

# Corporate governance report 2015

SEK is a Swedish public limited company, and credit market institution, domiciled in Stockholm, Sweden, and is wholly owned by the Swedish government. The Swedish Ministry of Enterprise and Innovation is responsible for the management of the state's ownership of SEK.

The government considers SEK a key participant in the state's promotion of the Swedish export industry and in the realisation of the government's export strategy. Given the company's key role, the government deems it natural, moving forward, for the state to retain 100-percent ownership of the shares in SEK. In view of the above background, and to create clarity with regard to the state's intentions, in autumn 2015, the government proposed that the Swedish parliament revoke the authorization that has been in place since 1996 to reduce the state's ownership in SEK to 34 percent. The Swedish parliament revoked this authorization in December 2015 in line with the government's proposal.

Owner governance of SEK is exercised through the general meeting of shareholders, the Board of Directors and the Chief Executive Officer in accordance with the Swedish Companies Act, the Articles of Association, the owner instruction and policies and instructions adopted by SEK. The Articles of Association were prepared in accordance with the provisions regarding corporate governance reports in the Swedish Corporate Governance Code (the Code) and the Swedish Annual Accounts Act.

## The Code

The Code is part of the Swedish government's framework for corporate governance that supplements the government's owner policy (for example, regarding financial reporting and remuneration of senior executives). SEK complies with the Code in accordance with the owner's guidelines. Regarding certain issues, the owner has chosen to apply the rules of the Code in a manner that deviates from some of the Code regulations, which are described in more detail under "The government's owner policy and guidelines for state-owned companies 2015."

## Deviations from the Code

SEK chooses to deviate from the Code in regard to certain aspects, in accordance with the Code's regulations regarding "comply or explain." The main reason for such deviations is that SEK is wholly owned by the state and thus is not a publicly listed company with diverse ownership. SEK's corporate governance deviated from the requirements of the Code on the following points in the 2015 fiscal year:

- **Nomination Committee.** The nomination process for Board members adheres to the principles described in the government's owner policy.
- **Chairman of the Annual General Meeting.** The nomination process for the Chairman of the Annual General Meeting adheres to the principles described in the government's owner policy.

- **Election of auditors.** The nomination process for auditors adheres to the principles described in the government's owner policy.
- **The Board of Directors' independence from the owner.** In accordance with the government's owner policy, SEK does not disclose whether members of the Board of Directors are independent in relation to the owner.

## Articles of association

SEK's Articles of Association regulate such issues as the operating targets of the company. The Articles of Association do not contain any provisions regulating the appointment or removal of Board members, except for a provision stipulating that the Chairman of the Board is to be appointed by the general meeting of shareholders and the maximum and minimum number of Board members. In addition, the Articles of Association state that if the Chairman of the Board resigns from his/her assignment during the mandate period, the Board is to elect a new Chairman from within its ranks to serve until the end of the general meeting of shareholders that elects a new Chairman. For amendments to be made to the Articles of Association, the notice of the extraordinary general meeting that will address amendments to the Articles of Association is to be issued not earlier than six weeks and not later than four weeks prior to the meeting. SEK's Articles of Association do not contain any limitations on the number of votes that a shareholder can cast at a general meeting of shareholders.

## Owner instruction

A new owner instruction was adopted at the Annual General Meeting on April 28, 2015. The owner instruction sets requirements for the reporting and following up of SEK's administration of the CIRR system under the specifically assigned mandate from the government. The benefit to the national economy of this should be evaluated partly by measurement of the added value that SEK creates in terms of CIRR loans (of which CIRRs comprise a part) and partly by the company conducting a stakeholder dialogue.

## General meeting of shareholders

### Annual General Meeting

SEK's Annual General Meeting was held on April 28, 2015. External parties were entitled to attend the Meeting. The minutes of the Annual General Meeting are available on SEK's website.

The Annual General Meeting re-elected the following Board members: Lars Linder-Aronson, Cecilia Ardstöm, Jan Belfrage, Susanne Lithander, Lotta Mellström, Ulla Nilsson, Jan Roxendal and Teppo Tauriainen. Lars Linder-Aronson was re-elected Chairman of the Board by the Meeting.

