

Corporate Governance Report- Hoist Kredit AB (publ) 2015¹

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

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 Kredit 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 of Directors and management. With a clear structure and well-defined rules and procedures, the Board of Directors can ensure that management and employees are focused on developing the business and, accordingly, on creating shareholder value.

Hoist Kredit is a Swedish public limited liability company with corporate identification number 556329-5699. The company has its registered office and headquarters in Stockholm.

Application of Swedish Corporate Governance Code

All companies with shares, warrants or debentures 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. Hoist Kredit have some long term debt listed on NASDAQ Stockholm. 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 Kredit currently complies with the Code's provisions, with deviation that no Nomination Committee has been established. Hoist Kredit's parent company and sole shareholder, Hoist Finance, has established a Nomination Committee and the board members presented as candidates by that Nomination Committee is also to be presented as board members to Hoist Kredit.

Corporate governance within Hoist Kredit

Hoist Kredit is subject to external and internal control systems.

The external control systems, which serve as the framework for Hoist Kredit corporate governance, are the Swedish Companies Act, Annual Accounts for Credit Institutions and Securities Companies Act, Banking and Financing Business Act, the Swedish Financial Supervisory Authority's regulations and general guidelines, other relevant laws and regulations, and the Swedish Corporate Governance Code. Governance, management and control are allocated between the shareholders at the Annual General Meeting (AGM), the Board of Directors and the Chief Executive Officer pursuant to Swedish corporate law, the Swedish Corporate Governance Code and the Hoist Finance Articles of Association. Hoist Kredit's shares is not listed on NASDAQ Stockholm, nonetheless Hoist Kredit has three bonds listed on NASDAQ Stockholm and therefore applies NASDAQ Stockholm's Rule Book for Issuers.

The internal control instruments include the 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;
- Instructions for the CEO;
- Policy for internal governance and control;

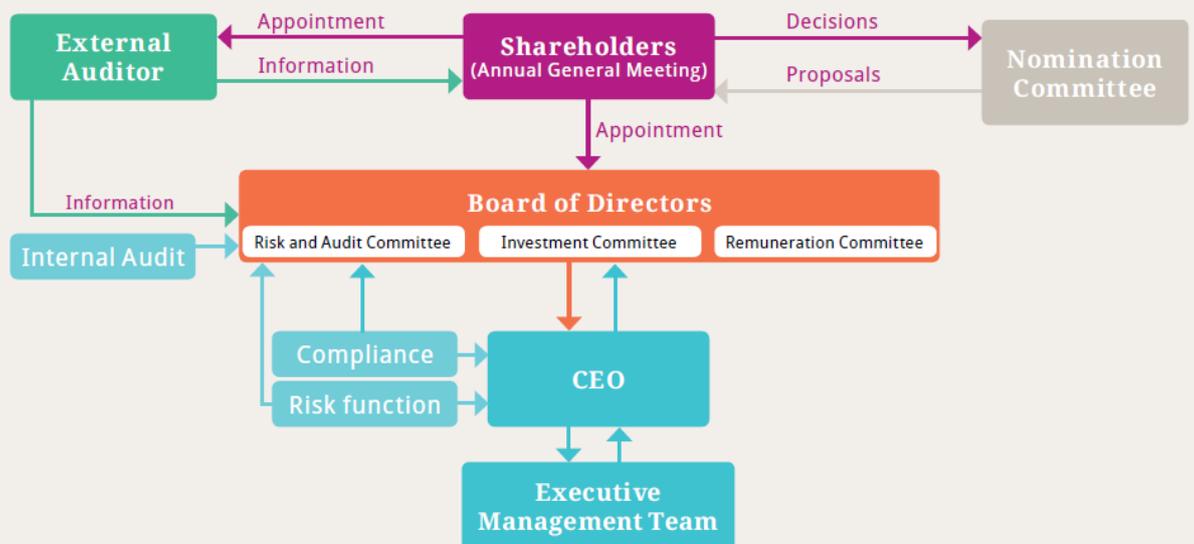
¹ This version of the Corporate Governance report is not a part of the company's administration report. Nonetheless, the report substantially corresponds with the Swedish version of the corporate governance report, which is part of the company's administration report.

- Remuneration policy;
- Risk management policy;
- Policy regarding operational risks;
- Instructions on measures against money laundering and financing of terrorism:
- Instruction for the Risk and Audit committee;
- Instructions for the remuneration committee;
- Instructions for the board investment committee

Articles of Association

The Articles of Association are adopted by the general meeting of shareholders 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 include no special provisions for amendments thereto or for the appointment or dismissal of Board members.

