

Corporate Governance Report

Good corporate governance aims to create favourable conditions for shareholder engagement. This is achieved through a well-defined and well-balanced assignment of responsibilities between the company's executive and shareholder functions. This ensures that accurate information is being presented to the market.

The aim of corporate governance is to ensure that the company is run as efficiently and effectively as possible in the interest of its shareholders, and that Hoist Finance AB (publ) ("the Company" or "Hoist Finance") complies with corporate governance and other rules prescribed by regulatory and supervisory authorities. Corporate governance also aims to create order and a systematic approach for the Board and for management. With a clear structure and well-defined rules and procedures, the Board can ensure that management and employees are focused on developing the business and, accordingly, on creating shareholder value.

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

Application of the Swedish Corporate Governance Code

All companies with shares listed on Nasdaq Stockholm or NGM Equity, regardless of market capitalisation, have been required since 1 July 2008 to apply the Swedish Corporate Governance Code. The Code is based on the "comply or explain" principle, meaning that a company's deviation from the Code's provisions is not deemed a breach thereof if the company explains its reason for doing so. Hoist Finance complies with and in 2018 complied with all provisions of the Code. It should be noted that, under the Code's provisions, no more than one AGM-elected Board member may be employed as a member of the management team of the company or any of the company's subsidiaries. Two AGM-elected Board members were Hoist Finance Group employees during the first part of 2018: Jörgen Olsson and Costas Thoupos. Jörgen Olsson was CEO of the company and a member of the Executive Management Team until 14 March 2018, Costas Thoupos had an operational role and chaired the company's Management Investment Committee (which is otherwise comprised of people with operational roles) during the period preceding the 2018 Annual General Meeting. For 2018, the company is therefore in compliance with the Code provision stipulating that only one Board member may be a member of the Executive Management Team. This Corporate Governance Report is part of the company's Administration Report and is reviewed by the company's auditors.

Corporate governance within the company

Hoist Finance is subject to external and internal control systems.

The external control systems, which serve as the framework for Hoist Finance's corporate governance, are the Swedish Companies Act, Annual Accounts Act, Banking and Financing Business Act, the Swedish Financial Supervisory Authority's regulations and general guidelines, Nasdaq Stockholm's Rule Book for Issuers, other relevant laws and regulations, and the Swedish Corporate Governance Code. Governance, management and control are, pursuant to Swedish corporate law, the Swedish Corporate Governance Code and the Articles of Association, allocated between: the shareholders at the Annual General Meeting (AGM); the Board; and the CEO.

The internal control systems include the Hoist Finance Articles of Association adopted by the AGM. The Board has also adopted policies and instructions that clarify the division of responsibilities within the Group.

The following are of particular importance in this context:

- » Rules of procedure for the Board
- » Instruction for the CEO
- » Policy for internal governance and control
- » Instructions for the Risk and Audit Committee
- » Instructions for the Remuneration Committee
- » Instructions for the Investment Committee
- » Order of Authorisation

Articles of Association

The Articles of Association are adopted by the Annual General Meeting and contain basic compulsory information about the company.

The Articles of Association specify the type of business activities the company will operate; limits on share capital and the number of shares; and the number of Board members allowed. The Articles of Association include no special provisions for amendments thereto or for the appointment or dismissal of Board members. The Articles of Association are available in their entirety at www.hoistfinance.com.

Governance structure

Shareholders

As at 31 December 2018, the total number of shares was 89,303,000 and the share capital was SEK 29,767,666.66. Each share carries one vote. The company had 4,301 shareholders at year-end. The fifteen largest shareholders held an aggregate of 61.5 per cent of total share capital at the end of 2018. Read more about the company's largest shareholders at www.hoistfinance.com.

Annual General Meeting

The Annual General Meeting (AGM) is the Hoist Finance Group's highest decision-making body. All shareholders have an opportunity at the AGM to influence the Company by exercising their voting rights. The Companies Act and Hoist Finance's Articles of Association include rules that govern general meetings and their agenda.

Hoist Finance's financial year runs from 1 January to 31 December. Pursuant to the Companies Act, notice must be given no more than six weeks and no fewer than four weeks prior to the AGM. The AGM resolves on adoption of the year's balance sheet and income statement; appropriation of profits; election of Board members and auditors; fees to Board members and auditors; and other items of business as prescribed by the Companies Act and the Articles of Association. All shareholders listed in the shareholders' register on the day prior to the AGM who have provided notification of their participation in the prescribed timeframe are entitled to participate at the AGM, either in person or by proxy, and to vote in relation to their holdings.

Every shareholder is entitled to request that a matter be addressed by the AGM. A shareholder who wishes to do so must submit a written request to the Board no later than one week before the earliest date on which notice of the meeting may be published (i.e. the request must be received no later than seven weeks prior to the AGM). Pursuant to Chapter 7, Section 32 of the Companies Act, all shareholders are entitled to ask the Board and CEO questions about matters addressed during the AGM and about the financial situation of the Company and the Group.

2018 Annual General Meeting

The most recent AGM was held on 16 May 2018 in Stockholm. Eighty-eight shareholders, representing 37.6 per cent of the shares and votes in the company, were present at the AGM. The CEO, the majority of Board members, the company’s auditor, the Chairman of the Nomination Committee and the CFO also participated in the AGM.

In accordance with recommendations from the Board and the Nomination Committee, the AGM resolved, among other things:

- » To adopt the balance sheet and income statements.
- » To distribute a dividend of SEK 1.90 per share.
- » To discharge Board members and the CEO from liability.
- » To re-elect Board members Ingrid Bonde, Cecilia Daun Wennborg, Malin Eriksson, Liselotte Hjorth, Jörgen Olsson, Joakim Rubin and Gunilla Öhman. Marcial Portela was elected as a new Board member. The AGM re-elected Ingrid Bonde as Chairman of the Board. Former Board member Costas Thoupos resigned from the Board at the AGM.
- » On fees for the Chairman of the Board and other Board members.
- » To re-elect KPMG, represented by Anders Bäckström, as auditor for the period until the close of the next AGM and to pay auditor’s fees based on an approved invoice.
- » To adopt guidelines for remuneration of senior executives.
- » To authorise the Board to issue shares.
- » To authorise the Board to acquire own shares.

