Securitas

Annual and Sustainability Report

See a different world.

2020


CECILIA

Contents

Securitas plays an important role for our clients and in society. We quickly adapt to new situations and changing client needs – like in the challenging year 2020 – to help make the world safer. We provide high-quality protective services, and through the combination of a trusted and agile workforce and the latest intelligent security technology, we offer our clients innovative solutions for all their security needs. We help them keep ahead of their risks so that they can focus on their core business.

We have global presence with operations in 47 countries in Europe, North America, Latin America, Africa, the Middle East, Asia and Australia and our 355 000 skilled and engaged employees make a difference for our clients every day.

107 954
Total sales, MSEK

4.5%
Operating margin

2.1
Net debt to EBITDA ratio

6.63
Earnings per share, SEK

4.00
Proposed dividend, SEK

355 000
Employees

47*
Number of countries with operations

153 000
Number of clients (excluding monitoring-only clients)

150
Number of global clients

91%
Client retention rate

* At the beginning of 2020, Securitas had operations in 56 countries and has, after having decided to leave or divest operations, remaining operations in 47 countries at the beginning of 2021.

A safer w

Guided by a strong purpose and core values

At Securitas, we take pride in making people feel safe every day by providing the highest quality safety and security services. Our purpose, "We help make your world a safer place," defines our role in society.

Our purpose is a promise to clients, partners and others, which guides all of our decisions, from the small everyday choices we make to the large strategic investments.

We provide peace of mind to our clients with security and we are experts in managing risks.

We are also guided by our company ethics and strong core values, something that has been a part of the Securitas culture for a long time. Already in the 1950s, Securitas had a handbook with codes of behavior for security officers. The original handbook has been revised since then, but its content laid the groundwork for today's core values.

Our core values are Integrity, Vigilance and Helpfulness. These three values are at the heart of our culture and they define who we are and guide our actions.

Integrity means being honest and never compromising on our ethics. Vigilance includes taking ownership and constantly evaluating the situation to take action when needed. Securitas people are helpful, service-oriented and accommodating to clients. We always go that extra mile.

By sharing these strong values and doing the right thing together, we help make your world a safer place.

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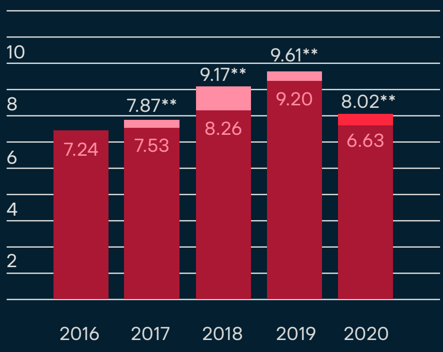
Targets and target fulfillment

Financial targets

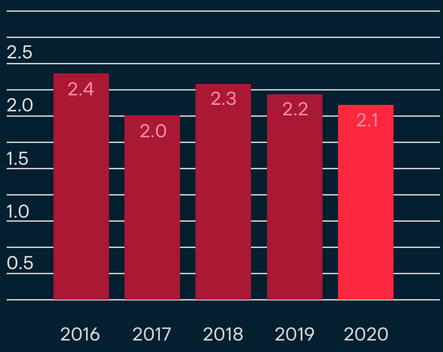
-12%*

Earnings per share decrease
(2019: -1 percent)
Target:
An annual average increase of 10 percent



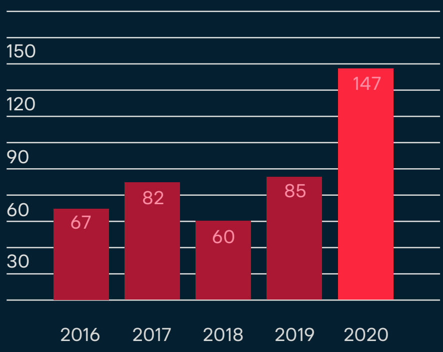
2.1

Net debt to EBITDA ratio
(2019 2.2)
Target:
A net debt to EBITDA ratio of on average 2.5



147%

Operating cash flow
(2019: 85 percent)
Target:
An operating cash flow of 70 to 80 percent of operating income before amortization



* Real change, adjusted for changes in exchange rates and items affecting comparability.
** Adjusted for items affecting comparability.

Sustainability targets

-14%

Change in injury rate
(2019: 8 percent)
Target:
5 percent annual decrease of the Group injury rate

23%

Share of female managers (total)
(2019: 24 percent)

Target:
By 2021, the share of female managers at all levels should be at least the same as the share of women in the total workforce, which was 22 percent in 2020

Showing resilience in challenging times

CEO statement
Magnus Ahlqvist President and CEO

"2020 has been a tough year for everyone, and I am prouder than ever to be part of a team of competent and committed people."

CLEAR FOCUS IN A CHALLENGING YEAR

2020 was a challenging year for Securitas, as it was for many others. Considering the difficulties that we faced during the year in the wake of the coronavirus pandemic, Securitas as a company and team has shown incredible resilience. With a clear focus across the entire company on four main priorities – protecting the health and safety of our people, staying close to our clients, managing costs and maintaining our cash generation – we have been able to cope well throughout the different stages of the pandemic. We entered 2020 from a position of strength and, despite the short-term challenges we have faced, have accelerated our pace of transformation and further clarified our priorities as a business.

2020 DEVELOPMENT

The Group's organic sales growth amounted to 0 percent (4). All business segments were negatively impacted by the coronavirus pandemic, but to some extent offset by increased extra sales. In Security Services North America, the decline was mainly attributable to the Electronic Security and Critical Infrastructure Services business units, and in Security Services Europe, there was a significant corona-related impact from reduced aviation security.

Security solutions and electronic security sales represented 22 percent (21) of total Group sales.

The operating margin was 4.5 percent (5.2). It was negatively impacted by the coronavirus pandemic and the related increased provisioning to reflect the enhanced risk in the business environment. The negative impact was partly offset by cost-saving actions and government grants. The price and wage balance was on par and the cash flow was strong during the year.

ACCELERATED PACE AND SHARPER BUSINESS FOCUS

During 2020, we accelerated the implementation of our strategy to be a trusted intelligent protective services partner to our clients. To achieve this, we are focusing on four areas: client engagement; protective services leadership and innovation; efficiency; and people.

CLOSE TO OUR CLIENTS

Our strategy is aimed at creating added value for our clients. We do this through a decentralized operating model where our people are close to the clients. Due to the pandemic, many of our clients' needs changed during the year and we managed to provide outstanding security solutions and services, often on short notice, to meet their requirements. Our adaptability, agility and ability to deliver were widely recognized by our clients and provided further proof of the strength of the Securitas model.

During the year, we launched a global Client Excellence Platform, which is helping us improve our client engagement and become more efficient and data-driven.

We serve more than 150 000 clients and increased the client retention rate to 91 percent in 2020.

STRATEGIC ACQUISITIONS

In line with our strategy, we are continuing to build our expertise in electronic security and security solutions. In 2020, we completed a number of important acquisitions that will strengthen our position as the leader of the transformation of the security industry – Techco Security

in Spain, Stanley Security's electronic security businesses in Germany, India, Portugal, Singapore and Switzerland, and FE Moran Security Solutions in the US.

While the installation business within electronic security and the conversion to integrated solutions were negatively impacted by the coronavirus pandemic, activities picked up towards the end of the year.

DRIVING BUSINESS TRANSFORMATION

Despite the challenging situation in 2020, we made significant progress with our multi-year transformation programs in Security Services North America and global IS/IT.

In North America, we have successfully migrated large parts of the business and key activities to modern platforms and applications. With these new platforms, we expect to improve our ways of working and enhance our productivity and margins over the coming years.

We are now moving to the last phase by announcing significant business transformation programs in Security Services Europe and Security Services Ibero-America. These programs will modernize our business in Europe and Ibero-America and enable us to scale up the execution of the strategy and improve margins. The target is to increase the operating margin to around 6.5 percent in Security Services Europe and to around 6.0 percent in Security Services Ibero-America, upon completion in 2024.

In light of the coronavirus pandemic and the uncertainty regarding the profitability of parts of the business, we initiated a cost-savings program during the second quarter of 2020. We also further sharpened our focus through a successful exit from a number of smaller, less profitable markets.

TREMENDOUS EFFORT BY OUR PEOPLE

We are a people company. Many of our employees have tirelessly been working on the frontlines to keep our clients' people and assets safe. One of our key priorities is to protect the health and safety of our employees, and we have worked hard to ensure that everyone received relevant training and equipment.

We support the UN Global Compact and incorporate its ten principles into our daily work. Through our work, we also contribute to the fulfillment of the UN Sustainable Development Goals (SDGs) in the ones where we believe we can make the greatest positive impact.

Employees benefit from working for a values- and purpose-driven company that offers good working conditions, fair wages, and opportunities for career development. And thanks to our engaged and motivated employees, our clients receive high-quality service, added value and continuity.

INVESTING IN COMPLIANCE

During 2020, we continued to hone our compliance work. Being a company that can guarantee full compliance is a priority for Securitas, and we are certain that the investments we are making in this area will be of benefit for us as a company and for our stakeholders.

LIVING ACCORDING TO OUR PURPOSE

Our purpose is "We help make your world a safer place," and in 2020 we truly lived up to this. During the pandemic, our services have been classified as essential to society in many countries, which again shows what an important role we play.

2020 has been a tough year for everyone, and I am prouder than ever to be part of a team of skilled and committed people. The pandemic has hit the world hard, and we must all continue to do our part. Securitas will do so by being a reliable employer, a strong partner to our clients and a vital part of society in 2021 and for the long term.

Stockholm, March 18, 2021

Magnus Ahlqvist
President and CEO
Securitas AB

Our aim is to become the intelligent protective services partner for our clients, and we have identified four strategic focus areas to reach it: client engagement; protective services leadership and innovation; efficiency; and people. In each of these areas we are driving various activities to execute on the strategy, reinforce our leadership role and create long-term value.

Four strat focus are

2020 was a particularly challenging year due to the coronavirus pandemic. However, we further cemented the company's role as an indispensable partner by rapidly adapting our services, devoting additional time to each client, and training our officers to handle more digital tasks and new services, such as Covid-19 access control screening. Today, many of our employees are trained to handle the frontlines of the coronavirus-related challenges for our clients.

With our services in high demand, Securitas is well positioned for the future. Our ambition is to double the security solutions and electronic security business by 2023, compared with 2018. We remain on target with our strategy and activities within the four focus areas.

CLIENT ENGAGEMENT
Client engagement is about finding ways to deepen our client partnerships through an expanded value proposition, shared values and ethics.

PROTECTIVE SERVICES LEADERSHIP AND INNOVATION
Securitas already has the most comprehensive services portfolio in the industry, and we are continuously strengthening our offering.

EFFICIENCY
We are investing in our IT and business platforms to boost efficiency across the company.

PEOPLE
Our employees' engagement, pride and passion are vital for our continued market leadership.

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Focus area — client engagement

Client engagement is about tailoring our solutions to match our clients' requirements. The result is deeper partnerships that consolidate our industry leadership.

Focusing on client needs

"Our client engagement model combines strong local presence with global consistency, which helps us serve our clients based on best practices."

We work with clients of all sizes and from all industries, and we recognize that each client has specific needs. This requires an open dialog, an agile approach and time. The combination of branch managers who work closely with our clients locally and a strong specialized organization for global clients is a successful recipe for strengthening our client relationships. While the global coronavirus pandemic posed the biggest challenge to our strategy work in 2020, we were also able to support our clients and adapt to their new needs, often on short notice.

Securitas works with 153 000 clients (excluding monitoring-only clients), 150 of which are global clients who expect the same high level of service delivery everywhere in the world. Our client engagement model combines strong local presence with global consistency, which helps us serve and cultivate clients based on best practices. It also guides us in the shift to a more client-centric mindset, which we have prioritized through training and improved digital tools.

Through virtual means, we were able to increase our client engagement in 2020, staying well connected despite limiting our travel and physical interactions. Digital meetings will continue to play a role in our client-centricity efforts as well as in our sustainability efforts to reduce CO_2 emissions, even after the pandemic has subsided.

PLATFORM BOOSTS PRODUCTIVITY

We aim to increase the time our branch managers and other employees spend with our clients. With the new Client Excellence Platform, a customer relationship management (CRM) system, we are automating and standardizing many key processes and streamlining the client life cycle. This will support managers and the sales force on our journey to increase client-centricity.

In addition to automating processes, the new platform enables us to capture data to map client relationships and touch points. This way, we can develop new safety and security services built on the data and insights generated. We estimate that this IT transformation will boost the produc-

tivity of our managers and free up time for more client engagement.

To further strengthen the client value proposition, we hired 100 new branch managers in North America in 2020, and we are now converting to a protective services structure in the North American division that will be completed in 2021. Under the new structure, each manager will have a smaller client portfolio, thereby making it possible to be more proactive and client-centric.

During the year, we also set up expert teams in different countries to support branch managers by providing product and solutions expertise for clients of all sizes and also those with cross-border operations.

GLOBAL CLIENTS

Our global client footprint grew in 2020, to 16 percent of Securitas' total sales. Among our top-ten global clients are large tech companies and data centers that value Securitas' high quality, digital capabilities, solutions and global partnerships. The growth in our global business has compensated for losses in other areas such as aviation, which was negatively impacted by the coronavirus pandemic.

Securitas has a leading global and local market presence in the security industry, and in locations where we do not have operations, we can still ensure a high level of service, business ethics and consistency through the Securitas Certified Partner Program. We have built up the program to ensure that trusted partners, managed by our global client program, have the ability to deliver our protective services in many locations worldwide.

Our global business grew in 2020 despite the challenges caused by the coronavirus pandemic. Although many clients were affected by lockdown restrictions, they retained their Securitas security personnel. To add further value, we used the time to roll out training programs and upskill teams working with global clients on security awareness and health and safety procedures. This extra training meant that our frontline personnel could transition into a new health and safety role as needed. Our security officers were trained to conduct temperature checks and assist during Covid-19 testing procedures at client sites, enabling many of our clients to keep their sites open.

MEASURING PROGRESS

Securitas has a defined set of key performance indicators (KPIs) to measure and map our progress in client engagement. We have a loyal customer base, with a client retention rate of over 90 percent. We also use customer satisfaction surveys to continuously gauge how clients perceive our service.


GALTIER TOWE
ONE WAY

Case — client engagement

Lynk & Co is a new global urban brand focusing on the needs of the connected generation who are looking for convenient and sustainable mobility.

"The offering Securitas developed is a perfect example of a security solution, integrating several of our protective services."

Lynk & Co offers memberships where the customers pay a monthly fee to receive full access to a car. To lower the monthly cost, the customer can choose to share the car with others. The idea is that car sharing makes owning a car more efficient since many cars are parked most of the time. The membership model is also intended to encourage people to share vehicles and thereby reduce the overall number of cars on the road.

Showrooms, also known as clubs, are used to present the car and to create a unique experience for visitors. The clubs impose new security demands and Lynk & Co turned to Securitas for a complete security solution for the premises and challenged Securitas to make the solution "invisible" so as to not interfere with the visitor experience.

The offering Securitas developed is a perfect example of a security solution, integrating several of our protective services, including technology, remote guarding and mobile guarding. The solution includes intrusion, access and video surveillance services, connected to Securitas Operation Center (SOC) services. Lynk & Co's staff also receive training by Securitas in how to use the first aid and CPR equipment provided. Since the club solution is based on Securitas standards, Lynk & Co can deploy it quickly across many locations in Europe as new clubs are opened, maintaining the same design, quality and service levels.

Focus area — protective services leadership and innovation

Securitas is a security one-stop shop, with the most comprehensive protective services portfolio in the industry. Combined with our large and skilled guarding workforce and focus on innovation, it gives us an edge in the security market.

The intelligent protective services partner

"Our ambition is to double the size of our security solutions and electronic security business by 2023."

Our protective services portfolio includes services for electronic security, fire and safety, corporate risk management and guarding services that can be offered on site, remotely or through mobile guarding. By combining services into increasingly sophisticated security solutions we add value to our clients, as we provide them with a more secure business environment with fewer disruptions and incidents.

SEIZING GROWTH OPPORTUNITIES

Today, Securitas has electronic security expertise in more than 40 countries and a global market presence that few can compete with. Our ambition is to double the size of our security solutions and electronic security business by 2023, and electronic security provides one of the biggest growth opportunities.

We are accelerating our strategic transformation through acquisitions. In 2020, we acquired Techco Security, a leading electronic security company in Spain and Stanley Security's electronic security business in Germany, India, Portugal, Singapore and Switzerland. In December, we announced the acquisition of FE Moran Security Solutions, an alarm monitoring and electronic security system integration company in the US.

LEADERSHIP THROUGH INNOVATION

We are using data to build smarter reporting and intelligence into all our products and services, as well as developing completely new ones. One of our new intelligent services for remote guarding is predictive risk analysis. Using artificial intelligence gathered from various datasets, we can predict where the biggest risk of criminal activity is likely to occur in relation to an industry or client and narrow it down to a specific site, day or time.

In 2020, we completed a risk prediction model in Sweden based on a large amount of data gathered by our frontline personnel and mobility data from telecom companies. It accurately predicted well over 80 percent of criminal incidents. We are working on similar models for other countries that we can offer to clients, along with benchmarking for their specific industry. The accumulation of this type of valuable information will help

us plan client security activities in a more efficient way and offer a solution tailored to each client's operational needs and specific sites.

Cybersecurity is a constant challenge for businesses worldwide, driving up costs and risk, and we are partnering with startups on technology that complements our portfolio. In 2020, Securitas signed a commercial partnership agreement addressing cybersecurity using a digital ID protection product that will go to market in Sweden and Norway in early 2021.

SPECIALIZED SECURITY CONSULTING

The risk landscape is ever changing, and therefore it is vital to have the right perspective when designing and implementing a strategy that considers both current and future risks. We offer specialized security consulting, including thorough risk analysis and detailed security planning.

EXPERTS IN FIRE AND SAFETY

Securitas' expertise in fire and safety services is essential to keeping our clients' assets and people safe. In addition to preventive measures, we also provide services such as fire-fighting, evacuation planning and lifesaving services and training.

DIGITIZING GUARDING

Guarding constitutes the largest percentage of our business, 76 percent of total sales. We offer guarding on site, remotely and through mobile guarding, with security officers patrolling by vehicle.

Our success is primarily due to the presence of our 325 000 frontline personnel located in 47 countries worldwide. The large number of frontline personnel makes it possible to be close to our clients, which ensures quick response times if something happens. To further increase the quality and efficiency of their work, we provide security officers with digital tools to capture data. This valuable data will improve our risk prediction capabilities, provide a fully digital overview of our security delivery, and guide Securitas when developing new products and services.

Digitization enables our frontline employees to work more efficiently and dynamically and allows our clients to gain access to advanced analytics that can help with effective security planning.

SECURITAS OPERATION CENTERS

The physical and digital worlds of security services converge in our SOCs where we plan security service delivery, predict what is likely to happen, dynamically direct the right services and carry out real-time detection as events unfold, 24/7. The coordination is managed through 44 SOCs, which also provide our clients with information, reports and analysis.

Our ability to offer remote guarding was a major advantage when the coronavirus pandemic struck in 2020. We were able to respond to client needs in a safe manner, and our high level of digitization made client engagement possible through digital meetings and online training at a time when we could not always meet in person.

Another strength is our large global and local presence and flat internal structure, that make it possible to quickly mobilize frontline personnel and adapt in, for example, an emergency situation. The rising cost of labor remains a challenge but remote guarding and intelligent solutions will help us balance this cost, while raising the knowledge, competence and value of our workforce.

Early on, Securitas started deepening the training of our people and building up our digital and intelligent services expertise to create long-term value for clients. Today, we are leading the transformation of the security industry by investing fully in protective services geared towards a high-tech future.

Case — protective services

When a global financial services company created a new global headquarters in New York, they needed a fully integrated and sophisticated enterprise-level electronic security system.

"Securitas and the client worked together to vet and test several types of security technology."

The client's goal in carrying out this security renovation was to stay ahead in terms of technology and innovation in order to ensure the security of this 39-storey facility in downtown Manhattan. An additional challenge for the chosen electronic security provider was that close to 10 000 headquarter employees would continue to occupy the building throughout the entirety of the security renovation.

Securitas and the client worked together to conduct pilot programs to vet and test several types of security technology, including facial recognition technology, turnstiles with integrated biometric technology and IP cameras. Securitas also worked to facilitate the integration of legacy systems to keep the building secure during the renovation. The project also included the integration of various security technologies.

In addition, Securitas provides alarm monitoring, maintenance, permit management and false alarm management for all of the client's 735 retail branches, data centers, regional campuses and other corporate properties throughout the US and Canada. The client also uses a special web platform provided by Securitas to request service, manage installation projects, check on alarm activity and view real-time video images. The portal is an important step in facilitating the client's holistic electronic security program.

Focus area — efficiency

By increasing the level of automation and digitization within Securitas, we are bringing greater efficiency and added value to all of our stakeholders.

Transformation programs drive efficiency

"Our personnel at the frontline also get access to new digital tools, which increases efficiency."

Securitas has always been a cost-conscious and efficient company, and as we transition to more data-driven services, there exists great potential to increase our efficiency even further.

We are currently implementing several transformation programs. One regarding IS/IT with the objective of creating a modernized base infrastructure, and other business transformation programs aiming at supporting our strategic growth and to make our processes more efficient. These programs will help us to become the security industry's leader in intelligent services.

IT INFRASTRUCTURE MODERNIZATION

Initiated in 2019, our global IS/IT transformation program is well under way and has already delivered significant value to the business. We are creating a common, efficient IT infrastructure that will enable us to deploy new systems both locally and globally, interact with our clients and make use of our data in a efficient way.

An important part of the IT infrastructure in any global company is a global collaboration platform. During the coronavirus pandemic we have been able to continue not only our operations but also our strategic transformation, since we could seamlessly transition to digital work.

The coronavirus pandemic has also demonstrated the value of having a fast way of interacting directly with our personnel on the frontlines, who are often spread out geographically. One important tool is Workplace by Facebook, which over 60 000 of our colleagues now have access to.

BUSINESS TRANSFORMATION

Our business transformation programs are streamlining our business processes and organization. This will pave the way for adding client value, for example, through improved reporting and interaction channels as well as new digital services. Modern tools make work easier for our people and help us attract and recruit new employees.

The first program was initiated in 2019 in Security Services North America, where we have now successfully migrated large parts of the business and key activities to modern platforms and applications. These include a cloud-based enterprise resource planning (ERP) platform for HR, finance and other operational processes. With these new platforms, we expect to improve our ways of working and enhance our productivity over the coming years.

In February 2021, we announced comprehensive business transformation programs in Security Services Europe and Security Services Ibero-America. The programs aim to sharpen our capabilities at scale, both throughout and between countries and are driven by our ambition to change the business mix and to improve our margins.

Our clients' needs are evolving and serving them is our main priority, from global clients to the rapidly growing segment for small and medium-sized clients. We are making significant investments in IT systems to support our leaders and people with the latest tools and efficient processes. As part of the new program we will also build a dedicated solutions organization in Security Services Europe to accelerate the growth of our prioritized security solutions and electronic security business, as well as further strengthen and digitize our unparalleled guarding offering.

CLIENT FOCUS

The Client Excellence Platform, which we deployed in 12 markets during 2020, is helping to drive productivity to free up time for managers and the sales force to spend more time together with the client.

Our personnel at the frontline also get access to new digital tools that are used for capturing big data from the field, which increases efficiency. This, combined with better channels for client interaction, provide us with insights and opportunities to offer clients more advanced services and solutions. We are confident that the work to increase our efficiency will enable us to lead the security industry in the coming decades.

Focus area — people

Our reputation and market leadership are largely determined by the actions of our employees.

We help make your world a safer place

"Everything we do is based on our values of Integrity, Vigilance and Helpfulness."

Securitas is a purpose-driven company with high ethical standards. We offer training and development opportunities to help our people grow and measure their progress. Promoting a sense of pride and attracting and retaining the best people are essential for our success as we continue our journey to become an intelligent protective services partner for our clients.

Since Securitas was founded in 1934, our fundamental beliefs have remained unchanged. We believe in a good work environment and fair wages, and we work with clients who also recognize the value in this. Prior to accepting a contract with a client, we evaluate the working conditions at the client site to ensure decent practices and a healthy work environment.

ETHICAL PRACTICES

Securitas conducts its business in accordance with international conventions such as the UN Universal Declaration of Human Rights. We have a global framework agreement with UNI Global Union, which represents more than 20 million workers from over 900 trade unions in the skills and services sectors. We also ensure fair working conditions through our involvement in industry organizations such as the National Association of Security Companies (NASCO). We work closely with, for example, the Living Wage Foundation in the UK, which works towards ensuring that people working in the lowest paid service sectors are paid a living wage.

Securitas supports the United Nations' SDG's, focusing particularly on goals that affect our employees such as inclusion, gender equality and good working conditions. Read more about the SDGs on page 172. We have a Group target to achieve at least the same percentage of women in management positions as we have in the total workforce. In 2020, the result was 23 percent (see also page 5). We are also adopting a broader approach to diversity and inclusion, and will add more targets in 2021.

Our values also play an important role in our aim to be a compliant company when it comes to business ethics. In addition to a very clear tone at the top,

we train all relevant employees in our anti-corruption and fair competition policies.

Through KPIs, we measure employee turnover, employee engagement, diversity, health and safety, and injury rates, among other metrics, in order to monitor our progress and identify areas for improvement.

VALUES AND PURPOSE

Everything we do is based on our values of Integrity, Vigilance and Helpfulness. Our purpose, "We help make your world a safer place," gives our employees a sense of pride that unites across countries.

Throughout the coronavirus pandemic, our first priority has been the health and safety of our employees, and we immediately put processes in place to help them stay healthy, both physically and mentally. We increased our internal communication efforts to keep people informed and encouraged an open dialog. We made full use of our digital channels, including Workplace by Facebook, which enables employees to communicate with each other and to exchange information and best practices.

Health and safety work is vital to our operations, not only during something as extraordinary as a pandemic. Our security officers are trained to protect themselves, and to help others while on assignment, for example, through first-aid, CPR and fire safety. A thorough risk assessment helps us identify and scope safety hazards. Frontline personnel receive appropriate training, instruction and equipment for the assignment in question. We work actively with occupational health and safety issues in all countries and closely monitor the number of work-related injuries (see page 5).

UPSKILLING IS KEY

Employee training is a strategic priority for Securitas. Many employees join Securitas in entry-level positions, and we encourage them to develop within the company and become leaders.

Our management training programs follow the leadership principles and processes as defined in our Securitas Toolbox. The Toolbox ensures that our work methods, management philosophy and client perspective are shared throughout the organization so our clients receive consistent service, regardless of where in the world they are located. During 2020, we worked on revitalizing the Securitas Toolbox, and our brand and identity to reflect our transformation into an intelligent protective services partner. This work will continue in 2021.

We are convinced that our people strategy will lead to added value for all Securitas stakeholders. Employees, for example, benefit from working for a value- and purpose-driven company that offers fair wages, continuous improvement and opportunities for career development. Clients gain frontline personnel with a high level of engagement and motivation, who deliver excellent service, value and continuity – and Securitas becomes a more successful and profitable company.

Case — people

With 355 000 employees, Securitas is truly a people company. In 2020, this was certainly tested and proven, especially by our employees working on the frontline. Throughout the pandemic, our employees have kept our clients' people and assets safe, and have shown extraordinary resilience.

"The health and safety of our employees is always a priority, and more so than ever in 2020."

Our clients have often faced new or changed security needs due to the pandemic, and thanks to our flexibility, expertise and the best team in the security industry, we have quickly developed new solutions. Examples include Covid-19 screening and safety protocol checks, such as mask enforcement, social distancing and temperature checks. Securitas' flexibility and reliability have been rewarded in the form of a 91 percent client retention rate as well as new contracts.

The health and safety of our employees is always a priority, and more so than ever in 2020. We created Covid-19 training programs that included information about personal protection equipment, screening tools, pandemic- and client-specific solutions. Managers were trained in how to keep both employees and clients safe when interacting.

Every day, our people fulfill Securitas' purpose as a company – "We help make your world a safer place." To celebrate our everyday heroes, the Purpose and Hero Award was created in 2020. From a list of nominees, all of whom serve as an inspiration in their daily work, two proud winners were presented with the award by President and CEO Magnus Ahlqvist.

Ahmed, who works in a residential area in the US, saved an elderly person's life by insisting on getting access to the man's home when he did not open the door.

Emilce, who works at an airport in Colombia, found an abandoned child in an overheated car in the parking lot. By smashing the car window, she was able to get the child out and to medical care.

Growth opportunities in a turbulent time

The global security services market is projected to continue to grow, even though the world economy has been negatively impacted by the pandemic and the outlook remains uncertain. In developed markets, such as the US and Western Europe, the growth potential lies in offering a full range of security services, including technology, that can be bundled into customized solutions. Global security service revenues are expected to grow annually and reach BUSD 263 in 2024, of which the security systems integration market is expected to account for BUSD 12.

The strongest overall growth is forecast in developing markets, with China and India as the main drivers. While the majority of this growth will come from guarding services, alarm monitoring is expected to increase rapidly as, for example, many commercial buildings implement modern security technology.

Few global players

Our main global competitors are G4S, Allied Universal and Prosegur, but in many of our markets, the main competitors are small or medium-sized local companies

Sales

Employees

- Securitas
- G4S
- Prosegur
- Allied Universal

Market size for security services 2020*

32 USD Billion North America — Market position** #2

15 USD Billion Latin America — Market position** #2

36 USD Billion Europe — Market position** #1

12 USD Billion Africa/Middle East — Market position** #3

37 USD Billion Asia* — Market position** # <3

* Outsourced guarding: includes markets where Securitas is not present. Asia excluding Japan.
** Based on sales.
Source: Freedonia and Securitas.

The factors driving growth can vary depending on how developed a market is. We have identified a number of trends that are impacting our global business as well as the opportunities arising from them. Thanks to our strategy and protective services offering, we are well prepared to respond to these trends.

Global trends impacting security needs

"Securitas is well prepared to respond to and take the opportunities arising from current and future trends impacting the security market."

Advanced security systems

The physical and digital worlds are becoming more intertwined, which is fueling the development of more advanced security systems, mainly in mature markets. As these systems are integrated with technologies, such as big data and AI through smart devices and the Internet of Things, the need for skilled and highly trained security officers and other employee categories increases. This also results in a higher level of acquisition activity in the market, as companies are looking to expand their expertise in emerging segments.

Securitas offers a combination of electronic security services and guarding expertise. At our SOCs, we have the ability to gather large amounts of data from camera feeds, sensors, incident reports and access controls, which enables real-time detection and better prediction of security incidents. We ensure that the data that we process on behalf of our clients, or regarding our employees or others, is protected.

Sense of instability

Global economic changes often impact the demand for security services. A widening income gap could result in a greater fear of instability and property crime. An expanding middle class in urban areas with assets to protect and increased construction activity, particularly in the emerging economies, often boosts demand for security services and results in higher investment levels. China and India are expected to be the fastest growing national markets for security services through 2024, while the US and Europe still make up a large proportion of the global market.

Securitas can offer both the technology and the personnel needed to meet changing security demands. In addition to offering complex security systems that can be controlled across borders, we have an unmatched presence. With our approximately 1 360 branch offices, we can meet the needs of our clients both globally and locally.

Sensitive infrastructure

Logistic centers, manufacturing industries, data centers, ports and public transportation all rely on well-functioning infrastructure, since disruptions could result in high costs and increased vulnerability. Today, cybersecurity concerns are prompting security providers to expand their competencies, acquire new equipment and build new systems to broaden their expertise and meet this demand.

At Securitas, we possess in-depth knowledge about specific client segments, such as public transportation, manufacturing or logistics. We have the expertise to create complex cross-border security solutions. In line with our strategy, and in order to expand Securitas' electronic security presence and capabilities, during 2020 we acquired Techco Security in Spain, Stanley Security's electronic security businesses in five countries and FE Moran Security Solutions in the US.

Societal tensions

Real or perceived threats of terrorist and militant incidents vary over time, and exceptional situations like the pandemic in 2020 could create societal tensions. The public sector continues to outsource many security services to the private sector in the face of downsizing and cost-cutting programs as well as new and more complex threats that are challenging to handle. The trend of regulating private security providers is continuing, which is helping to increase confidence in these services, both among the general public and among clients in the private and public sectors.

Securitas can offer security solutions and, if needed, extra services on short notice to the public and private sectors. For example, we can provide on-site guarding in public areas to support the work of the police force or for infrastructure such as public transportation. Through our presence, Securitas can contribute to peace of mind in tense situations. We also provide professional risk analysis and risk management services to help tackle complex security issues.

Urbanization

Urbanization and industrialization continue as people keep moving into cities. High population density could in turn lead to concerns about crime, and the residential security market is expected to grow rapidly in most developed countries as electronic monitoring equipment becomes more common. In addition, the commercial and industrial market is forecast to account for more than 70 percent of global security service revenue growth.

Securitas continues to expand its presence in urban areas around the world to ensure close proximity to clients. We have a strong presence in both mature markets and developing countries, and can provide advanced security systems and consulting services. We can also offer highly trained frontline personnel who are specialized in handling the increasing technological complexity of these new security systems.

How we create value

Securitas is a global company that offers the most advanced and sustainable security solutions in the industry. We are located in 47 countries in Europe, North America, Latin America, Africa, the Middle East, Asia and Australia, and have 355 000 employees. Securitas has over 150 000 clients, both small and large, in many industries and segments. We are driven by a clear corporate culture and purpose, which helps us live according to our values.

Offering

REMOTE GUARDING
Securitas operators use cameras to remotely patrol client sites

ON-SITE GUARDING
Our on-site security officers are trained to detect, deter and respond to risks and incidents

MOBILE GUARDING
Mobile guards patrol multiple sites within a limited area

ELECTRONIC SECURITY
We provide the full value chain, from design and installation to maintenance and monitoring

FIRE AND SAFETY
A full range of fire and safety solutions, including fire prevention and emergency planning

CORPORATE RISK MANAGEMENT
Combining cutting-edge technology with top security intelligence

Creating value through

FOUR STRATEGIC FOCUS AREAS
Our four strategic focus areas help us deliver sustainable global security solutions with focus on our clients, people and society.
Read more on pages 8-23.

We help make your world a safer place

OUR VALUES
Our values guide us every day and they are the foundation of our culture. They help us to act in an ethical way.
Read more on page 3.

PURPOSE AND CULTURE
Our purpose gives our employees motivation and a sense of pride. Together with our culture this helps us reach our full potential.
Read more on pages 20-21.

Value we delivered 2020

92%
share of employees with permanent work contract

-14%
improvement in injury rate

91%
client retention rate

107 954
total sales, MSEK

4.5%
operating margin

4.00
proposed dividend, SEK

862
current taxes paid, MSEK

Security— a human need*

EMPLOYEES
We are a people company and it is important that we are a stable employer with long-term focus that offers our employees good working conditions. We believe in developing our employees through training and talent management so they can reach their full potential and grow in their jobs.

CLIENTS
With our in-depth knowledge and experience we continue to offer our clients innovative and data-driven solutions. Our clients can feel confident that our solutions are efficient and designed to help them minimize interruption in their businesses.

SHAREHOLDERS
Securitas is a long-term, stable, profitable and sustainable company. By leading the transformation of the security industry, we will remain an attractive investment.

SOCIETY
Being safe is one of the most basic human needs. In a world where the threats to our security are constantly increasing and becoming increasingly complex, we exist to help our clients make cities and communities safer.

THE GLOBAL GOALS

* Read more about how we contribute to the UN's Sustainable Development Goals 5, 8 and 16 on page 172.

Operations

Securitas has a leading global and local market presence with operations in 47 countries. Our operations are organized in three business segments: Security Services North America, Security Services Europe and Security Services Ibero-America. We also have operations in Africa, the Middle East, Asia and Australia, which form the AMEA division. This division is reported as "Other" in our segment reporting.

We add value to our clients by combining our global presence with local expertise in close to 1 360 branch offices. Securitas has the leading protective services offering including on-site, mobile and remote guarding, electronic security, fire and safety services and corporate risk management. Our security services are managed and coordinated through 44 SOCs, where operators can quickly address our clients' security issues. The information gathered by our SOCs provides our clients with high-quality security around the clock, along with analytics, analysis and client reports.

SECURITY SERVICES NORTH AMERICA

Security Services North America provides protective services in the US, Canada and Mexico. The operations in the US are organized in four specialized units - Guarding, Electronic Security, Pinkerton Corporate Risk Management and Critical Infrastructure Services. There is a unit for global and national accounts and specialized client segment units, such as aviation, healthcare, manufacturing and oil and gas.

SECURITY SERVICES EUROPE

Security Services Europe provides protective services in 22 countries, including aviation security in 15 countries. The full range of protective services includes on-site, mobile and remote guarding, electronic security, fire and safety services and corporate risk management. In addition there is one specialized unit for global clients and one for security solutions.

SECURITY SERVICES IBERO-AMERICA

Security Services Ibero-America provides protective services in seven Latin American countries as well as in Portugal and Spain in Europe. Aviation security is offered in seven countries. The offered services include on-site, mobile and remote guarding, electronic security, fire and safety services and corporate risk management.

Securitas meets the clients' needs with a high-quality protective services offering, a leading global and local presence, skilled employees and shared values.

A unique global position

Securitas' markets*

North America

Canada
Mexico
USA

Europe

Austria
Belgium
Bosnia and Herzegovina
Croatia
Czech Republic
Denmark
Finland
France
Germany
Hungary
Ireland
Luxembourg
The Netherlands
Norway
Poland
Romania
Serbia
Slovakia
Sweden
Switzerland
Turkey
United Kingdom

Ibero-America

Argentina
Chile
Colombia
Costa Rica
Ecuador
Peru
Portugal
Spain
Uruguay

Africa, Middle East and Asia (AMEA)

Australia
China
Hong Kong
India
Indonesia
Jordan
Morocco
Saudi Arabia
Singapore
South Africa
South Korea
Thailand
United Arab Emirates
Vietnam

* At the beginning of 2020, Securitas had operations in 57 markets and has, after having decided to leave or divest operations, remaining operations in 48 markets at the beginning of 2021.

Security Services Europe

Total sales MSEK 45 188
121 000 employees

Organic sales growth was -2 percent (2)

Security solutions and electronic security sales represented 24 percent (22) of total segment sales

The operating margin decreased to 4.6 percent (5.5)

The client retention rate was 90 percent (90)

Security Services North America

Total sales MSEK 47 801
123 000 employees

Organic sales growth was 2 percent (4)

Security solutions and electronic security sales represented 17 percent (18) of total segment sales

The operating margin decreased to 5.9 percent (6.2)

The client retention rate was 91 percent (90)

Security Services Ibero- America

Total sales MSEK 12 552
61 000 employees

Organic sales growth was 2 percent (14)

Security solutions and electronic security sales represented 30 percent (27) of total segment sales

The operating margin decreased to 4.5 percent (4.7)

The client retention rate was 93 percent (92)

AMEA

50 000 employees

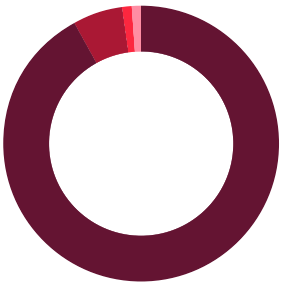
Despite the extraordinary situation with the coronavirus pandemic, we grew and strengthened our position as the leading protective services provider in the AMEA region

Two strategic acquisitions in electronic security were completed in 2020, Fredon Security in Australia and Stanley Security in India and Singapore

Security Services North America

"We foresee a change in demand, as the clients' security needs are likely to change when we move to a post-coronavirus security market."

Share of segment sales



- USA, 92%
- Canada, 6%
- Mexico, 1%
- Rest of countries in the segment, 1%

THE YEAR 2020

Despite the extraordinary challenges that the coronavirus pandemic has entailed, organic sales growth was positive. Thanks to the outstanding efforts of our leaders and employees, we met the radically different and diverse needs faced by our clients due to the unprecedented situation in which they found themselves. Despite the economic environment, we were also able to offer stable and attractive career opportunities.

After three years of planning and development, a number of major IT and business transformation initiatives were launched in 2020. The primary focus of this project has been to integrate our workforce management and our financial reporting into a single modern platform. We are already seeing benefits, such as service enhancement and data transparency for Securitas and our clients.

Our work with solutions innovation also continued, including the rollout of cost-effective, turnkey technology solutions supported by remote guarding. The acquisition of FE Moran Security Solutions supports Securitas' strategy and strengthens our position as a leader in protective services.

THE MARKET

We foresee a change in demand, as clients' security needs are likely to change when we move to a post-coronavirus security market. Critical security aspects related to the return to work and virtual work environments, reduced facility usage and the mix of labor and technology will create a need for new security solutions and services.

Securitas has a strong position in the market, which was reinforced by our ability to meet our clients' emergency demands during the coronavirus pandemic. Our transition from a pure guarding company to one offering full security solutions with distinct specializations has progressed smoothly and is now delivering a growing number of benefits, both for our clients and for us.

A SUSTAINABLE BUSINESS

To protect the health and safety of our employees during the coronavirus pandemic, we developed a comprehensive, specific training program covering pandemics, personal protection equipment, screening tools and industry-specific applications. Similar training was also developed for managers to support safe client and employee interactions.

Diversity, fair wages and benefits for our frontline personnel are prioritized areas. A diversity and inclusion leadership team has been formed to create a roadmap and to execute on the programs developed.

GOALS AND PRIORITIES

In the coming years, we will continue to execute on our strategy. This includes furthering our commitment to employee safety, best practices and personal support at the same time as we focus on increasing sales of security solutions and expand and refine our specialization in services. We will continue to work on our digital business transformation in order to further optimize our performance, as well as accelerating our client-centric innovation work, which involves improving our ability to capture, analyze and use data to create new services, including better prediction of security incidents.

2 800

Operating income before amortization, MSEK

16 666

Total capital employed, MSEK

5.9%

Operating margin

123 000

Number of employees

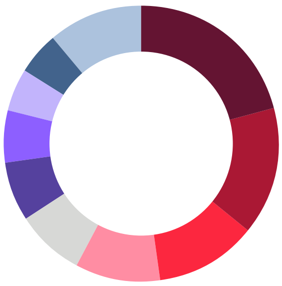
720

Branch managers

Security Services Europe

"Our people have demonstrated great resilience and leadership, and worked extremely hard during the peaks of the crisis to stay close to our clients."

Share of segment sales



- Germany, 21%
- France, 15%
- Sweden, 12%
- Belgium, 10%
- Netherlands, 8%
- Eastern Europe, 7%
- UK, 6%
- Norway, 5%
- Turkey, 5%
- Rest of countries in the segment, 11%

THE YEAR 2020

Security Services Europe delivered a good performance in 2020. However, the business was heavily impacted by the effects of the coronavirus pandemic, especially in segments such as aviation and events. Apart from these segments, we experienced underlying growth with improved margins. Sales of security solutions and electronic security also slowed during 2020. A cost-savings program was implemented to ensure an optimal cost structure to meet the changing demands of our clients, while also accelerating the shift to an organization focused on selling security solutions.

Our major focus throughout 2020 was the well-being of our employees and making sure we could continue to perform the key role that we play for our clients and in society, a role that has become even more essential as a result of the coronavirus pandemic.

Our people have demonstrated great resilience and leadership, and worked extremely hard during the peaks of the crisis to stay close to our clients, sometimes in a digital way.

THE MARKET

The European market for security services has been impacted by the slowdown of the economy due to the pandemic and the uncertainty among clients with respect to future investments. Nevertheless, Securitas' position as the leading company in the security industry and our broad offering in protective services gave us opportunities to deliver value-added and cost-efficient security solutions to our clients, even during a global pandemic.

A SUSTAINABLE BUSINESS

Securitas aims to be the employer of choice, and we work continuously to improve our brand, position and attractiveness to current and potential employees. This includes updating our recruitment processes and platforms, strengthening our employee excellence culture and an increased focus on diversity at all levels of our business. Diversity workshops have, for example, been held in a number of countries. We continue to improve our talent management and succession planning through country-specific programs and divisional activities. This, combined with the ability to recruit and retain the best people, will ensure that Securitas is ready for new challenges.

We value close and proactive relationship with works councils and unions across Europe and with our own European Works Council. The health and safety of our employees is always our top priority, and we will continue to ensure that our people can carry out their work safely. During the coronavirus pandemic the focus has been on providing our employees with appropriate personal protective equipment and specific training.

GOALS AND PRIORITIES

Our top priority in 2021 will continue to be the well-being and safety of our people, while also focusing on growing the parts of our business that yield a higher margin. We will have an increased focus on electronic security and security solutions through close collaboration with our clients. At the same time, 2021 marks the start of our ambitious business transformation program. The program will enable us to benefit from our scale and common ways of working, and will help change the business mix and improve our margins.

2 069
Operating income before amortization, MSEK

11 107
Total capital employed, MSEK

4.6%
Operating margin

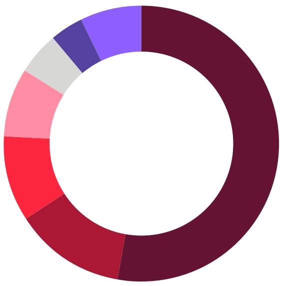
121 000
Number of employees

700
Branch managers

Security Services Ibero-America

"These acquisitions are important steps in the execution of our strategy and will also help consolidate our position as leader in the electronic security market."

Share of segment sales



- Spain, 53%
- Argentina, 13%
- Portugal, 10%
- Chile, 8%
- Peru, 5%
- Colombia, 4%
- Rest of countries in the segment, 7%

THE YEAR 2020

In 2020 we have devoted considerable effort to safeguarding our employees' well-being and helping our clients solve their security needs.

Despite the extraordinary situation created by the coronavirus pandemic, we have successfully integrated a number of strategically important acquisitions carried out in 2019 and 2020, such as Techco Security in Spain, which offers a broad range of security services including installation, remote guarding services, access control, electronic alarm surveillance and fire protection, and the safety systems companies Instalfago in Portugal and SCI Proteccion Contra Incendios in Spain. In 2020, Securitas also acquired Stanley Security's electronic security business in five countries, including Portugal, where there is also an alarm monitoring center.

These acquisitions are important steps in the execution of our strategy and will also help consolidate our position as leader in the electronic security market. We have identified numerous synergies that will help to increase our knowledge and efficiency and add value for our clients.

THE MARKET

The markets in both Spain and Portugal as well as in Latin America have been affected by the coronavirus pandemic, with the market for aviation security showing the largest decline. Smaller players in many of the markets are facing difficulties, which will probably lead to further consolidation. This development will present us with favorable opportunities to accelerate the shift toward increased use of technology and electronic security in our solutions, which in turn will strengthen our position as the industry leader in protective services.

A SUSTAINABLE BUSINESS

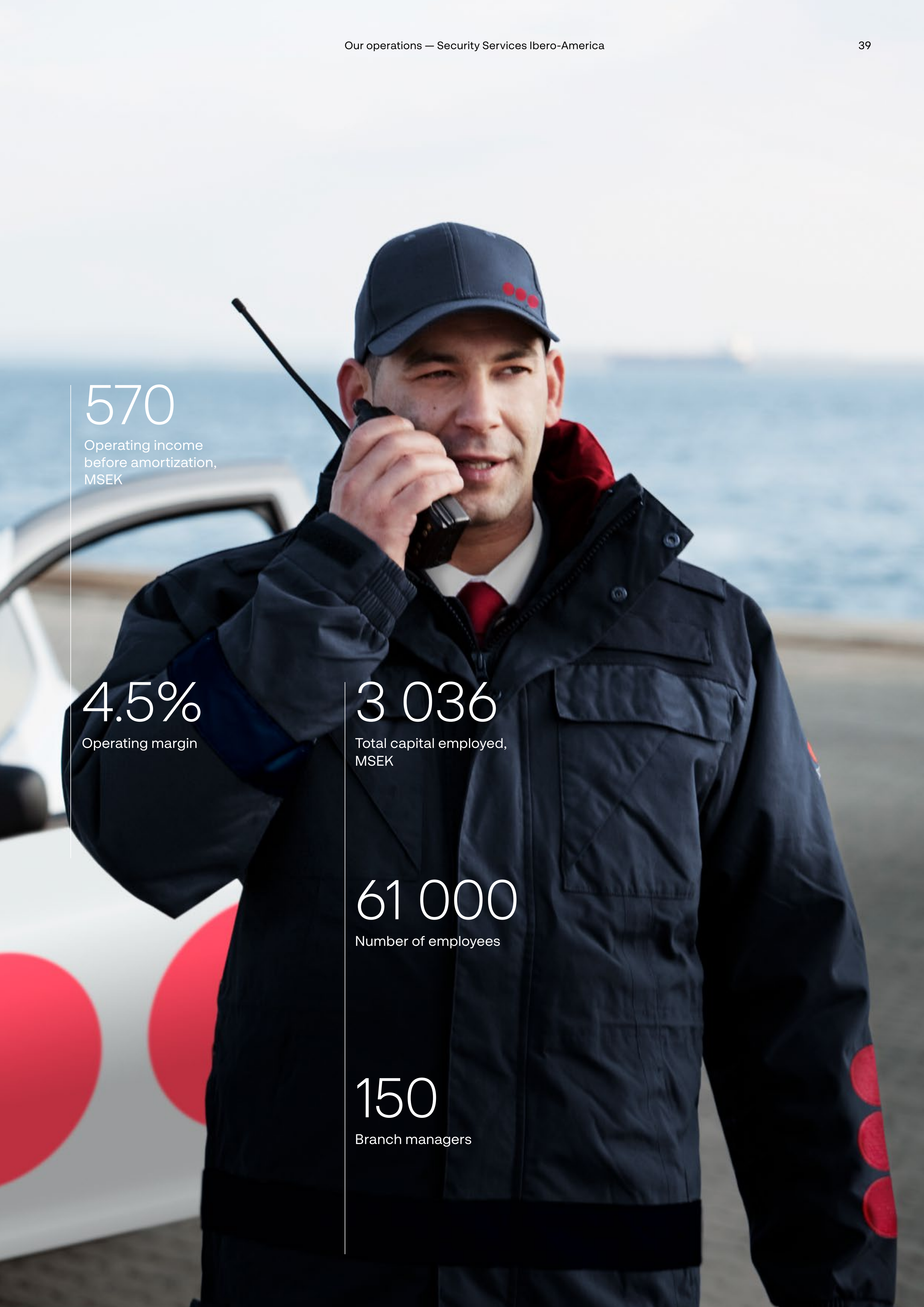
Our priority in 2020 was to ensure safe working conditions for our employees, especially for security officers on the frontline. Great effort went into ensuring that they had appropriate personal protection equipment and to arrange transportation during periods when public transport was not available. We also closely monitored our employees' mental health status and offered professional help when needed.

We have continued to play an important role in the societies where we work, helping companies and authorities in all sectors, especially critical ones such as healthcare, infrastructure and logistics, to carry out their work.

We continue to train our employees at all levels to ensure that we have the competence needed to provide our clients with high-quality security services. Activities to promote and increase diversity and talent management are key to our continued and future success.

GOALS AND PRIORITIES

The successful integration of the acquisitions carried out over the past two years will ensure healthy growth in electronic security sales, in line with our strategy. The economic situation after the coronavirus pandemic will differ between countries, and we will probably see an increased consolidation of the security services market. This will present us with opportunities to pursue our strategy and to continue to work closely with our clients to find the best security solutions for them. We will also continue to provide our skilled and engaged employees and leaders with opportunities for continued development.



570
Operating income before amortization, MSEK

4.5%
Operating margin

3 036
Total capital employed, MSEK

61 000
Number of employees

150
Branch managers

AMEA

"In 2020, we grew and strengthened our position as the leading protective services provider in the AMEA region."

THE YEAR 2020

The coronavirus pandemic started in Asia, and Securitas reacted fast by putting contingency plans in place and focusing on the needs of our clients and the well-being and safety of our employees. Our people across the AMEA division have shown outstanding leadership, flexibility and resilience in a challenging year.

In 2020, we grew and strengthened our position as the leading protective services provider in the AMEA region. Our focus on clients gives us the ability to adapt our security solutions to their needs. We demonstrated this through improved client retention and new sales despite the turbulent year. We also took the opportunity to accelerate our investments by further developing our people, while at the same time investing in our people strategy and technology capabilities in key markets. We also expanded our geographical footprint in China, where we are now able to serve our global clients in key cities across the country.

We carried out two important acquisitions, Fredon Security in Australia and Stanley Security's electronic security business in India and Singapore. This will contribute to further accelerating our strategic transition into electronic security.

THE MARKET

The guarding market in the AMEA region is the fastest growing in the world and is mainly driven by India and China. Pre-coronavirus, the market was expected to have an annual growth rate of close to 10 percent and account for 45 percent of the global guarding market by 2023. While the coronavirus pandemic had a negative impact on specific market segments, such as hospitality, corporate real estate and aviation in certain markets, many other segments have done well.

There are major differences in terms of market maturity in the AMEA region, from some of the most developed and digitized markets in the world to some of the least developed. We see significant growth opportunities for our protective services and security solutions in the developed markets, while there is potential to build up high-quality guarding and electronic security services in all our markets.

A SUSTAINABLE BUSINESS

In 2020, we continued to improve the diversity of our leadership teams, both on divisional and country level. We also launched our updated compliance program to ensure a greater focus on this important topic and to ensure that it is well integrated into the organization. Ethical business behavior, a positive culture and living by our values are still at the core of everything that we do. These practices are integrated into our daily work and into our processes for recruiting, training and developing our people.

GOALS AND PRIORITIES

In 2021, we will focus on advancing our protective services value proposition to selected client segments in key markets. Our priorities will be to strengthen the part of our organization that works closest to our clients, in order to increase digitization and to expand in remote services and electronic security, all with the aim of building long-term partnerships with our clients. We will do this mainly organically, but also through acquisitions if the right opportunity should arise.

50 000

Number of employees

95

Branch managers

Corporate governance report

CORPORATE GOVERNANCE AND MANAGEMENT

Compliance with the Swedish Corporate Governance Code (the Code)

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

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

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

Securitas has published its principles for corporate governance in previous Annual Reports. A separate section on the Group website contains the Articles of Association and other key company documents.

Securitas complies with the Code principle of "comply or explain" and has two deviations to explain for 2020.

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

Comment: This deviation applied for the Nomination committee for AGM 2020 where Investment AB Latour had appointed Carl Douglas (Vice-Chair of the Board) as Chair of the Nomination Committee. The Committee considered it important to have a representative from the major shareholders as Chair of the Committee. For the AGM 2021 this deviation no longer applies as Johan Hjertonsson, representing Investment AB Latour, has been appointed Chair of the Nomination 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.

Guided by our strong values in challenging times

Comments by the Chair
Marie Ehrling
Chair of the Board

"Securitas holds a strong position as the global leader in the security industry and is well positioned for the future."

2020 was a year like no other – for Securitas and for the world in which we operate. On behalf of the Board of Directors, I would like to express our appreciation for the resilience and hard work of all Securitas employees as well as our deepest sympathies to those who have lost loved ones.

The whole world has been affected by the corona pandemic, including our clients, our employees and other key stakeholders. As a major player in the private security industry, it is clearer than ever that Securitas plays a vital role in society. We help ensure that our clients, in both the private and public sectors, can carry out their work in a safe and secure way. As we have seen in 2020, conditions can change radically in a short period of time, and we have demonstrated our ability to quickly adjust to our clients' changing needs. Our strategy to digitize a larger part of our services and the way we work has certainly proved to be the right way forward. Everyone had to change the way they work, and Securitas as a company has shown the ability to adjust and adapt to a new reality, global developments and changing client needs. To remain a strong global company in our ever-changing world, this agility will be of the utmost importance going forward.

Securitas holds a strong position as the global leader in the security industry and is well positioned for the future. Our clients' needs are evolving towards more digitized services as well as more complex solutions, and we are in a period of accelerated transformation in order to further strengthen our offering in these areas and also become the leader in intelligent security. Despite the challenges in 2020, I am pleased that we managed to continue our ambitious transformation agenda in all our regions.

FOCUS ON A SUSTAINABLE WAY OF WORKING

Due to the pandemic, the Board was not able to perform any country visits during the year. Despite the prevailing situation, we managed to carry out our duties in an effective manner and remain engaged in Securitas' strategic and operational work. Although rapidly changing circumstances required fast, short-term decisions

this year, we continue to maintain a long-term approach to the development of Securitas' business. Securitas is a company with strong values, and in the face of the trying reality presented by the pandemic, Securitas' employees at all levels demonstrated that they truly live up to our core values of Integrity, Vigilance and Helpfulness, and to our purpose: "We help make your world a safer place".

At Securitas, compliance with our values and procedures has been at our core ever since the company was founded in 1934. In 2020, we continued to develop our internal control and risk management in order to further strengthen our capabilities to uphold compliance with internal and external values and regulations. We have high ambitions with regard to sustainability, and we will continue to pursue these ambitions with a focus on our people, both within Securitas and in the security industry. Occupational health and safety, fair wages, good working conditions and talent management are among our prioritized areas, and we are also working to reduce our environmental impact.

After serving on Securitas' Board of Directors for 15 years, the last six of which as Chair, it is time for me to step down at the Annual General Meeting in May 2021. It has been a privilege to be part of Securitas' great journey and the development that the company has gone through. We have a clear strategy and an ambitious target for the years to come. We aim to expand our lead in the security industry and to become our clients' intelligent protective services partner. I would like to thank my colleagues on the Board and Securitas' management team for their outstanding work and collaboration. Finally, I would like to thank all Securitas' shareholders for their trust and confidence over the years. I am convinced that Securitas' journey in the years ahead will continue to be successful.

Stockholm, March 18, 2021

Marie Ehrling
Chair of the Board
Securitas AB

Solid system for governance and management

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

Securitas has a decentralized organizational model that promotes entrepreneurship and focuses on the approximately 1 660 branch managers who run the company's daily operations in 47 countries. The company's offerings improve when decisions are made in close proximity to clients and the employees who perform the services. Local decisions are therefore encouraged but require a solid governance and management system. To facilitate this work, Securitas has systems, routines and procedures in place for monitoring targets, internal control and risk management.

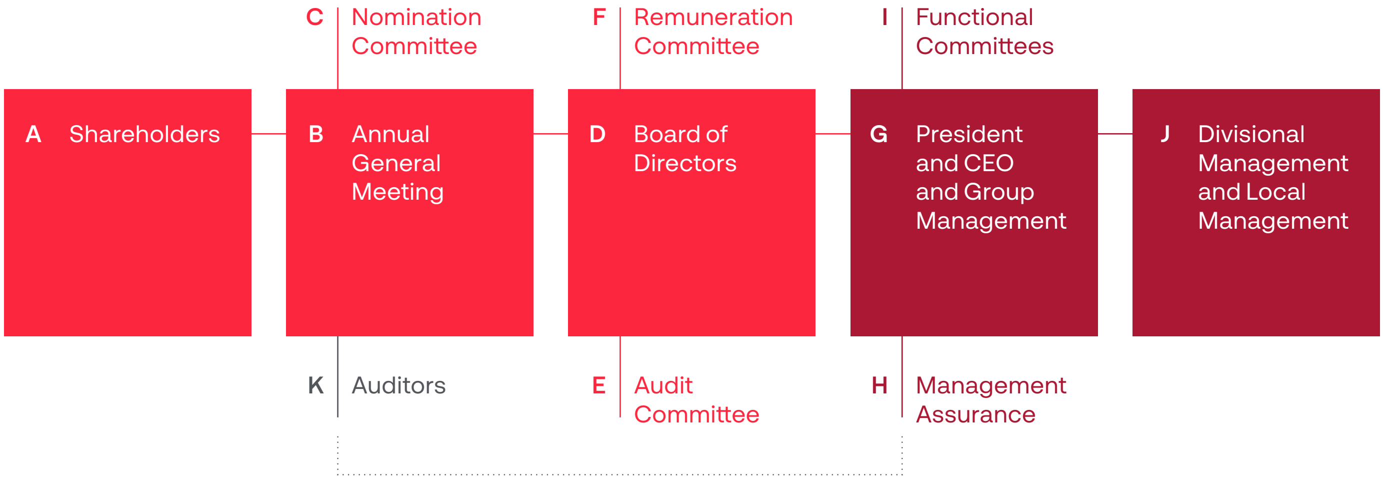
As a global company, Securitas operates in many different markets where laws, regulations, environmental requirements and social conditions may differ. Therefore, it is vital that we always act transparently and ethically. Sustainability is well integrated into Securitas' everyday work. Securitas' sustainability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

Securitas values are strongly linked to its management model – The Securitas Toolbox. A key function of the Toolbox is to convey our corporate culture and create a shared platform through our values. Securitas' Toolbox management model has a methodical structure that includes several well-defined areas or "tools" that serve as a framework at all levels, and is maintained through continuous training and discussion forums. The different areas of the model describe how Securitas' managers are to conduct themselves in various aspects and stages of the company's operations. The model also describes the approach we are expected to take with regard to the market, our clients and employees. All Securitas employees are expected to assume responsibility for the clients and operations and for our shared values. Responsibility is clarified through the measurement and systematic evaluation of results.

To continuously work on awareness and knowledge around control and compliance topics are important and several initiatives within this area have been taken during 2020.

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

The financial framework and model continuously measure the Group's performance, from the branch offices through to Group level. The aim of the Group's financial reporting is to produce the most timely and accurate information possible to enable managers and employees to make the decisions necessary for achieving profitable growth in line with Securitas' strategies, and to control risks to ensure that the company's objectives are achieved. Financial reporting also forms the basis for sound internal control. The financial model makes it possible to monitor a number of key figures that can be understood by all managers. Each branch has its own statement of income, for which it is fully responsible. It also helps managers to understand the connection between risks and opportunities, and how various factors impact their areas of responsibility as well as how we can monitor and control these factors. It visualizes the direct link between income and expenses in the statement of income, capital employed in the balance sheet and the generation of free cash flow. Refer to pages 66-67 for more information.



A SHAREHOLDERS

Securitas is listed on Nasdaq Stockholm in the Large Cap segment since 1991. The shareholders influence the overall direction of the company at the top of the governance structure. Strong principal shareholders provide considerable attention and interest in our business and establish commitment to the success of the business.

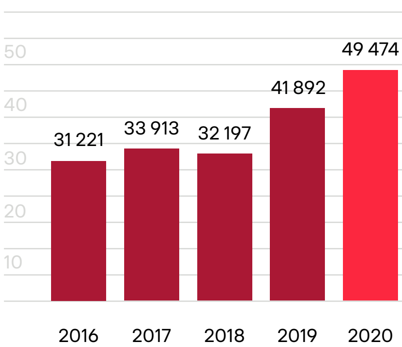
On December 31, 2020, the principal shareholders in Securitas were Carl and Eric Douglas who, through family and Investment AB Latour, held 10.9 percent (10.9) of the capital and 29.6 percent (29.6) of the votes, and Märta and Sofia Schörling who, through family and Melker Schörling AB, held 4.5 percent (4.1) of the capital and 10.9 percent (10.7) of the votes. For more detailed information about shareholders, see the table on page 51.