The Annual General Meeting adopted the Annual Report 2014 submitted by the Board and the CEO and discharged

the Board and the CEO from liability for the 2014 fiscal year. The Annual General Meeting also resolved, in line with the Board's proposed distribution of profits, to pay a dividend of Skr 378 million to the shareholder. The decision was in accordance with SEK's dividend policy.

Furthermore, the Annual General Meeting resolved on unchanged guidelines for the remuneration of senior executives, see also under Note 5 of the Annual Report, and on new, changed financial targets and a new owner instruction. At the Annual General Meeting, the owner's representative presented the work invested in preparing the new owner instruction, mission targets and financial targets as well as the recommendations resulting from the sustainability analysis.

### Extraordinary General Meeting

The company held an Extraordinary General Meeting on January 20, 2015, at which Susanne Lithander was elected a member of the Board.

### Board of Directors

#### The Board's composition and its nomination procedure

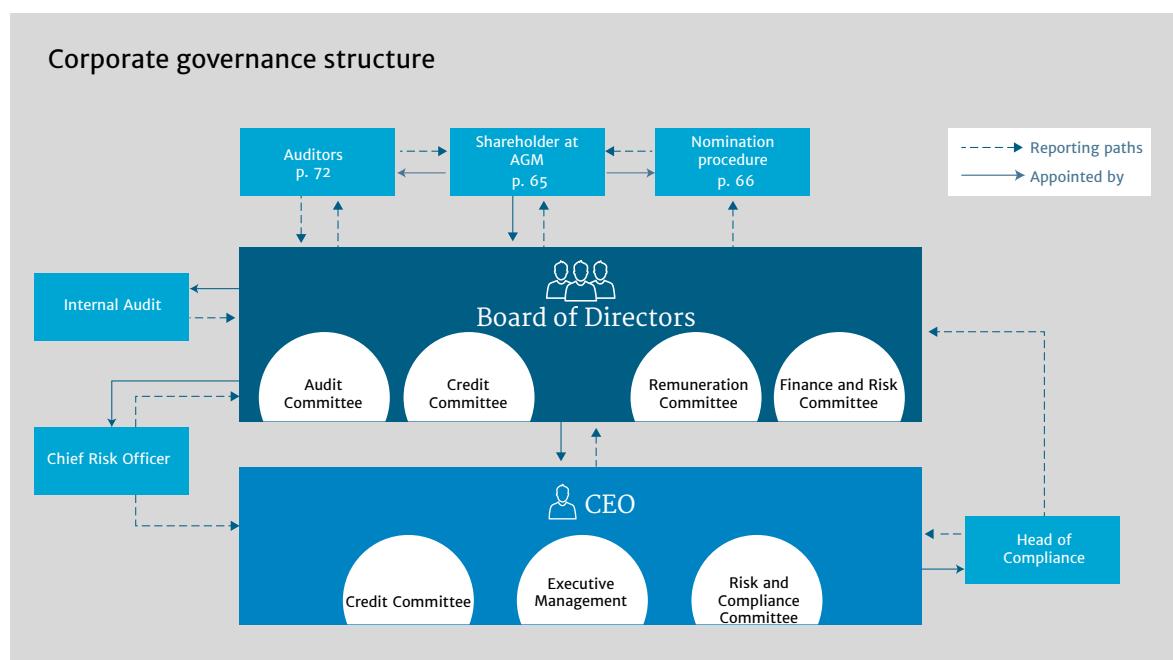
The nomination procedure for Board members complies with the government's owner policy and is conducted and coordinated by the Division for Corporate Governance and Analysis at the Swedish Ministry of Enterprise and Innovation. A working group analyzes the skills requirements based on the composition of the Board as well as the operations, status and future challenges of the company. Any recruitment needs are then established and the recruitment process initiated. The selection of Board members is derived from a broad recruitment base.

SEK carries out a suitability assessment of Board members and senior executives pursuant to the regulatory framework issued by the European Banking Authority (EBA). The assessment of potential new Board members is based on the owner having identified the candidate in question according to a job specification. The owner is informed of the outcome following the assessment. When the procedure is complete, the nominations are disclosed publicly in accordance with the provisions of the Code.

