

A Unique and Decentralized Organization

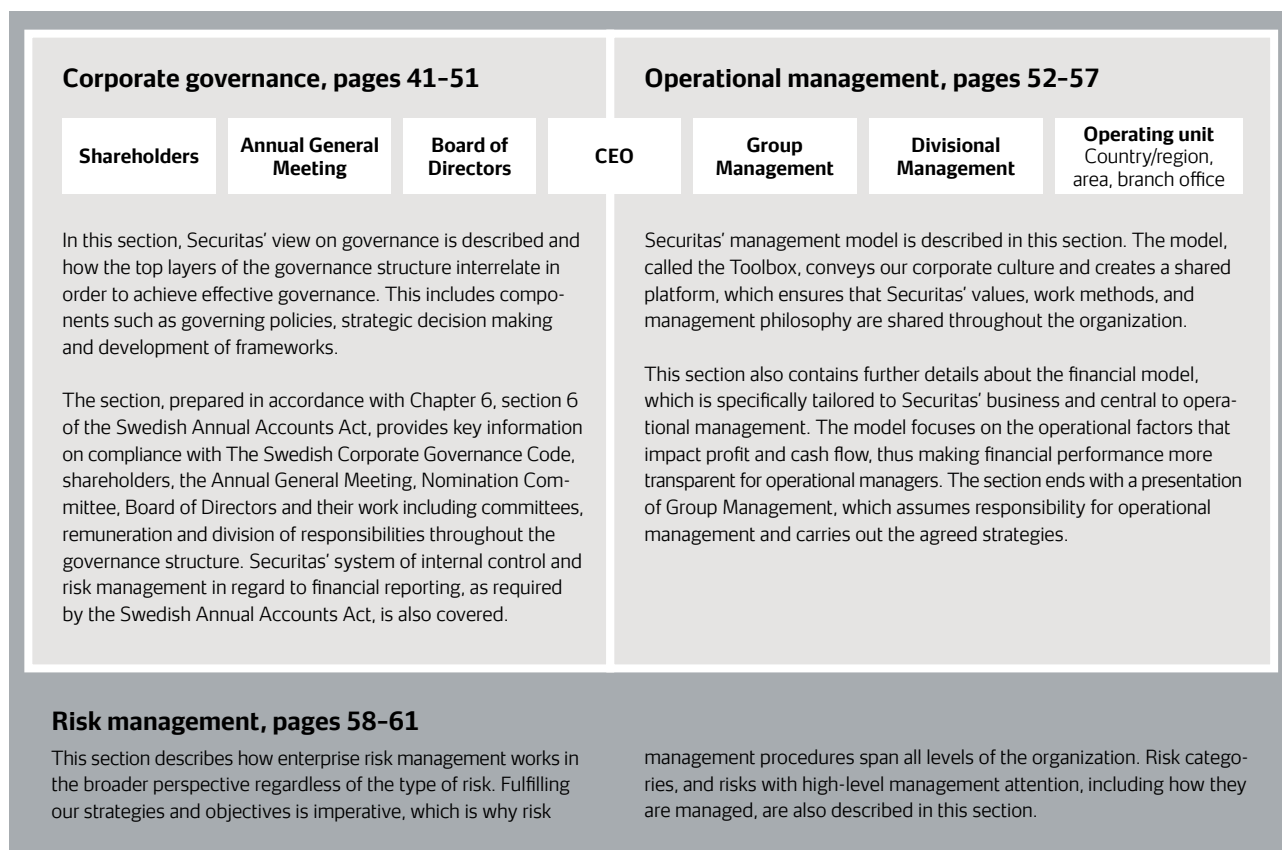
↓ **Read more at**
www.securitas.com/governance. Securitas has published its principles for corporate governance in previous Annual Reports. A separate section on the Group website contains the Articles of Association and other key company documents.

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

Securitas has a decentralized organizational model that focuses on the almost 1,650 branch managers in approximately 1,800 branch offices, where the company's daily operations are carried out.

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

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



Clear and Effective Structure for Governance

To meet high standards of corporate governance, Securitas has created a clear and effective structure for responsibility and governance. Securitas' governance not only serves to protect stakeholder's interests, but also ensures value creation.

The overall structure begins with shareholders and their influence. Strong principal shareholders bring high interest and commitment to the success of the business.

Significant shareholders

The principal shareholders in Securitas on December 31, 2010 were Gustaf Douglas, who through family and the companies Investment AB Latour, Säkl AB, Förvaltnings AB Wasatornet and Karpalunds Ångbryggeri AB holds 11.5 percent (11.6) of the capital and 30.0 percent (30.1) of the votes, and Melker Schörling who through family and Melker Schörling AB holds 5.6 percent (5.6) of the capital and 11.8 percent (11.8) of the votes. For more detailed information on shareholders, please see the table on page 37.

Compliance with the Swedish Corporate Governance Code (the Code)

As a Swedish public company listed on the NASDAQ OMX Stockholm Securitas applies the Swedish Corporate Governance Code (the Code). Securitas complies with the Code principle of "comply or explain" and in 2010, Securitas has one deviation to report:

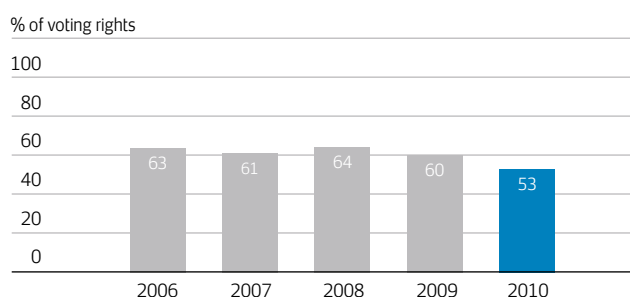
Code Rule 7.3 An audit committee is to comprise no fewer than three board members.

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 and extensive experience in these areas from other major listed companies.

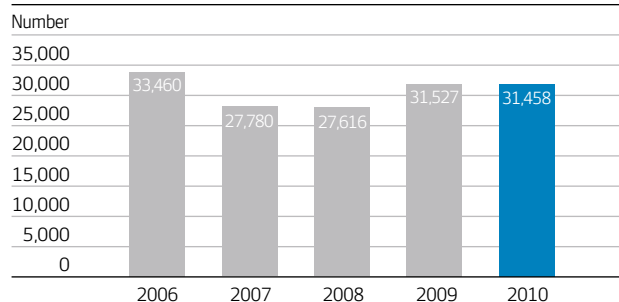
Annual General Meeting

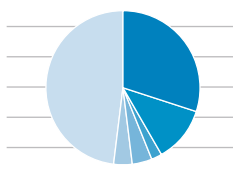
All shareholders are able to exercise their influence at the Annual General Meeting, which is the company's highest decision-making body. The Articles of Association do not contain any limitation on the number of votes that each shareholder can exercise at a shareholders' meeting. Each shareholder may thus vote for all shares held at the shareholders' meeting. The Annual General Meeting of Securitas AB (publ.) was held on May 4, 2010 and the minutes are available on Securitas' webpage where all resolutions passed can be found. Shareholders representing 53.2 percent of the votes attended either personally or by proxy. For election and remuneration of Board members see page 42.