B ANNUAL GENERAL MEETING

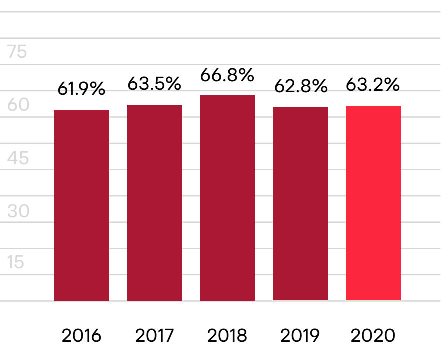
All shareholders are able to exercise their influence at the Annual General Meeting, which is the company's highest decision-making body. The Annual General Meeting decides on changes to the Articles of Association. The Articles of Association contain no limitation on the number of votes that each shareholder 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 7, 2020. One of the resolutions passed in 2020 was the authorization for the Board to resolve upon acquisition of the company's own shares. Shareholders representing 63.2 percent (62.8) of the total number of votes in the company participated in the Annual General Meeting. On December 9, 2020, Securitas held an Extraordinary General Meeting. The Meeting resolved that a dividend should be distributed and to amend the Articles of Association in accordance with the Board's proposal. The minutes from both meetings are available at www.securitas.com. For information about election and remuneration of Board members, see the Board of Directors section (D).

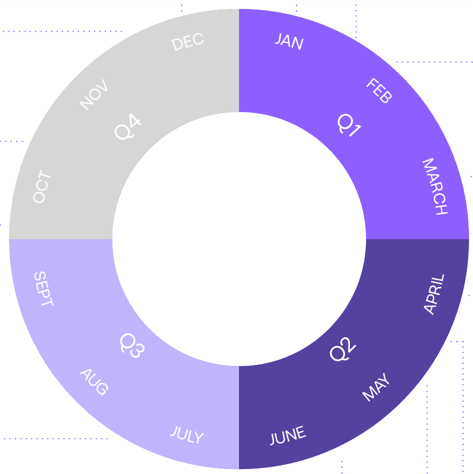
Number of shareholders 2016–2020



Attendance 2016–2020 (% of voting rights)



The work of the Board of Directors



Meeting[2]
Internal capital contribution

Meeting
Business Plan 2021
Sustainability strategy
Corporate Governance report
Acquisitions

Q3 meeting[1]
Q3 interim report
Update from the Audit Committee
Business update and Strategy
Acquisitions
Dividend

Meeting
Digital Meet the business event

Q2 meeting[1]
Q2 interim report
Update from the Audit Committee

Meeting
Business update and Strategy
Intelligent services

Statutory meeting[2]
Appointment of committee members
Authorization to sign for the company
Work procedures (Board, Audit and Remuneration Committee)
Approval of Group Policies

Q1 meeting[1]
Q1 interim report
Update from the Audit Committee
Update on Business transformation
Securitas new compliance model

Meeting
Integrity Reporting and Compliance

Q4 meeting[1]
Q4 and full-year report
Update from the Audit Committee
Dividend
Audit Report
Remuneration
Financing
Global IT & Intelligent Services
AGM Preparation
Acquisitions
Corporate Governance report

Meeting[2]
Remuneration guidelines
Proposal regarding acquisition of own shares
Annual Report

Meeting
Corona pandemic impact on the business
Financing

Meeting[2]
Incentive scheme 2020
Long term incentive program (LTI 2020/2022)
Notice Convening the AGM 2020

Meeting
Business update
Dividend

Meeting[2]
Dividend

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.

C NOMINATION COMMITTEE

The Nomination Committee is a body established by the Annual General Meeting with the task of preparing proposals regarding the election of Board members, the Chair of the Board and remuneration to Board members and Board committees.

As a basis for its proposals, the Nomination Committee takes into account the complete outcome of the evaluation of the Board and its work as well as the competence needed in the future. The Nomination Committee applies rule 4.1 of the Swedish Corporate Governance Code as its diversity policy and the committee has endeavored to establish a Board composition with an equal gender distribution, characterized by diversity and breadth regarding the qualifications, experience and background of the Board members. The 2020 Annual General Meeting resolved to appoint Board members in accordance with the Nomination Committee's proposal.

At the moment, the Board of Directors consists of three women and five men, meaning that the percentage of women on the Board is 37.5 percent, which is slightly below the target level stipulated by the Swedish Corporate Governance Board. It is the ambition of the Nomination Committee to continue working to create an equal gender distribution on the Board. The Committee has adopted working instructions that govern its work.

Before each Annual General Meeting, during which 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, in consultation with the Board of Directors and the Audit Committee.

The Annual General Meeting has adopted an instruction for the Nomination Committee, which includes a procedure for appointing the Nomination Committee, valid until a General Meeting resolves in a change. In accordance to this instruction the Nomination Committee shall be composed of representatives of the five largest shareholders in terms of voting rights registered in the shareholders' register as of August 31 in the year prior to the Annual General Meeting. Refer to the AGM minutes for more information on the procedure for replacing members of the Nomination Committee who leave before its work is concluded or due to changes in the shareholder structure. The Chair of the Board, Marie Ehrling, shall convene the first meeting of the Nomination Committee and shall also be co-opted to the Nomination Committee. Based on these principles, the Nomination Committee consists of the members listed in the table below.

The Nomination Committee is to hold meetings as often as necessary to fulfill its duties. However, the Nomination Committee is to hold at least one meeting annually. The Nomination Committee held two meetings during 2020.

Nomination Committee prior to 2021 AGM

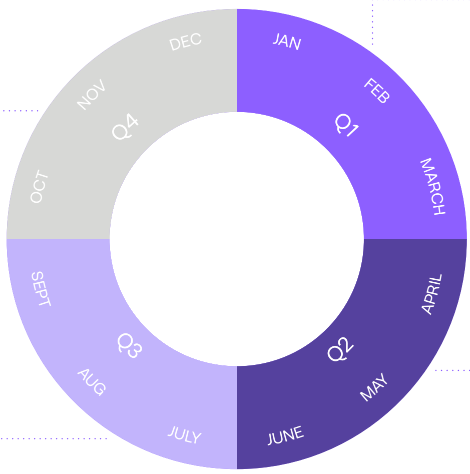
Elected members	Share of votes as of August 31, 2020
Johan Hjertonsson[1], Investment AB Latour, Chair	29.58 %
Mikael Ekdahl, Melker Schörling AB	10.94 %
Maria Nordqvist, Lannebo Fonder	2.68 %
Niklas Ringby, EQT AB	1.93 %
Simon Blecher, Carnegie Fonder	1.44 %
Share of votes not represented in the Nomination Committee	53.43 %

1 Johan Hjertonsson has replaced Jan Svensson as a representative of Investment AB Latour and was appointed Committee Chair by the members of the Committee on February 5, 2021.

The work of the Audit Committee

Q3 meeting
Q3 interim report
Updates[1]
Internal MA audit activities for the Q3, 2020
Impairment test
Corporate Governance Report
Internal audit function assessment
External auditor early warning and internal control report
Cyber security

Q2 meeting
Q2 interim report
Updates[1]
Internal MA audit activities for the Q2, 2020
External auditor half year report



Q4 meeting
Interim report and full-year report
Updates[1]
Internal MA audit activities for the Q4, 2019
Corporate Governance report
Yearly summary of employee benefits (pensions)
External auditor report

Q1 meeting
Q1 interim report
Updates[1]
Internal MA audit activities for the Q1, 2020
External auditor audit plan
Internal MA audit plan
Annual update Group Policies

(MA) Management Assurance

1 Topics based on a set rolling agenda format with updates on accounting, treasury, acquisitions, risk / insurance, legal, tax, internal control, sustainability, enterprise risk management, IT/IS, follow-up of on site visits, audit / consultancy costs and auditor independence.

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

The Annual General Meeting re-elected Marie Ehrling as Chair of the Board and Carl Douglas as Vice-Chair. For further information about the members of the Board of Directors including remuneration, see pages 51-53.

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 61.

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 57. The Board has formed an Audit Committee (see section E) and a Remuneration Committee (see section F).

The work of the Board of Directors

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

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

The Board held 16 meetings in 2020, of which 5 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 2020, where they presented the audit.

E AUDIT COMMITTEE

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

Specifically, the Committee monitors the financial reporting, the effectiveness of internal control, internal audit activities and the risk management system. The Committee also stays informed about annual statutory audits. It assesses the external auditor's independence and receives information of, and approves the performance of, significant 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 2020. The major topics discussed are listed on the previous page.

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 two meetings during 2020.

Short-term Incentive Program

A share-based incentive scheme was adopted at the Annual General Meeting 2020, enabling the Group to gradually have approximately 2 600 of Securitas' top managers as shareholders. The scheme strengthens employee commitment to Securitas' future success and development for the benefit of all shareholders. In principal, the adopted incentive scheme entails that one-third of any annual bonus, earned under the performance-based cash bonus schemes, is converted into a right to receive shares, with delayed allotment and subject to continued employment in Securitas. The scope and content of the incentive scheme is unchanged compared to the share–based incentive scheme that was adopted at the Annual General Meetings in 2010 and forward. Refer to the AGM minutes and note 12 for more information.

Long-term Incentive Program

The Annual General Meeting 2019 and 2020 resolved on a long-term incentive program including the CEO, other members of Group Management and certain other key employees within the Securitas Group (LTI 2019/2021 and LTI 2020/2022, together "the LTI Programs") which are intended to work as an alternative incentive solution to the aforementioned incentive scheme and includes approximately up to 80 employees within Securitas. The outcome of the LTI Programs is based on the annual development of Securitas' earnings per share. The LTI Programs are conditional upon the participant's own investment and holding periods of several years. The vesting period for the LTI Programs are three years after allotment.

The purpose of the LTI Programs are to create a strong long-term incentive for top executives of the Group, strengthen the Group's ability to retain and recruit top executives, provide competitive remuneration, and to align the interests of the shareholders with the interests of the executives concerned by enabling the participants to become substantial shareholders in the company. Refer to the AGM minutes and note 12 for more information on the LTI Programs.

Guidelines for remuneration

The guidelines for remuneration to senior management that were adopted at the Annual General Meeting 2020 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 85 percent of the fixed annual salary for the President and CEO, and a maximum of 60 to 200 percent of the fixed annual salary for other members of Group Management. The cost of the company for 2020 in terms of its obligations to pay variable remuneration to the Group Management is established to not exceed a total of MSEK 108 at maximum outcome (not including potential costs for the LTI Programs). The complete guidelines for remuneration can be found on www.securitas.com.

Additional information on remuneration to the Board of Directors and Group Management, including the outcome, see note 9.

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 the 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 2020, Group Management comprised the President and CEO and 13 executives with representatives from the divisions. For further information on Group Management, see pages 54-55.

H MANAGEMENT ASSURANCE

The Management Assurance staff function has over the years operated as the Group's internal audit function and reported to the Senior Vice President Finance with an open line of communication to the Audit Committee. During 2020 it was decided to appoint a formal Internal Audit function and head of such function, the Chief Audit Executive, has been recruited and will from the first quarter 2021 build the Internal Audit team and function.

During 2020 the Management Assurance function has continued to operate as previously and 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 four Audit Committee meetings during 2020. The scope of the Management Assurance function is transitioning to internal control over financial reporting (ICFR) and operating as a second line of defense function, whereby it is also renamed Group ICFR.

For more information, refer to www.securitas.com.

I FUNCTIONAL COMMITTEES

The Group has established a number of functional committees, boards 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. There is also a separate IS/IT Board and a Digital Security committee. Quarterly meetings are held with the President and CEO, at which topics that will be reported to the Audit Committee are discussed. In addition to the above two new committees have been put in place during 2020, a Business Ethics, Sustainability Board and an ICFR Board.

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.

K AUDITORS

The Annual General Meeting 2020 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).

For audit fees and reimbursement to auditors, see note 11 and 45.

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: Anticimex Group AB, AcadeMedia AB (publ), Attendo AB (publ), Nordstjernan AB, Pandox AB (publ) and Bonava AB (publ). Member of FAR.

Composition of the board and attendance in 2020

	Position			Attendance					
Board member	Board of Directors	Audit Committee	Remuneration Committee	Board meetings (16)	Audit Committee meetings (4)	Remuneration Committee meetings (2)	Total fee[1], SEK	Independent to company (8)	Independent to shareholders (5)
Marie Ehrling	Chair	–	Chair	16	—	2	2 300 000	Yes	Yes
Carl Douglas	Vice-Chair	–	Member	12	—	2	895 000	Yes	No
Ingrid Bonde	Director	Member	–	16	4	–	835 000	Yes	Yes
John Brandon	Director	–	–	16	—	–	635 000	Yes	Yes
Anders Böös[2]	Director	–	–	16	2	–	635 000	Yes	No
Fredrik Cappelen	Director	Chair	–	14	4	–	960 000	Yes	Yes
Sofia Schörling Högberg	Director	Member	–	16	4	–	835 000	Yes	No
Dick Seger	Director	–	–	16	—	–	635 000	Yes	Yes
Susanne Bergman Israelsson[3]	Director	–	–	14	—	–	0	–	–
Åse Hjelm[3]	Director	–	–	15	—	–	0	–	–
Jan Prang[3]	Director	–	–	16	—	–	0	–	–

1 Total fee includes fees for committee work. In total, SEK 875 000 was paid out for committee work, of which SEK 150 000 for Remuneration Committee work and SEK 725 000 for Audit Committee work. For more details, refer to the minutes of the Annual General Meeting 2020 on Securitas' website: www.securitas.com.
2 Member of the Audit committee until May 7, 2020.
3 Employee representatives, appointed members of the Board of Directors at the Annual General Meeting. Deputy employee representative is Thomas Fanberg. Thomas Fanberg (b. 1961) has been Deputy Director of Securitas AB since 2008. Employee Representative, Chair of Salaried Employees' Union local branch, Securitas Norrland.
For comparative information about remuneration to the Board of Directors and senior management, see note 9.

Board of Directors

MARIE EHRLING
Chair, born 1955
Director of Securitas AB since 2006 and Chair since 2016
Principal education: BSc in Economics and Business Administration
Other assignments: Vice Chair of Axel Johnson AB, Director of Axel Johnson International and Disruptive Materials AB
Previously: Chair of Telia Company AB, President of TeliaSonera Sverige, Deputy CEO of SAS AB, responsible for SAS Airlines and other executive positions at SAS
Shares in Securitas: 10 000 Series B shares

CARL DOUGLAS
Vice Chair, born 1965
Deputy Director of Securitas AB since 1992, Director since 1999 and Vice Chair since 2008
Principal education: Bachelor of Arts, Doctor of Letters (h.c.)
Other assignments: Vice Chair of ASSA ABLOY AB, Director of Investment AB Latour
Shares in Securitas: 12 642 600 Series A shares and 27 190 000 Series B shares[1]

INGRID BONDE
Born 1959
Director of Securitas AB since 2017
Principal education: BSc in Business and Economics
Other assignments: Chair of Hoist Finance AB, Alecta, Apoteket AB and Vice Chair of Telia Company AB
Previously: CFO and Deputy CEO Vattenfall AB, CEO AMF, Chair of Swedish Climate Policy Council, Director General Swedish Financial Supervisory Authority, Loomis AB and Swedish Corporate Governance Board
Shares in Securitas: 2 600 Series B shares

JOHN BRANDON
Born 1956
Director of Securitas AB since 2017
Principal education: Bachelor of Arts in History
Other assignments: Director of Hexagon AB
Previously: Vice President of Apple International, Vice President of Apple Americas and Asia, and President and CEO of Academic Systems
Shares in Securitas: 10 000 Series B shares

ANDERS BÖÖS
Born 1964
Director of Securitas AB since 2016
Principal education: Economic studies Upper Secondary School
Other assignments: Chair of Einride AB and Hantverksdata AB, Director of Investment AB Latour, Stronghold Invest AB and Newsec Property Asset Manangement AB
Previously: CEO of Drott AB and H&Q AB, Chair of IFS AB and Cision AB, Director of Haldex AB and Niscayah AB
Shares in Securitas: 25 000 Series B shares

FREDRIK CAPPELEN
Born 1957
Director of Securitas AB since 2008
Principal education: BSc in Business Administration
Other assignments: Chair of Dometic Group AB, Chair of KonfiDents GmbH, Transcom AB and Zacco A/S. Member of the ICC Executive Board
Previously: President and Group Chief Executive of Nobia, Chair of Dustin Group AB, Byggmax Group AB, Terveystalo Oy and Sanitec Oy, Vice Chair of Munksjö AB
Shares in Securitas: 4 000 Series B shares

SOFIA SCHÖRLING HÖGBERG
Born 1978
Director of Securitas AB since 2005
Principal education: BSc in Economics and Business Administration
Other assignments: Vice Chair Melker Schörling AB, Director Hexagon AB and ASSA ABLOY AB
Shares in Securitas: 4 500 000 Series A shares and 11 811 639 Series B shares[2]

DICK SEGER
Born 1953
Director of Securitas AB since 2017
Principal education: Master of Science
Other assignments: Director Anticimex Group AB
Previously: CEO, Chair of the Board and Director of Verisure Group (previous Securitas Direct)
Shares in Securitas: 26 Series B shares

Employee representative
SUSANNE BERGMAN ISRAELSSON
Born 1958
Director of Securitas AB since 2004
Employee Representative, Negotiating Shop Steward, Swedish Transport Workers' Union local branch 19, Norra Mälardalen
Shares in Securitas: 0

Employee representative
ÅSE HJELM
Born 1962
Director of Securitas AB since 2008
Deputy Director of Securitas AB since 2007
Employee Representative, Vice Chair of Salaried Employees' Union local branch, Norrland, Chair of the Securitas Council for Salaried Employees
Shares in Securitas: 120 Series B shares

Employee representative
JAN PRANG
Born 1959
Director of Securitas AB since 2008
Employee Representative, Chair of Swedish Transport Workers' Union local branch, Securitas Göteborg
Shares in Securitas: 0

1 Through family and Investment AB Latour.
2 Through family and Melker Schörling AB.
All figures refer to holdings on December 31, 2020.

Group management

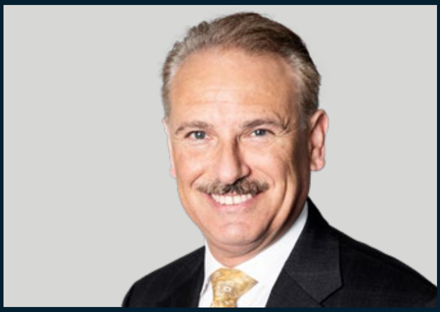
MAGNUS AHLQVIST
President and CEO of Securitas AB*
Born: 1974
Employed: 2015
Shares in Securitas: 131 038 Series B shares, 200 000 share options[1]

BART ADAM
Chief Financial Officer
Born: 1965
Employed: 1999
Shares in Securitas: 50 512 Series B shares

MARTIN ALTHÉN
Chief Information Officer
Born: 1968
Employed: 2016
Shares in Securitas: 8 810 Series B shares

GREG ANDERSON
President, North American Guarding, Security Services North America
Born: 1967
Employed: 2010
Shares in Securitas: 10 803 Series B shares

HELENA ANDREAS
Senior Vice President, Group Communications & People
Born: 1975
Employed: 2019
Shares in Securitas: 5 394 Series B shares



TONY BYERLY
President, Securitas Electronic Security
Born: 1966
Employed: 2016
Shares in Securitas: 12 077 Series B shares

JOSÉ CASTEJON
Chief Operating Officer, North American Guarding, Security Services North America
Born: 1968
Employed: 2007
Shares in Securitas: 6 440 Series B shares

JORGE COUTO
Divisional President, Security Services Ibero-America
Born: 1970
Employed: 1998
Shares in Securitas: 9 471 Series B shares

PETER KARLSTRÖMER
Divisional President, Security Services Europe
Born: 1971
Employed: 2019
Shares in Securitas: 16 793 Series B shares

ANDREAS LINDBACK
Divisional President, AMEA
Born: 1982
Employed: 2011
Shares in Securitas: 8 447 Series B shares

JAN LINDSTRÖM
Senior Vice President, Finance
Born: 1966
Employed: 1999
Shares in Securitas: 17 232 Series B shares

BRIAN RIIS NIELSEN
Senior Vice President, Global Clients and leader of Global Clients & Vertical Markets
Born: 1966
Employed: 2002
Shares in Securitas: 3 793 Series B shares

FRIDA ROSENHOLM
Senior Vice President, General Counsel
Born: 1974
Employed: 2018
Shares in Securitas: 5 348 Series B shares

HENRIK ZETTERBERG
Chief Operating Officer, Security Services Europe
Born: 1976
Employed: 2014
Shares in Securitas: 11 756 Series B shares, 45 000 share options[1]

* Magnus Ahlqvist holds a Master of Science in Economics and Business Administration from the Stockholm School of Economics, and a leadership exam from Harvard Business School. Previously he has held various management positions in Motorola Mobility, Sony and Sony Ericsson Mobile Communications. He is a Director of International Security Ligue.

The following changes in Group Management took place during 2020 and were effective as of July 1, 2020:

- Aimé Lyagre, COO and CTO Security Services Europe, decided to leave Securitas. This role is not replaced and the responsibilities will be split between Henrik Zetterberg, who remains COO Security Services Europe and a member of Group Management but with expanded responsibilities across Europe, and Thomas Lundstedt who joined Securitas as European Solution Leader in April 2020.
- Marc Pissens, left from Securitas, the role of President Aviation will no longer be part of Group Management.

The following changes in Group Management will be effective during 2021:

- Andreas Lindback has been appointed new Group CFO from August 16, 2021, as Bart Adam steps down.
- Brett Pickens has been appointed Divisional President AMEA and becomes a member of Group Management from April 1, 2021.

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

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


VIKING

Proactive risk management and internal control

Securitas' internal control system is designed to manage, rather than eliminate, the risk of failing to achieve business objectives. The system provides reasonable, but not absolute, assurance against material misstatement or loss, as well as compliance with the main policies.

Internal control over financial reporting is included as a part of the overall internal control of Securitas and constitutes a central part of the Group's corporate governance. The description below covers a broader perspective on how Securitas' internal control is organized, using a structure based on the COSO model, but also makes specific reference to items pertaining directly to internal control over financial reporting. On pages 60-63 we describe Securitas' enterprise risk management process (ERM), 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 61 for more information about insurance as a risk management tool.

CONTROL ENVIRONMENT

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

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

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

Policies that apply to internal control over financial reporting are described in Securitas' Group Policies, which include the company's model for financial control (for more detailed information on the model, refer to pages 66-67), 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, further described on page 60–63, 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).

GROUP-WIDE CONTROL ACTIVITIES

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

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

1 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. The content is updated on a continuous basis to reflect the risks that Securitas is facing, which includes ensuring that risks related to the strategy and development of the technology offering are incorporated as appropriate.

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

2 BASIC CONTROLS

Detailed controls in financial reporting processes such as revenue, payroll and IT, are included as one component of Securitas' overall Group-wide control framework called "basic controls". Basic controls set the minimum Group requirement regarding 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 specific conditions. These controls can include manual, application or general IT controls.

1 Described in further detail in the text.

Key areas covered:

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

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. After that countries are includeed on a rotational basis. 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 Client contract policy and the Securitas' Values and Ethics Code. 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. 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 the internal control over financial reporting and the reporting packages give a true and fair view of the financial position.
The letter also covers the broader perspective of internal control, including compliance with Securitas Group Policies related to financial reporting.

INFORMATION AND COMMUNICATION

Securitas' channels for information and communication are constantly developed to ensure that all employees are given clear objectives and are made aware of the parameters that constitute acceptable business practices, as well as the expectations of the Board in managing risks. This provides a clear definition of the Group's purpose and goals, accountabilities and the scope of permitted activities of employees.

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 for the organization to understand its responsibility with regard to internal control and its impact in relation to risks, goals and objectives.

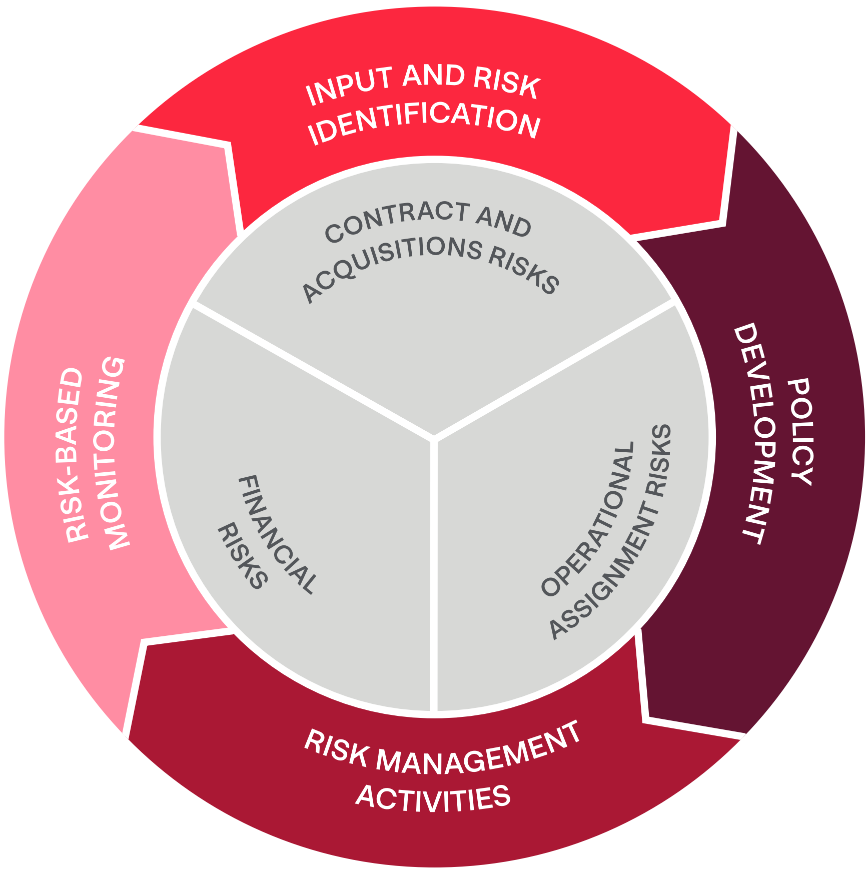
MONITORING

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, Group ICFR (former Management Assurance), the Group Risk organization, and local and divisional management.

In addition to the follow up done in these first and second line defense functions it was also during the year decided to start a formal Internal Audit function where the Chief Audit Executive was recruited and started in January, 2021.

Four-step process for managing enterprise risk

Securitas' process for enterprise risk management (ERM) is well integrated into the business and seeks to identify, prioritize and manage the key risks to our operations at all levels and in all parts of the organization.



Securitas is exposed to various types of risks in our daily business. When providing security services, Securitas manages not only our own risks, but also risks on behalf of our clients. It is important to us to minimize the risk of loss occurring as it also protects our stakeholders. Securitas' risks have been classified into three main categories: **contract and acquisitions risks, operational assignment risks and financial risks**. The categories are based on the natural flow of our 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.

CONTRACT AND ACQUISITIONS RISKS
The contract risks (and acquisitions risks) category includes risks related to entering into a client contract and risks related to the acquisition of a new business.

OPERATIONAL ASSIGNMENT RISKS
The operational assignment risks (and operational integration risks) category includes risks that are associated with our daily operations and the services we provide to our clients. This category also covers all risks related to the infrastructure necessary for running the business as well as sustainability risks. Examples are assignment execution risks, Securitas' Values and Ethics compliance risk and health and safety risks and operational risks, such as IT failure, business continuity, information security and data protection, as well as employee attraction and retention.

FINANCIAL RISKS
The financial risks (and financial integration risks) category includes risks related to financial reporting,

as well as financial risks related to external financing needs and currency exposure. To allow the divisions, countries and regions to focus fully on their operations, the management of certain risks such as financing and currency is centralized to the Group Treasury Centre. Other examples within this category are fraud and error risk, management estimates assumptions risk, credit and cash flow risk and regulatory reporting risk.

All the risks in these categories can impact the Group's financial performance and position if they are not managed in a structured way. Therefore, 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 cover all four steps in Securitas' enterprise risk management process and gathers the ERM information in one database. It is used to streamline the ERM work by structuring and automating processes and workflows, such as reports. The aim is to improve the overall quality of the ERM work and have one single point of information.

INPUT AND RISK IDENTIFICATION

The process starts with risk identification and prioritization during the ERM planning process. As part of the overall annual business plan process, each level of the organization prepares an ERM business plan, which sets the focus and priorities for operational risk management within countries, divisions and the Group for the coming year. The yearly risk assessment process is coordinated by the risk organization led by the Group Risk function. The Group Risk function is also responsible for maintenance of the risk register, which is updated annually primarily based on the country ERM business plans, but also on other sources of input.

POLICY DEVELOPMENT

The next step in the process is to assess whether new policies need to be created or existing policies need to be updated. Securitas Group policies, which is one of the cornerstones of Securitas' ERM process, establish the framework for all policies and compliance monitoring in the Group. The Group policies are developed by management and key policies are approved by the Board of Directors. A general policy update is released after the statutory Board meeting in May every year, but specific policies are also issued or updated when necessary throughout the year. During 2020 significant work was done to standardize and simplify all Group policies, moving some of the more detailed content to directives, instructions and guidelines appropriate for the subject matter experts. Some of the key policies adopted that are relevant for governance perspectives are Group Contract policy, Securitas' Values and Ethics Code, Whistleblower policy, Communication policy, Anti Bribery and Corruption policy, Fair competition and Anti-trust policy, Privacy policy and Insider policy.

RISK MANAGEMENT ACTIVITIES

The third step of the process is the risk management activities. The Board of Directors has the ultimate responsibility for governance of risk management while the accountability for managing risks and for implementing and maintaining control systems in accordance with Group policies is clearly assigned to management at Group, divisional and local level. Specifically, divisional management are responsible for all aspects of the operations in their divisions, including operational risk management and risk minimization as well as creating risk awareness throughout the division. 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.

RISK-BASED MONITORING

The identified risks and adopted policies set the structure for the fourth step of the process – Risk-based monitoring. Key risks are monitored through self-assessments, audits, risk and control diagnostics (described on page 58-59), legal reviews, sustainability reviews and/or are subject to other monitoring activities throughout the year. 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.

More information on each step of the process is to be found on www.securitas.com

Insurance as a risk management tool

STRATEGY

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

One important part of our risk management work involves taking a proactive approach to contracts and assignment instructions 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.

IMPORTANCE OF ACTIVE CLAIMS MANAGEMENT

Another significant part of Securitas' risk management work involves active claims management, as well as ongoing claims analysis of frequent and large losses with the aim of identifying the underlying driving forces. The claims are analyzed to find out if there are certain types of services, contracts, regions and so forth that cause insurance claims. As the Group's external insurance premiums are partly determined by the historic loss record, a favorable loss record will contribute to lower premiums and a lower cost of risk.

PROCUREMENT STRATEGY

Insurance programs are procured with the objective of creating a balanced and cost-efficient protection against negative financial impact. Securitas seeks to achieve economies of scale through coordinated insurance programs and the optimal utilization of the Group's insurance captives. The strategy is to cover the more frequent claims arising in Securitas' own books. 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.

BENEFITS FOR OUR CLIENTS

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

Securitas key risks

Securitas' risk register contains about 50 risks. Out of the 50 risks, 14 are selected as top risks that will be subjected to monitoring activities during the year. Out of these, eight risks are currently considered key Group risks for 2020 and have been assigned primary focus during the year. For information on our key risks and how they are managed, refer to the table below.

	Input and risk identification	Policy development
Contract risk	Risk that unreasonable obligations and risks are undertaken in the contract, resulting in unbalanced terms for the type of assignment in question, such as excessive liability, unrealistic service levels or unfavorable pricing mechanisms.	The Group has formal policies and guidelines for defining the approval process and authorization levels for new contracts as well as how to manage existing contracts. All relevant employees receive training in these policies. In addition, operations are protected by a customized Securitas insurance program, should unforeseen events occur. Read more about Securitas' insurance and claims strategy on the previous page.
Securitas' Values and Ethics compliance risk	Risk of non-compliance with Securitas' Values and Ethics Code (the Code) can ultimately result in reputational damage, lost revenues, penalties, fines, difficulties in recruiting, etc.	The Code is one of the key corporate policies that ensures 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. As a complement to the Code, the Group has adopted several policies, where some of the already existing ones were updated during 2020 and new versions released. These were for example a new Anti-Bribery and Anti-Corruption Policy, a Securitas Business Partner Code of Conduct, a Group Fair Competition and Anti-Trust Policy.
Information security risk	Risk of failing to protect the confidentiality, integrity and/or availability of data and data processing, which may result in operational losses, reputational damage, third-party liabilities and/or regulatory fines.	The Group's information security policy sets forth Group Management's ambition, expectations and directions for information security across the Securitas Group as a further level of detail to supplement the information security strategy established by the Board of Directors. During the year a new Group Digital Security Policy was adopted.
Assignment execution risk	Risk that agreed contractual requirements are not met, which in turn could adversely impact the contract portfolio churn rate, growth, customer relations and reputation.	The Group policy requires local human resources policies covering the areas of hiring employees, retaining employees, development and training, and compliance with relevant laws and regulations. Proper recruitment procedures and the training and supervision of security officers are important for mitigating the risk.
Compliance (regulatory and other) risk	Risk that regulatory and other requirements are not met or that Securitas does not meet the compliance expectations in the market or among our customers or investors. This could result in lower quality, higher costs, lost income, delay, penalties, fines or reputational damage.	Risks related to compliance with laws and regulations are managed at all levels in the organization, by all employees. The guiding policy is Securitas' Values and Ethics Code, but risks are further governed in separate policies relating to specific topics/areas. An example of such is Privacy Compliance where a revised Group Privacy Policy was released during the year.
Business continuity risk	Risk that key business processes cannot operate following an incident which could cause significant disruption to the operations.	The Group's business continuity policy requires all entities to have a written contingency plan based on the classification of key processes. The plan should also cover key IT systems and be linked to controls of IT disruptions, including disaster recovery plans. The plan should cover all relevant areas, including regular updates and testing.
Price/ production cost risk	Risk of not being able to manage prices/wages or other production costs in a desired manner, for example wage increases not reflected properly in customer contracts which could lead to deteriorated margins.	Part of the Group financial reporting procedures, reporting of price/wage KPIs at Group level is mandatory as part of the monthly and quarterly reporting package.
Insider threat risk	Risk that a person in his/her position as employed by, or subcontractors to, Securitas potentially could pose a threat to Securitas, our clients and/or the public, for example by being involved in organized crime, terrorism, extremist- or similar activities.	The Group's Insider threat policy is to be implemented by all countries due to the increased risk of terrorism and exposure of insider threat. The aim is to ensure to the largest extent possible that we can avoid and/or detect employees/ subcontractors that potentially could pose a threat to Securitas, to our clients and/or the public.

	Risk management activities	Risk-based monitoring
Contract risk	To manage contract risks in a structured way in the operations, we use a business risk evaluation model known as the Scale, which is part of Securitas' management model, "The Toolbox". The model evaluates the assignment, risk, contract terms and financial aspects. All employees involved in the contract management process receive training in the model.	Since contract risk is a key risk, Securitas monitors this through reviews (called diagnostics) to test the effectiveness of controls in the contract management process. Contract risk is also monitored through the ERM self-assessments and business plan process.
Securitas' Values and Ethics compliance risk	All our employees are trained in the Code. In addition, we also have training requirements for the policies related to the Code, such as the mandatory training on the Anti-Corruption Policy and the Group Fair Competition and Anti-Trust Policy.	The risk is monitored through sustainability reviews, audits, the ERM self-assessments and business plan process. The Group has an Ethics and Sustainability Board, which establishes the principles for Securitas' sustainability work and closely follows up cases of alleged non-compliance with the Code, reported through Securitas Integrity Line or other reporting channels.
Information security risk	Information security risk management will remain a focus area over the next few years as the cyber security threat landscape evolves. In 2020, Securitas took further steps to enhance cyber security capabilities and implemented additional preventative controls as well as further developing the governance model.	The implementation of the Digital Security policy and strengthening of relevant capabilities in this domain are monitored using different sources of assurance, such as reviews, audits, ERM self-assessments as well as local country monitoring activities.
Assignment execution risk	Local procedures for security services include a process for written site instructions ensuring they are defined, up to date, known and understood.	The risk is monitored through the ERM self-assessments and business plan process as well as through local branch audits.
Compliance (regulatory and other) risk	It is mandatory that local processes include procedures to ensure compliance with relevant laws and regulations, that there is an assigned responsibility for recurring reviews and that action plans are in place for addressing any issues identified. Compliance with Privacy and specifically GDPR continued to be a key focus during 2020. A mandatory e-learning "Privacy and Data Protection Essentials" and a new Privacy compliance platform was launched during the year.	The review procedures in the Group are designed to identify any changes in regulatory requirements that may affect Securitas' activities and to take the appropriate actions. Specific for GDPR, IT/IS GDPR focused reviews were conducted in select countries.
Business continuity risk	During the last couple of years, Securitas has carried out a Group project focusing on business continuity planning with workshops in selected countries throughout the Group to share methodologies for creating, testing and maintaining business continuity plans for critical business processes and IT systems.	The risk is monitored through audits, as well as the ERM self-assessments and ERM-business plan process.
Price/ production cost risk	The processes include measurement, communication, training and support for employees involved in the pricing of our services, at the inception of a contract and for price adjustments.	Price/wage increases are monitored and followed up on a monthly basis and are part of the monthly reporting package at Group level.
Insider threat risk	All countries are required to implement specific processes and controls to mitigate the risk. Such measures includes: risk assessment & workshops, screening processes, awareness, operational measures, reporting channels and investigation procedures.	The risk and policy implementation are monitored through Insider threat reviews where select countries were followed up on during 2020. The risk is also monitored through the ERM self-assessment and the ERM-business plan process.

Signatures of the Board of Directors

Stockholm, March 18, 2021

Marie Ehrling
Chair

Carl Douglas
Vice Chair

Ingrid Bonde
Director

John Brandon
Director

Anders Böös
Director

Fredrik Cappelen
Director

Sofia Schörling Högberg
Director

Dick Seger
Director

Susanne Bergman Israelsson
Director
Employee Representative

Åse Hjelm
Director
Employee Representative

Jan Prang
Director
Employee Representative

Magnus Ahlqvist
President and
Chief Executive Officer

Auditor's report on the corporate governance statement

(translation of the Swedish original)

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

ENGAGEMENT AND RESPONSIBILITY

It is the Board of Directors who is responsible for the corporate governance statement for the year 2020 (on pages 42-64) 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 18, 2021
PricewaterhouseCoopers AB

Patrik Adolfson
Authorized Public Accountant
Auditor in charge

Madeleine Endre
Authorized Public Accountant


HCW 290

How to read and understand our finances

Securitas' financial model – six fingers – focuses on the factors that impact profit, and are clearly linked to operations. Factors are grouped into three 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 to Group level.

Six key figures represent the backbone of the Six Fingers 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 complimentary key figures tailored to measure the business in prioritized areas such as within security solutions and electronic security. These key figures include volume-, efficiency- and capital-usage-related factors that hold specific bearing on the Group's progress. Examples are the number of remote video solution installations, gross margin on security solution contracts (compared with traditional guarding contracts), the investment in security equipment and order backlog for alarm installations.

SECURITAS' MODEL FOR FINANCIAL KEY FIGURES

Volume-related factors

The first two key figures, **New sales** (of contracts) and **Net change** (of contract portfolio), relate to the development of the client contract portfolio. **New sales** are newly signed contracts that will increase the monthly fixed sales. **Net change** in the client contract portfolio refers to new starts (a newly signed contract that has started) plus increased sales in existing contracts, less terminated client 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 third key figure, taken from the statement of income, is **Total sales**, which in addition to contract-based sales, includes short-term guarding assignments but also alarm installations, certain maintenance services, product sales and certain risk management services.

Group	Operations
	New sales
	Gross margin on new sales
	Terminations
	Gross margin on terminations
	Net change
	Price change
Organic sales growth	Organic sales growth
Acquired sales growth	
Real sales growth	
Total sales	**Total sales**

Efficiency-related factors

The efficiency-related key figures provide managers with tools to monitor service efficiency and cost trends. The fourth and fifth key figures are: **Gross margin**, which is defined as total sales less direct expenses as a percentage of total sales, and **Indirect expenses**, which pertain to the organization and include sales and administrative expenses (costs of branch, area and regional / country offices). Gross income less **Indirect expenses** equals operating income before amortization of acquisition-related intangible assets and acquisition-related costs. When this is expressed as a percentage of total sales, it indicates the Group's operating margin, which in Securitas' financial model, comes before acquisition-related items.

Group	Operations
	Employee turnover
	Wage cost increase
	Gross margin
	Indirect expenses
Operating margin	Operating margin
Income before tax	
Earnings per share	

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.

Group	Operations
	Days of sales outstanding
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
Free cash flow	
Return on capital employed	Return on capital employed
Free cash flow in relation to net debt	

RELATIONSHIP BETWEEN INCOME, CASH FLOW AND BALANCE SHEET

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

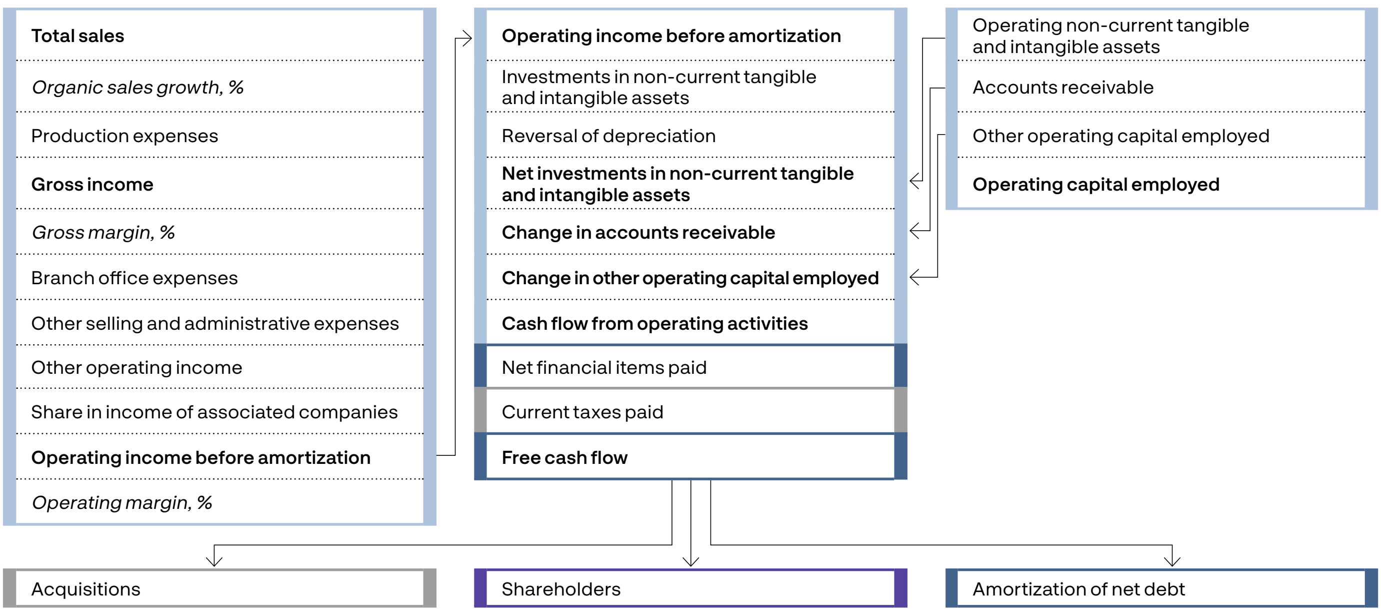
Statement of cash flow
In principle, operating income should generate the same amount of cash flow from operating activities. The cash flow is affected by investments in non-current tangible and intangible assets used in operations and by changes in working capital. Cash flow from operating activities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

Free cash flow is cash flow from operating activities less net financial items paid and current taxes paid. Cash flow for the year is arrived at when cash flow relating to acquisitions and shareholders' equity is deducted from free cash flow.

The consolidation of net debt in foreign currencies usually generates a translation difference that is reported separately. In addition, accounting standards 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 and lease liabilities, 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.

Annual Report

The formal annual accounts and the consolidated accounts comprise pages 69–154

Report of the Board of Directors

The Board of Directors and the President of Securitas AB (publ.), corporate registration number 556302-7241, with its registered office in Stockholm, hereby submit the Annual Report and consolidated financial statements for the 2020 financial year.

Securitas offers protective services based on client-specific needs through different combinations of on-site, mobile and remote guarding, electronic security, fire and safety and corporate risk management. Securitas operates in 47 countries in North America, Europe, Latin America, Africa, the Middle East, Asia and Australia, with 355 000 employees.

In 2020 the Securitas Group consisted of the business segments Security Services North America, Security Services Europe and Security Services Ibero-America. In addition to these business segments, the Group conducts operations in Africa, the Middle East, Asia and Australia, which are included under the heading Other in the segment report in note 10.

The Group continued to show resilience in the face of the ongoing corona pandemic and ended a challenging year with positive organic sales growth in the fourth quarter. The negative impact of the corona pandemic on the airport security business remains to be significant, primarily in Security Services Europe. Increased extra sales, focus on helping our clients with their security needs related to the corona pandemic, have offset some of the corona-related sales reductions in the contract portfolio. Organic sales growth was 0 percent (4).

The operating margin was 4.5 percent (5.2), negatively impacted by the corona pandemic and the related increased provisioning to reflect the enhanced risk in the business environment. The negative impact was partly offset by cost-saving actions and government grants mostly as a compensation for temporary unemployment costs. The price and wage balance was on par in the year. The operating result, adjusted for changes in exchange rates, was -10 percent (3).

Sales of security solutions and electronic security sales amounted to 22 percent (21) of total sales for the year. Real sales growth, including acquisitions and adjusted for changes in exchange rates, was 5 percent (10). The installation business within electronic security was negatively impacted by the corona pandemic throughout the year.

The Group delivered a strong cash flow during the year, even when excluding the effects of corona-related government support measures. Cash flow from operating activities was 147 percent (85). The net debt to EBITDA ratio was 2.1 (2.2).

Earnings per share amounted to SEK 6.63 (9.20), a total change of -28 percent compared with the preceding year. The real change in earnings per share in 2020 was -23 percent. EPS before items affecting comparability amounted to SEK 8.02 (9.61), representing a total change of -17 percent compared with the preceding year and a real change of -12 percent in 2020.

SALES

Sales amounted to MSEK 107 954 (110 899) and organic sales growth to 0 percent (4). All business segments were negatively impacted by the corona pandemic, but to some extent offset by increased extra sales which amounted to 16 percent (14) of total sales. Organic sales growth in Security Services North America was 2 percent (4), with the decline mainly attributable to the Electronic Security and Critical Infrastructure Services business units. Security Services Europe had -2 percent (2), with a significant corona-related impact from reduced airport security as well as previously communicated contract terminations. Security Services Ibero-America declined to 2 percent (14), primarily related to Argentina, Peru and Spain.

Real sales growth, including acquisitions and adjusted for changes in exchange rates, was 1 percent (6).

Sales of security solutions and electronic security sales amounted to MSEK 23 478 (23 290) or 22 percent (21) of total sales for the full year. Real sales growth, including acquisitions and adjusted for changes in exchange rates, was 5 percent (10).

Sales January – December

MSEK	2020	2019	%
Total sales	**107 954**	**110 899**	***-3***
Currency change from 2019	4 390	–	
Currency adjusted sales	**112 344**	**110 899**	***1***
Acquisitions/divestitures	-1 312	-18	
Organic sales	**111 032**	**110 881**	***0***

OPERATING INCOME BEFORE AMORTIZATION

Operating income before amortization was MSEK 4 892 (5 738) which, adjusted for changes in exchange rates, represented a real change of -10 percent (3). The operating income was supported by corona-related government grants and support measures of MSEK 780 in 2020, mostly within Security Services Europe. These grants and support measures relate primarily to partial unemployment support where there are increased cost levels due to idle time. The operating income was hampered by increased levels of provisioning of MSEK 530 to reflect the increased risk in the business environment mainly related to employee benefits and the collection of outstanding accounts receivable.

The Group's operating margin was 4.5 percent (5.2). While the corona pandemic impacted all business segments to varying degrees, the main negative impact occurred in Security Services Europe. Continued strategy-related investments at Group level and external fees, included under Other in the segment reporting, also impacted the Group's operating margin. Total price adjustments in the Group were on par with wage cost increases in 2020.

Operating income January – December

MSEK	2020	2019	%
Operating income before amortization	**4 892**	**5 738**	***-15***
Currency change from 2019	281	–	
Currency adjusted operating income before amortization	**5 173**	**5 738**	***-10***

OPERATING INCOME AFTER AMORTIZATION

Amortization of acquisition related intangible assets amounted to MSEK -286 (-271).

Acquisition related costs totaled MSEK -137 (-62). For further information refer to note 11.

Items affecting comparability were MSEK -640 (-209), related to the cost-savings program in the Group announced in the second quarter of 2020 and to the previous and newly announced transformation programs. The decided exit from 11 countries resulted in an expected net loss of MSEK –117, also included in items affecting comparability above. For further information refer to note 11.

Operating income after amortization was MSEK 3 829 (5 196).

FINANCIAL INCOME AND EXPENSES

Financial income and expenses amounted to MSEK -500 (-578). The financial income and expenses were positively impacted by the favorable net debt development and the exchange rates for interest income and expenses but also by a non-recurring foreign currency gain that was realized during the year.

INCOME BEFORE TAXES

Income before taxes amounted to MSEK 3 329 (4 618).

TAXES, NET INCOME AND EARNINGS PER SHARE

The Group's tax rate was 27.4 percent (27.2). The tax rate before tax on items affecting comparability was 26.4 percent (27.2).

Net income was MSEK 2 416 (3 362).

Earnings per share amounted to SEK 6.63 (9.20). Earnings per share before items affecting comparability amounted to SEK 8.02 (9.61).

Condensed statement of income according to Securitas' financial model

MSEK	2020	2019
Total sales	**107 954**	**110 899**
Organic sales growth, %	*0*	*4*
Production expenses	-89 046	-91 588
Gross income	**18 908**	**19 311**
Selling and administrative expenses	-14 100	-13 637
Other operating income	39	34
Share in income of associated companies	45	30
Operating income before amortization	**4 892**	**5 738**
Operating margin, %	*4.5*	*5.2*
Amortization of acquisition related intangible assets	-286	-271
Acquisition related costs	-137	-62
Items affecting comparability	-640	-209
Operating income after amortization	**3 829**	**5 196**
Financial income and expenses	-500	-578
Income before taxes	**3 329**	**4 618**
Taxes	-913	-1 256
Net income for the year	**2 416**	**3 362**

Securitas' financial model is described on pages 66-67.

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

DEVELOPMENT IN THE GROUP'S BUSINESS SEGMENTS

Security Services North America

Sales and income

			Change, %	
MSEK	2020	2019	Total	Real
Total sales	**47 801**	**48 499**	***-1***	***2***
Organic sales growth, %	*2*	*4*		
Share of Group sales, %	*44*	*44*		
Operating income before amortization	**2 800**	**3 003**	***-7***	***-2***
Operating margin, %	*5.9*	*6.2*		
Share of Group operating income, %	*57*	*52*		

Further information regarding the statement of income, cash flow and capital employed is provided in note 10.

Organic sales growth was 2 percent (4). The negative impacts of the corona pandemic on a full-year basis were primarily seen in the Electronic Security and Critical Infrastructure Services business units. Organic sales growth in Guarding was on par with the preceding year, since the business unit was able to compensate temporarily reduced portfolio sales with increased extra sales, both corona related. The client retention rate was 91 percent (90), excluding the effect of corona-related temporary reductions.

Security solutions and electronic security sales represented MSEK 8 365 (8 885) or 17 percent (18) of total sales in the business segment in 2020.

The operating margin was 5.9 percent (6.2), a decline primarily related to the effects of the corona pandemic with enhanced levels of provisioning to reflect the increased risk in the business environment. The sales decline in the Electronic Security and Critical Infrastructure Services business units also hampered the operating margin, while Guarding was supported as a result of the corona-related change in the business mix with an increased share of extra sales.

The Swedish krona exchange rate strengthened against the US dollar, which had a negative effect on operating income in Swedish kronor. The real change was -2 percent (8) in 2020.

Security Services Europe

Sales and income

			Change, %	
MSEK	2020	2019	Total	Real
Total sales	**45 188**	**47 248**	***-4***	***-2***
Organic sales growth, %	*-2*	*2*		
Share of Group sales, %	*42*	*43*		
Operating income before amortization	**2 069**	**2 582**	***-20***	***-17***
Operating margin, %	*4.6*	*5.5*		
Share of Group operating income, %	*42*	*45*		

Further information regarding the statement of income, cash flow and capital employed is provided in note 10.

Organic sales growth was -2 percent (2). The decline was mainly explained by the significant negative impact on airport security due to the corona pandemic that started in March. Organic sales growth was also impacted by the previously communicated contract losses in France, the UK and Norway. A few countries had positive organic sales growth, predominantly Sweden. The client retention rate was 90 percent (90), excluding the effect of corona-related temporary reductions.

Security solutions and electronic security sales represented MSEK 10 758 (10 611) or 24 percent (22) of total sales in the business segment.

The operating margin was 4.6 percent (5.5) and was primarily burdened by the effects of the corona pandemic with a significant impact on airport security and in the form of enhanced levels of provisioning to reflect the increased risk in the business environment. Corona-related government grants in several countries have offset this negative impact to some extent, including related idle-time costs. The operating margin was supported by some of the Nordic countries.

The Swedish krona exchange rate strengthened against foreign currencies, primarily the euro, which had a negative effect on operating income in Swedish kronor. The real change was -17 percent (1) in 2020.

Security Services Ibero-America

Sales and income

MSEK	2020	2019	Change, % Total	Change, % Real
Total sales	**12 552**	**13 099**	***-4***	***6***
Organic sales growth, %	*2*	*14*		
Share of Group sales, %	*12*	*12*		
Operating income before amortization	**570**	**614**	***-7***	***3***
Operating margin, %	*4.5*	*4.7*		
Share of Group operating income, %	*12*	*11*		

Further information regarding the statement of income, cash flow and capital employed is provided in note 10.

Organic sales growth was 2 percent (14). The impact from the corona pandemic showed a mixed picture in Latin America, with a significant negative impact on airport security in several countries. Peru reported negative organic sales growth and Argentina had lower organic sales growth compared to the preceding year. Organic sales growth in Spain was 1 percent, on a strong comparative, and declined due to the effects of the corona pandemic as well as of the previously communicated reductions of short-term security solutions contracts. The client retention rate was 93 percent (92) excluding the effect of corona-related temporary reductions.

Security solutions and electronic security sales represented MSEK 3 720 (3 527) or 30 percent (27) of total sales in the business segment, supported by the acquisition of Techco Security in Spain in 2020.

The operating margin was 4.5 percent (4.7) and the decline related primarily to the corona pandemic. However, the operating margin was to some extent supported by corona-related government grants and support measures in certain countries. The operating margin was hampered by enhanced levels of provisioning to reflect the increased risk in the business environment primarily related to the collection of outstanding accounts receivable. The performance in Argentina and Peru has not been satisfactory in 2020 and actions will be taken to improve the profitability in the contract portfolio in both countries. Spain and Portugal displayed resilience throughout the year.

The Swedish krona exchange rate strengthened against the Argentinian peso and the euro, which had a negative impact on operating income in Swedish kronor. The real change in the segment was 3 percent (14) in 2020.

CASH FLOW

Cash flow from operating activities amounted to MSEK 7 207 (4 902), equivalent to 147 percent (85) of operating income before amortization.

The impact from changes in accounts receivable was MSEK 123 (-239), positively impacted by collections and by the lower organic sales growth. Changes in other operating capital employed were MSEK 2 289 (-277), positively impacted by the timing of payments and provisions made during the year. The postponed timing of payments for payroll taxes and value added tax in Europe of approximately MSEK 100 and in North America of approximately MSEK 1 400 is a result of various government support measures in relation to the corona pandemic allowing for postponement of payments. The payments in North America are due in 2021 and 2022.

Financial income and expenses paid was MSEK -401 (-443) and current taxes paid was MSEK -862 (-1 191).

Cash flow from operating activities includes net investments in non-current tangible and intangible assets, amounting to MSEK -97 (-320), also including capital expenditures in equipment for solutions contracts. The net investments result from investments of MSEK -2 787 (-3 010) and reversal of depreciation of MSEK 2 690 (2 690).

Free cash flow was MSEK 5 944 (3 268), equivalent to 178 percent (83) of adjusted income.

Cash flow from investing activities, acquisitions, was MSEK -1 801 (-574), of which purchase price payments accounted for MSEK -1 780 (-533), assumed net debt for MSEK 98 (39) and acquisition related costs paid for MSEK -119 (-80).

Cash flow from items affecting comparability amounted to MSEK -405 (-303). Refer to note 11 for further information.

Cash flow from financing activities was MSEK -2 762 (-1 699) due to dividend paid of MSEK -1 752 (-1 606) and a net decrease in borrowings of MSEK -1 010 (-93).

Cash flow for the year was MSEK 976 (692). The closing balance for liquid funds after translation differences of MSEK -204 was MSEK 4 720 (3 948).

Condensed statement of cash flow according to Securitas' financial model

MSEK	2020	2019
Operating income before amortization	**4 892**	**5 738**
Investments in non-current tangible and intangible assets	-2 787	-3 010
Reversal of depreciation	2 690	2 690
Net investments in non-current tangible and intangible assets	**-97**	**-320**
Change in accounts receivable	123	-239
Change in other operating capital employed	2 289	-277
Cash flow from operating activities	**7 207**	**4 902**
Cash flow from operating activities, %	*147*	*85*
Financial income and expenses paid	-401	-443
Current taxes paid	-862	-1 191
Free cash flow	**5 944**	**3 268**
Free cash flow, %	*178*	*83*
Cash flow from investing activities, acquisitions and divestitures	-1 801	-574
Cash flow from items affecting comparability	-405	-303
Cash flow from financing activities	-2 762	-1 699
Cash flow for the year	**976**	**692**

Securitas' financial model is described on pages 66-67.

Operating items. Net debt-related items.
Goodwill, taxes and non-operating items.

CAPITAL EMPLOYED AND FINANCING

Capital employed

The Group's operating capital employed was MSEK 8 893 (13 100), corresponding to 8 percent of sales (12), adjusted for the full-year sales figures of acquired units. The reduction is supported by the strong cash flow from operating activities. The translation of foreign operating capital employed to Swedish kronor decreased the Group's operating capital employed by MSEK 1 676.

The annual impairment test of all Cash Generating Units (CGU), which is required under IFRS, took place during the third quarter of 2020 in conjunction with the business plan process for 2021. None of the CGUs tested for impairment had a carrying amount that exceeded the recoverable amount. Consequently, no impairment losses have been recognized in 2020. No impairment losses were recognized in 2019 either.

The Group's total capital employed was MSEK 32 042 (37 140). The translation of foreign capital employed to Swedish kronor decreased the Group's capital employed by MSEK 3 941. The return on capital employed was 13 percent (15).

Financing

The Group's net debt amounted to MSEK 14 335 (17 541). The net debt was positively impacted mainly by the free cash flow of MSEK 5 944 and by translation differences of MSEK 1 342, while it was negatively impacted mainly by payments for acquisitions of MSEK -1 801 and a dividend of MSEK -1 752, paid to the shareholders in December 2020.

The net debt to EBITDA ratio was 2.1 (2.2). The free cash flow to net debt ratio amounted to 0.41 (0.19). The interest coverage ratio amounted to 9.1 (9.4).

On April 6, 2020, Securitas' existing MEUR 440 and MUSD 550 revolving credit facility (RCF) was replaced with a new facility with 10 key relationship banks. This new credit facility now comprises one tranche of MEUR 938 and matures in 2025 with the possibility to extend to 2027. It was undrawn at December 31, 2020. Further information regarding financial instruments and credit facilities is provided in note 7.

Standard and Poor's rating for Securitas was BBB/A-2 with a stable outlook.

Shareholders' equity amounted to MSEK 17 707 (19 599). The translation of foreign assets and liabilities into Swedish kronor decreased shareholders' equity by MSEK 2 599. Refer to the statement of comprehensive income for further information.

The total number of shares amounted to 365 058 897 (365 058 897) as of December 31, 2020. Refer to note 31 for further information.

Condensed capital employed and financing according to Securitas' financial model

MSEK	2020	2019
Operating capital employed	**8 893**	**13 100**
Operating capital employed as % of sales	*8*	*12*
Goodwill	21 414	22 157
Acquisition related intangible assets	1 424	1 563
Shares in associated companies	311	320
Total capital employed	**32 042**	**37 140**
Return on capital employed, %	*13*	*15*
Net debt	14 335	17 541
Shareholders' equity	17 707	19 599
Total financing	**32 042**	**37 140**

Securitas' financial model is described on pages 66-67.

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

Net debt development

MSEK	2020	2019
Opening balance January 1	**-17 541**	**-14 513**
Cash flow from operating activities	7 207	4 902
Financial income and expenses paid	-401	-443
Current taxes paid	-862	-1 191
Free cash flow	**5 944**	**3 268**
Cash flow from investing activities, acquisitions and divestitures	-1 801	-574
Cash flow from items affecting comparability	-405	-303
Dividend paid	-1 752	-1 606
Change in lease liabilities	-139	-3 332
Change in net debt before revaluation and translation	**1 847**	**-2 547**
Revaluation of financial instruments	17	60
Translation differences	1 342	-541
Change in net debt	**3 206**	**-3 028**
Closing balance December 31	**-14 335**	**-17 541**

ACQUISITIONS AND DIVESTITURES

Acquisitions and divestitures January-December 2020 (MSEK)

Company	Business segment[1]	Included from	Acquired share[2]	Annual sales[3]	Enterprise value[4]	Goodwill	Acq. related intangible assets
Opening balance						**22 157**	**1 563**
Techco Security, Spain and Portugal[6]	Security Services Ibero-America	Jan 8	100	520	142	118	34
Fredon Security, Australia[6]	Other	Jan 9	100	240	171	152	66
STANLEY Security, Germany, Portugal, Switzerland, Singapore and India	Security Services Europe, Security Services Ibero-America and Other	Nov 2	100	748	523	367	133
FE Moran Security Solutions, the US	Security Services North America	Dec 16	100	450	665	657	–
Other acquisitions and divestitures[5,6]		–	–	-143	181	-9	11
Total acquisitions and divestitures January–December 2020				**1 815**	**1 682**	**1 285**	**244**
Reclassification						–	44
Amortization of acquisition related intangible assets						–	-286
Translation differences and remeasurement for hyperinflation						-2 028	-141
Closing balance						**21 414**	**1 424**

1 Refers to business segment with main responsibility for the acquisition.
2 Refers to voting rights for acquisitions in the form of share purchase agreements. For asset deals no voting rights are stated.
3 Estimated annual sales.
4 Purchase price paid/received plus acquired/divested net debt but excluding any deferred considerations.
5 Related to other acquisitions for the period and updated previous year acquisition calculations for the following entities: Global Elite Group, Iverify (step acquisition), the US, Cezzam, France, DAK, Turkey, SCI Proteccion Contra Incendios, Spain, Blueprint (contract portfolio) and Staysafe, Australia. Related also to divestitures of Securitas Greece, Securitas Montenegro, Securitas Latvia, Securitas Sri Lanka and Securitas Egypt, as well as to deferred considerations paid in the US, Sweden, the UK, Germany, France, Austria, Turkey, Portugal, Australia, China and Hong Kong.
6 Deferred considerations have been recognized mainly based on an assessment of the future profitability development in the acquired entities for an agreed period. The net of new deferred considerations, payments made from previously recognized deferred considerations and revaluation of deferred considerations in the Group was MSEK -76. Total deferred considerations, short-term and long-term, in the Group's balance sheet amount to MSEK 295.