The Articles of Association stipulate that the Board is to comprise no less than six and no more than eight members. Board members are elected each year at the Annual General Meeting to serve until the end of the following Annual General Meeting. SEK's Board of Directors comprises the eight members elected at the 2015 Annual General Meeting. The CEO is not a member of the Board. Four of the Board members are women and four are men. The names, ages, and main education of the Board members, and the number of Board and Committee meetings held during the year are presented on pages 69 and 73–74. None of the Board members or the CEO hold shares or financial instruments issued by SEK.

#### Chairman of the Board

The Chairman of the Board is elected by the general meeting of shareholders, unless the Chairman resigns from his/her assignment during the mandate period, in which case the Board is to elect a new Chairman from within its ranks to serve until the end of the general meeting that is to elect a new Chairman. The Chairman leads the Board's work, monitors to ensure that the Board is performing its duties, represents the Board to the owner and maintains contact with the owner. The Chairman is also responsible



for taking the initiative to carry out the annual evaluation of the Board's and CEO's work. The Chairman ensures that the Board receives adequate information and decision data for its work and is given the requisite training for the Board work to function efficiently, and checks that Board decisions are implemented.

### The Board and its working methods

The Board is responsible for the organization and the administration of SEK's affairs. The Board must continually assess SEK's financial position and ensure that SEK is structured in such a way that its accounting, management of funds and SEK's other financial circumstances are governed by satisfactory controls. The Board adopts the operating targets and strategies for the operations and issues general internal regulations in policies and instructions. The Board ensures that an efficient system is in place to monitor and control SEK's operations. In addition, the Board is tasked with appointing and dismissing, if necessary, the CEO and Chief Risk Officer and deciding on remuneration of these individuals and other members of executive management.

The Board's work following the rules of procedure adopted every year at the statutory Board meeting and the Board's annual plan. The Board of Directors met on 15 occasions in 2015. The CEO attends all Board meetings except those addressing matters in which there is a conflict of interest, such as when evaluating the CEO's work.

In 2015, SEK's Board and committees adopted the following policies and instructions:

Policy documents	Issued by
The Board's rules of procedure	The Board of Directors
Authorization and Delegation Rules	The Board of Directors
Financial Reporting Instruction	The Board of Directors
Code of Conduct	The Board of Directors
Sustainable Business Policy	The Board of Directors
Policy on Combating Money Laundering and Terrorist Financing	The Board of Directors
Internal Governance and Control Policy	The Board of Directors
Risk Policy	The Board of Directors
Finance Policy	The Board of Directors
Credit Policy	The Board of Directors
Instruction for the CEO	The Board of Directors
Instruction for the Chief Risk Officer, CRO	The Board of Directors
Instruction for the Internal Audit function	The Board of Directors
Instruction for the Compliance function	The Board of Directors
Credit Instruction	The Credit Committee
Internal Risk Classification Methodology	The Credit Committee
Financing Strategy	The Finance and Risk Committee
Liquidity Strategy	The Finance and Risk Committee

### Board work in 2015

January	February	March	April
	<ul style="list-style-type: none"> <li>• Year-end report and annual report</li> <li>• Annual reports from internal audit and regulatory compliance</li> <li>• Review of 2014 Board evaluation</li> <li>• Review of SEK's management of market risks.</li> </ul>	<ul style="list-style-type: none"> <li>• Decision on divesting securitization portfolio</li> <li>• Internal capital adequacy assessment</li> <li>• Project decisions</li> <li>• Notice of Annual General Meeting</li> <li>• Appointment of new Chief Risk Officer</li> </ul>	<ul style="list-style-type: none"> <li>• Statutory Board meeting</li> <li>• Interim report</li> <li>• Payment from incentive system</li> <li>• Decision on salary and benefits for the CEO and senior executives</li> <li>• Decision on extending existing leases</li> </ul>
May	June	July	August
<ul style="list-style-type: none"> <li>• Strategy meeting</li> <li>• Decision on divesting Singapore office</li> <li>• Decisions on IT investments</li> </ul>	—	<ul style="list-style-type: none"> <li>• Interim report</li> <li>• Financing of SAAB Gripen</li> </ul>	—
September	October	November	December
<ul style="list-style-type: none"> <li>• Adoption of training plan for the Board</li> <li>• Project decisions</li> </ul>	<ul style="list-style-type: none"> <li>• Interim report</li> <li>• Decisions on recovery plan</li> <li>• Review of outcome of employee survey</li> </ul>	<ul style="list-style-type: none"> <li>• Visit to customers in Gothenburg</li> <li>• Issue of several new and revised governing documents</li> </ul>	<ul style="list-style-type: none"> <li>• Business plan</li> <li>• Notice of the Extraordinary General Meeting on January 21, 2016 to decide the new capital target</li> </ul>

### **The Board Committees**

The Board established the following committees. The Board's rules of procedure include establishing annual instructions for all of its committees. The minutes from each committee are reported at Board meetings by the respective committee's chairman. The members of each committee and their attendance at committee meetings are set out below (see page 69).

