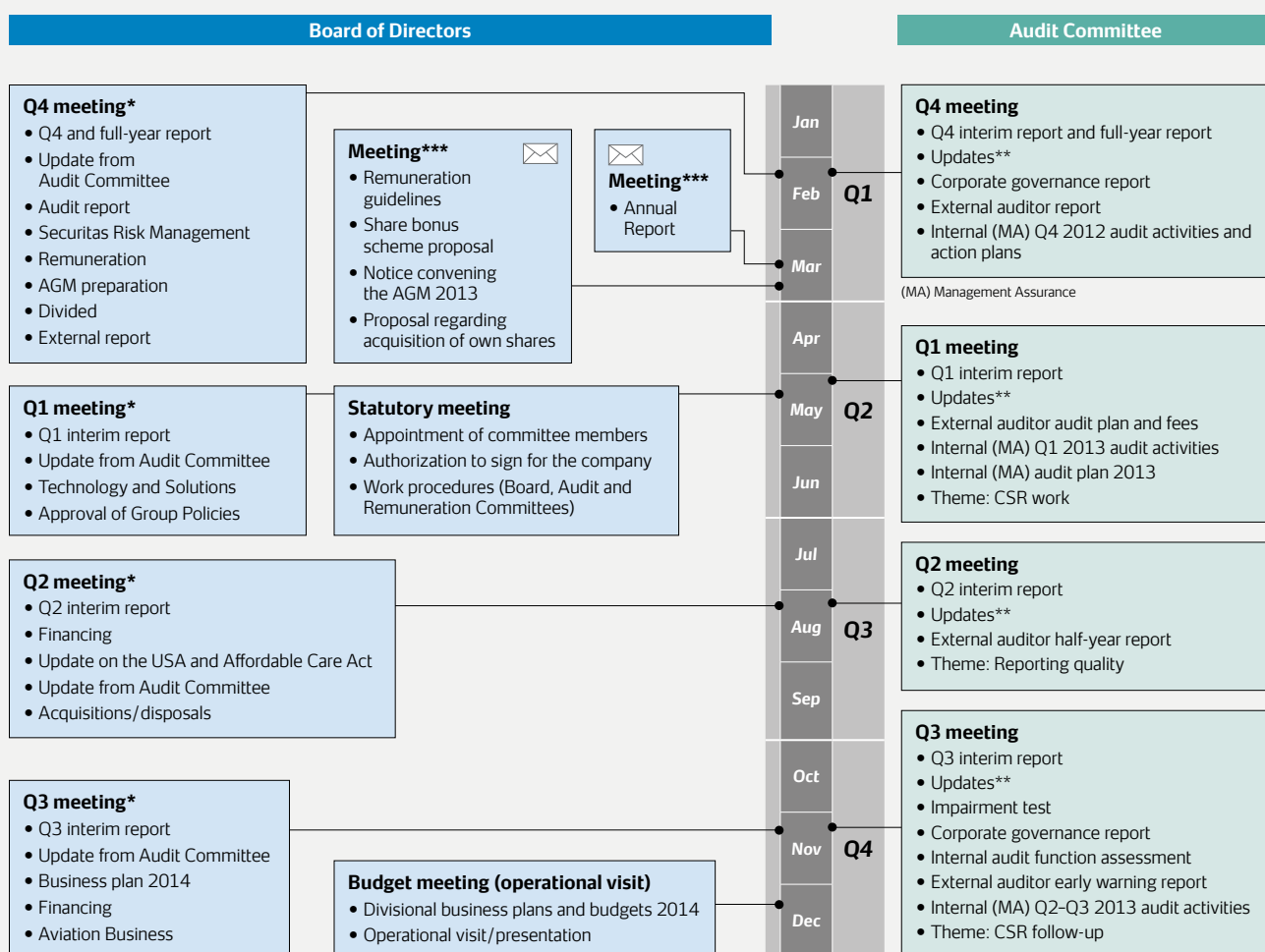
Additional information on remuneration to the Board of Directors and Group Management, including the outcome, is disclosed in the Notes and comments to the consolidated financial statements 2013. See note 8 on pages 88-91.

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 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.

The Board held eight meetings in 2013, of which two were held per capsulam. The auditors participated in the Board meeting in February 2013, where they presented the audit.



The work of the 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. For details regarding members, independence and attendance, refer to the table on pages 32-33. The Committee met four times during 2013. 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.