All acquisition calculations are finalized no later than one year after the acquisition is made. Transactions with non-controlling interests are specified in the consolidated statement of changes in shareholders' equity and in note 31. Transaction costs and revaluation of deferred considerations can be found in note 11.

For further information regarding acquisitions and divestitures in 2020, refer to note 17.

CHANGES IN GROUP MANAGEMENT

Andreas Lindback has been appointed new Group CFO from August 16, 2021, as Bart Adam steps down. Brett Pickens has been appointed Divisional President for Africa, Middle East and Asia and becomes a member of Group Management from April 1, 2021.

All other Group Management members continue in their present roles.

OTHER SIGNIFICANT EVENTS

Cost-savings program initiated in the Group

Securitas announced and initiated a cost-savings program in the Group during the second quarter, with an estimated range of restructuring costs of MSEK 350–500. The final amount will largely depend on changes related to government grants and the development of the airport security business. The program is expected to be finalized end of the second quarter of 2021. The payback period is around two years and the savings will have a gradually increasing positive impact that started in the fourth quarter of 2020.

Dividend and Extraordinary General Meeting

Due to the uncertainty caused by the corona pandemic, the Annual General Meeting resolved, in accordance with the Board's revised proposal, that no dividend should be distributed. In light of the improving financial performance and solid financial position under a continued prudent approach, the Board proposed to reinstate a dividend proposal for 2019 of SEK 4.80 (4.40) per share which was resolved by an Extraordinary General Meeting on December 9, 2020. The total proposed dividend amounted to 52 percent of net income and 50 percent of net income before items affecting comparability.

Business transformation program launched in Security Services Europe and Security Services Ibero-America

Securitas has announced a business transformation program in Europe and Ibero-America, targeting to increase the operating margin to around 6.5 percent in Security Services Europe and to around 6.0 percent in Security Services Ibero-America, upon completion in 2024. Related to the program, approximately MSEK -1 400 will be recognized as items affecting comparability over the course of the years 2021 to 2023. These costs relate primarily to the impairment of assets, systems integration and organizational restructuring charges. Capital expenditure of approximately MSEK -1 100 will be invested in IT systems over the years 2021 to 2023.

Competition authority investigation in Belgium

Securitas is aware that competition authorities are conducting investigations into the security sector in Belgium and is cooperating fully. The Group currently assesses that the result or the financial position of the Group will not be materially affected by this investigation.

OTHER SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

Securitas has acquired Dansk Brandteknik A/S, a leading Danish fire and safety company that specializes in fire and safety services and equipment, including related consulting and training services. The acquisition will significantly enhance Securitas' protective services capabilities in Denmark and is in line with the Group's strategy of doubling its security solutions and electronic security sales by 2023. The purchase price is approximately MDKK 110 (MSEK 149) on a debt-free basis. In 2020, Dansk Brandteknik's annual sales were more than MDKK 60 (MSEK 81), of which 70 percent were on a recurring monthly revenue basis. The company has a nationwide presence in Denmark with 40 employees and approximately 7 500 business clients, mainly in the small- and medium-sized enterprise (SME) segment, with high client retention rates. The acquisition was consolidated in Securitas as of February 22, 2021.

The divestiture of Securitas Estonia was completed on February 12, 2021.

On February 12, 2021 Securitas issued a 7-year MEUR 350 Eurobond. Settlement date was February 22, 2021.

In order to hedge the share portion of Securitas short-term share-based incentive scheme 2020, the Group entered into a swap agreement with a third party in the beginning of March 2021.

Regarding the ongoing coronavirus pandemic, refer to the information disclosed below under the section Risk and uncertainties.

There have been no other significant events with effect on the financial reporting after the balance sheet date.

RISK AND UNCERTAINTIES

Managing risk is necessary for Securitas to be able to fulfill its strategies and achieve its corporate objectives. Securitas' approach to enterprise risk management is described in more detail on pages 60-63.

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

Contract and acquisition risks

This category encompasses the risks related to entering into a client contract and also those risks related to the acquisition of new businesses.

When entering into a contract with a client a balanced allocation of responsibilities and risks between Securitas and the client is essential. Standardized contracts are the norm. Reasonable caps on potential liability and indemnification for third-party claims are important. Significant focus is devoted to contract risks and the management of contract risks. Each segment has developed policies and procedures tailored to their specific needs. These policies are all based on the contract policies approved by the Board of Directors in the Group Policies.

In addition to organic growth resulting from new and/or increased client contracts the Group has grown by a significant number of acquisitions over the years and will, as part of the Group's strategy, continue to acquire security companies. The integration of new companies always carries certain risks. The profitability of the acquired company may be lower than expected and/or certain costs in connection with the acquisition may be higher than expected.

The acquisitions made during 2020 are described under the heading Acquisitions and divestitures above and in note 17.

Operational assignment risks

Operational assignment risks are risks associated with daily operations and the services we provide to our clients including risks related to necessary infrastructure to run the business. For example, when services do not meet the required standards and result in loss of property, damage to property or bodily injury. Proper recruitment, training and supervision of security officers are important to mitigate these risks. Another type of operational assignment risk which may impact profitability is the risk that Securitas will not be able to increase prices to be paid by clients in order to compensate fully for increases in wages and related costs.

Financial risks

The financial risks include risks related to financial reporting, as well as financial risks related to external financing needs including currency exposure.

Financial risks are mainly managed through continuous measurement and follow-up of financial performance, with the help of Securitas' financial model. This model identifies certain key figures that are vital to the profitability of the operations, and facilitates the detection and handling of risks. The financial model is described in more detail on pages 66-67. In addition, financial risks (other than relating to financial reporting) arise because the Group has external financing needs and operates in a number of foreign currencies. The risks are mainly interest rate risk, foreign currency risk, financing and liquidity risk and credit/counterparty risk.

The client credit risk, that is the risk of Securitas' clients not being able to fulfill their obligation of paying invoices for services being provided, is reduced by the fact that the numerous clients are spread over many business sectors and geographies, and by established routines for monitoring and collecting of accounts receivable within the organization. Further information regarding financial risk management is provided above under the section Capital employed and financing/Financing and in note 7.

The preparation of financial reports requires the Board of Directors and Group Management to make estimates and judgments. Estimates and judgments will impact the statement of income and the balance sheet, as well as disclosures such as contingent liabilities. Actual results may differ from these estimates and judgments under different circumstances and conditions. Further information regarding critical estimates and judgments is provided in note 4.

Securitas as well as other companies are still facing the challenge of the corona pandemic. As disclosed in this Annual Report, the corona pandemic has negatively impacted the Group's result, and poses an additional challenge when making estimates and judgments. Securitas sees reductions in sales due to reductions in regular service levels mostly related to the aviation segment. These reductions are causing costs for idle time to some extent supported by government grants. It is currently unclear when regular services levels will return to normal levels and to what extent any costs will be further supported by government grants. Many government grants and other relief measures have also been introduced in a short time frame and include requirements that need to be fulfilled in order to be eligible for the grants. This adds new elements to the judgment in preparing the statement of income and balance sheet as well as disclosures. Further, increased risks are noticed related to the general macro-economic environment, throughout the Group and mostly related to employee benefits and collection of outstanding accounts receivable. Further, it is unclear what type of impact the corona pandemic will have on the mid-term economic development of the different markets and geographies in which we operate.

For the forthcoming 12-month period, the financial impact of the corona pandemic as well as certain items affecting comparability, provisions and contingent liabilities, as described in note 11, note 34, note 37 and note 39 respectively, may vary from the current financial estimates and provisions made by management. This could affect the Group's profitability and financial position.

STATUTORY SUSTAINABILITY REPORT

The statutory Sustainability Report is included in separate parts of the Securitas Annual Report 2020 and is not a part of the statutory Annual Report.

Securitas' Sustainability Report describes the Group's work with regards to economic, environmental and social aspects. The report is prepared according to the Sustainability Reporting Standards, issued by Global Reporting Initiative (GRI). The Sustainability reporting also includes the statutory Sustainability Report under Chapter 6 Section 11 of the Annual Accounts Act.

Securitas is a service company with relatively low environmental impact compared with a manufacturing company. The operations of the Group do not require a permit under the Swedish Environmental Code.

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RESEARCH AND DEVELOPMENT

The service offering of the Group is continuously being developed, not least as an integrated item when carrying out the service delivery to the clients. Security solutions are an important part of the protective services offering and in order to accelerate the growth a strengthening of this organization both on country and business segment level is being implemented. During 2019 the Group also created a Global Electronic Security Business Center, responsible for developing a global business approach with common tools, processes, products and services within Electronic Security. The capabilities within technical solutions is also supported by a number of acquisitions within Electronic security such as the ones completed during 2020 with Fredon Security (Australia) and Techco Security (Spain and Portugal), STANLEY Security (Germany, Portugal, Switzerland, Singapore and India) and FE Moran Security Solutions (US).

The Group's CIO with team are leading the development of Securitas' global digitization and IS/IT transformation and are responsible for large scale global IT/business projects. For further information relating to transformation programs, refer to the section Group development below.

Securitas is a service company and has historically not carried out any material research and development activities as defined in IAS 38 Intangible assets. Under the responsibility of the Group's CIO the Group has gradually invested in capabilities to develop improved data-driven and intelligence-based services for a future where scale and data availability are critical for the next big shift in the security services industry to the benefit of our clients and society as a whole. A number of development projects that support this are ongoing and as of December 31, 2020 the Group had MSEK 51 (49) in capitalized development expenditures.

INFORMATION REGARDING THE SECURITAS SHARE

Information about the Securitas share regarding the number of shares of Series A and Series B, differences between shares in Series A and Series B as well as information on major shareholders can be found in note 31. Further information regarding the Securitas share can also be found on pages
174-175.

In order to be able to contribute to shareholder value, the Board considers it beneficial for the company to be able to adjust the company's capital structure as appropriate at each point in time. The Board has therefore decided to propose to the Annual General Meeting on May 5, 2021, that the Board be authorized to be able to resolve on the acquisition of the company's shares for a period until the next Annual General Meeting, up to a maximum of ten (10) percent of all shares in the company. There is currently an authorization by the Annual General Meeting 2020, to the Board of Directors to repurchase Securitas shares for the purpose of adjusting the company's capital structure, be able to exploit acquisition opportunities and/or to ensure the company's undertakings in respect of share-based incentive programs (other than delivery of shares to participants of incentive programs). On June 24, 2019, 125 000 shares were repurchased in order to ensure the company's undertaking in respect of existing share-based incentive programs. These shares are held as treasury shares and have not reduced the company's share capital.

A shareholders' agreement that among other items comprises pre-emption rights for the sale of Series A shares by any part exists among the Douglas family and Schörling family and companies closely related to them. Apart from this, the Board of Directors of Securitas AB is not aware of any shareholders' agreements or other arrangements between shareholders of Securitas AB.

GROUP DEVELOPMENT

Securitas continues to lead the development in the security services industry with the strongest client offering and team, and with a strong focus on innovation. Organic sales growth was 0 percent in 2020 and the growth was negatively affected by the corona pandemic. The operating margin was 4.5 percent. This represented a decline compared with the previous year and the main negative impact occurred in Europe and our aviation-related business.

To execute on the strategy that we communicated in 2019, we continued to drive important transformation to build an even stronger company tomorrow. To reach the wanted position, to become the Intelligent Protective Services Partner for the clients, we are working with three main strategic focus areas: Client engagement, Protective services offering with intelligent services, and Efficiency.

Securitas continued to execute on two major transformation programs to modernize and digitize the operations. The first program has the objective of modernizing our global IS/IT foundation throughout the Group. This investment into our global IS/IT foundation and the creation of a global IS/IT organization will make us more efficient. With the second program we are driving a business transformation of our North American operations with the objective to operate in a more effective way, with expected positive impact on our client offering, competitiveness and bottom line. Both programs are progressing according to plan and we expect to finalize these programs by the end of 2021 with benefit realization during 2022.

When fully implemented, we expect to have a more technology-enabled platform across the Group, creating the capability to develop and launch digital services at scale for our clients, as well as a more cost-efficient base. Upon expected completion in 2022, the investment into our global IS/IT foundation is expected to reduce our current IT costs across the Group by MSEK 300. With higher efficiency and productivity, we will free up resources to invest in speeding up the development and delivery of intelligent services and to improve margins. The business transformation program in North America will, everything else equal, support our North American operating margin up to 0.5 percentage points, with a first positive impact starting in 2021 and gradually increasing during 2022.

Accelerating the modernization of our IS/IT capability and digitization of our operations will enable us to offer greatly improved data-driven and intelligence-based services. In a future where scale and data availability are critical, we will drive the next big shift in the security services industry to benefit our clients and society as a whole. This will also enable us to grow faster than the market and deliver profitable growth.

We are now taking the next major step in the transformation journey that we initiated in 2019 in our two remaining segments, with the launch of business transformation programs in Europe and Ibero-America. These activities represent significant investments in the execution of our strategy, and we expect to see important benefits as a result. We will be able to benefit from our scale and common ways of working and will help change the business mix and improve our margins. The business transformation program in Security Services Europe and Security Services Ibero-America targets an increase of the operating margin in the segments to around 6.5 percent and 6.0 percent respectively, upon completion in 2024. Items affecting comparability of approximately MSEK -1 400 and capital expenditure of approximately MSEK -1 100 are planned for the years 2021-2023.

Due to the impact from the pandemic, we launched a cost reduction program in 2020. As part of that effort, we identified 11 markets where we deemed the current and future business opportunities to be limited. We are in the process of successfully exiting nine markets and expect to conclude the exits in two remaining markets during the first half of 2021. These actions will remove complexity and enable us to drive a sharper focus on realizing our strategic ambition in the remaining footprint.

Our purpose is “We help make your world a safer place,” and in 2020 we truly lived up to this. During the pandemic, our services have been classified as essential to society in many countries.

We have managed a very challenging situation for the world, including Securitas, our clients and our people thanks to clear focus and priorities throughout the pandemic. Looking ahead, we are maintaining a high level of preparedness to initiate further actions as required.

PARENT COMPANY OPERATIONS

The Group’s Parent Company, Securitas AB, is not involved in any operating activities. Securitas AB consists of Group Management and support functions for the Group.

The Parent Company’s income amounted to MSEK 1 233 (1 449) and mainly relates to license fees and other income from subsidiaries.

Financial income and expenses amounted to MSEK 1 067 (2 209). Income before taxes amounted to MSEK 1 280 (2 553).

Income before taxes includes dividends from subsidiaries of MSEK 2 942 (1 980), interest income of MSEK 253 (612), interest expense of MSEK -388 (-443) and other financial income and expenses, net, of MSEK -1 740 (60). For further information, refer to note 47.

Net income was MSEK 1 430 (2 364).

Cash flow for the year amounted to MSEK -1 445 (270).

The Parent Company’s non-current assets amounted to MSEK 45 822 (46 157) and mainly comprise shares in subsidiaries of MSEK 44 233 (43 911). Current assets amounted to MSEK 4 052 (5 944) of which liquid funds amounted to MSEK 151 (1 596).

Shareholders’ equity amounted to MSEK 28 999 (29 276). A dividend of MSEK 1 752 (1 606) was paid to the shareholders in December 2020.

The Parent Company’s liabilities and untaxed reserves amounted to MSEK 20 875 (22 825) and mainly consist of interest-bearing debt.

For further information, refer to the Parent Company’s financial statements and the accompanying notes and comments.

PROPOSED GUIDELINES FOR REMUNERATION TO SENIOR MANAGEMENT IN SECURITAS FOR 2021

Scope

The Board has proposed that the Annual General Meeting 2021 adopts the following guidelines for remuneration to the individuals who are included in the Group Management of Securitas (the “senior management employees”).

The guidelines shall apply to agreements entered into after the Annual General Meeting 2021, and to changes made in existing agreements after the Annual General Meeting 2021. These guidelines do not apply to any remuneration decided or approved by the general meeting.

Promotion of Securitas’ business strategy, long-term interests and sustainability etc.

In short, Securitas business strategy is to offer protective services that integrate all areas of Securitas’ competence. Together with the customers, Securitas develop optimal and cost-efficient solutions that are suited for the customers’ needs. This brings added value to the customers and results in stronger, more long-term customer relationships and improved profitability. In order to attract and keep competent senior management employees, Securitas shall offer a competitive total remuneration that is in line with the market conditions on the relevant market for each senior management employee. Thereby, the ambition is to ensure that Securitas has the leading team in the security services industry, which is expected to contribute to Securitas’ business strategy and long-term interests, including its sustainability. More information on Securitas’ business strategy is available on Securitas’ website securitas.com, section About us – Strategy.

Securitas has implemented share-related incentive plans. Every year since 2010, the Annual General Meeting has resolved on share related incentive schemes including approximately 2 600 employees within the Group. The outcome of these incentive schemes relates to how the criteria for awarding variable cash remuneration are satisfied and thus they are distinctly linked to Securitas’ business strategy, long-term interests and sustainability. Furthermore, the Annual General Meetings 2019 and 2020 resolved on long-term incentive programs (LTI 2019/2021 and LTI 2020/2022, together the “LTI Programs”) including the CEO, other members of the Group Management and certain other key employees which are intended to work as an alternative incentive solution to the aforementioned incentive scheme and includes approximately up to 80 employees within Securitas. The outcome of the LTI Programs are based on the annual development of Securitas' earnings per share. The LTI Programs are conditional upon the participant's own investment and holding periods of several years. The share-related incentive plans have been resolved by the general meeting and are therefore excluded from these guidelines. The share-related incentive plans proposed by the Board of Directors and submitted to the Annual General Meeting 2021 for approval are excluded for the same reason. More information on Securitas' incentive plans is available on Securitas' website securitas.com, section Corporate Governance – Remuneration to Senior Management.

Types of remuneration

The total remuneration to senior management shall consist of a fixed basic salary, variable cash remuneration, pension benefits and other benefits. Additionally, the general meeting may – irrespective of these guidelines – resolve on, among other things, share-related or share price-related remuneration.

The fixed basic salary shall be competitive and reflect each senior management employee's responsibility and performance. The variable cash remuneration shall amount to a maximum of 85 percent of the fixed basic salary for the President and CEO and a maximum of 60-200 percent of the fixed basic salary for other senior management employees.

The senior management employees shall be subject to defined contribution pension plans for which insurance premiums are transferred from the individual's total cash remuneration and paid by the company during the term of employment. In exceptional cases, the value of such insurance premiums can instead be paid as part of the cash remuneration to a senior management employee. Variable cash remuneration shall qualify for pension benefits to the extent required by mandatory collective agreement provisions. Insurance premiums may amount to not more than 35 percent of the fixed basic salary.

Other benefits, such as company car, life insurance, special health insurance or occupational health service shall be provided to the extent this is considered customary for senior management employees holding equivalent positions on the labor market where the senior management employee is active. Premiums and other costs relating to such benefits may amount to not more than 15 percent of the fixed basic salary.

For employments governed by rules other than Swedish, pension benefits and other benefits may be duly adjusted for compliance with mandatory rules or local practice, taking into account, to the extent possible, the overall purpose of these guidelines.

Criteria for awarding variable cash remuneration

Variable cash remuneration shall be awarded based on the outcome of clearly measurable performance-based targets that are set as close to the local business as possible and aim for long-term profitability of Securitas. The performance-based targets may for example relate to EBITA, EPS and/or cash flow within each senior management employee's area of responsibility (Group or division). Furthermore, the performance-based targets are intended to contribute to Securitas' business strategy and long-term interests, including its sustainability, by, among other things, promoting the senior management employee's long-term development within Securitas and reconciling the shareholders' interests with the employee's interests.

The Remuneration Committee shall, for the Board of Directors, prepare, monitor and evaluate matters regarding variable cash remuneration to the senior management. Ahead of each measurement period for the criteria for awarding variable cash remuneration, which can be one or several years, the Board of Directors shall, based on the work of the Remuneration Committee, establish which criteria that are deemed to be relevant for the upcoming measurement period. After a measurement period has ended, it shall be determined to which extent the criteria have been satisfied. Evaluations regarding fulfilment of financial targets shall be based on established financial information for the relevant period.

Variable cash remuneration can be paid after the measurement period has ended or be subject to deferred payment. If payment of variable cash remuneration has been effected on grounds later proven to be obviously inaccurate, Securitas shall, to the extent legally possible, have the possibility to reclaim such paid remuneration.

Termination of employment

At dismissal, the notice period for senior management employees shall not exceed twelve months, with a right to redundancy payment equivalent to a maximum of 100 percent of the fixed basic salary for a period not exceeding twelve months after the end of the notice period. At resignation by a senior management employee, the notice period shall amount to a maximum of six months without a right to redundancy payment.

Additionally, remuneration may be paid for non-compete and non-solicitation undertakings in accordance with mandatory rules or local practice. The remuneration shall be based on the fixed cash salary at the time of termination of employment and be paid during the time the non-compete or the non-solicitation undertaking applies, however not for more than 24 months following termination of employment.

Salary and employment conditions for employees

In the preparation of the Board of Directors' proposal for these guidelines, salary and employment conditions for employees of the company have been taken into account by including information on the employees' total income, the components of the remuneration and increase and growth rate over time, in the Remuneration Committee's and the Board of Directors' basis of decision when evaluating whether the guidelines and the limitations set out herein are reasonable.

The decision-making process to determine, review and implement the guidelines

The Remuneration Committee's tasks include preparing the Board of Directors' decision to propose guidelines for remuneration to the senior management. The Board of Directors shall prepare a proposal for new guidelines at least every fourth year and submit it to the general meeting. The guidelines shall be in force until new guidelines are adopted by the general meeting. The Remuneration Committee shall also monitor and evaluate programs for variable remuneration for the senior management, the application of the guidelines for remuneration to senior management as well as the current remuneration structures and compensation levels in Securitas. The members of the Remuneration Committee are independent of the company and its senior management. The CEO and other members of the senior management do not participate in the Board of Directors' processing of and resolutions regarding remuneration-related matters in so far as they are affected by such matters.

Deviation from the guidelines

The Board may temporarily resolve to deviate from the guidelines, in whole or in part, if in a specific case there is special cause for the deviation and a deviation is necessary to serve Securitas long-term interests, including its sustainability, or to ensure Securitas financial viability. As set out above, the Remuneration Committee's tasks include preparing the Board of Directors' resolutions in remuneration-related matters. This includes any resolutions to deviate from the guidelines.

PROPOSED ALLOCATION OF EARNINGS

The statements of income and the balance sheets of the Parent Company and the Group are subject to adoption by the Annual General Meeting 2021.

Retained earnings in the Parent Company available for distribution:

	SEK
Hedging reserve	75 128 702
Retained earnings	19 763 385 374
Net income for the year[1]	1 430 335 011
Total	**21 268 849 087**

1 Includes Group contributions to subsidiaries of SEK 381 197 618.

The Board of Directors proposed that the earnings are allocated as follows:

	SEK
a dividend to the shareholders of SEK 4.00 per share	1 459 735 588
retained earnings to be carried forward	19 809 113 499
Total	**21 268 849 087**

The dividend amount and retained earnings to be carried forward are calculated on the number of shares outstanding as per February 3, 2021. No dividend is payable on Securitas AB's holding of treasury shares, the exact number of which is determined on the record date for payment of dividend. Securitas AB held 125 000 treasury shares as per February 3, 2021.

PROPOSAL ON RECORD DATE FOR DIVIDEND

As record date for dividend, the Board has proposed May 7, 2021. If the Annual General Meeting so resolves, the dividend is expected to be distributed by Euroclear Sweden AB starting May 12, 2021.

PROPOSED AUTHORIZATION TO ACQUIRE THE COMPANY'S OWN SHARES

The Board has further proposed that the 2021 Annual General Meeting should authorize the Board to, on one or several occasions during the time up to the Annual General Meeting in 2022, decide on the acquisition of the Company's own shares. The proposal entails that the Board may decide on acquisitions so that the maximum number of shares held by the Company at each point in time does not exceed ten (10) percent of all shares in the Company.

THE BOARD'S STATEMENTS ON THE PROPOSED DIVIDEND AND THE PROPOSED AUTHORIZATION TO ACQUIRE THE COMPANY'S OWN SHARES

The Board has issued the following statements regarding proposed allocation of earnings and proposed authorization to acquire the Company's own shares pursuant to Chapter 18, Section 4 and Chapter 19, Section 22 of the Swedish Companies Act.

The Company's unappropriated earnings as per December 31, 2020 amount to SEK 19 838 514 076. The net income for the year amounts to SEK 1 430 335 011 of which SEK 381 197 618 is related to Group contributions to subsidiaries and SEK 2 981 671 is the result of financial instruments being valued pursuant to Chapter 4, Section 14a of the Swedish Annual Accounts Act.

The Company's equity would have been SEK 73 244 555 lower as per December 31, 2020, if financial instruments, having been valued at fair value pursuant to Chapter 4, Section 14a of the Swedish Annual Accounts Act, had instead been valued at the lower of cost or market.

At the disposal of the Annual General Meeting is thereby a total amount of SEK 21 268 849 087 in unappropriated earnings before the decision on dividend for 2020.

Provided that the 2021 Annual General Meeting resolves to allocate the earnings in accordance with the Board's proposal, SEK 19 809 113 499 will be carried forward. Hence, there will be full coverage for the Company's restricted equity after distribution of the proposed dividend, Group contributions and authorization to acquire the Company's own shares.

In view of the proposed dividend and authorization to acquire the Company's own shares, the Board has considered the Company's and the Group's consolidation requirements and liquidity through a comprehensive assessment of the financial position of the Company and the Group, as well as the possibilities of the Company and the Group to discharge its obligations in the long term. The proposed dividend, the Group contributions to subsidiaries and the proposed authorization to acquire the Company's own shares does not jeopardize the Company's ability to make the investments that have been deemed necessary. The Company's financial position does not give rise to any other assessment than that the Company can continue its operations and that the Company is expected to comply with its obligations in a short as well as long term perspective. In addition to the assessment of the Company's consolidation requirements and liquidity, the Board has also taken into consideration all other known circumstances that may impact the Company's financial position.

With reference to the above, the Board makes the assessment that the proposed dividend, the Group contributions and the proposed authorization to acquire the Company's own shares are justifiable considering the requirements that the nature, scope and risks of the operations pose on the size of the Company's and the Group's equity as well as the Company's and the Group's consolidation requirements, liquidity and position in general.

As regards the Company's and the Group's result and position in general, refer to the statements of income, statements of comprehensive income, balance sheets and statements of cash flow as well as notes and comments. The Board will continue to assess further the financial position and liquidity up to the decision on the Annual General Meeting.

Consolidated statement of income

MSEK	Note	2020	2019
Sales		106 642	109 560
Sales, acquired business		1 312	1 339
Total sales	**6, 10**	**107 954**	**110 899**
Production expenses	11, 12, 13	-89 046	-91 588
Gross income		**18 908**	**19 311**
Selling and administrative expenses	11, 12, 13	-14 100	-13 637
Other operating income	6	39	34
Share in income of associated companies	23	45	30
Amortization of acquisition related intangible assets	19	-286	-271
Acquisition related costs	11	-137	-62
Items affecting comparability	11	-640	-209
Operating income	**11**	**3 829**	**5 196**
Financial income	14, 15	68	67
Financial expenses	15	-568	-645
Income before taxes		**3 329**	**4 618**
Taxes	16	-913	-1 256
Net income for the year		**2 416**	**3 362**
Whereof attributable to:			
Equity holders of the Parent Company		2 419	3 357
Non-controlling interests		-3	5
Average number of shares before and after dilution		364 933 897	364 993 486
Earnings per share before and after dilution (SEK)	3	6.63	9.20
Earnings per share before and after dilution and before items affecting comparability (SEK)	3	8.02	9.61

Consolidated statement of comprehensive income

MSEK	Note	2020	2019
Net income for the year		**2 416**	**3 362**
Other comprehensive income			
Items that will not be reclassified to the statement of income			
Remeasurements of defined benefit pension plans net of tax	33	-78	31
Total items that will not be reclassified to the statement of income		**-78**	**31**
Items that subsequently may be reclassified to the statement of income			
Remeasurement for hyperinflation net of tax		62	79
Cash flow hedges net of tax	7	-22	36
Cost of hedging net of tax	7	34	12
Net investment hedges net of tax		528	-346
Other comprehensive income from associated companies, translation differences		-40	14
Translation differences		-3 087	405
Total items that subsequently may be reclassified to the statement of income		**-2 525**	**200**
Other comprehensive income	**16**	**-2 603**	**231**
Total comprehensive income for the year		**-187**	**3 593**
Whereof attributable to:			
Equity holders of the Parent Company		-180	3 587
Non-controlling interests		-7	6

Securitas' financial model – consolidated statement of income

Supplementary information

MSEK	2020	2019
Sales	106 642	109 560
Sales, acquired business	1 312	1 339
Total sales	**107 954**	**110 899**
Organic sales growth, %	*0*	*4*
Production expenses	-89 046	-91 588
Gross income	**18 908**	**19 311**
Gross margin, %	*17.5*	*17.4*
Expenses for branch offices	-5 579	-5 621
Other selling and administrative expenses	-8 521	-8 016
Total expenses	**-14 100**	**-13 637**
Other operating income	39	34
Share in income of associated companies	45	30
Operating income before amortization	**4 892**	**5 738**
Operating margin, %	*4.5*	*5.2*
Amortization of acquisition related intangible assets	-286	-271
Acquisition related costs	-137	-62
Items affecting comparability	-640	-209
Operating income after amortization	**3 829**	**5 196**
Financial income and expenses	-500	-578
Income before taxes	**3 329**	**4 618**
Net margin, %	*3.1*	*4.2*
Taxes	-913	-1 256
Net income for the year	**2 416**	**3 362**

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

Securitas' financial model is described on pages 66–67.

Consolidated statement of cash flow

MSEK	Note	2020	2019
Operations			
Operating income		3 829	5 196
Adjustment for effect on cash flow from items affecting comparability	11	235	-94
Adjustment for effect on cash flow from acquisition related costs	11	18	-18
Reversal of depreciation	19, 20, 21, 22	2 976	2 961
Financial items received		53	42
Financial items paid		-589	-633
Current taxes paid		-862	-1 191
Change in accounts receivable		123	-239
Change in other operating capital employed		2 289	-277
Cash flow from operations		**8 072**	**5 747**
Investing activities			
Investments in non-current tangible and intangible assets		-1 756	-2 040
Acquisitions and divestitures of subsidiaries	17	-1 682	-494
Cash flow from investing activities		**-3 438**	**-2 534**
Financing activities			
Dividend paid to shareholders of the Parent Company		-1 752	-1 606
Proceeds from bond loans	32, 35	–	1 445
Redemption of bond loans	32, 35	-341	-792
Proceeds from commercial paper		3 115	5 098
Redemption of commercial paper		-3 870	-5 300
Change in other interest-bearing net debt excluding liquid funds		-810	-1 366
Cash flow from financing activities	**7**	**-3 658**	**-2 521**
Cash flow for the year		**976**	**692**
Liquid funds at beginning of year		3 948	3 229
Translation differences on liquid funds		-204	27
Liquid funds at year-end	**7, 30**	**4 720**	**3 948**

Securitas' financial model – consolidated statement of cash flow

Supplementary information

MSEK	2020	2019
Operating income before amortization	**4 892**	**5 738**
Investments in non-current tangible and intangible assets	-2 787	-3 010
Reversal of depreciation	2 690	2 690
Net investments in non-current tangible and intangible assets	**-97**	**-320**
Change in accounts receivable	123	-239
Change in other operating capital employed	2 289	-277
Cash flow from operating activities[1]	**7 207**	**4 902**
Cash flow from operating activities as % of operating income before amortization	*147*	*85*
Financial income and expenses paid[2]	-401	-443
Current taxes paid	-862	-1 191
Free cash flow	**5 944**	**3 268**
Free cash flow as % of adjusted income	*178*	*83*
Acquisitions and divestitures of subsidiaries	-1 682	-494
Acquisition related costs paid	-119	-80
Cash flow from items affecting comparability	-405	-303
Cash flow from financing activities	-2 762	-1 699
Cash flow for the year	**976**	**692**

1 Includes interest expenses accounted for under IFRS 16 Leases.
2 Excludes interest expenses accounted for under IFRS 16 Leases.

Operating items. Net debt-related items. Goodwill, taxes and non-operating items.

Securitas' financial model is described on pages 66–67.

Consolidated balance sheet

MSEK	Note	2020	2019
ASSETS			
Non-current assets			
Goodwill	18	21 414	22 157
Acquisition related intangible assets	19	1 424	1 563
Other intangible assets	6, 20	1 788	1 813
Right-of-use assets	21	3 334	3 489
Buildings and land	22	234	254
Machinery and equipment	22	3 028	3 292
Shares in associated companies	23	311	320
Deferred tax assets	16	1 080	918
Interest-bearing financial non-current assets	24	686	437
Other long-term receivables	25	755	881
Total non-current assets		**34 054**	**35 124**
Current assets			
Inventories	26	395	508
Accounts receivable	27	14 695	16 120
Current tax assets	16	485	922
Other current receivables	28	4 634	5 434
Other interest-bearing current assets	29	144	134
Liquid funds	30	4 720	3 948
Total current assets		**25 073**	**27 066**
TOTAL ASSETS		**59 127**	**62 190**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital		365	365
Other capital contributed		7 363	7 363
Other reserves		-2 789	-206
Retained earnings		12 758	12 047
Shareholders' equity attributable to equity holders of the Parent Company		**17 697**	**19 569**
Non-controlling interests		10	30
Total shareholders' equity	**31**	**17 707**	**19 599**
Long-term liabilities			
Long-term lease liabilities	32	2 554	2 610
Other long-term loan liabilities	32	11 694	17 216
Other long-term liabilities	32	265	361
Provisions for pensions and similar commitments	33	1 196	1 141
Deferred tax liabilities	16	674	624
Other long-term provisions	34	607	719
Total long-term liabilities		**16 990**	**22 671**
Current liabilities			
Current lease liabilities	35	876	944
Other short-term loan liabilities	35	4 761	1 290
Accounts payable		1 820	2 001
Current tax liabilities	16	1 287	1 621
Other current liabilities	36	14 185	12 936
Short-term provisions	37	1 501	1 128
Total current liabilities		**24 430**	**19 920**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**59 127**	**62 190**

Securitas' financial model – consolidated capital employed and financing

Supplementary information

MSEK	2020	2019
Operating capital employed		
Other intangible assets	1 788	1 813
Right-of-use assets	3 334	3 489
Buildings and land	234	254
Machinery and equipment	3 028	3 292
Deferred tax assets	1 080	918
Other long-term receivables	755	881
Inventories	395	508
Accounts receivable	14 695	16 120
Current tax assets	485	922
Other current receivables	4 634	5 434
Total assets	**30 428**	**33 631**
Other long-term liabilities	265	361
Provisions for pensions and similar commitments	1 196	1 141
Deferred tax liabilities	674	624
Other long-term provisions	607	719
Accounts payable	1 820	2 001
Current tax liabilities	1 287	1 621
Other current liabilities	14 185	12 936
Short-term provisions	1 501	1 128
Total liabilities	**21 535**	**20 531**
Total operating capital employed	**8 893**	**13 100**
Goodwill	21 414	22 157
Acquisition related intangible assets	1 424	1 563
Shares in associated companies	311	320
Total capital employed	**32 042**	**37 140**
Operating capital employed as % of sales	*8*	*12*
Return on capital employed, %	*13*	*15*
Net debt		
Interest-bearing financial non-current assets	686	437
Other interest-bearing current assets	144	134
Liquid funds	4 720	3 948
Total interest-bearing assets	**5 550**	**4 519**
Long-term lease liabilities	2 554	2 610
Other long-term loan liabilities	11 694	17 216
Current lease liabilities	876	944
Other short-term loan liabilities	4 761	1 290
Total interest-bearing liabilities	**19 885**	**22 060**
Total net debt	**14 335**	**17 541**
Net debt equity ratio, multiple	*0.81*	*0.89*
Shareholders' equity		
Share capital	365	365
Other capital contributed	7 363	7 363
Other reserves	-2 789	-206
Retained earnings	12 758	12 047
Non-controlling interests	10	30
Total shareholders' equity	**17 707**	**19 599**
Total financing	**32 042**	**37 140**

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

Securitas' financial model is described on pages 66-67.

Consolidated statement of changes in shareholders' equity

	Shareholders' equity attributable to equity holders of the Parent Company[1]							
MSEK	Share capital	Other capital contributed	Hedging reserve	Translation reserve	Retained earnings	Total	Non-controlling interests[1]	**Total share-holders' equity**
Opening balance 2019	**365**	**7 363**	**15**	**-341**	**10 230**	**17 632**	**25**	**17 657**
Net income for the year	**–**	**–**	**–**	**–**	**3 357**	**3 357**	**5**	**3 362**
Other comprehensive income								
Items that will not be reclassified to the statement of income								
Remeasurements of defined benefit pension plans net of tax	–	–	–	–	31	31	–	31
Total items that will not be reclassified to the statement of income	**–**	**–**	**–**	**–**	**31**	**31**	**–**	**31**
Items that subsequently may be reclassified to the statement of income								
Remeasurement for hyperinflation net of tax	–	–	–	–	79	79	–	79
Cash flow hedges net of tax[2]	–	–	36	–	–	36	–	36
Cost of hedging net of tax	–	–	12	–	–	12	–	12
Net investment hedges net of tax[3]	–	–	–	-346	–	-346	–	-346
Other comprehensive income from associated companies, translation differences	–	–	–	14	–	14	–	14
Translation differences	–	–	–	404	–	404	1	405
Total items that subsequently may be reclassified to the statement of income	**–**	**–**	**48**	**72**	**79**	**199**	**1**	**200**
Other comprehensive income	**–**	**–**	**48**	**72**	**110**	**230**	**1**	**231**
Total comprehensive income for the year	**–**	**–**	**48**	**72**	**3 467**	**3 587**	**6**	**3 593**
Transactions with non-controlling interests[1]	–	–	–	–	–	–	-1	-1
Share-based incentive schemes[1]	–	–	–	–	-44	-44	–	-44
Dividend paid to shareholders of the Parent Company	–	–	–	–	-1 606	-1 606	–	-1 606
Closing balance 2019	**365**	**7 363**	**63**	**-269**	**12 047**	**19 569**	**30**	**19 599**
Opening balance 2020	**365**	**7 363**	**63**	**-269**	**12 047**	**19 569**	**30**	**19 599**
Net income for the year	**–**	**–**	**–**	**–**	**2 419**	**2 419**	**-3**	**2 416**
Other comprehensive income								
Items that will not be reclassified to the statement of income								
Remeasurements of defined benefit pension plans net of tax	–	–	–	–	-78	-78	–	-78
Total items that will not be reclassified to the statement of income	**–**	**–**	**–**	**–**	**-78**	**-78**	**–**	**-78**
Items that subsequently may be reclassified to the statement of income								
Remeasurement for hyperinflation net of tax	–	–	–	–	62	62	–	62
Cash flow hedges net of tax[2]	–	–	-22	–	–	-22	–	-22
Cost of hedging net of tax	–	–	34	–	–	34	–	34
Net investment hedges net of tax[3]	–	–	–	528	–	528	–	528
Other comprehensive income from associated companies, translation differences	–	–	–	-40	–	-40	–	-40
Translation differences	–	–	–	-3 083	–	-3 083	-4	-3 087
Total items that subsequently may be reclassified to the statement of income	**–**	**–**	**12**	**-2 595**	**62**	**-2 521**	**-4**	**-2 525**
Other comprehensive income	**–**	**–**	**12**	**-2 595**	**-16**	**-2 599**	**-4**	**-2 603**
Total comprehensive income for the year	**–**	**–**	**12**	**-2 595**	**2 403**	**-180**	**-7**	**-187**
Transactions with non-controlling interests[1]	–	–	–	–	–	–	-13	-13
Share-based incentive schemes[1]	–	–	–	–	60	60	–	60
Dividend paid to shareholders of the Parent Company	–	–	–	–	-1 752	-1 752	–	-1 752
Closing balance 2020	**365**	**7 363**	**75**	**-2 864**	**12 758**	**17 697**	**10**	**17 707**

1 Further information is provided in note 31.
2 Specification can be found in note 7, in the table revaluation of financial instruments, as well as in note 16.
3 For tax amount see note 16.

Notes

Note 1
General corporate information

Operations

Securitas serves a wide range of clients of all sizes in a variety of industries and client segments. Security solutions based on client-specific needs are built through different combinations of on-site, mobile and remote guarding, electronic security, fire and safety and corporate risk management. Securitas operates in North America, Europe, Latin America, Africa, the Middle East, Asia and Australia and employs 355 000 employees in 47 countries.

Information regarding Securitas AB

Securitas AB, corporate registration number 556302-7241, is a Swedish public company and has its registered office in Stockholm, Sweden.
The address of the head office is:

Securitas AB
Lindhagensplan 70
SE-102 28 Stockholm
Sweden

Securitas AB is listed on Nasdaq Stockholm on the Large Cap List. The Securitas share is included in for example the OMX Stockholm Price Index and the OMX Stockholm 30 Index. Securitas has been listed on the stock exchange since 1991.

Information regarding the Annual Report and the consolidated financial statements

This Annual Report including the consolidated financial statements was signed by the Board of Directors and the President and CEO of Securitas AB and also approved for publication on March 18, 2021.

The statements of income and balance sheets for the Parent Company and the consolidated financial statements for the Group included in the Annual Report are subject to adoption by the Annual General Meeting on May 5, 2021.

Note 2
Accounting principles

Basis of preparation

Securitas' consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU), the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's standard RFR 1 Supplementary Accounting Rules for Groups. The consolidated financial statements have been prepared in accordance with the historical cost convention method except where a fair value measurement is required according to IFRS. Examples of assets and liabilities measured at fair value are financial assets or financial liabilities (including derivatives) at fair value through profit or loss and plan assets related to defined benefit pension plans.

Estimates and judgments NOTE 4

The preparation of financial reports requires the Board of Directors and Group Management to make estimates and judgments. Estimates and judgments will impact both the statement of income and the balance sheet as well as disclosures such as contingent liabilities. Actual outcome may differ from these judgments under different assumptions or conditions.

Adoption and impact of new and revised IFRS for 2020

As stated in the Annual Report 2019, Securitas has early adopted the amendments to IFRS 9 Financial instruments related to hedge accounting, which came into effect as of January 1, 2020. The amendments have had no impact on the Group's financial statements.

None of the other published standards and interpretations that are mandatory for the Group's financial year 2020 have had any impact on the Group's financial statements.

Introduction and effect of new and revised IFRS that are effective as from 2021

As of January 1, 2021, phase 2 of the amendments to IFRS 9 Financial instruments related to the IBOR reform comes into effect. Phase 2 addresses the accounting for effects on the financial statements due to the IBOR-reform, including the effects of changes to contractual cash flows or hedging relationships that may arise as a consequence of the interest rate benchmark reform. The amendments ensure that there is no impact on the Group's financial statements due to the IBOR reform.

None of the other published standards and interpretations that are mandatory for the Group's financial year 2021 are assessed to have any impact on the Group's financial statements.

Introduction and effect of new and revised IFRS that are effective as from 2022 and onwards

The effect on the Group's financial statements from standards and interpretations that are mandatory for the Group's financial year 2022 or later remain to be assessed.

The acquisition method (IFRS 3) NOTE 11, 17, 18 AND 19

The acquisition method is used to account for the Group's acquisitions of subsidiaries and operations. All payments to acquire a business are recorded at fair value at the acquisition date, with contingent considerations and acquisition related option liabilities classified as debt subsequently remeasured through the statement of income. The Group chooses on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition related transaction costs are expensed. These costs are in the Group accounted for on a line in the statement of income named acquisition related costs. Costs accounted for on this line are transaction costs, revaluation (including discounting) of contingent considerations and acquisition related option liabilities, revaluation to fair value of previously acquired shares in step acquisitions and acquisition related restructuring and integration costs.

The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the consolidated statement of income.

Scope of the consolidated financial statements (IFRS 10 and IFRS 12) NOTE 17 AND 51

The consolidated financial statements relate to the Parent Company Securitas AB and all subsidiaries. Subsidiaries are all companies where the Group has control, which is the case where the Group is exposed, or has rights, to variable returns from its involvement with the company and has the ability to affect those returns through its power over the company.

The consolidated financial statements include companies acquired with effect from the date that the Group obtains control. Companies divested are excluded with effect from the date that the Group ceases to have control.

Note
1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58 59 60

Pricing of deliveries among Group companies is based on normal business principles. Intercompany transactions, balances and unrealized gains and losses between Group companies are eliminated.

Non-controlling interests (IFRS 3 and IFRS 10) NOTE 31

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For acquisitions from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity on the line transactions with non-controlling interests in the consolidated statement of changes in shareholders' equity. Gains or losses on disposals to non-controlling interests are also recorded in equity on the same line.

The principle to treat transactions with non-controlling interests as transactions with equity owners of the Group is also applied to the valuation of options relating to non-controlling interests. This means that at both initial recognition and for any subsequent revaluation, according to the economic entity model, the transactions are recognized in equity as transactions with non-controlling interests.

Investments in associates (IAS 28) NOTE 23 AND 52

Associates are entities in which Securitas can exert a significant influence, generally accompanying a shareholding of between 20 percent and 50 percent of the voting rights. The equity method is used to account for these shareholdings. All payments to acquire a business are recorded at fair value on the acquisition date, with contingent considerations and acquisition related option liabilities classified as debt subsequently remeasured through the statement of income. All acquisition related transaction costs are expensed.

Share in income of associates is recognized in the consolidated statement of income. Depending on the purpose of the investment, share in income of associates is included either in operating income, if it is related to associates that have been acquired to contribute to the operations, or in income before taxes as a separate line within net financial items, if it is related to associates that have been acquired as part of the financing of the Group. In both cases the share in income of associates are net of tax. All associates in the Group are currently classified as operational associates.

In the consolidated balance sheet, investments in associates are stated at cost including the cost of the acquisition that is attributed to goodwill and other acquisition related intangible assets, adjusted for dividends and the share of income after the acquisition date. Investments in associates are also adjusted for translation differences of foreign investments to the exchange rate prevailing on the last day of the month. The translation differences are posted directly to other comprehensive income and thus do not affect net income for the year.

The consolidated financial statements include associates with effect from the date of the acquisition. Associates divested are excluded with effect from the divestment date.

Transactions, balances and unrealized gains and losses between the Group and its associates are eliminated to the extent of the Group's interest in the associate.

Translation of foreign subsidiaries (IAS 21) NOTE 31

The functional currency of each Group company, that is the currency in which the company primarily generates and expends cash, is determined by the primary economic environment in which the company operates. The functional currency of the Parent Company and the presentation currency of the Group, that is the currency in which the financial statements are presented, is Swedish kronor (SEK).

When translating the financial statements of each foreign subsidiary, each month's statement of income is translated using the exchange rate prevailing on the last day of the month. This means that income for each month is not affected by foreign exchange fluctuations during subsequent periods. Balance sheets are translated using exchange rates prevailing at each balance sheet date. Translation differences arising in the conversion of balance sheets are posted directly to other comprehensive income and thus do not affect net income for the year. The translation difference arising because statements of income are translated using average rates, while balance sheets are translated using exchange rates prevailing at each balance sheet date, is posted directly to other comprehensive income.

Where loans have been raised to reduce the Group's foreign exchange/translation exposure in foreign net assets, and qualify for the hedge accounting criteria, exchange rate differences on such loans are recognized together with the exchange rate differences arising from the translation of foreign net assets in other comprehensive income.

The accumulated translation differences are accounted for in translation reserve in equity. When a foreign operation or part thereof is sold, such exchange differences are recognized in the statement of income as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated using exchange rates prevailing at each balance sheet date.

Remeasurement for hyperinflation (IAS 29) NOTE 14

The Group´s subsidiaries in countries that according to IAS 29 are classified as hyperinflationary economies are accounted for in the Group´s financial statements after remeasurement for hyperinflation. Currently, Securitas' operations in Argentina are accounted for according to IAS 29. This includes the subsidiaries with functional currency in ARS as well as consolidated goodwill that is consolidated into SEK from ARS.

The non-monetary balance sheet items have been remeasured by applying a general price index. The index used by Securitas for the remeasurement of the financial statements is the consumer price index with base period January 2003. The items in the financial statements subject to remeasurement are based on the historical cost approach.

Remeasurement of the consolidated goodwill balance is recognized as part of other comprehensive income. This is based on the fact that goodwill would be offset in equity if pushed down to subsidiary level. Also, it does not contribute to any changes in the net monetary position of the subsidiary.

Remeasurement of the non-monetary balance sheet items and the statement of income on subsidiary level is part of the net monetary gain or loss recognized in the statement of income as part of financial income and expenses. The statements of income for each month have been translated at the closing rate on the balance sheet date ending each quarter during the year.

Transactions, receivables and liabilities in foreign currency (IAS 21) NOTE 11 AND 15

Transactions in foreign currency are translated into the functional currency in accordance with the exchange rates prevailing at the date of the transaction. Exchange differences on monetary items are recognized in the statement of income when they arise, with the exception of net investment hedges recognized via other comprehensive income (see above under the section Translation of foreign subsidiaries). Exchange differences from operating items are recognized as either production expenses or selling and administrative expenses, while exchange differences from financial items are recognized as financial income or financial expenses.

When preparing the financial statements of individual companies, foreign currency denominated receivables and liabilities are translated to the functional currency of the individual company using the exchange rates prevailing at each balance sheet date.

Revenue recognition (IFRS 15) NOTE 6 AND 45

The Group's revenue is generated mainly from various types of security services, as described below.

Guarding services comprises on-site and mobile guarding, which are services with the same revenue recognition pattern. Revenue is recognized over time, as the services are rendered by Securitas and simultaneously consumed by the clients. Such services cannot be reperformed.

Security solutions and electronic security comprise two broad categories. Security solutions are a combination of services such as on-site and/or mobile guarding and/or remote guarding. These services are combined with a technology component in terms of equipment owned and managed by Securitas and used in the provision of services. The equipment is installed at the clients' site. The revenue recognition pattern is over time, as the services are rendered by Securitas and simultaneously consumed by the clients. A security solution normally constitutes one performance obligation.

Electronic security consists of the sale of alarm installations comprising design and installation (time, material and related expenses). Revenue is recognized as per the contract, either upon completion of the conditions in the contract, or over time based on the percentage of completion. Remote guarding (in the form of alarm monitoring services), that is sold separately and not as part of a security solution, is also included in this category. Revenue recognition is over time as this is also a service that is rendered by Securitas and simultaneously consumed by the clients. The category further includes maintenance services, that are either performed upon request (time and material) with revenue recognition at a point in time (when the work has been performed), or over time if part of a service level contract with a subscription fee. Finally, there is also a to a limited extent product sales (alarms and components) without any design or installation. The revenue recognition is at a point in time (upon delivery).

Other comprises mainly corporate risk management services that are either recognized over time or at a point in time as well as other ancillary business.

Other operating income consists in its entirety of trade mark fees for the use of the Securitas brand name.

The segments have the principle of expensing costs to obtain contracts as they are incurred. Such costs are capitalized at Group level and amortized over the expected duration of the contract. This effect is accounted for under Other in the segment overviews and constitutes a difference between the segment's accounting principles and the Group´s accounting principles, reflecting the operating result measure reported to the chief operating decision maker.

Costs to fulfil a contract such as salaries and payroll overhead are expensed immediately as the services are rendered by Securitas and consumed by the client.

Operating segments (IFRS 8) NOTE 10

A combination of factors has been used in order to identify the Group's segments. Most important is the characteristic of the services provided and the geographical split. The operating segments are regularly reviewed by the chief operating decision maker, which is the President and CEO.

The Group's operations are divided into three reportable segments and Other. The reportable segments are also referred to as business segments in the Group's financial reports. Refer to note 10 for further information regarding the segments.

As described above under Revenue recognition, the segments have the principle of expensing costs to obtain contracts as they are incurred. Such costs are capitalized at Group level and amortized over the expected duration of the contract. This effect is accounted for under Other in the segment overviews and constitutes a difference between the segment's accounting principles and the Group´s accounting principles, reflecting the operating result measure reported to the chief operating decision maker. This is the only difference in principles between the segments and the Group.

The assets and liabilities of each segment include only those items that have been utilized or arisen in ongoing operations. Non-operational balance sheet items, primarily current tax, deferred tax, and provisions for taxes, are accounted for under the Other heading in the table Capital employed and financing in note 10. In the table Assets and liabilities in the same note, these items are accounted for as unallocated non-interest bearing assets and unallocated non-interest bearing liabilities. Reconciliation between total segments and the Group is disclosed in note 10.

Geographical information related to sales and non-current assets is disclosed in note 10 for Sweden (which is Securitas' country of domicile) and for all individual countries where the sales or non-current assets exceed 10 percent of the total amount for the Group.

The geographical split of sales is based on the location of the sales. The location of the sales corresponds in all material aspects to the location of the clients. There are no sales to any individual client that are deemed to represent a significant portion of the Group's total sales.

Accounting for government grants and disclosure of government assistance (IAS 20) NOTE 11

Securitas, like other employers, is eligible for a variety of government grants relating to employees. These grants relate mainly to compensation for salaries paid for partial unemployment and costs for training and education, but also to for example incentives for hiring new staff and compensation for sickness costs. All grants are accounted for in the statement of income as a cost reduction in the same period as the related underlying cost.

The grants recognized in the statement of income are based on Securitas assessment of having fulfilled all conditions pertaining to the particular grant. If there are conditions for particular grants and there is uncertainty relating to the fulfilment of any condition, these grants have been deferred until the assessment is that all conditions have been fulfilled.

Acquisition related restructuring and integration costs (IAS 37) NOTE 11

Acquisition related restructuring costs are costs relating to the restructuring and/or integration of acquired operations into the Group. Restructuring costs can cover several activities that are necessary to prepare acquired operations for integration into the Group, such as redundancy payments. Integration costs normally cover activities that do not qualify to be recognized as provisions. Such activities could be re-branding (changing logotypes on buildings, vehicles, uniforms, etc.), but could also cover personnel costs, for example training, recruitment, relocation and travel, certain client related costs and other incremental costs to transform the acquired operation into Securitas' format. Classifying expenses as costs relating to integration of acquired operations must also fulfill the criteria below:

- The cost would not have been incurred if the acquisition not had taken place
- The cost relates to a project identified and controlled by management as part of an integration program set up at the time of acquisition or as a direct consequence of an immediate post-acquisition review

Items affecting comparability NOTE 11

This item includes events and transactions with significant effects, which are relevant for understanding the Group's financial performance when comparing income for the current period with previous periods. They include capital gains and losses arising from the disposal of operations that are material individually or aggregated, material impairment losses and bad debt losses, litigations and insurance claims and other material income and expense items that affect comparability. The latter thus also includes costs for material restructuring and transformation programs such as the Group´s cost savings programs and the transformation programs for further digitization of the company. Tax on items affecting comparability and tax items that in themselves constitute items affecting comparability are reported on the line taxes in the consolidated statement of income.

The difference between items affecting comparability according to the statement of income and cash flow from items affecting comparability is accounted for on the line Adjustment for effect on cash flow from items affecting comparability in the consolidated statement of cash flow and

Note
1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58 59 60

specified in note 11, except when it relates to the disposal of subsidiaries classified as items affecting comparability, where the cash flow is accounted for on the line Acquisitions and divestitures of subsidiaries.

Items that are classified as items affecting comparability in a period are accounted for consistently in future periods by treating any reversal of those items as items affecting comparability.

Taxes (IAS 12) NOTE 16 AND 48

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

A deferred tax asset is recognized when it is probable that sufficient taxable income will arise that the deferred tax asset can be offset against. Deferred tax assets are valued as of the balance sheet date, and any potential previously unvalued deferred tax asset is recognized when it is expected to be usable, or correspondingly, reduced when it is expected to be wholly or partly unusable against future taxable income.

Current tax liabilities include provisions for taxes. Current and deferred taxes are posted directly to other comprehensive income if the relevant underlying transaction or event is posted directly to other comprehensive income in the period, or previous period if it pertains to an adjustment of an opening balance of retained earnings as the result of a change in accounting principle. Changes in current and deferred taxes that relate to exchange rate differences in the translation of the balance sheets of foreign subsidiaries are posted to translation differences in other comprehensive income.

Provisions are allocated for estimated taxes in the case dividends are anticipated and paid from subsidiaries to a Parent Company in the following year.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not be reversed in the foreseeable future.

Impairment (IAS 36) NOTE 18

The Group's assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. In addition to goodwill, these assets are limited to the brand name Securitas in one of the Group's countries of operations, where it has been acquired from a third party.

For the purpose of impairment testing, assets are grouped as cash-generating units (CGU), which corresponds to the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets.

Assets and liabilities for the segments are measured fully on segment level as the lowest level. This level corresponds to how Securitas evaluates its business in accordance with IFRS 8 and IAS 36.

Assets that are subject to depreciation or amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If this is the case, an impairment loss is recognized in the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is measured as expected future discounted cash flows. The calculation of value in use is based on assumptions and estimates. The main assumptions concern the organic sales growth, the development of the operating margin and the necessary operating capital employed requirement as well as the relevant WACC (Weighted Average Cost of Capital) rate used to discount future cash flows. When determining the relevant WACC, Securitas considers the segments currency and risk profile.

Goodwill and other acquisition related intangible assets (IFRS 3, IAS 36 and IAS 38) NOTE 18 AND 19

Goodwill and other acquisition related intangible assets are grouped at the lowest levels for which there are separately identifiable cash flows (Cash Generating Unit), that is, per segment. The segment level corresponds to the lowest level where complete financial information that is reviewed and used for control is available. The segment level is also the basis for the yearly impairment testing.

Goodwill is carried at cost less accumulated impairment losses. Other acquisition related intangible assets arising from the Group's acquisitions can include various types of intangible assets such as marketing-related, client-related, contract-related, brand-related and technology-based intangible assets. Other acquisition related intangible assets normally have a definite useful life. These assets are recognized at fair value on the date of acquisition and subsequently carried at cost less accumulated amortization and any accumulated impairment losses.

Securitas' acquisition related intangible assets mainly relate to client contract portfolios and the related client relationships. The valuation of the client contract portfolios and the related client relationships is based on the Multiple Excess Earnings Method (MEEM), which is a valuation model based on discounted cash flows. The valuation is based on the churn rates and profitability of the acquired portfolio at the time of the acquisition. In the model a specific charge – a contributory asset charge – is applied as a cost or return requirement for the assets supporting the intangible asset. Cash flows are discounted using the Weighted Average Cost of Capital (WACC) adjusted for local interest rate levels in the countries of acquisition. The useful life of client contract portfolios and the related client relationships is based on the churn rate of the acquired portfolio and is normally between 3 and 10 years, corresponding to a yearly amortization of between 10.0 percent and 33.3 percent. Brand-related intangible assets are calculated using the relief of royalty method. The useful life of these brands is normally between 5 and 10 years, corresponding to a yearly amortization of between 10 and 20 percent.

Amortization is calculated using the linear method and disclosed on the line amortization and impairment of acquisition related intangible assets in the Group's statement of income.

A deferred tax liability is calculated, recognized and reversed over the same period as the intangible asset is amortized, in order to neutralize the impact on the Group's full tax rate from the acquisition.

Other intangible assets (IAS 36 and IAS 38) NOTE 20 AND 49

The Group's other intangible assets include the trade mark Securitas, which is estimated to have an indefinite useful life. The trademark has been capitalized only in those cases where it has been acquired from a third party. This trademark is not amortized but tested annually for impairment.

All other items in other intangible assets have a definite useful life. Amortization is linear and the amortization rates are normally:

Software licenses and similar assets	10.0–33.3 percent
Other intangible assets	10.0–33.3 percent

Rental rights and similar rights are amortized over the same period as the underlying contractual period.

Tangible non-current assets (IAS 16 and IAS 36) NOTE 22 AND 50

Securitas applies linear depreciation for tangible non-current assets. The depreciation rates are normally:

Machinery and equipment	10–50 percent
Buildings and land improvements	2–10 percent
Land	0 percent

Leases (IFRS 16)

NOTE 13 AND 21

Securitas' lease agreements are mainly attributable to buildings and vehicles. In the consolidated balance sheet, they are accounted for as right-of-use assets (included in non-current assets) and long-term and current lease liabilities.

Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. In the consolidated statement of income, depreciation is accounted for on the lines production expenses and selling and administrative expenses. Interest expenses are accounted for on the line financial expenses. In the Group's segment overviews, the effects on the financial statements from leases are accounted for under each segment, except for interest expense, which is accounted for on Group level only.

The lease liabilities are initially measured at the present value of remaining lease payments, discounted by using the incremental borrowing rate for each country. Lease payments are allocated between principal and interest expense.

The right-of-use assets are initially measured at an amount equal to the lease liabilities. If advance payments have been made, the right-of-use assets are adjusted for these payments. Any reassessment of the lease liabilities in subsequent periods leads to corresponding adjustments to the right-of-use assets.

Extension clauses are evaluated for each lease agreement and are applied based on the best estimate at each closing. They are included in the lease period if it is reasonably certain that the lease will be extended.

Payments for short-term leases, where the lease term ends within 12 months of the date of initial application, as well as leases of low-value assets, are recognized on a straight-line basis as an expense in the statement of income and thus excluded from the lease liabilities accounted for under IFRS 16.

The extent of lease contracts where the Group is the lessor is limited. Leases where the Group is a lessor are classified as either finance leases or operating leases, depending if they transfer substantially all the risks and rewards of the ownership from the lessor. In cases where the Group is the lessor of lease contracts classified as operational, revenue is recognized on a linear basis over the lease term and included in total sales in the consolidated statement of income. Depreciation is recognized under operating income on a straight-line basis over the assets' useful life.

Accounts receivable (IFRS 9)

NOTE 27

Accounts receivable are accounted for at nominal value net after provisions for expected bad debt losses. Expected and recognized bad debt losses are included in the line production expenses in the statement of income.