ANNUAL GENERAL MEETING ATTENDANCE 2006-2010



NUMBER OF SHAREHOLDERS 2006-2010



Elected members¹
Nomination Committee

- Gustaf Douglas, major shareholders, 30.1%²
- Mikael Ekdahl, Melker Schörling AB (major shareholder), 11.8%²
- Lars Rosén, Länsförsäkringar, 2.2%²
- Marianne Nilsson, Swedbank Robur, 4.0%²
- Per-Erik Mohlin, SEB Funds, 3.9%²
- Share of votes not represented in the Nomination Committee, 48%²

¹ At Annual General Meeting May 4, 2010.

² Share of votes as of May 4, 2010.

Nomination Committee

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

Gustaf Douglas was re-elected Chairman of the Nomination Committee. The Nomination Committee is entitled to appoint one additional member of the Nomination Committee. The Annual General Meeting 2010 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 2011, the committee is entitled to appoint another representative of other major shareholders to replace this member.

The committee's work is established in the Procedure and instructions for the Nomination Committee of Securitas AB. The committee should hold meetings as often as necessary in order for the committee to fulfill its duties. However, the committee should hold at least one meeting annually. The committee has met once in 2010.

Members of the Board of Directors

According to the Articles of Association, the Board of Directors should have five to ten Board members elected by the Annual General Meeting, with no more than two Deputy Directors. The Directors and Deputy Directors should be elected by a 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 2010 re-elected Fredrik Cappelen, Carl Douglas, Marie Ehrling, Annika Falkengren, Stuart E. Graham, Alf Göransson, Fredrik Palmstierna, Melker Schörling and Sofia Schörling Högberg. The Annual General Meeting re-elected Melker Schörling as Chairman of the Board and Carl Douglas as Vice Chairman. Mikael Ekdahl, attorney at law, is the secretary of the Board. For further information on the members of the Board of Directors and President and CEO, please see pages 44-45. It was resolved that the fees to the Board should amount to SEK 4,875,000 in total (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 725,000 and each of the other Board members (except the President and CEO and the employee representatives): SEK 450,000.

Responsibilities of the Board of Directors

The Board of Directors is responsible for the organization and administration of the company and the Group in accordance with the Swedish Companies Act and also appoints the President and CEO, the Audit Committee and the Remuneration Committee.

In addition, the Board of Directors decides on the President and CEO's salary and other remuneration. The Board meets a minimum of six times annually. The Group's auditors participate in the meeting of the Board of Directors in conjunction with the yearly closing of the books.

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

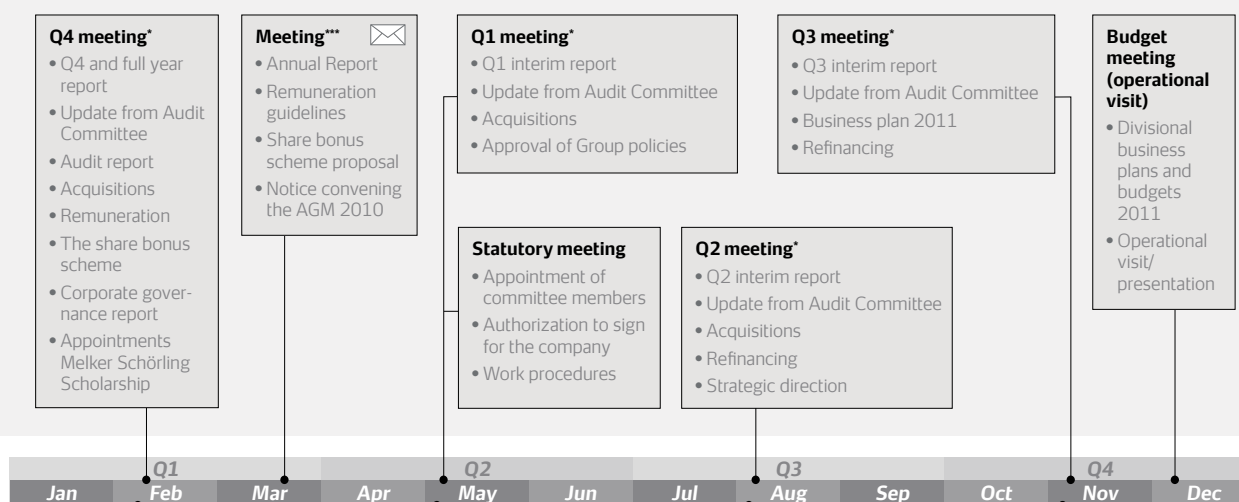
The work of the Board of Directors

The activities of the Board of Directors and the division of responsibility between the Board and Group Management are governed by formal procedures documented in a written instruction, which is adopted by the Board each year after the Annual General Meeting. According to these procedures, the Board should determine, among other things, the Group's overall strategy, corporate acquisitions and property investments, and establish a framework for the Group's operations through the Group's budget.

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

The Board held seven meetings in 2010, of which one was held per capsulam. The auditors participated and presented the audit at the Board meeting in February 2010.

Board of Directors



Audit Committee



The work of the Audit Committee

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

The committee presents its findings and proposals to the Board, before the Board's decision-making. For members, independence and attendance refer to the table on page 45. The committee met four times during 2010. Major topics that have been discussed are listed above.

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

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

** Includes a standing agenda with updates on accounting, treasury, acquisitions, risk/insurance, legal, tax, internal control, audit/consultancy cost and auditor independence. Another recurring theme this year has been updates on the enterprise risk management project.

*** Held per capsulam.

Board of Directors

Melker Schörling (Chairman) b. 1947
 Director of Securitas AB since 1987 and Chairman since 1993.
Other board assignments: Chairman of Melker Schörling AB, Hexagon AB, AAK AB and Hexpol AB. Director of Hennes & Mauritz AB.
Principal education: BSc in Economics and Business Administration.
Previously: President and CEO of Skanska AB 1993-1997. President and CEO of Securitas AB 1987-1992.
Shares in Securitas: 4,500,000 Series A shares and 16,001,500 Series B shares through Melker Schörling AB.

Carl Douglas (Vice Chairman) b. 1965
 Deputy Director of Securitas AB since 1992 and Director since 1999. Vice Chairman since 2008.
Other board assignments: Director of ASSA ABLOY AB, Niscayah Group AB, Swegon AB, Investment AB Latour and Säkl AB.
Principal education: Bachelor of Arts.
Shares in Securitas: 12,642,600 Series A shares and 29,470,000 Series B shares via holdings by family members, Investment AB Latour, Säkl AB, Förvaltnings AB Wasatornet and Karpalunds Ångbryggeri AB.

Alf Göransson b. 1957
 Director of Securitas AB since 2007.
 President and CEO of Securitas AB since 2007.
Other board assignments: Chairman of Loomis AB, Director of Hexpol AB and Axel Johnson Inc., USA.
Principal education: International BSc in Economics and Business Administration.
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: 30,000 Series B shares.

