

Corporate Governance Report

Good corporate governance aims to create favourable conditions for shareholder involvement. This is done through 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 Corporate Governance report is part of the Company's administration report and is reviewed by the Company's auditors.

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

Application of 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 currently complies with all Code provisions. 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 are Hoist Finance Group employees: Jörgen Olsson and Costas Thoupos. Jörgen Olsson is CEO of the Company and a member of the Executive Management Team. Costas Thoupos has an operational role and participates in all Executive Management Team meetings, although not as a voting member. He also chairs the Company's Management Investment Committee (which is otherwise comprised of people with operational roles). 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. The corporate

governance report is part of the Company's administration report and is audited by the Company's auditor.

Corporate governance within Hoist Finance

Hoist Finance is subject to external and internal control systems.

The external control systems, which serve as the framework for Hoist Finance 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 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.

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;
- » 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;
- » Insider policy;
- » Communication and information policy.

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. The Articles of Association are available in their entirety at www.hoistfinance.com.

Governance structure

Shareholders

As at 31 December 2016 the total number of shares was 80,719,567 and the share capital was SEK 26,906,522.33. Each share carries one vote. The Company had 3,298 shareholders at the turn of the year. The fifteen largest shareholders held an aggregate of 69.5 per cent of total share capital at the close of 2016. Read more about the Company's largest shareholders at www.hoistfinance.com.

Annual General Meeting

The AGM is the Hoist Finance 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's Articles of Association include rules that govern the AGM and its agenda.

Hoist Finance'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, distribution of earnings, 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. All shareholders listed in the shareholders' register on the day prior to the AGM who have provided timely notification of their participation 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. 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 (ie, the request must be received no later than seven weeks prior to the AGM). Pursuant to Chapter 7 § 32 of the Swedish Companies Act, all shareholders are entitled to ask the Board of Directors and CEO questions about matters addressed during the AGM and about the financial situation of the Company and the Group.

2016 Annual General Meeting

The most recent AGM was held on 29 April 2016 in Stockholm. Sixty-nine shareholders, representing 35 per cent of the votes in the Company, were present at the AGM. The CEO, the majority of Board members, the Company's auditor 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 statement
- » To distribute a dividend of SEK 0.75 per share
- » To discharge Board members and the CEO from liability
- » To re-elect Board members Ingrid Bonde, Liselotte Hjorth, Jörgen Olsson, Annika Poutiainen, Costas Thoupos and Gunilla Wikman. Magnus was elected as new Board member. The AGM elected Ingrid Bonde as Chairman of the Board. Per-Eric Skotthag resigned his directorship in conjunction with the AGM
- » On fees for the Board chair and other Board members
- » To re-elect KPMG, represented by Anders Bäckström, as auditor for the period through the close of the next AGM and to pay the auditor's fee based on approved invoice;

- » On instructions for the Nomination Committee;
- » To adopt guidelines for remuneration for senior executives.

The complete minutes of the 2016 AGM are available at www.hoistfinance.com.

2017 Annual General Meeting

The 2017 AGM will be held on Friday 28 April 2017 at 11:00 at the IVA Conference Centre, Grev Turegatan 16, Stockholm.

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, and the Chairman of the Board, who is also responsible for convening the committee's first meeting. If a shareholder who is offered to serve on the Nomination Committee declines, the inquiry shall instead be offered to the largest shareholder in line. The committee's composition will be changed to reflect any changes to shareholder structure.

The Nomination Committee submits proposals for the election of the AGM chairman, members of the Board of Directors and Chairman of the Board, and for Board member compensation and election of auditors. The committee conducts its work in the interest of all shareholders. Instructions for the Nomination Committee and options for submitting suggestions to the committee are available on the Company's website, www.hoistfinance.com.

The Nomination Committee is comprised of the following members: Ingrid Bonde (Chair of the Board of Hoist Finance), Jan Andersson (representing Swedbank Robur

Fonder AB), Per Josefsson (representing Carve Capital AB) and Staffan Ringvall (representing Handelsbanken Fonder). The committee held six recorded meetings ahead of the 2017 AGM and maintained regular contact between meetings. The committee also held individual interviews with current and proposed Board members.