Governance structure



Shareholders

As at 31 December 2015 the total number of shares was 666 666 and the share capital was SEK 66 666 666. Each share carries one vote. Hoist Finance is the Company's sole shareholder.

Annual General Meeting

The AGM is the Company's highest decision-making body. All shareholders have an opportunity at the AGM to influence the company by exercising their voting rights. The Swedish Companies Act and Hoist Finance Articles of Association include rules that govern the AGM and its agenda.

Hoist Kredit's financial year runs from 1 January to 31 December. Pursuant to the Swedish 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, 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. Shareholders are entitled to participate at the AGM, either in person or by proxy. Every shareholder is entitled to request that a matter be addressed by the AGM.

2015 Annual General Meeting

The most recent AGM was held on 30 March 2015 in Stockholm. All shares and votes were represented at the AGM.

Among other things, the AGM resolved:

- To adopt the balance sheet and income statement
- Not to distribute a dividend
- To discharge Board members and the CEO from liability
- To re-elect Board members Ingrid Bonde (chair), Liselotte Hjorth, Jörgen Olsson, Annika Poutiainen, Per-Eric Skotthag, Costas Thoupos and Gunilla Wikman
- That no fees shall be payable for the Board chair and other Board members since remuneration is paid by Hoist Finance
- To re-elect KPMG, represented by Anders Bäckström, as auditor for the period through the close of the next AGM

2016 Annual General Meeting

The 2016 AGM will be held on 29 April 2016 in Stockholm.

Nomination Committee

Hoist Kredit has not established a Nomination Committee. Hoist Kredit's parent company and sole shareholder, Hoist Finance, has however established a Nomination Committee and the board members presented as candidates by that Nomination Committee is also to be presented as board members to Hoist Kredit. The Nomination Committee's proposals, report on committee work done in preparation of the 2016 AGM, and information on proposed Board members are published in conjunction with Hoist Finance's AGM notice.

Board of Directors

Pursuant to the Articles of Association, Hoist Kredit's Board of Directors 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 2015 AGM, the Board of Directors is comprised of Ingrid Bonde (chair), Liselotte Hjorth, Jörgen Olsson, Annika Poutiainen, Per-Eric Skotthag, Costas Thoupos, and Gunilla Wikman.

At year-end 2015 the Board had four female and three male members. Two of the seven Board members were employed by the company; with the exception of these two, all Board members were independent in relation to the company's major shareholders, the company and the company's management.² For further

² Jörgen Olsson and Costas Thoupos are the two employed Board members. Jörgen Olsson is the company's CEO and is a member of the Executive Management Team. Costas Thoupos has an operational role in the company but is not a member of the Executive Management Team.

information on Board members, please see the section regarding the Board of Directors in Hoist Finance's Annual Report 2015 and the company's website.

Work of the Board of Directors

The primary task of the Board is to serve the interests of the company and shareholders. The Board is responsible for the company's organisation and management of the company's affairs, and for ensuring that the Group is suitably structured to enable the Board 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 Swedish Companies Act, the Articles of Association and the Swedish Corporate Governance Code and the Banking and Financing Business Act.

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 responsibility
2. Members of the Board
3. Chairman of the Board
4. Board meetings
5. Board committees

Work of the Board of Directors

January	February	March	April	May	June	July	August	September	October	November	December
<ul style="list-style-type: none"> » Financial report » General Management overview » Evaluation of Board's work » Evaluation of CEO » Planning for annual accounts » Annual plan for internal audit, risk and compliance 			<ul style="list-style-type: none"> » Financial report » Q1 report » AGM and statutory meeting » ICAAP (Internal Capital Adequacy Assessment Process) and ILAAP (Internal liquidity adequacy assessment process) » Reporting from Remuneration Committee, decision on remuneration 			<ul style="list-style-type: none"> » Financial report » Q2 report » Report from internal audit, risk and compliance 			<ul style="list-style-type: none"> » Financial report » Budget » Corporate calendar 		
<ul style="list-style-type: none"> » Financial report » Meeting regarding annual accounts » Q4 report » Annual report and meeting with auditors » Review of external credit facilities » Yearly plan for external auditors » Report from internal audit, risk and compliance 						<ul style="list-style-type: none"> » Strategy » General risk discussion » Report from internal audit, risk and compliance 			<ul style="list-style-type: none"> » Financial report » Q3 report » Report from internal audit, risk and compliance 		

Board meetings in 2015

A total of 13 recorded Board meetings were held in 2015: eight ordinary meetings and five special meetings. All Board members attended these meetings, with exception of the board meeting held the 21 December 2015, on which Annika Poutiainen did not participate. Hoist Kredit's employees and persons reporting on specific issues also participated in Board meetings.