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

*** Held per capsulam.

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 and other assignments | Chairman of Melker Schörling AB, Hexagon AB, AAK AB and Hexpol AB. Director of Hennes & Mauritz AB. | Vice chairman of ASSA ABLOY AB. Director of Swegon AB and Investment AB Latour. | Chairman of Loomis AB, Director of Hexpol AB and Axel Johnson Inc., USA. | Chairman of Byggmax Group AB, Sanitec Oy, Dustin AB and Dometic Group AB. Vice Chairman of Munksjö AB. | Chairman of TeliaSonera AB. Vice Chairman of Nordea Bank AB. Director of Oriflame Cosmetics SA, Schibsted ASA, Axel Johnson AB 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 (8 total) | 8 | 8 | 8 | 8 |
| | Audit Committee meetings (4 total) | | | Member 4 | Chairman 4 |
| | Remuneration Committee meetings (2 total) | Chairman 2 | | | |
| Total fee ² , 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 (own & related party holdings) | 4 500 000 Series A shares and 16 001 500 Series B shares ³ | 12 642 600 Series A shares and 27 190 000 Series B shares ⁴ | 58 698 Series B shares | 4 000 Series B shares | 4 000 Series B shares |

1 Employee representatives, appointed members of the Board of Directors at the Annual General Meeting. Deputy employee representatives are Thomas Fanberg and Mirja Andersson. Thomas Fanberg (b. 1961) has been Deputy Director of Securitas AB since 2008. Employee Representative, Chairman of Salaried Employees' Union local branch, Securitas Norrland. Mirja Andersson (b. 1979) has been Deputy Director of Securitas AB since 2013. Employee representative, Swedish Transport Workers' Union.

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 2013 on Securitas' website: www.securitas.com.

3 Through Melker Schörling AB.

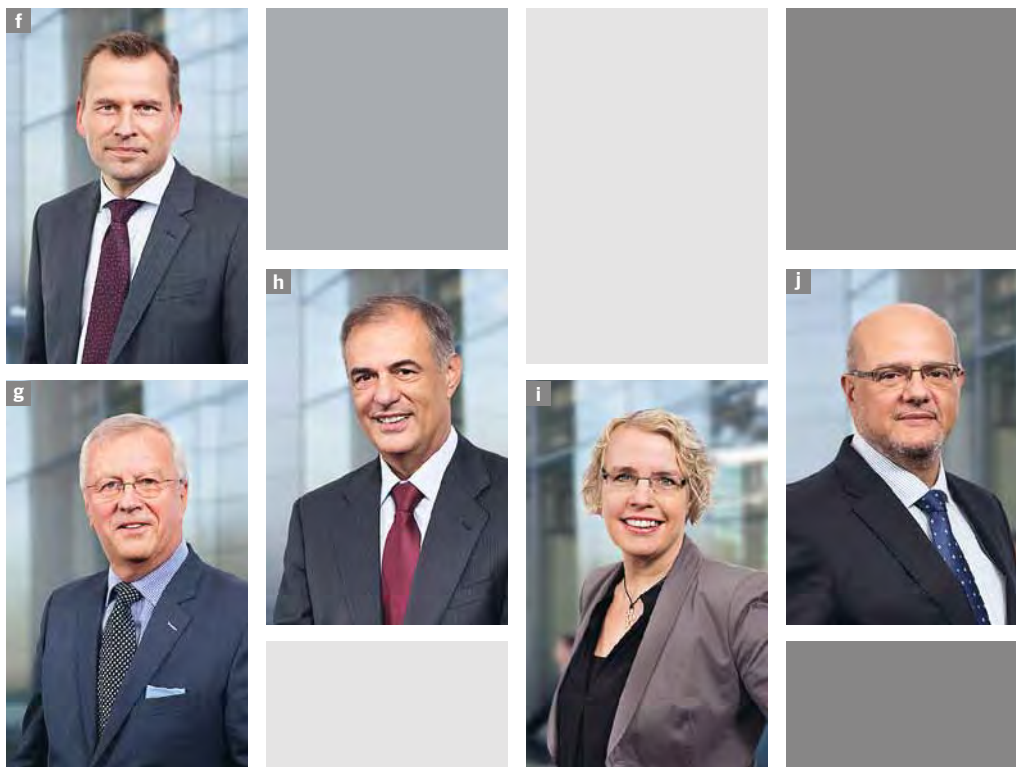
4 Via holdings by family members, Investment AB Latour Group and Förvaltnings AB Wasatornet.



