

Governance and Management

Corporate Governance and Management 26-45

Securitas management model - Toolbox	27
Shareholders	28
Annual General Meeting	28
Nomination Committee	28
Board of Directors	28
Audit Committee	30
Remuneration Committee	30
Compliance with the Code	31
Facts on Board of Directors	32-33
Facts on Group Management	34-35
Enterprise risk management (ERM) and internal control	36
Auditors	45
Auditor's report on Corporate Governance Statement	45

Compliance with the Swedish Corporate Governance Code (the Code)

The corporate governance report, which has been prepared in accordance with Chapter 6, Section 6 and 8 of the Swedish Annual Accounts Act, provides key information concerning compliance with the Swedish Corporate Governance Code, shareholders, the Annual General Meeting, Nomination Committee, Board of Directors and their work, including committees, remuneration and the division of responsibilities throughout the governance structure. This section also covers Securitas' system of internal control and risk management, which is the responsibility of the Board of Directors according to the Swedish Companies Act and the Swedish Corporate Governance Code. This description does not form part of the Annual Report.

In the Internal control section pertaining to risk, we have opted to widen the scope of our description and explain how enterprise risk management works in the broader perspective regardless of the type of risk, which means that our focus is not confined to risk related to internal controls over financial reporting. Fulfilling our strategies and objectives while maintaining an appropriate risk level is imperative, which is why risk management procedures span all levels of the organization.

Read more at www.securitas.com/corporate-governance

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.

Comments by the Chairman



Securitas aims to lead the transformation of the security industry from traditional guarding to protective services based on people, technology and knowledge. We offer tailored security solutions based on customer-specific needs, built through various combinations of on-site, mobile and remote guarding, electronic security, fire and safety, and corporate risk management.

The industry is affected by events in our environment that result in insecurity. Securitas has the expertise, trust and resources to contribute to a safer society. To succeed, we need knowledge and insight - not only about the internal work performed and actions taken in relation to our strategy, but also about the changes affecting and driving the markets.

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

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

To facilitate this work, we have systems, routines and procedures in place for monitoring targets, internal control and risk management. The Board performs its duties through formal Board meetings and committee work. Together with Securitas' management, we establish a direction for the company and make overall decisions on how Securitas' assets are to be used for investments, acquisitions and dividends. All of our decisions are well founded and thoroughly discussed to ensure that we are moving in a direction that is in line with the strategy, always considering the long-term perspective.

Securitas' management is dedicated to continued development that will benefit all Securitas stakeholders. On behalf of the Board of Directors, I would like to thank all Securitas employees for their hard work and commitment.

Stockholm, March 14, 2017

Marie Ehrling
Chairman of the Board
Securitas AB

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 achieve 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 53 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 encouraged 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 it is fully responsible. Incentive programs are used to further encourage personal dedication to the operating and financial performance of the company.

Securitas' Toolbox management model has a methodical structure that includes 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. 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.

A financial model that is easy to understand

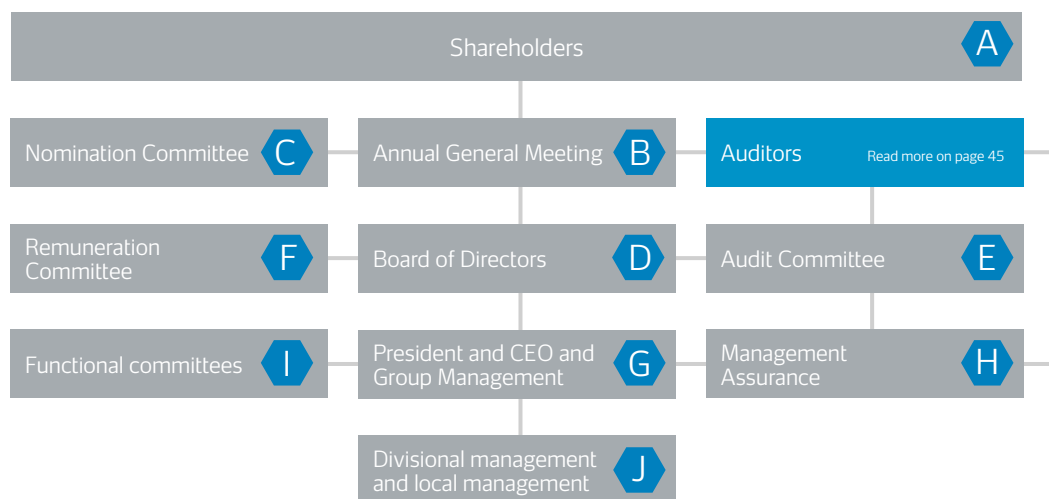
As part of our decentralized management, we are required to set and follow up on strict financial targets by continuously measuring and monitoring the Group's performance. Financial control is not simply about implementing controls, it also functions as an incentive for those employees who are in a position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

The financial framework and model continuously measure the Group's performance, from the branch offices through to Group level. The 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 pages 46–47 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.

Governance and management

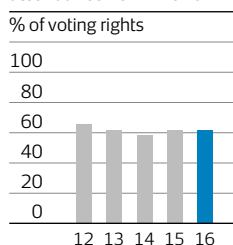
Board of Directors' report on corporate governance and internal control



Number of shareholders 2012-2016

2012	27 222
2013	26 054
2014	24 274
2015	25 734
2016	31 221

Annual General Meeting attendance 2012-2016



A Shareholders

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

On December 31, 2016, the principal shareholders in Securitas were Gustaf Douglas who, through his family and Investment AB Latour Group, held 10.9 percent (10.9) of the capital and 29.6 percent (29.6) of the votes, and Melker Schörling who, through his family and Melker Schörling AB, held 5.4 percent (5.4) of the capital and 11.6 percent (11.6) of the votes. For more detailed information about shareholders, see the table on page 135.

