

# Corporate governance report

We want to create a better future for millions of people. We feel it is important therefore to listen to our stakeholders and stay on the forefront of the industry. The key to success is also a high level of trust – you should feel confident in how we act and why, and that we manage our business in the best way and in compliance with applicable laws and regulations. This creates shareholder value as well.

Avanza's corporate governance report has been prepared in accordance with the Swedish Annual Accounts Act and the Swedish Code of Corporate Governance (the Code). Avanza Bank Holding AB (publ), hereafter "Avanza", does not deviate from the Code. As a publicly listed Swedish limited liability company, Avanza's operations are also governed by other laws and regulations, including the Swedish Companies Act, the Nasdaq rules for issuers and the International Financial Reporting Standards (IFRS). Avanza's business is subject to the supervision of the Swedish Financial Supervisory Authority, which requires strict application of various financial and ethical rules and guidelines based on Swedish and European law and the Swedish Securities Dealers Association's guidelines.

Avanza is motivated by a desire to challenge established structures and create customer value by offering products that are cheaper, better and simpler than the competition. We also inspire and educate customers to be better informed and to facilitate their investment decisions. Our promise is that customers will have more money left in their own pockets with Avanza than with any other bank. In the long term, what we do, especially for our customers, benefits the Swedish savings market and the industry's development, which in turn has a positive effect on society as a whole.

To achieve our vision and promote a better savings market in the long term, we have to maintain a dialogue with and listen to our customers, employees and other stakeholders. We have to understand them and what they want, preferably so that we can surpass their expectations and earn their trust. These stakeholders include customers, employees, owners, partners, suppliers, authorities and legislators, all of whom affect and are affected by our operations.

## A. Ownership and voting rights

The share capital consists of one class of shares, all of which confer the same rights. There are no limitations on the right to transfer shares or how many votes a shareholder may cast. The Avanza share is listed on Nasdaq Stockholm's Large Cap list. The share capital at the end of 2019 amounted to SEK 76,893,161, represented by 153,786,322 shares and votes. An ownership distribution is presented on page 31. The largest shareholders – Creades AB and Sven Hagströmer with family and companies – are represented on the Nomination Committee and in the nomination process for the election of Board members and the auditor; see table below. Avanza has outstanding warrant programmes comprising warrants with the right to subscribe

for 6,750,000 new shares with a maximum dilution of 4.5 per cent. Of these warrants, 39 per cent were transferred to employees at year-end. For further information on the Avanza share, see pages 28–31 and Note 30 Equity.

## B. Nomination process for election of Board members and auditor

The AGM 2019 established the rules for the election of Board members and the auditor as well as the appointment of a Nomination Committee for the AGM 2020.

The names of the Nomination Committee's members, and the shareholders they represent, were published on 17 September 2019, which was six months prior to the AGM 2020. The Nomination Committee consists of one representative from each of the four largest shareholders wishing to appoint a representative. Appointments were based on ownership interests known immediately before the announcement, i.e. 31 August. The Nomination Committee is a governing body of the AGM with the sole purpose to prepare the AGM's resolutions on election, and directors as well as auditors fees.

The Nomination Committee is mandated to serve until a new committee is appointed. In accordance with the nomination process, the Chairman of the Committee is the member representing the largest shareholder, unless the Nomination Committee has agreed otherwise. If, after the publication of the Committee members, a shareholder represented on the Committee is no longer among the four largest, its representative must make their seat available in favour of the shareholder who has become one of the four largest. Marginal changes do not have to be considered. Shareholders appointing a representative to the Committee have the right to dismiss this representative and appoint a replacement. All changes to the composition of the Committee shall be publicly announced.

