

Corporate governance report

Good corporate governance aims to create favourable conditions for an active commitment from the owners with a clear and well-balanced allocation of responsibilities between different parts of the company and ensuring the market that correct information is being presented.

The aim of corporate governance is to ensure that companies are run as efficiently and effectively in the interest of their shareholders, but also that Hoist Finance complies with the rules set by regulatory authorities in terms of, among other things, corporate governance. Corporate governance also aims to create order and a systematic approach for the Board of Directors as well as group management. By having a clear structure with rules and processes, the Board of Directors can ensure that the focus of group management and employees is on developing the business as well as creating shareholder value.

Hoist Finance is a Swedish public limited liability-company with registration number 556012-8489. The company has its registered office and headquarters in Stockholm.

Application of the Swedish Corporate Governance Code

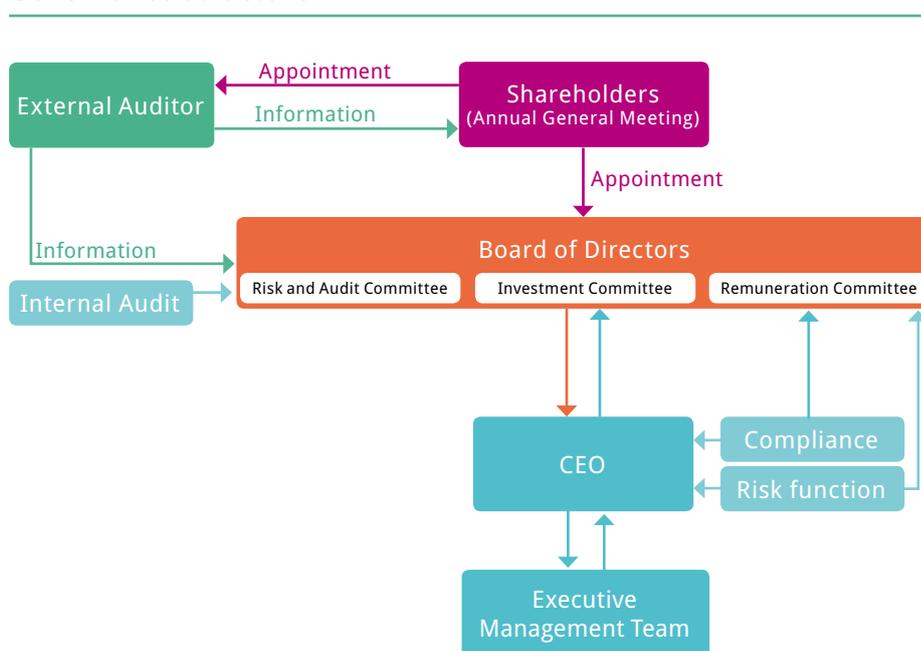
Since 1 July 2008, all companies whose shares are listed on Nasdaq Stockholm or NGM Equity are required to apply the Swedish Corporate Governance Code, regardless of their market capitalization. Hoist Finance is thus not currently subject to compliance with the Swedish Corporate Governance Code, but has chosen to follow the code. The code is based on the “comply or explain” principle which means that a company can deviate from the Code’s provisions without this entailing a breach of the Code. However, a company that deviates from a regulation in the Code must explain the reason for doing so. Hoist Finance currently complies with the Code with the exception that there is no nominating committee as of yet. The corporate governance report is part of the company’s administration report and is audited by the company’s auditor. The results of the audit are presented in the audit report on page 114.

External governance systems

Hoist Finance operates under both external governance steering systems and the company’s own internal steering systems.

To the external governance systems, which is the framework for corporate governance within Hoist Finance, belong the Swed-

Governance structure



ish Companies Act, the Annual Accounts Act, the Swedish Banking and Financing Act, the Swedish Financial Supervisory Authority’s Regulations and General Guidelines, other applicable laws and regulations, and the Swedish Corporate Governance Code. Governance, management and control are divided between the shareholders at the Annual General Meeting, the Board of Directors and the Chief Executive Officer pursuant to Swedish company law, the Swedish Corporate Governance Code and the articles of association. Hoist Finance’s shares are currently not listed on Nasdaq Stockholm, however, Hoist Kredit has three series of bond’s listed on Nasdaq Stockholm, and therefore applies the Nasdaq Stockholm’s Rule Book for Issuers.