Fredrik Cappelen b. 1957
 Director of Securitas AB since 2008.
Other board assignments: Chairman of Byggmax Group AB, Munksjö AB, Sanitec Oy and Dustin AB. Director of Grangården AB and within the Carnegie Holding Group.
Principal education: BSc in Business Administration.
Previously: President and Group Chief Executive of Nobia 1995-2008. Marketing Director of Stora Finepaper, President of Kaukomarkinat International Sweden and Norway and Managing Director of Kaukomarkinat GmbH, Germany.
Shares in Securitas: -

Marie Ehrling b. 1955
 Director of Securitas AB since 2006.
Other board assignments: Director of Nordea AB, Oriflame Cosmetic SA, Schibsted ASA, Safegate AB, Loomis AB, Center for Advanced Studies in Leadership at Stockholm School of Economics, World Childhood Foundation and Business Executives Council IVA.
Principal education: BSc in Economics and Business Administration.
Previously: 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.
Shares in Securitas: 4,000 Series B shares.

Annika Falkengren b. 1962
 Director of Securitas AB since 2003.
 President and CEO of SEB.
Other board assignments: Director of Ruter Dam, Mentor Sverige Foundation and the Swedish-American Chamber of Commerce, Inc., New York.
Principal education: BSc in Economics.
Previously: Several executive positions at SEB.
Shares in Securitas: 7,500 Series B shares.

Stuart E. Graham b. 1946
 Director of Securitas AB since 2005.
Other board assignments: Director of Skanska AB, PPL Corporation and Harsco Corporation.
Principal education: BSc in Economics.
Previously: 40 years in the construction industry including President and CEO of Skanska AB until 2008.
Shares in Securitas: 5,000 Series B shares.

Sofia Schörling Högberg b. 1978
 Director of Securitas AB since 2005.
Other board assignments: Director of Melker Schörling AB and EM Holding AB.
Principal education: BSc in Economics and Business Administration.
Shares in Securitas: 2,400 Series B shares.

Fredrik Palmstierna b. 1946
 Director of Securitas AB since 1985.
 CEO of Säkl AB.
Other board assignments: Chairman of Investment AB Latour, Director of Säkl AB, AB Fagerhult, Hultafors AB, Nobia AB and Academic Work AB.
Principal education: BSc in Economics and Business Administration, MBA.
Shares in Securitas: 17,200 Series B shares.

Employee representatives

Susanne Bergman Israelsson b. 1958
 Director of Securitas AB since 2004.
 Employee Representative, Chairman of Swedish Transport Workers' Union local branch 19, Norra Mälardalen.
Shares in Securitas: -

Åse Hjelm b. 1962
 Director of Securitas AB since 2008.
 Deputy Director of Securitas AB since 2007.
 Employee Representative, Chairman of Salaried Employees' Union local branch, Securitas Stockholm.
Shares in Securitas: 120 Series B shares.

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

Thomas Fanberg (Deputy) b. 1961
 Deputy Director of Securitas AB since 2008.
 Employee Representative, Chairman of Salaried Employee's Union local branch, Securitas Norrland.
Shares in Securitas: 120 Series B shares.

Auditor

Peter Nyllinge b. 1966
 Authorized Public Accountant, Auditor in charge, PricewaterhouseCoopers AB. Auditor in charge of Securitas AB since 2008.
Other audit assignments: ASSA ABLOY AB and Säkl AB.

All figures refer to holdings on December 31, 2010.
 For information about independence of the Board members, please see the table on page 45.
 For comparative information about remuneration to the Board of Directors and senior management, please see note 8 on pages 100-103.



Melker Schörling



Carl Douglas



Alf Göransson



Fredrik Cappelen



Marie Ehrling



Annika Falkengren



Stuart E. Graham



Sofia Schörling Högberg



Fredrik Palmstierna



Susanne Bergman Israelsson



Åse Hjelm



Jan Prang

Board member	Position	Audit Committee	Remuneration Committee	Attendance			Total fee ² , SEK	Independent to company (8 total)	Independent to shareholders (5 total)
				Board meetings (7 total)	Audit Committee meetings (4 total)	Remuneration Committee meetings (1 total)			
Melker Schörling	Chairman	-	Chairman	7		1	1,100,000	Yes	No
Carl Douglas	Vice Chairman	-	-	7			725,000	Yes	No
Fredrik Cappelen	Member	Member	-	7	4		550,000	Yes	Yes
Marie Ehrling	Member	Chairman	-	7	4		650,000	Yes	Yes
Annika Falkengren	Member	-	Member	7		1	500,000	Yes	Yes
Stuart E. Graham	Member	-	-	6			450,000	Yes	Yes
Alf Göransson (President and CEO)	Member	-	-	7			0	No	Yes
Fredrik Palmstierna	Member	-	-	7			450,000	Yes	No
Sofia Schörling Högberg	Member	-	-	6			450,000	Yes	No
Susanne Bergman Israelsson ¹	Member			5			0		
Åse Hjelm ¹	Member			6			0		
Jan Prang ¹	Member			7			0		

¹ Employee representatives, appointed member of Board of Directors at Annual General Meeting. Deputy Employee representative is Thomas Fanberg.

² Total fee includes fees for committee work. In total, SEK 450,000 was paid out for committee work, whereof SEK 150,000 for Remuneration Committee and SEK 300,000 for Audit Committee work. For more details, refer to the minutes of AGM 2010 on Securitas website www.securitas.com

Remuneration Committee

The Board has also formed a Remuneration Committee to deal with issues related to salaries, bonuses, share based incentive schemes and other forms of compensation for Group Management, as well as other management levels if the Board of Directors so decides. The committee presents its proposals to the Board, for the Board's decision. The committee held one meeting during 2010. For members and attendance, refer to the table on page 45.

A share based incentive scheme was adopted at the Annual General Meeting 2010, which enables the Group to gradually have approximately 2,500 of Securitas' top managers as shareholders, thus strengthening employee ownership in Securitas' future success and development for the benefit of all shareholders. The adopted incentive scheme entails in principal that 1/3 of any annual bonus earned under the performance-based cash bonus schemes, after a 20 percent increase of the potential maximum amount, will be converted into a right to receive shares, with delayed allotment and subject to continued employment. For participants in the program, salaries were also frozen during 2010 (to the extent possible with regard to local rules and undertakings). For more information on the actual outcome of the share-based incentive scheme in 2010 see note 12 on page 108.

The guidelines for remuneration to Management that were adopted at the Annual General Meeting 2010 principally entailed that remuneration and other terms of employment for management should be competitive and in accordance with market conditions, to ensure that Securitas will be able attract and retain competent 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 a variable remuneration which will be based on the outcome of set financial goals and growth targets within the individual area of responsibility (Group or division) and such remunerations should agree with the interest of the shareholders.