The Nomination Committee prepares proposals on the following issues for resolution at the AGM:

- Chairman of the Meeting
- Board of Directors and Chairman of the Board
- Board fees, distributed between the Chairman and other Board members, and any remuneration for committee work
- auditor and fees for the Company's auditors
- any changes in how the Nomination Committee is appointed

### Composition of the Nomination Committee

Name	Representing	Holding 31-08-2019	Holding 31-12-2019
Erik Törnberg (Chairman of the Nomination Committee)	Creades AB	15,390,000 (10.0%)	15,530,000 (10.1%)
Sven Hagströmer (Chairman of the Board of Avanza)	Hagströmer family and companies	15,446,230 (10.2%)	15,446,230 (10.0%)
Sean Barrett	HMI Capital, LLC	13,359,829 (8.8%)	13,359,829 (8.7%)
Magnus Dybeck	Dybeck family and companies	6,454,105 (4.3%)	6,441,500 (4.2%)

The Nomination Committee's proposal to the Board of Directors is presented in its entirety to ensure that the composition of the Board meets competence, diversity and independence requirements. Shareholders with views on the Board's composition or proposals for new members may submit them to the Nomination Committee well in advance of the AGM. Nomination proposals received by the Nomination Committee from shareholders are reviewed as part of the nomination process. Proposals can be emailed to [valberedningen@avanza.se](mailto:valberedningen@avanza.se) or by post to:

Avanza Bank Holding AB  
F.A.O.: Valberedningen  
Box 1399  
111 93 Stockholm

Although Committee members are not remunerated for their work, Avanza refunds reasonable costs deemed necessary for them to undertake their duties.

The Committee has agreed that Erik Törnberg, Creades AB, will remain in the position of Chairman of the Committee. The Nomination Committee's proposals, as well as a report on its work, are published in conjunction with the notice of the AGM.

The Nomination Committee held 3 minuted meetings in 2019, at which all members were present. The Nomination Committee also conducted an evaluation of the Board and its work, where the Board's size, composition, industry experience and competence were evaluated.

When preparing its proposal for Board fees, the Nomination Committee uses comparisons to companies operating in similar spheres and with a similar size and complexity. Proposed fees shall be market rate based on the responsibility and work required and on the contribution the Board can make to the Company's development.

### C. Annual General Meeting (AGM)

Shareholders exercise influence over Avanza through participation at the AGM, which is Avanza's most senior decision-making body. In accordance with the Articles of Association, the AGM elects the Company's Board members and appoints Avanza's auditors. In addition, decisions are taken on adoption of the income statement and balance sheet, consolidated income statement and consolidated balance sheet, dividends and other profit distributions, discharge from liability of the members of the Board and the CEO, the nomination procedure, remuneration guidelines for senior management, and other important issues.

The AGM is held in Stockholm during the spring and notice is issued no earlier than six weeks and no later than four weeks in advance. To exercise their vote at the AGM, shareholders must be present at the meeting in person or through a proxy. Furthermore, shareholders must be registered in their own name in the share register on the specified date prior to the meeting and also have registered to attend the meeting in accordance with the notice.

The AGM's resolutions normally pass with a simple majority, i.e. more than half of the total number of votes cast, unless otherwise specified by the Swedish Companies Act. Shareholders wishing to add a matter to the agenda at the AGM may submit a written request. Such requests must be received by the date indicated on Avanza's website, which for the AGM 2020 was 28 January 2020. Requests are to be sent to:

Avanza Bank Holding AB  
F.A.O.: Bolagsjuridik  
Box 1399  
111 93 Stockholm

The date and time of the next AGM, and information on how shareholders can exercise their right of initiative, are posted on Avanza's website under the Governance section at the latest in conjunction with the publication date of the third interim report of the year preceding the AGM. Minutes and supporting documentation from previous AGMs are also available in the same section.

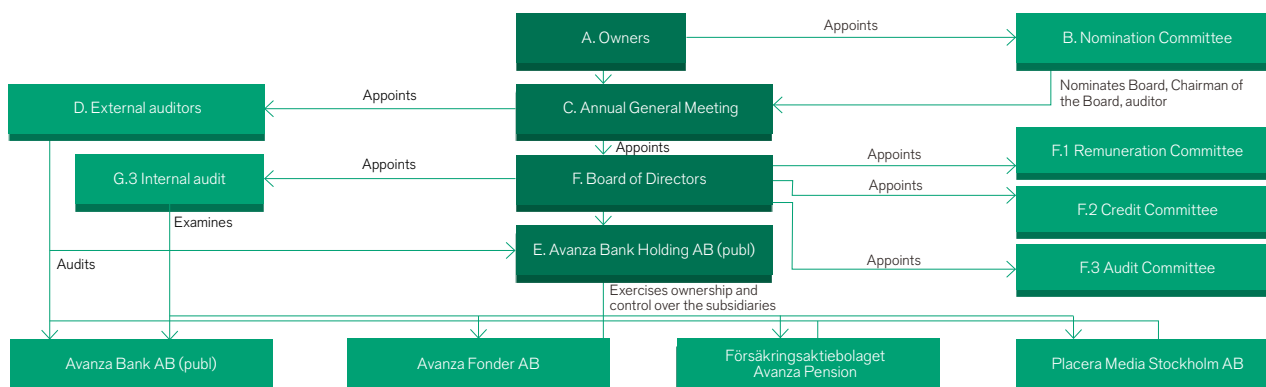
Extraordinary General Meetings may be held if the Board deems necessary or if the Company's auditor or a shareholder holding at least ten per cent of the shares requests such a meeting.