The complete minutes of the 2018 AGM are available at www.hoistfinance.com.

2019 Annual General Meeting

The 2019 AGM will be held at The Royal Coin Cabinet in Stockholm, on Thursday, 16 May 2019, at 11.00 a.m.

Nomination Committee

The Nomination Committee is comprised of representatives of the three largest shareholders, as recorded in the shareholders’ register as at the final banking day in August of each year, together with the Chairman of the Board. The Chairman is also responsible for convening the Committee’s first meeting. If a shareholder who is offered a place on the Nomination Committee declines, the offer shall

instead be made to next shareholder in order of size of holding. The Committee’s composition will be changed to reflect any changes to the shareholder structure.

The Nomination Committee submits proposals for the election of the AGM Chairman; the members of the Board and Chairman of the Board; fees to Board members; and proposals for the election of and fees to auditors. The Committee conducts its work in the interest of all shareholders. Instructions for the Nomination Committee and options for submitting proposals to the Committee are available on the company’s website, www.hoistfinance.com.

The Nomination Committee is comprised of the following members: Jan Andersson (representing Swedbank Robur Fonder AB), Niklas Ringby (representing EQT) Chairman of the Nomination Committee, Peter Thelin (representing Carve Capital AB) and Ingrid Bonde (Chair of the Board of Hoist Finance). The Committee has held three minuted meetings ahead of the 2019 AGM and maintained regular contact between meetings. The Committee also held individual interviews with current and proposed Board members.

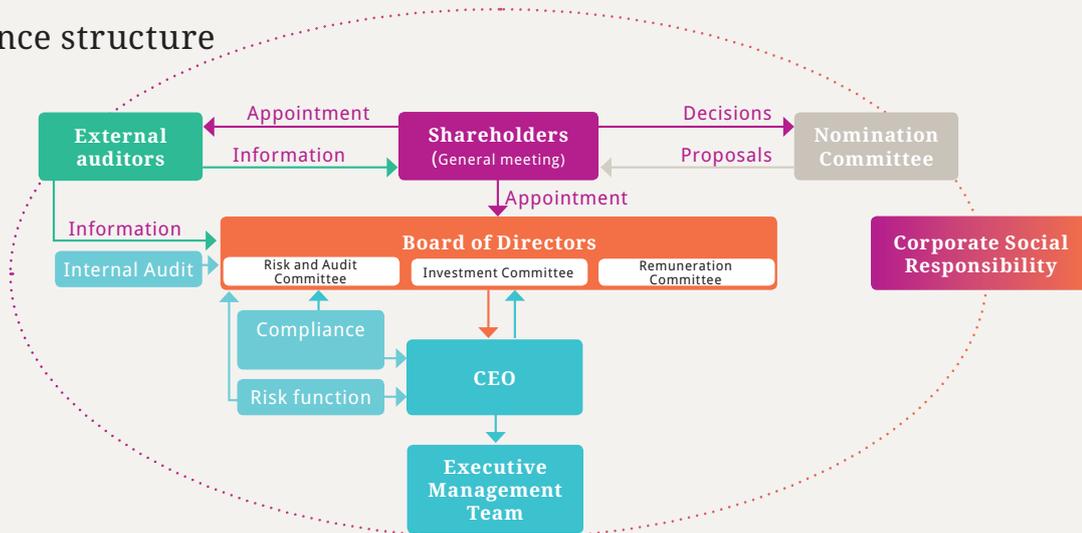
The Nomination Committee’s proposals, its report on Committee work performed in preparation for the 2019 AGM, and information on proposed Board members and auditors are published in conjunction with the AGM notice.

Board of Directors

Pursuant to the Articles of Association, Hoist Finance’s Board shall be comprised of at least three and no more than nine members. Members of the Board are appointed by the AGM for a one-year term. In accordance with the resolution of the 2018 AGM, the Board is comprised of Ingrid Bonde (Chairman), Cecilia Daun Wennborg, Malin Eriksson, Liselotte Hjorth, Jörgen Olsson, Marcial Portela, Joakim Rubin and Gunilla Öhman. Former Board member Costas Thoupos resigned from the Board at the AGM.

At the end of the financial year, the Board had five female and three male members. One of the eight Board members – Jörgen Olsson – was employed by the Group in 2018. Jörgen Olsson was CEO of the company and a member of the Executive Management Team until 14 March 2018. All Board members, with the exception of Jörgen Olsson, were independent in relation to the company’s major shareholders (as defined in item 4.4 of the Swedish Corporate Governance Code), the company and the Executive Management Team in 2018. For further information on the Board members, see

Governance structure



the section on the company's Board of Directors and Executive Management Team and the company's website, www.hoistfinance.com.

See Note 7 "Personnel expenses" for details on the remuneration of the Board of Directors.

Diversity policy

The company's Board as a whole shall have the appropriate collective expertise, experience and background in the company's business operations, to enable identification and understanding of the risks such operations entail. The objective is to have a Board comprised of members with complementary experience and expertise and of varying ages, genders, geographic origins, and educational and professional backgrounds that, taken together, is conducive to independent and critical reflection. The company's Board has adopted a Diversity Policy applicable to the Board. To achieve a diverse Board, in preparing its proposal to the AGM, the Nomination Committee takes into consideration item 4.1 of the Swedish Corporate Governance Code, the Board's Diversity Policy and the European Banking Authority's guidelines on eligibility assessments for Board members. The company continuously evaluates the composition of the Board and believes that its composition was satisfactory in 2018.

Work of the Board

The primary task of the Board is to serve the interests of the shareholders and the company. The Board is responsible for the company's organisation and the management of the company's affairs, and for ensuring that the Group is suitably structured to enable the company to optimally exercise its ownership responsibilities with respect to Group subsidiaries. The Board is responsible for ensuring that the company complies with applicable laws and regulations, the Articles of Association and the Swedish Corporate Governance Code. The Board is obliged to regularly assess the company and Group's financial situation and ensure that the company's organisation is structured to enable satisfactory monitoring of its accounting, management of assets, and general financial situation.

The Board adopts financial targets for the company, decides on the company's strategy and business plans and ensures good internal control and risk management.

