

Corporate Governance Report 2018

SEK is a Swedish credit market institution, with its seat in Stockholm, Sweden. SEK is wholly owned by the Swedish state and under the administration of the Swedish Ministry of Enterprise and Innovation.

The government considers SEK a key actor in the state's promotion of the Swedish export industry and in the realization of the government's export strategy.

Corporate governance at SEK is based on Swedish law and the applicable Swedish and international regulations, including the international guidelines adopted by SEK.

The owner's governance of SEK is executed through the state's ownership policy and owner instruction and, as for all Swedish limited companies, through the Swedish Companies Act (*aktiebolagslagen (2005:551)*) its Articles of Association, general meeting of shareholders, its Board and its CEO. In addition to its effort to operate responsibly, SEK complies with international sustainability guidelines.

The state's ownership policy and guidelines for companies with state ownership

On December 22, 2016, the Swedish Government adopted a new ownership policy for state-owned companies. The policy applies since January 1, 2017. In the state's ownership policy, the government details its mission and objectives, the applicable frameworks and its position on key policy issues pertaining to corporate governance at all state-owned companies. The state's ownership policy includes the government's guidelines for external reporting and guidelines for terms of employment for senior executives. Moreover, the state's ownership policy means that the Swedish Corporate Governance Code (the "Code") shall be applied.

As set out in the state's ownership policy, *inter alia*, as a state-owned company, SEK is to set a positive example for sus-

tainable business. For governance pertaining to sustainability, see Sustainability Note 4.

State-owned companies are subject to more substantial information requirements regarding sustainability reporting and, therefore, are to apply such regulations as the GRI Sustainability Reporting Guidelines or other international frameworks for sustainability reporting.

The Code

The Code is part of the Swedish government's framework for corporate governance. SEK complies with the Code in line with the owner's guidelines.