B Annual General Meeting

All shareholders are able to exercise their influence at the Annual General Meeting, which is the company's highest decision-making body. The Annual General Meeting decides on changes to the Articles of Association. The Articles of Association contain no limitation on the number of votes that each shareholder may exercise at a shareholders' meeting. Each shareholder may thus vote for all shares held at the shareholders' meeting. The Annual General Meeting of Securitas AB was held on May 4, 2016, and the minutes are available on www.securitas.com, where all resolutions passed can be found. One of the resolutions passed in 2016 was the authorization for the Board to resolve upon acquisition of the company's own shares. Shareholders representing 61.9 percent (61.9) of the votes attended either personally or by proxy. For information about election and remuneration of Board members, see the Board of Directors section (D).

C Nomination Committee

The Nomination Committee is a body established by the Annual General Meeting with the task of preparing motions regarding the election of Board members, the Chairman of the Board and remuneration to Board members and Board committees. 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 2016, Carl Douglas was re-elected as Chairman of the Nomination Committee. Refer to AGM minutes for information on procedures for replacing members of the Nomination Committee who leave before its work is concluded.

The Committee has adopted working instructions that govern its work. The Nomination Committee should hold meetings as often as necessary to fulfill its duties. However, the Nomination Committee should hold at least one meeting annually. The Nomination Committee met once in 2016.

D Board of Directors

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

The Annual General Meeting elected Marie

Ehrling as new Chairman of the Board (replacing previous Chairman Melker Schörling) and Carl Douglas as Vice Chairman. For further information about the members of the Board of Directors and the President and CEO including remuneration, see pages 32–33.

Responsibilities of the Board of Directors

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

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

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

The Board ensures the quality of financial reporting through Group policies, procedures and frameworks, clear structures with defined responsibilities and through documented delegation of authority, which is further described in the enterprise risk management and internal control report, beginning on page 36. The Board has formed an Audit Committee (further described on page 30) and a Remuneration Committee (further described on page 30).

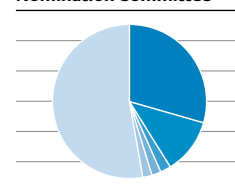
The work of the Board of Directors

The activities of the Board of Directors and the division of responsibility between the Board and Group Management are governed by formal procedures documented in a written instruction, which is adopted by the Board each year after the Annual General Meeting. According to these procedures, the Board should determine, among other things, the Group's overall strategy, corporate acquisitions and property investments above a certain level, and establish a framework for the Group's operations through the Group's business plan. The Board also plays an important role in the ongoing process of identifying and evaluating significant risks faced by the Group.

The procedures include a work instruction for the President and CEO, as well as instructions for financial reporting. The procedures also prescribe that an annual evaluation of the work of the Board of Directors should be carried out. On a yearly basis, all Board members submit their answers to a questionnaire issued by the Nomination Committee about the quality of the work in the Board. Based on this report, an evaluation is made in the Board and in the Nomination Committee.

The Board held nine meetings in 2016, of which three were held per capsulam. The auditors participated in the Board meeting that was held in conjunction with the yearly closing of the books, in February 2016, where they presented the audit.

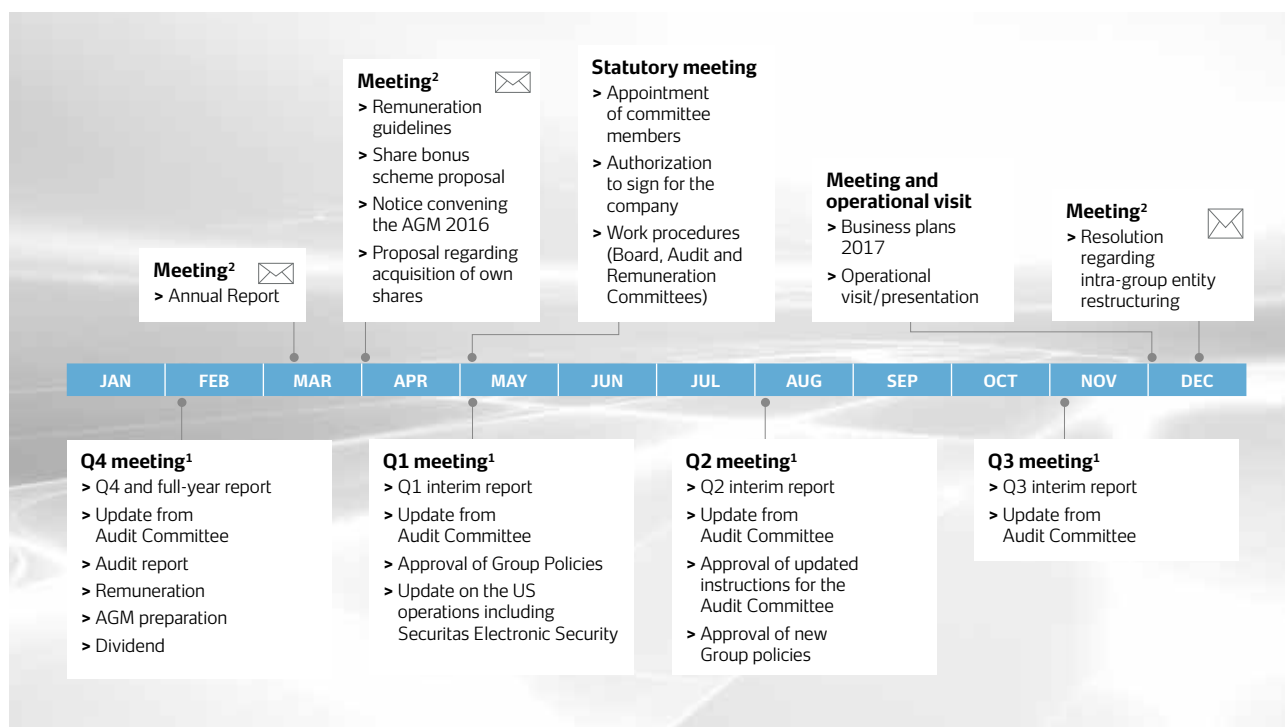
**Elected members,¹
Nomination Committee**