Avanza's AGM on 19 March 2019 was attended by 231 shareholders, representing 61 per cent of the total number of shares and votes. The AGM was webcast live on Avanza's website. The Company's auditor and all Board members except Sophia Bendz attended.

At the AGM 2019, the following resolutions were adopted:

- adoption of Avanza's income statement and balance sheet as well as the consolidated income statement and consolidated balance sheet
- appropriation of profit according to the adopted balance sheet
- discharge from liability for the Board and the CEO
- determination of the number of Board members
- determination of Board fees and auditor's fees
- election of the Board of Directors and Chairman of the Board and appointment of the auditor
- 5-to-1 share split and amendment to the Articles of Association
- issuance of warrants for an employee incentive programme
- authorisation for the Board to acquire own shares
- establishment of nomination procedures
- establishment of remuneration guidelines for Group Management

The above mentioned incentive programme expires in August 2022 and comprises a total of 2,250,000 warrants that grant entitlement to subscribe for an equal number of shares. If all the warrants are exercised, the maximum dilution effect is 1.5 per cent.



## D. External auditor

The external auditor is an independent reviewer of Avanza's financial statements and determines whether they in all material respects are accurate and provide a fair presentation of the Company and its financial position and results.

The AGM 2019 elected KPMG AB as the new auditor, with Mårten Asplund AB as Auditor-in-Charge, through the AGM 2020.

The auditor presents the AGM with an audit report on Avanza's annual report and consolidated financial statements, the appropriation of the Company's profit or treatment of its loss, and the administration of the Board and the CEO, and offers an opinion on the corporate governance report. In addition, the auditor submits reports on day-to-day management and internal control, in writing as well as orally to Avanza's Board and Audit Committee, at least twice a year and delivers an audit report on the annual accounts and annual report.

The audit is conducted in accordance with the International Standards on Auditing (ISA), issued by the International Federation of Accountants (IFAC).

The auditor's fees are paid based on approved invoices. In 2019, fees paid to KPMG for auditing duties totalled SEK 1,750 thousand. Total remuneration paid to KPMG is shown in Note 10.

## E. Avanza Group

Avanza strives to maintain a clear and transparent organisational structure. Reporting from subsidiaries is done on a monthly basis. Avanza's Board of Directors is also the board of directors of the subsidiary Avanza Bank. The boards of other subsidiaries consist of both internal and external members to ensure independence and a high level of overall competence for each company.

### CEO and Group Management

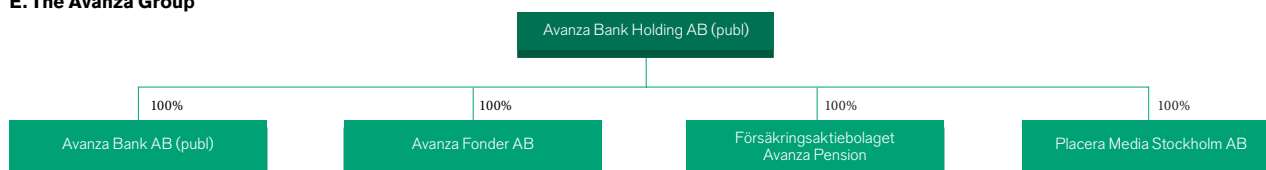
The CEO is responsible for the day-to-day management of the company in accordance with the Swedish Companies Act and Avanza's CEO instruction, which is adopted by the Board. The CEO is responsible for keeping the Board informed of the Company's operations and ensuring that Board members have all the information they need. The CEO also keeps the Chairman updated on the Group's development.