Recognized revenue that has not been invoiced as of the balance sheet date is classified as accrued sales income (note 28). Contract balances for performance obligations not yet satisfied are classified as deferred revenue (note 36).

Financial instruments (IFRS 7/IFRS 9/ IFRS 13/IAS 32/IAS 39)

NOTE 7, 15, 24, 29, 32, 35 AND 44

Classification and measurement of financial instruments

The Group classifies financial assets and liabilities as those to be measured at amortized cost and those to be measured at fair value (either through other comprehensive income (OCI) or through the statement of income). The classification of financial assets depends on Securitas' business model for managing these assets and the contractual terms of the cash flows. The business model mainly applied by Securitas is hold to collect, meaning that financial assets are held to collect contractual cash flows. These cash flows solely represent payments of principal and interest (SPPI). The majority of Securitas financial assets are thus measured at amortized cost. Financial liabilities, except for derivatives, are measured at amortized cost. Derivatives are measured at fair value through profit and loss unless hedge accounting is applied.

Financial instruments with maturities within 12 months after the balance sheet date are either included in current assets on the line other interest-bearing current assets, or in current liabilities on the line other short-term loan liabilities. Financial instruments with maturities later than 12 months after the balance sheet date are either included in non-current assets on the line interest-bearing financial non-current assets, or in long-term liabilities on the line other long-term loan liabilities.

Securitas applies the forward-looking expected credit loss model. The most important financial assets subject to this model are accounts receivable, for which the Group applies the simplified approach permitted by IFRS 9. This method requires expected lifetime losses to be recognized from initial recognition of the receivables. For further information refer to note 27.

Financial assets at amortized cost

Assets in this category are measured at amortized cost using the effective interest rate method. Most of the Group's current assets are measured at amortized cost, for example assets such as accounts receivable and long-term and short-term receivables, which are non-derivative financial assets with fixed or determinable payments. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable.

Financial assets at fair value through profit and loss (FVPL)

Assets in this category are measured at fair value. Changes in fair value are recognized in the statement of income as they arise unless hedge accounting is applied.

Financial assets at fair value through other comprehensive income (FVOCI)

Securitas currently has no financial assets in this category.

Financial liabilities at amortized cost

Liabilities in this category are measured at amortized cost using the effective interest rate method. This category comprises such items as accounts payable and other current liabilities, and any long-term and short-term loans not included in the category financial liabilities at fair value through profit and loss.

Financial liabilities at fair value through profit and loss (FVPL)

Liabilities in this category are measured at fair value. Changes in fair value are recognized in the statement of income as they arise unless hedge accounting is applied.

Recognition and derecognition

Regular purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. Financial instruments are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial risk management and hedge accounting

Securitas' business activities create exposure to financial risks, such as interest rate risk, foreign currency risk, financing and liquidity risk and credit/counterparty risk.

Derivatives are used for the following main purposes: hedging the interest rate element of external debt and changing its currency profile, gearing ratio hedging and hedging of internal borrowings and investments.

Where all relevant criteria are met, Securitas applies hedge accounting to remove the accounting mismatch between the hedging instrument and the hedged item. At inception of the hedge relationship, the Group documents the economic relationship between hedging instruments and hedged items. The economic relationship is determined based on the matching of critical terms.

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For interest rate hedges these are interest rates, cash flow, currency, interest periods and maturity. For cash flow hedges these are currency, nominal amount and dates. The Group documents its risk management objective and strategy for undertaking its hedge transactions. Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument.

For derivatives designated in fair value hedges, the gains or losses from re-measuring the hedging instruments at fair value are recognized in the statement of income. Also included in this category are derivatives where there is a natural offset in the accounting and where the purpose is to achieve an offsetting impact without qualifying for hedge accounting. The Group does not hedge 100 percent of its fixed rate loans; therefore, the hedged item is identified as a proportion of the outstanding loans equal to the notional amount of the swaps. Accordingly, the hedge ratio is 1:1.

For derivatives designated in cash flow hedges, the gains or losses from re-measuring the hedging instruments at fair value are recognized in the hedging reserve in other comprehensive income, with a reversal from the hedging reserve to the statement of income in the period in which the cash flow of the hedged item impacts the statement of income. Any ineffectiveness is recognized in the statement of income. The Group does not hedge 100 percent of its floating rate loans; therefore, the hedged item is identified as a proportion of the outstanding loans equal to the notional amount of the swaps. Accordingly, the hedge ratio is 1:1.

For derivatives which are part of net investment hedges, the exchange rate gains and losses are recognized in other comprehensive income. Any ineffectiveness is recognized in the statement of income.

All cash flows (accrued interest income/expenses) that arise from interest-rate derivative contracts are recognized as interest income and /or interest expense in the statement of income in the period to which they relate. Changes in fair value (after accruals) for both the hedged item and the hedging instrument (derivative) are recognized as revaluation of financial instruments. Revaluation of financial instruments is included in financial income and/or financial expenses in the statement of income and specified in the table Revaluation of financial instruments in note 7 as well as on a separate line in note 15.

Refer to note 7 for further information regarding the Group´s risk exposure.

Hedge ineffectiveness

The Group enters into interest rate swaps that have similar critical terms as the hedged item, such as reference rate, reset dates, payment dates, maturities and notional amount.

Hedge ineffectiveness for interest rate swaps may occur if changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument. It may occur due to:

- the credit value/debit value adjustment on the interest rate swaps which is not matched by the loan. This is mitigated by the use of credit support annexes, and
- differences in critical terms between the interest rate swaps and loans.

As all hedging relationships had matching terms there was no significant hedge ineffectiveness during the year.

Share-based payments (IFRS 2) NOTE 9, 12, 31 AND 55

Securitas has two share-based incentive schemes. The short-term share-based incentive scheme has been in place for a number of years and is subject to yearly approval by the Annual General Meeting. The long-term share-based incentive scheme has been in place since 2019 and is also subject to yearly approval by the Annual General Meeting.

For both schemes, the cost for Securitas, including social security expenses, is accounted for in the statement of income during the vesting period. The share-based portion of the bonus is classified as equity. At the end of the program, a revaluation is made of the original estimates and the final outcome of social security expenses is determined. Any deviation due to the revaluation, for example due to any participant leaving the Group and not receiving allocated shares, is accounted for in the statement of income.

Under the short-term share-based incentive scheme the participants in the scheme receive a bonus of which two thirds are payable in cash in the beginning of the year after the bonus has been accrued. The remaining one third of the bonus is used to acquire shares at market value. These shares are delivered to the participants in March, two years following the performance year, conditioned by a continuous employment during the vesting period, except where a participant has left his/her employment due to retirement, death or long-term disability, in which case the participant shall have a continued right to receive shares.

In order to hedge the share portion of Securitas share-based incentive scheme 2019, the Group has entered into a swap agreement with a third party. The swap agreement represents an obligation for the Parent Company to purchase its own shares at a predetermined price. The swap agreement is consequently classified as an equity instrument and accounted for in equity as a reduction of retained earnings. A swap agreement was also entered into to hedge the share portion of Securitas share-based incentive scheme 2018. That swap agreement settled during 2020 in conjunction with the delivery of the shares to the participants upon vesting.

Under the long-term share-based incentive scheme participants will have to invest Securitas series B shares at market price or nominate already vested or currently vesting shares under the short-term incentive schemes. For every shares thus purchased or invested the company will grant so called performance awards free of charge. The performance condition is linked to the development of real change in earnings per share (if applicable excluding items affecting comparability) and the outcome is calculated yearly, whereby one third is measured against the outcome of the first year, one third against the second year and one third against the third year. The award of shares is in addition to the fulfilment of performance conditions contingent on the employment as per the vesting day and that the invested shares are kept during the whole vesting period. The number of shares awarded will also include compensation for dividend during the vesting period by increasing the number of shares awarded.

The cost for the service rendered under the long-term incentive program is spread over the vesting period and is based on a fair value on the grant date for Securitas series B share.

The share purchase in Securitas may be handled by a swap agreement with a third party. Any share-swap agreement will be separate from those entered into for the short-term share-based incentive scheme described above. The accounting principles described for the swap agreement above will also be applicable for any future swap agreements in relation to the long-term program.

Employee benefits (IAS 19) NOTE 25, 33 AND 36

Employee benefits are all forms of consideration given by the Group in exchange for services rendered by its employees. With the exception of the share-based incentive schemes, described above, which falls under IFRS 2, they are all covered under IAS 19. The considerations mainly relate to salaries and payroll overhead such as social charges and payroll taxes, but also include other short-term employee benefits that are expected to be settled within 12 months of the balance sheet date. These include, but are not limited to, vacation payments, cash-settled bonuses and also short-term healthcare benefits. When applicable these benefits also include the applicable social charges and payroll taxes. In addition to these benefits the Group is also responsible to withhold social charges, payroll taxes and income tax on behalf of its employees. These balances are included in other current liabilities and in other short-term provisions.

The Group also operates or participates in a number of defined benefit and defined contribution pension and other post-employment benefit plans as well as some other long-term employment plans. Other post-employment plans primarily relate to healthcare benefits. A defined contribution plan is a plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all members the benefits relating to employee service in the current and prior periods. Contributions are recognized as expenses when they fall due for payment. Other plans are defined benefit plans.

Calculations for the defined benefit plans that exist within Securitas are carried out by independent actuaries. Costs related to defined benefit plans are recognized in operating income. The calculation of service cost is based on the projected unit credit method in a way that distributes the cost over the employee’s working life. The net interest cost is estimated by applying the discount rate to the net defined benefit obligation. Administration costs are recognized in operating income in the period which they occur.

The net defined benefit obligation recognized in the balance sheet is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The obligations are valued at the present value of the expected future cash flows using a discount rate corresponding to the interest rate on high quality corporate bonds or government bonds with a remaining term that is approximately the same as the obligations.

Remeasurements of post-employment benefit plans and reimbursement rights are recognized in other comprehensive income in the period which they occur. Remeasurements of other long-term employee benefit plans as well as past service costs are recognized immediately in operating income.

If accounting for a defined benefit plan results in a net balance sheet asset, this is reported in the consolidated balance sheet under other long-term receivables. Otherwise it is reported as a provision under provisions for pensions and similar commitments. Provisions for pensions and similar commitments are not included in net debt.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognized. This reimbursement right is measured at fair value and classified as a long-term receivable.

Provisions (IAS 37)

NOTE 16, 33, 34 AND 37

The Group's provisions are mainly related to deferred tax liabilities (note 16), provisions for pensions and similar commitments (note 33) and claims reserves (note 34 and 37).

Claims reserves are calculated on the basis of a combination of case reserves, which represent claims reported, and IBNR (incurred but not reported) reserves. Actuarial calculations are performed quarterly to assess the adequacy of the reserves based on open claims and historical IBNR.

The Group has approximately 355 000 employees and as such from time to time faces labor-related disputes with current or former employees in relation to various matters. Such matters can involve, but are not limited to, the diverse interpretation of labor legislation, individual employee contracts or collective bargaining agreements and can for example relate to working hours, benefits payable, various reimbursements or the termination of employment. The Group follows IAS 37 and IAS 19 in determining when a contingent liability, a provision or a liability should be disclosed and/or recognized for these disputes.

Note 3
Definitions, calculation of key ratios and exchange rates

DEFINITIONS

Statement of income according to Securitas' financial model

Production expenses[1]
Wages and related costs, the cost of equipment used when performing professional duties, and all other costs directly related to the performance of services invoiced.

Selling and administrative expenses[1]
All costs of selling, administration and management including branch office expenses. The primary function of the branch offices is to provide the production with administrative support as well as to serve as a sales channel.

Gross margin
Gross income as a percentage of total sales.

Operating income before amortization
Operating income before amortization and impairment of acquisition related intangible assets and acquisition related costs, but including amortization and depreciation of other intangible assets, buildings and land and machinery and equipment.

Operating margin
Operating income before amortization as a percentage of total sales.

Operating income after amortization
Operating income after amortization and impairment of acquisition related intangible assets and acquisition related costs, and including amortization and depreciation of other intangible assets, buildings and land and machinery and equipment.

Adjusted income
Operating income before amortization, adjusted for financial income and expenses (excluding revaluation of financial instruments according to IAS 39) and current taxes.

Net margin
Income before taxes as a percentage of total sales.

Real change
Change adjusted for changes in exchange rates.

Statement of cash flow according to Securitas' financial model

Cash flow from operating activities
Operating income before amortization adjusted for depreciation/amortization less capital expenditures in non-current tangible and intangible assets (excluding acquisition/divestiture of subsidiaries), change in accounts receivable and changes in other operating capital employed.

Free cash flow
Cash flow from operating activities adjusted for financial income and expenses paid and current taxes paid.

Cash flow for the year[1]
Free cash flow adjusted for acquisition/divestiture of subsidiaries, acquisition related costs paid, dividends, new issues and change in interest-bearing net debt excluding liquid funds.

Balance sheet according to Securitas' financial model

Operating capital employed
Capital employed less goodwill, acquisition related intangible assets and shares in associated companies.

Capital employed
Non interest-bearing non-current and current assets less non interest-bearing long-term and current liabilities.

Net debt
Interest-bearing non-current and current assets less long-term and short-term interest-bearing loan liabilities.

1 The definition is also valid for the formal primary statements – the statement of income and the statement of cash flow.

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CALCULATION OF KEY RATIOS 2020

Usage of key ratios not defined in IFRS

Securitas applies ESMA's (European Securities and Markets Authority) guidelines for Alternative Performance Measures (APM). An APM is a financial measure of historical or future financial performance, financial position or cash flow that has not been defined in IFRS. In order to facilitate the analysis of the Group's development made by Group Management and other interested parties, Securitas accounts for certain APMs. The APMs are additional information and do not replace key ratios according to IFRS. Securitas definitions of APMs may be different from the definitions in other companies. Refer to the Annual Report 2019 for the previous year's calculations.

Acquired sales growth: 1%

This year's sales from acquired business as a percentage of the previous year's total sales.
Calculation: 1 312 / 110 899 = 1%

Organic sales growth: 0%

Total sales for the year adjusted for acquisitions and changes in exchange rates as a percentage of the previous year's total sales adjusted for divestitures.
Calculation: ((107 954 - 1 312 + 4 390) / (110 899 - 18))-1 = 0%

Real sales growth: 1%

Total sales for the year including acquisitions and adjusted for changes in exchange rates as a percentage of the previous year's total sales.
Calculation: ((107 954 + 4 390) / 110 899)-1 = 1%

Change of currency adjusted operating income before amortization: -10%

Operating income before amortization adjusted for changes in exchange rates as a percentage of the previous year's operating income before amortization.
Calculation: ((4 892 + 281) / 5 738)-1 = -10%

Operating margin: 4.5%

Operating income before amortization as a percentage of total sales.
Calculation: 4 892 / 107 954 = 4.5%

Change of currency adjusted operating income after amortization: -22%

Operating income after amortization adjusted for changes in exchange rates as a percentage of the previous year's operating income after amortization.
Calculation: ((3 829 + 237) / 5 196)-1 = -22%

Change of currency adjusted income before taxes: -23%

Income before taxes adjusted for changes in exchange rates as a percentage of the previous year's income before taxes.
Calculation: ((3 329 + 213) / 4 618)-1 = -23%

Change of currency adjusted net income: -24%

Net income adjusted for changes in exchange rates as a percentage of the previous year's net income.
Calculation: ((2 416 + 155) / 3 362)-1 = -24%

Earnings per share before dilution[1,2]: SEK 6.63 (9.20)

Net income for the year attributable to equity holders of the Parent Company in relation to the average number of shares before dilution.
Calculation 2020: ((2 416 + 3) / 364 933 897) × 1 000 000 = SEK 6.63
Calculation 2019: ((3 362 - 5) / 364 993 486) × 1 000 000 = SEK 9.20

Earnings per share before dilution[1,2], and before items affecting comparability[3]: SEK 8.02

Net income for the year attributable to equity holders of the Parent Company before items affecting comparability in relation to the average number of shares before dilution.
Calculation: ((2 416 + 3 + 640 - 133) / 364 933 897) ×1 000 000 = SEK 8.02

Change of currency adjusted earnings per share before dilution[1,2]: -23%

Net income for the year attributable to equity holders of the Parent Company adjusted for changes in exchange rates in relation to the average number of shares before dilution as a percentage of the previous year's earnings per share before dilution.
Calculation: ((((2 416 + 3 + 155) / 364 933 897) ×1 000 000) / 9.20)-1 = -23%

Change of currency adjusted earnings per share before dilution[1,2] and before items affecting comparability[3]: -12%

Net income for the year attributable to equity holders of the Parent Company before items affecting comparability and adjusted for changes in exchange rates, in relation to the average number of shares before dilution as a percentage of the previous year's earnings per share before dilution and before items affecting comparability.
Calculation: ((((2 416 + 3 + 640 - 133 + 162) / 364 933 897) ×1 000 000) / 9.61)-1 = -12%

Cash flow from operating activities as % of operating income before amortization: 147%

Cash flow from operating activities as a percentage of operating income before amortization.
Calculation: 7 207 / 4 892 = 147%

Free cash flow as % of adjusted income: 178%

Free cash flow as a percentage of adjusted income (operating income before amortization adjusted for financial income and expenses, excluding revaluation of financial instruments, and current taxes).
Calculation: 5 944 / (4 892 - 500 - 1 - 1 048) = 178%

Free cash flow in relation to net debt: 0.41

Free cash flow in relation to closing balance net debt.
Calculation: 5 944 / 14 335 = 0.41

Net debt to EBITDA ratio: 2.1

Net debt in relation to operating income after amortization plus amortization of acquisition related intangible assets and depreciation.
Calculation: 14 335/ (3 829 + 286 + 2 690) = 2.1

Operating capital employed as % of total sales: 8%

Operating capital employed as a percentage of total sales adjusted for full year sales of acquired and divested entities.
Calculation: 8 893 / (107 954 + 878) = 8%

Return on operating capital employed: 39%

Operating income before amortization plus items affecting comparability as a percentage of the average balance of operating capital employed.
Calculation: (4 892 - 640) / ((8 893 + 13 100) / 2) = 39%

Return on capital employed: 13%

Operating income before amortization plus items affecting comparability as a percentage of the closing balance of capital employed.
Calculation: (4 892 - 640) / 32 042 = 13%

Net debt equity ratio: 0.81

Net debt in relation to shareholders' equity.
Calculation: 14 335 / 17 707 = 0.81

Interest coverage ratio: 9.1

Operating income before amortization plus interest income in relation to interest expense.
Calculation: (4 892 + 31) / 542 = 9.1

Return on equity: 13%

Net income for the year as a percentage of average shareholders' equity.
Calculation: 2 416 / ((17 707 + 19 599) / 2) = 13%

Equity ratio: 30%

Shareholders' equity as a percentage of total assets.
Calculation: 17 707 / 59 127 = 30%

1 There are no convertible debenture loans. Consequently there is no difference between earnings per share before and after dilution.
2 Number of shares includes shares related to the Group's share-based incentive scheme that have been hedged through a swap agreement.
3 Items affecting comparability in the full year is consisting of one-off effects of MSEK -351 from the transformation programs and MSEK -289 from the cost savings program in the Group.

Exchange rates used in the consolidated financial statements 2020 and 2019

			2020		2019	
			Weighted average	End-rate December	Weighted average	End-rate December
Argentina	ARS	1	0.13	0.10	0.20	0.16
Australia	AUD	1	6.33	6.28	6.58	6.52
Bosnia and Herzegovina	BAM	1	5.36	5.14	5.41	5.33
Bulgaria	BGN	1	5.36	5.14	5.41	5.34
Canada	CAD	1	6.83	6.41	7.15	7.13
Chile	CLP	100	1.16	1.13	1.34	1.25
China	CNY	1	1.32	1.26	1.37	1.33
Colombia	COP	100	0.25	0.24	0.29	0.28
Costa Rica	CRC	100	1.57	1.34	1.62	1.63
Croatia	HRK	1	1.38	1.33	1.43	1.40
Czech Republic	CZK	1	0.40	0.38	0.41	0.41
Denmark	DKK	1	1.40	1.35	1.42	1.40
Egypt	EGP	1	0.58	0.52	0.57	0.58
EMU countries	EUR	1	10.48	10.05	10.59	10.43
Hong Kong	HKD	1	1.18	1.06	1.21	1.20
Hungary	HUF	100	2.95	2.75	3.24	3.15
India	INR	1	0.12	0.11	0.13	0.13
Indonesia	IDR	100	0.06	0.06	0.07	0.07
Jordan	JOD	1	12.88	11.56	13.34	13.14
Mexico	MXN	1	0.43	0.41	0.49	0.49
Morocco	MAD	1	0.97	0.92	0.98	0.97
Norway	NOK	1	0.97	0.96	1.08	1.06
Paraguay	PYG	100	0.14	0.12	0.15	0.14
Peru	PEN	1	2.64	2.26	2.83	2.81
Poland	PLN	1	2.35	2.22	2.46	2.45
Romania	RON	1	2.16	2.06	2.23	2.18
Saudi Arabia	SAR	1	2.42	2.18	2.52	2.48
Serbia	RSD	1	0.09	0.09	0.09	0.09
Singapore	SGD	1	6.62	6.19	6.95	6.91
South Africa	ZAR	1	0.56	0.56	0.66	0.66
South Korea	KRW	100	0.77	0.75	0.81	0.81
Sri Lanka	LKR	100	4.97	4.42	5.30	5.13
Switzerland	CHF	1	9.78	9.26	9.53	9.59
Thailand	THB	1	0.29	0.27	0.31	0.31
Turkey	TRY	1	1.31	1.11	1.67	1.57
United Arab Emirates	AED	1	2.48	2.23	2.58	2.54
UK	GBP	1	11.79	11.15	12.10	12.23
Uruguay	UYU	1	0.22	0.19	0.27	0.25
USD countries	USD	1	9.16	8.19	9.47	9.32
Vietnam	VND	100	0.04	0.04	0.04	0.04

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Note 4
Critical estimates and judgments

The preparation of financial reports requires the Board of Directors and Group Management to make estimates and judgments using certain assumptions. Estimates and judgments will impact the statement of income and the balance sheet as well as disclosures such as contingent liabilities. Actual results may differ from these estimates and judgments under different assumptions and conditions.

Acquisition of subsidiaries/operations and deferred considerations

The valuation of identifiable assets and liabilities in connection with the acquisition of subsidiaries or operations involves that items in the acquired company's balance sheet as well as items that have not been recognized in the acquired company's balance sheet, such as client relations, should be valued at fair value. In normal circumstances, as quoted market prices are not available for the assets and liabilities that are to be valued, different valuation methods have to be used. These valuation methods are based on a number of assumptions. For a personnel intensive company like Securitas, employee related items such as accrued salaries, accrued social benefits, holiday pay, long-term employee benefits and post-employment benefits are significant items in the balance sheet that can be difficult to value. Accounts receivable is another example of a significant balance sheet item where it can be difficult to value the amount of bad debt and thus to what extent they will be collected. Other items that can be difficult both to identify as well as to value are contingent liabilities that could have arisen in the acquired company in connection with for example litigations. As part of the Group's strategy to acquire companies active within the electronic security business this also entails some additional balance sheet items that can be of significant impact such as net amounts due from or to clients for installation projects (work in progress on behalf of clients) and the related inventory of components that will be used for installation projects or for service and maintenance work. The profitability in the installation projects need to be assessed and the existence and valuation of the inventory needs to be established.

The valuation of identifiable assets and liabilities is also dependent on the accounting environment that the acquired company/operations have been active in. This is true for example for the basis of preparation for the financial reporting and consequently the extent of adjustments that are necessary in order to follow the Group's accounting principles, the frequency for which closings have been prepared and the availability of different types of data that can be necessary in order to value identifiable assets and liabilities. All balance sheet items are thus subject to estimates and judgments. This also means that the initial accounting may have to be provisionally determined and subsequently adjusted. All acquisition calculations are finalized no later than one year after the acquisition is made. Considering the above description including the practicability to compile and disclose all individual adjustments in a manner that will benefit the reader of the financial statements, Securitas has chosen not to state the reasons to why the initial accounting of the business combination is provisional nor which assets and liabilities for which the initial accounting is provisional for each individual business combination unless it is a material adjustment.

All payments to acquire a subsidiary/operation are recorded at fair value at the acquisition date, including debt related to deferred or contingent considerations and acquisition related option liabilities (referred to collectively as deferred considerations). This debt is measured at fair value in subsequent periods with remeasurement through the statement of income. The final outcome of deferred considerations often depends on one or more events which only will be confirmed by a future development, such as the future profitability development for an agreed period. The final outcome can therefore either be lower or higher than the initially recognized amount. Short-term deferred considerations, which amount to MSEK 191 (202) and are included in other current liabilities (note 36) and long-term deferred considerations, which amount to MSEK 103 (223) and are included in other long-term liabilities (note 32), are thus subject to critical estimates and judgments.

Further information regarding acquisitions is provided in note 17 and regarding revaluation of deferred considerations in note 11.

Impairment testing of goodwill, other acquisition related intangible assets and shares in associated companies

In connection with the impairment testing of goodwill, other acquisition related intangible assets and shares in associated companies, the book value is compared to the recoverable value. The recoverable value is determined by the higher of an asset's net realizable value and its value in use. Since under normal circumstances no quoted market prices are available to assess an asset's net realizable value, the book value is normally compared to the value in use. The calculation of the value in use is based on assumptions and judgments. The most important assumptions are the organic sales growth, the development of the operating margin, the operating working capital requirements and the relevant WACC, which is used to discount future cash flows. During 2020, the Group has also received government grants and other government assistance in relation to the coronavirus pandemic which have had to be considered for the impairment testing.

All in all, this means that the valuation of the balance sheet items goodwill, which amounts to MSEK 21 414 (22 157), acquisition related intangible assets, which amounts to MSEK 1 424 (1 563) and shares in associated companies, which amounts to MSEK 311 (320) are subject to critical estimates and judgments. A sensitivity analysis regarding the organic sales growth, the operating margin and the WACC is provided in note 18.

Leases

Securitas' lease agreements are mainly attributable to buildings and vehicles. Leases are accounted for as right-of-use assets (included in non-current assets), which amounts to MSEK 3 334 (3 489), long-term lease liabilities of MSEK 2 554 (2 610) and current lease liabilities of MSEK 876 (944). The accounting for leases under IFRS 16 involves making critical estimates and judgments. Areas where critical estimates and judgments are applied include determination of the discount rate and the lease term.

The lease liabilities are initially measured at the present value of remaining lease payments. As the interest rate implicit in the lease generally cannot be readily determined for leases in the Group, the present value is calculated by using the incremental borrowing rate for each country. This is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. The rate is set in line with the Group's internal borrowing rate, by using each country's swap rate for the relevant duration plus an internal borrowing margin. The right-of-use assets are initially measured at an amount equal to the lease liabilities. A change in the discount rate could increase or decrease the present value of the lease liabilities and consequently the right-of-use assets. Furthermore, it could impact the total cost in the statement of income and the split between depreciation and interest expense.

Lease terms are negotiated individually for each lease agreement. Determining the correct lease term is important since it impacts the size of the right-of-use assets and lease liabilities. It also impacts whether a lease can be classified as a short-term lease and thus excluded from the lease liabilities accounted for under IFRS 16. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). In general, extension options have not been included in the lease liability since the Group could replace the assets without significant cost or business disruption. A change in the lease term could increase or decrease the present value of the lease liabilities and consequently the right-of-use assets.

Valuation of accounts receivable and the provision for bad debt losses

Accounts receivable, which amounts to MSEK 14 695 (16 120), is one of the most significant balance sheet items. Accounts receivable are accounted for at the nominal value net after provisions for expected bad debt losses. The provision for bad debt losses, which amounts to MSEK -872 (-579), is thus subject to critical estimates and judgments. Securitas has in general a low level of bad debt losses, in the range of 0.1 to 0.2 percent of sales over a long period of time. However, the negative impact of the coronavirus pandemic has resulted in an increased level of provisioning in 2020, reflecting the increased risk in the business environment relating primarily to outstanding accounts receivables. As a consequence, the provision for bad debt losses has increased compared to the previous year. As the coronavirus pandemic is still ongoing, it is difficult to assess if the adjusted provisioning level will be adequate or if actual losses will prove to be higher but also lower than the levels established by our model for expected bad debt losses.

As stated above, accounts receivable is also often an important item in relation to the acquisition of subsidiaries/operations. Further information regarding the credit risk in accounts receivable is provided in note 7. Information regarding the ageing of accounts receivable and the development of the provision for bad debt losses during the year is provided in note 27.

Employee benefits including labor-related disputes

With 355 000 employees and salaries and social benefits representing more than 80 percent of the total operating expenses, the accounting for employee benefits is crucial to determine a correct result. The Group operates in many countries with different legislation and different regulatory frameworks surrounding the benefits payable to employees and the related payroll overhead such as social charges and payroll taxes.

Given the large number of employees, the Group from time to time also faces labor-related disputes with current or former employees in relation to various matters. Such matters can involve, but are not limited to, the diverse interpretation of labor legislation, individual employee contracts or collective bargaining agreements and can for example relate to working hours, benefits payable, various reimbursements or the termination of employment. All in all, this means that the employee-related items in the balance sheet are subject to critical estimates and judgments. These balances are mainly included under employee-related items (note 36), which amounts to MSEK 9 136 (8 134), but also form part of short-term provisions (note 37) as a part of other provisions MSEK 867 (533).

For defined benefit plans relating to benefits particularly for pensions and medical benefits and where the payment to the employee is several years into the future, actuarial calculations are required. These calculations are based on assumptions regarding economic variables such as the discount rate, salary increases, inflation rate, pension increases and the inflation rate for medical benefits, but also on demographic variables such as the expected life span. All in all, the balance sheet item pension balances for defined benefit plans which amounts to MSEK 71 (95) and which is stated under other long-term receivables (note 25), and the balance sheet item provisions for pensions and similar commitments, which amounts to MSEK 1 196 (1 141), is subject to critical estimates and judgments. The Group's opinion is that the most important assumptions are the discount rate, the inflation rate and the expected life span. A sensitivity analysis regarding these three variables is provided in note 33.

Actuarial calculations regarding claims reserves and timing of outflows

The Group is exposed to various types of risks in the day-to-day running of the business. The operational risks can result in the need to recognize reserves for damages resulting from property claims, personal injuries as well as workers' compensation claims relating to the Group's employees. Claims reserves are calculated based on a combination of case reserves and incurred but not reported reserves. Actuarial calculations are performed on a quarterly basis to assess the adequacy of the reserves based on open claims and historical data for incurred but not reported claims. Actuarial calculations are based on several assumptions. Claims reserves comprise a large number of individual insurance cases, where some cases are compensated with a lump-sum payment and others are paid over a longer period of time. It is thus not possible to disclose any detailed information regarding the timing of outflows from claims reserves.

All in all, this means that the balance sheet items short-term liability insurance-related claims reserves, which amounts to MSEK 634 (595) and is included in short-term provisions (note 37), and liability insurance-related claims reserves, which amounts to MSEK 463 (549) and is included in other long-term provisions (note 34), are subject to critical estimates and judgments.

Calculation of taxes and timing of outflows

Deferred tax is calculated on temporary differences between the carrying amounts and the tax values of assets and liabilities. Assumptions and assessments affect recognized deferred tax, partly to determine the carrying amounts of the different assets and liabilities, and partly related to forecasts regarding future taxable profits, where future utilization of deferred tax assets depends on this. Significant assessments and assumptions are also made regarding recognition of provisions and contingent liabilities relating to tax risks and the potential impact of ongoing tax audits. Tax audits are often lengthy processes that go on for several years. It is thus not possible to disclose any detailed information regarding the timing of outflows from taxes.

The balance sheet includes deferred tax assets of MSEK 1 080 (918), current tax assets of MSEK 485 (922), deferred tax liabilities of MSEK 674 (624), and current tax liabilities of MSEK 1 287 (1 621), which are subject to critical estimates and judgments. Further information regarding taxes is provided in note 16 and note 39.

The impact on the Group's financial position of ongoing litigations and the valuation of contingent liabilities

Over the years, the Group has made a number of acquisitions in different countries. As a result of such acquisitions, certain contingent liabilities of the businesses acquired have been assumed. Companies within the Group are also involved in a number of proceedings, including legal proceedings and tax audits arising out of the operations that are not related to acquisitions. The accounting for these are subject to critical estimates and judgments. Further information is provided in note 39.

Effect of Brexit

Securitas operations in the UK are foremost with local clients and in local currency. The assessment is that the impact from the UK's exit from the EU will have limited effect on Securitas local business in the UK. Any changes in the Swedish krona exchange rate versus the British pound will affect the Group's consolidated financial statements when translating the British financial statements to Swedish kronor.

Coronavirus pandemic

Securitas as well as other companies are currently facing the challenge of the coronavirus pandemic. As disclosed in this Annual Report, the coronavirus pandemic has negatively impacted the Group's result, and poses an additional challenge when making estimates and judgments. Securitas sees reductions in sales due to reductions in regular service levels mostly related to the aviation segment. These reductions are causing costs for idle time to some extent supported by government grants. It is currently unclear when regular services levels will return to normal levels and to what extent any costs will be further supported by government grants. Many government grants and other relief measures have also been introduced in a short time frame and include requirements that need to be fulfilled in order to be eligible for the grants. This adds new elements to the judgment in preparing the statement of income and balance sheet as well as disclosures. Further, increased risks are noticed related to the general macro-economic environment, throughout the Group and mostly related to employee benefits and collection of outstanding accounts receivable. Further, it is unclear what type of impact the coronavirus pandemic will have on the mid-term economic development of the different markets and geographies in which we operate.

Note
1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58 59 60

Note 5
Events after the balance sheet date

Approval of the Annual Report and Consolidated Financial Statements for 2020

This Annual Report including the Consolidated Financial Statements was approved by the Board of Directors and the President and CEO of Securitas AB on March 18, 2021.

Other significant events after the balance sheet date

Securitas has acquired Dansk Brandteknik A/S, a leading Danish fire and safety company that specializes in fire and safety services and equipment, including related consulting and training services. The purchase price is approximately MDKK 110 (MSEK 149) on a debt-free basis. In 2020, Dansk Brandteknik had approximately 40 employees and annual sales were more than MDKK 60 (MSEK 81), of which 70 percent were on a recurring monthly revenue basis. The acquisition was consolidated in Securitas as of February 22, 2021.

The divestiture of Securitas Estonia was completed as of February 12, 2021.

On February 12, 2021 Securitas issued a 7-year MEUR 350 Eurobond. Settlement date was February 22, 2021.

In order to hedge the share portion of Securitas short-term share-based incentive scheme 2020, Securitas AB entered into a swap agreement with a third party in the beginning of March 2021.

Regarding the ongoing coronavirus pandemic, refer to the information disclosed in note 4 Critical estimates and judgments.

There have been no other significant events with effect on the financial reporting after the balance sheet date.

Note 6
Revenue

Disaggregation of revenue

The Group has chosen to disaggregate revenue from sales to clients into three broad categories; Guarding services, Security solutions and electronic security and Other. These categories are described in Note 2 Accounting principles under the heading Revenue recognition. In addition, revenue also includes Other operating income which consists of trade mark fees.

MSEK	2020	%	2019	%
Guarding services[1]	81 838	*76*	84 887	*77*
Security solutions and electronic security	23 478	*22*	23 290	*21*
Other[1]	2 638	*2*	2 722	*2*
Total sales	**107 954**	***100***	**110 899**	***100***
Other operating income	39	*0*	34	*0*
Total revenue	**107 993**	***100***	**110 933**	***100***

1 Comparatives have been restated for business that relates to risk management services.

Revenue per segment

The Group's business segments follow the same accounting principles for revenue recognition as the Group. The disaggregation of revenue by segment is shown in the table below. Total sales agree to total sales in the segment overviews.

	Security Services North America		Security Services Europe		Security Services Ibero-America		Other		Eliminations		Group	
MSEK	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Guarding services[1]	36 798	36 892	34 430	36 637	8 832	9 572	1 808	1 809	-30	-23	81 838	84 887
Security solutions and electronic security	8 365	8 885	10 758	10 611	3 720	3 527	635	267	–	–	23 478	23 290
Other[1]	2 638	2 722	–	–	–	–	–	–	–	–	2 638	2 722
Total sales	**47 801**	**48 499**	**45 188**	**47 248**	**12 552**	**13 099**	**2 443**	**2 076**	**-30**	**-23**	**107 954**	**110 899**
Other operating income	–	–	–	–	–	–	39	34	–	–	39	34
Total revenue	**47 801**	**48 499**	**45 188**	**47 248**	**12 552**	**13 099**	**2 482**	**2 110**	**-30**	**-23**	**107 993**	**110 933**

1 Comparatives have been restated for business that relates to risk management services.

Contract balances

MSEK	2020	2019
Contract receivables		
Accounts receivable (note 27)	14 695	16 120
Accrued sales income (note 28)	2 837	3 424
Total contract receivables	**17 532**	**19 544**
Contract liabilities		
Deferred revenue (note 36)	1 000	965
Total contract liabilities	**1 000**	**965**

Revenue recognized in 2020 that was included in contract liabilities 2019 amount to MSEK 965 (951). Most of the contract liabilities 2020 is expected to be recognized as revenue in 2021.

Revenue recognized in 2020 from performance obligations satisfied in 2019 (and in 2019 from 2018) is not material due to the nature of the services.

Most revenue is recognized in advance of the payment by clients. Payment terms vary mainly between 0 and 60 days. Prepayments from clients are normally done quarterly in advance, but there is also to some extent prepayments covering up to one year in advance.

Costs to obtain a contract

MSEK	2020	2019
Included in other intangible assets (note 20)	517	480
Total costs to obtain a contract	**517**	**480**

This item mainly consists of sales commissions paid for individual contracts signed. All commissions are expensed on subsidiary level and thus on segment level. The Group capitalizes these costs and includes the capitalization and amortization under Other in the Group's segment overview.

The amortization for 2020 amounted to MSEK -102 (-96). There has been no impairment of assets relating to costs to obtain a contract for 2020 nor for 2019.

Remaining performance obligations

The Group's revenue can be of either a recurring or non-recurring nature. Recurring revenue is normally included in what the Group designates as its client contract portfolio. To qualify for inclusion in the client contract portfolio, a contract should normally have a duration of at least 12 months. However, contracts can be of various lengths ranging from a very short duration up to several years, particularly security solution contracts where on-site and/or mobile guarding and/or remote guarding are combined with a technology component in terms of equipment owned and managed by Securitas and used in the rendering of services. Contracts can have a yearly renewal date, but contracts can also be signed without a fixed end-date. All contracts normally contain cancellation clauses for both Securitas and the client.

Securitas uses the client retention rate* as a key measurement for how long a contract that is included in the client contract portfolio normally is operated. The client retention rate in the client contract portfolio per business segment and for the Group is shown in the table below.

Client retention rate*, %	2020	2019
Security Services North America	91	90
Security Services Europe	90	90
Security Services Ibero-America	93	92
Other	90	86
Group	**91**	**89**

*Client retention rate is defined as the opening balance client contract portfolio adjusted for annualized terminations in percent of opening balance client contract portfolio.

Contracts included in the client contract portfolio can be based on hours of work performed or with fixed monthly, quarterly or yearly invoicing and also including service level agreements.

In addition to its client contract portfolio, the Group also has revenue of a non-recurring nature. For Guarding services this can be from either contract clients or event-based sales. Within Electronic security, alarm installations are considered non-recurring revenue even if the same clients can order new installations from Securitas. Maintenance services performed upon request (time and material) is also considered a non-recurring revenue even if the same clients can revert and order further maintenance services for the same or for a different site/installation. Product sales (alarms and components) is also considered non-recurring revenue.

Corporate risk management services include both recurring and non-recurring revenue services.

Deferred revenue for performance obligations that is expected to be satisfied mainly during 2021 amount to MSEK 1 000 (965).

Note 7
Financial risk management

Financial risk factors

The Group's business activities create exposure to financial risks, such as interest rate risk, foreign currency risk, financing and liquidity risk and credit/counterparty risk, as detailed in the sections below. The Group's overall financial risk management program focuses on the unpredictability of the financial markets and aims to minimize potential adverse effects on the financial performance of the Group.

Treasury organization and activities

The aim of the treasury organization in Securitas is to support business operations by identifying, quantifying and minimizing financial risks and to the extent possible, to take advantage of economies of scale in the treasury operations.

Group Treasury Centre (GTC)

By concentrating financial risk management in a single location, the Group can readily monitor and control these risks and benefit from the expertise of dedicated treasury personnel. Also, by concentrating internal and external financing through Group Treasury Centre (GTC), economies of scale can be used to obtain the best possible pricing of investments and loans. GTC also has responsibility for matching local liquidity surpluses and deficits between countries and cash-pools. GTC identifies, evaluates and hedges financial risks in co-operation with the operating units. The Board of Directors of Securitas AB establishes policies for overall risk management, as well as policies covering specific areas such as foreign exchange risks, interest rate risk, credit risk, use of derivative financial instruments and investing excess liquidity.

Derivatives are used for the following main purposes: hedging the interest rate element of external debt and changing its currency profile, gearing ratio hedging and hedging of internal borrowings and investments.

Business segments

Treasury operations in the business segments concentrate on improving cash flow by focusing on profitability in the business operations, reducing capital tied-up in accounts receivable and managing local cash in the most efficient way.

Countries

In countries with extensive operations, liquidity surpluses and liquidity deficits in local subsidiaries are matched at country level with the help of local cash-pooling solutions. In addition, Securitas operates an overall cash-pooling structure incorporating countries in the Eurozone, Sweden, the UK and the US. All local long-term financial requirements are financed directly from the Group's internal bank, Group Treasury Centre (GTC), in Dublin.

Interest rate risk

Interest rate risk is the risk that the Group's net income will be affected by changes in interest payable and/or receivable arising from changes in market interest rates. The Group has raised fixed and floating rate debt predominately in USD, EUR and SEK. Detailed information on long-term borrowings is provided in note 32. The Group uses interest rate derivatives in designated fair value and cash flow hedges to hedge changes in the risk-free rate, converting the interest rate profile of this debt. As at December 31, 2020 MEUR 671 (671) of issued debt is swapped from fixed to floating. Securitas does not expect any ineffectiveness between the hedged item and the hedging instrument in fair value hedges as a result of the transition to a new benchmark rate due to the IBOR reform. There is one USD-bond totaling MUSD 40 (80) swapped from floating to fixed. This cash flow hedge matures in July 2021 and will not be impacted by the transition to a new benchmark rate due to the IBOR reform.

The target for the free cash flow to net debt ratio is always to exceed 0.20. Free cash flow to net debt as of December 31, 2020 was 0.41 (0.19). The Group's interest coverage ratio, a measure of its ability to pay interest costs, was 9.1 (9.4) as of December 31, 2020.

Note 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58 59 60

Information regarding the Group's debt profile and interest rate fixings is provided in the table below.

The Group's interest bearing liabilities and assets per currency as per December 31, 2020 and 2019

Currency	Amount, MSEK	Duration (days)	*Current book cost (incl. credit margin)*	*Interest rates, +1%*	Net impact on income statement due to 1% increase[1]	*Interest rates, -1%*	Net impact on income statement due to 1% decrease[1]
December 31, 2020							
USD liabilities	-6 503	616	*3.1%*	*3.3%*	-11	*2.6%*	22
EUR liabilities	-5 998	522	*1.4%*	*1.7%*	-14	*1.1%*	14
GBP liabilities	-64	0	*3.4%*	*4.3%*	0	*2.3%*	1
SEK liabilities	-5 734	14	*1.6%*	*2.6%*	-45	*0.6%*	45
Other currencies liabilities	-1 586	19	*4.5%*	*5.5%*	-12	*3.5%*	12
Total liabilities	**-19 885**	**365**	***2.2%***	***2.8%***	**-82**	***1.6%***	**94**
USD assets	221	5	*0.0%*	*1.0%*	2	*-1.0%*	-2
EUR assets	2 454	17	*-0.9%*	*0.1%*	19	*-1.9%*	-19
GBP assets	40	2	*0.0%*	*1.0%*	0	*-1.0%*	0
SEK assets	1 374	0	*0.0%*	*1.0%*	11	*-1.0%*	-11
Other currencies assets	1 461	7	*3.4%*	*2.4%*	-11	*2.4%*	-11
Total assets	**5 550**	**10**	***0.5%***	***1.0%***	**21**	***-0.5%***	**-43**
Total	**-14 335**	**–**	***2.5%***	**–**	**-61**	**–**	**51**
December 31, 2019							
USD liabilities	-8 841	753	*3.8%*	*4.0%*	-15	*3.3%*	33
EUR liabilities	-7 464	567	*1.6%*	*2.2%*	-38	*0.9%*	37
GBP liabilities	-319	23	*2.4%*	*3.4%*	-3	*1.4%*	3
SEK liabilities	-3 566	-10	*0.4%*	*1.4%*	-28	*0.3%*	3
Other currencies liabilities	-1 870	19	*5.4%*	*6.4%*	-15	*4.4%*	15
Total liabilities	**-22 060**	**494**	***2.6%***	***3.2%***	**-99**	***2.1%***	**91**
USD assets	309	3	*0.0%*	*1.0%*	2	*-1.0%*	-2
EUR assets	2 322	27	*-0.3%*	*0.8%*	18	*-1.3%*	-18
GBP assets	27	1	*0.0%*	*1.0%*	0	*-1.0%*	0
SEK assets	928	0	*0.0%*	*1.0%*	7	*-1.0%*	-7
Other currencies assets	933	7	*3.8%*	*4.8%*	7	*2.8%*	-7
Total assets	**4 519**	**16**	***0.7%***	***1.7%***	**34**	***-0.4%***	**-34**
Total	**-17 541**	**–**	***3.0%***	**–**	**-65**	**–**	**57**

1 The 1 percent increase/decrease in interest rates is calculated by adjusting the floating rate accordingly and applying this rate to the asset/liability to establish the impact on net financial items in the income statement. This is further adjusted by the effective corporation tax rate.

Interest rate fixing

It is the policy of Securitas to use interest rate derivatives if required to manage its interest rate risk and consequently the Group's financing costs. The duration of these derivatives does not normally exceed the duration of the underlying debt. Group policy allows for the use of both options-based and fixed-rate products. There are no options-based products in the financial reporting in 2020 or 2019.

Interest fixing per currency[1,2]

	December 31, 2020			December 31, 2021			December 31, 2022			
Currency	Amount MSEK	Amount MLOC	*Rate[3] %*	Amount MSEK	Amount MLOC	*Rate[3] %*	Amount MSEK	Amount MLOC	*Rate[3] %*	Final maturity
USD	5 482	669	*3.8%*	2 556	312	*4.6%*	2 556	312	*4.6%*	October 2024
EUR	3 327	331	*1.6%*	3 327	331	*1.6%*	3 327	331	*1.6%*	March 2025
Total	**8 809**	**–**	**–**	**5 883**	**–**	**–**	**5 883**	**–**	**–**	

1 Refers to interest rate fixing with a maturity in excess of three months.
2 A cash flow hedge is applied to a nominal value of MUSD 40, converting floating rates to the rate 2.0%, maturing in 2021.
3 Average rate including credit margin.

Foreign currency risks

Transaction risk

Transaction risk is the risk that the Group's net income will be affected by changes in the value of commercial flows in foreign currencies due to fluctuating exchange rates. The nature of the business is domestic rather than cross-border and consequently foreign currency transaction risk is not significant.

Financing of foreign assets – translation risk

Translation risk is the risk that the SEK value of foreign currency equity will fluctuate due to changes in foreign exchange rates.

Securitas' foreign currency capital employed as of December 31, 2020 was MSEK 31 497 (36 392). Capital employed is financed by loans in local currency and shareholders' equity. This means that Securitas, from a Group perspective, has shareholders' equity in foreign currency that is exposed to changes in exchange rates. This exposure gives rise to a translation risk and consequently unfavorable changes in exchange rates could have a negative effect on the Group's foreign net assets when translated into SEK. With the object of minimizing the impact of changes in exchange rates on the Group's net debt to equity ratio, Securitas aims to maintain a long-term debt to equity ratio in USD and EUR that is close to the Group's total debt to equity ratio. Foreign exchange swaps and cross currency interest rate swaps are used to change the currency of the underlying debt where required in order to achieve this. Net investment hedge and cash flow hedge accounting is applied to these swaps.

The tables below show how the Group's capital employed is distributed by currency, and its financing, including derivatives. They also show the sensitivity of the net debt and capital employed to changes in the SEK exchange rate.

The consolidated statement of income is affected by the translation to SEK of the statements of income of foreign subsidiaries. As these subsidiaries essentially operate only in local currency, their competitive situation is not affected by changes in exchange rates and since the Group as a whole is geographically diversified, this exposure is not hedged.

Capital employed and financing per currency as per December 31, 2020 and 2019

MSEK	EUR	USD	GBP	Other currencies	Total foreign currencies	SEK	Total Group	Total Group +10%[1]	Total Group -10%[1]
December 31, 2020									
Capital employed	10 473	15 884	994	4 146	31 497	545	32 042	35 192	28 892
Net debt	-3 576	-6 287	-24	-159	-10 046	-4 289	-14 335	-15 340	-13 330
Whereof foreign exchange swaps included in net investment hedge[2]	*4 122*	*-4 359*	*–*	*–*	*-237*	*-4 531*	*-4 768*	*-4 792*	*-4 744*
Whereof foreign exchange swaps included in cash flow hedge[3]	*4 318*	*–*	*–*	*–*	*4 318*	*-4 318*	*–*	*432*	*-432*
Whereof other foreign exchange swaps	*2 015*	*-102*	*–*	*-159*	*1 754*	*-446*	*1 308*	*1 483*	*1 133*
Whereof net debt excluding foreign exchange swaps	*-14 031*	*-1 826*	*-24*	*–*	*-15 881*	*5 006*	*-10 875*	*-12 463*	*-9 287*
Non-controlling interests	1	–	–	9	10	–	10	11	9
Net exposure	6 896	9 597	970	3 978	21 441	-3 744	17 697	19 841	15 553
Net debt to equity ratio	*0.52*	*0.66*	*0.02*	*0.04*	*0.47*	*-1.15*	*0.81*	*0.77*	*0.86*
December 31, 2019									
Capital employed	11 337	18 390	1 297	5 368	36 392	748	37 140	40 779	33 501
Net debt	-5 086	-8 498	-278	-1 040	-14 902	-2 639	-17 541	-19 031	-16 051
Whereof foreign exchange swaps included in net investment hedge[2]	*2 924*	*-5 889*	*–*	*–*	*-2 965*	*-2 832*	*-5 797*	*-6 094*	*-5 501*
Whereof foreign exchange swaps included in cash flow hedge[3]	*4 484*	*–*	*–*	*–*	*4 484*	*-4 484*	*–*	*448*	*-448*
Whereof other foreign exchange swaps	*441*	*113*	*-278*	*-1 040*	*-764*	*2 928*	*2 164*	*2 088*	*2 240*
Whereof net debt excluding foreign exchange swaps	*-12 935*	*-2 722*	*–*	*–*	*-15 657*	*1 749*	*-13 908*	*-15 474*	*-12 342*
Non-controlling interests	2	–	–	28	30	–	30	33	27
Net exposure	6 249	9 892	1 019	4 300	21 460	-1 891	19 569	21 715	17 423
Net debt to equity ratio	*0.81*	*0.86*	*0.27*	*0.24*	*0.69*	*-1.40*	*0.89*	*0.88*	*0.92*

1 Changes in capital employed due to changes in foreign exchange rates are either accounted for in other comprehensive income or offset against changes in underlying debt. Consequently, they do not impact net income.
2 Relates to a portion of the net investment hedge which is fixed to the amount of MUSD 492 and the USD/SEK rates are 8.48 and 8.21. The balance is a dynamic hedge and rates vary periodically.
3 Currency cash flow hedges are applied to a nominal value of MEUR 430, fixing the EUR/SEK rates at 9.37 and 10.09.

Note 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58 59 60

Net debt

The table below details the changes to net debt during the year.

Change in interest-bearing net debt as per December 31, 2020 and 2019

MSEK	2020 Liquid funds	2020 Loans and other net debt	2020 Total	2019 Liquid funds	2019 Loans and other net debt	2019 Total
Opening balance	3 948	-21 489	-17 541	3 229	-17 742	-14 513
Cash flow from operating activities	7 207	–	7 207	4 902	–	4 902
Financial income and expenses paid	-401	–	-401	-443	–	-443
Current taxes paid	-862	–	-862	-1 191	–	-1 191
Payments for acquisition related items	-1 801	–	-1 801	-574	–	-574
Payments for items affecting comparability	-405	–	-405	-303	–	-303
Dividend paid	-1 752	–	-1 752	-1 606	–	-1 606
Lease liabilities	–	-139	-139	–	-3 332	-3 332
Bond proceeds	–	–	–	1 445	-1 445	–
Bond redemption	-341	341	–	-792	792	–
Commercial paper proceeds	3 115	-3 115	–	5 098	-5 098	–
Commercial paper redemption	-3 870	3 870	–	-5 300	5 300	–
Other changes	86	-86	–	-544	544	–
Real change	**976**	**871**	**1 847**	**692**	**-3 239**	**-2 547**
Revaluation of financial instruments[1]	–	17	17	–	60	60
Translation[2]	-204	1 546	1 342	27	-568	-541
Closing balance	**4 720**	**-19 055**	**-14 335**	**3 948**	**-21 489**	**-17 541**

1 Relates to unrealized gains and losses on fair value hedges and cash flow hedges including hedge ineffectiveness.
2 Whereof MSEK 1 045 (-338) is related to USD and MSEK 180 (-103) is related to EUR.

Liabilities from financing activities 2020 and 2019

MSEK	Opening balance Jan 1	Cash flows[1]	Non-cash changes: Reclassification	Non-cash changes: Other changes	Non-cash changes: Translation	Closing balance Dec 31
2020						
Long-term borrowings	17 216	170	-4 666	-112	-914	11 694
Short-term borrowings	1 290	-1 219	4 666	49	-25	4 761
Lease liabilities	3 554	-1 381	–	1 520	-263	3 430
Assets held to hedge borrowings	-638	–	–	244	–	-394
Total	**21 422**	**-2 430**	**–**	**1 701**	**-1 202**	**19 491**
2019						
Long-term borrowings	15 858	1 491	-373	54	186	17 216
Short-term borrowings	2 282	-1 438	373	73	–	1 290
Lease liabilities	222	-1 285	–	4 527	90	3 554
Assets held to hedge borrowings	-516	–	–	-122	–	-638
Total	**17 846**	**-1 232**	**–**	**4 532**	**276**	**21 422**

1 Excluding other derivative positions and dividend paid to shareholders of the Parent Company, which are included in cash flow from financing activities in the consolidated statement of cash flow.

Financing and liquidity risk

The Group's short-term liquidity is ensured by maintaining a liquidity reserve (cash and bank deposits, short-term investments and the unutilized portion of committed credit facilities), which should correspond to a minimum of 5 percent of consolidated annual sales. As of December 31, 2020, the short-term liquidity reserve corresponded to 11 percent (10) of the Group's annual sales.

The Group's long-term financing risk is minimized by ensuring that the level of long-term financing (shareholders' equity, long-term committed loan facilities and long-term bond loans) at least matches the Group's capital employed. Per December 31, 2020 long-term financing corresponded to 131 percent (125) of the Group's capital employed.

Financing of the Group should be well balanced among different sources and long-term. The aim is that committed loan facilities and bond loans should have an average maturity of more than 3.5 years. As per December 31, 2020 the average maturity was 2.9 years.

The following tables summarize the Group's liquidity risk at end 2020 and 2019 respectively.

Liquidity report as per December 31, 2020 and 2019

MSEK	Total	< 1 year	Between 1 year and < 3 years	Between 3 years and 5 years	> 5 years
December 31, 2020					
Borrowings, principal amount	-16 226	-4 904	-3 518	-7 804	–
Borrowings, interest amount	-594	-236	-228	-130	–
Derivatives outflows interest	-122	-106	-11	-5	–
Other derivatives outflows	-10 646	-6 614	-2 597	-1 435	–
Lease liabilities	-3 823	-993	-1 277	-690	-863
Accounts payable	-1 820	-1 820	–	–	–
Total outflows[1]	**-33 231**	**-14 673**	**-7 631**	**-10 064**	**-863**
Investments, principal amount	2 850	2 676	5	5	164
Derivatives receipts interest	177	83	52	42	–
Other derivatives receipts	10 930	6 569	2 915	1 446	–
Accounts receivable	15	15	–	–	–
Total inflows[1]	**13 972**	**9 343**	**2 972**	**1 493**	**164**
Net cash flows, total[2,3]	**-19 259**	**-5 330**	**-4 659**	**-8 571**	**-699**
December 31, 2019					
Borrowings, principal amount	-18 184	-1 267	-8 605	-5 183	-3 129
Borrowings, interest amount	-974	-289	-425	-221	-39
Derivatives outflows interest	-412	-127	-188	-65	-32
Other derivatives outflows	-10 705	-6 119	-2 954	–	-1 632
Lease liabilities	-3 809	-1 024	-1 280	-655	-850
Accounts payable	-2 001	-2 001	–	–	–
Total outflows[1]	**-36 085**	**-10 827**	**-13 452**	**-6 124**	**-5 682**
Investments, principal amount	2 208	2 208	–	–	–
Derivatives receipts interest	284	97	118	51	18
Other derivatives receipts	10 646	6 126	3 017	15	1 488
Accounts receivable	16 120	16 120	–	–	–
Total inflows[1]	**29 258**	**24 551**	**3 135**	**66**	**1 506**
Net cash flows, total[2,3]	**-6 827**	**13 724**	**-10 317**	**-6 058**	**-4 176**

1 Refers to gross cash flows excluding cash and bank.
2 All contractual cash flows per the balance sheet date are included, including future interest payments.
3 Variable rate cash flows have been estimated using the relevant yield curve as at the balance sheet date.

Securitas has a Revolving Credit Facility with 10 key relationship banks. This credit facility comprises of one tranche of MEUR 938 and matures in 2025. There is a possibility to extend the facility to 2027. On December 31, 2020, the facility was undrawn.

Securitas also has a Euro Medium Term Note Program (EMTN) with a limit of MEUR 4 000 under which public and private funding can be raised on international capital markets. As of December 31, 2020 there were nine outstanding bond loans with maturities ranging from 2021 to 2025.

In addition, Securitas also has a short-term Swedish commercial paper program in the amount of MSEK 5 000. On December 31, 2020, the facility was undrawn. The objective is to have access to short-term financing at competitive prices. Pricing is based on the prevailing market rates at time of issuance.

Securitas policy is to not engage in arrangements that take the form of supply chain financing or any form of reverse factoring transactions.

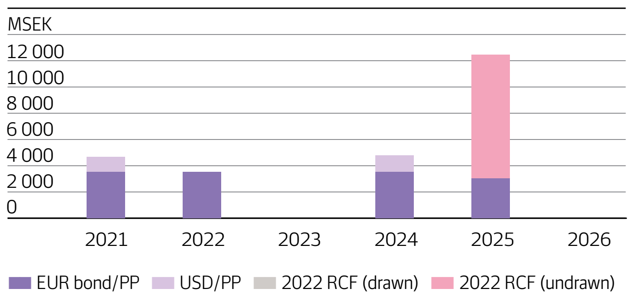
The table below shows a summary of the credit facilities as of December 31, 2020.

Credit facilities as per December 31, 2020

Type	Currency	Facility amount (million)	Available amount (million)	Maturity
EMTN FRN private placement	USD	40	0	2021
EMTN FRN private placement	USD	60	0	2021
EMTN FRN private placement	USD	40	0	2021
EMTN Eurobond, 2.625% fixed	EUR	350	0	2021
EMTN Eurobond, 1.25% fixed	EUR	350	0	2022
EMTN Eurobond, 1.125% fixed	EUR	350	0	2024
EMTN FRN private placement	USD	50	0	2024
EMTN FRN private placement	USD	105	0	2024
EMTN Eurobond, 1.25% fixed	EUR	300	0	2025
Multi Currency Revolving Credit Facility	EUR (or equivalent)	938	938	2025
Commercial Paper (uncommitted)	SEK	5 000	5 000	n/a

In combination with Securitas' strong cash flow, these sources of financing provide liquidity on a short- and long-term basis as well as flexibility to finance the Group's expansion.

The graph below shows the maturity profile as of December 31, 2020 for the Group's interest-bearing debt.



Credit/counterparty risks

Counterparty risk – accounts receivable

The Group has generally low risk in accounts receivables for a number of reasons. A large proportion of sales are based on contracts with well-known large and medium sized clients with an established and long-term relationship. This provides for transparent and safe collection of invoices. New clients are duly reviewed in terms of credit worthiness.

The contract portfolio sales are also diversified in several ways, of which the most important is that there are few/no clients that represent a significant portion of total sales. Default by a single client then has little overall effect. In addition, Securitas provides its services to geographically dispersed clients in a large number of sectors including governments, utilities, financial sector, travel, logistics and industrial. Hence, the exposure to financial distress in any particular sector or region is relatively limited.

Securitas' services are also, although vital in many aspects, mostly ancillary to the business of the clients. This means that the cost of security services represents a small fraction of total costs of running clients' business, making Securitas less exposed to payment defaults than suppliers of services or goods more directly involved in the value chain.

All of this provides for secure collection of the sales generated which is evidenced by low bad debt losses, generally in the range of 0.1 to 0.2 percent of sales over a long period of time. However, the negative impact of the coronavirus pandemic has resulted in an increased level of provisioning in 2020, reflecting the increased risk in the business environment relating primarily to outstanding accounts receivables. As a consequence, bad debt losses in percent of sales increased to approximately 0.5 percent in 2020.

Counterparty risk – liquid funds

The credit quality of interest-bearing receivables is described below, where 76 percent (79) of interest-bearing receivables have a rating of A1/P1.

Credit quality interest-bearing receivables

MSEK	2020	2019
A1/P1	4 227	3 573
Other	1323	946
Total interest-bearing receivables	**5 550**	**4 519**

The Group has policies in place that limit the amount of credit exposure to any one financial institution. The use of Credit Support Annexes reduces the Group's counterparty exposures on its outstanding derivatives. Investments of liquid funds may only be made in government paper or with financial institutions with a high credit rating. As of December 31, 2020 the weighted average credit rating of these institutions was short-term A1/P1. The largest total exposure for all instrument types to any one institution was MSEK 1 467 (1 123).

Rating

In order to access international debt capital markets in an effective manner, Securitas has obtained long-term and short-term credit ratings from Standard & Poor's. The long-term rating is BBB with stable outlook and the short-term rating is A-2. The Nordic short-term rating is K-2.

Fair value of financial instruments

The methods and assumptions used by the Group in estimating the fair value of the financial instruments are:

- Cash and bank deposits and short-term investments: carrying amounts approximate fair values.
- Derivative and other financial instruments: fair values are estimated based on quoted market prices, on prices provided by independent brokers, or are calculated on best market prices. The prices used are fair values stated excluding accrued interest.
- Debt: fair values of fixed rate debt are based on either quoted prices or are estimated using discounted cash flow calculations based upon the Group's current incremental borrowing rates for similar types of borrowings with maturities consistent with those remaining for the debt being valued. The fair value of floating rate debt is assumed to equal the carrying value of the debt.