Employee representatives¹

| 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. | 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, Vice chairman of Salaried Employees' Union local branch, Norrland, Chairman of the Securitas Council for Salaried Employees. | 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 |
| President and CEO of SEB. Director of SEB. Member of the Supervisory Boards of Munich RE and Volkswagen AG. | Director of Melker Schörling AB. | Chairman of Investment AB Latour. Director of AB Fagerhult, Hultafor AB, Nobia AB, Academic Work AB and Stiftelsen Viktor Rydbergs Skolor. | | | |
| Several executive positions at SEB. | | | | | |
| 7 | 8 | 8 | 8 | 8 | 8 |
| Member 2 | | | | | |
| 550 000 | 500 000 | 500 000 | 0 | 0 | 0 |
| Yes | Yes | Yes | - | - | - |
| Yes | No | No | - | - | - |
| 7 500 Series B shares | 2 400 Series B shares | 17 200 Series B shares | - | 120 Series B shares | - |

All figures refer to holdings on December 31, 2013.
For comparative information about remuneration to the Board of Directors and senior management, please see note 8 on pages 88-91.



f. Jan Lindström b. 1966
 Senior Vice President, Finance
 Employed: 1999
 Education: BSc in Economics and Business Administration from Uppsala University, Sweden.
 Shares in Securitas: 5 600 Series B shares.*

g. Marc Pissens b. 1950
 President, Aviation
 Employed: 1999
 Education: Degree in Engineering from the Engineering Institute of Brussels, Belgium.
 Shares in Securitas: - *

h. Luis Posadas b. 1958
 Divisional President, Security Services Ibero-America
 Employed: 1995
 Education: Law at the University Complutense in Madrid, Spain.
 Shares in Securitas: 17 911 Series B shares.*

i. Åsa Thunman b. 1969
 Senior Vice President, General Counsel and Group Risk Manager
 Employed: 2009
 Education: LL.M., Uppsala University, Sweden, and Master of European Business Law from the University of Amsterdam, the Netherlands.
 Shares in Securitas: 653 Series B shares.*

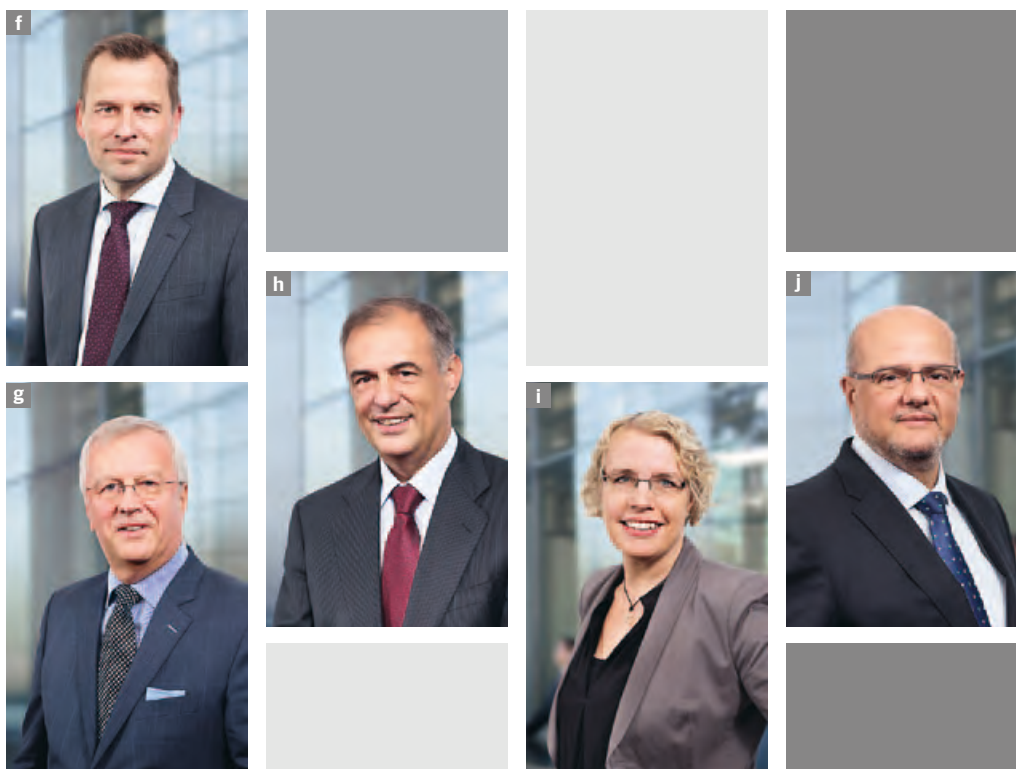
j. Antonio Villaseca López b. 1954
 Senior Vice President, Technical Solutions
 Employed: 1995 and 2011
 Education: Economics at the UNED University in Madrid, Spain and courses in telecommunications, networks and security system design.
 Shares in Securitas: -*



Erik-Jan Jansen will leave his position as Chief Operating Officer, Security Services Europe on April 1, 2014.