In 2019, Jesper Bonnivier, CEO of Avanza Fonder, and Camilla Hedenfelt, Head of HR, became new members of Group Management. Former members Malin Nybladh, Head of HR, and Maria Christofi Johansson, Head of Customer Relations, left Avanza.

Avanza's Group Management consisted at year-end 2019 of:

- Rikard Josefson, CEO of Avanza Bank Holding AB (publ)/ Avanza Bank AB (publ)
- Birgitta Hagenfeldt, CFO and Deputy CEO of Avanza Bank Holding AB (publ)/ Avanza Bank AB (publ)
- Jesper Bonnivier, CEO of Avanza Fonder
- Camilla Hedenfelt, Head of Human Resources
- Åsa Mindus Söderlund, CEO of Försäkringsaktiebolaget Avanza Pension and Group responsible for CSR
- Gunnar Olsson, COO
- Teresa Schechter, Chief Legal Officer
- Peter Strömberg, CIO
- Peter Westling, Head of Innovation and Marketing

### E. The Avanza Group



More information on Group Management is available on Avanza's website and on pages 48–49.

Group Management holds formal meetings every two weeks and informal meetings as needed. The meetings address Avanza's results and strategy, priorities and the status of major projects and initiatives, with regular reports from Compliance and Risk Control.

### Suitability assessment

Avanza has internal guidelines for suitability assessments of the CEO, other members of Group Management, the heads of control functions and those responsible for the Group's AML work. Assessments are made in conjunction with new appointments and followed at least annually to determine whether the person in question has adequate knowledge, insight and experience and is suited to the role. Potential conflicts of interest are evaluated as well. Background checks are conducted at least once a year. Based on the suitability assessments, annual training plans are then formulated.

### Remuneration to Group Management

Group Management's remuneration shall reflect each person's experience, competence and performance. Remuneration comprises a fixed salary and the opportunity to purchase warrants in the incentive programme for all employees resolved by the AGM. Members of Group Management have acquired warrants on prevailing market terms in accordance with the warrant programme.

Avanza's remuneration policy can be found at [investors.avanza.se/en](http://investors.avanza.se/en) under Governance.

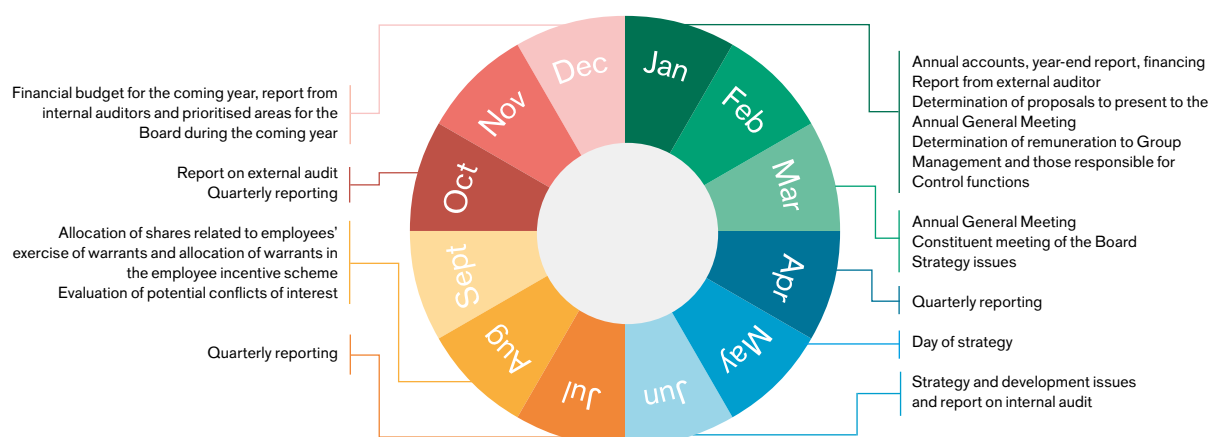
Questions concerning the CEO's terms of employment, remuneration and benefits are prepared by the Remuneration Committee and approved by the Board. Remuneration to other members of Group Management is determined by the Board, based on the Committee's proposal, following consultation with the CEO. Remuneration guidelines for senior management are adopted by the AGM and presented in Note 9 Employees and personnel costs.