- Carl Douglas, major shareholder, 29.58%²
- Mikael Ek Dahl, Melker Schörling AB, major shareholder, 11.60%²
- Jan Andersson, Swedbank Robur Funds, 2.16%²
- Johan Sidenmark, AMF, 2.20%²
- Johan Strandberg, SEB Investment Management, 1.89%²
- Share of votes not represented in the Nomination Committee, 52.57%²

¹ At the Annual General Meeting held on May 4, 2016.
² Share of votes as of May 4, 2016.

The work of the Board of Directors



¹ 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 and funding.

² Held per capsulam.

Governance and management

Board of Directors' report on corporate governance and internal control

E Audit Committee

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

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

The Committee presents its findings and proposals to the Board, prior to the Board's decision. The Committee met four times during 2016. The major topics discussed are listed below.

F Remuneration Committee

The Board has formed a Remuneration Committee to prepare decisions related to salaries, bonuses, share-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 2016.

A share-based incentive scheme was adopted at the Annual General Meeting 2016, 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,

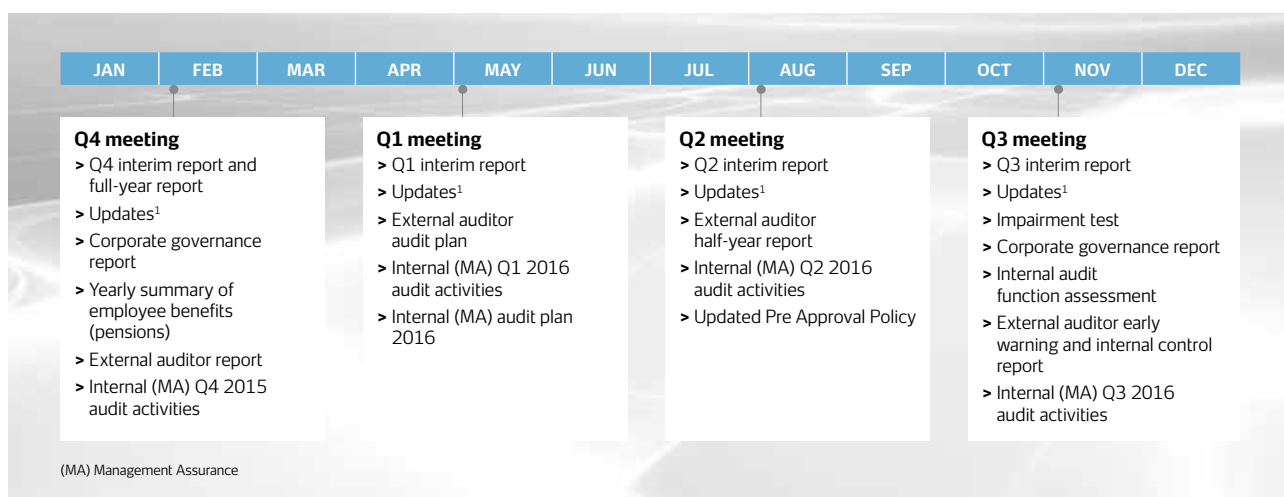
earned under the performance-based cash bonus schemes, is converted into a right to receive shares, with delayed allotment and subject to continued employment. The scope and content of the incentive scheme is unchanged compared to the share-based incentive scheme that was adopted at the Annual General Meetings in 2010 and forward. For more information on the actual outcome of the share-based incentive scheme in 2016, see note 12 on page 92.

The guidelines for remuneration to senior management that were adopted at the Annual General Meeting 2016 primarily entailed that remuneration to senior management and their terms of employment should be competitive and comply with market conditions, to ensure that Securitas is able to attract and keep competent senior management employees. The total remuneration to Group Management should consist of a fixed basic salary, variable remuneration, pensions and other benefits.

Thus, in addition to a fixed annual salary, Group Management may also receive variable remuneration, which shall be based on the outcome in relation to financial goals within the individual area of responsibility (Group or division) and which shall be aligned with the interest of the shareholders.

The variable remuneration should amount to a maximum of 60 percent of the fixed annual salary for the President and CEO, and a maximum of 42 to 200 percent of the fixed annual salary for other members of Group Management. The cost of the company for 2016 in terms of its obligations to pay variable remuneration to the Group Management is established to not exceed a total of MSEK 79 at maximum outcome. The complete guidelines for remuneration can be found on www.securitas.com.