* The actual allocation of shares to Group Management under the Securitas share-based incentive scheme 2013 can be found on page 91, and the total potential allocation of shares to Group Management under the Securitas share-based incentive scheme 2013 can be found on page 89.

For more information about Group Management, visit www.securitas.com



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Shares in Securitas: - *

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For more information about Group Management, visit www.securitas.com

Enterprise Risk Management and Internal Control Provide Assurance

Securitas' enterprise risk management process 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 Securitas' 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. Pages 39-43 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 46 for more information about insurance as a risk management tool.

Control environment

The key features of the control environment, which is the foundation for sound internal control, include: 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 President and CEO and further to Group Management, the competence of employees and a series of Group policies, procedures and frameworks. The policies are all periodically reviewed and updated by Group Management and adopted by the Board of Directors.

Delegation of authority is documented in an approval matrix, which provides clear directions for managers at all levels.

Emphasis lies 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

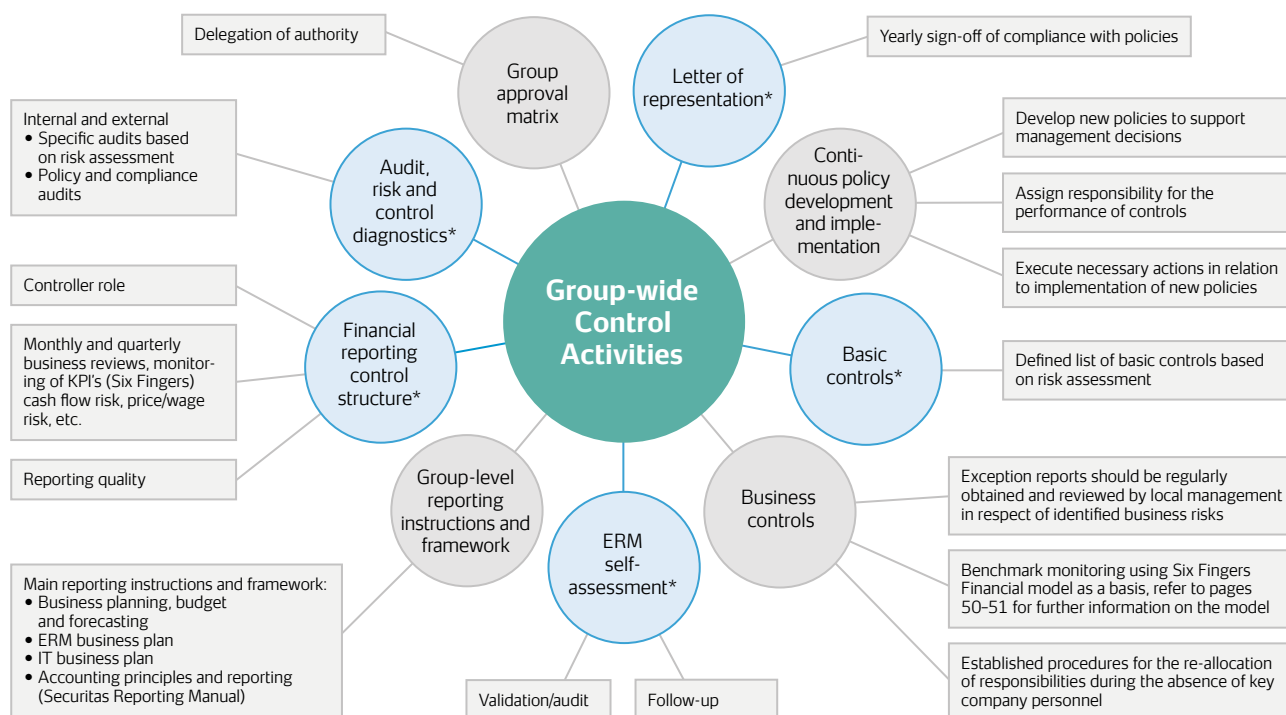
employees exercise good judgment and make decisions on a consistent basis.

Policies that apply to internal control over financial reporting are described in Securitas' Group Policies and Guidelines, which includes company's model for financial control (for more detailed information on the model, refer to pages 50-51), and in the Securitas Reporting 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 and 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, which is part of Securitas' operational business planning and follow-up.



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

* Described in further detail below.

Group-wide control activities

Internal control covers all divisions and subsidiaries in the Group. Internal control activities are established by policies and processes, which helps 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.

ERM self-assessment Every major operating unit throughout the Group performs an annual self-assessment, which is a part of the process to manage enterprise wide risks and covers key risks, including financial reporting risks, measures taken and compliance with the Group Policies and Guidelines 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 management estimates. For further information, refer to www.securitas.com/Corporate-Governance/Enterprise-risk-management.