### Corporate culture and policies

Avanza's corporate culture is based on a vision to create a better future for millions of people. The key is that what we achieve creates value for customers. The corporate culture is characterised by collaboration, humility and an aim to constantly challenge ourselves to think differently. Decision-making channels are short and there is room for different opinions.

Avanza has a Group-wide policy on diversity and equality. For us, diversity and equality mean utilising everyone's knowledge, experience and views to enrich, create dynamism and influence every part of the Company. The policy also ensures that all employees are treated fairly and that there is no discrimination. The CEO has overarching responsibility for diversity and gender equality. The work is done systematically with updated documentation, analysis, active measures, evaluations and follow-ups. Equality issues are tracked through employee surveys. Avanza's management at the end of 2019 was comprised of 4 women and 5 men. Among managers, 47 per cent are women; see also the section on employees and our social engagement on pages 22–27.

## Board meetings 2019



Occupational health and safety is a priority. Healthy employees make for a better and more effective organisation and create shareholder value. The overarching goal of our health and safety work is to create and maintain an environment where employees have the right opportunities given their position and goals. Avanza has a dedicated committee that deals with the overall structure for systematic occupational health and safety work and equality issues.

### Regulatory training

Avanza has a code of conduct that includes our ethical guidelines. The code applies to all employees and provides guidance on how we build long-term relationships with our stakeholders by describing the responsibility that comes with being an employee. The code contains Avanza's stance on business ethics and reporting routines as well as how we expect employees to act in ethical dilemmas. Avanza has a whistleblower function where employees can anonymously report suspected improprieties.

All employees have a responsibility to understand the laws and internal rules that affect and are relevant to their work. After hiring, new employees are introduced to current rules, which is then followed up on a regular basis to keep them updated on regulations and any changes. In addition, individual departments arrange separate, in-depth training in specific areas. In 2019, employees underwent web-based training in IT and information security.

As a company in the financial market, we have an obligation to help maintain trust in the market. Avanza abides by Sweden's anti-corruption laws and practices and under no circumstances accepts active or passive bribery or other illegal payments. The Avanza Group works continuously to fight corruption and has an internal anti-bribery policy that complies with Swedish law. The policy is part of Avanza's Code of Conduct and mandatory compliance training for new employees. Supplemental training is provided every three years for all employees. Compliance training includes the work being done in anti-money laundering and terrorist financing, central laws and rules for the regulated operations of Group companies, and other key guidelines and policies. Neither Avanza nor any of Avanza's employees have been convicted of bribery or other crimes related to corruption.

All of Avanza's policies are available to employees, and it is their responsibility to stay updated on internal and external rules as well as policies and instructions. Avanza is also affiliated with Swedsec, which sets proficiency requirements, issues licenses and requires compliance of those who work as specialists, information providers with mortgages or with management or control functions.

## F. Board of Directors

The Board of Directors sets forth the business framework, appoints the CEO and exercises control over the Company's management. The Board's duty is to manage the Group's affairs in the best interests of Avanza and its shareholders in order to create the best conditions for a sustainable business. The duties of the Board are governed by the Swedish Companies Act, the Code and the formal plan that the Board has established for its work.

Avanza's Board takes decisions on matters concerning the Group's strategic direction, major investments, organisational issues, acquisitions and divestments. Furthermore, each Board establishes policies and guidelines, as well as the terms of reference for the CEO. Where applicable, subsidiaries establish work plans for those responsible for Risk Control, Compliance, Internal Audit and the Actuarial function.

The AGM 2019 re-elected all previously elected Board members except Sophia Bendz, who declined re-election. According to the Articles of Association, the Board shall consist of no fewer than five and no more than eight members. Avanza's Board consisted in 2019, as of the AGM, of seven members elected until the next AGM and no deputies. The Chairman of the Board is Sven Hagströmer. The Board held its first meeting following election on 22 March 2019. Information about the members of the Board can be found on Avanza's website and on pages 46–47.