The Board's duties and working methods are regulated by the Companies Act, the Articles of Association and the Swedish Corpo-

rate Governance Code. The Banking and Financing Business Act also regulates the duties and work of the Board.

The Board has adopted written rules of procedure and instructions on internal reporting for the Board that deal with:

1. The Board's duties and responsibilities
2. Members of the Board
3. Chairman of the Board
4. Board meetings
5. Board Committees

Board meetings in 2018

A total of 15 minuted Board meetings were held in 2018: seven ordinary meetings, one statutory meeting and seven extraordinary meetings. All Board members attended these meetings, with the exception of the Board meetings held on 16 May 2018, in which Malin Eriksson and Marcial Portela did not participate; 14 June 2018, in which Marcial Portela did not participate; and 14 November 2018, in which Joakim Rubin did not participate. The CFO and the Board's secretary participated in Board meetings. Company employees also participated in Board meetings to report on specific issues.

The Board's work follows an annual plan. This may be adjusted, however, depending on the year's events and projects. The majority of ordinary Board meetings are held in conjunction with the company's reporting: the annual accounts and proposed dividend were addressed in February; the Annual Report and issues related to the AGM in March; the interim accounts in May, July and October; strategy in June; and the budget and business plan for the coming year in December. As a rule, governance documentation and instructions are adopted at the statutory Board meeting. At ordinary meetings the Board receives regular reports from its Committees and control functions.

The matters addressed by the Board in 2018 included digitalisation, security and remuneration matters, and the issue of shares and debt instruments. The Board also held a meeting with the external auditors without the Executive Management Team in attendance.

Training for the Board

The Board received training in various subjects during 2018, including risk management, data protection, return on equity, IFRS 9, ICAAP/ILAAP, The Banking and Financing Business Act, new and amended rules, and a particular focus on the company's operations and investment process.

Work of the Board in 2018

January	February	March	April	May	June	July	August	September	October	November	December
<ul style="list-style-type: none"> » Year-end report, including proposed dividend » Committees, update » Report from external audit, Internal Audit and Risk » Communication work, update » Meeting with external auditor » Nomination Committee, update » Organisation, update » Business-related issues 	<ul style="list-style-type: none"> » 2018 Annual Report » Notice and proposals for AGM » Committees, update » Report from Compliance » Remuneration issues » Pillar 3 report » Strategy and digitalisation work, update » Business-related issues 	<ul style="list-style-type: none"> » Quarterly report » ICAAP » ILAAP » Committees, update » Report from Internal Audit, Risk, complaints manager » Annual plan for external audit » Remuneration issues » Security work, update » Issue of debt instruments » Business-related issues » AGM » Statutory meeting (Committee-led meetings and appointment of company signatory) » Annual review of policies and instructions 	<ul style="list-style-type: none"> » Quarterly report » Committees, update » Report from Internal Audit, Compliance » Annual update of EMTN programme and issue of debt instruments » Business-related issues 	<ul style="list-style-type: none"> » New share issue » Business-related issues 	<ul style="list-style-type: none"> » Budget/business plan, update » Committees, update » Report from external audit, Internal Audit, Risk, Compliance, complaints manager » Annual plan for Internal Audit, Risk, Compliance » Board training plan » Regulatory issues » Executive Management Team evaluation » Results from annual Board evaluation » Organisation, update » Dates for upcoming ordinary Board meetings, AGM and reporting dates » Business-related issues 	<ul style="list-style-type: none"> » Financial targets 	<ul style="list-style-type: none"> » Remuneration issues » Capitalisation issues » Regulatory issues » Business-related issues 	<ul style="list-style-type: none"> » Quarterly report » Committees, update » Report from external audit, Internal Audit, Risk, Compliance, complaints manager » Nomination Committee, update » Business-related issues » IT work, update » Board evaluation 			

Board Committees

Risk and Audit Committee

The Risk and Audit Committee serves in an advisory capacity and prepares issues for consideration and decision by Hoist Finance's Board. The Risk and Audit Committee also had a mandate to make decisions in matters regarding the procurement of non-audit-related services from external auditors. The Committee is responsible for monitoring and ensuring the quality of financial reporting; the effectiveness of the company's internal control; and the tasks performed by the Internal Audit, Risk Control and Compliance functions. The Committee also discusses valuation issues and other assessments pertaining to the annual accounts. In matters relating to external audit, the Risk and Audit Committee is, notwithstanding the Board's other responsibilities and duties, to regularly meet with and review reports from the company's external auditors in order to remain informed about the focus and scope of the audit and to discuss the coordination of the external and internal audit with the external auditor. The Risk and Audit Committee is to inform the Board about audit results, the manner in which the audit contributed to the reliability of financial reporting, and the role played by the Committee in the process. The Committee is to also remain informed about the Swedish Inspectorate of Auditors' quality control of the company's external auditors and is responsible for the auditors' independence and impartiality and the selection procedure ahead of the choice of auditor. The Committee is required to meet at least four times per financial year.

The Risk and Audit Committee has at least three members appointed by the Board on an annual basis. Committee members may not be employed by the company. One member is elected Committee Chairman. The Chairman may not be the Board Chairman of Hoist Finance. Since the 2018 AGM, the Risk and Audit Committee members have been Cecilia Daun Wennborg (Chair), Ingrid Bonde, Liselotte Hjorth and Gunilla Öhman. The CEO, CFO and the company's external auditors also attend the Committee's meetings. The company's employees may be summoned to Committee meetings to provide details on specific reports or issues. Committee meeting minutes are recorded and available to all Board members. The Committee Chairman reports to the Board at all Board meetings concerning the issues discussed and proposed at Committee meetings. The Committee held seven meetings in 2018, with all members in attendance at these meetings.

Remuneration Committee

The Remuneration Committee's primary task is to prepare the Board to make decisions on remuneration policies, remuneration and other terms of employment for Executive Management Team members and employees responsible for control functions. The Committee is to monitor and evaluate variable remuneration programmes for the Executive Management Team (both ongoing and those completed during the year), as well as the application of the remuneration guidelines for senior executives resolved on by the AGM and the Group's remuneration structure and remuneration levels.