The variable remuneration should amount to a maximum of 60 percent of the fixed annual salary for the President and CEO and a maximum of 42 to 200 percent of the fixed annual salary for other members of Group Management. These limits were increased compared to previous years due to the share based incentive scheme.

The undertakings of the Group as regards variable remuneration to Group Management may, at maximum within all divisions during 2010, amount to MSEK 58. The complete guidelines for remuneration can be found on Securitas' webpage.

Additional information on remuneration to the Board of Directors and Group Management is disclosed in the Notes and comments to the consolidated financial statements 2010. See note 8 pages 100-103.

Group Management

Group Management is charged with the overall responsibility for conducting the business of the Securitas Group, in line with the strategy and long-term goals adopted by the Board of Directors of Securitas AB. The primary tool used by Group Management to measure accomplishment of strategies and to guide the employees and organization toward achieving its objectives is the financial framework and model that is further described on pages 54-55. Group Management 2010 comprised the President and CEO and 11 executives. For further information on the members of Group Management, please see pages 56-57.

Auditors

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

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

The audit is performed in compliance with the Swedish Companies Act and generally accepted auditing standards in Sweden, which are based on International Standards on Auditing (ISA). The auditors have, upon instruction from the Board of Directors, conducted a general examination of the interim report for the period January 1 until June 30, 2010.

Policies that apply to governance

Securitas has adopted a **communication policy**, approved by the Board of Directors, in accordance with the stock market's requirements for information with the aim of ensuring that the company fulfills these requirements. The policy covers both written information and verbal statements and applies to the Board of Directors, Group and divisional management as well as country and regional management.

The Board of Directors of Securitas has adopted an **insider policy** as a complement to the insider legislation in force in Sweden. This policy is applicable to all persons reported to the Swedish Financial Supervisory Board (Finansinspektionen) as holding insider positions in Securitas AB (subsidiaries included), as well as certain other categories of employees. Each person subject to the insider policy is individually notified thereof. Securitas has adopted a **Code of Conduct** to ensure that the company upholds and promotes the highest ethical business standards. Securitas' basic requirement is to act within the framework of laws and international conventions. This means that Securitas respects and complies with competition rules, environmental legislation, labor market regulations, agreements and safety requirements and other provisions that set the parameters of our operations. For further information on Securitas' responsibility with regard to social, economical and environmental issues, refer to pages 32-34.

Audit fees and reimbursement (PwC)

Audit fees and reimbursements to auditors have been paid for audit and other reviews in accordance with existing laws, as well as for advice and assistance in connection with reviews undertaken. Fees have also been paid for independent advice. The advice is mainly audit-related consultations in accounting and tax matters in relation to restructuring work.

MSEK	Group			Parent Company		
	2010	2009	2008	2010	2009	2008
Audit assignments	27.2	25.6	24.9	5.2	4.9	4.7
Additional audit assignments	2.8	2.8	4.1	0.6	0.6	0.6
Tax assignments	17.1	19.4	16.3	4.4	4.9	5.3
Other assignments ¹	15.0 ²	6.0 ²	16.8 ²	4.0	3.4	5.2
Total PwC	62.1	53.8	62.1	14.2	13.8	15.8

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

² Other assignments include capitalized fees of MSEK 0.0 (1.5 and 9.7).

Internal Control Provides Assurance

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

Control environment

The key features of the control environment include: the clear terms of reference for the Board and each of its committees, a clear organizational structure, with documented delegation of authority from the Board to Group Management, the competence of employees and a series of Group policies, procedures and frameworks.

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

Emphasis is placed on the competence and abilities of the Group's employees with continuing education, training and development actively encouraged through a wide variety of schemes and programs. The Group has three fundamental values - Integrity, Vigilance and Helpfulness - for its employees to exercise judgment and make decisions on a consistent basis.

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

Risk assessment

At the highest level, the Board considers where future strategic opportunities and risks lie, and

Compliance with the Swedish Corporate Governance Code (the Code)

According to the Swedish Companies Act and the Swedish Corporate Governance Code, the Board of Directors is responsible for internal control and risk management. This report has been prepared in accordance with the Code and Chapter 6, section 6 of the Swedish Annual Accounts Act, and focuses therefore on the internal controls over financial reporting. This description does not form part of the Annual Report.

helps shape the corporate strategy. Accountability for managing risks is clearly assigned to the Group, divisional and local management. Group Management has the day-to-day responsibility for the identification, evaluation and management of risks and for the implementation and maintenance of control systems in accordance with the Board's policies. Specifically, divisional management and established functional committees are responsible for ensuring that there is a process throughout the division to create risk awareness. 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.

The Group has an established, but evolving, system of enterprise risk management (ERM). It is integrated into the Group's business planning and performance monitoring processes regardless of the risk category concerned, and not only for the risks related to financial reporting described here. Procedures are in place to ensure that significant risks and control failures are escalated to Group Management and the Board, as required, on a periodic basis.

For more information on the broader enterprise risk management processes, refer to pages 58-61.

Control activities

Internal control covers all divisions and subsidiaries in the Group and includes methods and activities for securing assets, controlling the accuracy and reliability of internal and external financial reports and ensuring compliance with defined guidelines.

Self assessment Every major operating unit throughout the Group performs an annual self assessment, which is part of the enterprise risk management process and includes the key financial reporting risks and measures compliance with the Group policies and reporting manual. Self assessment promotes control awareness and accountability.

The sections related to financial reporting are signed off by each entity's president and controller. As a part of this process, the external auditor and/or another internal or external resource, performs a validation of the answers given in the questionnaire to questions deemed as risk areas, for the selected reporting units. The answers are compiled at divisional and Group levels to support benchmarking within a division or between divisions. Reported deviations include written comments on planned improvements to address these deviations, and a deadline for when planned actions will be in place. All reports are made available to Divisional Management, Group Management and the Audit Committee.

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

In 2010, the focus on new countries in the Group has continued, since they have been assessed a risk area in terms of integration from a financial reporting and control standpoint. The diagnostic entails a kit covering IFRS reporting compliance as well as key controls within financial reporting processes and IT security.

Another area that has been subject to specific diagnostics in 2010 is contract management, and compliance with Group policies in this area. This is assessed as a key risk area, although not from a financial reporting perspective and is therefore not described here. For more information on this risk area refer to pages 60-61.

Financial reporting 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. They receive continuous feedback on reporting quality from the Group, which is an effective tool for enhanced reporting. In addition, each division has a divisional controller with corresponding responsibilities at the divisional level.

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

Information and communication

A program of communication exists and is constantly being developed to ensure that all staff are given clear objectives and are made aware of the parameters that constitute acceptable business practices and the expectations of the Board in managing risks. This provides a clear definition of the Group's purpose and goals, accountabilities and the scope of permitted activities of employees.

Systems and procedures have been implemented to provide management with the necessary reports on business performance relative to established objectives. Information systems are in place to ensure that reliable and timely information is made available to management, enabling them to carry out their responsibilities adequately and efficiently.

Monitoring

Monitoring is performed at different levels and by different functions in the organization. The key ones: Board of Directors, Audit Committee, Group Management, functional committees, management assurance, Group legal function and Group risk organization are described in more detail on the following page.