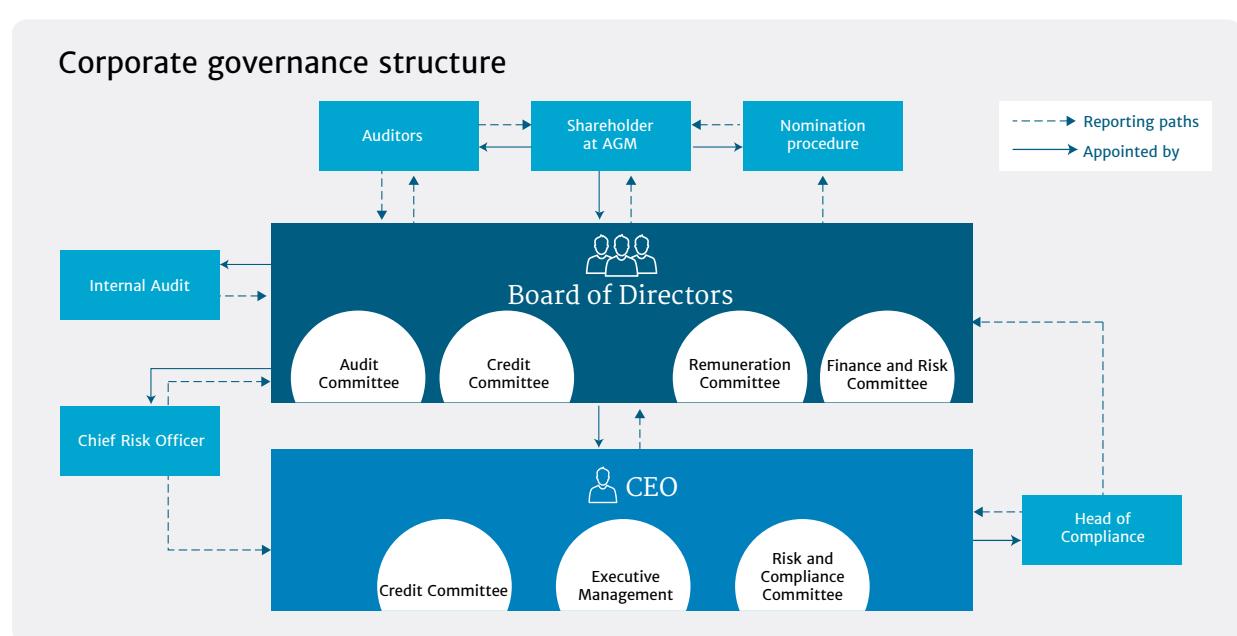
Deviations from the Code

SEK chooses to deviate from the Code in regard to certain aspects, in accordance with the Code's regulations regarding "comply or explain." The 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 2018 fiscal year:

Nomination Committee. The nomination process for Directors and auditors adheres to the principles described in the state's ownership policy.

Chairman of the General Meeting. The nomination process for the Chairman of the General Meeting adheres to the principles described in the state's ownership policy.

The Board of Directors' independence from the owner. In accordance with the state's ownership policy, SEK does not disclose whether the Directors are independent in relation to the owner.



Owner instruction

The owner instruction states, *inter alia*, that SEK is to: (a) conduct lending operations on commercial and sustainable terms, within the scope of the objects set out in the Articles of Association, with the aim of promoting the Swedish export industry by offering financing solutions that directly or indirectly promote Swedish exports; (b) provide export credits, including the officially supported credits (CIRR loans); (c) in periods when the market can not satisfactorily provide financing to the Swedish export industry, constitute a tool whereby the government can take separate measures to ensure that such financing can be provided; and (d) promote compliance with international guidelines within the area of sustainable business relating to the environment, anti-corruption, 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, and observe the OECD's Recommendation of the Council on Sustainable Lending Practises and Officially Supported Export Credits. Accordingly, SEK's sustainability work is integrated into its corporate governance.

The owner instruction sets further requirements for the reporting and control of SEK's administration of the CIRR system under the specially commissioned public policy assignment from the government. The socioeconomic value of this can be evaluated in part by measuring the added value that SEK generates in terms of export credits (of which CIRRs comprise a part) and in part through the company conducting a stakeholder dialogue.

Articles of Association

SEK's Articles of Association regulate such issues as the operating targets of the company. The Articles of Association does not include any provisions for the appointment or removal of Directors, 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 Directors. 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 the shareholder can cast at a general meeting of shareholders.

General meeting of shareholders

Annual General Meeting

SEK's Annual General Meeting was held on April 24, 2018. External parties were entitled to attend the meeting. The minutes of the Annual General Meeting are available at www.sek.se.

The Annual General Meeting re-elected the following Directors: Lars Linder-Aronson, Cecilia Ardström, Anna Brandt, Reinhold Geijer, Hans Larsson and Ulla Nilsson. Eva Nilsagård and Hélène Westholm were elected as new Directors. Lars Linder-Aronson was re-elected Chairman of the Board by the Meeting.

The Annual General Meeting adopted the Annual Report for 2017 submitted by the Board and the CEO, and discharged

the Board and the CEO from liability for the fiscal year 2017. The Annual General Meeting also resolved, in line with the Board's proposed appropriation of profits, to pay a dividend of Skr 232 million to the shareholder. The decision was in accordance with SEK's dividend policy.

In addition, the Annual General Meeting resolved on unchanged guidelines for the remuneration of senior executives, see also under Note 5 of the Annual Report, as well as the state's ownership policy, the government's Guidelines for external reporting in state-owned companies, and the government's Guidelines for remuneration and other terms of employment for senior executives in state-owned companies as adopted by the government on December 22, 2016.