The work of the Audit Committee



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

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 2016. See note 8 on pages 84-87.

G President and CEO and Group Management

The President and CEO and Group Management are charged with overall responsibility for conducting the business of the Securitas Group in line with the strategy and long-term goals adopted by the Board of Directors of Securitas AB. The primary tool used by President and CEO and Group Management to measure the execution of strategies and to guide the employees and organization toward achieving its objectives is the financial framework and the financial model.

In 2016, Group Management comprised the President and CEO and 12 executives with representatives from the divisions. For further information on Group Management, see pages 34-35.

H Management Assurance

The Management Assurance staff function operates as the Group's internal audit function and reports 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 2016.

For more information on the current responsibili-

ties of the Management Assurance function, refer to www.securitas.com.

I Functional committees

The Group has established a number of functional committees and work groups, including the functions for Finance/Tax and Assurance, Corporate Finance/Treasury and Legal/Risk and Insurance. These committees include the CFO, Senior Vice President Finance, Senior Vice President General Counsel and the appropriate functional area experts. The main purpose of these functional committees is to determine appropriate policies, communicate the policies and ensure local understanding (including training) of the policies, as well as monitoring key issues within each area of responsibility. Quarterly meetings are held with the President and CEO, at which topics that will be reported to the Audit Committee are discussed.

J Divisional and local management

Securitas' philosophy is to work in a decentralized environment where local management is primarily responsible for monitoring and ensuring compliance by local units with the Group Policies, including any division-specific policies and guidelines. Local management is responsible for the establishment and continued operations of a system of procedures and controls that ensures the reliability of the company's management and financial reporting information in the most economical and efficient manner possible. This includes ensuring a minimum of basic and supervisory controls in order to mitigate relevant risks. Local management reports to Group Management through divisional management on operational matters and local controllers report through divisional controllers on financial reporting matters.

Compliance with the Swedish Corporate Governance Code (the Code)

As a Swedish public company listed on Nasdaq 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 2016.

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

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

Code Rule 9.7 For share-based incentive programs, the vesting period, or the period from the commencement of an agreement to the date on which the shares are acquired, is to be no less than three years.

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

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

Governance and management

Board of Directors' report on corporate governance and internal control

Board of Directors

1 Marie Ehrling

Chairman, b. 1955
Director of Securitas AB since 2006 and Chairman since 2016
Chairman of Telia Company AB,
Vice Chairman of Nordea Bank AB,
Vice Chairman of Axel Johnson AB
Previously: President of Telia Sonera Sverige, Deputy CEO of SAS AB, responsible for SAS Airlines and other executive positions at SAS
Shares in Securitas: 4 000 Series B shares

2 Carl Douglas

Vice Chairman, b. 1965
Deputy Director of Securitas AB since 1992, Director since 1999 and
Vice Chairman since 2008
Vice Chairman of ASSA ABLOY AB,
Director of Investment AB Latour
Shares in Securitas: 12 642 600 Series A shares and 27 190 000 Series B shares¹

3 Alf Göransson

Member, b. 1957
President and CEO of Securitas AB since 2007
Chairman of Ligue Internationale de Sociétés de Surveillance and Loomis AB,
Director of Hexpol AB and Axel Johnson Inc., US
Previously: President and CEO of NCC AB 2001-2007, CEO of Svedala Industri AB 2000-2001, Business Area Manager at Cardo Rail 1998-2000 and President of Swedish Rail Systems AB in the Scancem Group 1993-1998
Shares in Securitas: 80 201 Series B shares

4 Anders Böös

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

5 Fredrik Cappelen

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

6 Sofia Schörling Högberg

Member, b. 1978
Director of Securitas AB since 2005
Director of Melker Schörling AB
Shares in Securitas: 4 500 000 Series A shares and 15 237 000 Series B shares²

Employee representatives⁷

7 Susanne Bergman Israelsson

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

8 Åse Hjelm

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

9 Jan Prang

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

Board member	Position			Attendance			Total fee ⁹ , SEK	Independent to company (5)	Independent to shareholders (3)
	Chairman	Audit Committee	Remuneration Committee	Board meetings (9)	Audit Committee meetings (4)	Remuneration Committee meetings (2) ⁸			
Marie Ehrling ³	Chairman	-	Chairman	9	2	1	1 400 000	Yes	Yes
Carl Douglas	Vice Chairman	-	Member	8	-	1	825 000	Yes	No
Alf Göransson (President and CEO)	Member	-	-	9	-	-	0	No	Yes
Anders Böös ⁴	Member	Member	-	5	2	-	640 000	Yes	No
Fredrik Cappelen ⁵	Member	Chairman	-	9	4	-	765 000	Yes	Yes
Sofia Schörling Högberg ⁶	Member	Member	-	9	2	-	640 000	Yes	No
Susanne Bergman Israelsson ⁷	Member	-	-	8	-	-	0	-	-
Åse Hjelm ⁷	Member	-	-	7	-	-	0	-	-
Jan Prang ⁷	Member	-	-	9	-	-	0	-	-

1 Private holdings and through Investment AB Latour Group.

2 Private holdings and through Melker Schörling AB. In addition, related parties hold 4 800 B shares.

3 Appointed Chairman of the Board of Directors at the Annual General Meeting, May 4, 2016, and appointed chairman of the Remuneration Committee at the Statutory meeting, May 4, 2016. Previous Member of the Board of Directors and Chairman of the Audit Committee.