### Diversity and suitability

The guidelines on suitability assessments set forth how Avanza evaluates appointees for their assignments, how conflicts of interest are addressed and how a suitably diverse board is achieved. The Board's composition of individuals of varying age, with a goal of gender parity, and with varying educational and professional backgrounds will help to ensure that the Board collectively has the ability to critically review and understand relevant regulations and can identify the risks caused and faced by the Company. New members are also evaluated in terms of the number of executive and/or non-executive positions they hold, to ensure they have the time needed for the Board's work. These assessments are made in conjunction with new appointments and followed up at least annually. Based on the suitability assessments, annual training plans are then formulated. Background checks were made of all Board members in 2019. Information on the Board's composition, age and background is shown on pages 46–47.

The boards of the subsidiaries Avanza Bank AB, Avanza Fonder AB and Försäkringsaktiebolaget Avanza Pension follow their own guidelines on suitability assessments adapted to the requirements of a suitable composition and collective competence for the board of each company. Subsidiary boards consist of members with varying experience and education, which contributes to a suitable composition of competences.

### Work of the Board in 2019

During the year, the Board held a total of 21 meetings, including 7 scheduled meetings, 1 following election, 4 extra and 9 by telephone/mail. Board meetings by telephone/mail mainly addressed decisions relating to Avanza's incentive scheme.

At scheduled meetings, the following are always discussed:

- financial reporting
- operational reporting
- reporting by the Board's committees
- credit reporting for the subsidiary Avanza Bank

The risk control and compliance functions report quarterly.

In addition to the permanent items on the agenda, the Board during the year discussed the matters in the illustration on the previous page. The Board also focused on the Group's implementation of and alignment with new and amended regulation affecting various parts of its operations.

The Board also worked on and participated in strategic business planning in order to continuously adapt and improve Avanza's customer offering.

At the end of each calendar year, an evaluation is undertaken to improve the Board's work procedures and competence. The results are communicated to the Nomination Committee and compiled in a report, which then forms the basis for any changes or upskilling.

### The Board of Directors' skills training

Each year the Board establishes a training plan to give members a better understanding of various areas, relevant rules and risks that affect the business as well as new products and services Avanza is launching. Board members also visit various parts of Avanza on their own initiative to better familiarise themselves with specific areas. The Board's training needs are reviewed and specific measures are taken as needed to provide information and improve competence in special areas. In 2019, the Board underwent training with a focus on new regulations, IT and information security, capital adequacy, money laundering and market abuse, and risk management.

New members receive introductory training to quickly gain an overview of the Group and its operations and an understanding of Avanza's values and culture.

### Formal work plan of the Board of Directors

The Board follows a formal work plan it adopts on an annual basis, which regulates the division of duties, decision-making, signatories, meeting procedures and the Chairman's duties. It also covers the Board's responsibilities and duties as well as how to identify and manage potential conflicts of interest.

The Board's work follows a plan that meets the Board's information needs and is otherwise governed by established procedures for dividing duties between the Board and the CEO. In addition, the Company's auditor presents the audit and observations to the Board. The Company's auditor attended and reported to the Board at two Board meetings and attended the Audit Committee's meetings in 2019. Company employees participate in the Board's meetings as rapporteurs and secretary.

### Remuneration for Board members and attendance at Board meetings

The AGM 2019 resolved to pay annual remuneration of SEK 357,000 each to the Chairman of the Board and other Board members. In addition, a fee of SEK 51,000 was set for members of Avanza Bank's Credit Committee and SEK 41,000 for members of the Company's Remuneration Committee. For the Audit Committee, SEK 163,000 was paid to the Chairman and SEK 82,000 to each member. Board members who receive a salary through their employment with the Company are not entitled to Board fees. See Note 9 for more information on the Board's remuneration.

Board work requires all members to engage and participate in issues concerning the Company's and the Group's organisation and management of its affairs, establishment of qualitative and quantitative operating goals, and approval of the Company's strategy to achieve these goals. This is in addition to Avanza's long-term financial interests, the risks Avanza and its subsidiaries are and may potentially be exposed to, and the capital required to cover these risks. The duties of the Board are delegated to the committees as described below. On issues that require specific expertise and independence, the Board discusses which of its members are the most qualified to oversee or investigate them. The Board continuously evaluates the competence needs of each committee.