Self-assessment promotes control awareness and accountability. The results from the sections related to financial reporting are signed off by each entity's president and controller. Other sections are signed off by the responsible function. As part of this process, the external auditor and/or another

internal or external resource validates the answers to questions in the questionnaire deemed to be risk areas for the selected reporting units. The answers are compiled at the divisional and Group levels to support benchmarking within and between divisions. Each reporting unit is responsible for acting on any deviations, including written action plans to address the deviations and a deadline for the implementation of actions. Any prioritized areas for improvement are also addressed in the business plans. All reports are subsequently available to the divisional management teams, Group Management and the Audit Committee.

Basic controls Detailed process-level controls in financial reporting processes such as revenue, payroll and IT, are included as one component of the overall Group-wide control structure called "basic controls". Basic controls set the minimum requirement from a Group perspective with regard to what needs to be in place, but are complemented by supplementary controls to ensure full protection of the company's assets and ensure accurate and reliable financial reporting tailored to the specific conditions of that entity. These controls may include manual, application or general IT controls.

Governance and management

Board of Directors' report on corporate governance and internal control

Key areas covered:

- protection of company assets
- completeness and timeliness of customer invoicing
- credit collection procedures
- contract management
- validity of payments to third parties
- accuracy of general ledger
- timeliness and accuracy of Group reporting and;
- compliance with local requirements

Audit, 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 in the self-assessment questionnaire and 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.

Financial reporting control structure 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 level of high quality. Securitas' financial reporting is based on the following foundations:

- Group Policies and Guidelines, which comprises 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

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 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.

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 the full set of Group Policies.

Information and communication

Securitas' channels for information and communication are constantly developed to ensure that all staff 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, in order to achieve set goals and objectives. This provides a clear definition of the Group's purpose and goals, accountabilities and the scope of permitted activities of employees. The Group Policies and Guidelines are available in a Group-wide database.

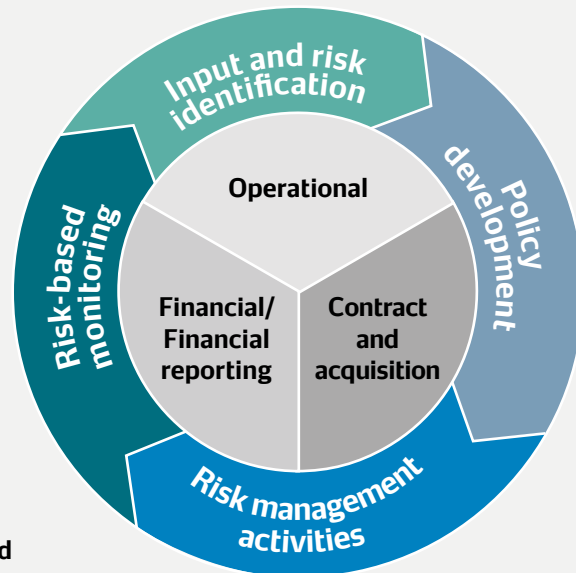
Systems and procedures have been implemented that support complete, accurate and timely financial reporting and provide management with the necessary reports on business performance relative to the established objectives. The Group reporting department regularly issues guidance on reporting matters and 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 their 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 legal function, the Group risk organization, and local and divisional management. For an organizational overview of this structure, refer to pages 44-45.

Four-step process for managing enterprise risk

Securitas' enterprise risk management process (ERM) is engrained in the business and based on a close cooperation between operative management and all functions working with the different parts of the risk management process. The process starts with risk identification and prioritization during the ERM Planning process. The Group Policies and Guidelines as well as local processes, rules and procedures establish the framework for day-to-day risk management. The identified risks and adopted policies also set the structure for all compliance monitoring in the Group. 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**, **operational assignment** 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. The four steps and current actions are described in further detail on the following pages.

Governance and management

Board of Directors' report on corporate governance and internal control



Input and risk identification

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

Seven key risks 2013

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

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

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

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

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

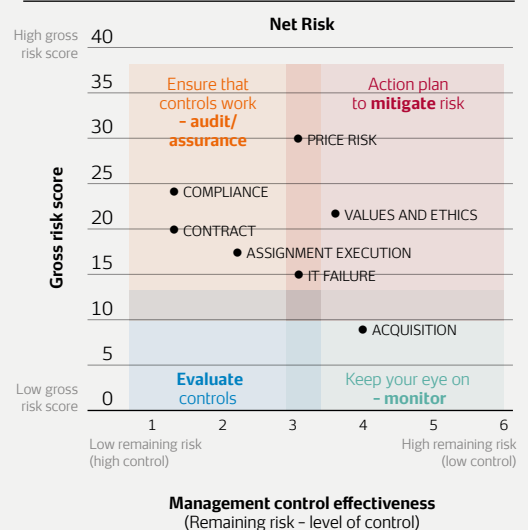
> Examples of activities during 2013

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

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

Separate risk assessments were also performed for the Aviation business.