Revaluation of financial instruments[1]

MSEK	2020	2019
Recognized in the statement of income		
Other financial income and expenses[2,3]	1	-1
Deferred tax	–	–
Impact on net income for the year	**1**	**-1**
Recognized in other comprehensive income		
Transfer to cash flow hedging reserve before tax	-202	99
Transfer to cost of hedging reserve before tax	44	16
Deferred tax on transfer to hedging reserve	33	-25
Transfer to hedging reserve net of tax	**-125**	**90**
Transfer to statement of income before tax	174	-54
Deferred tax on transfer to statement of income	-37	12
Transfer to statement of income net of tax	**137**	**-42**
Change of cash flow hedging reserve before tax	-28	45
Change of cost of hedging reserve before tax	44	16
Total change of hedging reserve before tax[4]	**16**	**61**
Deferred tax on total change of hedging reserve[4]	-4	-13
Total change of hedging reserve net of tax	**12**	**48**
Total impact on shareholders' equity as specified above		
Total revaluation before tax[5]	17	60
Deferred tax on total revaluation[5]	-4	-13
Total revaluation after tax	**13**	**47**

1 Securitas has adopted the amendments to IFRS 9, specifically the temporary relief from certain accounting requirements to hedging relationships directly affected by the IBOR reform.
2 Related to financial assets and financial liabilities at fair value through profit or loss.
3 There was no significant ineffectiveness in the fair value hedges or in the cash flow hedges. The adjustment to the carrying value of the hedged item in fair value hedges amounted to MSEK 156 (3).
4 Total of transfer to hedging reserve and transfer from hedging reserve to statement of income.
5 Total revaluation and deferred tax recognized via statement of income and via other comprehensive income.

Hedging reserve as per December 31, 2020 and 2019

MSEK	Cost of hedging reserve	Interest rate cash flow hedges	Currency cash flow hedges	Total before tax	Deferred tax	Total net of tax
Opening balance January 1, 2020	**-40**	**-2**	**122**	**80**	**-17**	**63**
Change in fair value of hedging instrument recognized in other comprehensive income	44	3	-205	-158	33	-125
Reclassified from other comprehensive income to profit or loss	–	-5	179	174	-37	137
Closing balance December 31, 2020	**4**	**-4**	**96**	**96**	**-21**	**75**
Opening balance January 1, 2019	**-56**	**10**	**65**	**19**	**-4**	**15**
Change in fair value of hedging instrument recognized in other comprehensive income	16	-18	117	115	-25	90
Reclassified from other comprehensive income to profit or loss	–	6	-60	-54	12	-42
Closing balance December 31, 2019	**-40**	**-2**	**122**	**80**	**-17**	**63**

The table below discloses carrying values and fair values of financial instruments according to the categories in note 2.

Financial instruments by category – carrying and fair values as per December 31, 2020 and 2019

	2020		2019	
MSEK	Carrying value	Fair value	Carrying value	Fair value
Assets				
Financial assets at amortized cost				
Interest-bearing financial non-current assets (note 24)	334	334	224	224
Other interest-bearing current assets (note 29)	114	114	121	121
Other long-term receivables (note 25)[1]	364	364	481	481
Accounts receivable (note 27)	14 695	14 695	16 120	16 120
Other current receivables (note 28)[2]	3 443	3 443	4 163	4 163
Liquid funds (note 30)	4 720	4 720	3 948	3 948
Total financial assets at amortized cost	**23 670**	**23 670**	**25 057**	**25 057**
Liabilities				
Financial liabilities at amortized cost				
Long-term loan liabilities (note 32)	4 046	4 046	5 448	5 448
Short-term loan liabilities (note 35)	2 023	2 023	2 211	2 211
Accounts payable	1 820	1 820	2 001	2 001
Other current liabilities (note 36)[3]	4 931	4 931	4 780	4 780
Long-term financial liabilities designated as hedged item in a fair value hedge (note 32)[4,5]	10 118	10 336	14 194	14 475
Short-term financial liabilities designated as hedged item in a fair value hedge (note 35)[4,5]	3 528	3 531	-	-
Total financial liabilities at amortized cost	**26 466**	**26 687**	**28 634**	**28 915**
Derivatives designated for hedging				
Interest-bearing financial current assets (note 29)	30	30	13	13
Interest-bearing financial non-current assets (note 24)	352	352	213	213
Total derivatives assets designated for hedging	**382**	**382**	**226**	**226**
Interest-bearing financial current liabilities (note 35)	86	86	23	23
Interest-bearing financial long-term liabilities (note 32)	84	84	184	184
Total derivatives liabilities designated for hedging	**170**	**170**	**207**	**207**
Net total	**212**	**212**	**19**	**19**
1 Excluding all pension balances and reimbursement rights (note 25)	391	391	400	400
2 Excluding prepaid expenses (note 28)	1 191	1 191	1 271	1 271
3 Excluding employee-related accrued expenses and prepaid income (note 36)	9 254	9 254	8 156	8 156
4 The carrying value of the hedged Items in fair value hedges have been adjusted by MSEK 6 (163).				
5 The difference between the carrying value and fair value of short-term and long-term loan liabilities is due to the credit margin in the discount rate.				

Note 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58 59 60

Fair value – hierarchy as per December 31, 2020 and 2019[1]

MSEK	Quoted market prices 2020	Quoted market prices 2019	Valuation techniques using observable market data 2020	Valuation techniques using observable market data 2019	Valuation techniques using non-observable market data 2020	Valuation techniques using non-observable market data 2019	Total 2020	Total 2019
Financial assets at fair value through profit or loss	–	–	20	13	–	–	20	13
Financial liabilities at fair value through profit or loss	–	–	-11	-14	-295[2]	-425[2]	-306	-439
Derivatives designated for hedging with positive fair value	–	–	362	213	–	–	362	213
Derivatives designated for hedging with negative fair value	–	–	-159	-194	–	–	-159	-194

1 There have been no transfers between any of the valuation levels during the year.
2 Related to deferred considerations. These have been recognized mainly based on an assessment of the future profitability development in the acquired entities for an agreed period.

Offsetting financial assets and financial liabilities

For the financial assets and liabilities subject to enforceable master netting arrangements or similar arrangements, each agreement between the Group and the counterparty allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities will be settled on a gross basis. However, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party. Per the terms of each agreement, an event of default includes failure by a party to make payment when due, failure by a party to perform any obligation required by the agreement (other than payment) if such failure is not remedied within periods of 30 to 60 days after notice of such failure is given to the party, or bankruptcy.

Financial assets

The following financial assets are subject to offsetting, enforceable master netting arrangements or similar agreements.

MSEK	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities set off in the balance sheet	Net amounts of financial assets presented in the balance sheet	Financial instruments not set off in the balance sheet	Net amount
December 31, 2020					
Derivative financial assets	382	–	382	49	333
Total	**382**	**–**	**382**	**49**	**333**
December 31, 2019					
Derivative financial assets	226	–	226	19	207
Total	**226**	**–**	**226**	**19**	**207**

Financial liabilities

The following financial liabilities are subject to offsetting, enforceable master netting arrangements or similar agreements.

MSEK	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets set off in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	Financial instruments not set off in the balance sheet	Net amount
December 31, 2020					
Derivative financial liabilities	170	–	170	71	99
Total	**170**	**–**	**170**	**71**	**99**
December 31, 2019					
Derivative financial liabilities	208	–	208	80	128
Total	**208**	**–**	**208**	**80**	**128**

References to other notes

For further information regarding financial instruments, refer to:
- Note 2 Accounting principles
- Note 15 Net financial items
- Note 24 Interest-bearing financial non-current assets
- Note 29 Other interest-bearing current assets
- Note 32 Long-term liabilities excluding provisions
- Note 35 Short-term loan liabilities
- Note 44 Financial risk management (Parent Company)

Note 8
Transactions with related parties

Guarantees on behalf of related parties amount to MSEK 0 (0).

Information on the remuneration to the Board of Directors and Senior Management is provided in note 9. Information on total payroll expenses for the Board of Directors and the Presidents of the Group is provided in note 12.

For information on the Parent Company's transactions with related parties, refer to note 43 and note 46.

Note 9
Remuneration to the Board of Directors and senior management

General

Board of Directors

The Chair of the Board and the Directors receive fees in accordance with the decision of the Annual General Meeting, which includes separate fees for committee work. The employee representatives do not receive Directors' fees.

Fees to the Board of Directors, relating to the period up to the Annual General Meeting 2021 are provided according to the Annual General Meeting's decision on May 7, 2020. For the 2020 financial year, the Chair Marie Ehrling receives a director's fee, including committee work fee, of MSEK 2.3. The other Directors receive an aggregate director's fee, including committee work fee, of MSEK 5.4. The remuneration for each member of the Board of Directors is disclosed in the tables below. The Board of Directors is otherwise not entitled to any other compensation except for travel and lodging expenses.

Guidelines for remuneration to senior management in Securitas for 2020

The Annual General Meeting on May 7, 2020 adopted guidelines in accordance with the following:

Scope

The guidelines shall apply to agreements entered into after the Annual General Meeting 2020, and to changes made in existing agreements after the Annual General Meeting 2020. These guidelines do not apply to any remuneration decided or approved by the general meeting.

Promotion of Securitas' business strategy, long-term interests and sustainability etc.

In short, Securitas business strategy is to offer protective services that integrate all areas of Securitas' competence. Together with the customers, Securitas develop optimal and cost-efficient solutions that are suited for the customers' needs. This brings added value to the customers and results in stronger, more long-term customer relationships and improved profitability. In order to attract and keep competent senior management employees, Securitas shall offer a competitive total remuneration that is in line with the market conditions on the relevant market for each senior management employee. Thereby, the ambition is to ensure that Securitas has the leading team in the security services industry, which is expected to contribute to Securitas' business strategy and long-term interests, including its sustainability. More information on Securitas' business strategy is available on Securitas' website securitas.com, section About us – our strategy.

Securitas has implemented share-related incentive plans. Every year since 2010, the Annual General Meeting has resolved on share related incentive schemes including approximately 2 600 employees within the Group. The outcome of these incentive schemes relates to how the criteria for awarding variable cash remuneration are satisfied and thus they are distinctly linked to Securitas' business strategy, long-term interests and sustainability. Furthermore, the Annual General Meeting 2019 resolved on a long-term incentive program including the CEO, other members of the Group Management and certain other key employees ("LTI 2019/2021") which is intended to work as an alternative incentive solution to the aforementioned incentive scheme and includes approximately up to 80 employees within Securitas. The outcome of LTI 2019/2021 is based on the annual development of Securitas' earnings per share. LTI 2019/2021 is conditional upon the participant's own investment and holding periods of several years. The share-related incentive plans have been resolved by the general meeting and are therefore excluded from these guidelines. The share-related incentive plans proposed by the Board of Directors and submitted to the Annual General Meeting 2020 for approval are excluded for the same reason.

More information on Securitas' incentive plans is available on Securitas' website securitas.com, section Corporate Governance – Remuneration to Senior Management.

Types of remuneration

The total remuneration to senior management shall consist of a fixed basic salary, variable cash remuneration, pension benefits and other benefits. Additionally, the general meeting may – irrespective of these guidelines – resolve on, among other things, share-related or share price-related remuneration.

The fixed basic salary shall be competitive and reflect each senior management employee's responsibility and performance. The variable cash remuneration shall amount to a maximum of 85 percent of the fixed basic salary for the President and CEO and a maximum of 60-200 percent of the fixed basic salary for other senior management employees.

The senior management employees shall be subject to defined contribution pension plans for which insurance premiums are transferred from the individual's total cash remuneration and paid by the company during the term of employment. In exceptional cases, the value of such insurance premiums can instead be paid as part of the cash remuneration to a senior management employee. Variable cash remuneration shall qualify for pension benefits to the extent required by mandatory collective agreement provisions. Insurance premiums may amount to not more than 35 percent of the fixed basic salary.

Other benefits, such as company car, life insurance, special health insurance or occupational health service shall be provided to the extent this is considered customary for senior management employees holding equivalent positions on the labor market where the senior management employee is active. Premiums and other costs relating to such benefits may amount to not more than 15 percent of the fixed basic salary.

For employments governed by rules other than Swedish, pension benefits and other benefits may be duly adjusted for compliance with mandatory rules or established local practice, taking into account, to the extent possible, the overall purpose of these guidelines.

Criteria for awarding variable cash remuneration

Variable cash remuneration shall be awarded based on the outcome of clearly measurable performance-based targets that are set as close to the local business as possible and aim for long-term profitability of Securitas. The performance-based targets may for example relate to EBITA, EPS and/or cash flow within each senior management employee's area of responsibility (group or division). Furthermore, the performance-based targets are intended to contribute to Securitas' business strategy and long-term interests, including its sustainability, by, among other things, promoting the senior management employee's long-term development within Securitas and reconciling the shareholders' interests with the employee's interests.

The Remuneration Committee shall, for the Board of Directors, prepare, monitor and evaluate matters regarding variable cash remuneration to the senior management. Ahead of each measurement period for the criteria for awarding variable cash remuneration, which can be one or several years, the Board of Directors shall, based on the work of the Remuneration Committee, establish which criteria that are deemed to be relevant for the upcoming measurement period. After a measurement period has ended, it shall be determined to which extent the criteria have been satisfied. Evaluations regarding fulfilment of financial targets shall be based on established financial information for the relevant period.

Variable cash remuneration can be paid after the measurement period has ended or be subject to deferred payment. If payment of variable cash remuneration has been effected on grounds later proven to be obviously inaccurate, Securitas shall, to the extent legally possible, have the possibility to reclaim such paid remuneration.

Termination of employment

At dismissal, the notice period for senior management employees shall not exceed twelve months, with a right to redundancy payment equivalent to a maximum of 100 percent of the fixed basic salary for a period not exceeding twelve months after the end of the notice period. At resignation by a senior management employee, the notice period shall amount to a maximum of six months without a right to redundancy payment.

Additionally, remuneration may be paid for non-compete and non-solicitation undertakings in accordance with mandatory rules or established

Note
1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58 59 60

local practice. The remuneration shall be based on the fixed cash salary at the time of termination of employment and be paid during the time the non-compete or the non-solicitation undertaking applies, however not for more than 24 months following termination of employment.

Salary and employment conditions for employees

In the preparation of the Board of Directors' proposal for these guidelines, salary and employment conditions for employees of the company have been taken into account by including information on the employees' total income, the components of the remuneration and increase and growth rate over time, in the Remuneration Committee's and the Board of Directors' basis of decision when evaluating whether the guidelines and the limitations set out herein are reasonable.

The decision-making process to determine, review and implement the guidelines

The Remuneration Committee's tasks include preparing the Board of Directors' decision to propose guidelines for remuneration to the senior management. The Board of Directors shall prepare a proposal for new guidelines at least every fourth year and submit it to the general meeting. The guidelines shall be in force until new guidelines are adopted by the general meeting. The Remuneration Committee shall also monitor and evaluate programs for variable remuneration for the senior management, the application of the guidelines for remuneration to senior management as well as the current remuneration structures and compensation levels in Securitas. The members of the Remuneration Committee are independent of the company and its senior management. The CEO and other members of the senior management do not participate in the Board of Directors' processing of and resolutions regarding remuneration-related matters in so far as they are affected by such matters.

Deviation from the guidelines

The Board may temporarily resolve to deviate from the guidelines, in whole or in part, if in a specific case there is special cause for the deviation and a deviation is necessary to serve Securitas long-term interests, including its sustainability, or to ensure Securitas financial viability. As set out above, the Remuneration Committee's tasks include preparing the Board of Directors' resolutions in remuneration-related matters. This includes any resolutions to deviate from the guidelines.

Transitional provisions applicable for the Annual General Meeting 2020

The cost of the company for 2020 in terms of its obligations to pay variable cash remuneration to the senior management is estimated to not exceed a total of MSEK 108 at maximum outcome (not including potential costs for the LTI 2020/2022).

President and Chief Executive Officer

The President and CEO Magnus Ahlqvist's salary for the 2020 financial year, amounted to MSEK 15.3 including vacation pay. Pension premiums are paid for a defined contribution pension plan and a defined benefit plan which in total amounts to 30 percent of the base salary. The pension costs for the financial year 2020 amounted to MSEK 4.5, which includes premiums to a Swedish defined benefit plan (ITP), limited to deductible amounts for tax purposes. The defined benefit plan guarantees a lifetime pension from the age of 65 and the pension compensation corresponds to a certain percentage of the final salary, the maximum pensionable income is currently MSEK 2.0. The pension cost for the defined benefit pension plan in 2020 amounted to MSEK 0.4 (included in the total pension cost for the President and CEO, see also the table below). No pension benefits are conditioned by future employment.

Other salary benefits amounted to MSEK 0.2.

Upon dismissal, the notice period for the President and CEO amounts to twelve months with a right to a severance pay after the end of the notice period, equivalent to twelve months fixed salary.

The prior President and CEO until March 7, 2018, Alf Göransson, was according to an agreement up to March 2020, an advisor to Securitas' President and CEO Magnus Ahlqvist. In this role Alf Göransson, among other things supported in some client relations activities, acquisition related matters and industry specific topics. The compensation for the advisory engagement for the 2020 financial year, to March, amounted to MSEK 1.4. There were no other benefits, variable compensation or pension in this engagement.

Other members of Group Management

The other Group Management consisted by the end of 2020 of the following thirteen members: Bart Adam (CFO), Martin Althén (CIO), Greg Anderson (President, North American Guarding, Security Services North America), Helena Andreas (Senior Vice President, Group Communications & People), Tony Byerly (President, Securitas Electronic Security), José Castejon (COO, North American Guarding, Security Services North America), Jorge Couto (Divisional President, Security Services Ibero-America), Peter Karlströmer (Divisional President, Security Services Europe), Andreas Lindback (Divisional President AMEA, Africa, Middle East and Asia), Jan Lindström (Senior Vice President Finance), Brian Riis Nielsen (Senior Vice President for Global Clients and leader of Global Clients & Vertical Markets), Frida Rosenholm (Senior Vice President, General Counsel, Group Legal, Risk & Business Ethics) and Henrik Zetterberg (COO, Security Services Europe).

Aimé Lyagre, (COO and CTO, Security Services Europe) and Marc Pissens (President Aviation) both left Group Management as of June 30, 2020.

In the 2020 financial year the other members of Group Management have received the following remuneration during the time as members. Aggregate fixed salaries amounted to MSEK 106.7, and other salary benefits to MSEK 8.9.

The other members of Group Management have individual pension plans. The retirement age varies from country to country and pension plan. As described under Types of remuneration above, members can allocate part of their remuneration to a defined contribution pension plan. All members of Group Management have defined contribution pension plans for which pension premiums are allocated from the member's total remuneration and paid by the company during the term of employment. These premiums may vary but are limited to amounts deductible for tax purposes by the company. In 2020 the pension costs for other members of Group Management amounted to MSEK 18.6. No pension benefits are conditioned by future employment.

During 2020 six members had a Swedish defined benefit pension plan (ITP), but can also allocate part of their remuneration to a defined contribution plan. The Swedish defined benefit plan guarantees a lifetime pension from the age of 65. The pension compensation corresponds to a certain percentage of the final salary, and the maximum pensionable income is MSEK 2.0 per employee. This pension benefit is funded through annual premiums paid by the company during the term of employment, and the pension cost for these six members in 2020 was MSEK 3.8 (included in the total pension cost for other Group Management, see also the table below).

Upon dismissal, the notice period and a right to a severance pay after the end of the notice period, is equivalent to a maximum of 24 months fixed salary, for members of Group Management.

Short- and long-term incentives

Short-term as well as long-term incentives for eligible employees in Securitas include clearly measurable performance-based targets that are set as close to the local business as possible and aim for long-term profitability of the Group. The performance targets that are required to achieve maximum bonus vary depending on the position of the employee but are as a principle based on year-on-year improvement of the operating result (EBITA) in the area of responsibility and targets based on improvement of cash flow or development of real change earnings per share.

Securitas long-term share-based incentive scheme

Securitas' Annual General Meeting May 7, 2020 resolved on a new share-based bonus scheme, LTI 2020/2022, for the President and CEO, other members of Group management and certain key employees all in all to up to 70 participants. The scheme runs in parallel with the share-based bonus scheme LTI 2019/2021 decided by the Annual General Meeting on May 6, 2019. For the qualifying participants the scheme is intended to be an alternative to the short-term share-based incentive scheme. Participants in the long-term schemes are thus not entitled to participate in the short-term share-based incentive scheme. In order to participate in the scheme, which runs over the period 2019 to 2021 and 2020 to 2022 respectively, participants have to invest Securitas series B shares at market price or nominate already vested shares.

The LTI 2019/2021 and LTI 2020/2022 incentive includes the President and CEO Magnus Ahlqvist and 13 members of other Group Management. This means that neither the President and CEO or anyone of the other members of Group management participates in the short-term share-based incentive.

For every share thus purchased or invested the company will grant so called performance awards free of charge in as per below:

- Category 1 (the President and CEO): maximum five performance awards per each invested share.
- Category 2 (Group Management): maximum four performance awards per each invested share.

The performance conditions are linked to the development of real change in earnings per share (if applicable excluding items affecting comparability) and the outcome is calculated yearly, whereby one third is measured against the outcome of the first year (2019 and 2020 respectively), one third against the second year (2020 and 2021 respectively) and one third against the third year (2021 and 2022 respectively). The award of shares is in addition to the fulfilment of performance conditions contingent on the employment as per the vesting day in February 2022 and February 2023 respectively and that the invested shares are kept during the whole vesting period. The number of shares awarded thus will also include compensation for dividend during the vesting period by increasing the number of shares awarded.

The cost for the service rendered under the long-term incentive program is spread over the vesting period and is based on a fair value on the grant date for Securitas series B share of SEK 161.40 per share for the program 2019 to 2021 and of SEK 118.70 per share for the program 2020 to 2022 .

See further information in note 2 and 12. Information regarding the potential allocation of shares in 2022 and 2023 respectively under the long-term share-based incentives LTI 2019/2021 and LTI 2020/2022 respectively and the fair value of these shares, are disclosed in the table below.

Short- and long-term variable compensation 2020

	Variable short-term cash compensation	Variable long-term cash compensation	Short-term share-based incentive scheme	Long-term share-based incentive scheme
President and CEO	√	n/a	n/a	√
Other members of Group Management	√	√*	n/a	√

√ = illustrates the eligibility to participate.
√* = relating to three of the other members of Group Management.
n/a = illustrates that the member is not eligible to participate or when referring to the short-term share based incentive scheme that this scheme is not applicable since the member participates in the long-term share-based incentive scheme that is an alternative to the short-term scheme.

For the President and CEO Magnus Ahlqvist there was no variable short-term cash compensation relating to the 2020 performance. Similarly, there was no long-term variable share-based compensation referring to the LTI 2019/2021 nor the LTI 2020/2022 relating to the 2020 performance.

The aggregate short-term variable cash compensation relating to the 2020 performance to the other members of Group Management amounted to MSEK 26.5 and will be paid in cash in 2021. There was no long-term variable share-based compensation referring to the LTI 2019/2021 nor the LTI 2020/2022 relating to the 2020 performance.

During 2020 three members of other Group Management have had other long-term variable cash incentive schemes, which are provided for during the performance year. One scheme is reconciled to the final annual performance in 2020 and payment will be executed in 2021. Two schemes are reconciled also during 2021 with payment due in 2022. Finally, two schemes run over the period 2020 to 2023 with payment due in 2024. The accumulated provision for other long-term variable cash incentive schemes amounted to MSEK 14.7 as of December 31, 2020, whereof MSEK 4.9 will be paid in 2021. At resignation by a management employee, any unpaid long-term cash incentive will stay with the company.

Allocation of shares to Group Management relating to Securitas' long-term share-based incentive schemes 2020

	Number of shares[1] 2020	Fair value, MSEK 2020
Magnus Ahlqvist, President and CEO	0	0
Other members of Group Management	0	0
Total holdings	**0**	**0**

1 Potential allocation of shares for Securitas long-term share-based incentive LTI 2019/2021 and LTI 2020/2022, to be allocated in 2022 and 2023 respectively.

Remuneration to the Board of Directors and Group Management

Remuneration related to 2020

KSEK	Base salary/fee	Other benefits	Variable compensation[4]	Pension	Total remuneration
Marie Ehrling, Chair of the Board[1]	2 300	–	–	–	2 300
Carl Douglas, Vice Chair[1]	895	–	–	–	895
Ingrid Bonde[1]	835	–	–	–	835
John Brandon	635	–	–	–	635
Anders Böös	635	–	–	–	635
Fredrik Cappelen[1]	960	–	–	–	960
Sofia Schörling Högberg[1]	835	–	–	–	835
Dick Seger	635	–	–	–	635
Subtotal Board of Directors	**7 730**	**–**	**–**	**–**	**7 730**
Magnus Ahlqvist, President and CEO[2]	15 253	152	0	4 500	19 905
Other members of Group Management[3]	106 683	8 882	42 150	18 567	176 282
Subtotal President and CEO and Group Management	**121 936**	**9 034**	**42 150**	**23 067**	**196 187**
Total	**129 666**	**9 034**	**42 150**	**23 067**	**203 917**

Above information refers to full year remuneration for the current Group Management, unless stated otherwise. The Board of Directors has no pension benefits.
1 Including remuneration for committee work.
2 Base salary including vacation pay.
3 Other members of Group Management consisted as of December 31, 2020 of 13 persons. The compensation for members who left the Group Management is included.
4 Refer to the cost for 2020 for Securitas incentive scheme for cash bonus and long-term incentive plans, see also separate table for the share-based part.

Note 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58 59 60

Remuneration related to 2019

KSEK	Base salary/fee	Other benefits	Variable compensation[4]	Pension	Total remuneration
Marie Ehrling, Chair of the Board[1]	2 300	–	–	–	2 300
Carl Douglas, Vice Chair[1]	895	–	–	–	895
Ingrid Bonde[1]	835	–	–	–	835
John Brandon	635	–	–	–	635
Anders Böös[1]	835	–	–	–	835
Fredrik Cappelen[1]	960	–	–	–	960
Sofia Schörling Högberg[1]	835	–	–	–	835
Dick Seger	635	–	–	–	635
Subtotal Board of Directors	**7 930**	**–**	**–**	**–**	**7 930**
Magnus Ahlqvist, President and CEO[2]	16 253	479	3 959	1 300	21 991
Other members of Group Management[3]	95 294	4 818	55 902	17 064	173 078
Subtotal President and CEO and Group Management	**111 547**	**5 297**	**59 861**	**18 364**	**195 069**
Total	**119 477**	**5 297**	**59 861**	**18 364**	**202 999**

Above information refers to full year remuneration for the current Group Management, unless stated otherwise. The Board of Directors has no pension benefits.

1 Including remuneration for committee work.

2 Base salary and 30% salary in lieu of pension contributions KSEK 2 773 and translation difference from GBP for part of salary paid in the United Kingdom according to agreement.

3 Other members of Group Management consisted as of December 31, 2019 of 15 persons. The compensation for member who left the Group Management during the year is included.

4 Refer to the cost for 2019 for Securitas incentive scheme for cash and share-based bonus and long-term incentive plans, see also separate table for the share-based part.

Shareholdings

The Board of Directors' and Group Management's shareholdings as of December 31, 2020 are detailed in the table below.

Board of Directors' and Group Management's holdings of Securitas series A and B shares[1]

	A shares 2020	A shares 2019	B shares 2020[8]	B shares 2019[8]
Marie Ehrling, Chair of the Board	–	–	10 000	10 000
Carl Douglas, vice Chair[2]	12 642 600	12 642 600	27 190 000	27 190 000
Ingrid Bonde	–	–	2 600	2 600
John Brandon	–	–	10 000	10 000
Anders Böös	–	–	25 000	25 000
Fredrik Cappelen	–	–	4 000	4 000
Sofia Schörling Högberg[3]	4 500 000	4 500 000	11 811 639	10 419 039
Dick Seger	–	–	26	26
Magnus Ahlqvist, President and CEO[4]	–	–	131 038	111 430
Bart Adam	–	–	50 512	43 555
Martin Althén	–	–	8 810	4 478
Greg Anderson[6]	–	–	10 803	–
Helena Andreas	–	–	5 394	2 045
William Barthelemy[5]	–	–	–	70 859
Tony Byerly	–	–	12 077	5 663
José Castejon[6]	–	–	6 440	–
Jorge Couto	–	–	9 471	4 737
Santiago Galaz[5]	–	–	–	91 670
Peter Karlströmer	–	–	16 793	6 196
Andreas Lindback	–	–	8 447	5 786
Jan Lindström	–	–	17 232	13 230
Aimé Lyagre[5]	–	–	–	19 952
Marc Pissens[5]	–	–	–	37 700
Brian Riis Nielsen	–	–	3 793	38
Frida Rosenholm	–	–	5 348	464
Henrik Zetterberg[7]	–	–	11 756	4 091
Total holdings	**17 142 600**	**17 142 600**	**39 351 179**	**38 082 559**

1 Information refers to shareholdings as of December 31, 2020 and 2019.

2 Through family and Investment AB Latour.

3 Through family and Melker Schörling AB.

4 Holds in addition to B-shares according to the table, 200 000 share options regarding acquisition of Securitas series B-shares, issued by Melker Schörling AB and Investment AB Latour.

5 Has left the Group Management during 2020, why actual holdings is not applicable.

6 Has joined the Group Management January 1, 2020, why earlier holdings is not applicable.

7 Holds in addition to B-shares according to the table, 45 000 share options regarding acquisition of Securitas series B-shares, issued by Melker Schörling AB and Investment AB Latour.

8 Holdings as of December 31 excluding potential allocation of shares according to Securitas share-based incentive schemes LTI 2019/2021 and LTI 2020/2022.

Variable cash remuneration for 2021

The cost of the company for 2021 in terms of its obligations to pay variable cash remuneration to the senior management is estimated to not exceed a total of MSEK 112 (108) at maximum outcome. This does not include potential costs for LTI 2021/2023 (subject to approval at the 2021 Annual General Meeting) nor costs for LTI 2019/2021 or LTI 2020/2022 approved by the Annual General Meetings in 2019 and 2020 respectively.

Note 10
Segment reporting

Segment structure

The Group's operations are divided into three reportable segments: Security Services North America, Security Services Europe and Security Services Ibero-America.

All segments apply the accounting principles explained in note 2. The segment reporting follows the format of Securitas' financial model, which provides a foundation for financial planning and reporting from branch office level up to the Board of Directors. Acquisitions of subsidiaries are therefore excluded from the operating cash flow. All material acquisitions are stated at business segment level in the report of the Board of Directors under the heading Acquisitions and divestitures.

Security Services North America

Security Services North America provides protective services in the US, Canada and Mexico. The operations in the US are organized in four specialized units - Guarding, Electronic Security, Pinkerton Corporate Risk Management and Critical Infrastructure Services. There is a unit for global and national accounts and specialized client segment units, such as aviation, healthcare, manufacturing and oil and gas. In total, there are approximately 720 branch managers and 123 000 employees.

Security Services Europe

Security Services Europe provides protective services in 22 countries, including aviation security in 15 countries. The full range of protective services includes on-site, mobile and remote guarding, electronic security, fire and safety services and corporate risk management. In addition there is a specialized unit for global clients and one for solutions. In total, the organization has approximately 700 branch managers and 121 000 employees.

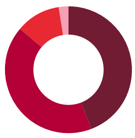
Security Services Ibero-America

Security Services Ibero-America provides protective services in seven Latin American countries as well as in Portugal and Spain in Europe. Aviation security is offered in seven countries. The offered services include on-site, mobile and remote guarding, electronic security, fire and safety services and corporate risk management. Security Services Ibero-America has a combined total of approximately 150 branch managers and 61 000 employees.

Other

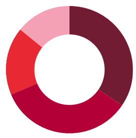
Other includes all other operating segments as well as general administrative expenses, expenses for head offices and other central expenses. All other operating segments comprise the operations in Africa, the Middle East and Asia.

SALES PER SEGMENT



- Security Services North America 44%
- Security Services Europe 42%
- Security Services Ibero-America 12%
- Other 2%

EMPLOYEES PER SEGMENT



- Security Services North America 35%
- Security Services Europe 34%
- Security Services Ibero-America 17%
- Other 14%

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January – December 2020

MSEK	Security Services North America	Security Services Europe	Security Services Ibero-America	Other	Total segments	Eliminations	Group
Income							
Sales, external	47 773	45 188	12 551	2 442	107 954	–	107 954
Sales, intra-group	28	0	1	1	30	-30	–
Total sales	**47 801**	**45 188**	**12 552**	**2 443**	**107 984**	**-30**	**107 954**
Organic sales growth, %	*2*	*-2*	*2*	–	–	–	*0*
Operating income before amortization[1]	**2 800**	**2 069**	**570**	**-547**	**4 892**	**–**	**4 892**
of which share in income of associated companies	*4*	*-1*	–	*42*	*45*	–	*45*
Operating margin, %	*5.9*	*4.6*	*4.5*	–	*4.5*	–	*4.5*
Amortization of acquisition related intangible assets	-80	-144	-16	-46	-286	–	-286
Acquisition related costs	-37	-25	-55	-20	-137	–	-137
Items affecting comparability	-140	-319	-36	-145	-640	–	-640
Operating income after amortization	**2 543**	**1 581**	**463**	**-758**	**3 829**	**–**	**3 829**
Financial income and expenses	–	–	–	–	–	–	-500
Income before taxes	**–**	**–**	**–**	**–**	**–**	**–**	**3 329**
Taxes	–	–	–	–	–	–	-913
Net income for the year	**–**	**–**	**–**	**–**	**–**	**–**	**2 416**
Operating cash flow							
Operating income before amortization	**2 800**	**2 069**	**570**	**-547**	**4 892**	**–**	**4 892**
Investments in non-current tangible and intangible assets	-700	-1 430	-318	-339	-2 787	–	-2 787
Reversal of depreciation[1]	649	1 474	357	210	2 690	–	2 690
Change in operating capital employed	1 105	1 293	461	-447	2 412	–	2 412
Cash flow from operating activities	**3 854**	**3 406**	**1 070**	**-1 123**	**7 207**	**–**	**7 207**
Cash flow from operating activities, %	*138*	*165*	*188*	–	–	–	*147*
Capital employed and financing							
Operating non-current assets	2 528	4 567	965	1 079	9 139	–	9 139
Accounts receivable	6 580	5 596	2 335	336	14 847	-152	14 695
Other assets	3 005	1 580	436	1 686	6 707	-113	6 594
Other liabilities	-6 846	-9 708	-2 202	-3 044	-21 800	265	-21 535
Total operating capital employed	**5 267**	**2 035**	**1 534**	**57**	**8 893**	**–**	**8 893**
Operating capital employed as % of sales	*11*	*5*	*12*	–	–	–	*8*
Goodwill	10 781	8 498	1 451	684	21 414	–	21 414
Acquisition related intangible assets	606	538	51	229	1 424	–	1 424
Shares in associated companies	12	36	–	263	311	–	311
Total capital employed	**16 666**	**11 107**	**3 036**	**1 233**	**32 042**	**–**	**32 042**
Return on capital employed, %	*17*	*19*	*21*	–	–	–	*13*
Net debt	–	–	–	–	–	–	14 335
Shareholders' equity	–	–	–	–	–	–	17 707
Total financing	**–**	**–**	**–**	**–**	**–**	**–**	**32 042**
Net debt equity ratio, multiple	–	–	–	–	–	–	*0.81*
Assets and liabilities							
Non-interest-bearing assets	23 512	20 815	5 238	2 712	52 277	-265	52 012
Unallocated non-interest-bearing assets[2]	–	–	–	–	–	–	1 565
Unallocated interest-bearing assets	–	–	–	–	–	–	5 550
Total assets	**–**	**–**	**–**	**–**	**–**	**–**	**59 127**
Shareholders' equity	**–**	**–**	**–**	**–**	**–**	**–**	**17 707**
Non-interest-bearing liabilities	6 846	9 708	2 202	883	19 639	-265	19 374
Unallocated non-interest-bearing liabilities[2]	–	–	–	–	–	–	2 161
Unallocated interest-bearing liabilities	–	–	–	–	–	–	19 885
Total liabilities	**–**	**–**	**–**	**–**	**–**	**–**	**41 420**
Total shareholders' equity and liabilities	**–**	**–**	**–**	**–**	**–**	**–**	**59 127**

1 Depreciation and amortization of tangible and non-acquisition related intangible assets per segment are specified on the line Reversal of depreciation in the statement of cash flow above. Further information regarding depreciation and amortization is provided in note 13.
2 Included in Other in the table Capital employed and financing.

January – December 2019

MSEK	Security Services North America	Security Services Europe	Security Services Ibero-America	Other	Total segments	Eliminations	Group
Income							
Sales, external	48 480	47 247	13 098	2 074	110 899	–	110 899
Sales, intra-group	19	1	1	2	23	-23	–
Total sales	**48 499**	**47 248**	**13 099**	**2 076**	**110 922**	**-23**	**110 899**
Organic sales growth, %	*4*	*2*	*14*	–	–	–	*4*
Operating income before amortization[1]	**3 003**	**2 582**	**614**	**-461**	**5 738**	**–**	**5 738**
of which share in income of associated companies	*-11*	–	–	*41*	*30*	–	*30*
Operating margin, %	*6.2*	*5.5*	*4.7*	–	*5.2*	–	*5.2*
Amortization of acquisition related intangible assets	-68	-159	-23	-21	-271	–	-271
Acquisition related costs	-99	43	-1	-5	-62	–	-62
Items affecting comparability	-119	-54	-3	-33	-209	–	-209
Operating income after amortization	**2 717**	**2 412**	**587**	**-520**	**5 196**	**–**	**5 196**
Financial income and expenses	–	–	–	–	–	–	-578
Income before taxes	**–**	**–**	**–**	**–**	**–**	**–**	**4 618**
Taxes	–	–	–	–	–	–	-1 256
Net income for the year	**–**	**–**	**–**	**–**	**–**	**–**	**3 362**
Operating cash flow							
Operating income before amortization	**3 003**	**2 582**	**614**	**-461**	**5 738**	**–**	**5 738**
Investments in non-current tangible and intangible assets	-817	-1 487	-410	-296	-3 010	–	-3 010
Reversal of depreciation[1]	627	1 418	472	173	2 690	–	2 690
Change in operating capital employed	-467	263	-30	-282	-516	–	-516
Cash flow from operating activities	**2 346**	**2 776**	**646**	**-866**	**4 902**	**–**	**4 902**
Cash flow from operating activities, %	*78*	*108*	*105*	–	–	–	*85*
Capital employed and financing							
Operating non-current assets	2 803	5 002	923	1 001	9 729	–	9 729
Accounts receivable	6 690	6 530	2 713	300	16 233	-113	16 120
Other assets	3 609	1 667	534	2 134	7 944	-162	7 782
Other liabilities	-6 169	-9 274	-2 044	-3 319	-20 806	275	-20 531
Total operating capital employed	**6 933**	**3 925**	**2 126**	**116**	**13 100**	**–**	**13 100**
Operating capital employed as % of sales	*14*	*8*	*16*	–	–	–	*12*
Goodwill	11 480	8 692	1 477	508	22 157	–	22 157
Acquisition related intangible assets	771	629	33	130	1 563	–	1 563
Shares in associated companies	18	38	–	264	320	–	320
Total capital employed	**19 202**	**13 284**	**3 636**	**1 018**	**37 140**	**–**	**37 140**
Return on capital employed, %	*15*	*20*	*18*	–	–	–	*15*
Net debt	–	–	–	–	–	–	17 541
Shareholders' equity	–	–	–	–	–	–	19 599
Total financing	**–**	**–**	**–**	**–**	**–**	**–**	**37 140**
Net debt equity ratio, multiple	–	–	–	–	–	–	*0.89*
Assets and liabilities							
Non-interest-bearing assets	25 371	22 558	5 680	2 498	56 107	-275	55 832
Unallocated non-interest-bearing assets[2]	–	–	–	–	–	–	1 839
Unallocated interest-bearing assets	–	–	–	–	–	–	4 519
Total assets	**–**	**–**	**–**	**–**	**–**	**–**	**62 190**
Shareholders' equity	**–**	**–**	**–**	**–**	**–**	**–**	**19 599**
Non-interest-bearing liabilities	6 169	9 274	2 044	854	18 341	-275	18 066
Unallocated non-interest-bearing liabilities[2]	–	–	–	–	–	–	2 465
Unallocated interest-bearing liabilities	–	–	–	–	–	–	22 060
Total liabilities	**–**	**–**	**–**	**–**	**–**	**–**	**42 591**
Total shareholders' equity and liabilities	**–**	**–**	**–**	**–**	**–**	**–**	**62 190**

1 Depreciation and amortization of tangible and non-acquisition related intangible assets per segment are specified on the line Reversal of depreciation in the statement of cash flow above. Further information regarding depreciation and amortization is provided in note 13.

2 Included in Other in the table Capital employed and financing.

Note 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58 59 60

Geographical information[1]

	Total sales from external clients[2]		Non-current assets[3]	
MSEK	2020	2019	2020	2019
US	43 893	44 558	13 099	14 120
Sweden[1]	5 277	5 061	1 948	2 269
All other countries[4]	58 784	61 280	17 169	17 286
Total countries	**107 954**	**110 899**	**32 216**	**33 675**
Non-current assets not listed by country[3]	–	–	1 838	1 449
Total non-current assets	**–**	**–**	**34 054**	**35 124**

1 Geographical information related to sales and non-current assets is disclosed for Sweden (which is Securitas' country of domicile) and for all individual countries where the sales or non-current assets exceed 10 percent of the total amount for the Group.
2 Based on the location of sales offices and corresponds in all material aspects to the geographical location of the clients.
3 Financial instruments, deferred tax assets and post-employment benefit assets are not specified by country. These are instead reported on the line Non-current assets not listed by country.
4 Including elimination of intra-group sales.

Note 11
Operating income

Statement of income

The table below illustrates the statement of income in summary classified according to type of cost.

MSEK	2020	2019
Total sales	**107 954**	**110 899**
Other operating income	39	34
Salaries (note 12)	-69 025	-70 879
Social benefits (note 12)	-15 136	-15 148
Depreciation and amortization (notes 13, 19, 20, 21, 22)	-2 976	-2 961
Bad debt losses (note 27)	-516	-159
Other operating expenses	-16 511	-16 590
Total operating expenses	**-104 164**	**-105 737**
Operating income	**3 829**	**5 196**

Exchange rate differences

Exchange rate differences included in operating income amounted to MSEK -4 (-9).

Exchange rate differences included in net financial items are specified in note 15.

Government grants

Government grants are accounted for as cost reductions in operating result. Government grants only include support that qualify as government grants according to IAS 20. Other support measures are thus not included in the table for government grants below.

Securitas have also, like other companies, benefitted from government assistance terms of deferred payment schemes under which payments for items such as payroll taxes, value added taxes and similar items have been deferred in time. These deferred payments have not impacted the statement of income. As of December 31, 2020, the remaining largest deferral relates to payroll taxes in the US amounting to approximately MSEK 1 400, payable over 2021 and 2022. Deferred payments for payroll taxes and value added tax in Europe amounted to approximately MSEK 100. Other deferred payments from the beginning of the year had largely been settled in cash at the end of 2020.

Government grants in 2020 were mainly related to salaries paid for partial unemployment, while government grants in 2019 were mainly related to training and education. Securitas has also received government grants related to for example incentives for hiring new staff and compensation for sickness costs.

Securitas estimate of how much of the government grants that are related to or have been triggered as a result of the corona pandemic is approximately MSEK 640 (n/a). These government grants are mainly related to salaries paid for partial unemployment.

The grants recognized in the statement of income are based on Securitas assessment of having fulfilled all conditions pertaining to the particular grant. If there are conditions for which there is uncertainty relating to the fulfilment of any condition at the time of preparing the Annual Report, these have been deferred until the assessment is that all conditions have been fulfilled. Deferred grants amount to MSEK 42 (0).

The table below specifies how government grants have been accounted for in the statement of income.

Government grants allocated per function

MSEK	2020	2019
Reduction of production expenses	721	138
Reduction of selling and administrative expenses	59	25
Total government grants allocated per function	**780**	**163**

Acquisition related costs

The tables below specify what acquisition related costs are related to and how they would have been classified per function in the statement of income if the items had not been disclosed separately on the face of the statement of income. The tables also specify how the acquisition related costs are split by segment. There is also a specification of the cash flow impact from acquisition related costs.

Acquisition related costs

MSEK	2020	2019
Restructuring and integration costs	-92	-18
Transaction costs	-40	-24
Revaluation of deferred considerations	-5	65
Step acquisitions	–	-85
Total acquisition related costs	**-137**	**-62**

Acquisition related costs allocated per function

MSEK	2020	2019
Production expenses	-18	-5
Selling and administrative expenses[1]	-119	-57
Total acquisition related costs allocated per function	**-137**	**-62**

1 All transaction costs and revaluation of deferred considerations would have been classified as selling and administrative expenses in the statement of income if they had not been disclosed separately on the face of the statement of income.

Acquisition related costs allocated per segment

MSEK	2020	2019
Security Services North America	-37	-99
Security Services Europe	-25	43
Security Services Ibero-America	-55	-1
Other	-20	-5
Total acquisition related costs allocated per segment	**-137**	**-62**

Cash flow impact from acquisition related costs

MSEK	2020	2019
Acquisition related costs according to the statement of income	-137	-62
Cash flow	-119	-80
Adjustment for effect on cash flow from acquisition related costs	**18**	**-18**

Items affecting comparability

Items affecting comparability consists of three major parts. The first part is related to three major transformation programs for the further digitization of the company. One program is related to the global IS/IT foundation throughout the Group, while another program is driving business transformation of Security Services North America. The third program is the newly announced transformation program in Security Services Europe and Security Services Ibero-America. Costs for the programs relate primarily to the impairment of assets, organizational restructuring charges and other non-recurring items.

The second part is the cost savings program in the Group that was communicated in the second half of 2020. This program will address the profitability in parts of our business due to the corona pandemic. Costs for this program relate primarily to organizational restructuring charges and other non-recurring items.

The third part is the cost savings program in Security Services Europe that was executed in the second half of 2018. This program mainly relates to organizational restructuring charges with the bulk relating to staff-related items. During 2019 and 2020 no additional costs have been recognized in the statement of income, but the program has impacted cash flow both years.

Items affecting comparability

MSEK	2020	2019
Transformation programs, Group	-351	-209
Cost savings program, Group	-289	–
Total items affecting comparability	**-640**	**-209**

Items affecting comparability allocated per function

MSEK	2020	2019
Production expenses	-74	–
Selling and administrative expenses	-566	-209
Total items affecting comparability allocated per function	**-640**	**-209**

Items affecting comparability allocated per segment

MSEK	2020	2019
Security Services North America	-141	-119
Security Services Europe	-318	-54
Security Services Ibero-America	-36	-3
Other	-145	-33
Total items affecting comparability allocated per segment	**-640**	**-209**

Cash flow impact from items affecting comparability

MSEK	2020	2019
Transformation programs, Group	-251	-171
Cost savings program, Group	-111	–
Cost savings program, Security Services Europe	-43	-132
Cash flow from items affecting comparability	**-405**	**-303**
Items affecting comparability according to the statement of income as per the table above	-640	-209
Adjustment for effect on cash flow from items affecting comparability	**235**	**-94**

Audit fees and reimbursements

The table below specifies what audit fees and reimbursements are related to.

MSEK	2020	2019
PwC		
Audit assignments[1]	57	59
Additional audit assignments[1]	2	3
Tax assignments[1]	17	16
Other assignments[1]	12	13
Total PwC	**88**	**91**
Other auditors		
Audit assignments	4	4
Total	**92**	**95**

1 Audit assignments amounts to MSEK 57 whereof MSEK 11 to PwC Sweden. Additional audit assignments amounts to MSEK 2 whereof MSEK 1 to PwC Sweden. Tax assignments amounts to MSEK 17 whereof MSEK 4 to PwC Sweden. Other assignments amounts to MSEK 12 whereof MSEK 1 to PwC Sweden.

Additional audit assignments mainly comprise review of the interim report for the second quarter. Tax assignments mainly comprise tax return compliance, transfer pricing and questions related to tax legislation compliance. Other services mainly comprise services related to acquisitions, special IT audits and review of pension plans.

Note 12
Personnel

Average number of yearly employees: Distribution between women and men[1]

	Women		Men		Total	
	2020	2019	2020	2019	2020	2019
Security Services North America	32 986	33 763	74 691	76 064	107 677	109 827
Security Services Europe	20 065	21 192	85 450	89 324	105 515	110 516
Security Services Ibero-America	9 027	9 419	52 337	53 641	61 364	63 060
Other	3 225	3 176	15 096	15 476	18 321	18 652
Total	**65 303**	**67 550**	**227 574**	**234 505**	**292 877**	**302 055**

In 2020, the number of Board members and Presidents was 101 (102), of whom 11 (10) were women.

Staff costs for Board of Directors and Presidents

	2020			2019			Of which bonuses	
MSEK	Salaries	Social benefits	(of which pensions)	Salaries	Social benefits	(of which pensions)	2020	2019
Security Services North America	192	40	(23)	165	38	(20)	109	69
Security Services Europe	120	45	(16)	103	35	(12)	31	28
Security Services Ibero-America	42	4	(0)	48	4	(0)	17	13
Other	87	33	(14)	100	28	(8)	9	23
Total	**441**	**122**	**(53)**	**416**	**105**	**(40)**	**166**	**133**

Note 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58 59 60

Staff costs for other employees

	2020			2019		
MSEK	Salaries	Social benefits	(of which pensions)	Salaries	Social benefits	(of which pensions)
Security Services North America	32 337	5 803	(472)	32 838	5 515	(482)
Security Services Europe	26 763	7 093	(843)	27 724	7 374	(866)
Security Services Ibero-America	7 817	1 880	(38)	8 302	1 949	(44)
Other	1 667	238	(84)	1 599	205	(76)
Total	**68 584**	**15 014**	**(1 437)**	**70 463**	**15 043**	**(1 468)**

Total staff costs: Board of Directors, Presidents and other employees

	2020			2019		
MSEK	Salaries	Social benefits	(of which pensions)	Salaries	Social benefits	(of which pensions)
Security Services North America	32 529	5 843	(495)	33 003	5 553	(502)
Security Services Europe	26 883	7 138	(859)	27 827	7 409	(878)
Security Services Ibero-America	7 859	1 884	(38)	8 350	1 953	(44)
Other	1 754	271	(98)	1 699	233	(84)
Total	**69 025**	**15 136**	**(1 490)**	**70 879**	**15 148**	**(1 508)**

1 Average number of yearly employees exclude employees in associated companies. A complete specification of the average number of yearly employees by country can be obtained from the Parent Company. Further information regarding the Group's pensions and other long-term employee benefits is provided in note 33.

Securitas short-term share-based incentive scheme

Securitas' Annual General Meeting May 7, 2020 resolved on a share and cash bonus scheme, a similar incentive scheme that the Annual General Meeting 2019 resolved on. The participants in the scheme have a variable remuneration based on performance. Two thirds of the variable remuneration/bonus will, according to the incentive scheme, be settled in cash the year after the performance year, while shares will be purchased for the remaining one third. The bonus criteria is based on individual performance and/or the performance for the part of the Group that the individual is responsible for. For Securitas there are no other material costs than the allotted bonus and related social benefits.

The share purchase in Securitas will be handled by trading on the Nasdaq Stockholm exchange through a swap agreement. Shares are purchased corresponding to one third of the total achieved bonus amount. The purchased shares will be allotted to the participants in March, two years following the performance year, given that they are still employed by the Group, except where an employee has left his/her employment due to retirement, death or long-term disability, in which case the employee shall have a continued right to receive bonus shares. Securitas will not issue any new shares or similar due to this incentive scheme. The purpose is to replace cash bonus with shares in Securitas AB and thus increase the employees' ownership in Securitas.

The incentive scheme includes 1 330 participants (1 175) that are entitled to receive the share part according to the scheme. The total share-based remuneration for these participants amounts to MSEK 170 (121) and is accounted for as a share-based remuneration in equity. The shares have been hedged in March 2021, through a swap agreement, based on the current market price at the time. The number of shares that have been hedged amounts to a total of 1 177 044 (847 035) at a value of MSEK 159 (110). The number of hedged shares will be reduced to take account of taxation and leavers and the remaining shares will be allotted to the participants during the first quarter 2022.

Securitas long-term share-based incentive scheme

Securitas' Annual General Meeting May 7, 2020 resolved on a new share-based bonus scheme, LTI 2020/2022 similar to the LTI 2019/2021 that the Annual General Meeting 2019 resolved on. Both schemes are intended for the CEO, other members of Group Management and certain key employees, approximately up to 80 participants. For the qualifying participants the schemes are intended to be an alternative to the short-term share-based incentive scheme described above. The new schemes are based on different principles than the existing and previous short-term share-based incentive schemes and participants in the new long-term schemes will not be entitled to participate in the short-term share-based incentive scheme. In order to participate in the schemes, which runs over the period 2020 to 2022 and 2019 to 2021 respectively, participants will have to invest in Securitas series B shares at market price or nominate already vested or currently vesting shares under the short-term incentive schemes. For every share purchased or invested the company will grant so called performance awards free of charge as per below for each of the schemes:

- Category 1 (CEO): maximum five performance awards per each invested share.
- Category 2 (Group Management): maximum four performance awards per each invested share.
- Category 3 (other participants): maximum three performance awards per each invested share.

The performance condition is the same for both LTI 2020/2022 and LTI 2019/2021 and is linked to the development of real change in earnings per share (if applicable excluding items affecting comparability) and the outcome is calculated yearly, whereby one third is measured against the outcome of the first year (2020 and 2019 respectively), one third against the second year (2021 and 2020 respectively) and one third against the third year (2022 and 2021 respectively). The award of shares is in addition to the fulfilment of performance conditions contingent on the employment as per the vesting day in February 2023 and 2022 respectively and that the invested shares are kept during the whole vesting period. The number of shares awarded will also include compensation for dividend during the vesting period by increasing the number of shares awarded.

The cost for the service rendered under the long-term incentive program is spread over the vesting period and is based on a fair value on the grant date for Securitas series B share of SEK 118.70 per share for LTI 2020/2021 and SEK 161.40 per share for LTI 2019/2021. Due to the financial development of the Group no performance awards were earned in 2020 under either LTI 2020/2022 or LTI 2019/2021. The outcome for 2019 gave a potential total of 15 653 shares that would be allotted to the participants on vesting in 2022 (before any adjustment for leavers) which corresponded to a cost for Securitas of MSEK 2. During 2020 leavers have reduced the potential total by 1 035 shares to 14 618 shares. The cumulative cost for LTI 2019/2021 still amounts to MSEK 2 (rounded) while the cumulative cost for LTI 2020/2022 is MSEK 0. For Securitas, there are no other material costs than the allotted bonus and related social benefits.

The share purchase in Securitas may be handled by a swap agreement with a third party. Any share-swap agreement will be separate from those entered into for the short-term share-based incentive scheme.

Costs for share-based incentive schemes: Presidents and other employees

MSEK	2020	2019
Bonus costs for incentive schemes	170	123
Social benefits for incentive schemes	17	18
Total	**187**	**141**

Note 13
Depreciation and amortization

MSEK	2020	2019
Software licenses	225	214
Other intangible assets	188	157
Right-of-use assets	1 064	1 025
Buildings	13	15
Machinery and equipment	1 200	1 279
Total depreciation and amortization	**2 690**	**2 690**

Depreciation and amortization for the year is distributed in the statement of income as below

MSEK	2020	2019
Amortization of intangible assets		
Production expenses	126	108
Selling and administrative expenses	287	263
Total amortization of intangible assets	**413**	**371**
Depreciation of right-of-use assets		
Production expenses	593	575
Selling and administrative expenses	471	450
Total depreciation of right-of-use assets	**1 064**	**1 025**
Depreciation of tangible non-current assets		
Production expenses	892	981
Selling and administrative expenses	321	313
Total depreciation of tangible non-current assets	**1 213**	**1 294**
Total depreciation and amortization	**2 690**	**2 690**

Note 14
Remeasurement for hyperinflation

The impact on the consolidated statement of income from IAS 29 Financial reporting in Hyperinflationary economies, as described in note 2, is illustrated below. The index used by Securitas for the remeasurement of the financial statements is the consumer price index with base period January 2003.

Exchange rates and index

	2020	2019
Exchange rate SEK/ARS	0.10	0.16
Index	23.35	17.15

Net monetary gain recognized in the consolidated statement of income

MSEK	2020	2019
Financial income and expenses	14	25
Total net monetary gain	**14**	**25**

Note 15
Net financial items

MSEK	2020	2019
Interest income from financial assets at fair value through profit or loss	6	13
Interest income from loans and receivables	25	28
Total interest income	**31**	**41**
Net monetary gain on remeasurement for hyperinflation	14	25
Revaluation of financial instruments	1	-
Other financial income	-	1
Exchange rate differences, net[1]	22	-
Total financial income	**68**	**67**
Interest expenses from financial liabilities at fair value through profit or loss	-50	-84
Interest expenses from financial liabilities designated as hedged item in a fair value hedge	-81	-82
Interest expenses from derivatives designated for hedging	-11	-9
Interest expenses from lease liabilities	-139	-158
Interest expenses from other financial liabilities at amortized cost	-261	-284
Total interest expenses	**-542**	**-617**
Revaluation of financial instruments	-	-1
Other financial expenses	-26	-26
Exchange rate differences, net[1]	-	-1
Total financial expenses	**-568**	**-645**
Net financial items	**-500**	**-578**

1 Exchange rate differences included in operating income are reported in note 11.

Note 16
Taxes

Statement of income

Tax expense

MSEK	2020	%	2019	%
Tax on income before taxes				
Current taxes	-1 048	*-31.5*	-1 200	*-26.0*
Deferred taxes	135	*4.1*	-56	*-1.2*
Total tax expense	**-913**	***-27.4***	**-1 256**	***-27.2***

The Swedish corporate tax rate was 21.4 percent (21.4). The Group's tax rate was 27.4 percent (27.2). The tax rate adjusted for tax on items affecting comparability was 26.4 percent (27.2).

Difference between statutory Swedish tax rate and actual tax expense for the Group

MSEK	2020	%	2019	%
Income before taxes according to the statement of income	**3 329**		**4 618**	
Tax based on Swedish tax rate	-713	*-21.4*	-988	*-21.4*
Difference between tax rate in Sweden and weighted tax rates for foreign subsidiaries	-92	*-2.8*	-240	*-5.2*
Tax related to previous years	-122	*-3.7*	1	*0.0*
Recognition of previously unvalued tax losses	85	*2.6*	50	*1.1*
Revaluation of deferred tax following a change in tax rate	-23	*-0.7*	-1	*0.0*
Other non-deductible items	-96	*-2.9*	-97	*-2.1*
Other tax exempt items	48	*1.5*	19	*0.4*
Actual tax expense	**-913**	***-27.4***	**-1 256**	***-27.2***

Tax expense that may arise from dividends out of the distributable earnings have not been provided for. If distributed the tax expense arising would amount to MSEK 30 (16).

Note 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58 59 60

Changes in deferred taxes between 2019 and 2020 are mainly explained by tax losses, provisions for restructuring costs and revaluations of financial instruments. There are no unrecognized temporary differences related to subsidiaries or associated companies.

Other comprehensive income

Tax on other comprehensive income

MSEK	2020	2019
Deferred tax on remeasurements of defined benefit pension plans	19	-11
Deferred tax on cash flow hedges	6	-9
Deferred tax on cost of hedging	-10	-4
Deferred tax on net investment hedges	-144	94
Deferred tax on other comprehensive income	**-129**	**70**

Balance sheet

Current tax assets/liabilities

MSEK	2020	2019
Current tax assets	485	922
Current tax liabilities	1 287	1 621
Current tax assets/liabilities, net	**-802**	**-699**

Deferred tax assets were attributable to

MSEK	2020	2019
Pension provisions and employee-related liabilities	635	602
Lease liabilities	859	896
Tax loss carryforwards	183	108
Acquisition related intangible assets	32	50
Machinery and equipment	139	129
Other temporary differences	431	351
Total deferred tax assets	**2 279**	**2 136**
Whereof deferred tax assets expected to be used within 12 months	*1 002*	*829*
Net accounting[1]	-1 199	-1 218
Total deferred tax assets according to the balance sheet	**1 080**	**918**

Deferred tax liabilities were attributable to

MSEK	2020	2019
Pension provisions and employee-related liabilities	47	57
Acquisition related intangible assets	471	464
Right-of-use assets	833	877
Machinery and equipment	43	48
Other temporary differences	479	396
Total deferred tax liabilities	**1 873**	**1 842**
Whereof deferred tax liabilities expected to be used within 12 months	*242*	*248*
Net accounting[1]	-1 199	-1 218
Total deferred tax liabilities according to the balance sheet	**674**	**624**
Deferred tax assets/liabilities, net	**406**	**294**

1 Deferred tax assets and liabilities are reported in the balance sheet partly on a net basis after considering the set-off possibilities.

Deferred tax assets change analysis

MSEK	2020	2019
Opening balance deferred tax assets	2 136	1 267
Change due to:		
Deferred tax recognized in the statement of income	327	870
Changed tax rate	-29	-8
Acquisitions	10	1
Recognized in other comprehensive income	4	–
Translation differences	-169	6
Closing balance deferred tax assets	**2 279**	**2 136**
Change during the year	**143**	**869**

Deferred tax liabilities change analysis

MSEK	2020	2019
Opening balance deferred tax liabilities	1 842	877
Change due to:		
Deferred tax recognized in the statement of income	-14	898
Changed tax rate	-6	-7
Acquisitions	66	51
Translation differences	-15	23
Closing balance deferred tax liabilities	**1 873**	**1 842**
Change during the year	**31**	**965**

Deferred tax assets change analysis per category in 2020

MSEK	Opening balance	Deferred tax recognized in the statement of income	Changed tax rate	Acquisitions	Recognized in other comprehensive income	Translation differences	Closing balance
Pension provisions and employee-related liabilities	602	89	-23	7	4	-44	635
Lease liabilities	896	-37	–	–	–	–	859
Tax loss carryforwards	108	88	–	2	–	-15	183
Acquisition related intangible assets	50	-24	-2	–	–	8	32
Machinery and equipment	129	18	–	–	–	-8	139
Other temporary differences	351	193	-4	1	–	-110	431
Total deferred tax assets	**2 136**						**2 279**
Change during the year		**327**	**-29**	**10**	**4**	**-169**	**143**

Deferred tax liabilities change analysis per category in 2020

MSEK	Opening balance	Deferred tax recognized in the statement of income	Changed tax rate	Acquisitions	Translation differences	Closing balance
Pension provisions and employee-related liabilities	57	-5	–	–	-5	47
Acquisition related intangible assets	464	-23	-4	63	-29	471
Right-of-use assets	877	-44	–	–	–	833
Machinery and equipment	48	-2	-2	–	-1	43
Other temporary differences	396	60	–	3	20	479
Total deferred tax liabilities	**1 842**					**1 873**
Change during the year		**-14**	**-6**	**66**	**-15**	**31**

Tax loss carryforwards

Tax loss carryforwards relate primarily to subsidiaries in Argentina, Germany and Ireland. The Group´s total tax loss carryforwards on December 31, 2020 amounted to MSEK 1 310 (1 183). These tax loss carryforwards expire as follows:

Tax loss carryforwards

2021	17
2022	6
2023	7
2024-	395
Unlimited duration	885
Total tax loss carryforwards	**1 310**

Deferred tax assets related to tax losses are accounted for when it is probable that they can be utilized by future profits. As of December 31, 2020, tax loss carryforwards for which deferred tax assets had been recognized amounted to MSEK 807 (382) and deferred tax assets related to the tax losses amounted to MSEK 183 (108). Tax losses can be used to reduce future taxable income and tax payments.