Internal governance systems

The internal governance system consists of, among others, the Articles of Association that are adopted by the general meeting of shareholders. In addition, the Board has adopted a number of policies and instructions clarifying

the allocation of responsibilities in the Group. Particularly important in this context are:

- The rules of procedures for the Board
- Instruction for the CEO
- Policy for internal steering and control
- Remuneration policy
- Risk management policy
- Policy relating to operational risks
- Instructions for counter-measures towards money laundering and financing of terrorism

Articles of Association

The Articles of Association are adopted by the general meeting of shareholders and contain obligatory information of a fundamental nature to the company.

These articles specify the object of the company’s operations, the size of the share capital, the voting rights attached to the different classes of shares and the permitted number of Board members. The Articles of Association contain no special provisions regarding the appointment and dismissal of Board members

or amendments to the Articles of Association. The full Articles of Association can be found on www.hoistfinance.com.

Shareholders

The number of shares as per 31 December 2014 was 21 661 628, which were divided among 22 shareholders. The share capital amounted to SEK 21 661 628.

The two largest shareholders are Beagle Investments S.A. and Olympus Investment S.à.r.l., which at 31 December 2014 held approx. 36 per cent and 35 per cent respectively, of the votes and capital. The third largest shareholder was Toscafund Entrust Master Fund Ltd with just under 10 per cent of the votes and capital.

General Meeting of shareholders

The general meeting of shareholders is the highest decision-making body in the Hoist Finance group. At a general meeting, all shareholders have the opportunity to exert an influence of the company by exercising the votes attached to their respective shareholdings. The agenda and duties of the general meeting are regulated among other things by the Swedish Companies Act and the Articles of Association.

Hoist Finance's financial year runs from 1 January to 31 December. According to the Swedish Companies Act, notice of the meeting must be given no more than six weeks and no fewer than four weeks prior to the Annual General Meeting (AGM). The AGM resolves on adoption of the year's balance sheet and profit and loss account, dividends, election of Board members and auditors, fees to Board members and auditors, and other items of business as prescribed by the Swedish Companies Act and the Articles of Association. Each shareholder has the right to participate at the AGM, either in person or by proxy.

Every shareholder has the right to request that a matter is addressed at the AGM. A shareholder who wishes to have a matter addressed at the AGM must submit a written request to the Board. In order to be taken up at the AGM, the request must be submitted to the Board no later than one week before the earliest date on which the notice of the meeting may be published (i.e. the request must be received no later than seven weeks before the AGM). In accordance with Chapter 7.32§, of the Swedish Companies Act, all shareholders have the right at a general meeting of shareholders, to pose questions to the Board of Directors and CEO about the matters that are taken up at the meeting and the financial situation of the company and the Group.

2014 Annual General Meeting

The latest AGM was opened on 29 April 2014 in Manchester with a continuation on 18 June in Stockholm. The AGM was attended by all shares and all votes. The AGM approved the proposals of the Board regarding:

- Adoption of the balance sheet and the profit and loss accounts.

¹⁾ Remuneration was however paid by Hoist Kredit for the overlapping work of the Board for both companies.

- That no dividend will be paid.
- Discharge from liability for the Board of Directors and CEO.
- Re-election of the Board members Mikael Wirén (Chairman), Costas Thoupos, Achim Prior, Per-Eric Skotthag and Jörgen Olsson.
- Decision not to pay Board remuneration¹⁾
- Re-election of KPMG, represented by Anders Bäckström, as the company's auditor to serve for the period until the end of the next AGM. Remuneration is to be paid according to approved account.

The complete minutes from the AGM can be found on www.hoistfinance.com.

2015 Annual General Meeting

The 2015 AGM will be held on 25 February 2015 in Stockholm.