The Remuneration Committee is to have at least two members appointed by the Board on an annual basis. All members must be independent in relation to the company, the company's management and the company's major shareholders. The Remuneration Committee meets at least twice per financial year. Since the 2018 AGM, the Board's Remuneration Committee members have been Ingrid Bonde (Chairman), Joakim Rubín and Gunilla Öhman. The CEO and Chief People Officer also attend the Committee's meetings. Company employees may be summoned to Committee meetings to provide details on specific reports or issues. Remuneration Committee meeting minutes are recorded and are available to Board members. The Committee Chairman reports to the Board at all Board meetings concerning the issues discussed and proposed at Committee meetings. The Committee held eight meetings in 2018, with all members in attendance at these meetings.

Investment Committee

The Investment Committee is both a preparatory and a decision-making committee. Its responsibilities include evaluating and

approving standard portfolio acquisitions valued at EUR 75 million or more; portfolio acquisitions not considered to be standard and valued at EUR 25 million or more; and investments that require the approval of the Swedish Financial Supervisory Authority. The Investment Committee is to have at least three members appointed by the Board on an annual basis. The Chairman must be independent in relation to the company and the company's management and may not be the Board Chairman of Hoist Finance. The Committee meets at least four times per financial year and whenever a Committee decision or recommendation is required as per the company's Investment Policy. Since the 2018 AGM, the Board's Investment Committee has been comprised of Malin Eriksson (Chairman), Liselotte Hjorth, Jörgen Olsson and Joakim Rubín.

Costas Thoupos was a member of the Committee until 16 May 2018 and Liselotte Hjorth was Committee Chairman until 30 September 2018. Company employees may be summoned to Committee meetings to provide details on investment data. Committee meeting minutes are recorded and are available to all Board members. The Committee Chairman reports to the Board at all Board meetings concerning the issues discussed, proposed and decided on at Committee meetings. The Committee held 13 meetings in 2018, with all members in attendance at these meetings.

With regard to standard investments valued at less than EUR 75 million and non-standard investments valued at less than EUR 25 million, and provided such investments do not require the Swedish Financial Supervisory Authority's approval, the Investment Committee may delegate decision-making authority to the Management Investment Committee which is comprised of employed executives.

Chairman of the Board

Ingrid Bonde was re-elected Chairman of the Board of Hoist Finance by the AGM held on 16 May 2018. Ingrid Bonde has served in this capacity since 16 November 2014.

The Chairman of the Board leads the Board's work and oversees the fulfilment of its duties, and has a specific responsibility for ensuring that the Board's work is well-organised, efficiently run and aligned with operational developments. The Chairman of the Board verifies that Board decisions are effectively executed, and ensures that the Board's work is evaluated annually and that the Nomination Committee is informed of the evaluation results. The purpose of the evaluation is to gain an understanding of the Board members' views on the Board's performance and the measures that can be taken to make the Board's work more efficient.

The Chairman's particular duties are to:

- » in consultation with the CEO, decide the matters to be considered by the Board, prepare meeting agendas and issue meeting notices when needed.
- » organise and lead the Board's work, while overseeing that the Board addresses those matters that rest with the Board pursuant to law, the Articles of Association and the Swedish Corporate Governance Code.
- » serve as the Board's spokesperson towards Hoist Finance's shareholders.
- » ensure that the CEO provides sufficient information for Board decisions and oversee that Board decisions are executed.

Board evaluation

In accordance with the Board's rules of procedure, the Chairman of the Board initiates an evaluation of the Board's performance once per year. For the 2018 evaluation all Board members were able to give their views, through joint discussions between Board members, on issues including working methods, Board meetings, work performed by the Board and management during the year, and Board and management structure. The purpose of the evaluation is to gain an understanding of the Board members' views on the Board's performance and the measures that can be taken to make the Board's work more efficient. The purpose is also to gain an understanding of the type of issues the Board believes should be given more scope and the areas that may require additional Board expertise. The results of the evaluation were reported and discussed at the Board meeting held on 13 December 2018 and were provided to the Nomination Committee.

CEO and Executive Management Team

The CEO is appointed by the Board and runs the business in accordance with instructions adopted by the Board. The CEO is responsible for the company and the Group's day-to-day administration pursuant to the Companies Act. The CEO also works with the Chairman of the Board to decide on matters that will be addressed at each Board meeting. The Board adopts instructions for the CEO each year and evaluates the CEO's duties on a regular basis.

Klaus-Anders Nysteen is the company's CEO and was appointed 15 March 2018. The former CEO Jörgen Olsson was the CEO of Hoist Finance from 2012 until 14 March 2018. For additional information on the CEO and the CEO's shareholdings, see the section on the company's Board and Executive Management Team and the company's website, www.hoistfinance.com.

The company's CEO heads the Executive Management Team, which meets regularly and under the structure set by the CEO. As well as the CEO, the Executive Management Team comprises members appointed by the CEO. The Executive Management Team's role is to prepare and implement strategies, manage corporate governance and organisational issues and monitor the company's financial performance.

The CEO is responsible for ensuring that Board members receive information and essential decision-making material, and for presenting reports and proposals at Board meetings on issues dealt with by the company. The CEO keeps the Board and Chairman updated on the company and the Group's financial position and performance. The CEO's work is evaluated by the Board on a continuous basis.

The CEO's main duties include:

- » assuming responsibility for the financial reporting by ensuring that the company's financial reporting is carried out in accordance with applicable law and that assets are managed prudently.
- » managing and coordinating Group companies in accordance with the Board's guidelines and instructions.
- » ensuring that Board resolutions are executed and keeping the Board updated on the performance of the company and the Group's operations, earnings and financial position.

Executive Management Team

Christer Johansson has been the CFO (Chief Financial Officer) of Hoist Finance since 8 May 2018. For information on the CEO, CFO and other members of the Executive Management Team, see the section on the company's Board and Executive Management Team and the company's website, www.hoistfinance.com.

See Note 7 "Personnel expenses" for details on the remuneration of the CEO and Executive Management Team.