4 Appointed member of Board of Directors at the Annual General Meeting, May 4, 2016, and also appointed member of Audit Committee at the Statutory Meeting of the Board of Directors on May 4, 2016.

5 Appointed Chairman of the Audit Committee at the Statutory Meeting of the Board of Directors at May 4, 2016.

6 Appointed member of Audit Committee at the Statutory Meeting of the Board of Directors on May 4, 2016.

7 Employee representatives, appointed members of the Board of Directors at the Annual General Meeting. Deputy employee representatives are Thomas Fanberg and Thomas Kristo. Thomas Fanberg (b. 1961) has been Deputy Director of Securitas AB since 2008. Employee Representative, Chairman of Salaried Employees' Union local branch, Securitas Norrland. Thomas Kristo (b. 1960) has been Deputy Director of Securitas AB since 2016. Employee representative, Swedish Transport Workers' Union.

8 The first of the two meetings of the year was attended by members no longer members of the Board.

9 Total fee includes fees for committee work. In total, SEK 650 000 was paid out for committee work, of which SEK 150 000 for Remuneration Committee work and SEK 500 000 for Audit Committee work. For more details, refer to the minutes of the Annual General Meeting 2016 on Securitas' website: www.securitas.com.

All figures refer to holdings on December 31, 2016.

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



Governance and management

Board of Directors' report on corporate governance and internal control

Group Management

1 Alf Göransson

President and CEO of Securitas AB
Born: 1957
Employed: 2007
Shares in Securitas: 80 201 Series B shares¹

2 Bart Adam

Chief Financial Officer
Born: 1965
Employed: 1999
Shares in Securitas: 26 023 Series B shares¹

3 Magnus Ahlqvist

Divisional President,
Security Services Europe
Born: 1974
Employed: 2015
Shares in Securitas: 100 000 Series B shares¹,
100 000 share options³

4 Martin Althén

Chief Information Officer
Born: 1968
Employed: 2016
Shares in Securitas: 0¹

5 William Barthelemy

Chief Operating Officer,
Security Services North America
Born: 1954
Employed: 1999
Shares in Securitas: 42 367 Series B shares¹

6 Santiago Galaz

Divisional President,
Security Services North America
Born: 1959
Employed: 1995
Shares in Securitas: 167 493 Series B shares¹

7 Gisela Lindstrand

Senior Vice President, Corporate
Communications and Public Affairs
Born: 1962
Employed: 2007
Shares in Securitas: 3 091 Series B shares¹

8 Jan Lindström

Senior Vice President, Finance
Born: 1966
Employed: 1999
Shares in Securitas: 7 679 Series B shares¹

9 Aimé Lyagre

Chief Operating Officer and
Chief Technology Officer,
Security Services Europe
Born: 1959
Employed: 2004
Shares in Securitas: 18 101 Series B shares¹

10 Marc Pissens

President Aviation and Divisional
President Africa, Middle East and Asia²
Born: 1950
Employed: 1999
Shares in Securitas: 35 399 Series B shares¹

11 Luis Posadas

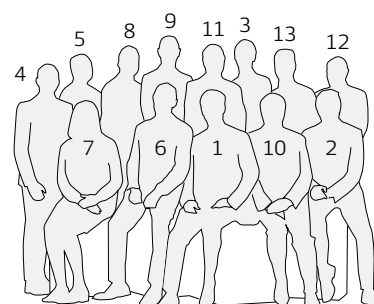
Divisional President,
Security Services Ibero-America
Born: 1958
Employed: 1995
Shares in Securitas: 24 877 Series B shares¹

12 Antonio Villaseca Lòpez

Senior Vice President, Technical Solutions
Born: 1954
Employed: 1995 and 2011
Shares in Securitas: 0¹

13 Henrik Zetterberg

Senior Vice President, General Counsel
Born: 1976
Employed: 2014
Shares in Securitas: 301 Series B shares¹,
45 000 share options³



For more information about
Group Management, visit
www.securitas.com/group-management

¹ The actual allocation of shares to Group Management under the Securitas share-based incentive scheme 2015 can be found on page 87, and the total potential allocation of shares to Group Management under the Securitas share-based incentive scheme 2016 can be found on page 85.

² Andreas Lindback appointed Divisional President Africa, Middle East and Asia as of January 1, 2017.

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



Proactive Risk Management and Internal Control

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

Internal control over financial reporting is included as a part of the overall internal control of Securitas and constitutes a central part of the Group's corporate governance. The description below covers a broader perspective on how Securitas' internal control is organized, using a structure based on the COSO model (2013, Framework), but also makes specific reference to items pertaining directly to internal control over financial reporting. On pages 39–43 we describe the company's enterprise risk management process, which sets the overall process for Securitas' proactive and continuous work with risk management and internal control. Securitas' insurance and claims strategy is to "act as if uninsured". Refer to page 44 for more information about insurance as a risk management tool.

