



## **Proposal of the Board of Directors of Securitas AB for the implementation of a long-term incentive program directed to the CEO, other members of Group management and certain other key employees (LTI 2020/2022)**

### **Summary of the program**

The Annual General Meeting 2019 resolved to implement a new long-term incentive program for the CEO, other members of Group management and certain other key employees within the Securitas Group ("LTI 2019/2021"). Along the lines of LTI 2019/2021, the Board of Directors proposes that the Annual General Meeting resolves to implement a long-term incentive program for the CEO, other members of Group management and certain other key employees within the Securitas Group ("LTI 2020/2022"). For the qualifying participants, LTI 2020/2022 is intended to be an alternative to Incentive Scheme 2020 (see item 16 of the notice convening the Annual General Meeting for further information about Incentive Scheme 2020) and the participants of LTI 2020/2022 will not be entitled to participate in Incentive Scheme 2020. The main principles for LTI 2020/2022 are set out below.

LTI 2020/2022 is proposed to include approximately 70 employees including the CEO, other members of Group management and certain other key employees within the Securitas Group. In order to participate in LTI 2020/2022 the participants will have to invest in Series B shares in Securitas at market price, or nominate shares already vested under previous incentive schemes or currently vesting under Incentive Scheme 2019. For every Series B share purchased or nominated within the scope of LTI 2020/2022, the company will grant so called performance awards free of charge in accordance with the terms stipulated below.

### **The rationale for the proposal**

The purpose of LTI 2020/2022 is 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. Through a share-based incentive program, the employees' remuneration is tied to the company's future earnings and value growth. In light of the above, the Board of Directors believes that the implementation of LTI 2020/2022 will have a positive effect on the long-term value growth of the Group and consequently that LTI 2020/2022 is beneficial to both the shareholders and the company.

### **Personally invested shares**

In order to participate in LTI 2020/2022, the participants will during the period from 21 May 2020 up to and including 11 June 2020 (the "Investment Period") have to either (i) purchase Series B shares in Securitas in the market and nominate such shares to LTI 2020/2022, or (ii) nominate Series B shares already vested under previous incentive schemes or currently vesting under Incentive Scheme 2019, to LTI 2020/2022 ("Personally Invested Shares").

The value of a participant's Personally Invested Shares shall be based on the market price for the company's Series B share and shall correspond to minimum 5 per cent (all participants) and maximum 15 per cent (the CEO), 12.5 per cent (other members of Group management) or 10 per cent (other participants), respectively, of the participant's base salary.

If the participant has access to inside information and therefore is prevented from purchasing Personally Invested Shares during the Investment Period, the Board of Directors shall be entitled to extend or postpone the Investment Period in individual cases, but no later than to the next Annual General Meeting.

### **Participants in LTI 2020/2022 and allocation**

LTI 2020/2022 is proposed to include approximately 70 senior executives and key employees within the Securitas Group, divided in three categories.

#### Category 1

For each Personally Invested Share by the CEO of the Group under LTI 2020/2022, the company will grant five performance awards to the CEO.

#### Category 2

For each Personally Invested Share by another member of Group management (currently fifteen individuals) under LTI 2020/2022, the relevant individual will be awarded four performance awards.

#### Category 3

For each Personally Invested Share by another participant (approximately 54 individuals) under LTI 2020/2022, the relevant individual will be awarded three performance awards.

## Performance condition

The number of performance awards that will entitle participants to receive Series B shares in the company depends on the annual development of Securitas' earnings per share<sup>1</sup>, compared to minimum and maximum target levels as defined by the Board of Directors, during the measurement period 1 January 2020 – 31 December 2022, where each year during the measurement period is compared to the previous year. The outcome is calculated yearly, whereby one third of the performance awards is measured against the outcome for 2020, one third is measured against the outcome for 2021 and one third is measured against the outcome for 2022.

If the minimum level is not reached for the relevant year, each performance award pertaining to that year will entitle participants to receive zero Series B shares, whereas if the maximum level is reached, each performance award pertaining to the relevant year will entitle participants to receive one Series B share. If the outcome falls between the minimum level and the maximum level, participants' entitlement to Series B shares will be calculated linearly between zero and one series B share per performance award. The Board of Directors intends to present the fulfilment of the performance-based condition in the Annual Report for the financial year 2022.

## Other conditions

In addition to the above conditions, the following shall apply for the performance awards.

- The performance awards shall be granted free of charge after the end of the Investment Period.
- Each performance award entitles the holder to receive one Series B share free of charge (subject to the performance condition set out above) three years after allotment of the award (the "Vesting Period"), provided that the holder, with some exceptions, is still employed by the Securitas Group as per the last day of February 2023 and has maintained the full amount of Personally Invested Shares purchased or nominated under LTI 2020/2022 during the entire Vesting Period.
- To make the participants' interest equal with the shareholders', the company will compensate the participants for distributed dividend during the Vesting Period by increasing the number of Series B shares that each performance award may entitle the participant to receive after the Vesting Period.
- The number of Series B shares that each performance award may entitle the participant to receive may be subject to recalculation due to share issues, splits, reverse splits and similar dispositions.
- The performance awards are non-transferable and may not be pledged.
- The performance awards can be granted by the company or any other company within the Group.