Nomination committee

Hoist Finance does not have a nomination committee. However, on the Board meeting on 2 February 2015, the Board of Directors decided to present a proposal relating to the nomination committee to be decided on the AGM on 25 February 2015. The nomination committee shall, according to the proposal, ahead of the AGM in 2016 consist of representatives of the three largest shareholders according to the share register as of the last banking day in August, together with the Chairman of the Board who will summon to the first meeting of the nomination committee.

Board of Directors

According to the Articles of Association, Hoist Finance's Board of Directors shall consist of at least three and at the most nine members. As at 31 December 2014, Hoist Finance's Board of Directors consisted of Ingrid Bonde (Chairman), Annika Poutiainen, Costas Thoupos, Gunilla Wikman, Jörgen Olsson and Per-Eric Skotthag. As from 1 January 2015, Liselotte Hjort was appointed as a member of the Board of Directors, which was approved on the extra ordinary shareholders' meeting on 29 December 2014.

By the turn of the year 2014/2015, the Board of Directors consisted of three women and three men. Two of the six Board members were also employed by the company. Except for the two Board members previously mentioned, all Board members were independent in relation to the company's major shareholders as well as the company and its group management. For more information about the Board members' holdings of shares and warrants in Hoist Finance, see pages 50–51.

Work of the Board

The primary task of the Board is to serve the interests of the company and the shareholders. The Board is responsible for the company's organization and oversight of the company's affairs. The Board is also responsible for making sure that the Group is suitably structured so that the Board can optimally exercise its governance over the subsidiaries. The Board

is responsible for ensuring that the company complies with the applicable laws and regulations, the Articles of Association and the Swedish Corporate Governance Code. The Board shall continuously assess the financial situation of the company and the Group and ensure that the company's organization is structured in such a way that the company's financial accounting, financial management and financial circumstances in general can be controlled satisfactorily.

The Board's powers and duties are regulated by the Swedish Companies Act, the Articles of Association and the Swedish Corporate Governance Code. The duties and work of the Board in Hoist Kredit in acting as credit market company, and to some extent also for Hoist Finance's Board in acting as financial parent company, is also regulated under the Swedish Banking and Financing Act (2004:297).

The Board has also adopted a work plan for the Board and instructions for internal reporting to the Board which regulate the following:

1. Responsibilities of the Board
2. The Board of Directors
3. The Chairman of the Board
4. Board meetings
5. The Board committees

Board meetings

During the period from the statutory meeting after the EGM on 18 June 2014 to the publication of this Annual Report in February 2015, the Board has held five scheduled meetings and ten extra meetings.

The work of the Board follows the following work plan, which may be adjusted depending on the year's current events and projects.

Other fixed items at the scheduled Board meetings include the review of steering documentation, instructions and reports of controlling functions.

Board Committees

Risk and Audit Committee

The Risk and Audit Committee is a preparatory committee responsible for ensuring the quality of the financial reporting and the effectiveness of the company's internal control and tasks conducted by the internal audit function, the risk control function and the compliance function. The Risk and Audit Committee shall also review the independence of the external auditors, and without affecting the other tasks and responsibilities of the Board, continuously meet with the company's auditors to stay informed about the focus and scope of the audit. The Risk and Audit Committee shall also discuss the coordination of external and internal audit with the external auditor. The Risk and Audit Committee shall meet at least four times per financial year.

The audit committee shall have at least three members, who are appointed by the Board on a yearly basis. At least two of the committee's members shall be independent to the company and company group management. One of the members of the committee shall be

elected Chairman of the Committee. The Chairman shall be independent in relation to the company and the company group management and cannot be Chairman of Hoist Finance. Minutes shall be recorded at meetings of the risk and audit committee. The audit committee shall inform the Board about the matters dealt with by the committee. The audit and risk committee consists of Annika Poutiainen (Chairman), Ingrid Bonde and Per-Eric Skotthag. During the period from the AGM on 18 June 2014 to the publication of this Annual Report in February 2015, the committee has held five meetings.