#### **Credit Committee**

The Board established a Credit Committee to ensure the Board's involvement in decision-making regarding credit risks. The Committee prepares matters relating to credits and credit decisions that are of fundamental or otherwise significant importance to the company, and also makes decisions regarding credits in accordance with the delegation rules determined by the Board. At the request of the Board, the Committee has issued a credit instruction under which decision-making powers regarding certain credits have been delegated to the company's Credit Committee. The members of the Credit Committee since the statutory Board meeting on April 28, 2015 are: Jan Belfrage (Chairman), Ulla Nilsson, Jan Roxendal and Teppo Tauriainen.

#### **Finance and Risk Committee**

The Board has established a separate Finance and Risk Committee to ensure that the company can identify, measure, manage, report internally and have control over the risks to which it is or can be expected to be exposed. The Committee's duties include preparing matters on behalf of the Board regarding general policies, strategies and risk appetite in all risk and capital-related issues, as well as regarding overall issues concerning the company's financial operations. The Committee has the power to set limits for such risk and capital-related matters that the Board delegates to the Committee to determine, and to establish measurement methods and limits concerning market and liquidity risk, in addition to models for valuing financial instruments. The members of the Finance and Risk Committee since the statutory Board meeting on April 28, 2015 are: Cecilia Ardström (Chairman), Lars Linder-Aronson and Ulla Nilsson.

#### **Remuneration Committee**

The Remuneration Committee prepares matters relating to employment terms and conditions, salaries, pensions

and other benefits for the CEO and the management, and general issues relating to salaries, pensions and other benefits. The Board of Directors has established a remuneration policy.

The Remuneration Committee also formulates proposals on salaries for other individuals in management positions for whom the Board determines the terms of remuneration. Furthermore, the Committee evaluates compliance with the Annual General Meeting's resolutions on remuneration and prepares matters regarding the employee incentive scheme. The members of the Remuneration Committee since the statutory Board meeting on April 28, 2015 are: Lars Linder-Aronson (Chairman), Susanne Lithander and Lotta Mellström.

#### **Audit Committee**

The Board has established an Audit Committee to address the Board's quality assurance of the company's financial reporting. The Committee's duties include preparation of the Board's work to assure the quality of the company's financial reporting, staying informed about internal control compliance and regularly meeting the company's auditor to keep informed about the focus and scope of the audit, as well as to discuss coordination between the external and the internal audits and the view of the company's risks. The Committee formulates comprehensive instructions for the company's auditing work. The members of the Audit Committee since the statutory Board meeting on April 28, 2015 are: Jan Roxendal (Chairman), Susanne Lithander and Lotta Mellström.

#### **Evaluation of the work of the Board of Directors and the executive management**

Ongoing assessments are conducted over the course of the fiscal year through dialogue between the Chairman and other members of the Board. In addition, a separate assessment of the Board and executive management's work is carried out once a year under the leadership of the Chairman. In 2015, this assessment was also carried out with external assistance, and the results of the assessment were reported to the Board and, by the Board's Chairman, to the owner. An evaluation is also performed by the owner in conjunction with the nomination of Board members.

## Attendance at Board and committee meetings in 2015

	Total	Board of Directors	Remuneration Committee	Finance and Risk committee	Credit committee	Audit Committee
No. of meetings	53	15	8	9	14	7
Lars Linder-Aronson	36	15	8	9	4 <sup>1</sup>	
Cecilia Ardström	26	15		9		2 <sup>2</sup>
Jan Belfrage	27	14			13	
Susanne Lithander	16	9	5			2 <sup>3</sup>
Lotta Mellström	30	15	8			7
Ulla Nilsson	35	12		9	14	
Jan Roxendal	36	14		4 <sup>4</sup>	11	7
Teppo Tauriainen	25	14			11	

<sup>1</sup> Pertains to part of the year. Lars Linder-Aronson stepped down from the Credit Committee on April 28, 2015.