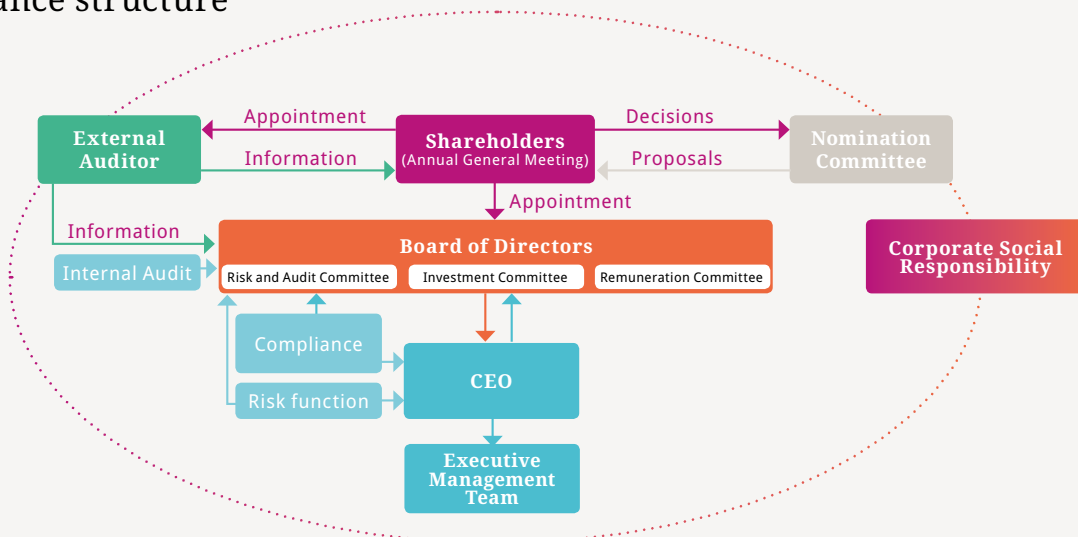
The Nomination Committee's proposals, report on committee work done in preparation for the 2017 AGM, and information on proposed Board members are published in conjunction with the AGM notice.

Board of Directors

Pursuant to the Articles of Association, Hoist Finance'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 2016 AGM, the Board of Directors is comprised of Ingrid Bonde (chair), Liselotte Hjorth, Jörgen Olsson, Annika Poutiainen, Costas Thoupos, Gunilla Wikman and Magnus Uggla. Former Board member Per-Eric Skotthag resigned his directorship in conjunction with the AGM.

At year-end 2016 the Board had four female and three male members. Two of the seven Board members were employed by the Company: Jörgen Olsson and Costas Thoupos. Jörgen Olsson is the Company's CEO and a member of the Executive Management Team. Costas Thoupos has an operational role and participates in all Executive Management Team meetings, although not as a voting member. He also chairs the Company's Management Investment Committee (which is otherwise comprised of people with operational roles). All Board members, with

Governance structure



the exception of these two, were independent in relation to the Company's major shareholders, the Company and the Company's management. For further information on the Board members, please see the section on the company's Board of Directors and Executive Management team and the Company's website, www.hoistfinance.com.

Diversity policy

The Company's Board of Directors as a whole shall have collective expertise, experience and background in the Company's business operations and the capacity to identify and understand the risks such operations entail. The objective is to have a Board of Directors comprised of members 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 of Directors has adopted a Diversity policy applicable to the Board. To achieve a diverse Board of Directors, in preparing its proposal to the AGM the Nomination Committee takes into consideration rule 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.

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. The Banking and Financing Business Act also regulates the duties and work of the Board of Hoist Kredit (a regulated credit company) and, to a certain degree, the Board of Hoist Finance (the financial parent company).

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

Board meetings in 2016

A total of 11 recorded Board meetings were held in 2016: seven ordinary meetings, one statutory meeting and three extra ordinary meetings. All Board members attended these meetings, with exception of the Board meetings held on 16 March (in which Gunilla Wikman did not participate) and 29 April (in which Costas Thoupos did not participate). The CFO and the Board's secretary participated in Board meetings. The Company's

employees and auditors may be summoned to committee meetings to provide details on specific reports or issues.