Board members have no individual areas of responsibility beyond this and the committee work specified below.

#### F.1 Remuneration Committee

The Board appoints the Remuneration Committee, which in the financial year 2019 consisted of Jacqueline Winberg (Chairman), Sven Hagströmer and Mattias Miksche. The Committee is responsible for evaluating and recommending remuneration principles.

The Committee prepares proposals on remuneration for Group Management and the managements of the subsidiaries Avanza Bank AB, Avanza Fonder AB and Försäkringsaktiebolaget Avanza Pension,

#### Attendance at recorded Board meetings 2019

Member of the Board	Attendance board meetings	Attendance committee meetings	In relation to the company and its management	In relation to the company's largest shareholders
Sven Hagströmer, Chairman	21/21	18/18	Independent member	Not independent member
Sophia Bendz (declined re-election at AGM)	3/3		Independent member	Independent member
Viktor Fritzén	21/21	5/5	Independent member	Independent member
Jonas Hagströmer	21/21		Independent member	Not independent member
Birgitta Klasén	21/21	12/12	Independent member	Independent member
Mattias Miksche	21/21	11/11	Independent member	Independent member
Hans Toll	21/21	12/12	Independent member	Not independent member
Jacqueline Winberg	21/21	11/11	Independent member	Independent member



for the heads of the control functions Risk Control and Compliance, and for identified risk-takers. Remuneration is approved by the Board. The Committee also prepares issues relating to the CEO's terms of employment and benefits for approval by the Board.

In 2019, the Committee held 11 meetings, which all members attended, and also maintained regular contact.

## F.2 Credit Committee

The Board of Directors of Avanza Bank AB appoints the members of the Credit Committee, which in the financial year 2019 consisted of Board members Sven Hagströmer, Birgitta Klasén and Hans Toll. The Committee is tasked with taking decisions on credit matters that the entire Board has previously resolved, with the exception of credit matters involving a potential conflict of interest, in which case the entire Board will still take the decision. Minutes are kept of the Committee's meetings and decisions, which are distributed to the Board at its next meeting.

In 2019, the Credit Committee held 7 meetings, which all members attended, and also maintained regular contact.

## F.3 Audit Committee

The Board of Directors appoints the Audit Committee, which during the financial year consisted of Birgitta Klasén (Chairman), Viktor Fritzen and Hans Toll. The committee's composition meets the independence requirements of the Swedish Companies Act and the Code, as well as accounting or auditing competence requirements. The Audit Committee maintains regular contact with the Company's auditor to stay informed on the scope of the audit and discuss the auditor's view of the Company's risks. The Audit Committee monitors that the financial reporting maintains high quality, receives reports from the auditor, reviews and monitors the auditor's impartiality and independence, evaluates the auditing performance and provides input to the Nomination Committee on the AGM proposal on the auditor's election.

The auditor has attended the Audit Committee's meetings and reported on the audit on two occasions in 2019. Internal Audit reported twice in 2019 on the results of the year's independent review to the Board and the Audit Committee.

In 2019, the Committee held 5 meetings, which all members attended.

## G. Internal control and risk management

The Avanza Group shall be distinguished by good internal governance, risk management and control, and operate in an ethically responsible and professional manner with clearly defined roles and areas of responsibility. The risk management processes are designed to be effective and purposeful and include an independent risk control function with responsibility for governance, monitoring and reporting on the Group's aggregate risks.

As a rule, the subsidiaries apply the same principles for governance, risk management and control at a company-specific level as those at the Group level. Exceptions are made for specific legal or supervisory requirements and, in terms of proportionality, for the subsidiary's operations, scope and/or complexity, and when specific types of risk only exist in a single subsidiary.

## Three lines of defence principle

Risk management and risk control in the Group and its subsidiaries are based on the three lines of defence principle. The first line of defence is comprised of the business operations. The second line of defence is comprised of Risk Control, Compliance and, for Försäkringsaktiebolaget Avanza Pension, the Actuarial function, which are independent of each other and independent of other operations. The third line of defence is comprised of Internal Audit, which reports directly to each board.