Note 17
Acquisitions and divestitures of subsidiaries

Acquisition calculations are subject to final adjustment up to one year after the date of acquisition. For further information refer to note 4.

MSEK	Purchase price paid/received[6]	Acquired/divested net debt	Enterprise value	Goodwill	Acquisition related intangible assets	Operating capital employed	Total capital employed	Shareholders' equity	Total
Techco Security, Spain and Portugal[3]	-186	44	-142	118	34	-10	142	–	142
Fredon Security, Australia[3]	-173	2	-171	152	66	-47	171	–	171
STANLEY Security, Germany, Portugal, Switzerland, Singapore and India	-586	63	-523	367	133	23	523	–	523
FE Moran Security Solutions, the US	-666	1	-665	657	–	8	665	–	665
Other acquisitions and divestitures[1,3]	-6	-12	-18	-36	11	-24	-49	67[4]	18
Adjustments[2,3]	-163	–	-163	27	–	131	158	5[5]	163
Total acquisitions and divestitures	**-1 780**	**98**	**-1 682**	**1 285**	**244**	**81**	**1 610**	**72**	**1 682**
Liquid funds according to acquisition/divestiture analyses	98								
Total effect on Group's liquid funds	**-1 682**								

1 Related to other acquisitions and divestitures for the period: SCI Proteccion Contra Incendios, Spain, Blueprint (contract portfolio), Australia and divestitures of Securitas Greece, Securitas Montenegro, Securitas Latvia, Securitas Sri Lanka and Securitas Egypt.

2 Related to updated previous year acquisition calculations for the following entities: Global Elite Group, Iverify (step acquisition), the US, Cezzam, France, DAK, Turkey and Staysafe, Australia. Also relates to deferred considerations paid in the US, Sweden, France, Germany, Austria, the UK, Turkey, Portugal, Hong Kong, China and Australia.

3 Deferred considerations have been recognized mainly based on an assessment of the future profitability development in the acquired entities for an agreed period. The net of new deferred considerations, payments made from previously recognized deferred considerations and revaluation of deferred considerations was MSEK -76. Total deferred considerations, short-term and long-term, in the Group's balance sheet amount to MSEK 295.

4 Related to capital losses of MSEK 80 and MSEK -13 recycling of accumulated translation differences to net income upon divestiture.

5 Related to revaluation of deferred consideration of MSEK 5 over income statement.

6 No equity instruments have been issued in connection with the acquisitions.

Note 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58 59 60

The following definitions are used in the tables below

Full year sales: What the contribution to total sales would have been if the acquisition had been consolidated from January 1, 2020.

Contribution to total sales: What the acquisition has contributed to total sales for the year.

Full year net income: What the contribution to net income would have been if the acquisition had been consolidated from January 1, 2020.

Contribution to net income: What the acquisition has contributed to net income for the year.

Acquisition of the business in Techco Security, Spain and Portugal

Securitas reinforces its leadership position within the electronic security market in Spain through the acquisition of Techco Security, a leading electronic security company. Techco Security offers a comprehensive range of integrated security services including installation, maintenance and remote guarding services as well as access control, electronic alarm surveillance and fire protection, and supports clients through two operations centers in Madrid and Barcelona. The company has approximately 520 employees with a strong footprint across Spain and Portugal. The acquisition was closed and consolidated into Securitas as of January 8, 2020. Goodwill, which amounts to MSEK 118 is mainly related to operational expansion. The acquisition is included in the segment Security Services Ibero-America.

Summary balance sheet as of acquisition date January 8, 2020

MSEK	Fair value acquisition balance
Operating non-current assets	19
Accounts receivable	108
Other assets	69
Other liabilities	-174
Deferred considerations[1]	-32
Total operating capital employed	**-10**
Goodwill from the acquisition	118
Acquisition related intangible assets	34
Total capital employed	**142**
Net debt	44
Total acquired net assets	**186**
Purchase price paid	-186
Liquid funds in accordance with acquisition analysis	44
Total impact on the Group's liquid funds	**-142**

1 The recognized deferred consideration is the maximum amount of the final outcome of the payment.

Other disclosures Techco Security, Spain and Portugal

Acquired share, %	100
Full year sales, MSEK[1]	520
Contribution to total sales, MSEK	467
Full year net income, MSEK	-24
Contribution to net income, MSEK	-24
Provision for bad debt included in accounts receivable, MSEK	-15
Transaction costs, MSEK	5

1 As per pressrelease estimate.

Acquisition of the business in Fredon Security, Australia

Securitas has acquired Fredon Security, founded in 2012 as a division within Fredon Group, an Australian engineering and building services company. Fredon Security is specialized in high-end electronic security solutions including system design, engineering, installation, commissioning and maintenance. The company has approximately 110 employees with a strong footprint across Australia's key geographical markets; Melbourne, Canberra, Brisbane, Perth and Sydney, where it is headquartered. Through strong organic growth the company has established a robust market position in the technology, commercial and government client segments. The acquisition was consolidated into Securitas as of January 9, 2020. Goodwill, which amounts to MSEK 152 is mainly related to operational expansion. The acquisition is included in the segment Other.

Summary balance sheet as of acquisition date January 9, 2020

MSEK	Fair value acquisition balance
Operating non-current assets	5
Accounts receivable	64
Other assets	4
Other liabilities	-76
Contingent considerations[1]	-44
Total operating capital employed	**-47**
Goodwill from the acquisition	152
Acquisition related intangible assets	66
Total capital employed	**171**
Net debt	2
Total acquired net assets	**173**
Purchase price paid	-173
Liquid funds in accordance with acquisition analysis	2
Total impact on the Group's liquid funds	**-171**

1 Contingent consideration has been recognized mainly based on assessment of the profitability development of an agreed period. The recognized amount is the maximum amount of the final outcome of the payment.

Other disclosures Fredon Security, Australia

Acquired share, %	100
Full year sales, MSEK[1]	240
Contribution to total sales, MSEK	355
Full year net income, MSEK	15
Contribution to net income, MSEK	15
Provision for bad debt included in accounts receivable, MSEK	-1
Transaction costs, MSEK	4

1 As per pressrelease estimate.

Acquisition of the business in STANLEY, Germany, Portugal, Switzerland, Singapore and India

Securitas has acquired STANLEY Security's electronic security businesses in Germany, Portugal, Switzerland, Singapore and India. The acquired entities provide an integrated electronic security offering to their clients – from design to installation and from maintenance to alarm monitoring – based on a complete portfolio of advanced security solutions such as access control, intrusion, video, fire and integrated systems. The business has approximately 580 employees operating in five countries through 20 branch offices out of which 11 are located in Germany. The business also has two alarm monitoring centers, one in Germany and one in Portugal.

Sales of the in-scope business is mainly driven from installation sales, recurring monthly revenue and maintenance services. The acquisition related costs are expected to be MSEK 60, some was recognized in 2020 but mostly in 2021. The acquisition was closed on November 2, 2020, and was consolidated in Securitas as of the same date. Goodwill, which amounts to MSEK 367 is mainly related to operational expansion. The acquisition is included in the segments Security Services Europe, Security Services Ibero-America and Other.

Summary balance sheet as of acquisition date November 2, 2020

MSEK	Fair value acquisition balance
Operating non-current assets	24
Accounts receivable	80
Other assets	121
Other liabilities	-202
Total operating capital employed	**23**
Goodwill from the acquisition	367
Acquisition related intangible assets	133
Total capital employed	**523**
Net debt	63
Total acquired net assets	**586**
Purchase price paid	-586
Liquid funds in accordance with acquisition analysis	63
Total impact on the Group's liquid funds	**-523**

Other disclosures STANLEY, Germany, Portugal, Switzerland, Singapore and India

Acquired share, %	100
Full year sales, MSEK[1]	748
Contribution to total sales, MSEK	120
Full year net income, MSEK	10
Contribution to net income, MSEK	2
Provision for bad debt included in accounts receivable, MSEK	-25
Transaction costs, MSEK	22

1 As per pressrelease estimate.

Acquisition of the business in FE Moran Security Solutions, the US

Securitas has acquired FE Moran Security Solutions in the US. The acquisition increases Securitas' density and offerings in the United States' Midwest region.

Founded in 2003, FE Moran Security Solutions provides an integrated electronic security offering – from design to installation and from maintenance to alarm monitoring – and focuses on commercial clients in several Midwestern states across the US, as well as numerous marquee national account clients. Their portfolio includes electronic security services such as intrusion, video, fire and access control systems, as well as a UL-listed, TMA Five Diamond certified alarm monitoring center. Sales are driven from a sizeable recurring monthly revenue (RMR) base and installation sales.

FE Moran Security Solutions has become part of Securitas Electronic Security, Inc. (SES), and further strengthening Securitas' leadership in the commercial electronic security industry across North America. The two companies combined further provide a unique specialization in serving large multi-site enterprise-wide national and regional clients.

The acquisition related costs are expected to be MSEK 60, to be recognized mostly in 2021. The acquisition was consolidated in Securitas as of December 16, 2020. Goodwill, which amounts to MSEK 657 is mainly related to operational expansion. The acquisition is included in the segment Security Services North America.

Summary balance sheet as of acquisition date December 16, 2020

MSEK	Fair value acquisition balance
Operating non-current assets	2
Accounts receivable	50
Other assets	51
Other liabilities	-95
Total operating capital employed	**8**
Goodwill from the acquisition	657
Acquisition related intangible assets	-
Total capital employed	**665**
Net debt	1
Total acquired net assets	**666**
Purchase price paid	-666
Liquid funds in accordance with acquisition analysis	1
Total impact on the Group's liquid funds	**-665**

Other disclosures FE Moran Security solutions, the US

Acquired share, %	100
Full year sales, MSEK[1]	450
Contribution to total sales, MSEK	-
Full year net income, MSEK	11
Contribution to net income, MSEK	-
Provision for bad debt included in accounts receivable, MSEK	-1
Transaction costs, MSEK	7

1 As per pressrelease estimate.

Other acquisitions and divestitures

Summary balance sheet

MSEK	Fair value acquisition/ divestiture balance
Operating non-current assets	-7
Accounts receivable	-23
Other assets	-9
Other liabilities	18
Deferred considerations[1]	-3
Total operating capital employed	**-24**
Goodwill from acquisitions/divestitures[2]	-36
Acquisition related intangible assets[3]	11
Total capital employed	**-49**
Net debt	-12
Total acquired/divested net assets[4]	**-61**
Purchase price paid/received[4]	-6
Liquid funds in accordance with acquisition/divestiture analyses	-12
Total impact on the Group's liquid funds	**-18**

1 Deferred considerations for acquisitions made during 2020 have been recognized mainly based on assessment of the future profitability development for an agreed period. The recognized amount is Securitas' best estimate of the final outcome. Thus, no estimate of the range of outcomes has been calculated. Deferred consideration is linked to the future development of profitability in the acquired companies and the final outcome of the payment may consequently exceed the estimated amount.
2 Related to acquisitions of SCI Proteccion Contra Incendios, Spain and to divestitures of Securitas Greece, Securitas Latvia and Securitas Sri Lanka.
3 Related to acquisition of SCI Proteccion Contra Incendios, Spain and Blueprint (contract portfolio), Australia.
4 Purchase price paid/received differs from total acquired/divested net assets due to capital losses of MSEK 80 and MSEK -13 recycling of accumulated translation differences to net income upon divestiture.

Transaction costs amount to MSEK 2.

Adjustments and payments of deferred considerations

Summary balance sheet

MSEK	Fair value acquisition balance
Operating non-current assets	–
Accounts receivable	-5
Other assets	-7
Other liabilities	-11
Deferred considerations[1]	154
Total operating capital employed	**131**
Goodwill from the acquisitions[2]	27
Acquisition related intangible assets	–
Total capital employed	**158**
Net debt	-
Total acquired/divested net assets[3]	**158**
Purchase price paid/received[3]	-163
Liquid funds in accordance with acquisition analyses	–
Total impact on the Group's liquid funds	**-163**

1 Mainly related to payments and revaluation of deferred considerations for MSM Security Services, Global Elite Group, the US, Automatic Alarm, France, Allcooper, the UK, Sensormatic, Turkey, Johnson & Thomson, Hong Kong and Staysafe, Australia.
2 Mainly related to update of the acquisition calculation for Iverify, the US, Cezzam, France and DAK, Turkey.
3 Purchase price paid/received differs from total acquired/divested net assets due to revaluation of deferred consideration of MSEK 5.

Transaction costs amount to MSEK 0.

Note 18
Goodwill and impairment testing

MSEK	2020	2019
Opening balance	22 573	21 470
Acquisitions and divestitures	1 285	429
Derecognition of divested assets	-20	–
Translation differences and remeasurement for hyperinflation	-2 042	674
Closing accumulated balance	**21 796**	**22 573**
Opening impairment losses	-416	-409
Reversal of impairment on divested assets	20	–
Translation differences	14	-7
Closing accumulated impairment losses	**-382**	**-416**
Closing residual value	**21 414**	**22 157**

Goodwill allocated per segment

MSEK	2020	2019
Security Services North America	10 781	11 480
Security Services Europe	8 498	8 692
Security Services Ibero-America	1 451	1 477
Other	684	508
Total goodwill	**21 414**	**22 157**

Impairment testing

For the purpose of impairment testing, assets are grouped at the lowest levels for which there are separately identifiable cash flows (Cash Generating Unit), that is, per segment. The segment level corresponds to the lowest level where complete financial information that is reviewed and used for control is available. The adaption to the segment level came into effect during 2019 but was a result of the development over a longer period albeit triggered by the adoption of IFRS 16, where the implementation was on the segment level. The security industry has and is developing with global trends such as a critical infrastructure, digitalization, globalization and on the local level an urbanization and thus is no longer the local business it used to be. Global clients have other and enhanced demands in relation to co-ordination and follow up in relation to many different aspects of the service delivery. At the same time, the Group has carried out a transformation within global IS and IT with a centralization and standardization while a business transformation program has been ongoing in Security Services North America and now has also been initiated in Security Services Europe and Security Services Ibero-America. The Group has also made a review and decided to exit 11 countries, which also is a piece of our strategy execution. Taking the above development into consideration, there are no longer independent cash flows that relate to a country structure that are deemed relevant for measurement and review as they are integrated on the segment level.

Goodwill and intangible assets with indefinite useful life

Goodwill is tested on an annual basis for possible impairment. Securitas also carries out impairment testing for other intangible assets for which there is an indefinite useful life. Currently these assets are limited to MSEK 16 (16) and relates to the consideration paid for the brand Securitas in one of the Group's countries of operations. The annual impairment test of all Cash Generating Units (CGUs), which is required under IFRS, took place during the third quarter 2020 in conjunction with the business plan process for 2021. During this year's assessment a total number of 4 CGUs were tested for impairment of goodwill.

Valuation methodology and material assumptions

Value in use is measured as expected future discounted cash flows and is based upon a five year discounted cash flow model. The cash flows have been calculated based on financial plans developed in each segment. The financial plans are built upon the regular business plan for the next financial year which has been ascertained by Group Management and has been presented to the Board of Directors.

The calculation of the value in use is based on certain material assumptions and assessments. The most significant of these relate to the organic sales growth, the development of the operating margin, the change in operating capital employed, long-term growth rate as well as the relevant WACC (Weighted Average Cost of Capital) for the valuation, that is, WACC after tax used to discount the future cash flows. These assumptions and judgments are also based on financial plans developed in each business segment and are built upon the regular business plan for the next financial year which has been ascertained by Group Management and presented to the Board of Directors. In addition to this, the assumptions and judgments are based on each business segment growth and profitability level.

In terms of long-term growth rate a rate of 2 percent for guarding services in mature markets is at present regarded as being a reasonable estimate in view of the business areas' historical organic growth rate and also taking into consideration external estimates of the future. Freedonia for example, estimates that the market for guarding services in Europe and North America will grow at an average rate of some 3 percent per annum during the period 2015 to 2025. The market for integrated security solutions is estimated to grow faster than traditional guarding. In developing markets such as Eastern Europe, Latin America, Africa, the Middle East and Asia the growth rate for guarding services is estimated at 5 percent. Since the CGUs consist of countries from both mature and developing markets the long-term growth rate for the CGU has been calculated as the weighted average of the mature or developing markets share of the segment operating result. Assumptions relating to WACC are calculated individually for each country and weighted to an average for each CGU based on the countries share of the segment operating result.

The Group has during 2020 received government grants or has otherwise benefitted from government assistance of various kinds. Government grants are disclosed in note 11. In connection with the impairment testing, these government grants have been considered by being eliminated from the calculation of value in use.

The table below shows the assumptions and estimates that have formed the base for the impairment testing in summary and by segment.

	Estimated growth rate beyond forecasted period, %	*WACC, %*	*WACC before tax, %*
2020			
Security Services North America	*2.0*	*6.5*	*8.5*
Security Services Europe	*2.3*	*6.4*	*7.9*
Security Services Ibero-America	*2.7*	*12.3*	*15.9*
Other[1]	*3.4*	*11.1*	*13.7*
2019			
Security Services North America	*2.0*	*6.6*	*8.6*
Security Services Europe	*2.3*	*6.5*	*8.0*
Security Services Ibero-America	*2.8*	*10.3*	*13.2*
Other[1]	*4.0*	*10.1*	*12.3*

1 The operations in Africa, the Middle East, Asia and Australia are included in Other.

Impairment testing of goodwill and intangible assets with indefinite useful life

The 2020 impairment test showed that none of the CGUs tested for impairment had a carrying amount that exceeded the recoverable amount. Thus no impairment losses have been recognized in 2020. No impairment losses of goodwill or other acquisition related intangible assets were recognized in 2019 either.

Sensitivity analysis

The following sensitivity analyses have been made of the estimates of value in use in connection with impairment testing, assumption by assumption: general reduction of 1 percentage point in the organic sales growth rate during the forecasting period; general reduction of 0.5 percentage points in the operating margin; general increase of 0.5 percentage points in the WACC and general decrease of the estimated growth after the forecasted period by 0.5 percentage points. A sensitivity analysis for changes in the assumptions used in the impairment testing has been established for all CGUs.

For conducted sensitivity analyses, the conclusion is that none of the adjustments of assumptions stand alone would result in an impairment loss in any CGU.

Note 19
Acquisition related intangible assets[1]

MSEK	2020	2019
Opening balance	3 670	3 439
Acquisitions and divestitures	244	332
Reclassifications	44	-
Derecognition of fully amortized assets[2]	-98	-204
Translation differences and remeasurement for hyperinflation	-299	103
Closing accumulated balance	**3 561**	**3 670**
Opening amortization	-2 107	-1 981
Reversal of amortization on derecognized assets[2]	98	204
Amortization for the year	-286	-271
Translation differences and remeasurement for hyperinflation	158	-59
Closing accumulated amortization	**-2 137**	**-2 107**
Closing residual value	**1 424**	**1 563**

1 The balance consists mainly of contract portfolios and related client relations.
2 The Group derecognizes fully amortized acquisition related intangible assets if a reliable estimate of future cash flows cannot be established. The net impact of such derecognition on the closing residual value is nil.

Note 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58 59 60

Note 20
Other intangible assets

	Software licenses and similar assets		Other intangible assets[1]	
MSEK	2020	2019	2020	2019
Opening balance	2 837	2 394	1 167	931
Acquisitions and divestitures	94	1	-1	–
Capital expenditures	384	498	184	256
Disposals/write-offs	-443	-141	-158	-26
Reclassification	-16	30	36	-2
Translation differences and remeasurement for hyperinflation	-196	55	-23	8
Closing accumulated balance	**2 660**	**2 837**	**1 205**	**1 167**
Opening amortization	-1 708	-1 530	-483	-345
Acquisitions and divestitures	-93	0	0	–
Disposals/write-offs	366	108	115	19
Reclassification	27	-33	-32	5
Amortization for the year	-225	-214	-188	-157
Translation differences and remeasurement for hyperinflation	127	-39	17	-5
Closing accumulated amortization	**-1 506**	**-1 708**	**-571**	**-483**
Closing residual value	**1 154**	**1 129**	**634**	**684**

1 Mainly related to capitalized costs to obtain contracts. For further information refer to note 6.
Furthermore, the brand name Securitas in one of the Group's countries of operations is included with MSEK 16 (16).

Note 21
Right-of-use assets

MSEK	Buildings	Vehicles	Other right-of-use assets	Total right-of-use assets
2020				
Opening balance	2 779	670	40	3 489
New contracts	449	372	7	828
Terminated/changed lease contracts	323[1]	5	0	328
Depreciation	-635	-410	-19	-1 064
Translation differences	-211	-34	-2	-247
Closing balance	**2 705**	**603**	**26**	**3 334**

1 Mainly related to extensions of lease contracts and increase of lease payments for a few office lease contracts including country head office locations.

2019				
Right-of-use assets under IFRS 16 at January 1, 2019	2 965	644	46	3 655
New contracts	372	412	11	795
Terminated/changed lease contracts	-19	-7	0	-26
Depreciation	-613	-394	-18	-1 025
Translation differences	74	15	1	90
Closing balance	**2 779**	**670**	**40**	**3 489**

MSEK	2020	2019
Expenses for short-term lease contracts	261	296
Expenses for lease contracts of low value	9	15
Total cash flow for leases	-1 381	-1 285
Interest expense payments for lease liabilities	-139	-158

References to other notes

For further information regarding right-of-use assets, refer to:
Note 2 Accounting principles
Note 4 Critical estimates and judgments
Note 7 Financial risk management (maturity profile in table Liquidity report)
Note 13 Depreciation and amortization
Note 15 Net financial items
Note 16 Taxes

Note 22
Tangible non-current assets

	Buildings and land[1]		Machinery and equipment[2]	
MSEK	2020	2019	2020	2019
Opening balance	634	680	13 020	12 242
Acquisitions and divestitures	10	–	222	37
Capital expenditures	–	–	1 194	1 333
Disposals/write-offs	-24	-53	-681	-789
Reclassification	3	-2	-33	5
Translation differences and remeasurement for hyperinflation	-24	9	-748	192
Closing accumulated balance	**599**	**634**	**12 974**	**13 020**
Opening depreciation	-359	-362	-9 728	-9 007
Acquisitions and divestitures	-3	–	-190	-20
Disposals/write-offs	17	19	605	702
Reclassification	–	3	15	-1
Depreciation for the year	-13	-15	-1 200	-1 279
Translation differences and remeasurement for hyperinflation	13	-4	552	-123
Closing accumulated depreciation	**-345**	**-359**	**-9 946**	**-9 728**
Opening impairment losses	-21	-21	–	–
Translation differences	1	0	–	–
Closing accumulated impairment losses	**-20**	**-21**	**–**	**–**
Closing residual value	**234**	**254**	**3 028**	**3 292**

1 The closing residual value of land included in buildings and land above was MSEK 51 (57).
2 Machinery and equipment comprise vehicles, equipment, security equipment (including alarm systems) and IT and telecom equipment.

Note 23
Shares in associated companies[1]

MSEK	2020	2019
Opening balance	320	452
Share in income of associated companies	45	30
Dividend	-14	-14
New issue/contributions	–	14
Step acquisitions	–	-176
Translation differences	-40	14
Closing balance[2]	**311**	**320**

1 A complete specification of associated companies can be obtained from the Parent Company.
2 Of which goodwill MSEK 127 (143).

Financial information associated companies

Summarized financial information regarding the Group's associated companies is specified in the table below. The information is on 100 percent basis.

The Group's share of capital in associated companies amounts to 17–49 percent.

MSEK	2020	2019
Sales[1]	1 471	2 207
Net income[1]	99	30
Assets	588	602
Liabilities	217	248

1 The previous associated company Iverify is included 2019, it was acquired in a step acquistion during 2019.

Note 24
Interest-bearing financial non-current assets[1]

MSEK	2020	2019
Derivatives with positive fair value, long-term		
Derivatives in fair value hedges[2]	97	162
Derivatives in cash flow hedges[2]	235	356
Derivatives in net investment hedges[2]	6	-278
Other derivatives[3]	14	-27
Total derivatives with positive fair value, long-term	**352**	**213**
Other items[4]	334	224
Total interest-bearing financial non-current assets	**686**	**437**

1 Further information regarding financial instruments is provided in note 7.
2 Related to derivatives designated for hedging. The EUR/USD cross currency interest rate swaps are bifurcated for hedging purposes. The EUR/SEK element, amounting to MSEK 235 (356), is accounted for under cash flow hedge accounting. The SEK/USD element, amounting to MSEK 6 (-278), is accounted for under net investment hedge accounting.
3 Cross currency interest rate swaps are split into different components, of which some elements are negative when the overall fair value is positive.
4 Related to loans and receivables.

Note 25
Other long-term receivables

MSEK	2020	2019
Pension balances, defined contribution plans[1]	144	124
Pension balances, defined benefit plans[2]	71	95
Reimbursement rights[3]	176	181
Other long-term receivables	364	481
Total other long-term receivables	**755**	**881**

1 Refers to assets relating to insured pension plans excluding social benefits.
2 Refers to assets related to pensions and other long-term employee benefit plans. Further information is provided in note 33.
3 Refers to assets relating to defined benefit pension plans where compensation is received from another party.

Note
1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58 59 60

Note 26
Inventories

MSEK	2020	2019
Material and consumables	379	470
Advance payments to suppliers	16	38
Total inventories	**395**	**508**

Note 27
Accounts receivable

MSEK	2020	%	2019	%
Accounts receivable before deduction of provisions for bad debt losses	15 567	*100*	16 699	*100*
Provisions for bad debt losses	-872	*-6*	-579	*-3*
Total accounts receivable	**14 695**	***94***	**16 120**	***97***
Opening balance provision for bad debt losses	-579		-508	
Provision for expected losses	-637		-268	
Reversed provisions	121		109	
Actual losses	175		131	
Acquisitions and divestitures	-29		-15	
Translation differences	77		-28	
Closing balance provision for bad debt losses[1]	**-872**		**-579**	

1 Expenses for bad debt losses amounted to MSEK 516 (159).

Ageing of accounts receivable before deduction of provision for bad debt losses

MSEK	2020	%	2019	%
Overdue 1–30 days	2 869	*18*	3 282	*20*
Overdue 31–60 days	965	*6*	1 013	*6*
Overdue 61–90 days	492	*3*	436	*3*
Overdue 91–180 days	405	*3*	366	*2*
Overdue 181–365 days	238	*2*	162	*1*
Overdue >365 days	377	*2*	383	*2*
Total overdue	**5 346**	***34***	**5 642**	***34***

Specification of provision for bad debt as of December 31, 2020 and 2019

MSEK	Expected loss rate, %	Accounts receivable before deduction of provisions for bad debt losses	Provision for bad debt losses
December 31, 2020			
Current	0.25%	10 221	26
Up to 30 days past due	0.25%	2 869	7
More than 30 days past due	5.0%	965	48
More than 60 days past due	15.0%	492	74
More than 90 days past due	40.0%	405	162
More than 180 days past due	75.0%	238	178
More than 365 days past due	100.0%	377	377
Total		**15 567**	**872**
December 31, 2019			
Current	0.14%	11 057	16
Up to 30 days past due	0.14%	3 282	4
More than 30 days past due	2.5%	1 013	25
More than 60 days past due	4.0%	436	18
More than 90 days past due	8.5%	366	31
More than 180 days past due	63.0%	162	102
More than 365 days past due	100.0%	383	383
Total		**16 699**	**579**

Note 28
Other current receivables

MSEK	2020	2019
Accrued sales income	2 837	3 424
Prepaid expenses	1 149	1 233
Other accrued income	42	38
Insurance-related receivables	16	16
Value added tax	226	267
Other items	364	456
Total other current receivables	**4 634**	**5 434**

Note 29
Other interest-bearing current assets[1]

MSEK	2020	2019
Derivatives with positive fair value, short-term		
Derivatives in fair value hedges[2]	10	–
Other derivatives[3]	20	13
Total derivatives with positive fair value, short-term	**30**	**13**
Other interest-bearing current assets	114	121
Total other interest-bearing current assets	**144**	**134**

1 Further information regarding financial instruments is provided in note 7.
2 Related to derivatives designated for hedging.
3 Related to financial assets at fair value through profit or loss.

Note 30
Liquid funds[1]

MSEK	2020	2019
Short-term investments[2]	2 606	2 078
Cash and bank deposits[3]	2 114	1 870
Total liquid funds	**4 720**	**3 948**

1 Liquid funds include short-term investments with a maximum duration of 90 days that are readily convertible to a known amount of cash and subject to an insignificant risk of change in value. Liquid funds also include cash and bank deposits.
2 Short-term investments refer to fixed interest rate bank deposits.
3 The net position in Group country cash-pool accounts is reported as cash and bank deposits where netting reflects the legal structure of the arrangement.

Note 31
Shareholders' equity

Number of shares and share capital December 31, 2020

	Number of shares	Share capital, MSEK
Series A	17 142 600	17
Series B	347 916 297	348
Number of shares/total share capital	**365 058 897**	**365**
Less: Treasury shares	-125 000	–
Number of shares outstanding[1]	**364 933 897**	**–**

1 The quota value is SEK 1.00 per share.

The number of Series A shares is unchanged in relation to December 31, 2019. As of December 31, 2020 there were no outstanding convertible debenture loans that could result in any dilution of the share capital.

Each Series A share carries ten votes and each Series B share one vote. This is the only difference between the two series of shares.

Shareholders with more than 10 percent of the votes

The principal shareholders are Investment AB Latour with 10.9 percent of the capital and 29.6 percent of the votes, and Melker Schörling AB with 4.5 percent of the capital and 10.9 percent of the votes.

Dividend

The Board of Directors propose a dividend to the shareholders of the Parent Company of SEK 4.00 per share, or a total of MSEK 1 460. The dividend to the shareholders for the financial year 2019, which was paid in 2020, was SEK 4.80 per share, or a total of MSEK 1 752.

Presentation of shareholders' equity

According to IAS 1 a company should as a minimum present issued capital and other reserves in the balance sheet. Securitas has chosen to specify shareholders' equity into further components as per below:

- Share capital
- Other capital contributed
- Other reserves
- Retained earnings

Share capital shows the registered share capital of the Parent Company. There were no changes in the share capital in 2020.

In other capital contributed, the total amount of all transactions Securitas AB has had with its shareholders is included. Transactions that have taken place with shareholders are issued capital to premium. The amount presented in this sub-component corresponds to capital received (reduced by commission costs) in excess of par value of issued capital. There were no changes in other capital contributed in 2020.

Other reserves show income and expense items that according to certain standards should be recognized in other comprehensive income. In the case of Securitas, other reserves consist of translation differences attributable to the translation of foreign subsidiaries and associated companies according to IAS 21, the cost of hedging reserve and the cash flow hedge reserve. The amount in the hedging reserve will be transferred to the statement of income over the following five years.

Retained earnings corresponds to the accumulated profits earned and losses incurred in total for the Group. Retained earnings also include effects of the Group's share-based incentive schemes, repurchase of treasury shares, remeasurements for hyperinflation and remeasurements of post-employment benefits posted in other comprehensive income. Retained earnings are further reduced by dividend paid to shareholders of the Parent Company. Transactions with non-controlling interests are also recorded in retained earnings.

Share-based incentive schemes

Securitas' share-based incentive schemes have had the following impact on retained earnings:

MSEK	2020	2019
Swap agreement 2019 (2018)[1]	-110	-147
Share-based remuneration to employees 2020 (2019)	170	121
Non-vested shares 2018 (2017)	0	1
Total short-term incentive schemes	**60**	**-25**
Share-based remuneration to employees 2020 (2019)[2]	0	2
Total long-term incentive scheme	**0**	**2**
Repurchase of shares[3]	–	-21
Total impact on retained earnings	**60**	**-44**

1 The number of shares that have been hedged in this swap agreement amount to a total of 847 035 (1 003 835) and have been allotted to the participants during the first quarter 2021, provided that they were still employed by the Group at that time. Swap agreements are used for delivery of shares for the short-term incentive schemes. For further information see note 12.
2 During 2020 leavers have reduced the potential total by 1 035 shares to 14 618 shares. The cumulative cost for LTI 2019/2021 still amounts to MSEK 2 (rounded) while the cumulative cost for LTI 2020/2022 is MSEK 0. For further information see note 12.
3 Number of shares repurchased in 2019 amounts to 125 000. Repurchased shares serve as a hedge for the long-term incentive scheme.

Non-controlling interests

The table below specifies the Group's non-controlling interests:

MSEK	2020	2019
Opening balance	30	25
Dividend	-13	-1
Total transactions with non-controlling interests	**-13**	**-1**
Share in net income	-3	5
Share in other comprehensive income, translation differences	-4	1
Total comprehensive income for the year	**-7**	**6**
Closing balance	**10**	**30**

Note 32
Long-term liabilities excluding provisions[1]

MSEK	2020	2019
Long-term lease liabilities	2 554	2 610
Total long-term lease liabilities	**2 554**	**2 610**
EMTN Nom MEUR 300, 2018/2025, Annual 1.25%[2]	3 039	3 143
EMTN Nom MEUR 350, 2017/2024, Annual 1.125%[2]	3 561	3 683
EMTN Nom MEUR 350, 2016/2022, Annual 1.25%[2]	3 518	3 647
EMTN Nom MEUR 350, 2013/2021, Annual 2.625%[2]	–	3 721
EMTN Nom MUSD 105, 2019/2024, FRN Quarterly[2]	859	977
EMTN Nom MUSD 50, 2019/2024, FRN Quarterly[2]	409	465
EMTN Nom MUSD 40, 2015/2021, FRN Quarterly[2]	–	373
EMTN Nom MUSD 40, 2015/2021, FRN Quarterly[2]	–	373
EMTN Nom MUSD 60, 2014/2021, FRN Quarterly[2]	–	559
Other long-term loans	224	91
Derivatives with negative fair value, long-term[3]	84	184
Total other long-term loan liabilities	**11 694**	**17 216**
Pensions balances, defined contribution plans[4]	144	124
Deferred considerations[5]	103	223
Other long-term liabilities	18	14
Total other long-term liabilities	**265**	**361**
Total long-term liabilities	**14 513**	**20 187**

1 For further information regarding financial instruments, refer to note 7.
2 Issued by the Parent Company.
3 Related to derivatives designated for hedging with negative fair value. The EUR/USD cross currency interest rate swaps are bifurcated for hedging purposes. The EUR/SEK element, amounting to MSEK -52 (-119), is accounted for under cash flow hedge accounting. The SEK/USD element, amounting to MSEK 125 (288), is accounted for under net investment hedge accounting.
4 Refers to liability for insured pension plan excluding social costs.
5 Recognized at fair value.

Long-term liabilities fall due for payment as follows

MSEK	2020	2019
Maturity < 5 years	13 594	16 015
Maturity > 5 years	919	4 172
Total long-term liabilities	**14 513**	**20 187**

Note 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58 59 60

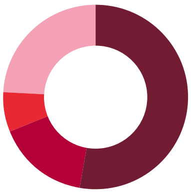
Note 33
Provisions for pensions and similar commitments

Overview

The Group operates or participates in a number of defined benefit and defined contribution pension and other long-term employee benefit plans throughout the world. These plans are structured in accordance with local rules and practices.

The graphs below provide an overview of the Group's defined benefit plans.

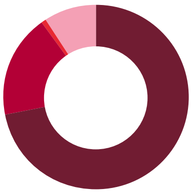
Defined benefit obligations



- Switzerland MSEK 1 737, 53%
- Canada MSEK 519, 16%
- US MSEK 219, 7%
- Other countries[1] MSEK 777, 24%

Total MSEK 3 252

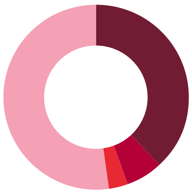
Plan assets



- Switzerland MSEK 1 533, 72%
- Canada MSEK 394, 18%
- US MSEK 14, 1%
- Other countries[1] MSEK 186, 9%

Total MSEK 2 127

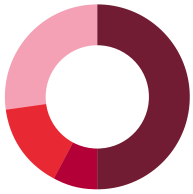
Pension costs



- Switzerland MSEK 73, 47%
- Canada MSEK 13, 8%
- US MSEK 6, 4%
- Other countries[1] MSEK 64, 41%

Total MSEK 156

Employer contributions



- Switzerland MSEK 68, 50%
- Canada MSEK 11, 8%
- US MSEK 21, 15%
- Other countries[1] MSEK 37, 27%

Total MSEK 137

1 In total 18 countries. Most of these countries have unfunded plans. Further information is provided in the section Other countries below.

The table below shows a specification of the members in the Group's significant defined benefit plans, the plans' duration and life expectancy for the members.

December 31, 2020

	Switzerland	Canada	US
Active members	2 353	168	-
Deferred members	-	30	3
Pensioner members	206	229	37
Total number of members	**2 559**	**427**	**40**
Duration of plans (years)	14	18	6
Number of years current pensioners are expected to live beyond age 65:			
Men	23	21	23
Women	25	24	25
Number of years future pensioners currently aged 45 are expected to live beyond age 65:			
Men	24	22	24
Women	27	25	26

The Group's significant defined benefit plans are described below.

Switzerland

The Group's Swiss operations participate in a plan that is a defined benefit plan according to IAS 19 as a result of the residual risk described below. The Swiss operations have chosen to set up an own-foundation, which means that the foundation only covers employees of Securitas' Swiss operations. The plan is open to new employees of Securitas' Swiss operations and benefits are being accrued under the plan. There are no terminated vested members in the plan since pension obligations are transferred to the new employer upon termination.

The benefits provided constitute pension benefits, disability benefits and death-in-service pension to previous employees and their spouses. The pension benefits are normally paid as an annuity based on capital conversion rates. The disability benefits are calculated as a maximum of the pensionable salary and the death-in-service benefit is in its turn calculated as a percentage of the disability pension. Plan contributions are subject to legal minimum requirements. Rates increase with age and at least half must be paid by the employer while the employee pays the remainder. In the case of Securitas' Swiss subsidiary, the contributions in the plan are split equally with half paid by the company and the other half by the employee. Contributions payable to the plan are calculated each month as a fixed percentage based on the annual salary and age.

Although the contribution levels are defined, there is still a risk of a shortfall in the pension fund as the minimum requirements for interest on capital and conversion to pension need to be met. If there is a shortfall the fund will take steps before asking the company for additional contributions. These steps could include changing plan benefits, lowering returns credited to employees or changing the conversion rate, where possible. The fund has several years to balance a shortfall and payments will never be required from the company for past periods. This means that the actions can be planned and budgeted for. If additional contributions are required from the company, this is also required from the employees.

The pension plan is covered under federal Swiss law that regulates the so called second pillar of the pension system, the pension benefits arising from employment. The pension plan is governed by the board of the pension fund, which is made up of an equal number of employer and employee representatives. The administration is run in-house by a pension fund expert. The pension fund chooses how and where to invest the assets. Swiss law limits both the total share of assets that should be held in certain categories, and for individual asset holdings. The fund has given mandates to manage the investments to three banks and retains an investment committee, a sub-committee of the main fund board. The investment committee compares and reviews the performance of these mandates on a regular basis. In addition, the pension fund engages an external independent advisor as support for the investment committee regarding investments.

The latest funding valuation was carried out on December 31, 2019 and resulted in a funding ratio of 114 percent based on a defined benefit obligation for funding purposes of MCHF 128 and plan assets for funding purposes of MCHF 146.

Canada

The Group's Canadian operations participate in one defined benefit pension plan as the named plan sponsor. This plan is a funded plan and is closed to new entrants. Current active participants receive future benefit accruals.

The benefits provided constitute pension payments to previous employees and their spouses in the form of annuities or lump sums. In general, the benefits are monthly pensions based on the greater of (i) a formula based on earnings and years of service, and (ii) a minimum benefit expressed as a dollar amount per month for each year of service. These benefits are defined with the only uncertainties being how long they will be paid, whether benefits will be paid as a lump sum or as an annuity and if paid as lump sums, the prescribed discount rate used for the present value calculation. Plan contributions are determined annually or triennially, if the plan is funded in excess of certain regulatory thresholds.

The pension plan is subject to regulations under the Pension Benefits Act (Ontario) and the Income Tax Act (the "Acts"). Various parts of the Acts are governed by the Financial Services Regulatory Authority of Ontario and the Canada Revenue Agency. The plan also pays required premiums to the Pension Benefits Guarantee Fund, which insures certain pension plans up to certain limits in the case the sponsor defaults in respect of members reporting to work in Ontario, Canada, which is where all active members currently are employed.

The pension plan is governed by the Pension Committee, which is made up of Securitas US management representatives and local Canadian representatives. Administration is outsourced to an external service provider. Independent investment managers are utilized and evaluated by independent investment advisors.

Under IAS 19 the funded ratio was 129 percent based on a defined benefit obligation of MCAD 52 and plan assets of MCAD 67. The effect of the asset ceiling amounted to MCAD 6. A funding going-concern valuation would typically result in a higher funding percentage, since funding going-concern valuations are permitted to take into consideration future expected returns on the plan's asset portfolio when setting the discount rate. On a plan termination basis, the plan's funded ratio would be expected to be lower than both the funding going-concern and accounting funded ratios as it would incorporate the use of lower interest rates as well as other factors which would be assumed to come into play in the event of a complete plan termination and settlement.

The Canadian operations also participate in a group savings plan, known as the Group Retirement Savings Plan and Deferred Profit Sharing Plan for the Employees of Securitas Canada. The plan is voluntary in nature. Employees are eligible to join after six months of employment. Employee contributions can be made via payroll deduction or lump-sum and are directed to the Group Retirement Savings Plan. Employees can contribute up to the prescribed limit as per the Canada Revenue Agency. Securitas contributes between one and five percent depending on the position of the employee. Employer contributions are directed to the Deferred Profit Sharing Plan and are fully vested upon two years of plan membership.

The Canadian operations offer a non-pension post-employment benefit plan that provides retiree medical, dental, and life insurance benefits to a small group of employees at a client site where Securitas provide security services. The plan is closed to new entrants. The plan reimburses benefit expenses incurred by retirees and their dependents, including prescription drugs, semi-private hospital, nursing home, vision care, other medical care, and dental care. It also pays the premiums for life insurance in retirement. The non-pension post-employment benefits are funded on a pay-as-you-go basis and no assets are set aside for the purposes of paying benefits under the plan. The costs for this plan are carried by Securitas who, in turn, are reimbursed by the client. This reimbursement right, amounting to MCAD 27 as per December 31, 2020, is accounted for under other long-term receivables in note 25. Under IAS 19 the defined benefit obligation of the non-pension post-employment benefit plan is MCAD 28.

The US

The Group's US operations participated in 2020 in two defined benefit pension plans as the named plan sponsor. One of these plans is funded and the other is unfunded. Both plans are closed to new entrants and any future benefit accrual.

During the second quarter 2020, the funded plan was terminated by resolution of the Board of Directors. The defined benefit obligation has been settled by December 31, 2020 and existing plan assets have been sufficient to cover the cost of plan termination and settlement of the defined benefit obligation. Consequently, no additional cash contributions to the plan are required. The unfunded plan was not terminated. Under IAS 19, the defined benefit obligation for the unfunded plan was MUSD 26 as of December 31, 2020.

The unfunded plan is constituted by a formally adopted and documented plan plus some individual arrangements that, for the purpose of this disclosure, are treated as one plan. In general, the benefits are monthly pensions based on earnings and years of service. These benefits are defined with the only uncertainties being how long they will be paid and whether benefits will be paid as a lump sum or as an annuity. Plan contributions are determined annually.

The pension plans are covered under the US Employee Retirement Income Security Act of 1974 (ERISA). Various parts of the ERISA legislation are governed by the Department of Labor, the Internal Revenue Service and the Department of Treasury. The pension plans are governed by the Executive Compensation and Benefits Review Committee (ECBRC), which is made up of local Securitas US management representatives. Administration is outsourced to an external service provider.

The US operations also participate in a defined contribution plan, generally known as a 401(k) plan. There are also a few multi-employer plans, which are governed by collective bargaining agreements. These plans, in most cases, require the employees to contribute to the plan, typically with the employee contributions being partially matched by the employer. In relation to the overall workforce the take up rates are generally low, with voluntary participation rates of approximately five percent. In the federal government sector, Securitas' subsidiary participates on a modified basis, subject to special rules, in the same 401(k). Securitas' subsidiary in the federal government sector also participates in a few union-sponsored defined contribution plans of a similar type. Due to the federal Service Contract Act, under which Securitas' subsidiary in the federal government sector operates, hourly allowances must be paid to employees that can be used for various elected benefits, such as health and disability, with unused portions of the allowances contributed to the 401(k) plan, without additional employer contributions.

Other countries

There are also less significant defined benefit arrangements in countries other than those accounted for above. These plans are located in France (unfunded plans providing retirement indemnities under French law), the Netherlands (funded and unfunded plans providing pension and jubilee benefits for our consultancy operations only), Germany (unfunded arrangements for pensions and jubilee plans), Austria (unfunded plans providing pension and termination benefits) and the UK (funded plan providing pension and death-in-service benefits). The Group also currently has plans that are not significant in 13 other countries.

Other pension plans

In the Netherlands, the defined benefit arrangement for clerical staff in the guarding operations is accounted for as a defined contribution plan, which is closed to new entrants. New employees are enrolled in another defined contribution plan. The security officers in the guarding operations in the Netherlands participate in a multi-employer defined benefit plan that is mandatory for all guards from the age of 21 and up. The supervision and administration of the plan is carried out by a collective pension foundation for the security industry. This foundation determines the annual premium. Premiums paid

Note 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58 59 60

to the plan in 2020 amounted to MEUR 10 (8). The contribution for the next annual reporting period is expected to be in line with the pension premiums in 2020. Securitas' share of total premiums to the plan is approximately 19 percent. This plan covers around 4 900 active employees. Since the administrator is unable to separately identify the company's share of the total plan assets and total defined benefit obligations for this arrangement, the plan is accounted for on a defined contribution basis. The funding ratio in this plan, calculated under the plan rules, was 103 percent (106) as of December 31, 2020.

In Sweden, security officers are covered by the SAF-LO collective pension plan, an industry-wide multi-employer defined contribution arrangement. Clerical workers are covered by the ITP plan, which is also based on a collective agreement and operated industry-wide on a multi-employer basis. According to a statement (UFR 10) issued by the Swedish Financial Reporting Board, the ITP 2-plan funded by insurance in Alecta, is a multi-employer defined benefit plan. Alecta has been unable to provide Securitas, or other Swedish companies, with sufficient information to determine its share of the total assets and liabilities for this arrangement. Consequently this arrangement is accounted for on a defined contribution basis. The cost for 2020 amounts to MSEK 26 (29). The contribution for the next annual reporting period is expected to be broadly in line with the current year's premium. Securitas' share of Alecta's total premiums amounts to less than 0.1 percent. The surplus in Alecta can be allocated to the insured employer and/or the insured employees. Alecta's funding ratio, calculated under the plan rules, was 148 percent (148) as of December 31, 2020.

In Norway, the AFP-plan (collective pension agreement) is a multi-employer defined benefit plan covering all employees. Since the administrator is unable to separately identify the company's share of the total plan assets and total defined benefit obligations, it is accounted for on a defined contribution basis. Premiums paid to the plan in 2020 amounted to MNOK 21 (27). The contribution for the next annual reporting period is expected to be broadly in line with the current year's premium. Securitas' share of total premiums to the plan is approximately 0.3 percent. The latest available funding ratio in this plan, calculated under the plan rules, was 72 percent (67) as of December 31, 2019.

Consolidated statement of income

The table below shows expense (+) and income (-) from the Group's defined benefit and defined contribution plans.

MSEK	2020	2019
Current service cost	141	121
Administration cost	19	19
Interest income or expense[1]	12	23
Remeasurements of other long-term employee benefits	1	0
Past service cost and gains and losses arising from settlements[2]	-17	-64
Total pension costs for defined benefit plans	**156**	**99**
Pension costs for defined contribution plans	1 334	1 409
Total pension costs	**1 490**	**1 508**

1 Whereof MSEK 1 (2) is related to interest on the effect of the asset ceiling.
2 Related to settlement gains mainly in the US in 2020 and in Norway 2019.

The table below shows costs for defined benefit plans allocated per function.

MSEK	2020	2019
Production expenses	124	107
Selling and administrative expenses	32	-8
Total pension costs for defined benefit plans	**156**	**99**

Consolidated balance sheet

The table below shows how the net defined benefit obligations have been determined. It also shows the Group's reimbursement rights.

MSEK	2020	2019
Present value of the defined benefit obligations	3 252	4 339
Fair value of plan assets[1]	-2 127	-3 293
Defined benefit obligations, net[2]	**1 125**	**1 046**
Reimbursement rights (note 25)	176	181

1 Includes effect of the asset ceiling amounting to MSEK 45 (41). The effect is related to Canada and the UK.
2 Related to the net of plans reported under provisions for pensions and similar commitments, MSEK 1 196 (1 141), and plans reported under other long-term receivables (note 25), MSEK -71 (-95).

The reimbursement rights are related to a contractual agreement where Securitas provide security services at a client site in Canada. The agreement requires Securitas to make provisions for post-retirement medical benefits. The costs of this benefit are carried by Securitas who, in turn, are reimbursed by the client. This reimbursement right is accounted for as an other long-term receivable in note 25.

The table below shows how remeasurements net of taxes recognized in other comprehensive income have been determined.

MSEK	2020	2019
Remeasurements of provisions for pensions and similar commitments before taxes	108	-16
Remeasurements of reimbursement rights before taxes	-11	-26
Taxes	-19	11
Total remeasurements recognized in other comprehensive income	**78**	**-31**

Movement in provisions for pensions and similar commitments

MSEK	2020 Obligations	2020 Plan assets	2020 Net	2019 Obligations	2019 Plan assets	2019 Net
Opening balance	4 339	-3 293	1 046	4 166	-3 086	1 080
Current service cost	141	–	141	121	–	121
Administration cost	19	–	19	19	–	19
Interest income (-) or expense (+)[1]	56	-44	12	99	-76	23
Remeasurements of other long-term employee benefits	1	–	1	0	–	0
Past service cost and gains and losses arising from settlements[2]	-1 145	1 128	-17	-379	315	-64
Total pension costs included in the consolidated statement of income	**-928**	**1 084**	**156**	**-140**	**239**	**99**
Remeasurements of post-employment benefits:						
Return on plan assets, excluding amount included in interest income or expense	–	-146	-146	–	-348	-348
Changes in the effect of the asset ceiling, excluding amount included in interest income or expense[3]	–	3	3	–	-2	-2
Actuarial gains (-) and losses (+) from changes in demographic assumptions	-20	–	-20	-4	–	-4
Actuarial gains (-) and losses (+) from changes in financial assumptions	195	–	195	374	–	374
Actuarial gains (-) and losses (+) due to experience	76	–	76	-36	–	-36
Total remeasurements of post-employment benefits[4]	**251**	**-143**	**108**	**334**	**-350**	**-16**
Contributions by employers[5]	–	-137	-137	–	-154	-154
Contributions by plan participants	66	-66	–	61	-61	–
Benefits paid to plan participants	-154	154	–	-253	253	–
Administration costs paid	-19	19	–	-19	19	–
Acquisitions/divestitures/reclassifications	24	–	24	0	–	0
Translation difference	-327	255	-72	190	-153	37
Closing balance	**3 252**	**-2 127**	**1 125[6]**	**4 339**	**-3 293**	**1 046[6]**

1 Whereof MSEK 1 (2) is related to interest on the effect of the asset ceiling.
2 Related to settlement gains mainly in the US in 2020 and in Norway 2019.
3 Related to Canada and the UK.
4 Included net of taxes in other comprehensive income.
5 Contributions by employers are estimated to be on approximately the same level in 2021 as in 2020.
6 Related to the net of plans reported under provisions for pensions and similar commitments, MSEK 1 196 (1 141), and plans reported under other long-term receivables (note 25), MSEK -71 (-95).

Note 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58 59 60

Plan assets

The table below presents a breakdown of the various types of investments in which the assets of the Group's funded benefit arrangements are invested.

MSEK	2020	%	2019	%
Equity instruments				
Switzerland	282		279	
US	254		247	
Canada	61		56	
Other countries	183		190	
Total equity instruments	**780**	***37***	**772**	***23***
Debt instruments				
Government bonds	343		732	
Corporate bonds, investment grade (AAA to BBB-)	440		1 203	
Corporate bonds, non-investment grade (below BBB-)	9		8	
Total debt instruments	**792**	***37***	**1 943**	***59***
Property	350	*16*	302	*10*
Qualifying insurance policies	132	*6*	143	*4*
Cash and cash equivalents	118	*6*	174	*5*
Effect of the asset ceiling	-45	*-2*	-41	*-1*
Total plan assets	**2 127**	***100***	**3 293**	***100***

The plan assets are well diversified on countries and industries, so the failure of any single investment is not estimated to have a material impact on the overall level of assets.

The shift between the share of equity instruments and debt instruments from 2019 to 2020 is mainly explained by the settlement of the funded US plan, that was mainly invested in debt instruments pending the termination.

The plan assets do not include any property owned by Securitas or financial instruments issued by Securitas. The share of unquoted plan assets is non-material.

Actuarial assumptions and sensitivity analysis

The table below shows the significant financial actuarial assumptions used for determining the defined benefit obligations at the end of the year as well as in determining the pension costs for the coming year.

	%, per annum				
	Discount rate	*Salary increases*	*Inflation*	*Pension increases*	Mortality
2020					
Switzerland	*0.10*	*1.00*	*1.00*	*0.00*	LPP 2015
Canada	*2.60*	*1.00*	*2.00*	*n/a*	CPM-RPP 2014 Private Sector Table, CPM-B scale 110% males, 100% females
US	*1.60*	*n/a*	*n/a*	*n/a*	Pri-2012 white collar with MP-2020 improvements
Eurozone	*0.10–0.90*	*2.00–2.75*	*1.75–2.00*	*1.25–1.75*	–
UK	*1.20*	*3.00*	*2.30–3.20*	*2.30–3.20*	SAPS (S3NA), CMI 2019 with a smoothing factor of 7.0, an initial adjustment of 0.50% p.a. and a long-term improvement rate of 1.25% p.a.
2019					
Switzerland	*0.20*	*1.00*	*1.00*	*0.00*	LPP 2015
Canada	*3.10–3.20*	*1.00*	*2.00*	*n/a*	CPM-RPP 2014 Private Sector Table, CPM-B scale 110% males, 100% females
US	*2.60–2.80*	*n/a*	*n/a*	*n/a*	RP 2006 whitecollar/blue collar with MP-2019 improvements
Norway	*1.70*	*2.25*	*n/a*	*0.50–2.00*	K 2013
Eurozone	*0.50–1.10*	*2.00–2.75*	*1.75–2.00*	*1.25–1.75*	–
UK	*2.00*	*3.00*	*2.30–3.30*	*2.30–3.30*	SAPS (S3NA), CMI 2018 with a smoothing factor of 7.0, an initial adjustment of 0.50% p.a. and a long-term improvement rate of 1.25% p.a.

The table below shows the methods used to set significant actuarial assumptions for the Group's main defined benefit plans.

	Discount rate	Salary increases	Inflation	Pension increases	Mortality
Switzerland	Chamber of Pensions Actuaries	Company's best estimate	Long-term expectations in Switzerland	When financially bearable by pension plan	Latest tables available
Canada	Canadian Institute of Actuaries	Company's best estimate	Long-term expectations in Canada	n/a	Latest tables available
US	Cash flow matching approach applied to the Citigroup yield curve	n/a	n/a	n/a	Latest tables available

Assumptions are set by the company based on actuarial advice and the company's experience in each territory.

The table below indicates the sensitivity to changes in significant assumptions for provisions for pensions and similar commitments.

MSEK		Increase (+) / decrease (-) in provision
Discount rate – pension plans	increase of 0.1 percentage points	-38
	decrease of 0.1 percentage points	40
Inflation – pension plans	increase of 0.1 percentage points	8
	decrease of 0.1 percentage points	-7
Life expectancy – pension plans	one year increase	71
Health-care cost rate – medical plans	increase of 1 percentage point	28[1]
	decrease of 1 percentage point	-22[2]

1 The corresponding effect on the statement of income is an increase of costs of MSEK 1.
2 The corresponding effect on the statement of income is a decrease of costs of MSEK -1.

The sensitivity analysis has been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period and may not be representative of the actual change. The sensitivity analysis is further based on a change in one assumption while holding all other assumptions constant, although in reality changes in some assumptions may be correlated.

The same method used to calculate the provisions for pensions and similar commitments, that is the projected unit credit method, is used for calculating the sensitivities.

There have been no changes in the methods and assumption changes used in preparing the sensitivity analysis compared to the previous year.

Risks

The table below shows significant risks that the Group is exposed to through its defined benefit plans.

Asset volatility	The plan liabilities are calculated using a discount rate set with reference to corporate bond yields. If plan assets underperform this yield, a deficit will be created. In a long-term perspective, equities are expected to outperform corporate bonds, but in the short-term perspective the yield on the Group's investments in equity instruments may cause volatility.
Changes in bond yields	A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.
Inflation risk	Some of the Group's pension obligations are linked to inflation, and higher inflation will lead to higher liabilities. However, the fact that not all pension plans in the Group are linked to inflation makes the inflation risk less significant for the Group.
Life expectancy	The majority of the plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities. In some countries, the benefit provided at retirement is a lump sum payment and therefore increases in life expectancy do not impact liabilities in these countries.

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Note 34
Other long-term provisions

The movement in the balance sheet for provisions for pensions and similar commitments is provided in note 33. The movement in the balance sheet for deferred tax liabilities is provided in note 16.

December 31, 2020

MSEK	Claims reserves	Other provisions	Total
Opening balance	549	170	719
Reclassification	2	-1	1
New/increased provisions	8	43	51
Utilized provisions	-26	-48	-74
Reversal of unutilized provisions	-4	0	-4
Translation differences	-66	-20	-86
Closing balance	**463**	**144**	**607**

Claims reserves

Liability insurance-related claims reserves primarily consist of provisions for the portion of claims payable by the Group, that is its self-retention. Claims reserves comprise a large number of individual insurance cases where some cases are compensated with a lump sum payment and others are paid over a longer period of time. It is thus not possible to disclose any detailed information regarding the timing of outflows from claims reserves.

Other provisions

Other provisions include various long-term items, among them provisions related to litigations. Other provisions are difficult to assess from a timing perspective. It is thus not possible to disclose any detailed information regarding the timing of outflows from other provisions.

Note 35
Short-term loan liabilities[1]

MSEK	2020	2019
Current lease liabilities	876	944
Total current lease liabilities	**876**	**944**
EMTN Nom MEUR 350, 2013/2021, Annual 2.625%[2]	3 528	–
EMTN Nom MUSD 40, 2014/2020, FRN Quarterly[2]	–	373
EMTN Nom MUSD 40, 2015/2021, FRN Quartery[2]	327	–
EMTN Nom MUSD 40, 2015/2021, FRN Quarterly[2]	492	–
EMTN Nom MUSD 60, 2014/2021, FRN Quarterly[2]	327	–
Commercial paper issued[3]	–	750
Other short-term loans	1	144
Derivatives in cash flow hedges[4]	3	–
Derivatives in net investment hedges[4]	72	9
Other derivatives[5]	11	14
Total other short-term loan liabilities	**4 761**	**1 290**
Total short-term loan liabilities	**5 637**	**2 234**

1 For further information regarding financial instruments refer to note 7.
2 Issued by the Parent Company.
3 Commercial paper is issued by the Parent Company within the framework of a MSEK 5 000 Swedish commercial paper program. Commercial paper is accounted for at the issued amount.
4 Related to derivatives designated for hedging with negative fair value.
5 Related to financial liabilities at fair value through profit or loss with negative fair value.

Note 36
Other current liabilities

MSEK	2020	2019
Employee-related items[1]	9 136	8 134
Accrued interest and financial expenses	200	220
Deferred revenue	1 000	965
Other accrued expenses and other prepaid income	1 631	1 267
Value added tax	1 385	1 466
Deferred considerations	191	202
Other items	642	682
Total other current liabilities	**14 185**	**12 936**

1 Related to accrued salaries, vacation pay, payroll overhead, bonus and similar items. Accounted for net of government grants and support when applicable.

Note 37
Short-term provisions

December 31, 2020

MSEK	Claims reserves	Other provisions	Total
Opening balance	595	533	1 128
Reclassification	-2	1	-1
New/increased provisions	342	1 010[1]	1 352
Utilized provisions	-223	-620	-843
Reversal of unutilized provisions	-9	-31	-40
Translation differences	-69	-26	-95
Closing balance	**634**	**867**	**1 501**

1 The change in new and increased provisions classified under the heading Other provisions are impacted mainly by the recognition of provisions related to the Group's transformation programs and cost savings program.

Claims reserves

Liability insurance-related claims reserves primarily consist of provisions for the portion of claims payable by the Group, that is its self-retention.

Note 38
Pledged assets

MSEK	2020	2019
Pension balances, defined contribution plans	144	124
Total pledged assets	**144**	**124**

Note 39
Contingent liabilities

MSEK	2020	2019
Guarantees[1]	–	–
Guarantees related to discontinued operations	15	16
Total contingent liabilities	**15**	**16**

1 Guarantees on behalf of related parties are disclosed in note 8.

In addition to the contingent liabilities accounted for in the table, the following contingent liabilities, for which no amount can be determined, also exist:

Argentina – Investigation into improper behavior

As communicated in the Annual Report for 2019, following internal whistleblowing, Securitas has conducted an investigation into potentially improper conduct through specialized external parties.

The findings revealed that certain individuals had engaged in local business practices in violation of the Securitas Values and Ethics Code. The investigation indicated compliance issues, including conflicts of interest and irregular supplier and other business relationships. Disciplinary measures against these individuals, including terminations where appropriate, have been taken and Securitas is considering whether to take further legal action.

Securitas is proactively collaborating with the appropriate authorities to ensure that Securitas fulfills all obligations as a responsible company. This included correcting the income and value added tax by paying the corresponding additional tax and interest charges. In the beginning of 2020, a tax contingency payment of MSEK 139 was paid to the local tax administration in Argentina. The tax contingency payment was covered by existing provisions. The Group assesses that the impact of the misconduct will not have a material effect on the result or financial position of the Group.