The Board of Directors

The Board's composition and nomination procedure

The nomination procedure for Directors complies with the state's ownership policy and is conducted and coordinated by the Division for State-owned companies 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 company's operations, status, future challenges and completed Board of Directors training. Any recruitment needs are then established and the recruitment process initiated. The state's ownership policy sets out that the government seeks to achieve an even gender balance and the target is a minimum of 40 percent board representation for both women and men. Boards with six to eight directors elected by the general meeting of shareholders must include at least three persons of each gender. Directors are to be selected from a broad recruitment base with the aim of utilizing the expertise of women and men, as well as of individuals with various backgrounds and experience. Discrimination based on gender, transgender identity or expression, ethnic affiliation, religion or other belief, disability, sexual preference or age is prohibited.

SEK carries out a suitability assessment of Directors and senior executives pursuant to the regulatory framework issued by the European Banking Authority (EBA). SEK's assessment of potential new Directors is based on the owner having identified the candidate in question according to a job specification. The owner is informed of the outcome following SEK's 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 Directors. Directors are elected each year at the Annual General Meeting to serve until the end of the following Annual General Meeting. The CEO is not a Director. The Board of Directors consists of five women and three men. The names, ages, and main education of the Directors, and the number of Board and Committee meetings held during the year are presented on pages 45 and 50–51. None of the Directors or the CEO hold shares or financial instruments issued by SEK.

Chairman of the Board

The Chairman of the Board is elected by the annual general meeting of shareholders. Should the Chairman resign from the assignment during the term of office, the Board is to elect a new Chairman from within its ranks to serve until the

end of the general meeting that elects a new Chairman. The Chairman leads the Board's work, monitors to ensure that the Board is performing its duties, represents the Board in relation to the owner and maintains contact with the owner. The Chairman is also responsible for initiating the annual evaluation of the Board's and the CEO's work. The Chairman ensures that the Board receives adequate information and decision data for its work by, *inter alia*, informing the Board about what has transpired from contact with the owner. The Chairman also ensures that the Board receives 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 of which sustainability forms an integral part. The Board is also tasked with ensuring that the company's financial statements, including sustainability reporting, are prepared in accordance with applicable legisla-

tion, accounting standards and other requirements. 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 the Chief Risk Officer, and deciding on the remuneration of these individuals and other members of executive management.

The Board's work follows the rules of procedure and the Board's annual plan, which are adopted each year at the statutory Board meeting. The Board of Directors met on 14 occasions in 2018. 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.

Attendance at Board and committee meetings in 2018

	Total	Board of Directors	Remuneration Committee	Finance and Risk Committee	Credit Committee	Audit Committee
Number of meetings	51	14	7	8	14	8
Lars Linder-Aronson	51	14	7	8	14	8
Cecilia Ardström ¹	30	14	0	8	0	8
Anna Brandt	28	14	0	0	14	0
Reinhold Geijer	32	14	4	0	14	0
Hans Larsson	22	14	0	8	0	0
Eva Nilsagård ²	13	8	0	0	0	5
Susanne Lithander ³	10	4	3	0	0	3
Lotta Mellström ⁴	10	4	3	0	0	3
Ulla Nilsson	36	14	0	8	14	0
Hélène Westholm ⁵	18	9	4	0	0	5

¹ Cecilia Ardström was elected as Chair of the Audit Committee on April 24, 2018.

² Eva Nilsagård was elected as a member of the Board and the Audit Committee on April 24, 2018.

³ Susanne Lithander stepped down from the Board, Remuneration Committee and Audit Committee on April 24, 2018.

⁴ Lotta Mellström stepped down from the Board, Remuneration Committee and Audit Committee on April 24, 2018.

⁵ Hélène Westholm was elected as a member of the Board, Remuneration Committee and Audit Committee on April 24, 2018.

Board's work during the year

During 2018, the Board of Directors spent time in monitoring the company's work in adapting its operations to various regulations. Accordingly, issues relating to MiFID II and GDPR were reported to the Board. The resolution framework and its consequences for SEK's operations, were also up for discussion. It was also possible to devote a large proportion of the meeting time to forward-looking strategy issues.