Remuneration Committee

The main task of the Remuneration Committee is to prepare recommendations to the Board for decision on remuneration policies, remunerations and other terms of employment for the Executive Management Team members and employees in control functions. The Remuneration Committee shall monitor and evaluate ongoing programmes and programmes completed during the year for variable remuneration to the group management and to monitor and evaluate application of the applicable laws and guidelines for remuneration.

The remuneration committee shall have at least three members who are appointed by the Board on a yearly basis. The three members shall be independent in relation to the company, company group management and at least two of the members shall also be independent to the company's larger shareholders. The remuneration committee shall hold meetings at least twice per financial year. The remuneration committee consists of Gunilla Wikman (Chairman), Per-Eric Skotthag and Ingrid Bonde. During the period from the AGM on 18 June 2014 to the publication of this Annual Report in February 2015, the committee has held five meetings.

Investment Committee

During 2015 the Board has established a new Investment Committee, which for the time being is replacing the old Investment Committee. The Board has given parts of the committee the responsibility to review the current instructions, structure and composition of the investment committee, who will present a new proposed structure where the committee is constructed as both a board committee and a management committee. According to the Investment Committee's instructions that are applicable on the day of this annual report, the Committee is responsible for the approval of transactions with a value of less than 25 per cent of the capital base and which do not involve entering a new country in which Hoist Finance has not been active in, as well as issuing recommendations to the Board concerning transactions that are outside of the Investment committees authorisation. The Investment Committee shall according to now applicable instructions consist of at least four but no more than six members, who can be Board members or employees. The Investment Committee, on the day of this annual report, of the Board members Costas Thoupos (chairman) and Liselotte Hjorth, as well as Pontus Sardal, Charles de Munter and Peter Hermansson.

Chairman of the Board

At the EGM on 16 November 2014, Ingrid Bonde was elected Chairman of the Board. The Chairman shall supervise the work of the Board and ensure that the Board fulfils its duties, and has special responsibility for ensuring that the work of the Board is well organized and efficiently executed and for monitoring the Group's development. The Chairman oversees the effective implementation of the Board's decisions and is responsible for ensuring that the work of the Board is evaluated yearly and that the nominating committee, when it has been formed, is informed about the results of this evaluation.

The purpose of the evaluation is to gather the Board members' opinions about the Board's performance and what measures can be taken to improve the efficiency of Board work.

Some of the Chairman of the Board's main duties are to:

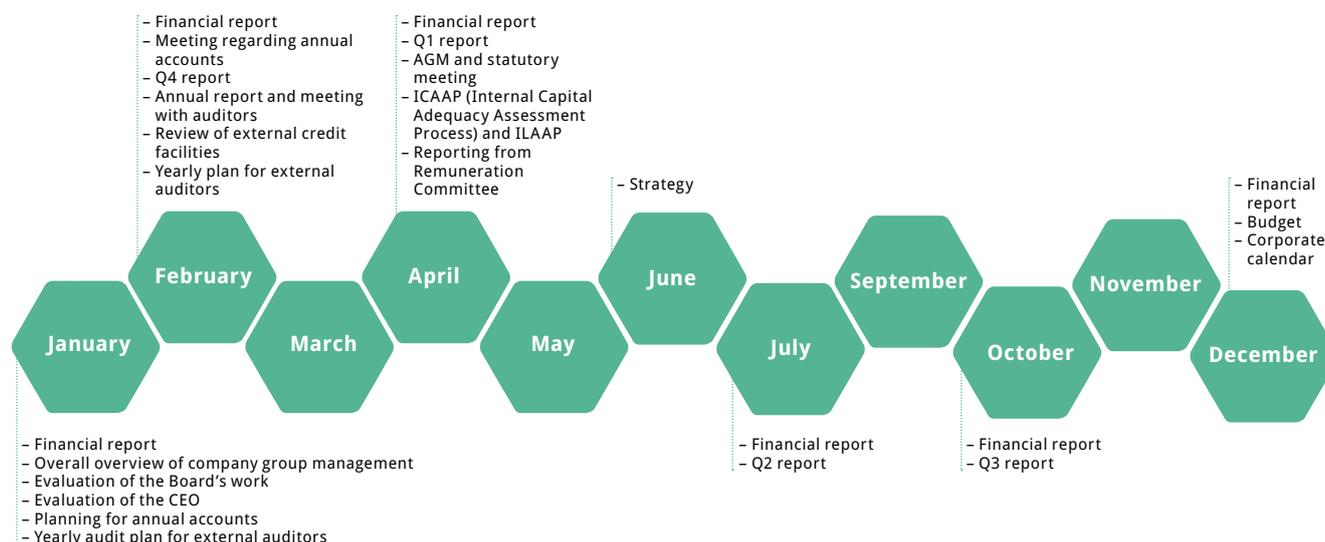
- in cooperation with CEO, decide which matters are to be dealt with by the Board and prepare material for the meetings and convene meetings when needed
- organize and lead the work of the Board, while overseeing that the Board addresses the items of business to be dealt with by the Board according to law, the Articles of Association and the Swedish Corporate Governance Code
- serve as the Board's spokesman towards Hoist Finance's shareholders
- ensure that the CEO presents satisfactory information for the Board to make decisions upon and oversee that the Board's decisions are executed.