<sup>2</sup> Pertains to part of the year. Cecilia Ardström stepped down from the Audit Committee on April 28, 2015.

<sup>3</sup> Pertains to part of the year. Susanne Lithander was elected a member of the Audit Committee on April 28, 2015.

<sup>4</sup> Pertains to part of the year. Jan Roxendal was elected a member of the Credit Committee and stepped down from the Finance and Risk Committee on April 28, 2015.

### Chief Executive Officer

Catrin Fransson has been the CEO of SEK since the 2014 Annual General Meeting. Catrin Fransson was born in 1962 and has an MSc in Economics and Business from Luleå University of Technology. Catrin Fransson has many years' experience from various positions within the Swedbank Group and as a member of Swedbank's Group Executive Committee.

### Remuneration of the Board of Directors and senior executives

Information regarding remuneration of the Board, CEO and executive management and the Board's proposals to the Annual General Meeting are presented in Note 5 of this Annual Report.

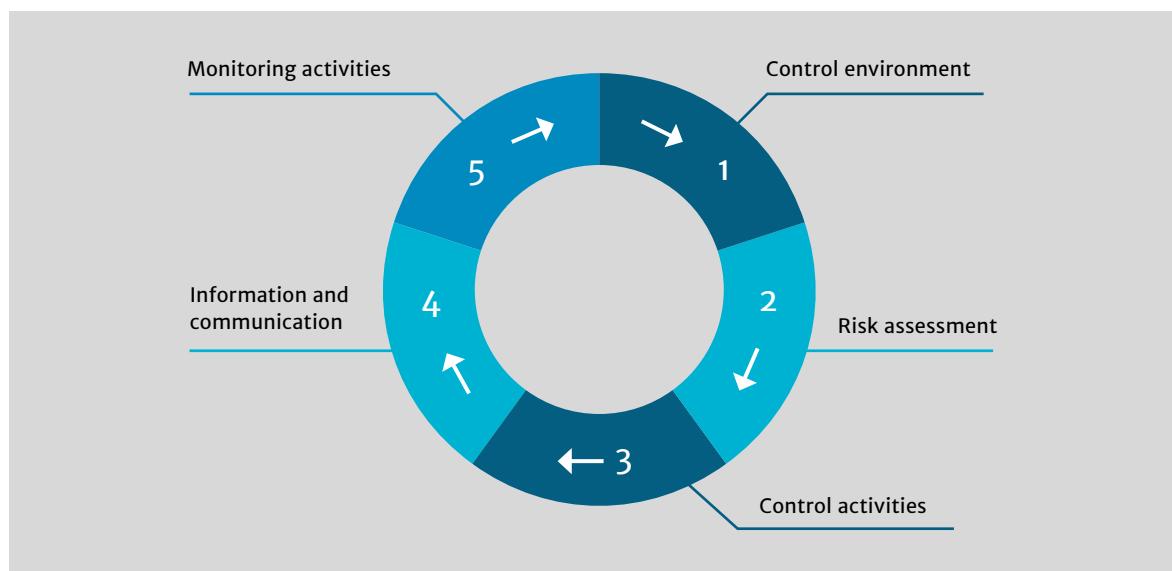
### Internal control and governance

#### Conflicts of interest

Under the company's Internal Governance and Control Policy, each manager of a function within the company is responsible for identifying, analyzing, documenting and rectifying any conflicts of interest within that manager's area of responsibility.

#### Quality assurance of financial reporting

The Board of Directors is responsible for ensuring that the company's financial statements are prepared in accordance with legislation, applicable accounting standards and other requirements. The quality of the financial reporting is ensured, among other things, initially by the Audit Committee and then by the Board of Directors reading and submitting points of view for proposals on interim reports and annual reports prior to decisions by the Board.



Board meetings address matters of material importance to financial reporting and, prior to each meeting, reports on financial performance are submitted to the Board following a standardized format.

The Board and the company's auditors communicate in a number of ways. At Board meetings that addressed the company's financial reporting, the auditors participated in connection with the presentation of financial reports. The Board also receives summary audit reports. Each year, the Audit Committee reviews the audit plan and the result of the audit.