The Board held its annual strategy meeting in early summer 2018. The focus was on how SEK can create even greater value for exporters by working with structured client processing and digitalization. A few of SEK's clients participated and described their need for SEK's support and expectations of SEK. One foreign bank was represented by its digitalization expert, who shared his thoughts on trends and new business models in the industry.

In November 2018, the annual Board trip was made to visit clients and business partners. In 2018 the Board visited India. Over very busy days, the Board met clients and bank business partners. The Board also gained good insight into how India functions as a market and which needs for various sustainability solutions, such as in the form of smart cities, which SEK could provide by offering adapted financing solutions.

In addition to the scheduled meetings in 2018, the Board participated in targeted training activities on four occasions. The training comprised a review of SEK's risk framework, including its Internal Capital Adequacy Assessment Process (ICAAP), a review of the internal rules on operational risk, a review of sanction regulations and smart sustainable cities.

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.

Remuneration Committee

Lars Linder-Aronson (Chairman),
Reinhold Geijer and Hélène Westholm



During the year, the Remuneration Committee focused in particular on culture, leadership and skills supply matters.

- Prepare 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.
- Prepare proposals regarding the remuneration policy for decision by the Board.
- Prepare proposals on salaries for other individuals in management positions for whom the Board determines the terms of remuneration.
- Evaluate compliance with the Annual General Meeting's resolutions on remuneration.

Finance and Risk Committee

Cecilia Ardström (Chairman), Lars Linder-Aronson, Hans Larsson and Ulla Nilsson



In 2018, the committee spent much time in preparing capital matters, including the issue of redeeming a subordinated loan outstanding.

- Ensure that the company can identify, measure, manage, report internally and control the risks to which it is or can be expected to be exposed.
- Prepare matters pertaining to general policies, strategies and risk appetite in all risk and capital-related issues where sustainability risk is a component, as well as regarding overall issues concerning the company's financial operations.
- 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.

Credit Committee

Ulla Nilsson (Chairman), Anna Brandt, Reinhold Geijer and Lars Linder-Aronson



The Credit Committee decided 71 (2017: 142) cases over the year. The Committee is the final instance for credit decisions with the exception of credit decisions that are of fundamental or otherwise significant importance to the company, which are determined by the Board. In 2018, one such case occurred that related to the demands SEK makes of its counterparties in respect of sanctions. During 2018, the Committee took a closer look at how sustainability risks are addressed in SEK's lending.

- Ensure the Board's involvement in decision-making regarding credit risks.
- Prepare matters relating to credits and credit decisions that are of fundamental or otherwise significant importance to the company, and also to take decisions regarding credits in accordance with the delegation rules determined by the Board and in which sustainability aspects are included.

Audit Committee

Cecilia Ardström (Chairman), Lars Linder-Aronson, Eva Nilsagård and Hélène Westholm



For the Committee, 2018 was a year in which most activities proceeded according to plan. In addition to its ordinary work, the Committee has focused on the net interest income, matters regarding regulatory reporting (the Riksbank credit data base (KRITA)) and IFRS 9, but also placed major focus on the tender for new internal auditors: Deloitte.

- Monitor the company's financial reporting and submit recommendations and proposals aimed at assuring the reliability of the company's reporting.
- Monitor the efficiency of the company's internal control, internal audit and risk management in terms of the financial reporting.
- Evaluate the audit process and inform the Board of the results and, through the Chairman of the Board, to inform the company's owner about the results of the evaluation.
- Keep informed about the audit of the annual accounts and the consolidated financial statements, as well as the conclusions of the Supervisory Board of Public Accountants' quality control.
- Assist in the preparation of proposals regarding the selection of auditors for resolution by the general meeting of shareholders.