The Board's work follows the below structure pursuant to the rules of procedure. This may be adjusted, however, depending on the year's events and projects. Ordinary Board meetings also involve the continuous adoption of governance documentation and instructions and reporting from the control functions.

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 Kredit's Board of Directors. The committee is responsible for overseeing and ensuring the quality of financial reporting and the effectiveness of the company's internal control and 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.

The Risk and Audit Committee also reviews and monitors the impartiality and independence of the company's external auditors and, notwithstanding the Board's other responsibilities and duties, regularly meets with and reviews reports from the company's external auditors in order to remain informed about the focus and scope of the audit and to discuss the co-ordination of the external and internal audit with the external auditor. The committee assists in the preparation of proposals for the AGM's election of external auditors and decisions on auditors' fees. 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. At least two members must be independent in relation to the company and the company's management. One member is elected committee chairman. The chairman must be independent in relation to the company and the company's management and may not be Chairman of the Board of Hoist Kredit. Committee members in 2015 were Annika Poutiainen (chair), Ingrid Bonde and Per-Eric Skotthag. The company's employees and auditors 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 Board meetings concerning the issues discussed and proposed at committee meetings. The committee held seven meetings in 2015, 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, benefits and other terms of employment for Executive Management Team members and control function employees. The committee monitors and evaluates ongoing variable remuneration programmes for senior executives and those completed during the year, as well as monitor and evaluate application of the guidelines for the remuneration to the senior management as adopted by the AGM and the current remuneration structures and levels in the Group.

The Remuneration Committee has 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 committee meets at least twice per financial year. In 2015 the committee was comprised of Gunilla Wikman (chair), Ingrid Bonde and Per-Eric Skotthag. Company 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 five meetings in 2015, with all members in attendance at these meetings, with exception of the committee meeting on 19 October 2015 on which Per-Eric Skotthag did not participate.

Investment Committee

The Investment Committee is a preparatory and decision-making committee. Its responsibilities include evaluating and approving investments, that are standard transactions with a value equal to or greater than 50 MEUR, are non-standard transactions with a value equal to or greater than 15 MEUR, or require the Swedish Financial Supervisory Authority's (SFSA) approval. The committee is also responsible for continuous evaluation of the company's current holdings and evaluation of proposals for potential divestments of holdings. The Investment Committee has at least three members appointed by the Board on an annual basis. The committee's

chairman must be independent in relation to the company and the company's management, and may not be Chairman of the Board of Hoist Kredit. 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. In 2015 the Investment Committee was comprised of Liselotte Hjorth (chair), Jörgen Olsson and Costas Thoupos. Company 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 Board meetings concerning the issues discussed proposed and decided on at committee meetings. The committee held eleven meetings in 2015, with all members in attendance at these meetings.

The Investment Committee may delegate its decision-making authority to the Management Investment Committee (comprised of senior executives) when approving standard investments valued at less than 50 MEUR, non-standard investments valued at less than 15 MEUR, or investments that do not require approval of the SFSA.

Chairman of the Board

Ingrid Bonde was re-elected Chairman of the Board of Hoist Finance by the AGM held on 30 March 2015. Ingrid Bonde has served in this capacity since 16 November 2014.

The Chairman of the Board supervises the Board's work and fulfilment of its duties, and has 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.

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 the 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 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 2015 evaluation, all Board members were able to give their views on issues including working methods, Board material, work done by the Board and management during the year, and Board and management structure by responding to a written questionnaire sent by the Chairman. The survey is designed to generate understanding of the Board members' views on how the Board's work should be carried out and measures that can be taken to make such work more efficient, as well as the type of issues the Board thinks should be given more scope and areas that may require additional Board expertise. The results of the survey were reported and discussed at the Board meeting held on 15 December 2015 and have been provided to the Nomination Committee in Hoist Finance.

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 Group's day-to-day administration pursuant to the Articles of Association. The CEO also works with the Chairman of the Board to decide on matters that will be dealt with at each Board meeting. The Board adopts instructions for the CEO each year and evaluates the CEO's duties on a regular basis.

Jörgen Olsson has been CEO of Hoist Finance since 2012. For additional information on the CEO and the CEO's shareholdings, see the section regarding the Board of Directors and the Executive Management Team in

Hoist Finance's Annual Report 2015 and the company's website. Hoist Kredit's CEO heads, sets the meeting schedule for and appoints the members of the Executive Management Team. The Executive Management Team's role is to prepare and implement strategies, manage corporate governance and organisational issues and monitor the company's financial development.