Important guidelines

The company's CSR policy is applied throughout the Group, and Group-wide and local goals and measures are incorporated into day-to-day operations. The CSR governance structure is composed of a framework for internal governance and control that includes a functional organisational structure with a clear division of responsibilities between management, operations and control functions, as well as principles, policies and processes. To further support policy application and relevance, each policy is assigned to a "document owner" – often the person responsible for the policy's specific area. The Executive Management Team is responsible for the CSR strategy, while the Chief Business Development Officer (CBDO) has overall responsibility for implementation of the strategy. Day-to-day responsibility for the achievement of individual targets rests with each relevant manager.

The company's ethical guidelines, comprised of an umbrella document and several ancillary documents, are designed to be applied by both employees and partners. The umbrella document specifies fundamental values and principles and provides information on some of the ancillary documents. All employees receive continuous training on ethical issues, and training statistics are monitored on a monthly basis to ensure that all employees receive regular training on these issues.

The company's measures to prevent money laundering and terrorist financing are integrated into core operational processes, and include risk analyses, policies, customer due diligence procedures, monitoring procedures, employee training and transaction monitoring. The company also has well-established procedures for reporting suspected money laundering to the competent authorities.

Auditors

The 2018 AGM re-elected registered public accounting firm KPMG AB as the company's auditor for the period until the close of the next AGM. Authorised Public Accountant Anders Bäckström is Auditor in Charge.

Financial reporting

The Board is responsible for ensuring that the company's organisation is structured in a way that enables its financial situation to be satisfactorily monitored, and that financial statements, such as interim reports and annual accounts, are prepared in accordance with applicable law, accounting standards and other requirements. Interim reports are initially handled by the Risk and Audit Committee and are then approved by the Board as a whole. The Board of Directors ensures the quality of financial reporting through its Risk and Audit Committee. The Board and the Risk and Audit Committee address not only the Group's financial statements and material accounting issues, but also issues concerning internal control, compliance, significant uncertainty in carrying amounts, events after the balance-sheet date, changes in estimates and assessments, and other conditions affecting the quality of the financial statements. The CEO is responsible for ensuring that the company's accounting is prepared in compliance with applicable law and that assets are managed prudently. The company and the Group prepare accounts each month. The Board and the Executive Management Team continuously receive information on the company's and the Group's financial situation.

To safeguard financial reporting within the Group, monthly reports are issued directly to a joint inter-Group accounting system that includes quality controls. Detailed analyses and reconciliations are performed in connection with the periodic reporting. The consolidation process also includes a number of specific reconciliation controls. Hoist Finance has developed internal accounting and reporting guidelines, the "Hoist Finance Financial Framework."

Internal reports

The Board monitors the Group's financial performance, ensures the quality of financial reporting and internal control, and follows up and evaluates the operations on a regular basis. Internal reports, such as consolidated financial statements, are regularly prepared and submitted to the Board. An income statement, balance sheet and investment budget are prepared for each financial year and are adopted at the ordinary Board meeting held in December.

Guidelines for remuneration of senior executives, etc.

Guidelines for remuneration of senior executives were adopted by the AGM on 16 May 2018. Remuneration of senior executives is comprised of fixed salary, variable remuneration, pension and other benefits. Remuneration is designed to encourage senior executives to deliver results in line with the company's targets, strategy and vision and to act in accordance with the company's ethical code of conduct and core values.

Variable remuneration for senior executives may not exceed 50 per cent of the fixed salary. Variable remuneration is based on various financial criteria determined by the Board of Directors and also on non-financial criteria, and is linked to the performance of the Hoist Finance Group and the respective business unit as well as to individual targets.

Variable remuneration takes into account the risks involved in the company's operations and is proportional to the Group's earning capacity, capital requirements, earnings and financial position. The payment of variable remuneration must not undermine the Group's long-term interests. The payment of variable remuneration is contingent on the senior executive having acted in compliance with internal rules and procedures, including policies regulating behaviour toward customers and investors. Variable remuneration is not paid to a senior executive who has participated in or been responsible for any action resulting in significant financial loss for the Group or the relevant business unit.

For senior executives, payment of 60 per cent of the variable remuneration is deferred for a period of at least three years. Variable remuneration, including deferred remuneration, is only paid to the extent warranted by the Group's financial situation and the performance of the Group and the relevant business unit, and the senior executive's achievements.

Pension and insurance are offered under national laws, regulations and market practices in the form of either collective or company-specific plans, or a combination of the two. Hoist Finance has defined-contribution pension plans and does not apply discretionary pension benefits. Remuneration guidelines are presented in their entirety in Note 7 "Personnel expenses". The Board's proposed new guidelines for 2019 are presented in the Administration Report. Information on salaries and other remuneration of senior executives is presented in Note 7 "Personnel expenses".

Internal control over financial reporting

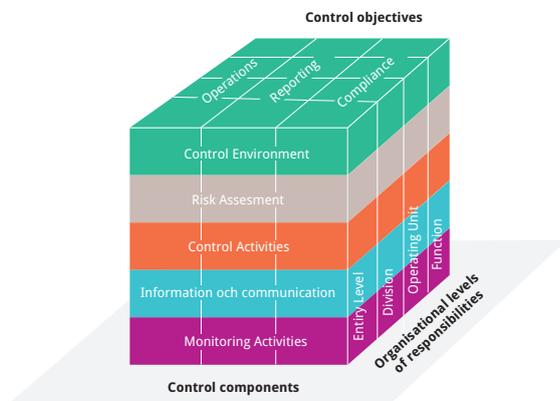
Internal governance and control

The internal governance and control process is governed by law and regulations and is supervised by the Board. In Sweden, where the company has its registered office, internal governance and control are regulated primarily by the Companies Act, Banking and Financing Business Act, the Swedish Financial Supervisory Authority's regulations and guidelines, the Corporate Governance Code, and stock exchange regulations.

Hoist Finance has an internal governance and control framework aimed at creating the environment necessary to enable the entire organisation to promote effective, high quality corporate governance by providing clear definitions, assignments of roles and responsibilities and Group-wide tools and procedures.

Hoist Finance applies the COSO model for internal control over financial reporting.

COSO focuses on developing a framework that can be used directly by a company's management team to evaluate and improve risk management in three inter-related areas: enterprise risk management (ERM); internal control; and fraud deterrence.



Roles and responsibilities

The Board is ultimately responsible for limiting and overseeing Hoist Finance's risk exposure. The Board and the Risk and Audit Committee are responsible for establishing the main rules and guidelines for internal control.