CEO and group management

The CEO is appointed by the Board and supervises operations according to the instructions adopted by the Board and is responsible for day-to-day management of the company and the Group in accordance with the Swedish Companies Act. In addition, the CEO, together with the Chairman of the Board, decides which matters are to be dealt with at the Board meetings. The Board adopts instructions for the CEO on a yearly basis and continuously evaluates the CEO's duties. Jörgen Olsson has been CEO of Hoist Finance since 2012. For information about the CEO's shareholdings, see page 52.

The CEO of Hoist Finance heads the executive management team. The executive management team meets as decided by the CEO. Apart from the CEO, the executive management team consists of the individuals appointed by the CEO.

Work of the Board



The CEO is responsible for ensuring that the Board members are supplied with the necessary information and decision data and presents reports and proposals at Board meetings regarding issues dealt with by the executive management team. The CEO continuously informs the Board and Chairman of the Board about the financial position and development of the company and the group. The CEO's performance is evaluated continuously by the Board.

The CEO's main tasks include:

- ensuring that financial accounting in the company is carried out in compliance with legal requirements and that financial management is handled in a satisfactory manner
- acting as the group CEO, which means overseeing and coordinating the Group's operations according to the Board's guidelines and instructions
- ensuring that the Board's decisions are executed and on a continuous basis keep the Board informed on the development of the business, financial results and financial situation

Pontus Sardal has been Chief Financial Officer in Hoist Finance since 2011. For information about the CEO and other members of the executive management team, see pages 52-53.

Financial reporting

The Board of Directors is responsible for ensuring that the company's organization is structured in such a way that the company's financial circumstances can be controlled satisfactorily and that external financial information such

as interim reports and annual reports to the market is prepared in accordance with the legal requirements, relevant accounting standards and other requirements. The task of the Risk and Audit Committee is to support the Board in assuring the quality of the company's financial reporting.

The interim reports are examined by the Board's Risk and Audit Committee and are issued by the Board as a whole. The semi-annual report for the period from January to June, as well as the annual report, are issued by all members of the Board and the CEO. The CEO ensures that financial accounting of the company is carried out in compliance with legal requirements and that financial management is conducted in a satisfactory manner. The CEO of Hoist Finance is a member of the Boards of all operating subsidiaries. Every month, the group prepares monthly accounts which are submitted to the Board and the group management team. The Board ensures the quality of the group's financial reporting through the Risk and Audit Committee. The Risk and Audit Committee deals not only with the group's financial reports and significant accounting matters, but also matters related to internal control, compliance, reliability of reported values, events after the balance sheet date, changes in estimates and assumptions and other conditions affecting the quality of the financial reports.