### **Internal control and risk management with regard to financial reporting**

To ensure correct and reliable financial reporting, SEK has developed a management system for financial reporting based on the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework for internal control (2013 version). This internal control framework is divided into five components: Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring Activities. These five components comprise 17 principles that must be applied and work in order to conclude that the company has good internal governance and control.

### **Control environment**

Internal governance and control measures are based on the governance and control environment formed by internal rules, processes and structures that form the basis for internal governance and control throughout the organization. The Board is responsible for internal governance and control and, therefore, efficient work by the Board with capable Board members provides the basis for good internal governance and control. SEK's Board has established rules of procedure for its work and the work of its committees. Part of the work of the Board is to establish, update and approve a number of fundamental policies that govern the company's operations. It is the responsibility of the CEO to establish guidelines so that all employees understand the requirement for maintaining ethical values and the role of each individual in such work, which is regulated in part by the Code of Conduct to which all employees must adhere. The Board issues guidelines that create the prerequisites for an organizational structure with clear roles and responsibilities, procedures for attracting, developing and retaining employees, and a remuneration system that favors the effective management of operational risks and promotes good internal governance and control. SEK has an independent internal audit function that reviews the company's internal governance and control. The Board establishes the auditing assignment each year by means of an audit plan, which takes into account the mandatory audits required by legislation. The assignment involves checking and assessing whether the company's risk management, governance, control, reporting and management processes and regulatory

compliance are effective. The internal audit reported its observations on an ongoing basis to the Board, the Audit Committee and the CEO, and has regularly informed the executive management. As of 2012, the Board commissioned an external party, KPMG, to be responsible for this independent internal audit. The appointment of an external party to perform the internal audit provides SEK with access to significant and extensive capabilities for auditing the company's regulatory compliance, particularly capital adequacy, including audits of ICAAP and the company's IRB model. The internal audit assignment includes liaising with the external auditors so that they are able to rely on the work carried out by the internal auditors, thereby ensuring that all material areas of risk have been audited.

### **Risk assessment**

SEK performs an annual risk assessment at management, function and process level to identify, document and quantify the consequences and probability of events occurring that could entail that SEK's targets cannot be achieved. Risk assessment for financial reporting comprises identifying and evaluating material risks that may result in the goal of reliable financial reporting not being achieved in terms of comprehensiveness, accuracy, valuation, reporting and risk of fraud. The company carries out regular risk assessments during the year in the event of material changes for the company.

### **Control activities**

Controls have been designed based on identified risks to thereby prevent, detect and correct errors and discrepancies.

The controls are carried out at an overarching level, and also include company-wide controls and general IT controls. These include instructions and procedures regarding authorizations, powers and responsibilities relating to lending, monitoring of compliance and controls for change management, back-up procedures and rights.

Transaction-based controls, whether manual or automated, are carried out to manage the risk of errors occurring in financial reporting. Such controls include reconciliations and analyses. Processes and controls are documented in the form of flow charts and descriptions of individual control activities, which specify who executes a particular control, how it is implemented and how implementation of the control is to be documented.

### **Information and communication**

Policies, instructions, guidelines and operating procedures are continually updated and communicated to staff via relevant channels, especially via the intranet, through internal training and personnel meetings. Formal and informal communication between staff and management is promoted by the small number of employees and their geographic location, primarily at one office.

The Board of Directors and the Audit Committee are continually provided with management reports on financial performance through analyses of and commentaries on results, budgets and forecasts.

The Board and the Audit Committee meet the auditors regularly and study the audit reports. The executive management's duties include assessing material accounting policies and other matters pertaining to financial reporting and addressing interim reports, year-end reports and annual reports prior to the Audit Committee being given the opportunity to present its views and the documents being submitted to the Board for approval.

## Sustainable business governance

### State governance

#### Owner policy

As a state-owned company, SEK is to set a positive example for sustainable business, which primarily means that SEK is to:

- work strategically, integrate the issues in its business strategy and adopt strategic sustainability targets;
- work transparently in matters concerning material risks and opportunities and maintain an active dialogue with the company's stakeholders in society;
- work together with other companies and relevant organizations, and
- comply with international guidelines in this area.

State-owned companies are subject to greater information requirements regarding sustainability reporting under the policy guidelines and, therefore, are to apply such regulations as the GRI Sustainability Reporting Guidelines for reporting sustainability.