Part of the new updated risk assessment tool (example)





Policy development

One of the cornerstones of the ERM process is the Group Policies and Guidelines that establish the framework for all policies and compliance monitoring in the Group. The Group Policies are developed by management but are approved by the Board.

After performing the yearly risk assessment and establishing risk business plans, decisions are made as to whether to create new policies or amend existing policies based on that input. 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** which 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 security services and 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.
- **The 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, environmental legislation, labor market regulations, agreements and safety requirements and any 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 18-24.

- **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** with the aim of ensuring 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.



Securitas' Values and Ethics Code

> Examples of activities during 2013

The Board adopted a detailed **anti-corruption policy**, clearly setting out the principle of zero tolerance for any corrupt practices with clear definitions, requirements for risk assessment, guidance regarding third-party relationships, as well as

training requirements, reporting, investigations and follow-up. In order to properly guide the employees, the policy requires each local entity to adopt a gift and entertainment policy.



Securitas' Anti Corruption policy

Governance and management

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Risk management activities

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

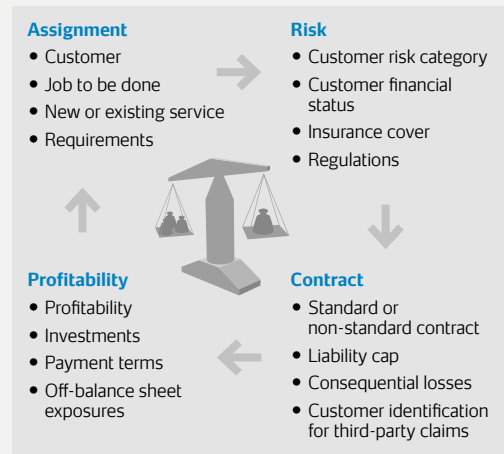
Group Management has overall responsibility for the management of risks, and for the implementation and maintenance of control systems in accordance with the Board's policies. Specifically, divisional management and established functional committees are responsible for ensuring that a process for creating 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 Group, divisional and local management.

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/About-Securitas/Our-Management-Model/risk-management.

RISK RESPONSIBILITIES

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



> Examples of activities during 2013

Securitas' Values and Ethics Code was introduced in 2012 (replacing the old Code of Conduct) and several risk management initiatives and activities pertaining to the Code were carried out in 2013.

- Training continued for all employees in the form of two detailed e-learning courses, translated into local languages: one course for managers and office personnel, and another for security officers.
- Securitas Integrity Line
 - Continuation of implementation efforts to reach full implementation
 - Reporting of cases



Risk-based monitoring

Monitoring is performed at several different levels. 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 (see illustration on pages 44–45).

Risk assessments are used as the basis for determining which activities to be carried out in relation to monitoring from an audit perspective. One important recurring component is the analysis of the ERM self-assessment results, which are subject to validation procedures.

The scope of these procedures (meaning the countries and key risks in question) is also determined based on an annual risk assessment. Other important tools include country visits and diagnostics.

> Examples of activities during 2013

Country diagnostics

In 2013, the Group continued to focus on new countries, since these have been assessed as a risk area in terms of integration from a financial reporting and control standpoint. The diagnostic comprises a kit 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 from the acquisition date and a follow-up is performed during the second year, provided that significant areas for improvement have been identified.

Contract management

Another area that was subject to specific diagnostics in 2013 was the contract management key risk area and compliance with Group Policies in this area. These reviews are conducted on a rotational basis for all countries.

Basic controls

In 2013, Securitas also focused specifically on basic controls, listing the most important control objectives and activities and performing a benchmark of its largest countries in relation to these objectives.