Policy documents

In 2018, SEK's Board and committees adopted the following policies and instructions:

Document	Issued by
The Board's rules of procedure	The Board
Code of Conduct	The Board
Sustainable Business Policy	The Board
Risk Policy	The Board
Credit Policy	The Board
Instruction for the CEO	The Board
Instruction for the Chief Risk Officer, CRO	The Board
Instruction for the Internal Audit function	The Board
Instruction for the Compliance function	The Board
Limits for market risk	The Board and CEO
Limits for liquidity risk	The Board and CEO
HR policy	The Board
Financing and liquidity strategy	Finance and Risk Committee
Credit Instruction	Credit Committee
Audit instruction	Audit Committee

Evaluation of the work of the Board of Directors and the CEO

A separate assessment of the work of the Board and CEO is carried out once a year under the leadership of the Chairman. The results of this 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 Directors. The evaluation for 2018 was conducted with particular focus on the assessment that is to be made of the Board of Directors' suitability as a group in accordance with the regulations issued by the EBA.

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.

Chief Executive Officer

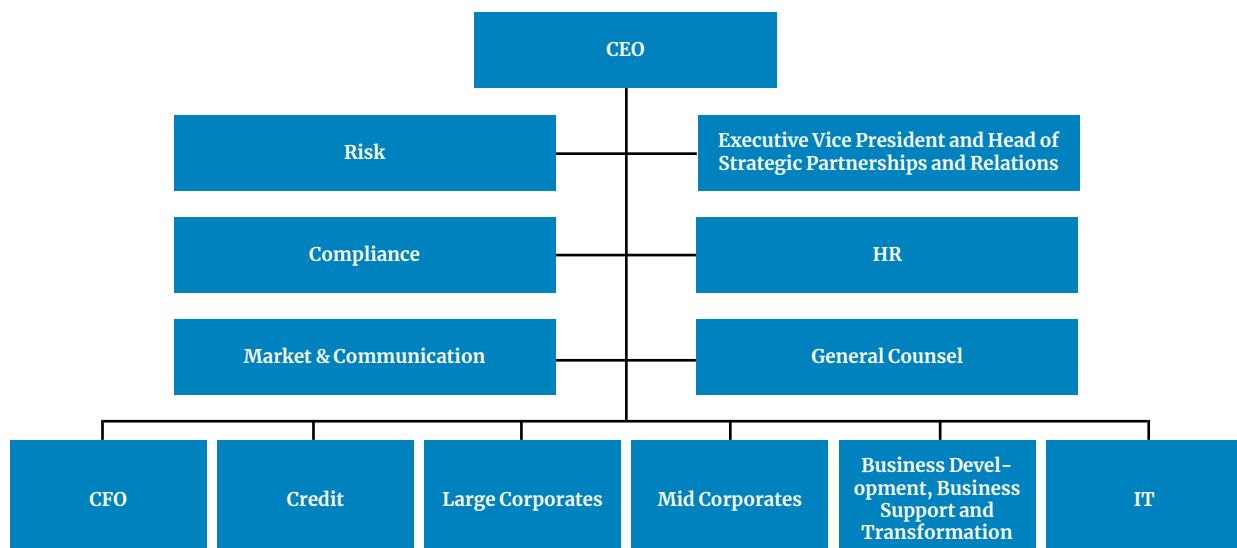
Catrin Fransson has been the CEO of SEK since the 2014 Annual General Meeting. Catrin Fransson was born in 1962 and has an MSc in Economics and Business from Luleå University of Technology. The Board of Directors has established an instruction for the CEO's work. The CEO is responsible for day-to-day management of business operations in accordance with the Board's guidelines, established policies and instructions. The executive management (EM) is tasked with supporting the CEO in the operational management of the company.

The CEO has appointed a Risk and Compliance Committee (RCC), which has the main task of acting as a consultative body supporting the CEO on risk-related questions and questions pertaining to regulatory compliance. The RCC is tasked with preparing questions pertaining to risk and regulatory compliance, and which are to be addressed or decided by the Finance and Risk Committee, the Audit Committee or the Board. Moreover, the RCC is responsible for following up risk reports, deviations from planned measures due to identified deficiencies, and for the implementation of new and amended regulations. The internal audit function is co-opted to all of the RCC's meetings.