Group Management

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

Functional committees

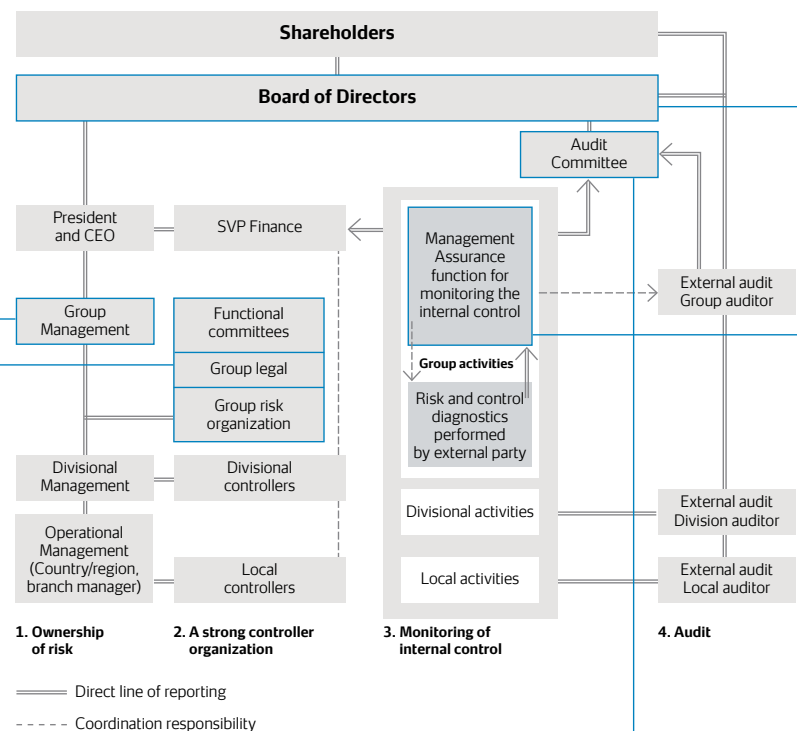
The Group has established a number of functional committees and working groups including the functions for Reporting, Finance/Treasury, Insurance/Risk, Legal, Tax, and Internal Control. These committees include the Senior Vice President Finance and/or Senior Vice President Corporate Finance, and the 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 where topics subject to reporting to the Audit Committee are discussed.

Group legal function

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

Organization of internal control



Group risk organization

The Group risk organization is responsible for providing opportunities to take and manage the risks that are necessary to achieve Securitas' strategies and goals. Risk management is an integral part of the Securitas culture. The risk management process is continuously evolving. The risk management of the Group is further described on pages 58-61.

Audit Committee

The Audit Committee reviews all annual and quarterly financial reports before recommending their publication on behalf of the Board. The Audit Committee in particular discusses significant accounting policies, estimates and judgments that have been applied in preparing the reports. The Audit Committee supervises the quality and independence of the external auditors.

Board of Directors

The activities of the Board of Directors and the division of responsibility between the Board and Group Management are governed by formal procedures. The Board considers risk assessment and control to be fundamental to achieving its corporate objectives with an acceptable risk/reward profile. The Board plays an important role in the ongoing process for 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 system of internal control include:

- Discussion with Group Management on risk areas identified by Group Management and the performed risk assessment procedures
- Review of significant issues arising from external audits and other reviews/investigations

The Board of Directors has established an Audit Committee in order to monitor the effectiveness of the Group's internal control systems and financial reporting process.

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 report directly to the Senior Vice President Finance with an open line of communication to the Audit Committee.

The function prepares an annual plan for its work, which is approved by the Audit Committee. The results of the function's work, which includes the execution and coordination of internal audit related activities during the year, are presented at the Audit Committee meetings. The Management Assurance Director participated in all Audit Committee meetings during 2010.

In line with one of the Group's fundamental principles, this function has continued to develop step-by-step to improve the Group internal control through different activities during the year with fine-tuning of follow-up procedures and reporting as well as the identification of risks related to financial reporting and the examination of the effectiveness of internal controls related thereto. During 2010, specific focus has been placed on further

development and improvement of the enterprise risk management process and related tools. Sharing knowledge through different activities is also a key part of improving the control environment. The function works with a combination of internal resources and 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 the Group faces, which fits Securitas' business model.

Current responsibilities include:

- Assisting the control self-assessment process, specifically to ensure action plans are made when required
- Monitoring the results of the risk and control diagnostics undertaken during the year, and ensuring the appropriate follow-up of agreed actions
- Assisting in risk management development, implementation and coordination processes
- Determining and planning areas of specific focus and/or control diagnostics based on risk assessments made, discussions with divisional management and audit findings
- Participating in and/or performing certain audit and review activities, such as risk and control diagnostics
- Monitoring communication from the external auditors and ensuring prompt follow-up and implementation of any recommendations that impact the internal controls of the company
- Supporting Group Management when reviewing and discussing audit plans with external auditors in order to coordinate and communicate matters internally, such as scoping, timing and documentation requirements

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

Stockholm, March 11, 2011

The Board of Directors of Securitas AB

Auditor's report on the Corporate Governance Statement¹

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

It is the Board of Directors who is responsible for the corporate governance statement for the year 2010 on pages 41-51 and that it has been prepared in accordance with the Annual Accounts Act.

As a basis for our opinion that the corporate governance statement has been prepared and is consistent with the annual accounts and the consolidated accounts, we have read the corporate governance statement and assessed its statutory content based on our knowledge of the company.

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 11, 2011

PricewaterhouseCoopers AB

Peter Nyllinge
Authorized Public Accountant

¹ Translation of the Swedish original.

Well-established Management and Financial Model

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

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

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

Decentralized organization and responsibility promote entrepreneurship

Securitas has a decentralized organizational model that focuses on almost 1,650 branch managers in approximately 1,800 branch offices, where the company's daily operations are carried out. The company's customer offering improves when decisions are made in close proximity to customers and

the employees who perform the services. Our customers are entitled to be demanding, and to work with independent and strong local managers with the right expertise. The branch offices are run by qualified managers with considerable freedom to develop and conduct operations. Each branch has its own statement of income, for which they are fully responsible. Incentive programs are used to further encourage personal dedication to the operating and financial performance of the company. Securitas' extensive decentralization promotes a high degree of personal entrepreneurship.