## Preparation and administration

The Board of Directors shall be responsible for preparing the detailed terms and conditions of LTI 2020/2022 in accordance with the mentioned terms and guidelines. To this end, the Board of Directors shall be entitled to make adjustments to meet foreign regulations or market conditions. The Board of Directors may also make other adjustments if significant changes in the Securitas Group, or its operating environment, would result in a situation where the decided terms and conditions for LTI 2020/2022 no longer are appropriate. Such adjustments include a right for the Board of Directors to resolve on a reduction of the number of Series B shares that the performance awards would entitle a participant to receive, if the number of Series B shares that a participant would be entitled to – considering Securitas' result and financial position, other circumstances regarding the Group's development and the conditions on the stock market – would be clearly unreasonable.

Furthermore, in the event that the Board of Directors considers that the delivery of shares under LTI 2020/2022 cannot be achieved at reasonable cost, with reasonable administrative efforts or due to specific market conditions, participants may instead be offered a cash settlement.

Participation in LTI 2020/2022 also presumes that such participation is lawful and that such participation in Securitas' opinion can take place with reasonable administrative costs and economic efforts. The Board of

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<sup>1</sup> Earnings per share is defined as the company's earnings per share after tax and dilution, excluding items affecting comparability approved by the Board of Directors and currency effects.

Directors shall be entitled to implement an alternative incentive solution for employees in such countries where participation in LTI 2020/2022 is not advisable, which alternative solution shall, as far as practically possible, correspond to the terms of the LTI 2020/2022.

### **Scope and cost of the program**

LTI 2020/2022 may, if the share price for the company's Series B share remains the same during the program's term, result in a maximum amount corresponding to 75 per cent (CEO), 50 per cent (other members of Group management) or 30 per cent (other participants), respectively, of the participants annual base salary (excluding social security costs). Such outcome is subject to the number of Personally Invested Shares being maximized, meaning that the value of the participant's Personally Invested Shares corresponds to 15 per cent (the CEO), 12.5 per cent (other members of Group management) or 10 per cent (other participants), respectively, of the participants annual base salary, that the participant maintains the full amount of Personally Invested Shares during the entire Vesting Period, and that the participant, with some exceptions, still is employed as per the last day of February 2023, and that the performance based condition has been fully achieved.

The maximum number of Series B shares that a participant may nominate as Personally Invested Shares, and thus the total number of performance awards that may be allotted, shall be based on the market price for the company's Series B share. The total number of issued shares in the company amounts to 365,058,897 shares.

Based on the assumption that the share price for the company's Series B share amounts to SEK 130, LTI 2020/2022 will, in accordance with the principles and assumptions set out above, comprise maximum 870,000 Series B shares in total, which corresponds to approximately 0.24 per cent of the total number of issued shares in the company and 0.17 per cent of the total number of votes in the company.

The costs for LTI 2020/2022 should be expensed as personnel costs over the Vesting Period. Provided that the performance-based condition is fully achieved, the cost for LTI 2020/2022 before tax is, in accordance with the principles and assumptions set out above, estimated to approximately SEK 140 million, allocated over the Vesting Period. Estimated social security costs and financing costs are included in such amount.

The Board of Directors proposes the Annual General Meeting to resolve to authorize the Board of Directors to resolve on repurchase of shares in the company and to transfer such shares on a regulated market to cover social security costs and financing costs associated with LTI 2020/2022 (see item 15 of the notice convening the Annual General Meeting for further information about the proposal).

The costs for LTI 2020/2022 are expected to have marginal effect on key ratios of the Securitas Group.

The Board of Directors deems that the positive effects on earnings that are expected to result from increased share ownership among senior management and key employees, which may be further increased through LTI 2020/2022, outweighs the costs related to LTI 2020/2022.

All estimates are based on at each time applicable foreign exchange rates according to Reuters. Information on previous incentive schemes for 2018 and 2019 and the LTI 2019/2021 can be found in the Annual Report 2019, Notes 9 and 12.

### **Delivery of shares under LTI 2020/2022**

To ensure the delivery of Series B shares under LTI 2020/2022, the company may enter into a share-swap agreement with a third party, whereby the third party in its own name shall acquire and transfer Series B shares in the company to employees participating in LTI 2020/2022. The cost for the swap is estimated at a maximum of SEK 600,000 assuming that the performance-based condition is fully achieved.

Any share-swap agreement for LTI 2020/2022 will be a separate share-swap agreement from the agreement entered into in respect of Incentive Scheme 2020 (see item 16 of the notice convening the Annual General Meeting for further information about the Incentive Scheme 2020).

### **Preparation of the proposal**

LTI 2020/2022 has been initiated by the Board of Directors and the Remuneration Committee of Securitas in consultation with major shareholders and has been structured in consultation with external advisers based on

an evaluation of previous incentive schemes. LTI 2020/2022 has been prepared by the Remuneration Committee and reviewed at meetings of the Board of Directors.

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Stockholm in March 2020  
the Board of Directors  
SECURITAS AB (publ)