Internal reports

The tasks of the Board are to oversee the group's financial development, assure the quality of the group's financial reporting and

internal control and regularly monitor and evaluate operations. Internal reports such as the consolidated accounts are compiled and delivered to the Board on a monthly basis. For every financial year, an income statement, a balance sheet and an investment budget are prepared for the group which are adopted at the scheduled Board meeting in December.

Guidelines for remuneration to the group management and key employees

No guidelines for remuneration to senior executives have been adopted by the AGM. However, at the Board meeting on 2 February 2015, the Board decided that a proposal regarding remuneration for the group management team and key employees is to be decided on the AGM on 25 February 2015. Information about the warrant program at Hoist Finance can be found in note 5, Personnel expenses.

Auditor

The external auditors are responsible for auditing the company's annual accounts and accounting records and the administration of the Board of Directors and the CEO. After every financial year, the auditors shall present an audit report to the AGM.

The AGM in 2014 re-elected the registered public accounting firm KPMG as the company's independent auditor to serve until the end of the next AGM. Authorized Public Accountant Anders Bäckström, born 1966 and auditor of the company since 2013, is Auditor in Charge.

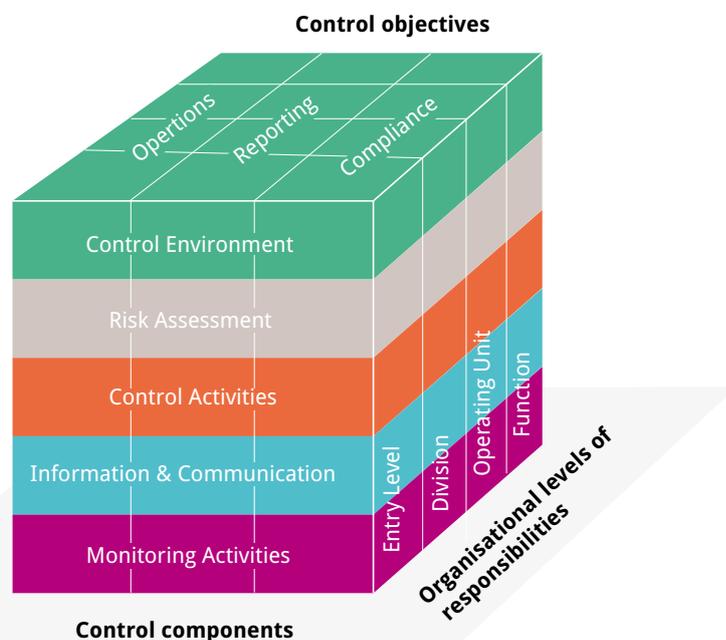
Internal control over financial reporting

Internal governance and control

Internal governance and control are required by laws and regulations and is a process supervised by the Board of Directors. In Sweden, where the Ultimate Parent Company and the Parent Company is registered, it is mainly the Swedish Companies Act, the Swedish Banking and Financing Act, regulations issued by the Financial Supervisory Authority, the Swedish Code of Corporate Governance and the requirements by the Stock Exchange which rules the internal governance and control.

Hoist Finance has an internal governance and control framework which aims at creating the necessary preconditions for the whole organisation to contribute to the efficiency, effectiveness and the high quality of internal governance and control, through e.g. clear definitions, assignments of roles and responsibilities as well as common tools and procedures.

With regard to internal control in the financial reporting, Hoist Finance uses the COSO model for internal control. COSO's goal is to provide thought leadership dealing with three interrelated subjects: enterprise risk management (ERM), internal control, and fraud deterrence.



Roles and responsibilities

The Board of Directors and the Risk- and audit committee are responsible for establishing the fundamental rules and guidelines for internal control.

The committee assists the Board by continuously monitoring the risks that can affect the financial reporting and in the preparation of manuals, policies and accounting policies. The committee interact directly with the external auditors.

The CEO is responsible for the effective design and implementation of internal control within the Group. The CFO is responsible for the design, correct implementation and proper application of the framework for internal control at the central level. The local management is responsible for the design, correct implementation and proper application at the local level.

Hoist Finance Roles and Responsibilities are with respect to internal control and risk management are structured according to the principle of “three lines of defence”.