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

The CEO's main duties include:

- ensuring that the company's financial reporting is carried out in accordance with applicable law and that assets are managed prudently
- serving as Group Chief Executive, which involves managing and co-ordinating Group companies in accordance with the Board's guidelines and instructions
- ensuring that Board resolutions are executed and keeping the Board updated on the development of the company and Group's operations, performance and financial position

See Note 5 in Hoist Finance Annual Report 2015 for details on the CEO's remuneration.

Executive Management Team

Pontus Sardal has been Chief Financial Officer (CFO) of Hoist Kredit since 2011. For information on the CEO and other members of the Executive Management Team, see section regarding the Executive Management Team in Hoist Finance's Annual Report 2015 and the company's website.

Auditor

The external auditors are responsible for examining the company's annual report and accounting records and the Board and CEO's administration of the company. The auditors submit an Auditor's Report to the AGM at the close of each financial year. The 2015 AGM re-elected registered public accounting firm KPMG AB as the company's auditor for the period through the close of the next AGM. Authorised public accountant Anders Bäckström, born in 1966 and the company's auditor since 2013, is chief auditor.

Financial reporting

The Board of Directors 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 reports (ie, interim reports and annual accounts) to the market are prepared in accordance with applicable law, accounting standards and other requirements. The Risk and Audit Committee is responsible for supporting the Board in assuring the quality of the company's financial reporting. The committee addresses not only the Group's financial reports and significant accounting issues, but also issues concerning internal control, compliance, significant uncertainty in reported values, events after the balance sheet date, changes in estimates and assessments, and other conditions affecting the quality of the financial statements.

Interim reports are handled by the Board's Risk and Audit committee and are issued by the Board as a whole. The semi-annual report for the January-June period and the annual report are prepared by all Board members and the CEO. The CEO is responsible for ensuring that the company's accounting is done in compliance with applicable law and that assets are managed prudently. Hoist Kredit's CEO or CFO sits on the boards of all operating subsidiaries. The Group's books are balanced each month. The Board is continuously informed regarding the parent Company's and the Group's economic situation. The Board assures the quality of financial reporting through its Risk and Audit committee.

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 Kredit has developed internal accounting and reporting guidelines, the “Hoist Finance Financial Framework”.

Internal reports

The Board of Directors monitors the Group’s financial development, ensures the quality of financial reporting and internal control, and follows up and evaluates the business on a regular basis. Internal reports (ie, 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 adopted at the regular Board meeting held in December.

Guidelines for remuneration for senior management, etc.

Guidelines for remuneration for senior management were adopted by the AGM in Hoist Finance on 25 February 2015. Remuneration to management employees consists of fixed base salary, variable remuneration, pension and other benefits. The remuneration shall encourage employees to achieve results in line with Hoist Finance’s goals, strategy and vision, and encourage employees to act following Hoist Finance’s code of ethics and values. Furthermore, the total remuneration shall ensure that Hoist Finance can attract, retain and motivate employees with the right competence. Remuneration shall encourage good performance; healthy behaviour and risk-taking that are in line with the expectations of customers and shareholders. The salary should be gender and age neutral and discrimination may not occur. Hoist Finance has a holistic approach to remuneration, which means all remuneration components must be considered. The starting point of any remuneration shall be a fixed salary, which is based in responsibility and complexity of the position, current market conditions and the individual’s performance. The guidelines are available in their entirety at www.hoistfinance.com.

Information regarding the warrants program in the parent company Hoist Finance is found in Note 5, Hoist Finance Annual Report regarding personal expenses.

Internal governance and control

The internal governance and control process is governed by law and regulations and supervised by the Board of Directors. In Sweden, where the Parent Company is domiciled, internal governance and control are regulated primarily through the Swedish Companies Act, Banking and Financing Business Act and Corporate Governance Code, the Swedish Financial Supervisory Authority’s regulations and guidelines, and stock exchange laws regulating internal governance and control.

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, Group-wide tools and procedures, etc.

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

COSO focuses on developing a framework that can be directly used 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 of Directors and the Risk and Audit Committee are responsible for establishing the main rules and guidelines for internal control.

The committee assists the Board by continuously monitoring the risks that may affect financial reporting and producing manuals, policies and accounting principles. The 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 the central level. Local management is responsible for design, implementation and correct application at the local level.

Hoist Finance roles and responsibilities with respect to internal control and risk management are structured in three lines of defence.