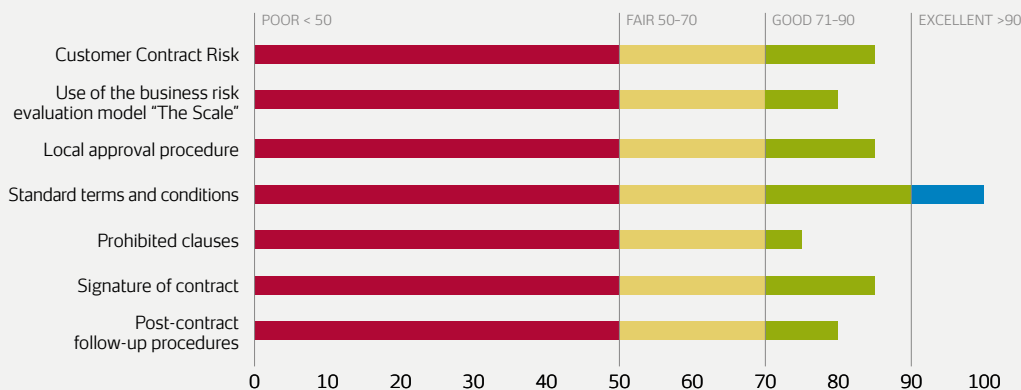
Process heat map: Example Country X

| Area | Audit report | |
|---|--------------|------|
| | 2013 | 2012 |
| Revenue and AR | ■ | ■ |
| HR and payroll | ■ | ■ |
| Purchasing and AP | ■ | ■ |
| IT security | ■ | ■ |
| Contract management procedures incl. compliance | ■ | ■ |
| Financial reporting: | | |
| - valuation | ■ | ■ |
| - classification | ■ | ■ |
| - closing routines | ■ | ■ |
| Other | ■ | ■ |

■ Poor
 ■ Fair
 ■ Good
 ■ Excellent

ERM Scoring Model: Example Country Y – Contract 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* for most of the risks.



* Built in "risk appetite" or tolerance in the model.

Governance and management

Board of Directors' report on corporate governance and internal control

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 must be reported to the Audit Committee are discussed.

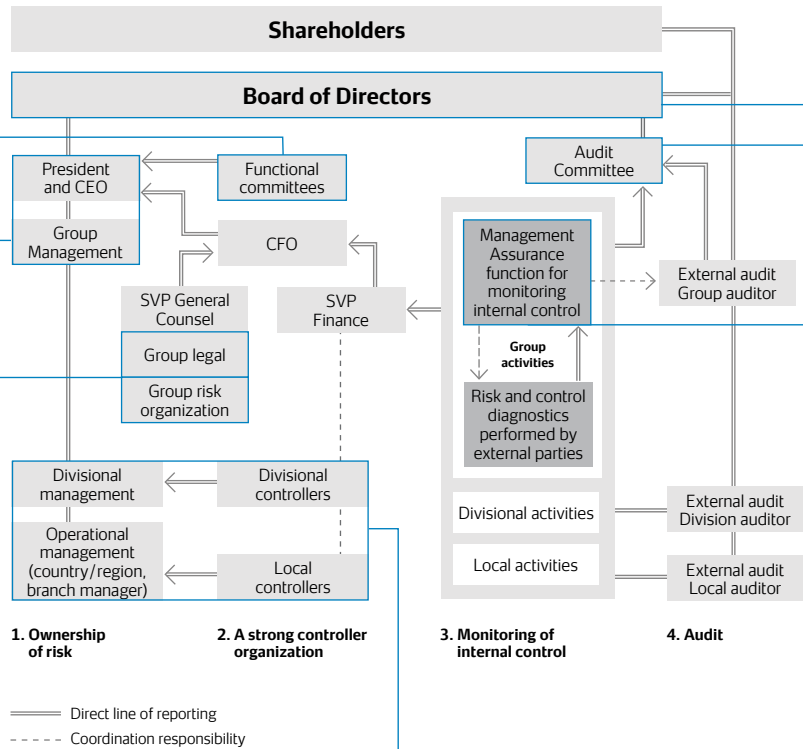
President and CEO and Group Management

The President and CEO and Group Management review 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 50-51) and regular forecasting. This reporting is also reviewed by the Board.

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 also monitors and manages legal risk exposures identified by the operating units and reports regularly to Group Management and Audit Committee on legal risks and ongoing disputes.

Organization of ERM and internal control



Group risk organization

The Group risk organization owns and manages the process which provides tools and helps management identify and manage the risks inherent in Securitas' line of business. Risk management is an integral part of the Securitas culture and is imperative for achieving Securitas' strategies and goals. The risk management process is continuously developing.

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 the President and CEO and Group Management, are governed by formal procedures. The Board considers risk assessment and control 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 ERM and 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 the significant accounting policies, estimates and judgments that have been applied in preparing the reports. The Audit Committee monitors the effectiveness of the Group's ERM and internal control systems as well as the financial reporting process. 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.

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 2013.

In line with one of the Group's fundamental principles, this function has continued to develop step-by-step improvements of the Group's internal control through various activities throughout the year, including fine-tuning of follow-up procedures and reporting, identification of risks related to financial reporting and examination of the effectiveness of related internal controls. In 2013, specific focus lay on diagnostics in new market countries and new businesses. 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/management-assurance.

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.