The “**first line of defence**” encompasses the Board of Directors, the Chief Executive Officer and the operations. The first line of defence is responsible for managing Hoist Finance’s risk exposure and for conducting the business in accordance with the decided internal control and risk management framework as well as following the rules and regulations that are applicable to Hoist Finance.

The first line of defence have in place a well-organized governance structure as well as effective processes to identify, measure, assess, monitor, mitigate and report on risks.

The “**second line of defence**” encompasses the Risk Control function and the Compliance function which are independent control functions. This means that the control functions are not involved in the operations and that they report independently on their reviews to the Board of Directors and the Chief Executive Officer.

The “**third line of defence**” consist of the Internal Audit function which performs audits and reviews, and provides assurance to stakeholders on internal controls and risk management processes, independently.

The three lines of defence jointly form the internal control framework which is set to develop and maintain systems that ensure:

- effective and efficient operations
- adequate control of risks
- prudent conduct of business
- reliability of financial and non-financial information reported or disclosed (both internally and externally)
- compliance with laws, regulations, supervisory requirements and the institution’s internal policies and procedures

The internal control process

The Board of Directors is ultimately responsible for the internal control process. The internal control process is carried out by the Board of Directors, management and other personnel within Hoist Finance, designed to provide reasonable assurance regarding the achievement of objectives in terms of the economical and efficient use of resources, reliability and integrity of operational and financial reporting, compliance with external and internal regulations, and safeguarding of assets, including the accomplishment of established objectives and goals for operations.

The internal control process is based on the

- Control Environment
- Risk Assessment
- Control Activities
- Information & Communication
- Monitoring

The **Control Environment** is the foundation for the system of internal control within Hoist Finance and includes the business culture established by the Board of Directors and management. It includes the following components:

- Demonstrates commitment to integrity and ethical values
- Exercises oversight responsibility, independently
- Establishes structure, authority and responsibility
- Demonstrates commitment to competence
- Enforces accountability

The **Risk Assessment** includes processes for risk identification, risk analysis and risk response. The risk assessment process is a Hoist Finance group common process and is independent from the business activities. The risk assessment also includes how risks will be managed and includes the following components:

- Specifies suitable objectives
- Identifies and analyses different risks the organisation is exposed to
- Assesses fraud risk
- Identifies and analyses significant change

The **Control Activities** are actions established by policies and procedures. It is actions established in order to mitigate risks throughout the Hoist Finance organisation on all stages within the business processes and technical environment. It includes both preventive and detective controls as well as both manual and automated activities. Authorisation plans, approvals, verifications, reconciliations, business performance reviews as well as segregation of duties are all examples of control activities. The responsibility of managing the control activities lies

on each management level. The components included are:

- Selects and develops control activities
- Selects and develops general controls over IT
- Deploys through policies and procedures

Information and Communication are both an internal tool to strengthen the internal control environment and a process to secure correct external information.

Within the group, policies and instructions have been established for the different areas of responsibility and the Hoist Finance’s accounting manual (Hoist Finance Financial Framework) contains instructions and guidance for accounting and financial reporting.

The different policies and instructions as well as the Hoist Finance Financial Framework are continuously updated and available for the organisation. In addition, regular meetings with accounting staff and local CFOs are held in order to inform about new or updated rules and regulations applicable to Hoist Finance, as well as the responsibility of the internal control.

The management obtains, generates and uses this relevant information of high quality to support the functioning of components of internal control as well as uses it as a source for sound decision making. The key components are:

- Uses relevant information
- Communicates internally
- Communicates externally

The **Monitoring Activities** are built into business processes at different levels. A monthly risk reporting is presented to the Board of Directors, the Risk- and Audit Committee and to the CEO. The monitoring activities have the following key components:

- Conduct ongoing and separate/periodical evaluations
- Evaluate and communicate deficiencies

Financial reporting competencies

The executive and local managements work actively to ensure that the group has employees with the right competency in all key positions and that there are procedures in place to ensure that employees in key positions have the requisite knowledge and skills.