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

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

A financial model that is easy to understand

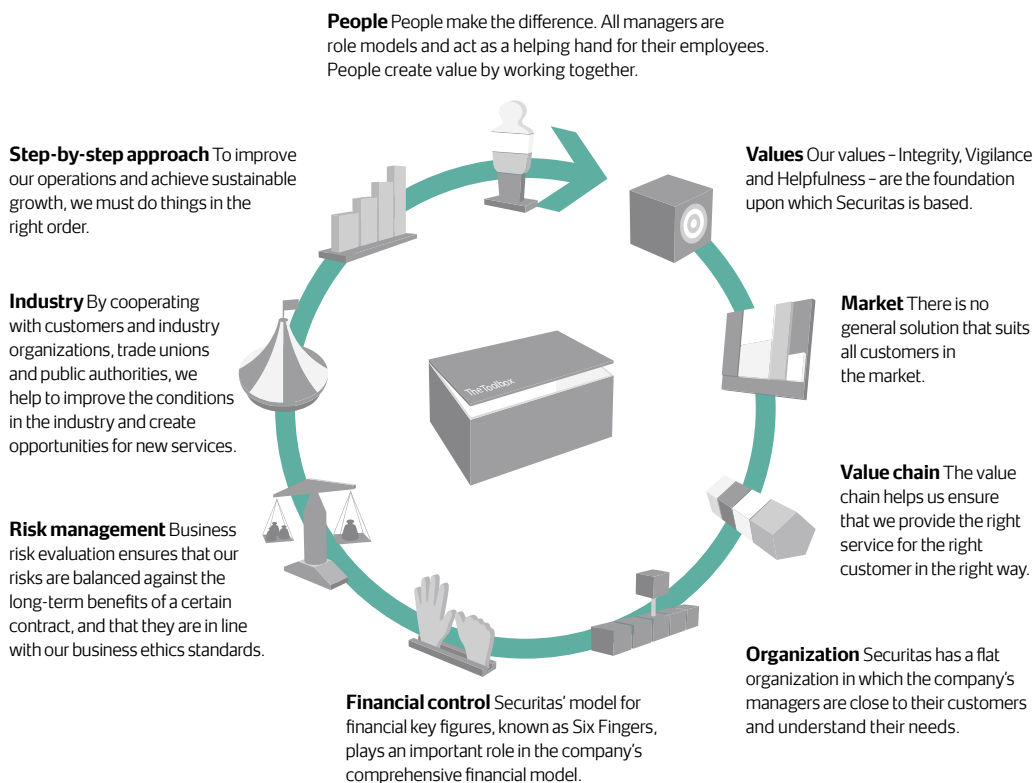
To ensure that the company is able to implement its strategies, and to guide Securitas' employees and organization in their efforts to achieve their objectives, the Group has established a financial framework that continuously measures the Group's performance, from the branch offices through to Group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

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

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

Securitas' financial reporting is based on the following foundations:

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



Securitas' financial model

RELATIONSHIPS BETWEEN INCOME, CASH FLOW AND BALANCE SHEET

Statement of income

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

Statement of cash flow

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

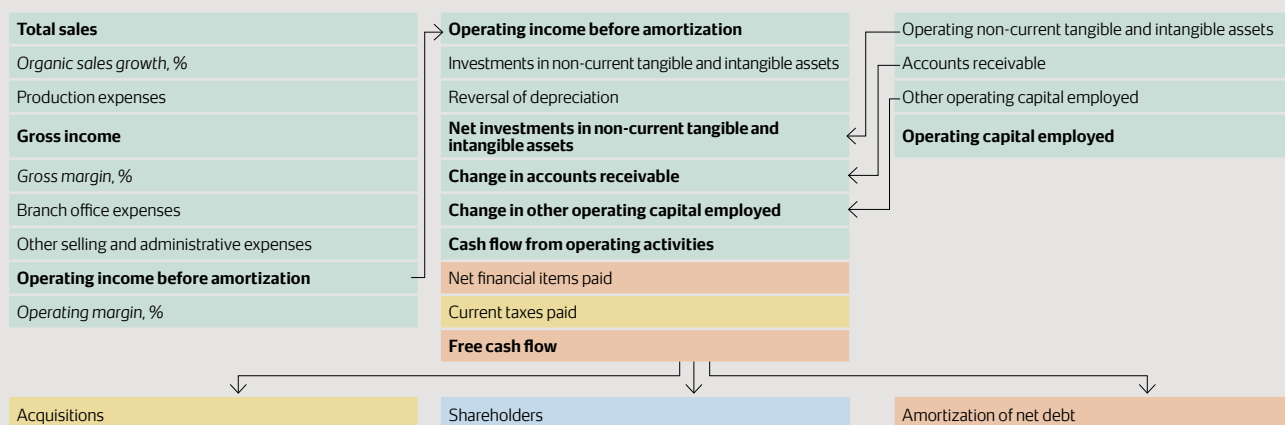
Free cash flow is cash flow from operating activities less net financial items paid and current taxes paid. Cash flow for the year is arrived at when cash flow relating to acquisitions and shareholders' equity is deducted from free cash flow. The consolidation of net debt in foreign currencies usually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

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

Balance sheet

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

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



This picture shows the connection between the statement of income, the statement of cash flow and the balance sheet. Different colors are used for the sake of clarity.

Operating items Net-debt-related items Goodwill, taxes and non-operating items Items related to shareholders' equity

FINANCIAL KEY FIGURES AND HOW WE USE THEM

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

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

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

Volume-related factors

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

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

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

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

Efficiency-related factors

The efficiency-related key figures provide managers with tools to monitor service efficiency and cost trends. The fourth and fifth key figures are:

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

Capital-usage-related factors

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

SECURITAS MODEL FOR FINANCIAL KEY FIGURES

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

Group Management



Alf Göransson



William Barthelemy



Bengt Gustafson



Bart Adam



Santiago Galaz



Erik-Jan Jansen

Alf Göransson b. 1957

President and CEO of Securitas AB.

Shares in Securitas: 30,000 Series B shares.

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

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

Bart Adam b. 1965

Divisional President, Security Services Europe.

Shares in Securitas: 4,500 Series B shares.

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

William Barthelemy b. 1954

Chief Operating Officer, Security Services North America.

Shares in Securitas: 17,000 Series B shares.

Bill Barthelemy brings over 30 years of industry experience to the organization. With a Criminology degree from Indiana University of Pennsylvania, USA, Bill began his career as an Investigator and has later worked in many field capacities, including Regional Operations Director and Region President. Bill is an active member of the American Society of Industrial Security, as well as the National Association of Chiefs of Police.

Santiago Galaz b. 1959

Divisional President, Security Services North America.

Shares in Securitas: 60,000 Series B shares.

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

Bengt Gustafson b. 1949

Senior Vice President Chief Legal Counsel.

Shares in Securitas: -

Bengt Gustafson's previous experience includes positions as Chief Legal Officer of Metso Minerals and Chief Legal Counsel of Svedala Industri AB. He has also worked as Chief Legal Counsel in France. In addition to his Swedish law degree, Bengt Gustafson has earned a Masters of Law degree from University of California, Berkeley, USA.

Other assignments: Bengt was the President of European Company Lawyers Association, between 2004 and 2007.

Erik-Jan Jansen b. 1965

Divisional President, Mobile.