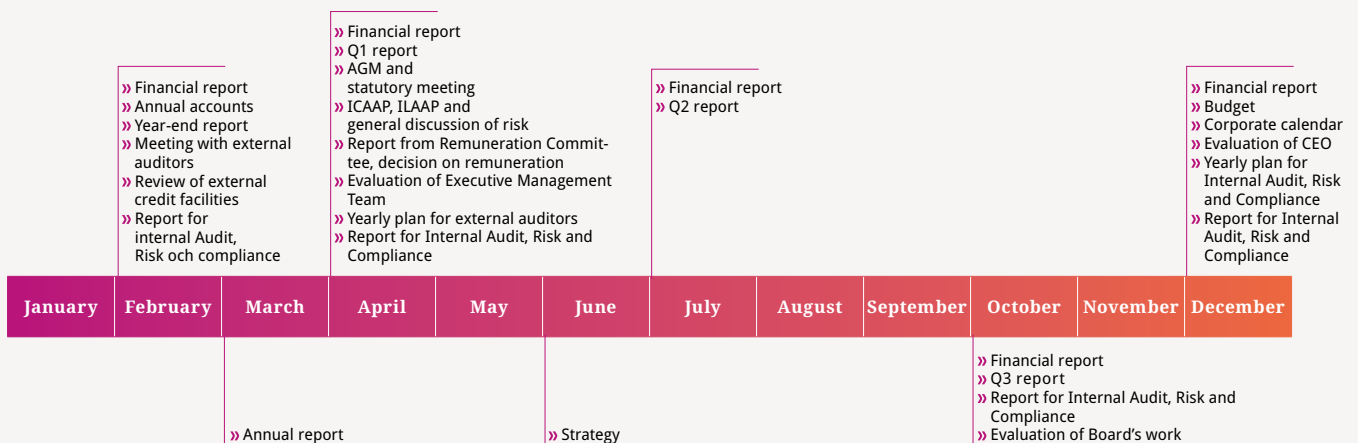
The Board's work follows the presented structure pursuant to the rules of procedure. This may be adjusted, however, depending on the year's events and projects. Ordinary Board meetings also involve the adoption of governance documentation and instructions and reporting from the control functions and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

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 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 meet 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 coordination of the external and internal audit with the external auditor. The Risk and Audit Committee informs 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 also remains informed about Board of Auditors quality control of the Company's external

Work of the Board of Directors



auditors and is responsible for the auditors' independence and impartiality and the selection procedure for auditor recommendation. 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 Chairman of the Board of Hoist Finance. Since the 2016 AGM, Risk and Audit Committee members have been Annika Poutiainen (chair), Ingrid Bonde and Gunilla Wikman. Per-Eric Skotthag was a member of the committee through 29 April 2016. 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 six meetings in 2016, with all members in attendance at these meetings with the exception of the meetings of 19 October and 6 December, in which Gunilla Wikman did not participate.

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 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 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 Remuneration Committee meets at least twice per financial year. Since 29 April 2016, Remuneration Committee members have been Ingrid Bonde (chair) and Gunilla Wikman. Until 29 April 2016, Gunilla Wikman was committee chair and Per-Eric Skotthag was committee member. Company employees may be summoned to committee meetings to provide details on specific reports or issues. Committee meeting minutes are recorded and 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 five meetings in 2016, with all members in attendance at these meetings.

Investment Committee

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

include evaluating and approving standard investments valued at EUR 50 million or more, non-standard investments of EUR 15 million or more, and investments that do not require approval of the Swedish Financial Supervisory Authority. 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 chairman must be independent in relation to the Company and the Company's management, and may not be the Chairman of the Board 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 29 April 2016, the Investment Committee has been comprised of Liselotte Hjorth (chair), Jörgen Olsson, Costas Thoupou and Magnus Ugglå. Company employees may be summoned to committee meetings to provide details on investment data. 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, proposed and decided on at committee meetings. The committee held twelve meetings in 2016, with all members in attendance at these meetings with the exception of the meetings held on 12 May and 18 July, in which Jörgen Olsson did not participate, and the meetings held on 31 May, 17 October and 20 October, in which Magnus Ugglå did not participate.

With respect to standard investments valued at less than EUR 50 million or non-standard investments valued at less than EUR 15 million, provided such investments do not require SFSA approval, the Investment Committee may delegate decision-making authority to the Management Investment Committee comprised of employed executives.

Chair of the Board

Ingrid Bonde was re-elected Chair of the Board of Hoist Finance by the AGM held on 29 April 2016. 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 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 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 Hoist Finance's shareholders; and
- » 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 2016 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 27 October and have been 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 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 on the Company's Board of Directors and Executive Management Team and the company's website www.hoistfinance.com.

Hoist Finance'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; and
- » 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 for details on the remuneration for the CEO and Executive Management Team.