Belgium – Competition authority investigation

As communicated in the interim report for January–June 2020, Securitas is aware that competition authorities are conducting investigations into the security sector in Belgium and is cooperating fully. The Group assesses that the result or the financial position of the Group will not be materially affected by this investigation.

Brazil – Estrela Azul

In connection with the efforts of Securitas to expand its activities in Latin America, Securitas entered into an agreement in 2005 with respect to the possible acquisition of a guarding company in Brazil, Estrela Azul (the EA Group). The governmental approvals took much longer than anticipated to obtain and during such period the financial condition of the target group substantially deteriorated. Given the decline in the financial condition of the group, Securitas exercised its right to withdraw from the acquisition process in December 2006.

The companies within the EA Group filed for protection from its creditors under Brazilian legislation in 2007 providing for a judicial restructuring process. The companies within the group were declared bankrupt in 2009 and the restructuring process was replaced by bankruptcy proceedings. The bankruptcy process continues led by the trustee in the bankruptcy court. Various attempts by the trustee to increase the liability of Securitas in the bankruptcy has been vigorously rejected.

The EA Group in bankruptcy has asserted claims against Securitas in the bankruptcy court trying to extend liability to Securitas for the bankruptcy and the claims in the bankruptcy. The estate has not quantified its claims. The cases are slowly moving through the Brazilian legal system.

The EA Group in bankruptcy also asserted a claim of MBRL 314, which as of December 31, 2020 was equivalent to MSEK 499 in the civil court against Securitas, alleging that Securitas is responsible for the company's financial failure. Securitas denies all allegations. The defense of this case has been entrusted to one of the leading law firms in Brazil. In a decision by the first instance court in Brazil the case was fully rejected. The judgment was appealed by the bankruptcy estate to the Brazilian Court of Appeals and the Court of Appeals decided on formal grounds to nullify the judgment and to remand the case to the first instance court for retrial (and production of evidence). The case is slowly moving through the Brazilian legal system and Securitas maintains its previous position to the claims.

In addition, several former employees of the EA Group have sued Securitas and other parties in labor courts and claimed inter alia wages and other compensations. The number of labor law cases involving Securitas continued to decrease and the claimed amounts are in average relatively low. Securitas denies all responsibility for such labor claims.

Spain – Tax audit

The Spanish tax authority has, in connection with audits of Securitas Spain, challenged certain interest payments in 2009, 2012 and 2014, and decided to reject interest deductions made for the financial years 2003–2005, 2006–2007 and 2008–2009 respectively. The years 2003–2005 are finally resolved by the Supreme Court and taxes paid in 2016. For years 2006–2007 Securitas has in 2018 requested a leave for appeal to the Supreme Court but has not yet received any decision. The years 2008–2009 have been resolved by the court, which Securitas has accepted, see further below.

The Spanish Supreme Court issued their judgment during 2016 regarding the years 2003–2005, implying that the years 2003–2004 were resolved

Note 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58 59 60

as time barred and the majority of the interest deductions for 2005 were disallowed.

In June 2017 the superior court Audiencia Nacional issued a negative judgment concerning the years 2006–2007, implying that all interest was disallowed, partly in contradiction to the 2016 judgment by the Supreme Court on the same matter for the years 2003–2005. This was also contradictory to the lower court Tribunal Económico Administrativo Central's earlier judgment for the years 2008–2009, a judgment that Securitas has accepted as final.

If finally upheld by Spanish courts, the resolution by the Spanish tax authorities regarding rejected interest deductions for the years 2006–2007, and the accepted judgment regarding years 2008–2009, would result in a tax of MEUR 29.5, equivalent to MSEK 297, including interest up to December 31, 2020 (as of December 31, 2019 this exposure was estimated to MEUR 28.8, equivalent at the time to MSEK 300). No further exposure exists for similar rejected interest deductions after the financial year 2009, as the Group adjusted the capitalization of Securitas Spain in 2009 to avoid future challenges of interest deductions.

Further, the Spanish tax authority decided, in connection with an audit of Securitas Spain in 2013, to reject a tax exemption for a demerger of the Spanish Systems company, in connection with Securitas AB's distribution of the shares in Securitas Systems AB to its shareholders and the listing on the Stockholm Stock Exchange in 2006. In June 2017, Securitas received a negative judgment from the superior court Audiencia Nacional and has appealed to the Supreme Court in May 2018, who has not yet passed any judgment.

If Auciencia Nacional's judgment is finally upheld by the Spanish Supreme Court, the resolution by the Spanish tax authorities, concerning the demerger case, would result in a tax of MEUR 22.3, equivalent to MSEK 224, including interest up to December 31, 2020 (as of December 31, 2019 this exposure was estimated to MEUR 21.7, equivalent at the time to MSEK 226).

Further, in 2014 the tax authority decided to reject a deduction for a currency related liquidation loss in the financial year 2010, relating to a company that was acquired in 2004. In 2017 the lower court TEAC issued a negative judgment, which was in contradiction to the 2016 Supreme Court judgment regarding the basis for disallowing the deduction. Securitas has in 2017 appealed the case to the superior National court Audiencia Nacional.

If finally upheld by Spanish courts, the resolution by the Spanish tax authorities regarding the liquidation loss would result in a tax of MEUR 18.8, equivalent to MSEK 189, including interest up to December 31, 2020 (as of December 31, 2019 this exposure was estimated to MEUR 18.3, equivalent at the time to MSEK 191).

Provided that the courts decide in Securitas cases in accordance with the 2016 Supreme Court judgment, the exposure for the currency related liquidation loss for the financial year 2010 is expected to cease.

Securitas believes it has acted in accordance with applicable law and will defend its position in the courts. However, the tax resolutions cause some uncertainty, and it may take several years until all final judgments have been received.

Spain – Mutua

Securitas in Spain has received a claim of MEUR 6.3 from the social security authorities relating to services allegedly received from Mutua Universal in the period 1998 to 2007. The authorities are questioning whether such services, in such case, were allowed to be provided under applicable regulations. This is a consequence of a lawsuit against some of Mutua Universal's former employees. Securitas is affected, as over 2 000 other companies, as an indirect beneficiary of the services rendered. Securitas is convinced that it has acted in accordance with applicable law.

Other proceedings

Over the years, Securitas has made a number of acquisitions in different countries. As a result of such acquisitions, certain contingent liabilities of the businesses acquired have been assumed. The risks relating to such contingent liabilities are covered by contractual indemnification, insurance or adequate reserves.

Companies within the Securitas Group are also involved in a number of proceedings, including legal proceedings and tax audits arising out of the business. Any liabilities arising out of such proceedings are not expected to be material to the business operations or the financial position of the Group.

Note 40
Financial five year overview[1]

MSEK	2016	2017	2018	2019[2]	2020
INCOME					
• **Total sales**	**88 162**	**92 197**	**101 467**	**110 899**	**107 954**
of which acquired business	3 136	718	1 760	1 339	1 312
• *Acquired sales growth, %*	*4*	*1*	*2*	*1*	*1*
• *Organic sales growth, %*	*7*	*5*	*6*	*4*	*0*
• *Real sales growth, %*	*11*	*5*	*8*	*6*	*1*
Operating income before amortization	**4 554**	**4 697**	**5 304**	**5 738**	**4 892**
• *Operating margin, %*	*5.2*	*5.1*	*5.2*	*5.2*	*4.5*
Amortization and impairment of acquisition related intangible assets	-288	-255	-260	-271	-286
Acquisition related costs	-113	-48	-120	-62	-137
Items affecting comparability	–	–	-455	-209	-640
Financial income and expenses	-389	-376	-441	-578	-500
• **Income before taxes**	**3 764**	**4 018**	**4 028**	**4 618**	**3 329**
Taxes	-1 118	-1 267	-1 007	-1 256	-913
Net income for the year	**2 646**	**2 751**	**3 021**	**3 362**	**2 416**
– whereof attributable to non-controlling interests	4	2	5	5	-3
Average number of shares after dilution ('000)	365 059	365 059	365 059	364 993	364 933
• Earnings per share after dilution (SEK)	7.24	7.53	8.26	9.20	6.63
CASH FLOW					
Operating income before amortization	**4 554**	**4 697**	**5 304**	**5 738**	**4 892**
Investments in non-current tangible and intangible assets	-1 659	-1 808	-2 188	-3 010	-2 787
Reversal of depreciation	1 229	1 445	1 693	2 690	2 690
Change in accounts receivable	-1 039	-449	-1 575	-239	123
Changes in other operating capital employed	-46	-48	-62	-277	2 289
Cash flow from operating activities	**3 039**	**3 837**	**3 172**	**4 902**	**7 207**
• *as % of operating income before amortization*	*67*	*82*	*60*	*85*	*147*
Financial income and expenses paid	-301	-425	-432	-443	-401
Current taxes paid	-1 017	-1 122	-856	-1 191	-862
• **Free cash flow**	**1 721**	**2 290**	**1 884**	**3 268**	**5 944**
as % of adjusted income	*52*	*68*	*48*	*83*	*178*
Free cash flow per share	*4.7*	*6.3*	*5.2*	*9.0*	*16.3*
Cash flow from investing activities, acquisitions and divestitures	-3 566	-304	-1 755	-574	-1 801
Cash flow from items affecting comparability	-17	–	-117	-303	-405
Cash flow from financing activities	2 146	-743	-376	-1 699	-2 762
Cash flow for the year	**284**	**1 243**	**-364**	**692**	**976**
Interest-bearing net debt at beginning of year	-9 863	-13 431	-12 333	-14 513	-17 541
Change in lease liabilities	-92	28	-31	-3 332	-139
Change in loans	-3 332	-654	-1 053	93	1 010
Revaluation of financial instruments	23	-29	26	60	17
Translation differences on interest-bearing net debt	-451	510	-758	-541	1 342
Interest-bearing net debt at year-end	**-13 431**	**-12 333**	**-14 513**	**-17 541**	**-14 335**

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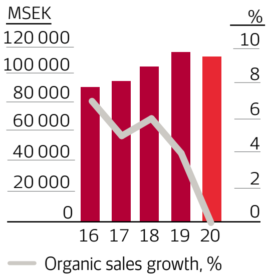
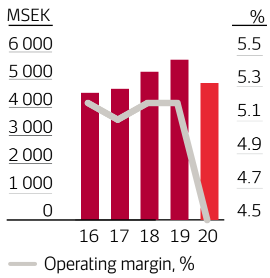
MSEK	2016	2017	2018	2019[2]	2020
CAPITAL EMPLOYED AND FINANCING					
Non-current assets excluding acquisition related items	4 634	5 384	5 987	9 729	9 138
Accounts receivable	13 353	13 349	15 604	16 120	14 695
Other operating capital employed	-11 203	-11 173	-12 392	-12 749	-14 940
Operating capital employed	**6 784**	**7 560**	**9 199**	**13 100**	**8 893**
• *as % of total sales*	*8*	*8*	*9*	*12*	*8*
Goodwill	19 380	18 719	21 061	22 157	21 414
Acquisition related intangible assets	1 356	1 173	1 458	1 563	1 424
Shares in associated companies	419	420	452	320	311
Capital employed	**27 939**	**27 872**	**32 170**	**37 140**	**32 042**
• *Return on capital employed, %*	*16*	*17*	*15*	*15*	*13*
Net debt	**-13 431**	**-12 333**	**-14 513**	**-17 541**	**-14 335**
Net debt equity ratio, multiple	*0.93*	*0.79*	*0.82*	*0.89*	*0.81*
Net debt to EBITDA ratio	*2.4*	*2.0*	*2.3*	*2.2*	*2.1*
Interest coverage ratio, multiple	*11.1*	*11.8*	*10.7*	*9.4*	*9.1*
• *Free cash flow in relation to net debt*	*0.13*	*0.19*	*0.13*	*0.19*	*0.41*
Shareholders' equity attributable to equity holders of the Parent Company	**14 487**	**15 518**	**17 632**	**19 569**	**17 697**
Non-controlling interests	**21**	**21**	**25**	**30**	**10**
Equity per share	40	43	48	54	48
Return on equity, %	*20*	*18*	*18*	*18*	*13*
Equity ratio, %	*30*	*31*	*32*	*32*	*30*
Financing of capital employed	**27 939**	**27 872**	**32 170**	**37 140**	**32 042**

1 For definitions and calculation of key ratios refer to note 3.
2 Securitas adopted IFRS 16 Leases in 2019. As a consequence, certain lines in the consolidated financial statements as well as key ratios are not comparable with the preceding years.
● Group key ratios according to Securitas' financial model. Refer to pages 66–67.

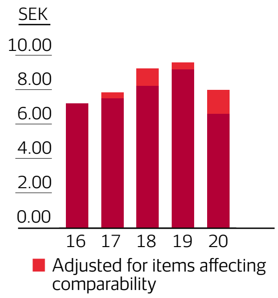
Total sales and organic sales growth



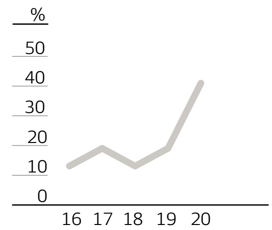
Operating income before amortization and operating margin



Earnings per share



Free cash flow in relation to net debt



Parent Company statement of income

MSEK	Note	2020	2019
License fees and other income	43	1 233	1 449
Gross income		**1 233**	**1 449**
Administrative expenses	45, 46	-988	-1 034
Other operating income	45	39	34
Operating income		**284**	**449**
Result of financial investments			
Dividend	43	2 942	1 980
Interest income	43	253	612
Interest expenses	43	-388	-443
Other financial income and expenses, net	47	-1 740	60
Total financial income and expenses		**1 067**	**2 209**
Income after financial items		**1 351**	**2 658**
Appropriations			
Group contributions from subsidiaries	43	346	340
Group contributions to subsidiaries	43	-381	-212
Depreciation and amortization in excess of plan	56	1	1
Transfer to tax allocation reserve	56	-37	-234
Total appropriations		**-71**	**-105**
Income before taxes		**1 280**	**2 553**
Current taxes	48	-32	-151
Deferred taxes	48	182	-38
Net income for the year		**1 430**	**2 364**

Parent Company statement of comprehensive income

MSEK	Note	2020	2019
Net income for the year		**1 430**	**2 364**
Other comprehensive income			
Items that subsequently may be reclassified to the statement of income			
Cash flow hedges net of tax	44	-22	36
Cost of hedging net of tax	44	34	12
Total items that subsequently may be reclassified to the statement of income		**12**	**48**
Other comprehensive income	**48**	**12**	**48**
Total comprehensive income for the year		**1 442**	**2 412**

Parent Company statement of cash flow

MSEK	Note	2020	2019
Operations			
Operating income		284	449
Reversal of depreciation	49, 50	5	2
Financial items received		2 567	2 602
Financial items paid		-422	-451
Current taxes paid		-138	-210
Change in other operating capital employed		117	169
Cash flow from operations		**2 413**	**2 561**
Investing activities			
Investments in and disposals of non-current tangible and intangible assets	49, 50	0	98
Shares in subsidiaries	51	-1 054	-2 633
Cash flow from investing activities		**-1 054**	**-2 535**
Financing activities			
Dividend paid		-1 752	-1 606
Proceeds from bond loans		–	1 445
Redemption of bond loans		-341	-792
Proceeds from commercial paper		3 115	5 098
Redemption of commercial paper		-3 870	-5 300
Change in other interest-bearing net debt excluding liquid funds		44	1 399
Cash flow from financing activities		**-2 804**	**244**
Cash flow for the year		**-1 445**	**270**
Liquid funds at beginning of year		1 596	1 326
Liquid funds at year-end	**54**	**151**	**1 596**

Parent Company balance sheet

MSEK	Note	2020	2019
ASSETS			
Non-current assets			
Intangible assets	49	21	29
Machinery and equipment	50	5	5
Shares in subsidiaries	51	44 233	43 911
Shares in associated companies	52	112	112
Interest-bearing financial non-current assets	44	1 133	1 375
Deferred tax assets	48	56	27
Other long-term receivables		262	698
Total non-current assets		**45 822**	**46 157**
Current assets			
Current receivables from subsidiaries		401	385
Interest-bearing current receivables from subsidiaries	44	3 310	3 692
Other current receivables		13	109
Current tax assets		150	152
Prepaid expenses and accrued income	53	7	8
Other interest-bearing current assets	44	20	2
Cash and bank deposits	54	151	1 596
Total current assets		**4 052**	**5 944**
TOTAL ASSETS		**49 874**	**52 101**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Restricted equity			
Share capital		365	365
Legal reserve		7 363	7 363
Development expenditure reserve		2	9
Total restricted equity		**7 730**	**7 737**
Non-restricted equity			
Hedging reserve		75	63
Retained earnings		19 764	19 112
Net income for the year		1 430	2 364
Total non-restricted equity		**21 269**	**21 539**
Total shareholders' equity	**55**	**28 999**	**29 276**
Untaxed reserves	**56**	**723**	**687**
Long-term liabilities			
Long-term loan liabilities	44	11 679	17 189
Other long-term liabilities		169	146
Deferred tax liabilities		–	150
Total long-term liabilities	**57**	**11 848**	**17 485**
Current liabilities			
Current liabilities to subsidiaries		620	638
Interest-bearing current liabilities to subsidiaries	44	1 987	2 149
Group account bank overdraft		605	206
Other short-term loan liabilities	44	4 752	1 137
Accounts payable		17	15
Accrued expenses and prepaid income	58	255	283
Current tax liabilities		51	218
Other current liabilities		17	7
Total current liabilities		**8 304**	**4 653**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**49 874**	**52 101**

Parent Company statement of changes in shareholders' equity

MSEK	Share capital[1]	Legal reserve	Development expenditure reserve	Hedging reserve	Retained earnings and net income for the year	Total share-holders' equity
Opening balance 2019	**365**	**7 363**	**69**	**15**	**20 687**	**28 499**
Net income for the year	**–**	**–**	**–**	**–**	**2 364**	**2 364**
Other comprehensive income						
Items that subsequently may be reclassified to the statement of income						
Cash flow hedges net of tax[2]	–	–	–	36	–	36
Cost of hedging net of tax[2]	–	–	–	12	–	12
Total items that subsequently may be reclassified to the statement of income	**–**	**–**	**–**	**48**	**–**	**48**
Other comprehensive income	**–**	**–**	**–**	**48**	**–**	**48**
Total comprehensive income for the year	**–**	**–**	**–**	**48**	**2 364**	**2 412**
Share-based incentive schemes[1]	–	–	–	–	-29	-29
Dividend paid to shareholders of the Parent Company	–	–	–	–	-1 606	-1 606
Transfer to development expenditure reserve	–	–	1	–	-1	–
Transfer from development expenditure reserve	–	–	-61	–	61	–
Closing balance 2019	**365**	**7 363**	**9**	**63**	**21 476**	**29 276**
Opening balance 2020	**365**	**7 363**	**9**	**63**	**21 476**	**29 276**
Net income for the year	**–**	**–**	**–**	**–**	**1 430**	**1 430**
Other comprehensive income						
Items that subsequently may be reclassified to the statement of income						
Cash flow hedges net of tax[2]	–	–	–	-22	–	-22
Cost of hedging net of tax[2]	–	–	–	34	–	34
Total items that subsequently may be reclassified to the statement of income	**–**	**–**	**–**	**12**	**–**	**12**
Other comprehensive income	**–**	**–**	**–**	**12**	**–**	**12**
Total comprehensive income for the year	**–**	**–**	**–**	**12**	**1 430**	**1 442**
Share-based incentive schemes[1]	–	–	–	–	33	33
Dividend paid to shareholders of the Parent Company	–	–	–	–	-1 752	-1 752
Transfer to development expenditure reserve	–	–	0	–	0	–
Transfer from development expenditure reserve	–	–	-7	–	7	–
Closing balance 2020	**365**	**7 363**	**2**	**75**	**21 194**	**28 999**

1 Further information is provided in note 55.
2 A specification can be found in note 44, in the table revaluation of financial instruments, as well as in note 48.

Notes

Note 41
Accounting principles

The Parent Company's financial statements are prepared in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's standard RFR 2 Accounting for Legal Entities. The Parent Company thus follows the same accounting principles as the Group, which are described in note 2, when relevant and except in the cases stated below. The differences that exist between the Parent Company's and the Group's accounting principles are a result of the restrictions that the Swedish Annual Accounts Act, the Swedish Act on Safeguarding of Pension Commitments and the options that RFR 2 allow for IFRS in the Parent Company.

RFR 2: IFRS 3 Business combinations

The Parent Company measures the acquisition cost as the sum of the acquisition-date fair values of assets transferred, liabilities incurred or transferred and all costs that are directly attributable to the acquisition. Contingent considerations are recognized as part of the acquisition cost if it is probable that they will be realized. The acquisition cost is adjusted in subsequent periods if the initial assessment needs to be revised.

RFR 2: IFRS 9 Financial instruments

The Parent Company follows IFRS 9 except for financial guarantees in relation to subsidiaries. For further information refer to the accounting principles adopted by the Group for financial instruments in note 2.

RFR 2: IFRS 15 Revenue

Anticipated dividend from a subsidiary is recognized as income in the Parent Company in accordance with RFR 2 if the Parent Company has the exclusive right to decide the amount of the dividend from the subsidiary. The Parent Company must furthermore ensure that the dividend is in line with the subsidiary's dividend capacity. Dividend from a subsidiary that has not been anticipated is accounted for on a cash basis.

RFR 2: IFRS 16 Leases

The Parent Company does not apply IFRS 16. Consequently, leases where the Parent Company is the lessee are recognized as an operating expense in the statement of income on a linear basis over the lease term. There are no lease contracts where the Parent Company is the lessor.

RFR 2: IAS 19 Employee benefits

Accounting for defined benefit plans according to the Swedish Act on Safeguarding of Pension Commitments leads to differences between the accounting in the Parent Company and the Group. These differences have no material impact on the employee benefits relating to the employees of the Parent Company. Pension solutions either fall within the framework of the ITP–plan that is insured via Alecta, which is described in note 33, or in all material aspects consist of other defined contribution plans.

RFR 2: IAS 21 Effects of changes in foreign exchange rates

Exchange rate differences arising on a monetary item that forms part of the Parent Company's net investment in a foreign subsidiary are accounted for in the Parent Company's statement of income, in accordance with RFR 2.

RFR 2: IAS 27 Consolidated and separate financial statements

The Parent Company applies the alternative rule in RFR 2: IAS 27 related to Group contributions, which means that Group contributions from subsidiaries as well as Group contributions to subsidiaries are accounted for as appropriations in the statement of income.

Shares in subsidiaries

Shares in subsidiaries are initially accounted for at cost with subsequent adjustments for capital contributions, impairment and revaluation of deferred considerations. Shares in subsidiaries are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Securitas' share-based incentive schemes

In addition to the Group's accounting principles for share-based payments (IFRS 2) as described in note 2 Accounting principles, the following has been applied in the Parent Company's financial statements. The Parent Company has secured the delivery of shares according to Securitas short-term share-based incentive scheme by entering into a swap agreement with a third party regarding purchase of shares.

To the extent that shares according to the swap agreement is subject to delivery to employees in other Group companies than the Parent Company, a liability to Group companies has been recorded in the Parent Company's accounts. This liability is recorded at the value of the commitment that Securitas AB has to the subsidiaries to deliver shares, that is the number of shares to be delivered according to the swap agreement at the latest share price for Securitas AB's series B share. Social security expenses are calculated based on the market value of the shares that potentially will be allocated. Fluctuations in the share price for these shares thus lead to changes in social security expenses that impact the Parent Company's and Group's income.

This is the only impact on the Parent Company's and Group's income due to fluctuations in the share price for the shares that potentially will be allocated. This means that any possible increase or decrease of the liability to Group companies has not been accounted for in the Parent Company's income statement.

Note 42
Events after the balance sheet date

Approval of the Annual Report and Consolidated Financial Statements for 2020

This Annual Report including the Consolidated Financial Statements was approved by the Board of Directors and the President and CEO of Securitas AB on March 18, 2021.

Other significant events after the balance sheet date

On February 12, 2021 Securitas issued a 7-year MEUR 350 Eurobond. Settlement date was February 22, 2021.

In order to hedge the share portion of Securitas short-term, share-based incentive scheme 2020, Securitas AB entered into a swap agreement with a third party in the beginning of March 2021.

There have been no other significant events with effect on the financial reporting after the balance sheet date.

Note 43
Transactions with related parties

Transactions between the Parent Company and subsidiaries are priced in accordance with business principles.

The Parent Company's transactions with related parties comprise

MSEK	2020	2019
License fees from subsidiaries	1 219	1 434
Other income from subsidiaries	14	15
Dividends from subsidiaries	2 942	1 980
Interest income from subsidiaries	249	602
Interest expenses to subsidiaries	-27	-53
Group contributions from subsidiaries	346	340
Group contributions to subsidiaries	-381	-212
Guarantees issued on behalf of subsidiaries	2 325	2 424

Note 44
Financial risk management

The Parent Company follows, as stated in note 41, IFRS 9 Financial instruments. Refer to note 2 and note 7 for further information about financial risks that are applicable also for the Parent Company.

Liquidity report as per December 31, 2020 and 2019

MSEK	Total	< 1 year	Between 1 year and < 3 years	Between 3 years and 5 years	> 5 years
December 31, 2020					
Borrowings	-17 253	-5 573	-3 746	-7 934	–
Derivatives outflows	-13 331	-9 283	-2 607	-1 441	–
Accounts payable	-17	-17	–	–	–
Total outflows[1]	**-30 601**	**-14 873**	**-6 353**	**-9 375**	**–**
Investments	3 625	3 427	5	12	181
Derivatives receipts	13 664	9 210	2 967	1 487	–
Total inflows[1]	**17 289**	**12 637**	**2 972**	**1 499**	**181**
Net cash flows, total[2]	**-13 312**	**-2 236**	**-3 381**	**-7 876**	**181**
December 31, 2019					
Borrowings	-19 441	-1 928	-9 030	-5 315	-3 168
Derivatives outflows	-13 941	-9 070	-3 141	-65	-1 665
Accounts payable	-15	-15	–	–	–
Total outflows[1]	**-33 397**	**-11 013**	**-12 171**	**-5 380**	**-4 833**
Investments	5 216	5 187	3	8	18
Derivatives receipts	13 754	9 046	3 136	66	1 506
Total inflows[1]	**18 970**	**14 233**	**3 139**	**74**	**1 524**
Net cash flows, total[2]	**-14 427**	**3 220**	**-9 032**	**-5 306**	**-3 309**

1 Refers to gross cash flows excluding cash and bank.
2 Variable rate cash flows have been estimated using the relevant yield curve as at the balance sheet date.

Hedging reserve as per December 31, 2020 and 2019

MSEK	Cost of hedging reserve	Interest rate cash flow hedges	Currency cash flow hedges	Total before tax	Deferred tax	Total net of tax
Opening balance January 1, 2020	**-40**	**-2**	**122**	**80**	**-17**	**63**
Change in fair value of hedging instrument recognized in other comprehensive income	44	3	-205	-158	33	-125
Reclassified from other comprehensive income to profit or loss	–	-5	179	174	-37	137
Closing balance December 31, 2020	**4**	**-4**	**96**	**96**	**-21**	**75**
Opening balance January 1, 2019	**-56**	**10**	**65**	**19**	**-4**	**15**
Change in fair value of hedging instrument recognized in other comprehensive income	16	-18	117	115	-25	90
Reclassified from other comprehensive income to profit or loss	–	6	-60	-54	12	-42
Closing balance December 31, 2019	**-40**	**-2**	**122**	**80**	**-17**	**63**

Note
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Revaluation of financial instruments

MSEK	2020	2019
Recognized in the statement of income		
Fair value adjustment to hedged item in fair value hedge	391	350
Fair value adjustment to hedging instrument in fair value hedge	-391	-350
Other financial income and expenses[1,2]	3	-6
Deferred tax	–	–
Impact on net income for the year	**3**	**-6**
Recognized via hedging reserve in other comprehensive income		
Transfer to cash flow hedging reserve before tax	-202	99
Transfer to cost of hedging reserve before tax	44	16
Deferred tax on transfer to hedging reserve	33	-25
Transfer to hedging reserve net of tax	**-125**	**90**
Transfer to statement of income before tax	174	-54
Deferred tax on transfer to statement of income	-37	12
Transfer to statement of income net of tax	**137**	**-42**
Change of cash flow hedging reserve before tax	-28	45
Change of cost of hedging reserve before tax	44	16
Total change of hedging reserve before tax[3]	**16**	**61**
Deferred tax on total change of hedging reserve[3]	-4	-13
Total change of hedging reserve net of tax	**12**	**48**
Total impact on shareholders' equity as specified above		
Total revaluation before tax[4]	19	55
Deferred tax on total revaluation[4]	-4	-13
Total revaluation after tax	**15**	**42**

1 Related to financial assets and financial liabilities at fair value through profit or loss.
2 There was no significant ineffectiveness in the fair value hedges or in the cash flow hedges.
3 Total of transfer to hedging reserve and transfer from hedging reserve to statement of income.
4 Total revaluation and deferred tax recognized via statement of income and via other comprehensive income.

Derivatives in the balance sheet

MSEK	2020	2019
Interest-bearing financial non-current assets		
Fair value hedges	103	-116
Cash flow hedges	235	356
Other derivative positions[1]	14	-27
Total derivatives included in interest-bearing financial non-current assets	**352**	**213**
Interest-bearing current receivables from subsidiaries		
Other derivative positions	2	1
Total derivatives included in interest-bearing current receivables from subsidiaries	**2**	**1**
Other interest-bearing current assets		
Fair value hedges	10	–
Other derivative positions	10	2
Total derivatives included in other interest-bearing current assets	**20**	**2**
Long-term loan liabilities		
Fair value hedges	125	288
Cash flow hedges	-52	-117
Other derivative positions[2]	11	13
Total derivatives included in long-term loan liabilities	**84**	**184**
Other short-term loan liabilities		
Cash flow hedges	3	–
Other derivative positions	76	15
Total derivatives included in other short-term loan liabilities	**79**	**15**

1 Cross currency interest rate swaps are split into different components, of which some elements are negative when the overall fair value is positive.
2 Cross currency interest rate swaps are split into different components, of which some elements are positive when the overall fair value is negative.

Fair value – Hierarchy as per December 31, 2020 and 2019

	Quoted market prices		Valuation techniques using observable market data		Valuation techniques using non-observable market data		Total	
MSEK	2020	2019	2020	2019	2020	2019	2020	2019
Financial assets at fair value through profit or loss	–	–	12	3	–	–	12	3
Financial liabilities at fair value through profit or loss	–	–	-76	-15	–	–	-76	-15
Derivatives designated for hedging with positive fair value	–	–	362	213	–	–	362	213
Derivatives designated for hedging with negative fair value	–	–	-87	-184	–	–	-87	-184

Liabilities from financing activities 2020 and 2019

			Non-cash changes			
MSEK	Opening balance Jan 1	Cash flows[1]	Reclassification	Other changes	Translation differences	Closing balance Dec 31
2020						
Long-term borrowings	17 189	170	-4 666	-100	-914	11 679
Short-term borrowings	3 492	-633	4 666	65	-246	7 344
Derivative assets held to hedge external borrowings	-638	–	–	244	–	-394
Total	**20 043**	**-463**	**–**	**209**	**-1 160**	**18 629**
2019						
Long-term borrowings	15 818	1 490	-373	68	186	17 189
Short-term borrowings	5 068	-2 086	373	-22	159	3 492
Derivative assets held to hedge external borrowings	-516	–	–	-122	–	-638
Total	**20 370**	**-596**	**–**	**-76**	**345**	**20 043**

1 Excluding other derivative positions and dividend paid to shareholders of the Parent Company, which are included in cash flow from financing activities in the consolidated statement of cash flow.

Note 45
Administrative expenses and other operating income

Administrative expenses

Audit fees and reimbursements

MSEK	2020	2019
PwC		
Audit assignments	9	9
Additional audit assignments	1	2
Tax assignments	3	1
Other assignments[1]	1	2
Total[1]	**14**	**14**

1 Total audit fees and reimbursements to PwC amounts to MSEK 14, whereof MSEK 0 does not relate to PwC Sweden, included in Other assignments.

Additional audit assignments mainly comprise review of the interim report for the second quarter as well as review of financial reporting and internal control in additional countries than those included in the agreed audit plan. Tax assignments mainly comprise tax return compliance, transfer pricing and questions related to tax legislation compliance. Other assignments mainly comprise review of pension plans.

Other operating income

Other operating income consists in its entirety of trade mark fees for the use of the Securitas brand name.

Note 46
Personnel

Average number of yearly employees: Distribution between women and men

	Women		Men		Total	
	2020	2019	2020	2019	2020	2019
Board of Directors	3	3	5	5	8	8
President	–	–	1	1	1	1
Other employees, Sweden	36	31	25	21	61	52

Staff costs

	2020			2019			Of which bonuses	
MSEK	Salaries	Social benefits	(of which pensions)	Salaries	Social benefits	(of which pensions)	2020	2019
Board of Directors and President[1]	23	13	(5)	29	8	(1)	0	1
Other employees	88	61	(21)	84	54	(19)	4	12
Total	**111**	**74**	**(26)**	**113**	**62**	**(20)**	**4**	**13**

1 Refer to note 9 for further information regarding remuneration to the Board of Directors and President.

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Note 47
Other financial income and expenses, net

MSEK	2020	2019
Liquidation of subsidiaries[1]	0	–
Impairment losses, shares in subsidiaries[2]	-1 487	-54
Realized loss, shares in subsidiaries[3]	-17	–
Impairment losses, other financial assets	-18	–
Exchange rate differences, net	-202	138
Bank costs and similar income/expense items	-19	-18
Revaluation of financial instruments	3	-6
Total other financial income and expenses, net	**-1 740**	**60**

1 Related to Securitas Bulgaria.
2 Impairment losses in 2020 mainly relate to Securitas Treasury Ireland and are mainly triggered by dividends received from this company and in addition to Slovenia and Argentina due to immediate expensing of capital contributions. Relates to Argentina for 2019, where an impairment loss was based on a combination of adverse currency development and a negative performance development.
3 Related to Securitas Montenegro.

Note 48
Taxes

Statement of income

Tax expense

MSEK	2020	2019
Tax on income before taxes		
Current taxes	-32	-151
Deferred taxes	182	-38
Total tax expense	**150**	**-189**

The Swedish corporate tax rate was 21.4 percent (21.4).

Difference between statutory swedish tax rate and actual tax expense for the parent company

MSEK	2020	2019
Income before taxes according to the statement of income	**1 280**	**2 553**
Tax based on Swedish tax rate	-274	-546
Tax related to untaxed reserves	148	-50
Tax related to previous years/foreign withholding tax	-9	-1
Tax related to non-taxable income	630	424
Tax related to non-deductible expenses	-345	-16
Actual tax expense	**150**	**-189**

Tax related to non-taxable income in 2020 and 2019 mainly relates to dividends from subsidiaries. Tax related to non-deductible expenses in 2020 and 2019 mainly relates to write-down of shares in subsidiaries. Tax related to untaxed reserves mainly relates to adjustment of previously reported deferred tax.

Other comprehensive income

Tax on other comprehensive income

MSEK	2020	2019
Deferred tax on cash flow hedges	6	-9
Deferred tax on cost of hedging	-10	-4
Deferred tax on other comprehensive income	**-4**	**-13**

Balance sheet

Deferred tax assets are attributable to employee-related liabilities and taxable reversal of negative net interest.

Tax loss carryforwards

The tax loss carryforwards for the Parent Company amounted to MSEK 0 (0) as of December 31, 2020.

Note 49
Intangible assets[1]

MSEK	2020	2019
Opening balance	96	307
Disposals[2]	–	-213
Capital expenditures	0	2
Write-offs	-8	–
Closing accumulated balance	**88**	**96**
Opening amortization	-67	-179
Disposals[2]	–	113
Write-offs	5	–
Amortization for the year	-5	-1
Closing accumulated amortization	**-67**	**-67**
Closing residual value	**21**	**29**

1 In 2020, mainly related to the brand name Securitas in one of the Group's countries of operations, included with MSEK 16 (16). The trademark is tested annually for impairment. Refer to note 18 section impairment testing for further information.
2 In 2019, mainly related to Securitas Guard Management System, which has been disposed to a Group company.

Note 50
Machinery and equipment

MSEK	2020	2019
Opening balance	24	24
Disposals	–	0
Capital expenditures	0	0
Closing accumulated balance	**24**	**24**
Opening depreciation	-19	-18
Disposals	–	0
Depreciation for the year	0	-1
Closing accumulated depreciation	**-19**	**-19**
Closing residual value	**5**	**5**

Note 51
Shares in subsidiaries[1]

Subsidiary name	Corporate identity no.	Domicile	Number of shares 2020	% of share capital/ voting rights 2020	Book value 2020, MSEK	Book value 2019, MSEK
Grupo Securitas Mexico S.A de C.V[2]	GSM930817U48	Monterrey	14 999	99.98	44	44
Protectas S.A.	CH-550-0084385-3	Lausanne	50 000	100	33	33
Securitas Argentina S.A.[3]	1587929	Buenos Aires	7 317 994	21	2	2
Securitas Asia Holding AB	556691-8800	Stockholm	100 000	100	292	286
Securitas Aviation d.o.o.	MBS 080689871	Zagreb	1	100	1	1
Securitas BH d.o.o.	65-01-0503-11	Sarajevo	–	100	87	87
Securitas Biztonsági Szolgáltatások Magyarország Kft	Cg.01-09-721946	Budapest	–	100	22	22
Securitas Bulgaria Ltd	204820136	Sofia	–	–	–	0
Securitas Canada Ltd	454437-4	Toronto	4 004	100	86	86
Securitas ČR sro	43872026	Prague	–	100	186	186
Securitas Eesti AS	10188743	Tallinn	1 371	100	32	32
Securitas Entegre Güvenlik Cözümleri ve Hizmetleri A.S	295928	Istanbul	98 869	100	146	–
Securitas Fire & Safety Services SRL[4]	J40/13561/2007	Bucharest	1	5	0	0
Securitas Group Reinsurance DAC	317030	Dublin	2 000 000	100	576	576
Securitas Güvenlik Hizmetleri A.S	196607	Ankara	64 025 000	98.50	257	–
Securitas Holding GmbH	HRB 33348	Düsseldorf	1	100	2 572	2 572
Securitas Holdings Inc.	95-4754543	Parsippany	100	100	2 208	2 208
Securitas Hrvatska d.o.o	MBS 080132523	Zagreb	1	100	177	177
Securitas Intelligent Services AB	556655-4670	Stockholm	1 000	100	50	50
Securitas Invest AB	556630-3995	Stockholm	1 000	100	7	7
Securitas Middle East and Africa Holding AB	556771-4406	Stockholm	100 000	100	219	192
Securitas Montenegro d.o.o.	02387620	Niksic	–	–	–	1
Securitas Nordic Holding AB	556248-3627	Stockholm	1 000 000	100	10 020	9 269
Securitas NV[5]	0427.388.334	Brussels	8 238	99.90	942	942
Securitas Podjetje za varovanje d.o.o.	8075280000	Ljubljana	–	100	0	0
Securitas Polska Sp. z o. o.	0000036743	Warsaw	18 000	100	27	27
Securitas Rental AB	556376-3829	Stockholm	1 000	100	4	4
Securitas Security Consulting Holding AB	556087-1468	Stockholm	1 000	100	140	137
Securitas Security Services Ireland Ltd	275069	Dublin	2 410 002	100	29	29
Securitas Seguridad Holding SL	B83446831	Madrid	7 462	100	8 648	8 398
Securitas Services d.o.o.	17487809	Belgrade	–	100	148	148
Securitas Services Holding U.K. Ltd	5759961	London	34 000 400	100	976	976
Securitas Services International BV	33287487	Amsterdam	25 000	100	2 345	2 345
Securitas Services Romania SRL	J40/2222/2001	Bucharest	21 980	100	49	49
Securitas Sicherheitsdienstleistungen GmbH	FN148202w	Vienna	–	100	92	92
Securitas SK sro	36768073	Prievidza	–	100	33	33
Securitas Toolbox Ltd	316907	Dublin	100	100	0	0
Securitas Transport Aviation Security AB	556691-8917	Stockholm	5 100 000	100	535	425
Securitas Treasury Ireland DAC	152440	Dublin	21 075 470	100	13 248	14 475
Total shares in subsidiaries					**44 233**	**43 911**

1 The main business in the subsidiaries is specialized guarding and mobile services, monitoring, technical solutions and consulting and investigations. The subsidiaries also comprise of the Group's internal bank, Securitas Treasury Ireland DAC, as well as the Group's internal insurance company, Securitas Group Reinsurance DAC. A complete specification of the subsidiaries can be obtained from the Parent Company.
2 The remaining 0.02 percent of Grupo Securitas Mexico S.A de C.V are held by Securitas Rental AB.
3 The remaining 79 percent of Securitas Argentina S.A. are held by Securitas Seguridad Holding SL.
4 The remaining 95 percent of Securitas Fire & Safety Services SRL are held by Securitas Services Romania SRL.
5 The remaining 0.1 percent of Securitas NV are held by Securitas Rental AB.

Change analysis of shares in subsidiaries

MSEK	2020	2019
Opening balance	43 911	41 332
Acquisitions[1]	629	32
Capital contributions	1 427	2 601
Divestitures[2]	-247	–
Liquidation[3]	0	–
Impairment losses[4]	-1 487	-54
Closing balance	**44 233**	**43 911**

1 2020 relates to intra-group acquisitions of four Turkish subsidiaries received by dividend. 2019 relates to intra-group acquisition of Securitas SK sro.
2 Divesture of Securitas Montenegro d.o.o. externally and two Turkish subsidiaries to Securitas Nordic Holding AB.
3 Liquidation of Securitas Bulgaria Ltd.
4 Impairment losses in 2020 mainly relate to Securitas Treasury Ireland and are mainly triggered by dividends received from this company and in addition to Slovenia and Argentina due to immediate expensing of capital contributions. Relates to Argentina for 2019, where an impairment loss was based on a combination of adverse currency development and a negative performance development.

Note 52
Shares in associated companies

Holdings 2020 and 2019

Company	Domicile	Share in equity, %	Voting rights, %	Book value, MSEK
Walsons Services Pvt Ltd	Delhi	49	49	112
Holdings 2020				**112**
Walsons Services Pvt Ltd	Delhi	49	49	112
Holdings 2019				**112**

Note 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58 59 60

Note 53
Prepaid expenses and accrued income

MSEK	2020	2019
Prepaid software licenses and support costs	2	2
Prepaid insurance premiums	2	1
Other prepaid expenses	3	5
Total prepaid expenses and accrued income	**7**	**8**

Note 54
Liquid funds

Liquid funds include short-term investments with a maximum duration of 90 days that are readily convertible to a known amount of cash and subject to an insignificant risk of change in value. Liquid funds also include cash and bank deposits. Short-term investments refer to fixed interest rate bank deposits.

In the Parent Company's balance sheet, utilized internal credits in the Swedish cash-pool account are reported under the Group account bank overdraft.

Note 55
Shareholders' equity

Number of shares and share capital December 31, 2020

	Number of shares	Share capital, MSEK
Series A	17 142 600	17
Series B	347 916 297	348
Number of shares/total share capital	**365 058 897**	**365**
Less: Treasury shares	-125 000	–
Number of shares outstanding[1]	**364 933 897**	**–**

1 The quota value is SEK 1.00 per share.

The number of Series A shares and Series B shares is unchanged in relation to December 31, 2019. As of December 31, 2020 there were no outstanding convertible debenture loans that could result in any dilution of the share capital.

Each Series A share carries ten votes and each Series B share one vote. This is the only difference between the two series of shares.

Shareholders with more than 10 percent of the votes

The principal shareholders are Investment AB Latour with 10.9 percent of the capital and 29.6 percent of the votes, and Melker Schörling AB with 4.5 percent of the capital and 10.9 percent of the votes.

Proposed allocation of earnings

The statements of income and the balance sheets of the Parent Company and the Group are subject to adoption by the Annual General Meeting 2021.

Retained earnings in the Parent Company available for distribution

	MSEK[1]
Hedging reserve	75
Retained earnings	19 764
Net income for the year[2]	1 430
Total	**21 269**

The Board of Directors proposed that the earnings are allocated as follows

	MSEK[1]
a dividend to the shareholders of SEK 4.00 per share[3]	1 460
retained earnings to be carried forward[3]	19 809
Total	**21 269**

1 Refer to the Report of the Board of Directors for the proposed allocation of earnings in SEK and for the Board's statement on the proposed dividend.
2 Includes Group contributions to subsidiaries of MSEK 381.
3 Calculated on the number of shares outstanding as per February 3, 2021. Excluding 125 000 treasury shares.

Share-based incentive scheme

Securitas' share-based incentive scheme has had the following impact on retained earnings:

MSEK	2020	2019
Swap agreement[1,2]	-110	-147
Redemption of previous year's swap agreement[1]	147	140
Share-based remuneration to employees[3]	2	6
Settlement of previous year's share-based remuneration to employees[3]	-6	-7
Repurchase of shares[4]	–	-21
Total impact on retained earnings	**33**	**-29**

1 Related to the whole Group's short-term share-based incentive scheme.
2 The number of shares that have been hedged in this swap agreement amount to a total of 847 035 (1 003 835) and have been allotted to the participants during the first quarter 2021, provided that they were still employed by the Group at that time. Swap agreements are used for delivery of shares for the short-term incentive schemes.
3 Related to share-based remuneration for Securitas AB's employees only.
4 Number of shares repurchased amounts to 125 000. Repurchased shares serve as a hedge for the long-term incentive program.

Note 56
Untaxed reserves

MSEK	2020	2019
Accumulated depreciation and amortization in excess of plan	19	20
Tax allocation reserve	704	667
Total untaxed reserves	**723**	**687**

Note 57
Long-term liabilities

Long-term liabilities fall due for payment as follows

MSEK	2020	2019
Maturity < 5 years	11 719	14 106
Maturity > 5 years	129	3 379
Total long-term liabilities	**11 848**	**17 485**

Note 58
Accrued expenses and prepaid income

MSEK	2020	2019
Employee-related items	22	28
Accrued interest expenses	200	220
Other accrued expenses	33	35
Total accrued expenses and prepaid income	**255**	**283**

Note 59
Pledged assets

MSEK	2020	2019
Pension balances, defined contribution plans	144	124
Total pledged assets	**144**	**124**

Note 60
Contingent liabilities

MSEK	2020	2019
Guarantees	–	–
Guarantees related to discontinued operations	15	16
Total contingent liabilities[1]	**15**	**16**

1 Guarantees on behalf of subsidiaries are disclosed in note 43. There are no guarantees on behalf of associated companies.

The Board of Directors and the President declare that the consolidated financial statements have been prepared in accordance with IFRS as adopted by the EU and give a true and fair view of the Group's financial position and results of operations. The financial statements of the Parent Company have been prepared in accordance with generally accepted accounting principles in Sweden and give a true and fair view of the Parent Company's financial position and results of operations.

The statutory administration report of the Group and the Parent Company provides a fair review of the development of the Group's and the Parent Company's operations, financial position and results of operations and describes material risks and uncertainties facing the Parent Company and the companies included in the Group.

The Board of Directors and the President also submit Securitas AB's Sustainability Report for 2020. The sustainability report describes the Group's work with regards to economic, environmental and social aspects. The report is prepared according to the Sustainability Reporting Standards, issued by Global Reporting Initiative (GRI).

The statements of income and balance sheets of the Parent Company and the Group are subject to adoption by the Annual General Meeting on May 5, 2021.

Stockholm, March 18, 2021

Marie Ehrling
Chair

Carl Douglas
Vice Chair

Ingrid Bonde
Director

John Brandon
Director

Anders Böös
Director

Fredrik Cappelen
Director

Sofia Schörling Högberg
Director

Dick Seger
Director

Susanne Bergman Israelsson
Director
Employee Representative

Åse Hjelm
Director
Employee Representative

Jan Prang
Director
Employee Representative

Magnus Ahlqvist
President and Chief Executive Officer

Our report has been submitted on March 18, 2021
PricewaterhouseCoopers AB

Patrik Adolfson
Authorized Public Accountant
Auditor in charge

Madeleine Endre
Authorized Public Accountant

Auditor's report

(This is a translation of the Swedish original. For any interpretation the Swedish version prevail)

To the general meeting of the shareholders of Securitas AB (publ), corporate identity number 556302-7241

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of Securitas AB (publ) for the year 2020. The annual accounts and consolidated accounts of the company are included on pages 69-154 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company and the group as of 31 December 2020 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2020 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Our audit approach

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the group operates.

We have furthermore given special attention to the impact COVID-19 has had on our audit and tailored our audit procedures to properly cover any new, and when applicable, changing risks during the audit. We have overall been able to conduct our audit although the pandemic has implied partly changed ways of working and increased use of digital tools for communication and collection of audit evidence.

Securitas' business consists of performing various protective services. Its customers differ in size and operate in diverse segments and businesses. The Group has arisen through acquisitions and contracts with customers. Operations are conducted in some 47 countries. The business is labor intensive, and the number of employees amounts to about 355 000 people.

In summary, our audit can be described as follows:

- In the Group audit, we focused on the operations of the Parent Company and the twelve most significant reporting units. These units account for approximately 76 percent of net income, 89 percent of operating profit and 58 percent of the Group's operating assets. For the ten largest entities and the Parent Company, our audit activities encompassed a limited review of the half-yearly report as of June 30, an assessment of key controls related to financial reporting according to Securitas' framework, early warning of the closing on September 30 prior to the year-end closing, and an audit of the year-end closing for the Group's consolidated financial closing. For the other entities, our audit focused on internal control over financial reporting and the year-end closing. Based on the ongoing COVID-19 pandemic many procedures have been performed digitally.
- During the year, the auditor in charge, the co-signer and members of the audit team visited some 12 operations in the same amount of countries in order to gain a further understanding of the operations in these countries, perform an overall review of the financial reporting based on the Group's accounting principles and evaluate compliance with Securitas' framework for internal control. These visits have due to the ongoing COVID-19 pandemic have been performed digitally. Some of these countries are included in the audit procedures described above and are also subject to a statutory audit. The countries visited account for approximately 24 percent of the Group's net income.

For other reporting units, analytical audit procedures are performed as a part of the audit of the consolidation. In addition to this, statutory audit procedures are performed in some 29 countries or entities, corresponding to 16 percent of net income, 19 percent of operating profit and 25 percent of the Group's assets. The statutory audit has in most cases not been completed prior to signing the audit opinion for the group. The outcome of the statutory audits is reported separately to Securitas in connection with the review of half-yearly report. As this is not deemed to be material, is not used as support in the audit of the financial closing for the group. The outcome is used in the planning of the audit in order to follow up on any significant matters noted for any reporting unit regarding financial reporting or internal control.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Key audit matter

Audit of impairment testing of goodwill and other acquisition related intangible assets

We refer to Note 4 Critical accounting estimates and assessments, Note 17 Acquisition and divestment of subsidiaries and Note 18 Goodwill and impairment testing. In Note 18, information regarding the sensitivity analysis performed with regards to which adjustment of assumptions made would trigger an impairment of goodwill.

Goodwill and other acquisition related intangible assets, including customer relations, amount to MSEK 21 414, and are as such a significant portion of Securitas' consolidated balance sheet per December 31, 2020 corresponding to some 36 % of the total assets. The balance sheet item is subject to management's assessments and assumptions, and with regards to the significance and complexity in the assessment of the value of the balance sheet item, also considered as a key audit matter in the audit.

Securitas annually performs a test to assess the value of goodwill and if there is any need for impairment if the book value of the assets exceeds the calculated fair value according to the test.

Securitas has an established process to test the valuation, based on the identified cash generating units (CGU), as described in note 18. For 2020, there were 4 identified cash generating units.

Securitas process implies that they prepare the impairment test based on business plans, financial plans and prognosis for the five immediate years. The cash flows from the years beyond the five immediate years are extrapolated based on the business plan. The process therefore contains assumptions that have a significant impact on the impairment test. This includes assumptions on sales growth, margin development and discount rate (WACC). These parameters are as such affected by unexpected future market or economic conditions, particularly those relating to the cash flow forecast and the applied discount rate.

The value according to the test correspond to the value of discounted cash flow for identified cash generating units. Even if a unit passes the impairment test, a future negative development compared to the assumptions and assessments that constituted the basis for the test, can imply that there is a need for an impairment write-down. The risk for an impairment is larger for entities that currently perform worse in comparison with the approved business plan.

Other acquisition related intangible assets are subject to depreciations according to plan. For these assets, an impairment test is performed if it can be assumed that the value of the assets has reduced so that an impairment may be necessary.

Securitas conclusion, based on the best assessment and the information available at the time of preparing the annual impairment test, is that there is no need for impairment related to the assets mentioned above per 31 December 2020.

How our audit addressed the Key audit matter

When testing for impairment of goodwill and other acquisition-related intangible assets, in order to ensure primarily the valuation and accuracy, we have performed audit procedures including:

- Evaluation of the assumptions as disclosed in note 18 as well as that the model used are in accordance with IFRS, we used PwC valuation experts to test and evaluate the models and methodology used, as well as the significant assumptions.
- On a sample basis we have tried, verified, evaluated and challenged the data used in the calculation versus the Company's long-term plans and, where possible, external information. We have focused on assessed growth rates, margin developments and discount rate applied per cash generating unit. We also followed-up the accuracy and inherent quality of the Company's process to prepare business plans and financial plans based on the historic outcome.
- Control of the sensitivity in the valuation for negative changes to key assumptions, that either individually or collectively could imply an impairment of goodwill.
- Assessment of that the disclosures provided in the financial statements are correct based on the impairment test performed, particularly for information on the sensitivity in the valuations.
- Comparison of the disclosures in the annual report to the requirement of IAS 36 and found them to be consistent in all material aspects.

Based on our audit, it is our conclusion that Securitas' assumptions are such that they are within an acceptable interval.

Key audit matter

Routines and processes including accounting of employee-related expenses and pension and medical plans

We refer to note 4 Critical accounting estimates and assessments, note 9 Remuneration to the Board of Directors and senior management, note 12 Personnel, note 33 Provisions for pensions and similar commitments as well as note 34 Other long-term provisions, note 36 Other current liabilities and note 37 Short-term provisions

Securitas has 355 000 employees in its subsidiaries. The Group's employee-related expenses mainly regard salaries and payroll overhead, including social charges and employers' contributions as well as other short-term remuneration, including holiday pay and variable compensation. Employee-related expenses amount to approximately BSEK 84, corresponding to 82 percent of operating costs. This is thus the most significant cost item in Securitas' consolidated income statement. The related costs consist of both salaries and other remuneration, including variable compensation and directly related taxes and social contributions.

In addition to this, Securitas is responsible for, or its employees participate in, a number of pension plans and plans implying medical benefits to employees. For these plans, Securitas has an obligation, which is recognized as liability.

The risk refers to the completeness of these items, meaning that they are correctly calculated, properly cut off and valued. There is also an inherent complexity in the management of payroll when various groups of employees are under different employment contracts and collective agreements, which in itself gives rise to differences in how salaries, other remuneration and benefits should be calculated, and which actuarial assumptions are to be used regarding the plans. Securitas' internal control framework includes specific controls on the management of payroll and personnel costs to ensure that proper salaries and remuneration and attributable taxes and charges are paid.

How our audit addressed the Key audit matter

In order to be able to pay salaries to 355 000 employees on a monthly basis, or in some cases more frequently, there must be well-functioning routines and processes in place in order to calculate and control the salaries and remuneration to be paid.

Our audit is therefore based both on an evaluation of the internal control environment and on other analytical procedures, including system-based analysis of certain balance sheet and income statement items for selected subsidiaries, and detailed testing. These subsidiaries correspond to some 72 percent of the employee-related costs, on a full year basis, and have approximately 221 000 employees.

The basis for the evaluation of internal control has been Securitas' internal control framework for financial reporting. The testing of controls and amounts has been performed on a sample basis. Our audit procedures have, inter alia, included:

- Reconciling significant accruals and/or provisions regarding, for example, holiday pay, accrued salaries, taxes and social charges with system-generated support and calculations and estimates made by management.
- Auditing of employee-related costs, including plans, using analytical procedures with regard to changes in costs in the income statement, accruals and provisions compared with our knowledge and understanding and use of systems-based data analysis.
- With regards to pension and medical plans, we have audited significant supporting assumptions, assessed historical outcome and assessed the reasonability of management's estimates. Wherever possible, we also verified this information with external support, including reports from independent and external actuaries. Overall the provisions are within the acceptable interval.

Based on our audit, no significant observations have been noted which have resulted in reporting to the audit committee. Our overall conclusion is that there are, in all material respects, proper processes in place to manage and account for payroll and employee-related expenses.

Key audit matter

Valuation of provisions related to disputes and other legal procedures, and disclosures on contingent liabilities

We refer to note 4 Critical estimates and judgments and note 39 Contingent liabilities.

Subsidiaries within the Group are involved in a number of legal proceedings and related matters. These legal disputes and other matters in various countries, for example, the Competition authority investigation in Belgium, Estrela Azul (Brazil), Mutua (Spain) and the investigation described on page 135-136 related to improper supplier- and other business relations in Argentina and related. The key assumption is management's assessment of the future outcome of the ongoing proceedings and exposures, which directly affects the valuation of these matters and the disclosures provided in the financial reports.

The company consults external legal advisors regarding significant queries and issues relating to these matters. The future outcome of the matters, and the accounting effects thereof, are based on assessments and complex legal matters which may take time to finally solve. The risk primarily regards the valuation of the outcome of these cases. As a part of our audit, we have considered the ongoing matters and disputes given the inherent subjectivity and uncertainty regarding the final outcome. Securitas has established routines whereby the Group's Chief Legal Officer reports each quarter on the development of and significant events related to these matters to the CEO and audit committee. This report is also sent to the Board of Directors.

How our audit addressed the Key audit matter

In our audit, we examined the accuracy and valuation of the aforementioned matters. Securitas has a documented assessment of the outcome of the ongoing cases and exposures, and monitors these on a continuous basis, assisted by both in-house legal counsel and external lawyers. A follow-up is conducted at both the local and Group level. We have discussed these assumptions with the company's in-house legal counsel, and with Divisional and Group legal for some of the more significant cases.

We have evaluated the assessments and estimates made by management with regards to the existing disputes and exposures. This was performed based on documentation of the individual matters, conducted investigations, the historical outcome of similar cases and statements from external legal advisors regarding disputes, contingent liabilities and other exposures of which they are aware, or for which they are supporting or representing Securitas.

As outlined in the financial statements, the outcome of such matters is dependent on the future outcome of continuing legal and regulatory procedures. As such, calculations of provisions are subject to inherent uncertainty. We have not noted any inconsistencies in the documentation that we have received and examined, or that the disclosures provided did not correspond to the requirements in IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

Key audit matter	How our audit addressed the Key audit matter
Valuation of provisions for tax-related matters *We refer to note 4 Critical estimates and judgments and note 16 Taxes.* Companies within the Group are involved in tax-related matters and tax audits. This includes, inter alia, the ongoing tax audits in Spain. The key assumption is management's assessment of the future outcome of the ongoing proceedings and exposures, which directly affects the valuation of these matters, and the disclosures provided in the financial reports. The risk primarily regards the valuation of the outcome of these cases. As a part of our audit, we considered the tax cases, given the inherent subjectivity and uncertainty related to the final outcome. The company consults external legal advisors and tax advisors for significant queries. The future outcome of the matters, and the accounting effects thereof, are based on assessments and complex legal matters which may take time to finally solve. The risk primarily regards the valuation of the outcome of these cases. As a part of our audit, we have considered the ongoing matters and disputes given the inherent subjectivity and uncertainty regarding the final outcome.	In our audit, we checked the accuracy and valuation of these matters. Securitas has a documented assessment of the outcome of the ongoing matters and exposures and monitors these on an ongoing basis. The audit procedures performed include, for example: • Discussion of these matters with the company's in-house tax counsel for some of the more significant matters. • Examination of Securitas' tax calculations and application of tax regulations. • Evaluation of the assessments and estimates made by management with regard to the existing tax disputes and ongoing tax audits. This was based on the historical outcome of similar cases and statements from external legal advisors regarding disputes, contingent liabilities and other exposures of which they are aware or for which they are supporting or representing Securitas. • Review of the written communication between the company and the tax authorities with regards to ongoing tax audits. For these cases, we also consulted PwC tax experts, who participated in our audit. As disclosed in the financial statements, the outcome of these matters is dependent on the future outcome of legal procedures and associated with an inherent uncertainty. Thus, the calculations of the provisions are subject to inherent uncertainty. We have not noted any inconsistencies in the documentation that we have received and examined, or that the disclosures provided did not correspond to the requirements in IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-68 and 155-176. The other information also consist of the report on renumerations that we obtained prior to the date of this audit opinion. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor´s report.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Director's and the Managing Director of Securitas AB (publ) for the year 2020 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Director's and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group' equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company´s organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

PricewaterhouseCoopers AB was appointed the auditor of Securitas ABs (publ) by the annual general meeting on May 7, 2020 and has been the auditor of the company since 1987.