According to the Credit Instruction, all decisions pertaining to credits/exposures are taken by not less than two employees jointly. Accordingly, the CEO may not take any unilateral credit decision. The Board's Credit Committee has instead delegated the mandate to the company's Credit Committee (CC). The CEO is Chairman of the CC and the Committee is to be comprised of the members appointed by the CEO. For the CC to be quorate three members must participate in the meeting. Decisions by the CC must be unanimously. In the case of disagreement, the case is referred to the Board's Credit Committee for decision.

Organization

Effective from January 1, 2019, SEK has implemented a new organization aimed at focusing client operations and strengthening business support. The Lending business area was split into two separate functions, Large Corporates and Mid Corporates. Two new functions have been established: Business Development, Business Support and Transformation; and Strategic Partnerships and Relations. Moreover, the accounting and treasury units have been reorganized as one function under the CFO.



Internal governance, control and risk management

The Board is responsible for SEK's internal governance and control. Effective internal control is built on a sound culture regarding risk, effective internal processes and procedures, as well as the proper functioning of the control environment through operationally integrated internal controls. The functions for compliance, risk and internal audit monitor the management of operational risk, and compliance with policy documents. All managers in each area of responsibility have an obligation to ensure that the operation for which they are responsible is conducted with good internal governance and control.

Compliance function

The compliance function assignment comprises identifying risks that the company may not meet its obligations according to legislation, regulations and other rules that apply to its operations requiring permits. The compliance function shall also assess the appropriateness of the measures taken to mitigate these risks. The compliance function is independent of the business operations and reports directly to the CEO. Within the framework of its assignment, the function monitors and controls the function of compliance with external and internal rules, provides advice and support to the business on compliance-related issues, and informs and trains the relevant executives. Reporting is made continuously to the CEO and quarterly in written and verbal form to the Board and the CEO. The scope and direction of the compliance function's work is established in an annual plan determined by the Board of Directors.

Risk function

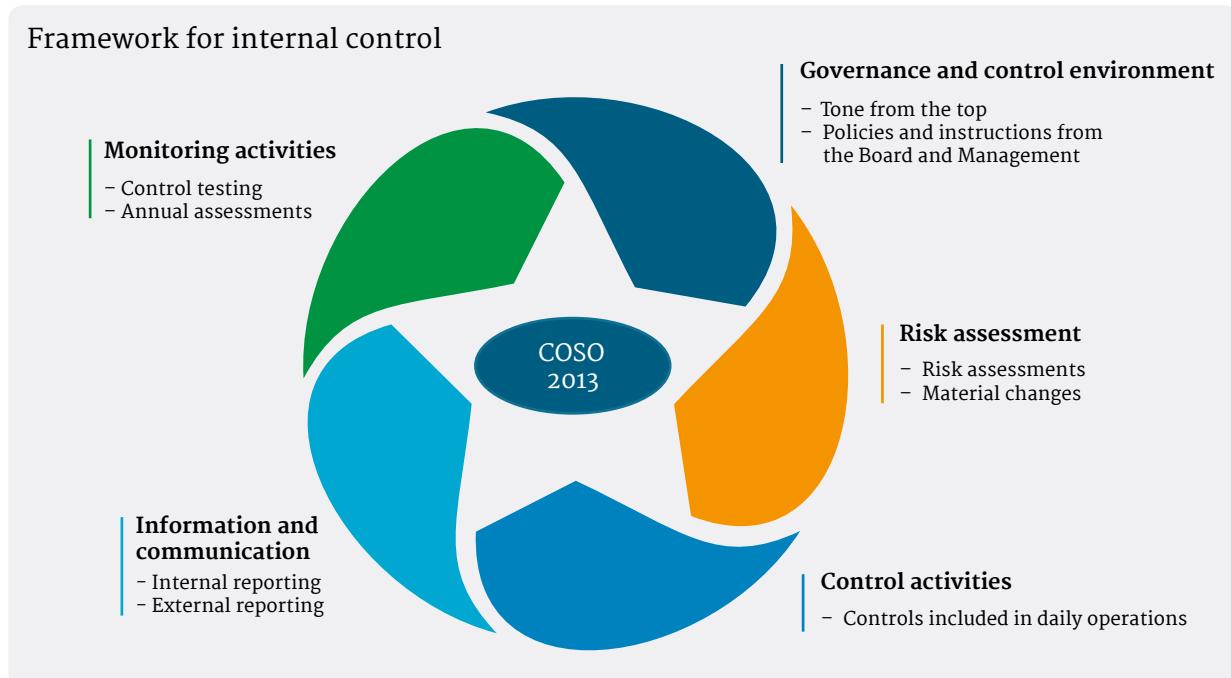
The risk function is assigned responsibility for ensuring compliance with the overall approach and the internal rules for risk management at the company, as well as monitor-