The Risk and Audit Committee assists the Board by continuously monitoring the risks that may affect financial reporting and by adopting manuals, policies and accounting policies. The Risk and Audit Committee interacts 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, implementation and correct application of the internal control framework at a central level. Local management is responsible for the design, implementation and correct application at a local level.

Hoist Finance roles and responsibilities with respect to internal control and risk management are structured in three lines of defence. These three lines of defence jointly form the internal control framework, which is designed to develop and maintain systems that ensure:

- » Effective and efficient business operations.
- » Satisfactory risk control.
- » Business management.
- » Reliable reporting of financial and non-financial information (internally and externally).
- » Compliance with laws, regulations, supervisory authority requirements and internal policies and procedures.

Areas of responsibility

Risk Control function

The Risk Control function is responsible for providing relevant and independent analyses, advice and expert opinions on the company's risks. It is also responsible for the ongoing evaluation and development of the company's risk management framework to ensure its functionality. This involves:

- » Verifying that all material risks that the company is exposed to are identified, analysed and managed by the appropriate functions.
- » Identifying and reporting on risks arising from deficiencies in the company's risk management. Providing recommendations for correcting deficiencies and thereby avoiding or minimising these risks in future.
- » Providing information, analyses and advice on the company's risks to the Board and CEO on a regular basis.
- » Providing all relevant information that may constitute decision-making material when the company develops or changes its risk strategy and risk propensity, as well as evaluating proposed risk strategies and providing recommendations before decisions are made.
- » Evaluating whether company proposals or decisions that may give rise to a significant increase in risk are compatible with the company's risk appetite.
- » Identifying, verifying and reporting risks of error in the company's estimates and assumptions that form the basis of the financial statements.
- » Evaluating risks prior to company decisions on new or substantially changed products, services, markets, processes or IT systems and in the event of major changes to the company's operations and organisation, and evaluating the anticipated impact on the company's aggregate risk.

Compliance function

The Compliance function is responsible for supporting the company's compliance with all legal, regulatory and other requirements for its licensed operations. This involves:

- » Identifying risks of the company failing to comply with its legal, regulatory and other duties with respect to its licensed operations, and monitoring and verifying that these risks are managed by the relevant functions.

Three lines of defence for risk management and internal control

1st line of defence →

The first line of defence is comprised of the Board, CEO and business organisation, who are responsible for conducting operations in accordance with the adopted risk exposure and internal control framework and the rules and regulations applicable to Hoist Finance.

The first line of defence has a well-functioning governance structure and effective processes to identify, measure, assess, monitor, minimise and report risks.

→ 2nd line of defence →

The second line of defence is comprised of the Risk Control function and the Compliance function, independent units that are not involved in business operations and that report independently of each other to the Board and the CEO.

→ 3rd line of defence →

The third line of defence is the Internal Audit function that conducts independent audits and reviews and provides the Board with evaluations of Hoist Finance's internal control and risk management processes.

- » Overseeing and monitoring compliance with laws, regulations and other rules, as well as with relevant internal regulations.
- » Reviewing and evaluating the functionality and effectiveness of the company's procedures on a regular basis.
- » Providing recommendations to relevant persons based on the function's findings.
- » Providing counsel and support to the company's personnel, CEO and Board regarding the laws, regulations and other rules applicable to the licensed operations, and regarding internal regulations.
- » Informing and training relevant persons regarding new or amended regulations.
- » Ensuring the quality of, and continuously updating, the company's internal rules, policies and instructions.
- » Verifying that new or substantial changes to products, services, markets, processes and IT systems and major changes to the company's operations and organisation comply with legal, regulatory and other requirements applicable to the company's licensed operations.
- » Advising and reporting to the Board and the CEO on a regular basis.

Internal Audit function

The Internal Audit function is responsible for ensuring the independent review and supervision of work performed by the first and second lines of defence. Accordingly, the Internal Audit function follows an updated, risk-based audit plan adopted by the Board, under which it reviews and regularly evaluates:

- » Whether the company's organisation, governance processes, IT systems, models and procedures are appropriate and effective.
- » Whether the company's internal control is appropriate and effective and whether the operations are conducted in accordance with the company's internal regulations.
- » Whether the company's internal regulations are adequate and consistent with laws, regulations and other rules.
- » The reliability of the company's financial reporting, including off-balance sheet commitments.
- » The reliability and quality of the work performed within the company's various control functions.
- » The company's risk management based on the adopted risk strategy and risk appetite.

The Internal Audit function also provides recommendations to relevant persons based on the function's findings, monitors whether the measures are subsequently implemented, and reports to the Board on a regular basis.

Internal control process

The Board of Directors has ultimate responsibility for ensuring that internal control operates efficiently. The internal control and risk management systems for financial reporting are designed to achieve reasonable assurance regarding the reliability of external financial reporting and to ensure that the financial statements are prepared in compliance with generally accepted accounting policies, applicable laws and ordinances and other requirements for listed companies.

Hoist Finance's internal control process follows the COSO model, which is based on the following components:

- » Control environment
- » Risk assessment
- » Control activities
- » Information & Communication
- » Monitoring

The **control environment** is the foundation of the company's system of internal control for financial reporting. The control environment is primarily based on the corporate culture and the values that have been established by the Board of Directors and the Executive Management Team, as well as the organisational structure with distinct authorities and responsibilities. Policies and instructions are documented and evaluated continuously. These

steering documents, and well-conceived process descriptions, are made available to the relevant personnel.

The **risk assessment** includes processes for identifying, analysing and evaluating risks arising in financial reporting. This component assesses and prioritises the areas that each business area believes to be the most relevant in the company, based on a risk analysis. This risk analysis takes into account both the probability and consequence of a risk materialising. The risk analysis is conducted regularly at Group level to identify and create an understanding of the risks arising in the Group, in terms of both materiality and complexity. The risk analysis is then used as the starting point for determining the areas that are to be assigned priority and how the risks in these areas are to be limited and managed.