The **first line of defence**, comprised of the Board of Directors, the Chief Executive Officer and the business organisation, is responsible for conducting operations in accordance with the adopted internal control and risk management framework and pursuant to 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.

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

The **third line of defence** is the Internal Audit function, which conducts independent audits and reviews and provides stakeholders with evaluations of internal control and risk management processes.

The 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
- adequate 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

Internal control process

The Board of Directors holds ultimate responsibility for internal control. Internal control is carried out by the Board of Directors, management and other Hoist Finance employees. It is designed to provide reasonable assurance regarding goal achievement, the economical and efficient use of resources, the reliability and integrity of operational and financial reporting, compliance with laws and regulations, safeguarding of assets, and risk management. The internal control process is based on:

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

The **Control Environment** is the foundation of Hoist Finance's system of internal control and includes the corporate culture established by the Board of Directors and management, including the following components:

- Commitment to integrity and ethical values
- Independence and oversight
- Establishing structure, authority and responsibility
- Talent management
- Maintaining accountability

Risk Assessment includes processes for identifying and analysing risk. Hoist Finance's risk assessment process is Group-wide and is independent from business activities. Risk assessment also covers the manner in which risks are managed and includes the following components:

- Specification of suitable objectives
- Identification and analysis of risks
- Assessment of fraud risk

- Identification and analysis of significant changes

Control Activities are the activities established by policies and procedures. Designed to reduce risks throughout all levels of the Hoist Finance organisation within business processes and the IT environment, these activities include preventive and detection controls as well as manual and automated activities. Examples of control activities are authorisation manuals, payment instructions, verifications, reconciliations, business performance reviews and division of responsibilities. Components include:

- Defining and developing control activities
- Defining and developing general IT controls
- Deployment through policies and procedures

Information & Communication is both an internal tool to strengthen the internal control environment and a process to ensure accurate external information.

Policies and instructions have been established within the Group for the various areas of responsibility, and the Hoist Finance Financial Framework includes instructions and guidance for accounting and financial reporting.

The policies, instructions and Hoist Finance Financial Framework are regularly updated and available to the entire organisation. Regular meetings are also held with accounting staff and local CFOs to provide information on internal control responsibility and new or updated rules and regulations applicable to Hoist Finance.

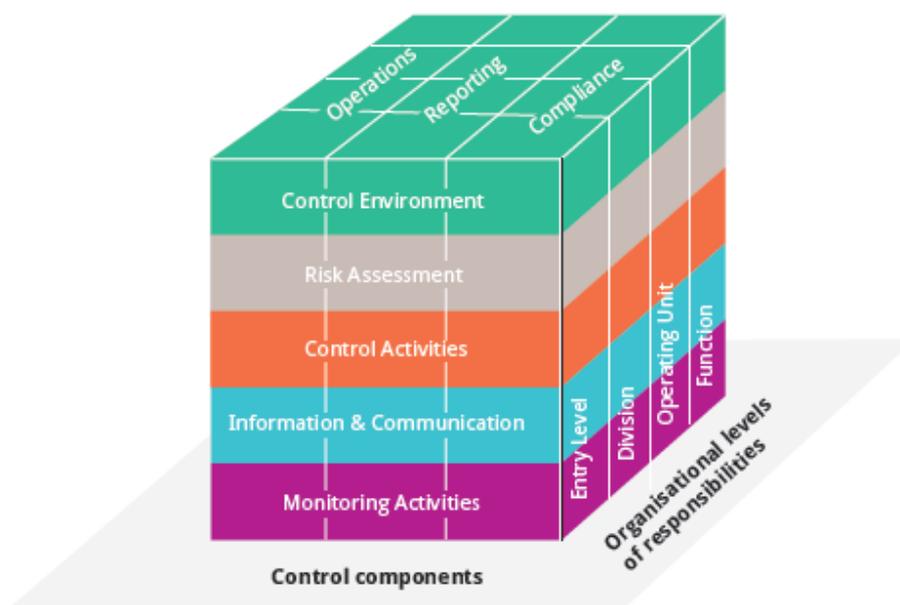
Management obtains, generates and uses relevant, high-quality information to support internal control components and the decision-making process. The key components are:

- Use of relevant information
- Internal communication
- External communication

Monitoring is built into business processes at different levels. A monthly risk report is presented to the Board of Directors, the Risk and Audit Committee and the CEO. Monitoring includes the following components:

- Conducting regular separate evaluations
- Evaluating and communicating deficiencies

Internal control over financial reporting



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 and local management teams are continuously involved in ongoing financial reporting and therefore always have 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 and local management teams work 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.