ing compliance with the decisions of the Board and the CEO regarding risk management and control. The assignment also includes monitoring that the company's business operations and support functions manage risk in a satisfactory manner. The Risk function is to monitor that all material risks to which SEK is exposed, or can expect to be exposed to, are identified and managed by the relevant functions. In addition, the Risk function is to check that the company has adequate ability to, as quickly as possible, collect and automatically collate data for the company's material and measurable risks and check that the IT systems that support the collation can meet various analysis requirements. The Risk function is to comprise individuals with sufficient knowledge of methods and procedures to manage risks, and of markets and products, to be able to provide relevant and independent information, analyses and expert opinions about the company's risks. The person responsible for the independent risk control function is the CRO, who reports directly to the CEO, and reports regularly to the Board of Directors and the CEO.

Internal audit

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 applicable 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 reports its observations to the Board and the CEO. In 2018, the Board commissioned an external party, KPMG, to be responsible for the internal audit. As of 2019, this assignment has been transferred to another external party, Deloitte. The appointment of an external party to perform the internal audit provides SEK with access to significant and extensive capa-

Framework for internal control



bilities for auditing the company's regulatory compliance, particularly capital adequacy, including audits of ICAAP and the company's IRB model.

Code of Conduct

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, as regulated in part by the Code of Conduct, which is adopted each year by the Board, and signed by all employees. The Code of Conduct 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 the Code of Conduct must be reported. These types of breaches can also be reported anonymously via SEK's whistle-blower system, which is managed by a third party. SEK's Code of Conduct is available at www.sek.se.

Internal governance, 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.

Governance and control environment

The governance and control environment comprises, for example, the attitude from the management, as well as policies and instructions from the Board of Directors and executive management. For a strong internal control environment, it is important that the Board of Directors and executive management indicate the significance of good internal control and that there are relevant and appropriate policies and instructions in the area.

Risk assessment

SEK performs an annual risk assessment at management, function and process level. The aim is to identify, document and quantify the consequences and probability of events occurring that could entail that SEK's targets cannot be achieved. 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 prevent, detect and correct errors and discrepancies.

The controls are conducted as company-wide controls, as general IT controls and at transaction level. Company-wide controls include instructions and procedures regarding authorizations, powers and responsibilities relating to credit granting, and monitoring of compliance. General IT controls include 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 the staff via relevant channels, primarily via the intranet, 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.

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. 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, 2018, the conclusion was that effective and efficient controls were in place relating to internal control of financial reporting.

Auditors

The 2018 Annual General Meeting elected Öhrlings Price-waterhouse Coopers AB as auditor of the company, with auditor Peter Nyllinge as Principal Auditor and Authorized Public Accountant Anneli Granqvist as co-signing auditor. The Swedish National Audit Office may appoint one or more auditors to participate in the annual audit. However, this did not occur in 2018.

Each year, the Audit Committee reviews the audit plan and is informed of the audit observations on an ongoing basis. The company's auditors are always present at the meetings of the Audit Committee and were present at one Board meeting. 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. The Board also receives summary audit reports.