Control environment

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

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

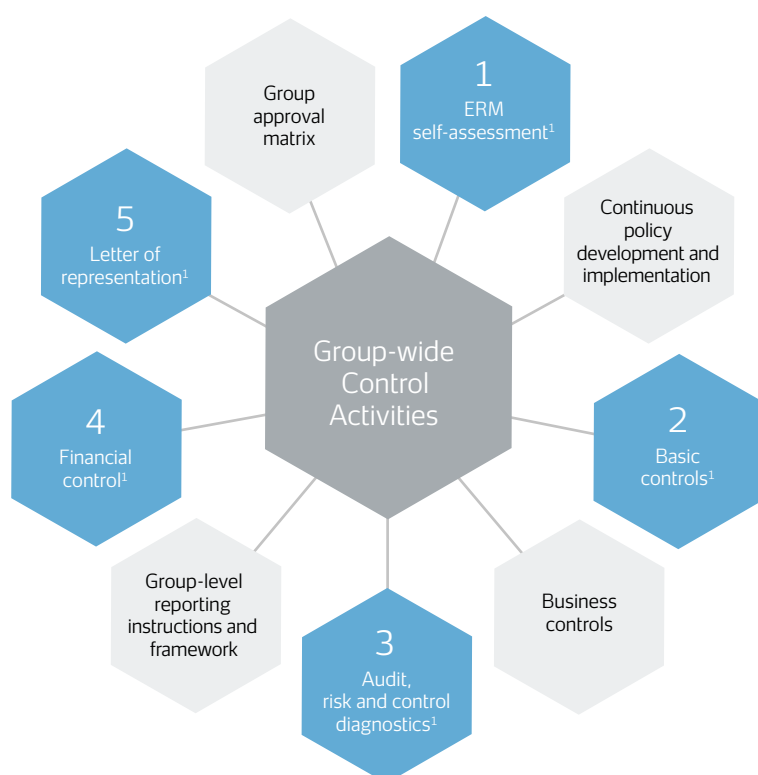
Policies that apply to internal control over financial reporting are described in Securitas' Group Policies, which include the company's model for financial control (for more detailed information on the model,

refer to pages 46–47), and in the Securitas 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. It serves as the basis for implementing mitigating actions after considering the controls in place (reduce, transfer/share or accept the risk in question). See page 40 for more details on the risk assessment and planning process.



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

1 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 help ensure that all management directives to manage risks are executed. Controls are performed on several levels within the organization and are established based on the process concerned.

1 ERM self-assessment

Every major country throughout the Group performs an annual self-assessment, which is a part of the process to manage enterprise-wide risks. It covers key risks, including financial reporting risks, measures taken and compliance with Securitas Group Policies and Securitas Reporting Manual. An example of an operational risk included in the self-assessment package is assignment execution risk. An example of a financial reporting risk is management estimates. For further information, refer to www.securitas.com.

The self-assessments promote control awareness and accountability and are signed off by each country president. 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 countries. The answers are compiled at the divisional and Group levels to support benchmarking within and

between divisions. Each reporting country is responsible for acting on any deviations.

2 Basic controls

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

Key areas covered:

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

Governance and management

Board of Directors' report on corporate governance and internal control

3 Audit, risk and control diagnostics

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

4 Financial control

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

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

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

Controllers at all levels hold a key role in terms of integrity, professionalism and the ability to work in teams in order to create the environment that is needed to achieve transparent, relevant and timely financial information. Local controllers are responsible for ensuring compliance with the approved set of policies and frameworks, and for ensuring that internal controls pertaining to financial reporting processes are implemented.

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

5 Letter of representation

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

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

Information and communication

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

Systems and procedures have been implemented that support complete, accurate and timely financial reporting and provide management with the necessary reports on business performance relative to the established objectives. The Group reporting department regularly issues guidance on reporting matters and the reporting manual is available in a Group-wide database. Reporting units regularly prepare financial and management reports that are discussed at review meetings at different levels. These include an analysis of financial performance and risks in order for the organization to understand its responsibility with regard to internal control and its impact in relation to risks, goals and objectives.

Monitoring

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

Four-step process for managing enterprise risk

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

- 1** The process starts with risk identification and prioritization during the ERM planning process
- 2** Securitas Group Policies as well as local processes, rules and procedures establish the framework for day-to-day risk management
- 3** The identified risks and adopted policies also set the structure for all compliance monitoring in the Group
- 4** The ultimate responsibility for governance of risk management lies with the Board of Directors, but the work involved in minimizing risks takes place through a structured process of assigning responsibility to all levels of the organization



Securitas is exposed to various types of risks in its daily business. When providing security services, Securitas manages not only its own risks, but also risks on behalf of its customers. Minimizing the risk of a loss occurring, and thereby protecting our stakeholders, is an important objective. Securitas' risks have been classified into three main categories: **contract and acquisition risks, operational assignment risks and financial risks**. The categories are based on the natural flow of the business – entering into a contract, execution of the assignment and the financial result. Similar risk categories are also relevant for acquisitions, but are then classified as acquisition risks, operational integration risks and financial integration risks.

All of the risks in these categories can impact the Group's financial performance and position if they are not managed in a structured way. This is why Securitas has developed its four-step process approach for managing enterprise risks.

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

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

To illustrate how the process works, we have selected one of our key risks: The following examples pertain to the management of customer contract risk, which encompasses the risks associated with entering into a customer contract.

If managed incorrectly, there is a risk that unreasonable obligations and risks could be undertaken in the contract, entailing unbalanced terms with respect to the type of assignment in question, such as unreasonable liability, unrealistic service levels or unfavorable pricing mechanisms. These factors could impact margins and profitability.

1

Input and risk identification

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



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

risks are currently considered key Group risks and have been assigned primary focus for the coming year. For examples of these risks and how they are managed, refer to www.securitas.com.