Executive Management Team

Pontus Sardal has been CFO and deputy CEO of Hoist Finance since 2011 and 2014 respectively. For information on the CEO and other members of the Executive Management Team, see the section on the Company's Board of Directors and Executive Management Team and the Company's website www.hoistfinance.com

Corporate Social Responsibility

Hoist Finance works proactively to apply the principles of the UN Global Compact. 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 clear division of responsibilities between management, operations and quality control functions, as well as principles, policies and processes. The Executive Management Team is responsible for the CSR strategy and, while the Head of Group HR has overall responsibility for implementation of the strategy, day-to-day responsibility for achievement of individual targets rests with each regional manager.

Ethical guidelines

Hoist Finance's ethical guidelines, comprised of an umbrella document and several ancillary documents, are designed to be applied by employees as well as partners. The umbrella document specifies fundamental values and principles and provides information on some of the ancillary documents. All employees receive regular training on ethical issues, and partners' management of ethical issues will be further reviewed starting in

2017. Training statistics are monitored on a monthly basis to ensure that all employees receive regular training on ethical issues.

Policies

Hoist Finance has well-established policies in place for governing and managing various risk areas, such as conflicts of interest, insider information, bribes, money laundering and outsourcing agreements. Specific policies are also in place for the management of acquired loan portfolio customers. Policy documents and training are customised for the Company's various functions to achieve the highest possible levels of compliance. 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.

Anti-money laundering measures

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 suspecting money laundering to the competent authorities.

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 2016 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 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. Interim reports are initially handled by the Risk and Audit Committee and are then issued by the Board as a whole. The semi-annual reports and the annual report are signed by all Board members and the CEO. The committee and the Board address 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. 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 Finance's CEO or CFO sits on the boards of all operating subsidiaries. The Company and Group's books are balanced each month. The Board and the Executive Management Team receive information on a continuous basis on the company and Group's financial 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 Finance 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 are adopted at the regular Board meeting held in December.

Guidelines for remuneration for senior executives, etc.

Guidelines for remuneration for senior executives were adopted by the AGM on 29 April 2016. Remuneration to management employees consists of base salary, variable remuneration, pension and other benefits. Remuneration should encourage employees to generate results in line with the Company's goals, strategy and vision and promote employee behaviour in line with the Company's ethical code and core values. Variable remuneration to management employees shall as a principle not exceed 50 per cent of fixed salary. Variable remuneration is based on various financial and non-financial criteria, which are linked to the Group and region's results and to individual performance targets. No variable remuneration is paid to Group-level control functions.

Variable remuneration shall take into consideration all the risks of the Company's operations and shall be in proportion to the Group's earning capacity, capital requirements, profits and financial position. Payment of remuneration shall not impede the Group's long-term interests. Payment of variable remuneration is conditional upon the management employee being compliant with internal rules and procedures, including

policies regarding conduct toward customers and investors, and the employee not being responsible for any conduct resulting in significant financial losses for Hoist Finance or the business unit in question.

For management employees in the Executive Management Team, payment of at least 60 per cent of the variable remuneration shall be deferred for a period of at least three years. For management employees who are classified as employees whose duties have a material impact on the company's risk profile, payment of at least 40 per cent of the variable remuneration shall be deferred for a period of at least three years. Variable remuneration, including deferred remuneration, shall only be paid to the employee to an extent justifiable by the Group's financial situation and the performance of the Group, the business unit in question and the employee.

Pension and insurance are offered under national laws, regulations and market practices in the form of either collective or firm-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 5. The Board's proposed new guidelines are presented in the Administration Report. Details on salaries and other benefits for employees in the Executive Management Team are presented in Note 5.

Pensions

Pension and insurance are offered under national laws, regulations and market practices in the form of either collective or firm-specific plans, or a combination of the two. Hoist Finance has defined contribution pension plans and does not apply discretionary pension benefits.

Warrant programme

The Company has one outstanding warrant programme for key executives.