Control activities are the activities designed to limit the risks and ensure the reliability of the company's organisation. The main purpose of the control activities, which can be of both a manual and automated character, is to uncover and prevent errors and thereby assure the quality of financial reporting. Examples of control activities include authorisation manuals, payment instructions, payment vouchers, reconciliations, business performance reviews, general IT controls and division of responsibilities. Control activities exist at both subsidiary and Group level.

Information & Communication is both an internal tool to strengthen the internal control environment and a process to ensure that correct information is identified, collected and communicated in a manner and within a timeframe that allows the organisation to carry out its duties. Policies and instructions have been adopted and the company's financial manual (Hoist Finance Financial Framework) includes instructions and guidance for accounting and financial reporting. The policies, instructions and financial manual are updated continuously and are available to the entire organisation. Regular meetings are also held with accounting staff and local CFOs to provide information on new or updated rules and regulations applicable to Hoist Finance, and on internal control responsibility. The Group's intranet is another important communication channel. The Board also receives information regarding risk management, internal controls and financial reporting from the control functions and the Risk and Audit Committee. A communication and information policy has been established to ensure that the information disclosed externally is correct and complete.

Monitoring occurs at all levels in the Group. The company regularly evaluates the internal control of financial reporting. Work on the internal control is reported to the Board of Directors and the Risk and Audit Committee. This reporting forms the foundation for the Board's evaluation and assessment of the efficiency of the internal control of financial reporting and also constitutes a basis for decisions about potential improvement measures. The company has an incident reporting procedure in place, under which incidents are reported and analysed and actions taken to reduce risks as far as is economically justifiable.

The company also has an internal whistleblowing procedure through which employees can anonymously report suspicions of improprieties within the organisation.

Financial reporting competencies

The quality of financial reporting is largely controlled by the organisation's expertise in accounting matters and the way in which the Finance, Accounting and Treasury Departments are staffed and organised. The Executive Management Team is continuously involved in ongoing financial reporting and therefore always has insight into the preparation of financial information. The Finance Department is organised and staffed based on the need to ensure that the Group maintains high accounting standards and complies with accounting laws, regulations and standards. The Executive Management Team works actively to ensure that the Group has employees with the necessary expertise in all key positions and that there are procedures in place to ensure that employees have the requisite knowledge and skills.

Board of Directors



Ingrid Bonde

Chair of the Board

Board member since 2014.

Born: 1959.

Education:

Master of Business Administration, Stockholm School of Economics and studies at New York University.

Internal assignments:

The Board, Chair
Remuneration Committee, Chair
Risk and Audit Committee member

Other significant external assignments:

Loomis AB, Board member
Securitas AB, Board member
The Swedish Corporate Governance, Board member
Swedish Climate Policy Council, Chair

Previous experience:

Danske bank A/S, Board member
CFO and Deputy CEO of Vattenfall, president and CEO of AMF, Director General of the Swedish FSA, Deputy Director General of the Swedish National Debt Office, Vice President Finance of SAS, Vice President for foreign currency funding and debt management at the Swedish National Debt Office.

Independent in relation to the company and management and to major shareholders.

Shareholding:
22,600 shares.



Cecilia Daun Wennborg

Board member

Board member since 2017.

Born: 1963.

Education:

Bachelor of Business Administration, Stockholm University.

Internal assignments:

Board member
Risk and Audit Committee, Chair

Other significant external assignments:

Getinge AB, Board member
ICA Gruppen AB, Board member
Loomis AB, Board member
Bravida Holding AB, Board member
Hotell Diplomat, Board member
Atvexa AB, Board member
Oncopeptides AB, Board member
Sophiahemmet Non-Profit Association, Board member
Sophiahemmet AB, Board member
The Swedish Securities Council, Board member
Oxfam Foundation in Sweden, Board member

Previous experience:

Vice President and CFO at Ambea, CEO and CFO at Carema Vård och Omsorg, Acting CEO at Skandiabanken, Head of Swedish Operations Skandia Group and CEO at SkandiaLink.

Independent in relation to the company and management and to major shareholders.

Shareholding:
3,500 shares.



Malin Eriksson

Board member

Board member since 2017.

Born: 1971.

Education:

Bachelor of Science in Business, Ithaca College, New York

Internal assignments:

Board member
Investment Committee, Chair

Other significant external assignments:

Klarna Inc., Head of US Market

Previous experience:

Partner and former Chief Investment Officer at Credigy. Board member and Head of Investment Committee in Lindorff Group, CEO at Rio Branco Aquisição e Administração de Creditos and Senior Consultant at Monitor.

Independent in relation to the company and management and to major shareholders.

Shareholding:
31,500 shares.



Liselotte Hjorth

Board member

Board member since 2015.

Born: 1957.

Education:

Bachelor of Science in Business Administration and Economics, Lund University.

Internal assignments:

Board member
Investment Committee member
Risk and Audit Committee member

Other significant external assignments:

White arkitekter AB, Chair of the Board
White Intressenter AB, Chair of the Board
Eastnine AB (publ), Chair of the Board
Rikshem AB (publ), Board member
Kungsleden AB, Board member
Ativo Finans AB, Board member
BNP Paribas Real Estate Investment Management Germany GmbH, Board member
Emilshus AB, Board member

Previous experience:

Various positions at SEB Group including Group Credit Officer and Vice President, and most recently Global Head of Commercial Real Estate and Member of the Management Board SEB AG. Board member of the Swedish National Debt Office, the German-Swedish Chamber of Commerce in Stockholm and the Swedish Chamber of Commerce in Düsseldorf.

Independent in relation to the company and management and to major shareholders.

Shareholding:
4,700 shares.

Shareholding stated as at 29 March 2019



Jörgen Olsson

Board member

Board member since 2010 and deputy Chairman since 2018.

Born: 1961.

Education:

Bachelor of Science in Business and Economics, Luleå University.

Internal assignments:

Board member
Investment Committee member
Hoist Finance SAS,
Chair of the Board
Hoist Italia S.r.l.,
Chair of the Board

Other significant external assignments:

-

Previous experience:

CEO (until 14 March 2018) at Hoist Finance, Head of Corporate Banking at Kaupthing Bank Sweden, senior positions at SEB/Enskilda Corporate and Group Treasurer at Elekta AB.

Not independent in relation to the company and management.

Independent in relation to major shareholders.