Shares in Securitas: -

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



Gisela Lindstrand



Aimé Lyagre



Marc Pissens



Jan Lindström



Lucien Meeus



Kim Svensson

Gisela Lindstrand b. 1962

Senior Vice President
Corporate Communications and Public Affairs.
Shares in Securitas: 1,000 Series B shares.
Gisela Lindstrand has a degree in Political science from Uppsala University, Sweden. She came to Securitas AB in 2007 from Pfizer AB, where she was the Government Affairs Director. Previous positions include Press Relations Manager at NCC AB, Information Director at SABO AB and Press Relations Manager and Political Advisor to the former Swedish Prime Minister Ingvar Carlsson. Gisela has also worked as a journalist.

Jan Lindström b. 1966

Senior Vice President Finance.
Shares in Securitas: 3,500 Series B shares.
Jan Lindström joined Securitas in 1999 as controller for the Group's treasury in Dublin. In 2003 he became head of the Group's reporting function at the head office in Stockholm and in 2007, he was appointed Senior Vice President Finance. Jan holds a BSc in Economics and Business Administration from Uppsala University in Sweden and previously he worked as an Authorized Public Accountant in PricewaterhouseCoopers.

Aimé Lyagre b. 1959

Chief Operating Officer, Security Services Europe.
Shares in Securitas: 1,400 Series B shares.
Aimé Lyagre joined Securitas in 2004 as General Manager of Securitas Alert Services in the Netherlands and one year later for the Benelux. In 2007, he became Country President of Securitas Services Belgium. In 2010, Aimé was appointed Chief Operating Officer Security Services Europe. Aimé graduated as an Industrial Engineer and holds a degree in Business Administration as well as a Master's degree in Industrial Management and Marketing Management.

Lucien Meeus b. 1947

Divisional President, Monitoring.
Shares in Securitas: 5,500 Series B shares.
Lucien Meeus previously worked in the telecom and pipeline industries, for Raychem Corporation and TD Williamson. In 1997, Lucien started Belgacom Alert Services, specializing in alarm monitoring, that became a subsidiary of Securitas AB in 2005. Lucien graduated as a Technical Engineer in Mechelen, Belgium, and holds a Postgraduate Diploma in Business Administration from UAMS, Antwerp, Belgium and has taken part in a Postgraduate Partnership Program at IMD, Lausanne, Switzerland.

Marc Pissens b. 1950

Divisional President, Aviation.
Shares in Securitas: -
Marc Pissens has over 20 years of security industry experience. Within Securitas he has been President for the Benelux organization, Managing Director of Securitas Netherlands and Securis/Securair Belgium and President of Globe Aviation (USA). Marc Pissens is President of the CoESS (Confederation of European Security Services) and founder and President of ASSA-I (Aviation Security Services Association - International). Marc holds an engineering degree from the Engineering Institute of Brussels, Belgium.

Kim Svensson b. 1966

Senior Vice President Corporate Finance.
Shares in Securitas: 300 Series B shares.
Kim Svensson was employed at Securitas in 1993 and has broad experience in the security service industry. He has held several positions in Securitas, both operational and staff positions. In 2010, Kim was appointed Senior Vice President Corporate Finance. Previously, he worked as Divisional Controller of Securitas Latin America. Kim holds an International MSc in Economics and Business Administration from Växjö University in Sweden.

Risk Management – an Integral Part of our Work

Managing risk is necessary for the fulfillment of Securitas' strategies and the achievement of its corporate objectives. Enterprise Risk Management (ERM) is an integral part of Securitas' operations, and risk awareness is part of the company culture.

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

At Group level, Group Management sets the risk management policies for the entire Group. Ultimately, the responsibility for claims settlement and for purchasing strategic insurance programs also lies at Group level. In addition, the Group conducts at least one business risk evaluation seminar each year for all divisions, with participants from the divi-

sions, countries or regions. The purpose of these seminars is to increase the awareness and understanding of risks to which the company is exposed, and to monitor compliance with policies and guidelines by reviewing certain contracts and/or processes.

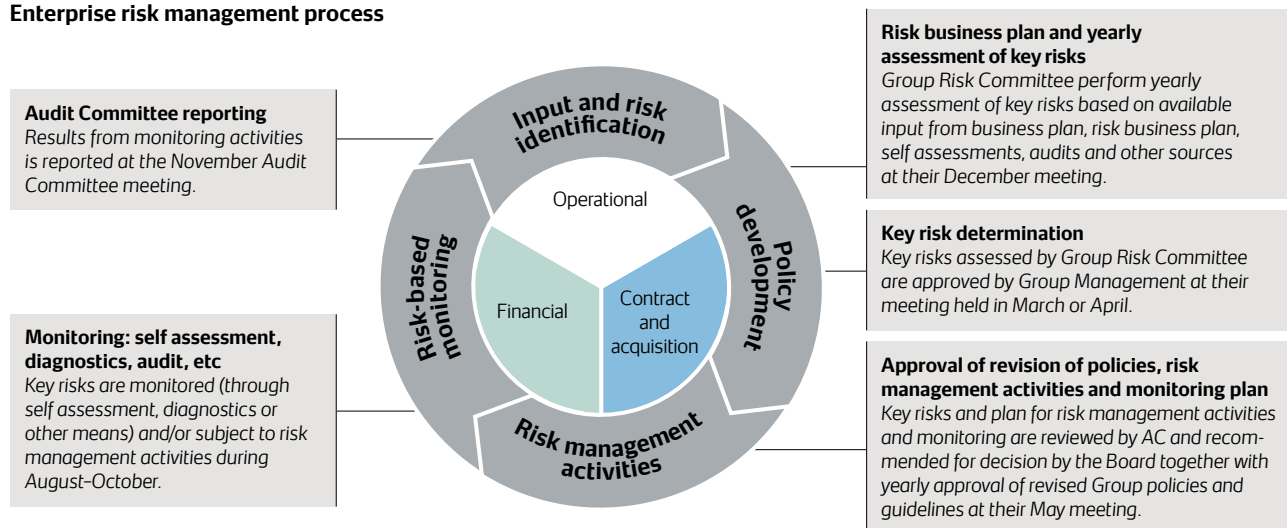
The ERM system is integrated into the Group's business planning and performance monitoring processes regardless of the risk category concerned. The yearly risk assessment process is coordinated by the Group Risk Committee, which is also responsible for the maintenance of the risk register. See the illustration below.

Securitas is exposed to various types of risks in its daily business. When providing security services, Securitas manages not only its own risks, but also risks on behalf of its customers. Minimizing the risk of a loss occurring, and thereby protecting our customers and employees, is the most important objective.

Securitas' risks have been classified into three main categories; contract and acquisition, operational assignment and financial risks. Refer to page 60 for further elaboration on the categories and related key risks, including how these are handled.

The divisional presidents are responsible for all aspects of operations in their divisions, including operational risk management and risk minimization.

Enterprise risk management process



As part of the annual budget process, each level of the organization prepares a risk business plan, which sets the main focus and priorities for operational risk management within countries, divisions and Group for the coming year. Mobile and Monitoring and the new market organizations use shared risk management resources. Security Services North America, Security Services Europe and Aviation, have their own risk committees, which meet on a regular basis to monitor and follow up risk exposure.