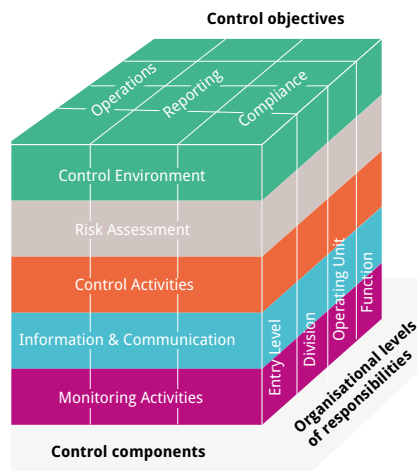
The extraordinary general meeting held on 22 October 2014 resolved to issue warrants to key executives. Twenty-six employees acquired a total of 222,041 warrants within the scope of this programme. Pursuant to the warrants' terms and conditions, the subscription price and the number of shares for which each warrant entitles the holder to subscribe were restated. For 194,748 of these warrants, holders are now entitled to subscribe for three new shares at a subscription price of SEK 63.40 per share. For the remaining 27,293 warrants, holders may subscribe for three new shares at a subscription price of SEK 55.47 per share. Of the original 194,748 warrants, 57,048 have been repurchased and cancelled by the company. The warrants may be exercised as from the first day after the Company's shares were admitted to trading on Nasdaq Stockholm through 31 December 2017.

Internal governance and control

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 and group-wide tools and procedures.

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 interrelated areas: enterprise risk management (ERM), internal control, and fraud deterrence.



Roles and responsibilities

The Board of Directors holds ultimate responsibility 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 producing manuals, policies and accounting principles. 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 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, Chief Executive Officer and 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 function, 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); and
- » 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, counsel 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 risks that the Group 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 on correcting deficiencies and thereby avoiding or minimising these risks in future.
- » Providing information, analyses and counsel on the Company's risks to the Board and CEO on a regular basis.
- » Providing all relevant information that may constitute decision data when the Company develops or changes its risk strategy and risk propensity, and 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 propensity.

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 existing risks of the Company's failure 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
- » 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 of Directors regarding the laws, regulations and other rules applicable to the licensed operation, 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 operation.
- » Advising and reporting to the Board of Directors and the CEO on a regular basis.

Internal Audit function

The Internal Audit function is responsible for ensuring the independent review and oversight of work done by the first and second lines of defence. Accordingly, the Internal Audit Control function follows an updated, risk-based audit plan adopted by the Board, under which they review and regularly evaluate:

- » 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 operation is run 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 done within the Company's various control functions.
- » The Company's risk management based on adopted risk strategy and risk appetite.
- » The Internal Audit function also provides recommendations to relevant persons, based on the function's findings, and monitors whether the measures are subsequently implemented; and reports to the Board of Directors on a regular basis.

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; and
- » 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; and
- » 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; and
- » 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; and
- » 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; and
- » 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; and
- » Evaluating and communicating deficiencies.

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.

Board of Directors



1



2



3



4

1 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.

Other assignments: Board member of Loomis.

Previous experience: CFO and Deputy CEO of Vattenfall through February 2017. 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 foreign currency funding and debt management at the Swedish National Debt Office.

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

Shareholding: 15,600 shares.

2 Liselotte Hjorth

Board member

Board member since 2015.

Born: 1957.

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

Other assignments: Chairman of the Board in White Arkitekter/White Intressenter. Board member of East Capital Explorer, Kungsleden and Rikshem.

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

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

Shareholding: 4,700 shares.

3 Jörgen Olsson

Board member

Board member since 2010.

Born: 1961.

Education: Bachelor of Science in Business and Economics, Luleå University.

Other assignments: –

Previous experience: 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.

Shareholding: 3,292,369 shares owned privately and through Deciso AB.

4 Annika Poutiainen

Board member

Board member since 2014.

Born: 1970.

Education: Master of Laws, University of Helsinki and Master of Laws, King's College, London.

Other assignments: Industrial advisor at JKL Group, board member of Saferoad AS and eQ Oyj.

Previous experience: Head of Market Surveillance at Nasdaq Nordics. Head of Unit (Prospectuses, Exchanges and Clearing Houses) at the Swedish FSA, member of consultative working group for the ESMA Corporate Governance Standing Committee and member of the Swedish Securities Council

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

Shareholding: 1,600 shares.

Auditors**Auditor in charge****Anders Bäckström**

Authorised Public Accountant
KPMG AB

Born: 1966.

Other auditing assignments:

Handelsbanken, Folksam,
Brummer & Partners,
Investment AB Öresund.

Shareholding: 0 shares.



5 Costas Thoupos

Board member

Board member since 2013.

Born: 1969.

Education: GCE Advanced Level,
United Kingdom.

Other assignments: –

Previous experience: CEO
(until late 2012) and Group Commercial Director at Hoist Finance. Background in structured finance and investment banking from Barclays Debt Capital Markets and Barclays Capital focusing on the specialty finance sector and in particular on strategic funding for the debt purchase area.