Governance and management

Board of Directors' report on corporate governance and internal control

Insurance as a risk management tool

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.

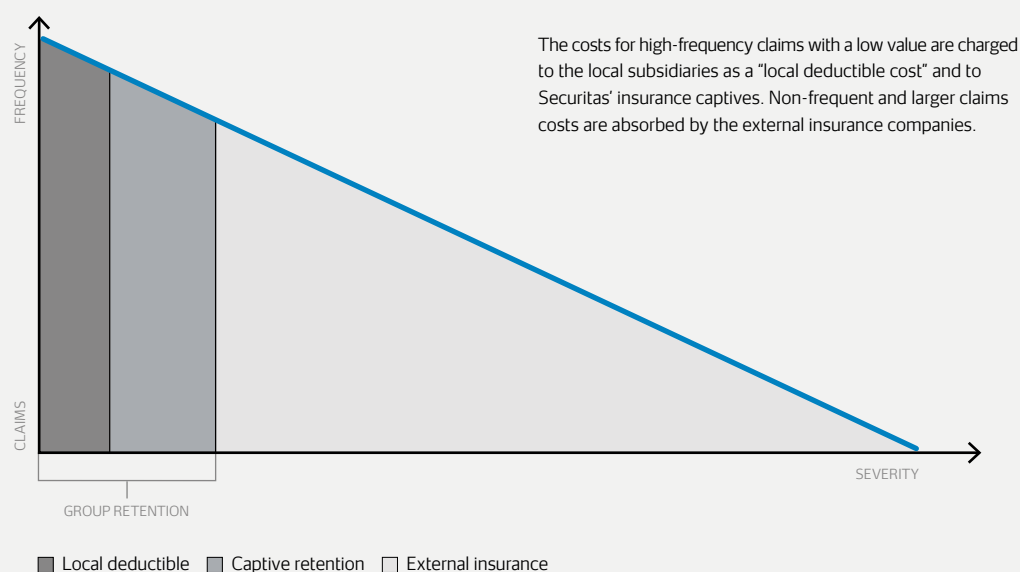
Another significant part of Securitas' risk management work involves active claims management, as well as ongoing claims analysis of frequent and large losses with the aim of identifying the underlying driving forces. Claims reports with updated information on claims and reserves are sent to all local risk managers and controllers on a monthly basis, and the claims are analyzed to find out if there are certain types of services, contracts, regions and so forth that cause insurance claims. 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 insur-

ance premiums are partly determined by the historic loss record, a favorable loss record will contribute to lower premiums and a lower cost of risk.

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 below).

The design and purchase of all insurance programs is based on the risk exposure identified using 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 liability insurance and employment practice liability insurance. Catastrophe exposure is protected by insurance companies with a minimum rating of A (Standard & Poor's).

Schematic illustration of distribution of risk



Auditors

The Annual General Meeting 2013 elected PricewaterhouseCoopers AB (PwC) as the Group's audit firm, with authorized public accountant Peter Nyllinge 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

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



Auditor Peter Nyllinge

Audit fees and reimbursement (PwC) to auditors 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 matters concerning restructuring work.

| MSEK | Group | | | Parent Company | | |
|--------------------------------|-------------|-------------|-------------|----------------|-------------|-------------|
| | 2013 | 2012 | 2011 | 2013 | 2012 | 2011 |
| Audit assignments | 29.4 | 28.1 | 29.8 | 6.6 | 5.9 | 5.4 |
| Additional audit assignments | 1.6 | 1.3 | 1.1 | 0.6 | 0.8 | 0.1 |
| Tax assignments | 11.6 | 12.7 | 14.6 | 1.2 | 3.7 | 4.1 |
| Other assignments ¹ | 4.6 | 9.7 | 16.3 | 2.3 | 3.0 | 1.6 |
| Total PwC | 47.2 | 51.8 | 61.8 | 10.7 | 13.4 | 11.2 |

¹ 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.

Stockholm, March 14, 2014

The Board of Directors of Securitas AB

Auditor's report on the Corporate Governance Statement

To the Annual General Meeting of the shareholders of Securitas AB, corporate identity number 556302-7241

It is the Board of Directors who is responsible for the Corporate Governance Statement for the year 2013 on pages 26-47 and that it has been prepared in accordance with the Annual Accounts Act.

We have read the Corporate Governance Statement and based on that reading and our knowledge of the company and the Group we believe that we have a sufficient basis for

our opinions. This means that our statutory 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.

In our opinion, the Corporate Governance Statement has been prepared and its statutory content is consistent with the annual accounts and the consolidated accounts.

Stockholm, March 14, 2014
PricewaterhouseCoopers AB

Peter Nyllinge, Authorized Public Accountant