Due to the fact that operational assignment risks and contract risks arise in local operations, these are best managed with a decentralized approach. Customer contract management and loss prevention measures are essential for minimizing these risks.

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

RISK RESPONSIBILITIES

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

Insurance as a risk management tool

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

We work proactively and implement claims management processes in order to monitor and review trends and developments. Claim reports with updated information on claims and reserves are sent to all local risk managers and controllers on a monthly basis, and claims are analyzed. Regular meetings are also held with insurance companies.

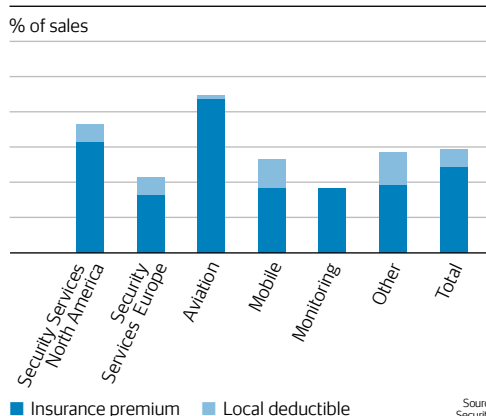
Throughout Securitas, we set up loss prevention and loss limiting measures as if we were uninsured. The insurance premium allocation seeks to reflect historical loss levels; all divisions are measured on

their cost of risk (insurance cost plus cost of retained losses).

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

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

COST OF RISK - PROPORTIONS¹



¹ Purpose of the graph is to illustrate that cost of risk proportions vary between the different divisions depending on risk exposure and retained cost for frequency losses.

Overview of risks and how they are handled

Securitas' risks fall into three main categories. These are contract risks, operational assignment risks and financial risks. The categories are based on the natural flow of the business – first you enter into a contract, followed by the execution of the assignment and ending up in a financial result. Similar risk categories are also relevant for acquisitions, but are then classified as acquisition risks, operational integration risks and financial integration risks. All of the risks within these categories can impact the Group's financial performance and position if they are not managed in a structured way. Below are examples of risks with high-level management attention.

Risk category	Key risks
<p>Contract risks (and acquisition risks) This category encompasses the risks related to entering into a customer contract, and the risks related to the acquisition of a new business.</p>	<p>Contract risk – risk that unreasonable obligations and risks are undertaken in the contract, entailing unbalanced terms for the type of assignment in question, such as unreasonable liability, unrealistic service levels or unfavorable pricing mechanisms. These factors could impact margins and profitability.</p>
<p>Operational assignment risks (and operational integration) This category includes risks that are associated with the daily operations, and the services we provide to our customers, such as when services do not meet the required standards and result in loss of property, damage to property or bodily injury. This category also encompasses all risks related to the infrastructure necessary to run the business, with functions such as IT, human resources and legal.</p>	<p>Acquisition risk – risk that the due diligence process and other activities do not capture all necessary information for making the proper decision, from a financial perspective but also from a cultural perspective and/or that the share purchase agreement is not structured properly for handling risks related to findings from the process.</p> <p>Assignment execution risk – risk that agreed contractual requirements are not met, which in turn could adversely impact contract portfolio churn rate, growth, customer relations and reputation.</p> <p>Compliance (regulatory and other) risk – risk that regulatory and other requirements are not met, which could result in lower quality, higher costs, lost income, delays, penalties, fines or reputational damage.</p> <p>IT failure risk – risk of not being able to manage disruptions in an effective manner, which could cause significant disruption of operations, affect the accuracy and timeliness of reporting and potentially cause reputational damage.</p> <p>Price risk – risk of not being able to manage price/wage increases in a desired manner, which could lead to deteriorated margins.</p>
<p>Financial risks (and financial integration) This category includes risks related to financial reporting but also financial risks related to external financing needs and currency exposure. To allow the business segments, countries and regions to focus fully on their operations, the management of financial risks (other than those related to financial reporting) is centralized to the greatest extent possible to the Group Treasury Centre.</p>	<p>Management estimates and assumption risks – risk that account balances and off-balance sheet items with high subjectivity (such as goodwill, portfolio, pensions, legal exposures, risk reserves, deferred taxes, etc) are not properly scrutinized resulting in inaccurate presentation of financial position.</p>

Mitigation



In order to manage contract risks in a structured way in the operations, we use the business risk evaluation model, the Scale, which is part of Securitas management model, the Toolbox. The model evaluates the assignment, risk, contract terms and financial aspects (for a more detailed description of how the model

works refer to pages 38-39 of the Annual Report 2009). The Group has formal policies and guidelines for defining the approval process and authorization levels for new contracts, but also how to manage existing contracts.

In addition, operations are protected by a customized Securitas insurance program, should unforeseen events occur.

Since contract is a key risk, Securitas monitors this through reviews (called diagnostics) to test the effectiveness of controls in the contract management process. The areas reviewed include whether the "Scale" is properly used and understood, whether local policies comply with Group policies, whether approval has been obtained at the designated level, whether standard contracts have been used where possible, and whether appropriate follow-up procedures are in place.

The Group has formal acquisition policies and guidelines for defining the approval process around acquisitions, to ensure that all business acquisitions are appropriately approved and rigorously analyzed for the financial and operational implications of the acquisition. Policies cover areas such as approval levels, share purchase agreement deal structures,

due diligence checklists and how the due diligence is to be performed with regards to internal and external resources depending on the characteristics of the acquisition. The Group also conducts post-acquisition appraisals on a periodic basis.

Local procedures for security services should include a process for written site instructions ensuring they are defined, up-to-date, known and understood.

Group policy requires local human resources policies covering the areas of hiring employees, retaining employees, development and training and compliance with relevant laws and regulations. Proper recruitment, training and supervision of security officers are important to mitigate the risk of inappropriate assignment execution.

It is mandatory that local processes include procedures to ensure compliance with relevant laws and regulations, and that there is an assigned responsibility for recurring review and action plans that are in place for addressing any issues identified.

The review procedures in the Group are also designed to capture any changes in regulatory requirements, which may also affect Securitas' activities, and to take appropriate actions.

Group IT policies and guidelines require controls over IT disruption including areas such as risk assessment and contingency plans, covering all relevant areas including regular updates and testing.

The Group focuses on and monitors price/wage increases on a regular basis. The processes include measurement, communication, training and

support for staff involved in the pricing of our services, both at the inception of a contract and for price adjustments.

Financial risks are mainly managed through the continuous measurement and monitoring of financial performance, with the help of Securitas' financial model (read more on pages 54-55). This model identifies certain key figures that are vital to the profitability of the operations, and facilitates the detection and handling of risks.

The accuracy of assumptions used in pension fund measurement is monitored. In addition to the use of external actuaries for each plan, the Group also retains actuarial advisors to advise on the Group's overall pension exposure. The Group has a structured process that focuses on the accuracy of assumptions used and a review of the pension reporting and governance.

It is mandatory that estimates are documented, signed and authorized by the appropriate parties. Monthly reviews include the analysis of account balances and off-balance sheet items with high subjectivity.