Shareholding:

2,603,369 shares through Deciso Holding AB and own holding.

Shareholding stated as at 29 March 2019



Marcial Portela

Board member

Board member since 2018.

Born: 1945.

Education:

Master of Arts in Political Science, Complutense University of Madrid, and Master of Arts in Sociology, University of Louvain.

Internal assignments:

Board member

Other significant external assignments:

KIDER S.L, Chairman of the Board
Gaudea, Board member
MRFactory, Board member

Previous experience:

CEO for Banco Santander (Brazil), CEO Telefónica International, various positions in Argentaria and BBVA and Board member of Lindorff Group.

Independent in relation to the company and management and to major shareholders.

Shareholding:
0 shares.



Joakim Rubin

Board member

Board member since 2017.

Born: 1960.

Education:

Master of Science Industrial Engineering and Management, Linköping Institution of Technology.

Internal assignments:

Board member
Investment Committee member
Remuneration Committee member

Other significant external assignments:

EQT AB, Partner and Chief Investment Advisor of Public Value advisory team
Cramo Plc, Board member
Cario AB (publ), Board member
ÅF AB, Board member

Previous experience:

Senior Partner och Head of CapMan Public Market, samt olika positioner inom Handelsbankskoncernen däribland, Head of Corporate Finance och Debt Capital Markets. Styrelseledamot i Sanitec Plc, B&B Tools, Intrum Justitia, Proffice och Nobia.

Independent in relation to the company and management and to major shareholders.

Shareholding:

0 shares, EQT owns 5,558,523 shares.



Gunilla Öhman

Board member

Board member since 2014.

Born: 1959.

Education:

Master of Business Administration, Stockholm School of Economics.

Internal assignments:

Board member
Risk and Audit Committee member
Remuneration Committee member

Other significant external assignments:

NCAB Group AB, Head of IR
Elekta AB, Head of IR (interim)
Carrara Communication AB,
Board member

Previous experience:

Board member of HMS Networks, Oatly, Proffice, SJ and AMF Fonder. Previous positions at SEB, the Swedish Central Bank and the Deposit Guarantee Board as Head of Communication. Head of IR at Resursbank, Eltel and at Edgeware.

Independent in relation to the company and management and to major shareholders.

Shareholding:

4,000 shares through Carrara Communications AB

Anders Bäckström

Auditor in Charge

Authorised Public Accountant KPMG AB

Born: 1966.

Independent: 0 shares.

Executive Management Team



Klaus-Anders Nysteen

CEO

Member of the Executive Management Team since March 2018.

Born: 1966.

Education:

Master of Business Administration, Norwegian School of Economics and Business Administration (NHH).

Other significant external assignments:

Webstep ASA, Chairman.
Asset Buyout Partner,
Board member

Previous experience:

Senior Advisor at Nordic Capital, CEO at Lindorff Group, Entra Eiendom AS and Storebrand Bank ASA. CFO at Statoil Fuel & Retail ASA. Board member of AFF, AIM Norway, Hinna Park, Oslo S Utvikling and Powerhouse.

Shareholding:

69,370 shares through Nysteen Invest AS and own holding.



Viktoria Aastrup

Chief Business Development Officer

Member of the Executive Management Team since October 2018.

Born: 1971.

Education:

Master of Science in Economics, University of Linköping and Authorised Financial Analyst (EFFAS), Stockholm School of Economics.

Previous experience:

Head of Compliance Retail Banking and Head of Branch Region Stockholm at Nordea, Deputy Director Division for State owned Enterprises at the Ministry of Industry at the Swedish Government Offices, CEO at Förvaltningsaktiebolaget Stattum, Board member in Vattenfall, Lernia, Svenska Rymdaktiebolaget, Sveriges Provnings- och Forskningsinstitut and Svenska Kraftnät.

Shareholding:

4,450 shares.



Anders Carlsson

Chief General Counsel

Member of the Executive Management Team since October 2017.

Born: 1983.

Education:

Master of Laws (LL.M.), Stockholm University

Previous experience:

Attorney at Hannes Snellman Advokatbyrå.

Shareholding:

81,879 shares.



Ulf Eggefors

Chief People Officer

Member of the Executive Management Team since August 2017.

Born: 1961.

Education:

Economic studies at Stockholm University.

Previous experience:

Global Head of Trade Finance Services at Swedbank, CFO at Cell Mark and a number of senior positions with SEB in Stockholm and London.

Shareholding:

7,000 shares through closely related persons' holding.



Christer Johansson

Chief Financial Officer

Member of the Executive Management Team since May 2018.

Born: 1979.

Education:
Master of Science, Royal Institute of Technology.

Previous experience:
Head of Group Finance and Business Control at Hoist Finance. Number of positions within business development, advisory and front office management at SEB. Management consultant at McKinsey & Company.

Shareholding:
3,200 shares.



Fabien Klecha

Chief Sales Officer

Member of the Executive Management Team since March 2019. Hoist Finance employee since 2012.

Born: 1984.

Education:
Bachelor Degree in Business Administration, Università Commerciale L. Bocconi (Italy).
Master Degree in Management, HEC Paris (France).

Previous experience:
Hoist Finance Investment team, based in London, in 2012. Appointed Country Manager in France 2014.
Experience from the finance industry (M&A) and entrepreneurship in AgroGeneration from a start-up to be listed.

Shareholding:
0 shares.



Stephan Ohlmeyer

Chief Investment Officer

Member of the Executive Management Team since January 2018.

Born: 1968.

Education:
PhD and Diploma in Physics, University of Hamburg.

Previous experience:
Various positions within Lone Star, Intrum, Och-Ziff, Värde, Goldman Sachs, Morgan Stanley and Chase Manhattan.

Shareholding:
10,000 shares.



Emanuele Reale

Chief Operating Officer

Member of the Executive Management Team since May 2018.

Born: 1966.

Education:
Degree in Business Administration, London.

Previous experience:
CEO in TRC Spa and board member in TRC Call Srl. Chairman in 3 Erre Srl. Countdown Italia Srl and Ci.Gi.S Srl., board member.

Shareholding:
0 shares.

Björn Hoffmeyer was a member of the Executive Management Team at year-end 2018 and left Hoist Finance in March 2019.