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

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

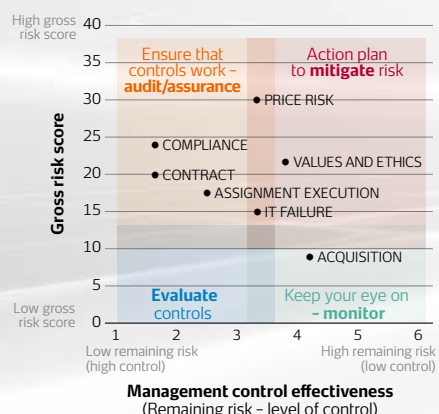
Six key risks 2016

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

Example – Input and risk identification: Customer contract risk

The top six key Group risks and a minimum of two country / division-specific risks are assessed in the ERM business plan risk assessment tool. Contract risk is one of the mandatory risks that all countries are required to plot out using a risk map. First, each risk is assessed on a gross basis (impact and likelihood), which results in a gross risk score. The next step is to evaluate each risk on a net basis (gross risk score and management control effectiveness). This means that the control activities also have to be documented. Actions are then formulated based on where the "net" risk ends up in the heat map. The point is to further mitigate risks with the highest remaining exposure. For risks with a high gross risk score and a high level of control, we need to have assurance that the controls work.

Part of the risk assessment tool - Net risk: Example country X



Policy development

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



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

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

- **Contract policy** sets out the process and main principles for managing customer contract risk, based on standard terms, a full customer and contract risk evaluation, as well as a framework of key policies for contracting guarding services and electronic security solutions. The objective is to manage the risks arising from customer contracts, and to ensure that all customer contracts have a fair and reasonable allocation of responsibility and risk between the customer and Securitas and that the price reflects the risk taken on by Securitas. Read more about our work with the customer contract policy below.
- **Securitas' Values and Ethics Code** ensures that the company upholds and promotes the highest ethical business standards. Securitas' basic requirement is to act within the framework of laws and international conventions, such as the United Nations Universal Declaration of Human Rights. This means that Securitas respects and complies with competition rules, labor market regulations, agreements and safety requirements, environmental legislation and any other provisions that set the parameters of our operations. For further information, refer to pages 18-25.
- **Communication policy** in accordance with the stock market's requirements for information with the aim of ensuring that the company fulfills these requirements.
- **Competition law compliance policy** to ensure that Securitas and its subsidiaries or affiliates are committed to full compliance with all competition laws and regulations.
- **Insider policy** as a complement to the insider legislation in force in Sweden.

Example – Policy development: Customer contract risk

Policies are updated based on conclusions and other feedback from audits and reviews, including regulatory changes that impact the contract management process.

As we move toward a higher degree of electronic security solutions, we must ensure that our customer contract policy and related guidelines support this change as well as any external changes that impact

our standard terms and conditions, such as the Economic and Trade Sanctions Policy. As a result of this policy, a new Group template has been developed with standard terms and conditions for electronic security solutions and a clause concerning sanctions screening has been added to all standard terms and conditions.

3

Risk management activities

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



Group Management has overall responsibility for the management of risks, and for the implementation and maintenance of control systems in accordance with the Board's policies. Specifically, divisional management and established functional committees are responsible for ensuring that a process for creating risk awareness exists throughout the division. The divisional presidents are responsible for all aspects of the operations in their divisions, including operational risk management and risk minimization. Operating unit managers and country risk managers are responsible for ensuring that risk management is part of the local corporate culture at all levels within a country.

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

To be successful, all of Securitas' branch managers must understand the risks associated with providing services and be able to assess and control these risks. Securitas actively pursues different risk management activities to increase awareness and knowledge. One important tool is the business risk evaluation model "The Scale". For further information on this, refer to www.securitas.com.

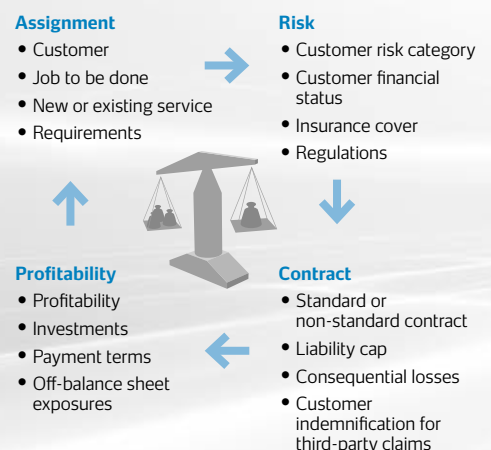
RISK RESPONSIBILITIES

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

Example – Risk management activities: Customer contract risk

The Group has formal policies in place that define the approval process and authorization levels for new contracts as well as how to manage existing contracts. All relevant employees receive training in these policies. In addition, operations are protected by a customized Securitas insurance program, should unforeseen events occur.

In order to manage contract risks in a structured way in the operations, we also use a business risk evaluation model known as "The Scale," which is part of Securitas' management model, commonly referred to as "The Toolbox." The model evaluates the assignment, risk, contract terms and various financial aspects. All employees involved in the contract management process receive training in the model.



Risk-based monitoring

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



Monitoring is performed at several different levels by key functions within the organization and different activities are continuously undertaken to monitor, follow up and mitigate risks.

- **The Board of Directors** plays an important role in the ongoing process of identifying and evaluating significant risks faced by the Group and the effectiveness of related controls.
- **The Audit Committee** monitors the effectiveness of the Group's ERM and internal control systems. In addition, the Committee also supports the Board with the task of ensuring internal control over financial reporting. This is accomplished through several activities such as the review of basic controls. The Committee also reviews all quarterly and annual financial reports before publication.
- **The President and CEO and Group Management** review performance through a comprehensive reporting system based on regular business reviews of actual results, analyses of variances, key performance indicators (Securitas'

model for financial control, refer to pages 46-47) and regular forecasting.