Not independent in relation to the company and management.

Shareholding: 2,440,698 shares.



6 Magnus Ugglå

Board member

Board member since 2016.

Born: 1952.

Education: Master of Business Administration, Stockholm School of Economics. Master of Engineering, Royal Institute of Technology, Stockholm.

Other assignments: Chairman of Fotografiska Museet AB, board member of Svensk Exportkredit AB, and chairman of steering committee for the Jan Wallander Prize.

Previous experience: Senior positions within the Handelsbanken Group including General Manager New York branch, Deputy CEO, and head of Region Stockholm, Region Great Britain and Handelsbanken International.

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

Shareholding: 50,000 shares.



7 Gunilla Wikman

Board member

Board member since 2014.

Born: 1959.

Education: Master of Business Administration, Stockholm School of Economics.

Other assignments: Board member of AMF Fonder. Head of IR at Resurs Bank and Edgware. Management, IR and communications consultant.

Previous experience: Board member of HMS Networks, Oatly, Proffice and SJ. Previous positions at SEB, the Swedish Central Bank and the Deposit Guarantee Board as Head of Communication.

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

Shareholding: 4,000 shares owned through Carrara Communication AB.

Executive Management Team



1

1 Jörgen Olsson

CEO

Hoist Finance employee since 2012.

Born: 1961.

Education: Bachelor of Science in Business and Economics, Luleå University.

Other assignments: –

Previous experience: Head of Corporate Banking at Kaupthing Bank Sweden, senior positions at SEB/Enskilda Corporate, Group Treasurer at Elekta AB.

Shareholding: 3,292,369 shares owned privately and through Deciso AB.



2

2 Karin Beijer

Group Head of HR

Consultant at Hoist Finance since 2014.

Born: 1966.

Education: Bachelor of Organisational Sociology, Bachelor of Media and Communication Science, University of Gothenburg.

Previous experience: Board member of Luna AB and the Swedish Learning Association Economic Association. Chief Administration Officer and HR Director at B&B TOOLS AB.

Shareholding: 4,000 shares owned through Co Go Consulting AB.



4

3 Henrik Gustafsson

Regional Director Central East Europe

Hoist Finance employee since 2014.

Born: 1976.

Education: Bachelor of Science in Management, London School of Economics.

Previous experience: Group Head of Sales and Investments at Hoist Finance, Head of Strategy and M&A at Dometic Group AB (publ), Head of M&A at Sandvik Material Technology.

Shareholding: 98,733 shares.



3

4 Charles de Munter

Regional Director Mid Europe

Hoist Finance employee since 2013.

Born: 1973.

Education: International Management Programme, Vlerick Business School. Graduate studies in Business Management, Mercator Gent, Belgium.

Previous experience: Regional Director of France, Benelux, Italy and Poland at Hoist Finance. Various positions at Intrum Justitia. General Manager of Krebs NV, chairman of EOS Netherlands, board member of the supervisory board of EOS Credirec (France), Regional Director Benelux and France for EOS Holding.

Shareholding: 152,592 shares.



5 Najib Nathoo

Regional Director West Europe and Head of Hoist Finance UK

Hoist Finance employee since 2012.

Born: 1963.

Education: Master of Science in Capital Markets and Risk Management, City University Business School.

Previous experience: President of the UK Credit Services Association 2007–2009, CEO of 1st Credit, various senior positions at Consolidated Financial Insurance Group (part of GE Capital).

Shareholding: Has an interest as a potential beneficiary to the trust that is the majority owner of Cruz Industries Ltd., a company that holds shares 462,575 in Hoist Finance.

6 Pontus Sardal

Chief Financial Officer and Deputy Chief Executive Officer

Hoist Finance employee since 2011.

Born: 1967.

Education: Bachelor of Science in Business and Economics, Karlstad University.

Previous experience: CFO of SEB Group Retail Banking, Head of Business Support at SEB Finans, Head of Finance at SEB BoLån, CFO of Latvian bank Latvijas Unibanka.

Shareholding: 50,100 shares owned through Yasli Investments Ltd. and through related parties.

7 Anders Wallin

Chief Information Officer

Hoist Finance employee since 2012.

Born: 1964.

Education: Master of Business Administration, Stockholm School of Economics.

Previous experience: CIO at UC AB, Head of UC Decision Solutions at UC AB, CEO of Numenor Consulting Group AB.

Shareholding: 154,578 shares.