#### SEK's owner instruction and sustainable business

The government's owner instruction stipulates that SEK is to endeavor to comply with international guidelines for sustainable business as regards environmental issues, anticorruption, human rights, labor conditions and business ethics.

Where relevant when making credit assessments, SEK is to comply with international frameworks, such as the OECD's Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence or the Equator Principles. SEK is to take into account the OECD's Principles and Guidelines to Promote Sustainable Lending in the Provision of Official Export Credits to Low Income Countries.

SEK is tasked with following Sweden's action plan for business and human rights and committing to the government's initiative for a fossil-free Sweden.

### International sustainable business guidelines

SEK adheres to international sustainable business guidelines. The most important guidelines for SEK's operations are presented below.



#### UN Global Compact

SEK signed the UN Global Compact's ten corporate sustainability principles in 2012.

#### The OECD's guidelines

SEK adheres to the OECD's sustainable business guidelines. The most important guidelines are:

- the OECD's Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence;
- the OECD's Convention on Combating Bribery of Foreign Public Officials in International Business Transactions; and
- the OECD Guidelines for Multinational Enterprises.

#### The UN Guiding Principles on Business and Human Rights

SEK complies with the UN Guiding Principles in its operations and works to implement the guidelines in connection with lending.

### Sustainability decisions by the Board

The Board makes decisions on the following sustainability issues:

- Sustainable Business Policy and Code of Conduct;
- credits with particularly high sustainability risk, and
- country limits from a sustainability perspective.

### SEK's sustainable business guidelines

SEK's guidelines state the criteria that are to be met for lending. Under the guidelines, the company is to ensure compliance with international standards regarding:

- anticorruption;
- the environment;
- labor conditions, and
- human rights.

### Ethics and values

SEK's operations are guided by our core values: solution-focus, collaboration and professionalism. These values form the basis of how we act and how we want our stakeholders to perceive us. Compliance with the company's core values is an important aspect of performance reviews with SEK employees. The SEK Code of Conduct, which the Board adopts each year, provides support for governing the operations and is signed by the employees, the Board and our suppliers. The Code demands integrity and ethical conduct and is communicated to employees through annual training sessions. Suspected conduct that could involve or lead to a breach of the law, unethical behavior, infringement or suspected breach of SEK's Code of Conduct should be reported. These types of breaches can also be reported anonymously via SEK's SpeakUp system, which is managed by a third party.

### Monitoring activities

Monitoring and testing of control activities are carried out on an ongoing basis throughout the year to ensure that risks are taken into account and managed satisfactorily. Testing is carried out by staff who are independent of the implementation of controls and who are capable of evaluating the implementation of controls. Measures to address any deficiencies are monitored by the Risk and Compliance Committee and the Audit Committee. The executive management has also established controls to ensure that appropriate measures are taken in response to the recommendations made by the internal audit function and by the auditors elected by the Annual General Meeting.

SEK is a foreign private issuer as defined by US regulations and is therefore also affected by the US Sarbanes-Oxley Act (SOX). SOX requires the executive management to assess and comment, each year, on the efficiency of the internal control of financial reporting based on the testing of internal controls. However, no corresponding expression of opinion is required of the company's auditors for the category of companies to which SEK belongs under the US regulatory framework. The executive management has assessed the internal control of financial reporting in accordance with the rules applicable to foreign private issuers. At December 31, 2015, the conclusion was that effective and efficient controls were in place relating to internal control of financial reporting.

### Auditors

The government's owner policy states that responsibility for the election of auditors appointed by the Annual General Meeting in state-owned companies always lies with the owner. The 2015 Annual General Meeting elected Ernst & Young AB as auditor of the company, with Erik Åström as Auditor in Charge. In accordance with the Swedish Act on Audit of State Activities etc., the Swedish National Audit Office may appoint one or more auditors to participate in the annual audit. However, this did not occur in 2015.

While examining the annual and interim accounts, the company's auditors participated at six Board meetings and reported to and conducted a dialogue with the Board about their observations arising from the audit and assessment of SEK's operations, as well as correspondence with supervisory authorities on reporting matters. The Board of Directors holds a meeting with the company's auditors at least once a year without the attendance of the CEO or any other member of the executive management.