- **The functional committees** determine and communicate appropriate policies and monitor the key issues within each area of responsibility, refer to page 31.
- **The ERM Committee** owns and manages the process which provides tools and helps management identify and manage the risks inherent in Securitas' line of business.
- **The Group Management Assurance function** has a coordinating and monitoring role in relation to certain internal control activities at Group level. Risk assessments together with analysis of ERM self-assessment results are used as the basis for determining which activities are to be carried out in relation to monitoring from an audit perspective.
- **Local management** is primarily responsible for monitoring and ensuring compliance by local units with Securitas Group Policies including any division-specific policies and guidelines.

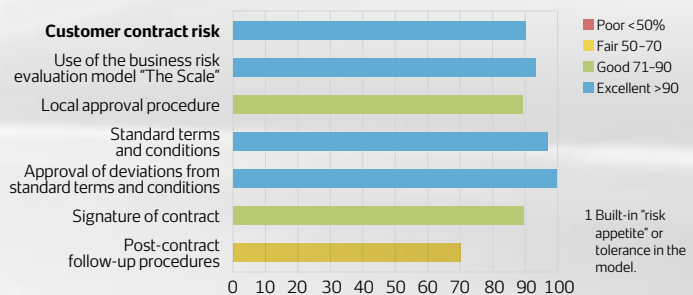
Example – Risk-based monitoring: Customer contract risk

Since contract risk is considered a key risk, Securitas monitors this type of risk through the various Group activities listed below, in addition to local monitoring activities.

- > Contract risk is included in the yearly ERM self-assessment process, during which countries evaluate themselves in relation to certain areas included in the graph to the right.
- > Diagnostics are performed to test the effectiveness of controls in the contract management process, covering the same areas as above.
- > The contract management process is one of several areas addressed during legal reviews.
- > Contract risk is also included in basic control audits. Refer to page 37 for more information.

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 level¹ for most of the risks.



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. The claims are analyzed to find out if there are certain types of services, contracts, regions and so forth that cause insurance claims. Claims reports with updated information on claims and reserves are sent to all local risk managers and controllers on a monthly basis. Regular meetings are also held with the insurance companies and loss adjusters with the aim of continuously developing the claims handling process and claims prevention measures. As the Group's external insurance premi-

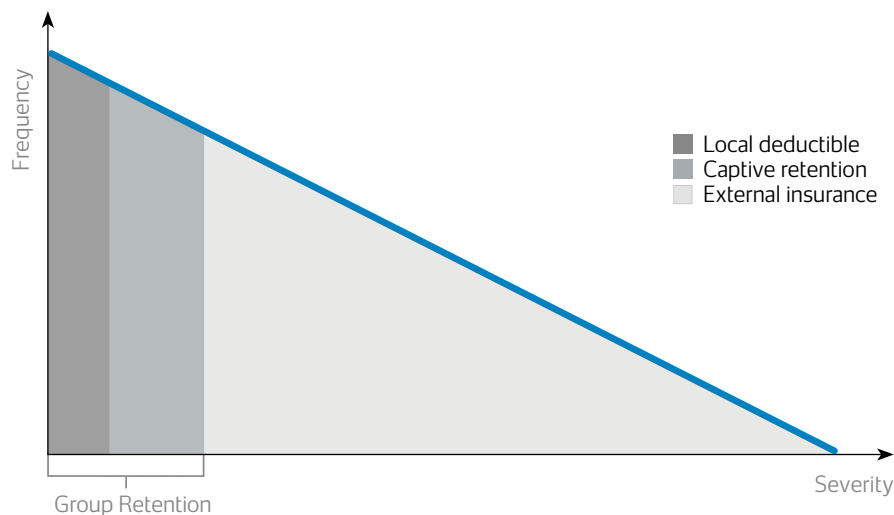
ums are partly determined by the historic loss record, a favorable loss record will contribute to lower premiums and a lower cost of risk.

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).

Distribution of risk with respect to claims

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



Auditors

The Annual General Meeting 2016 elected PricewaterhouseCoopers AB (PwC) as the Group's audit firm, with authorized public accountant Patrik Adolfson as auditor in charge, for a period of one year.

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

General Meeting to present the audit report and its conclusions.

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

Auditor in charge

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



Auditor Patrik Adolfson

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

MSEK	Group		Parent Company	
	2016	2015	2016	2015
Audit assignments	37.9	32.4	5.7	6.6
Additional audit assignments	3.5	3.0	1.7	1.9
Tax assignments	13.3	14.0	1.9	2.7
Other assignments ¹	29.0	5.3	1.6	1.4
Total PwC	83.7	54.7	10.9	12.6

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. In 2016 MSEK 24.8 pertained to advisory services regarding the acquisition of Diebold's Electronic Security in North America.

Stockholm, March 14, 2017

The Board of Directors of Securitas AB

Auditor's report on the Corporate Governance Statement (translation of the Swedish original)

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

Engagement and responsibility

It is the Board of Directors who is responsible for the corporate governance statement for the year 2016 (on pages 26-45) and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

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

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

Opinions

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

Stockholm, March 14, 2017
PricewaterhouseCoopers AB

Patrik Adolfson
Authorized Public Accountant
Auditor in charge

Madeleine Endre
Authorized Public Accountant