Stockholm March 18, 2021
PricewaterhouseCoopers AB

Patrik Adolfson
Authorized Public Accountant
Auditor in charge

Madeleine Endre
Authorized Public Accountant

Quarterly data

Statement of income 2020[1]

MSEK	Q1 2020	Q2 2020	Q3 2020	Q4 2020
Sales	28 016	26 271	26 212	26 143
Sales, acquired business	404	285	289	334
Total sales	**28 420**	**26 556**	**26 501**	**26 477**
Organic sales growth, %	*2*	*-4*	*0*	*1*
Production expenses	-23 693	-22 070	-21 740	-21 543
Gross income	**4 727**	**4 486**	**4 761**	**4 934**
Selling and administrative expenses	-3 662	-3 435	-3 453	-3 550
Other operating income	9	11	8	11
Share in income of associated companies	12	13	11	9
Operating income before amortization	**1 086**	**1 075**	**1 327**	**1 404**
Operating margin, %	*3.8*	*4.0*	*5.0*	*5.3*
Amortization of acquisition related intangible assets	-72	-69	-66	-79
Acquisition related costs	-17	-63	-10	-47
Items affecting comparability	-45	-61	-112	-422
Operating income after amortization	**952**	**882**	**1 139**	**856**
Financial income and expenses	-144	-137	-101	-118
Income before taxes	**808**	**745**	**1 038**	**738**
Net margin, %	*2.8*	*2.8*	*3.9*	*2.8*
Current taxes	-251	-215	-220	-362
Deferred taxes	31	15	-59	148
Net income for the period	**588**	**545**	**759**	**524**
Whereof attributable to:				
Equity holders of the Parent Company	588	546	758	527
Non-controlling interests	0	-1	1	-3
Earnings per share before and after dilution (SEK)	1.61	1.50	2.08	1.45
Earnings per share before and after dilution and before items affecting comparability (SEK)	1.70	1.62	2.31	2.38

Statement of cash flow 2020[1]

MSEK	Q1 2020	Q2 2020	Q3 2020	Q4 2020
Operating income before amortization	**1 086**	**1 075**	**1 327**	**1 404**
Investments in non-current tangible and intangible assets	-753	-676	-685	-673
Reversal of depreciation	696	672	669	653
Change in accounts receivable	-654	857	86	-166
Change in other operating capital employed	-3	741	1 242	309
Cash flow from operating activities	**372**	**2 669**	**2 639**	**1 527**
Cash flow from operating activities, %	*34*	*248*	*199*	*109*
Financial income and expenses paid	-290	-41	-24	-46
Current taxes paid	-406	-189	-206	-61
Free cash flow	**-324**	**2 439**	**2 409**	**1 420**
Free cash flow, %	*-47*	*338*	*239*	*154*
Cash flow from investing activities, acquisitions and divestitures	-354	-74	-82	-1 291
Cash flow from items affecting comparability	-60	-79	-78	-188
Cash flow from financing activities	1 646	-679	-1 400	-2 329
Cash flow for the period	**908**	**1 607**	**849**	**-2 388**

Capital employed and financing 2020[1]

MSEK	March 31, 2020	June 30, 2020	September 30, 2020	December 31, 2020
Operating capital employed	**14 612**	**11 936**	**10 285**	**8 893**
Operating capital employed as % of sales	*13*	*11*	*10*	*8*
Return on operating capital employed, %	*38*	*40*	*40*	*39*
Goodwill	23 673	22 252	21 930	21 414
Acquisition related intangible assets	1 673	1 513	1 418	1 424
Shares in associated companies	328	322	330	311
Capital employed	**40 286**	**36 023**	**33 963**	**32 042**
Return on capital employed, %	*13*	*14*	*14*	*13*
Net debt	**-19 294**	**-15 932**	**-13 535**	**-14 335**
Shareholders' equity	**20 992**	**20 091**	**20 428**	**17 707**
Net debt equity ratio, multiple	*0.92*	*0.79*	*0.66*	*0.81*

1 For definitions and calculation of key ratios refer to note 3.

Statement of income 2019[1]

MSEK	Q1 2019	Q2 2019	Q3 2019	Q4 2019
Sales	26 195	27 134	28 106	28 125
Sales, acquired business	549	550	108	132
Total sales	**26 744**	**27 684**	**28 214**	**28 257**
Organic sales growth, %	*7*	*5*	*4*	*2*
Production expenses	-22 113	-22 882	-23 238	-23 355
Gross income	**4 631**	**4 802**	**4 976**	**4 902**
Selling and administrative expenses	-3 350	-3 443	-3 416	-3 428
Other operating income	8	9	9	8
Share in income of associated companies	1	9	5	15
Operating income before amortization	**1 290**	**1 377**	**1 574**	**1 497**
Operating margin, %	*4.8*	*5.0*	*5.6*	*5.3*
Amortization of acquisition related intangible assets	-66	-70	-67	-68
Acquisition related costs	-12	-17	-5	-28
Items affecting comparability	-20	-46	-60	-83
Operating income after amortization	**1 192**	**1 244**	**1 442**	**1 318**
Financial income and expenses	-139	-150	-149	-140
Income before taxes	**1 053**	**1 094**	**1 293**	**1 178**
Net margin, %	*3.9*	*4.0*	*4.6*	*4.2*
Current taxes	-305	-318	-375	-202
Deferred taxes	12	18	18	-104
Net income for the period	**760**	**794**	**936**	**872**
Whereof attributable to:				
Equity holders of the Parent Company	758	795	935	869
Non-controlling interests	2	-1	1	3
Earnings per share before and after dilution (SEK)	2.08	2.18	2.56	2.38
Earnings per share before and after dilution and before items affecting comparability (SEK)	2.12	2.27	2.68	2.54

Statement of cash flow 2019[1]

MSEK	Q1 2019	Q2 2019	Q3 2019	Q4 2019
Operating income before amortization	**1 290**	**1 377**	**1 574**	**1 497**
Investments in non-current tangible and intangible assets	-707	-780	-800	-723
Reversal of depreciation	640	660	701	689
Change in accounts receivable	-133	-266	305	-145
Change in other operating capital employed	-1 157	-45	390	535
Cash flow from operating activities	**-67**	**946**	**2 170**	**1 853**
Cash flow from operating activities, %	*-5*	*69*	*138*	*124*
Financial income and expenses paid	-289	-55	-41	-58
Current taxes paid	-250	-275	-299	-367
Free cash flow	**-606**	**616**	**1 830**	**1 428**
Free cash flow, %	*-72*	*68*	*174*	*124*
Cash flow from investing activities, acquisitions and divestitures	-149	-233	-7	-185
Cash flow from items affecting comparability	-66	-77	-54	-106
Cash flow from financing activities	1 022	-1 083	-953	-685
Cash flow for the period	**201**	**-777**	**816**	**452**

Capital employed and financing 2019[1]

MSEK	March 31, 2019	June 30, 2019	September 30, 2019	December 31, 2019
Operating capital employed	**14 239**	**14 293**	**13 968**	**13 100**
Operating capital employed as % of sales	*13*	*13*	*13*	*12*
Return on operating capital employed, %	*43*	*43*	*47*	*50*
Goodwill	21 903	22 070	22 801	22 157
Acquisition related intangible assets	1 508	1 523	1 507	1 563
Shares in associated companies	487	484	504	320
Capital employed	**38 137**	**38 370**	**38 780**	**37 140**
Return on capital employed, %	*13*	*13*	*14*	*15*
Net debt	**-19 290**	**-20 460**	**-19 415**	**-17 541**
Shareholders' equity	**18 847**	**17 910**	**19 365**	**19 599**
Net debt equity ratio, multiple	*1.02*	*1.14*	*1.00*	*0.89*

1 For definitions and calculation of key ratios refer to note 3.

Sustainability notes

About this report

This report has been prepared according to the Global Reporting Initiative (GRI) sustainability reporting standards, with the Core application level. The report also highlights how our priorities reflect the Ten Principles of the UN Global Compact (UNGC) with respect to labor and human rights, the environment and anti-corruption, and therefore acts as our UNGC Communication on Progress. The 2019 sustainability report was published on March 25, 2020. We aim to publish a report on an annual basis. Unless otherwise noted, the report pertains to the 2020 calendar year and encompasses all companies within the Securitas Group. Wherever possible, the baseline for the report data is 2019. Information in compliance with the Swedish legal requirements on sustainability reporting is found on pages 5, 28–29 and 157–173. Securitas' business model is found on pages 28–29. For more information, contact: Cecilia Alenius, Group Sustainability Officer, cecilia.alenius@securitas.com

Stakeholder dialogs

Securitas encourages a continuous and proactive dialog with our stakeholders in order to better understand their expectations and to identify areas that we need to develop further. We meet many of our stakeholders regularly during the course of our daily work, and our aim is to be a responsible, honest and transparent company. Listed below are Securitas' key stakeholders and a description of how we engage with them. Our main stakeholders are identified based on the impact they might have on our business as well as on their interests and potential influence on Securitas.

STAKEHOLDER GROUP	METHOD OF DIALOG	IMPORTANT TOPICS	HOW WE RESPOND
Clients Securitas consistently tries to find new ways to strengthen our client partnerships by gaining an in-depth understanding of our clients' needs and industry-specific requirements, and establishing a shared view on sustainable business conduct.	We meet our clients every day and constantly engage in dialog with them. We have started the implementation of a Client Excellence Platform that will improve efficiency, both for our managers and for our clients. We also continue to share best practices and initiatives.	• Securitas' in-depth knowledge of the client's industry and security needs • The benefits of security solutions consisting of different combinations of cost-efficient protective services • Global consistency in service delivery and the capability to scale from local to global solutions • Occupational health and safety	Securitas communicates the benefits of its protective services, including electronic security, in a clear, transparent and sustainable way. With our deep understanding of each client's business, values and goals, we can develop security solutions and services tailored to their individual needs and meet the requirements they have on us as a sustainable supplier.
Employees and employee representatives Securitas' is a people company and our 355 000 skilled and engaged employees in 47 countries around the world. Our employees represent the company on a daily basis and are ambassadors for our brand and reputation.	The most important forum is the ongoing daily dialog between our employees and Securitas managers at different levels, facilitated by collaboration tools, such as Office 365 and Workplace by Facebook. Securitas engages in a proactive and open dialog with local unions, UNI and the EWC.	• Values and ethics • Fair wages and terms of employment • Health and safety • Diversity • Recruitment and onboarding • Training and skills development • Talent management • Data privacy	In order to attract, retain and develop our employees, Securitas strives to be a reliable employer. Solid human resources processes are a vital part of this. We have also formulated a purpose – We help make your world a safer place – to articulate what we do and to further guide our employees in their daily work. Securitas values proactive relationships and a constructive dialog with local unions as well as global union associations.
Shareholders An active dialog with our shareholders and investors ensures that our business is developed from a long-term perspective.	We publish interim reports and other continuous financial information, organize Investor Days and conduct other investor and analyst meetings, roadshows and conferences. At the Annual General Meeting, all shareholders are able to exercise their influence.	• How Securitas is leading the transformation of the security industry • How to manage the challenges related to the transformation to intelligent data-driven security solutions • Maintaining long-term, stable, profitable and sustainable operations	Securitas provides data and figures that support our strategy as well as information about how the transformation of the services we offer affects our financial results. We show that our position as an industry leader, also when it comes to sustainability, gives us a strong competitive advantage.

STAKEHOLDER GROUP	METHOD OF DIALOG	IMPORTANT TOPICS	HOW WE RESPOND
Society Securitas plays an important role in society by providing security and safety. This is a prerequisite for a functioning community, and we actively participate in the local communities where we operate.	As a large employer and a trusted partner to our clients, we engage in a constant dialog with different parts of the communities where we operate.	• Contribution to increased security and safety in local communities, through cooperation • Creating work opportunities • Equal conditions for men and women, ethnic and religious minorities, individuals with disabilities, etc.	Securitas provides security in a responsible way, protecting workplaces, public areas and properties. We provide many people with jobs, and often the first step into the work market. We also aim to be engaged in the local communities, for example, by actively participating in various local projects.
Suppliers Securitas has many suppliers in its operations. Ensuring that our suppliers follow our requirements concerning values and ethics, among other things, is essential to Securitas.	The main forum is the ongoing dialog between our suppliers and Securitas representatives on all levels.	• Quality of procured goods and services • Requirement to comply with Securitas' Business Partner Code of Conduct • Compliance with our anti-corruption policy • Contract commitment and fulfillment of deliveries	We provide our suppliers with information regarding Securitas' Business Partner Code of Conduct and include compliance with the Code of Conduct in our supplier contracts. We also have specific guidelines and standards for suppliers and conduct supplier risk assessments when required.
Industry organizations As one of the largest companies in the security industry, Securitas is a driving force in raising the standards and levels of professionalism in the industry.	Securitas is a member of various local and global industry organizations, such as the International Security Ligue, the American Society of Industrial Security (ASIS) and the National Association of Security Companies in the US. Meetings are conducted regularly.	• Status of security officers and the profession • Remuneration issues • Employee skills development • Occupational health and safety • Regulatory issues • Terms for values and ethics in the international security industry	We assume an active role in industry organizations, especially in markets where we have a leading position. We work to increase industry regulation in order to improve the status of the security officer profession, raise industry wage levels and intensify skills development efforts.
Policy makers and authorities Securitas cooperates closely with authorities in all countries where we operate – both to improve our business conditions and to explore new business opportunities.	Securitas maintains a continuous dialog with authorities and policymakers at the local, national and international level.	• Laws and regulations concerning the security industry • Possibilities to expand assignments to ensure a safer society	Securitas works to improve the business conditions in the security industry. We also explore opportunities to take over non-core police tasks.

Materiality analysis

Material issues are topics that have a substantial influence on the stakeholders' perception of our performance and impact our ability to create and sustain value. They indicate Securitas' most significant economic, environmental and social impacts. Materiality determines when an issue becomes important enough to be included in the business strategy and the way we manage and report on non-financial issues. Securitas' main impact on society is contributing to making them safer. The issues that we have defined as material are vital to our ability to contribute to safer societies, and we consider social conditions to be included in the areas personnel and respect for human rights.

Our process for identifying materiality provides a future focus for our sustainability work and helps us analyze our impact across the value chain. It provides us with deeper insights into stakeholders' expectations of Securitas, how we should develop our sustainability agenda and how our stakeholders perceive the outcome of our progress and strategy.

In the stakeholder survey we conducted in 2019, the following topics came out as prioritized:

- Decent working conditions
- Health and safety
- Compliant business practices
- Capacity building
- Diversity and equal opportunity

These topics were included in the discussions and dialogs we had with our main stakeholders in 2020, to ensure that the prioritization is still valid.

Our focus areas

Material aspect for Securitas	GRI Topic
Anti-corruption	205 Anti-corruption
Occupational health and safety	403 Occupational health and safety
Talent training and retention	401 Employment
Labor practices, non-discrimination and human rights	404 Training and education 405 Diversity and equal opportunity
Client relations	418 Client privacy

Sustainability governance

The Board of Directors decides on Securitas' sustainability strategy and policies together with the President and CEO of Securitas AB, who has ultimate responsibility for the realization of the Group's sustainability work. The Group has an Ethics and Sustainability Board, which establishes the principles for the Group's sustainability work and follows up cases of alleged non-compliance with Securitas' Values and Ethics Code. The board meets regularly and comprises the Group's President and CEO, SVP General Counsel, SVP Group Communications and People, Chief Business Ethics Compliance Officer and Group Sustainability Officer. Our system for managing our work related to environmental, social and governance areas comprises six key components:

1. **Securitas' Values and Ethics Code:** One of the company's most important policies, Securitas' Values and Ethics Code stipulates the basic principles that Securitas expects its employees and business partners to follow at all times.
2. **Employee training:** All Securitas employees undergo training in Securitas' Values and Ethics Code. An in-depth e-learning program for managers and office personnel is available in more than 40 languages. Local-language e-learning and classroom training sessions are held for the company's security officers. Relevant employees also receive training in other core policies, such as the anti-corruption policy.
3. **System for reporting non-compliance:** The Securitas Integrity Line (known as Securitas Hotline in the US and Canada, and Linea de Alerta in Mexico) is a Group system used for reporting cases of non-compliance with Securitas' Values and Ethics Code. All employees and business partners are encouraged and expected to report any cases of non-compliance, with the assurance that the reporter will not be subjected to any negative consequences.
4. **Risk management:** Non-compliance with Securitas' Values and Ethics Code is considered a risk, and as such, it has been classified as one of seven priority risks in the Group's enterprise risk management process. These risks are followed up on a regular basis.
5. **Monitoring:** To meet the demands of clients and other stakeholders with respect to increased transparency and communication, Securitas AB publishes a sustainability report that follows the Global Reporting Initiative (GRI) standards.
6. **Group Sustainability Officer:** The Group Sustainability Officer leads the Group's ongoing sustainability work and, in addition to following the regular reporting line, also reports to the Board of Directors' Audit Committee. Responsibilities include coordination of sustainability activities across the Group, which involves working closely together with other core functions. Other responsibilities include stakeholder engagement on sustainability issues, and supporting the Group's countries of operation with respect to sustainability matters.

Supply chain

We must ensure that our suppliers live up to our requirements and that they comply with Securitas' Business Partner Code of Conduct and our anti-corruption policy. The Code of Conduct outlines the minimum standards that Securitas requires its business partners to comply with when doing business with us.

Suppliers of certain goods or services are defined as critical suppliers. Generally, critical suppliers are those whose failure to perform could materially impact Securitas' performance or brand, locally or globally. Examples are suppliers that deliver goods, equipment, materials or services that materially influence the quality of Securitas' service delivery, such as suppliers of uniforms and electronic security equipment, sub-contractors who deliver security services to Securitas' clients and suppliers using the Securitas brand. While selecting, assessing and monitoring suppliers, we also evaluate whether the supplier has established a selection procedure, and conducted risk assessments of its own suppliers.

Memberships and engagements in organizations

Securitas is a member in the following industry organizations:

- International Security Ligue
- Aviation Security Services Association International (ASSA-I)
- ASIS International
- National organizations for security companies in most countries where we operate, such as the National Association of Security Companies (US), Bundesverband der Sicherheitswirtschaft (Germany), Cámara Argentina de Empresas de Seguridad e Investigación (Argentina) and the Hong Kong Security Association (Hong Kong)

International commitments

- UN Global Compact
- International Security Ligue's Code of Conduct and Ethics

Sustainability indexes

- FTSE4Good Index Series
- STOXX Global ESG Leaders

Supplier rating systems and reporting

- EcoVadis (silver level and industry leader)
- Sedex
- CDP

Management approach

Anti-corruption

Securitas has operations in 47 countries all over the world, and acting with integrity and ensuring we take an active stand against corruption are prioritized issues. Certain markets are more challenging than others in this regard for example, countries with a low score in Transparency International's Corruption Perceptions Index, but this does not mean that we do not actively monitor lower-risk countries.

Securitas' Values and Ethics Code and the Securitas anti-bribery and anti-corruption policy set out minimum requirements that ensure compliance with applicable local and extraterritorial laws. The anti-bribery and anti-corruption policy also sets out the principle of zero tolerance for any corrupt practices, with clear definitions, requirements for risk assessment, guidance regarding third party relationships, training and follow-up. In the policy, corruption is defined as any act or inaction that is intended to grant, offer or promise improper benefits or anything of value to induce the abuse of someone's entrusted power for illegitimate individual or group benefit or advantage. Corruption also includes accepting any such benefits. Local entities are subsequently asked to create their own detailed policies for gifts and entertainment.

Non-compliance with Securitas' Values and Ethics Code and other key policies is considered an operational risk, and as such, is part of the Group's enterprise risk management process (ERM). 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. Controls are performed on several levels within the organization and are established based on the process concerned. Relevant managers and administrative staff must complete a detailed e-learning course on the anti-corruption policy. Approximately 90 percent of these employees have completed the course.

Securitas encourages all employees to report incidents of non-compliance with Securitas' Values and Ethics Code or any irregularities that they encounter in their work. This can be done through various channels, for example, the Group's Securitas Integrity Line reporting system, which is publicly available at www.securitasintegrity.com (Securitas Hotline in the US and Canada, securitashotline.com/securitashotline.ca; Linea de Alerta in Mexico; lineadealerta.com.mx)

Occupational health and safety

Health and safety work is vital to our operations. During the pandemic in 2020 our main focus was to protect the health and safety of our people, for example by making sure that they had access to appropriate personal protection equipment and relevant training and information. Many of our employees, especially frontline personnel, were infected by Covid-19. In many cases, it has been difficult to determine whether an employee was contaminated at work, but in general the sick rate increased in 2020. Due to the extraordinary situation, we have also monitored the mental health status of our employees and offered help if needed.

Our security officers are trained not only to protect themselves, but also to help others while on assignment, for example, by performing first-aid and CPR, and fire safety. A thorough risk assessment helps us identify and scope safety hazards. The lessons we have learned from this approach have even become part of the services we offer our clients.

Securitas makes extensive efforts to ensure the health and safety of both our security officers and the individuals they must, from time to time, act against. If threatening situations occur, the security officers are instructed to avoid confrontation and await the arrival of the police. The vast majority of our security officers do not carry weapons. Those who do have undergone specialist training and licensing requirements and are usually deployed on special assignments, for example, in a critical infrastructure facility such as an airport.

Security officers receive appropriate training, instruction and equipment for the assignment in question. We work actively with occupational health and safety issues in all countries. Our operations in 22 countries are OHSAS 18001/ISO45001 certified and most countries have health and safety committees. We closely monitor the number of work-related injuries and work-related ill health.

Breaches can be reported through various channels, for example, the Group's Securitas Integrity Line reporting system.

Talent training and retention

Securitas' clients are increasingly demanding a higher degree of security and more advanced security solutions. We build on the experience and expertise of our employees, and employ people with various competencies, leveraging our competence to meet new challenges. As a result of expanding business areas within data-driven intelligent services, Securitas must employ people with new competencies that we have not had before and develop and empower our existing employees in new capacities. With our focus on innovation, we provide our employees with the tools they need to help our clients stay safe. Using technology efficiently requires both a wide set of skills and specialized capabilities.

Securitas has its own training centers in most countries of operation in order to ensure that the employees have the necessary competence to provide clients with high-quality security services. By improving the knowledge and skills of employees, we contribute to their professional growth and to a better understanding of the security profession. Empowering employees means a greater focus on training, skills and opportunities for professional development. We also encourage people to take on responsibility early in their careers.

In 2020, the average number of training hours per employee was 22.9. We are assessing how to work with employee surveys to get the best possible impact.

Labor practices and human rights

Securitas has a large workforce of 355 000 skilled and engaged employees, and working conditions are therefore important. Decent labor practices, the right to organize and human rights are all vital to Securitas, our employees and our clients, and to our ability to attract and retain people with the right skill sets and values to meet future demands.

We work in many diverse markets around the world and in all of them we prioritize fair wages and working conditions. Securitas' Values and Ethics Code ensures that the company maintains and promotes the highest ethical business standards, and we also use our influence as one of the largest players in the industry in discussions with clients, unions and industry associations.

Securitas has entered into framework agreements with UNI Global Union, the Swedish Transport Workers' Association, and the European Workers' Council in our European division. These agreements underline our joint commitment to universal principles concerning business conduct, as outlined by the UN Global Compact and ILO's core conventions. They have also been influential when it comes to determining our level of ambition. In countries where Securitas does not have collective bargaining agreements or union representation, we encourage other ways of maintaining an open dialog with our employees, including workplace meetings, employee ombudsmen, call centers and channels for reporting concerns, such as the Securitas Integrity Line.

As a leading player in the security market, it is important that we pay wages that meet or exceed industry levels. Securitas has sound processes in place to ensure we live up to all legal standards and follow local and regional legislation and regulations regarding, for example, wages, working hours, overtime, social security charges and taxation.

Diversity and inclusion

Our people make up a valuable resource and we must make sure we are using this resource responsibly, and that our workforce reflects the diversity of our clients and other stakeholders.

To remain an attractive employer, both for our people and for future colleagues, increasing diversity is prioritized. We have set a target that, by the end of 2021, the share of female managers at all levels should be at least the same as the share of women in the total workforce, which at the end of 2020 was on 22 percent. The share of female managers were 23 pecent on average. The current target focuses on gender, but we are working to broaden it to more areas.

Client relations

Developing our intelligent security services offering will create significant opportunities, but will also pose challenges and set high expectations to deliver these solutions responsibly. It is vital that we protect the data that we process on behalf of our clients. It is also essential that data is only shared and retained based on client approvals, in accordance with applicable laws and in a way that protects the privacy rights of individuals.

Many large corporations have strict requirements for the use of big data. It is important to be watchful and establish processes and practices to safeguard data privacy. At Securitas, we have policies, processes and training programs in place for managing these concerns, developed in accordance with the General Data Protection Regulations (GDPR) as well as local laws and regulations.

At a minimum, we address the negative implications of these technological advances by complying with all relevant legislative requirements. In addition, our policies – including Securitas' Values and Ethics Code and purchasing guidelines – provide us with support in addressing these issues. Our emphasis on risk assessment processes enables us to analyze risks efficiently, including the more recent implications of increased digitization in the industry and society as a whole.

Environment

The environment was not identified as a material topic in our materiality analysis, but as we are signatory of UN Global Compact, it is important for us to be transparent and work to combat climate change. We have therefore chosen to report our CO_2 emissions anyway. The Securitas Group's environmental policy states that we should strive to continually reduce our climate impact, focusing primarily on the energy and transport areas. The policy sets limits for CO_2 emissions for new purchased or leased company vehicles, and Securitas AB participates in CDP, formerly known as the Carbon Disclosure Project. We strive to follow the Rio Declaration's precautionary principle regarding threats of serious or irreversible environmental damage. The Group's operations do not require a permit under the Swedish Environmental Code.

Child labor and forced labor

Securitas does not employ or accept any form of child labor or forced labor. In the countries where the Group operates, there are regulations regarding who can work as a security guard, including age limits. Licenses for security officers are not given to people under the age of 18. An employee's age is also verified in as part of the recruitment processes. Securitas' UK operations comply with the disclosure obligations under the Modern Slavery Act 2015.

Securitas requires its suppliers to comply with Securitas' Business Partner Code of Conduct, which includes non-acceptance of child labor and forced labor.

Sustainability risks

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 is an integral component of Securitas' operations, and risk awareness is part of the company culture. 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). Sustainability risks are handled in the same way. Our major sustainability risks are described below.

For more information on the Group's risk management process, see pages 57–63.

RISK AREA	DESCRIPTION	CONSEQUENCE	PREVENTIONS
Working conditions	Risk that labor practices, the right to organize, human rights and non-discrimination may not be respected.	Licenses to conduct security operations could be lost, which would lead to a loss of business, a negative financial impact and brand damage. It might also lead to difficulties in recruiting and retaining employees.	Securitas has policies and sound processes in place to ensure we live up to all legal standards and comply with local and regional legislation and regulations. We have a global framework agreement with UNI Global Union and the Swedish Transport Workers' Association.
Occupational health and safety	Risk that employees may be injured, contaminated during pandemics or even die due to inadequate health and safety processes and procedures.	Poor health and safety procedures that put our employees at risk can lead to reputational and brand damage, a loss of business and difficulties in recruiting and retaining employees.	Employees are trained continuously to ensure that they can perform their tasks safely. Appropriate equipment must also be provided.
Access to talent	Risk that we will not be able to attract and retain the right talent to remain a leader in the development of the security industry.	Not being able to fulfill our clients' requirements could lead to a loss of business and market position.	We must continuously improve our recruitment and onboarding processes, talent management and training, and use modern tools for sharing knowledge and best practices.
Training	Risk that our employees may not have the right competence for their assignments or for developing new services and the business.	Not meeting client demands on us as a provider of high-quality professional security services could lead to lost client contracts and difficulties in recruiting and retaining employees.	Securitas has training centers in most countries and provides both basic and highly specialized training for employees at all levels, including skills that support the strategy of data-driven innovation and digitization.
Securitas' Values and Ethics Code	Risk that employees or business partners might not comply with Securitas' Values and Ethics Code and the company's core values.	Licenses could be lost, which would lead to a loss of business, a negative financial impact and brand damage. It might also lead to difficulties in recruiting and retaining employees.	Securitas has policies and sound processes in place to ensure we live up to all legal standards and comply with local and regional legislation and regulations. We have a global framework agreement with UNI Global Union and the Swedish Transport Workers' Association.

RISK AREA	DESCRIPTION	CONSEQUENCE	PREVENTIONS
Ethical business standards	Risk that employees or business partners may be involved in corruption, unfair competition, conflicts of interest and other non-ethical business behavior.	In a worst-case scenario, this type of non-ethical business behavior could lead to a major negative financial impact, a loss of business and reputational damage.	Securitas has a zero-tolerance policy against all forms of bribery and corruption. Without exception, all employees and business partners must comply with local laws and regulations as well as Securitas' Values and Ethics Code and other key policies.
Protecting data	Risk that our data may not be properly protected.	Inadequate protection of data could lead to reputational and brand damage, a loss of business and fines.	Data protection and privacy are important and thus protected through strong security, organizational and technical measures. Securitas complies with all relevant legal requirements related to the protection of data and has policies, processes and training programs in place.
Client relations	Risk that we may not meet our clients' sustainability requirements.	An inability to comply with our clients' sustainability requirements could lead to a loss of business, a negative financial impact and brand damage.	We must have an in-depth understanding of our clients' needs and industry-specific requirements, and a business that is sustainable in all areas. Our emphasis on employee safety and fair labor practices ensures that we deliver high-quality services.
Security practices	Risk that employees could act in a way that is contrary to local laws, authority regulations and Securitas' policies and human rights conventions.	Acting in a way that contravenes the law, policies and conventions, and in a worst-case scenario contributing to human rights violations, could lead to reputational and brand damage, a loss of business and difficulties in recruiting and retaining employees.	Securitas has policies and sound processes in place to ensure that we live up to all legal standards. We conduct risk assessments of the countries we operate in and of our clients, when necessary. As a signatory of UN Global Compact, Securitas commits to its Ten Principles.
Environment	Risk that our operations could cause environmental damage.	Not working to reduce our climate impact could lead to brand damage, a loss of clients and difficulties in recruiting and retaining employees.	Securitas complies with or exceeds the environmental requirements in the countries where we operate, and we continuously work to reduce the consumption of resources, emissions and waste.

Key figures

Number of employees per business segment

	2020	% of total	2019	% of total	2018	% of total
Security Services North America	123 000	35	121 000	33	122 000	33
Security Services Europe	121 000	34	124 000	34	128 000	35
Security Services Ibero-America	61 000	17	64 000	17	63 000	17
Other	50 000	14	61 000	16	57 000	15
Total	**355 000**		**370 000**		**370 000**	

Salaries and benefits per business segment

MSEK	2020	% of total	2019	% of total	2018	% of total
Security Services North America	38 372	46	38 556	45	33 689	39
Security Services Europe	34 021	40	35 236	41	33 469	39
Security Services Ibero-America	9 743	12	10 303	12	9 712	11
Other	2 025	2	1 932	2	1 662	2
Total	**84 161**		**86 027**		**78 532**	

Gender distribution, average number of yearly employees

			2020			2019			2018
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Number of employees	227 574	65 303	292 877	234 505	67 550	302 055	234 421	65 892	300 313
Percentage of employees	78	22	100	78	22	100	78	22	100

Gender distribution, Board of Directors

			2020			2019			2018
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Number of Board members[1]	5	3	8	5	3	8	5	3	8
Percentage of Board members	62	38	100	62	38	100	62	38	100

1 Excluding employee representatives.

Share of employees covered by collective bargaining agreements, %

	2020	2019	2018
Share of employees covered by collective bargaining agreements	58	59	56

Employee turnover, %

	2020	2019	2018
Employee turnover[1]	36	40	40

1 Does not include India and Vietnam.

New employees (number)

	2020	2019	2018
Actual number[1]	126 596	149 283	154 116
% of average number of yearly employees	43	49	51

1 Does not include India and Vietnam.

New employees – age group and gender in relation to total new employees, %

			2020			2019			2018
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Under 30 years	36	14	50	36	14	50	39	12	51
30–50 years	30	9	39	27	9	36	29	8	37
Over 50 years	9	2	11	11	3	14	9	3	12

Share of employees with full-time and part-time employment, respectively, %

	2020	2019	2018
Full-time	87	87	86
Part-time	13	13	14

Split per gender, %

	2020	2019	2018
Full-time, men	69	70	70
Full-time, women	18	17	16
Part-time, men	9	9	10
Part-time, women	4	4	4

Share of employees with permanent and temporary work contracts, respectively, %

	2020	2019	2018
Permanent	92	91	91
Temporary	8	9	9

Split per gender, %

	2020	2019	2018
Permanent employees, men	72	72	72
Permanent employees, women	20	19	19
Temporary employees, men	6	7	7
Temporary employees, women	2	2	2

Workforce split on employment category

	2020			2019			2018		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Managers/office personnel	12 413	6 352	18 765	11 728	6 151	17 879	11 247	5 555	16 802
Security officers	256 745	69 763	326 508	275 730	69 464	345 194	274 996	68 306	343 302
Total[1]			**345 273**			**363 073**			**360 104**

1 The difference compared with total number of employees is explained by left and divested entities not being included, and missing or inadequate information from certain reporting entities.

Managers, split on gender

	Men	Men, %	Women	Women, %	Total
Group management	12	86	2	14	14
Divisional presidents	6	100	0	0	6
Country presidents	58	91	6	9	64
Area managers	277	72	109	28	386
Branch managers	1 507	88	213	12	1 720
Other managers	1 248	67	607	33	1 855
All managers	3 108	77	937	23	4 045

Countries of operation with formal health and safety committees*

	2020	2019	2018
Number of countries with formal health and safety committees	34	37	40
% of total number of countries	72	66	67

* Reporting countries represent 91% of total sales/87% of total number of employees.

Work-related injuries

	2020	2019	2018
Actual number of work-related injuries	5 070	6 456	6 131
Injury rate (200 000 hours)	1.5	1.8	1.7
Injury rate (1 000 000 hours)	7.7	9.0	8.3
Actual number of lost-time injuries[1]	5 268	-	-
Lost-time injury frequency rate (LTIFR; 200 000 hours)[1]	1.6	-	-
Lost-time injury frequency rate (LTIFR; 1 000 000 hours)[1]	8.0	-	-
Actual number of work-related fatalities	3	2	2

1 Data reported for the first time in 2020.

Causes, work-related fatalities

	2020	2019	2018
Traffic accident	3	2	1
Assault	0	0	1

Work-related fatalities 2020 per country

	Traffic accident	Assault
USA	1	0
Germany	1	0
Colombia	1	0
	3	**0**

Work-related fatalities 2019 per country

	Traffic accident	Assault
USA	1	0
Costa Rica	1	0
	2	**0**

Work-related fatalities 2018 per country

	Traffic accident	Assault
Colombia	0	1
Portugal	1	0
	1	**1**

Training hours

	2020	2019	2018
Total number of hours of training	7 899 092	9 677 595	9 084 536
Average number of hours of training per employee	22.9	26.7	25.2

Training hours, per employment category

	2020	2019	2018
Managers/office staff	969 741	428 026	370 739
Security officers	6 929 351	9 249 569	8 713 797

Training hours, per gender

	2020	2019	2018
Men	6 679 513	8 320 246	7 422 687
Women	1 219 579	1 357 349	1 661 849

Proportion of senior management hired from the local community, %

	2020	2019	2018
Hired from local community	98	98	98
Hired from outside local community	2	2	2

Gross direct emissions and indirect market-based emissions of CO_2 equivalent 2020

	Direct (Scope 1)	%	Indirect (Scope 2)	%	Indirect (Scope 3)	%	Total	%
Security Services North America	31 248	25	2 706	11	12 790	22	46 744	22
Security Services Europe	65 463	52	18 813	76	30 942	54	115 218	55
Security Services Ibero-America	27 111	22	1 912	8	11 570	20	40 593	19
AMEA	2 022	2	1 161	5	1 923	3	5 106	2
Other	147	0	317	1	49	0	513	0
Total	**125 991**		**24 909**		**57 274**		**208 174**	
Change compared to 2019, %	-7		-12		7		-4	
tCO_2 emission per employee (full-time equivalent, FTE)	0.367		0.072		0.167		0.643	

Gross direct emissions and indirect market-based emissions of CO_2 equivalent 2019

	Direct (Scope 1)	%	Indirect (Scope 2)	%	Indirect (Scope 3)	%	Total	%
Security Services North America	34 159	25	2 437	9	7 284	14	43 880	20
Security Services Europe	72 821	54	21 557	76	29 095	54	123 473	57
Security Services Ibero-America	25 322	19	2 802	10	12 821	24	40 945	19
AMEA	3 312	2	1 332	5	3 692	7	8 336	4
Other	98	0	101	0	464	1	663	0
Total	**135 712**		**28 229**		**53 356**		**217 297**	
Change compared to 2018, %	23		-6		3		13	
tCO_2 emission per employee (full-time equivalent, FTE)	0.419		0.087		0.165		0.632	

Gross direct emissions and indirect market-based emissions of CO_2 equivalent 2018

	Direct (Scope 1)	%	Indirect (Scope 2)	%	Indirect (Scope 3)	%	Total	%
Security Services North America	22 625	21	2 336	8	8 747	17	33 708	18
Security Services Europe	60 601	55	23 322	77	27 998	54	111 921	58
Security Services Ibero-America	23 646	21	3 024	10	10 047	19	36 717	19
AMEA	3 169	3	1 406	5	4 006	8	8 581	4
Other	43	0	39	0	1 046		1 128	1
Total	**110 084**		**30 127**		**51 844**		**192 055**	
tCO_2 emission per employee (full-time equivalent, FTE)	0.325		0.089		0.153		0.568	

2016 is the base year for the market based emissions, and it is chosen as it was the first year that Securitas assessed its climate impact using the market based calculation method. The boundary of the climate assessment includes 53 reporting units. Due to Securitas leaving or divesting operations in 2020, 46 reporting units have been included in the reporting, for both the market based and the location based methods.

A GHG assessment quantifies all seven Kyoto greenhouse gases where applicable and it is measured in units of carbon dioxide equivalence, or CO2e. For Securitas the following greenhouse gases are applicable and have been included in the assessment:

Carbon dioxide (CO_2), Methane (CH4), Nitrous oxide (N_2O).
Biogenic CO_2 emissions: 86.9tonnes (2019: 69.6tonnes)

The Greenhouse Gas Protocol Corporate Standard is a standard for reporting climate data. The system Our Impacts has been used as the calculation tool. Operational control is the chosen consolidation approach.

Securitas continues the efforts to raise data quality for Scope 1, emissions emanating from company owned and leased vehicles. For 2020 the emissions have decreased, several countries referring the cause to the coronavirus pandemic.

Emissions in Scope 2 have continued to decrease. Securitas has large possibilities to reduce the climate footprint from Scope 2 even further, as presently there are few countries that are active in purchasing renewable electricity through contractual instruments on a regulated energy market.

The coronavirus pandemic has also led to a large decrease in business travel. Compared to 2019 Securitas' emissions from air travel has decreased by 77 percent. Securitas has also made a review of the emission factors for the uniforms which resulted in an increase in emissions despite fewer purchased items. This is due to development in the scientific research regarding the climate impact of different textile materials. It can also be explained by both heavier garments, but also a choice of more durable materials which have higher emissions but can be used for longer periods of time.

Average CO_2 emissions, all company owned and leased vehicles

	2020	2019	2018
Gram/km	143[1]	141[1]	139[1]
Max CO_2 gram per km for new patrol vans, pickups and four-wheel vehicles	170[1]/200[2]	170[1]/200[2]	170[1]
Max CO_2 gram per km for new company cars (max 5 seater)	125[1]/160[2]	125[1]/160[2]	125[1]
Number of vehicles	15 724	15 304	14 609

1 According to the calculation method NEDC.
2 According to the calculation method WLTP.

Subscription to/endsorsement of external declarations, principles, etc

Country	ISO 9001	ISO 14001	ISO 27001	OHSAS 18001 /ISO45001
Austria	■			
Belgium	■	■	■	
Bosnia and Herzegovina	■			
Croatia	■	■	■	■
Czech Republic	■		■	
Denmark	■			■
Finland	■	■		■
France	■			
Germany	■			
Hungary	■	■	■	
Ireland	■	■		■
Norway	■	■		■
Poland	■			
Romania	■	■	■	■
Serbia	■	■	■	■
Slovakia	■			■
Sweden	■	■		
Switzerland	■	■		■
the Netherlands	■	■		■
Turkey	■	■	■	■
UK	■	■	■	■
Argentina	■			
Chile				■
Colombia	■			■
Ecuador	■			■
Peru	■	■		■
Portugal	■	■		■
Spain	■	■	■	■
Uruguay	■			■
Australia	■	■		■
Hong Kong	■			
India	■	■	■	■
Singapore	■			
UAE	■	■		■
Vietnam	■			

Client satisfaction surveys
Clients are an important stakeholder group and client satisfaction surveys is another way of maintaining a constructive dialog with this group.

57 percent of all countries of operation conduct regular client satisfaction surveys.

The three key conclusions from surveys conducted in 2020 are:
- Service quality – most clients are satisfied with the service quality
- Problem solving – problems are solved quickly
- Communication – more communication to make things easier for our clients

GRI-index

Securitas AB's sustainability report is prepared according to the Global Reporting Initiative (GRI) sustainability reporting standards, with the Core application level. Where relevant, this report also highlights how our priorities reflect the UN Global Compact's Ten Principles for labor and human rights, the environment and anti-corruption and therefore acts as our UNGC Communication on Progress.

GRI Standard	Disclosure	Page reference	Note	UN Global Compact
General disclosures				
GRI 102: General disclosures	Organizational profile			
	102-1 Name of the organization	69		
	102-2 Activities, brands, products, and services	31, 69		
	102-3 Location of headquarters	69		
	102-4 Location of operations	32-33		
	102-5 Ownership and legal form	174-175		
	102-6 Markets served	31-40		
	102-7 Scale of the organization	111, 137		
	102-8 Information on employees and other workers	163-165	Includes data from the associated companies in India and Vietnam	6
	102-9 Supply chain	159		
	102-10 Significant changes to the organization and its supply chain	73		
	102-11 Precautionary principle or approach	159-160		
	102-12 External initiatives	159		
	102-13 Membership of associations	159		
	Strategy			
	102-14 Statement from senior decision-maker	6-7		
	102-15 Key impacts, risks, and opportunities	26-27, 161-162		
	Ethics and integrity			
	102-16 Values, principles, standards, and norms of behavior	20-21, 159		10
	102-17 Mechanisms for advice and concerns about ethics	159		

GRI Standard	Disclosure	Page reference	Note	UN Global Compact
General disclosures				
GRI 102: General disclosures	Governance			
	102-18 Governance structure	46-51		
	102-20 Executive-level responsibility for economic, environmental, and social topics	159		
	102-21 Consulting stakeholders on economic, environmental, and social topics	157-158		
	102-22 Composition of the highest governance body and its committees	47- 53		
	102-23 Chair of the highest governance body	49, 51		
	Stakeholder engagement			
	102-40 List of stakeholder groups	157-158		
	102-41 Collective bargaining agreements	163	Includes data from the associated companies in India and Vietnam	3
	102-42 Identifying and selecting stakeholders	157-158		
	102-43 Approach to stakeholder engagement	157-158		
	102-44 Key topics and concerns raised	157-158		
	Reporting practice			
	102-45 Entities included in the consolidated financial statements	147		
	102-46 Defining report content and topic boundaries	158		
	102-47 List of material topics	158		
	102-48 Restatements of information			
	102-49 Changes in reporting	157	No changes in our focus areas have been made, compared with previous year.	
	102-50 Reporting period	157		
	102-51 Date of most recent report	157		
	102-52 Reporting cycle	157		
	102-53 Contact point for questions regarding the report	157		
	102-54 Claims of reporting in accordance with the GRI Standards	157		
	102-55 GRI content index	168-170		
	102-56 External assurance	–	The report has not been subject to external assurance.	
Material Topics				
Anti-corruption				
Management approach	103-1 Explanation of the material topic and its boundary	63, 159		
	103-2 The management approach and its components	63, 159		
	103-3 Evaluation of the management approach	63, 159		
GRI 205: Anti-corruption	205-2 Communication and training about anti-corruption policies and procedures	159		
Environment				
Emissions				
Management approach	103-1 Explanation of the material topic and its boundary	160	Environment was not considered a material topic in our materiality analysis, but as we are a signatory of UN Global Compact, it is important for us to be transparent and work for reduced climate impact, and we have therefore chosen to report CO_2 emissions anyway.	
	103-2 The management approach and its components	160		
	103-3 Evaluation of the management approach	160		
GRI 305: Emissions	305-1 Direct (Scope 1) GHG emissions	166	Includes data from the associated companies in India and Vietnam	7, 8, 9
	305-2 Energy indirect (Scope 2) GHG emissions	166	Includes data from the associated companies in India and Vietnam	7, 8, 9
	305-3 Other indirect (Scope 3) GHG emissions	166	Includes data from the associated companies in India and Vietnam	7, 8, 9

GRI Standard	Disclosure	Page reference	Note	UN Global Compact
Social				
Employment				
Management approach	103-1 Explanation of the material topic and its boundary	20-21, 160		
	103-2 The management approach and its components	20-21, 160		
	103-3 Evaluation of the management approach	20-21, 160		
GRI 401: Employment	401-1 New employee hires and employee turnover	163	Does not include data from the associated companies in India and Vietnam. Omission: Total number of leavers.	6
Occupational health and safety				
Management approach	103-1 Explanation of the material topic and its boundary	21, 160		
	103-2 The management approach and its components	21, 160		
	103-3 Evaluation of the management approach	21, 160	Includes data from the associated companies in India and Vietnam	
GRI 403: Occupational health and safety	403-1 Occupational health and safety management systems	160, 167	Includes data from the associated companies in India and Vietnam	6
	403-2 Hazard identification, risk assessment and incident investigation	161	Thorough risk assessments of the client sites that our employees are assigned to are carried out, to identify and scope safety hazards. All incidents are investigated and documented.	
	403-3 Occupational health services	–	In many of the countries where we operate, Securitas has agreements with company health services. Securitas complies with all relevant legal requirements related to the protection of employee data and require of any external company health service to also do so.	
	403-4 Worker participation, consultation and communication on occupational health and safety	160	Includes data from the associated companies in India and Vietnam	
	403-5 Worker training on occupational health and safety	160	Includes data from the associated companies in India and Vietnam	
	403-6 Promotion of worker health	–	Securitas facilitates employees' access to non-occupational medical and healthcare services when possible. In many countries, access to high-quality services exists.	
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	161		
	404-8 Workers covered by an occupational health and safety management system	165	87% of the employees (full-time equivalent) are covered by occupational health and safety management systems	
	403-9 Number of work-related injuries	165	Includes data from the associated companies in India and Vietnam	
	403-10 Work-related ill health	–	The follow-up on work-related ill health is included in the general occupational health and safety work.	
Training and education				
Management approach	103-1 Explanation of the material topic and its boundary	160		
	103-2 The management approach and its components	160		
	103-3 Evaluation of the management approach	160		
GRI 404: Training and education	404-1 Average hours of training per year per employee	165	Includes data from the associated companies in India and Vietnam. Omission: Average number of training hours per gender.	6
Diversity and equal opportunity				
Management approach	103-1 Explanation of the material topic and its boundary	160		
	103-2 The management approach and its components	160		
	103-3 Evaluation of the management approach	160		
GRI 405: Diversity and equal opportunity	405-1 Diversity of governance bodies and employees	163-164	Includes data from the associated companies in India and Vietnam. Omission: Split per age group.	
Client privacy				
Management approach	103-1 Explanation of the material topic and its boundary	15, 160, 162		
	103-2 The management approach and its components	15, 160, 162		
	103-3 Evaluation of the management approach	15, 160, 162	Includes data from the associated companies in India and Vietnam	
GRI 418: Client privacy	418-1 Substantiated complaints concerning breaches of client privacy and losses of client data		No material substantiated complaints concerning breaches of client privacyand losses of client data where reported in 2020. Includes data from the associated companies in India and Vietnam	
Risk for child labor		160		1, 2, 5
Risk for forced labor		160		1, 2, 4

This is a translation of the Swedish original report

Auditor's report on the statutory sustainability report

To the general meeting of the shareholders in Securitas AB (publ) corporate identity number 556302-7241

Engagement and responsibility

It is the Board of Directors who is responsible for the statutory sustainability report for the year 2020 as outlined in the table below 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 RevR 12 *The auditor's opinion regarding the statutory sustainability report*. This means that our examination of the statutory sustainability report is substantially different and 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 opinion.

Opinion

A statutory sustainability report has been prepared.

Stockholm, March 18, 2021
PricewaterhouseCoopers AB

Patrik Adolfson	Madeleine Endre
Authorised Public Accountant	Authorised Public Accountant
Auditor in charge	

Information about:	See page
Environment	160, 162, 166
Social conditions	159-161
Personnel	5, 20-21, 28-29, 157, 159-161,163-165
Respect for human rights	160
Anti-corruption	159, 162
Business model	28-29
Significant risks for sustainability	161-162
GRI index	169-170

We contribute to UN's Sustainable Development Goals

Securitas supports the United Nation's Sustainable Development Goals (SDGs) and we take the goals into consideration into our strategy work and in our daily operations. Securitas is also a signatory of the UN Global Compact. Our primary focus is on the following targets where we believe we have good possibilities for positive impact. We also believe that we can have an impact through a number of other goals.

THE GLOBAL GOALS For Sustainable Development

5 GENDER EQUALITY

8 DECENT WORK AND ECONOMIC GROWTH

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

3 GOOD HEALTH AND WELL-BEING

4 QUALITY EDUCATION

7 AFFORDABLE AND CLEAN ENERGY

TARGET 5.1 AND 5.5
Securitas is an equal opportunity employer and all employees are to be treated fairly and equally. Discrimination of women and discrimination based on other characteristics in hiring, compensation, training, promotion, termination or retirement is never acceptable. We believe that diverse work groups contribute to better business and we aim to increase the number of women in management positions at all levels in the company.

TARGET 8.8
Securitas is a large employer with operations in many countries around the world. We strive to be a stable and responsible employer that offers good working conditions and opportunities to grow. Decent labor practices, the right to organize and human rights are all vital to Securitas, our employees and our clients. We work actively with health and safety issues and our security officers receive training, instruction and equipment in line with the assignment, to minimize the health and safety risks. We do not accept any form of child labor or forced labor.

TARGET 9B
Securitas continues to develop the security services Industry with a strong focus on innovation, both to improve current products and services, and in the development of new ones. We also use data to build smarter eporting and analysis.

GOAL 16 AND TARGET 16.5
Safety and stability is key in a well-functioning society. In an increasingly unpredictable world, Securitas' role is to help companies, infrastructure and government authorities to operate the way they are intended, without interruptions. The protection of workplaces, public areas and properties, carried out in a responsible way, plays an important part in how we contribute to a safer and more sustainable and productive society. Securitas also has a zero-tolerance policy against all forms of bribery and corruption.

Securitas can also have a positive direct or indirect impact through the following goals:

3: GOOD HEALTH AND WELL-BEING
We work actively with health and safety issues for our employees, and also help others while on assignment.

4: QUALITY EDUCATION
Securitas has its own training centers in most countries where we operate, and we offer our employees a large number of different courses and programs.

7: AFFORDABLE AND CLEAN ENERGY
Securitas strives to continually reduce our climate impact, focusing primarily on the energy and transport areas.

The Securitas Share

At year-end, the closing price of the Securitas share on Nasdaq Stockholm was SEK 132.75, corresponding to a market capitalization of MSEK 46 186 (56 171). Earnings per share (EPS) amounted to SEK 6.63 (9.20), which represented a total change of -28 percent compared with 2019, and -23 percent when adjusted for changes in exchange rates. EPS before items affecting comparability totaled SEK 8.02 (9.61), which represented a total change of -17 percent compared with 2019, and -12 percent when adjusted for changes in exchange rates.

PERFORMANCE OF THE SHARE IN 2020

At year-end, the closing price of the Securitas share was SEK 132.75 (161.45). The share price decreased by 18 percent in 2020 to compare with the OMX Stockholm Price Index, which increased by 13 percent. The highest price paid for a Securitas share in 2020 was SEK 164.00, which was noted on January 10, and the lowest price paid was SEK 91.96, which was noted on March 23.

TRADING

A total of 379 million (275) Securitas shares were traded on Nasdaq Stockholm, representing a value of MSEK 48 038 (42 001). The turnover velocity in 2020 was 104 percent (79), compared with a turnover rate of 55 percent (45) for the entire Nasdaq Stockholm. The average number of Securitas shares traded each day 1 503 000 shares. Trading on Nasdaq Stockholm represented 78 percent of all Securitas shares traded in 2020 excluding, for example, BATS, Chi-X Europe and Turquoise.

SHARE CAPITAL AND SHAREHOLDER STRUCTURE

At December 31, 2020, the share capital amounted to SEK 365 058 897, distributed between an equal number of shares, each with a quota value of SEK 1.00. Of these shares, 17 142 600 are Series A shares and 347 916 297 are Series B shares. Each Series A share carries ten votes and each Series B share carries one vote. The free float of the Securitas share is 89 percent.

At December 31, 2020, Securitas had 49 474 shareholders (41 892). In terms of the number of shareholders, private individuals make up the largest shareholder category with 44 755 shareholders, corresponding to 90 percent of the total number of shareholders. In terms of capital and votes, institutional owners and other corporate entities dominate with 94 percent and 96 percent, respectively.

Shareholders based in Sweden hold 55 percent (53) of the capital and 68 percent (67) of the votes. Compared with 2019, the proportion of foreign shareholders in the shareholder base has decreased. At December 31, 2020, shareholders outside Sweden owned 45 percent (47) of the capital and 32 percent (33) of the votes. The largest shareholdings held by foreign shareholders are in the US and the UK, with 13 percent of the capital and 9 percent of the votes in the US and 13 percent of the capital and 9 percent of the votes in the UK. Foreign shareholders are not always recorded in the share register. Foreign banks and other custodians may be recorded for multiple customers' shares, in which case the actual owners are not displayed in the register.

At December 31, 2020, the principal shareholders in Securitas were Investment AB Latour, holding 10.9 percent (10.9) of the capital and 29.6 percent (29.6) of the votes, and Melker Schörling AB, holding 4.5 percent (4.1) of the capital and 10.9 percent (10.7) of the votes. These shareholders are represented on the Board of Directors by Carl Douglas and Sofia Schörling Högberg.

DIVIDEND POLICY AND CASH DIVIDEND

With a balanced growth strategy comprising both organic and acquisition-driven growth and continued investments in security solutions and electronic security, Securitas should be able to sustain a dividend level in the range of 50–60 percent of the annual net income. The Board of Directors proposes a dividend of SEK 4.00 (4.80) per share, corresponding to 60 percent of net income and 50 percent of net income before items affecting comparability. Based on the share price at the end of 2020, the dividend yield for 2020 amounted to 3.0 percent.

AUTHORIZATION TO REPURCHASE SHARES IN SECURITAS AB

The 2020 Annual General Meeting resolved to authorize the Board of Directors to resolve upon the acquisition of the company's own shares up to a maximum of 10 percent of all shares and for a period up to the Annual General Meeting in 2021.

SECURITAS SHARE IN BRIEF

Series B Securitas shares are traded on Nasdaq Stockholm, part of Nasdaq Nordic, and on other trading venues such as BATS Chi-X Europe. Securitas is listed on Nasdaq Stockholm on the Large Cap List, which includes large companies with a market capitalization of more than MEUR 1000, and is included in the Industrial Goods & Services sector. The ISIN code for the Securitas share on Nasdaq Stockholm is SE0000163594.

The ticker code for the Securitas share is SECU-B on Nasdaq Stockholm, SECUB:SS on Bloomberg and SECUb.ST on Reuters. Securitas has been listed on the stock exchange since 1991.

Data per share

SEK/share	2020	2019	2018	2017	2016
Earnings per share[3, 4]	6.63	9.20	8.26	7.53	7.24
Earnings per share before items affecting comparability	8.02	9.61	9.17	7.87	7.24
Dividend	*4.00*[1]	*4.80*	*4.40*	*4.00*	*3.75*
Dividend as % of earnings per share	*60*[2]	*52*	*53*	*53*	*52*
Yield, %	3.0[2]	3.0	3.1	2.8	2.6
Free cash flow per share	16.3	9.0	5.2	6.3	4.7
Share price at end of period	132.75	161.45	142.25	143.20	143.40
Highest share price	164.00	170.05	164.05	151.80	152.90
Lowest share price	91.96	136.75	134.70	125.30	110.00
Average share price	126.88	153.43	146.96	139.07	132.01
P/E ratio	17	17	16	18	20
Number of shares outstanding (000s)[3, 5]	364 934	364 934	365 059	365 059	365 059
Average number of shares outstanding, after dilution (000s)[3, 5]	364 934	364 993	365 059	365 059	365 059

1 Proposed dividend.
2 Calculated on proposed dividend.
3 There are no outstanding convertible debenture loans. Consequently, there is no potential dilution.
4 Number of shares used for calculation of earnings per share includes shares related to the Group's share-based incentive schemes that have been hedged through swap agreements.
5 On June 24, 2019, 125 000 shares were repurchased.

Largest shareholders at December 31, 2020

Shareholder	Number of Series A shares	Number of Series B shares	Percent of capital	Percent of votes
Investment AB Latour[1]	12 642 600	27 190 000	*10.9*	*29.6*
Melker Schörling AB[2]	4 500 000	11 811 639	*4.5*	*10.9*
Lannebo Funds	0	14 749 054	*4.0*	*2.8*
EQT	0	10 000 000	*2.7*	*1.9*
BlackRock	0	9 501 622	*2.6*	*1.8*
Handelsbanken Funds	0	9 365 725	*2.6*	*1.8*
Prudential Assurance Company Ltd	0	9 205 300	*2.5*	*1.8*
Vanguard	0	8 847 200	*2.4*	*1.7*
Carnegie Funds	0	8 003 899	*2.2*	*1.6*
Fidelity Investments	0	7 204 258	*2.0*	*1.4*
Total, ten largest shareholders	**17 142 600**	**115 878 697**	***36.4***	***55.3***
Total, rest of owners	**0**	**232 037 600**	***63.6***	***44.7***
Total as of December 31, 2020	**17 142 600**	**347 916 297**[3]	***100.00***	***100.00***

1 Through Investment AB Latour and family.
2 Through Melker Schörling AB and family.
3 Includes 125 000 shares that were repurchased on June 24, 2019.

Source: Modular Finance

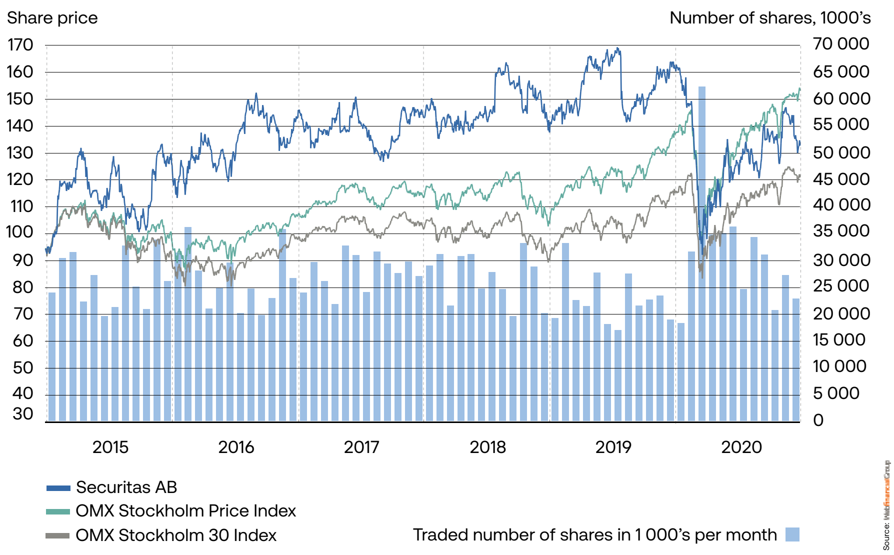
Shareholder spread at December 31, 2020

Number of shares	Number of shareholders	Number of Series A shares	Number of Series B shares	Percent of capital	Percent of votes
1–500	38 304	0	4 642 547	*1.27*	*0.89*
501–1 000	4 827	0	3 889 490	*1.07*	*0.75*
1 001–5 000	4 736	0	10 655 234	*2.92*	*2.05*
5 001–10 000	684	0	5 045 065	*1.38*	*0.97*
10 001–15 000	221	0	2 795 864	*0.77*	*0.54*
15 001–20 000	124	0	2 232 893	*0.61*	*0.43*
20 001–	578	17 142 600	318 655 204	*91.98*	*94.37*
Total	**49 474**	**17 142 600**	**347 916 297**[1]	***100.00***	***100.00***

1 Includes 125 000 shares that were repurchased on June 24, 2019.

Source: Euroclear Sweden

Share prices for Securitas, January 1 - December 31, 2015-2020



Definitions

Free cash flow per share: Free cash flow in relation to the number of shares outstanding.

Market capitalization: The number of shares outstanding times the market price of the share price at year-end.

P/E ratio (Price/Earnings): The share price at the end of each year relative to earnings per share after taxes.

Turnover velocity: Turnover during the year relative to the average market capitalization during the same period.

Yield: Dividend relative to the share price at the end of each year. For 2020, the proposed dividend is used.

Financial Information and Invitation to the Annual General Meeting

REPORTING DATES
Securitas will release financial information for 2021 as follows:

Interim Reports 2021	
January – March	May 5, 2021
January – June	July 29, 2021
January – September	October 29, 2021

FINANCIAL INFORMATION
Our financial reports are available in both English and in Swedish and can be read and downloaded on our webpage at the following address: https://www.securitas.com/en/investors/financial-reports/

We also offer an order and subscribe service for financial information at the following address: www.securitas.com/en/investors/order-and-subscribe/

Other questions concerning our financial information can be addressed to us by mail, telephone or e-mail:

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AlphaValue	Hélène Coumes
BoA Merrill Lynch	David Roux
Carnegie	Viktor Lindeberg
Citi	Marc van't Sant
Credit Suisse	Andrew Grobler
Deutsche Bank	Steven Goulden
DNB	Karl-Johan Bonnevier
Exane BNP Paribas	Allen Wells
Goldman Sachs	Matija Gergolet
HSBC	Rahul Chopra
Jefferies	James Winckler
J.P. Morgan Cazenove	Sylvia Barker
Kepler Cheuvreux	Johan Eliason
Morgan Stanley	Edward Stanley
Nordea	Erik Paulsson
Pareto Securities	Stefan Wård
RBC Capital Markets	Andrew Brooke
SEB	Dan Johansson
UBS	Rory McKenzie

The analysts who cover Securitas could change during the year. The list above is updated regularly and can be found at https://www.securitas.com/en/investors

ANNUAL GENERAL MEETING OF SHAREHOLDERS IN SECURITAS AB (PUBL.)
The shareholders in Securitas AB are hereby invited to attend the Annual General Meeting (AGM) on Wednesday May 5, 2021.

In order to reduce the risk of spreading the coronavirus and to comply with regulations and general guidelines issued by the authorities, the AGM will, in accordance with temporary legislation, be held only by postal voting. Shareholders will not be able to physically attend the AGM in person or by proxy. Instead, Securitas welcomes shareholders to participate in the AGM by voting in advance as described below.

RIGHT TO PARTICIPATE
Shareholders who wish to attend the AGM must: be recorded in the share register maintained by Euroclear Sweden AB ("Euroclear") on Tuesday April 27, 2021; and give notice of their intention to participate no later than Tuesday May 4, 2021 by submitting their postal vote in accordance with the instructions below.

A special form must be used for the postal vote. The form for postal voting is considered as the notification of participation at the AGM and is available on the company's website www.securitas.com/agm2021. Completed and signed forms can be sent by mail to Securitas AB (publ), c/o Euroclear Sweden, Box 191, 101 23 Stockholm; or by email to generalmeetingservice@euroclear.com.

Shareholders who are natural persons may also submit their votes through verification with BankID in accordance with instructions at Euroclear's website https://anmalan.vpc.se/euroclearproxy.

The postal vote (completed form/electronic vote) must be received by Euroclear no later than Tuesday May 4, 2021. The shareholder may not provide special instructions or conditions to the postal vote. If so, the entire postal vote is invalid. Further instructions and conditions can be found in the postal voting form and at https://anmalan.vpc.se/EuroclearProxy.

In order to participate in the proceedings of the AGM, owners with nominee-registered shares must in addition to giving notice of participation by submitting a postal vote, request their bank or broker to have their shares temporarily owner-registered with Euroclear. The share register for the AGM as of the record date Tuesday April 27, 2021, will take into account owner-registrations completed no later than Thursday April 29, 2021.

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