### 1. First line of defence – risk management in the business operations

Risk management primarily takes place in the first line of defence, which consists of business and support functions with specific responsibility for each department. Within the Company's regulatory framework are specific frameworks for risk management with policies, guidelines, instructions, risk appetites and limits for each type of risk.

### 2. Second line of defence

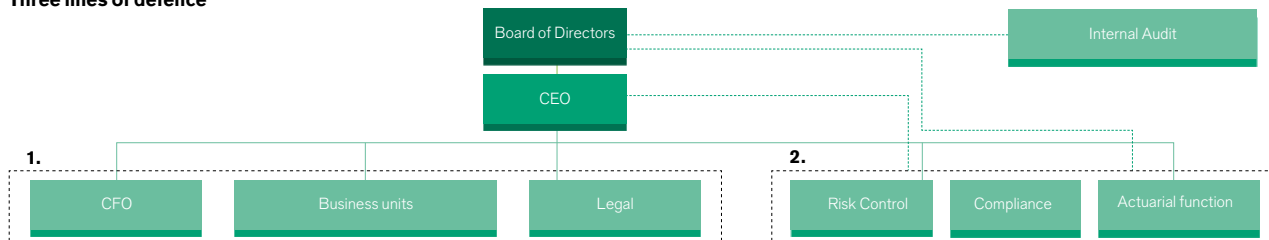
#### 2.1 Risk Control

An important part of risk management is to promote a sustainable risk culture and risk-taking that never threatens the Company's survival. The culture is derived from the Board's and management's governance and decision-making. Within the framework of the Group's financial capacity, the Board has formulated a risk appetite, which has been further broken down in the form of CEO limits. To ensure that risk-taking stays within the risk appetite and limit structures, risk management and control processes have been put in place to identify, value, manage, report and monitor every type of risk that the Company, including its subsidiaries, is exposed to.

Risk monitoring and control are performed in among other ways by limiting and measuring financial risks, self-assessments of non-financial risks, incident reporting and follow-ups, and risk analysis and approval of major changes by Risk Control. Risk Control provides an overview of the Group's risk exposure and limit utilisation to management on a monthly basis and to the Board a quarterly basis.

The Chief Risk Officer reports directly to the CEO and presents reports at all scheduled Board meetings, in addition to regularly reporting to Group Management. The CRO also reports directly to the CEO and the Chairman of the Board as needed.

## G. Internal control and risk management, Three lines of defence



## 2.2 Compliance

Compliance verifies that subsidiaries with licensing requirements follow applicable laws, regulations, internal directives and accepted practices. Compliance monitors and regularly assesses whether the measures and routines that Avanza and its subsidiaries have introduced are appropriate and effective. Compliance proposes internal rules, routines and measures that are needed to minimise the risk of non-compliance and to assist the Swedish Financial Supervisory Authority (SFS) in its supervisory capacity.

Compliance is also responsible for educating Avanza's employees on the applicable rules for subsidiaries with licensing requirements. These rules are disseminated, for example, through the Group's internal regulations, training programmes and other types of information.

Compliance falls directly under the supervision of the CEO of each subsidiary and reports at all scheduled Board meetings and regularly to Group Management, in addition to reporting directly to the CEO and the Chairman of the Board as needed.

## 2.3 Actuarial function

The Actuarial function is responsible for formulating and verifying that the actuarial calculations by the subsidiary Försäkringsaktiebolaget Avanza Pension meet established limits, and to assist the Board and the CEO on matters involving methods, calculations and assessments of technical provisions and insurance risks as well as reinsurance protection and other risk reduction techniques.

The Actuarial function, which has been outsourced to Northern Actuarial AB, reports to the CEO. The Actuarial function regularly reports at the board meetings of Försäkringsaktiebolaget Avanza Pension.

## 3. Third line of defence – Internal Audit

The internal audit function is appointed by and directly under the supervision of the respective board of directors. Internal Audit's work is based on an audit plan established by the Board. The plan is based on a risk analysis and the work comprises an examination and assessment of whether systems, internal control activities and routines are appropriate and effective, including work performed by the control functions in the second line of defence. Internal Audit also issues recommendations and verifies that they are followed, reporting in writing at least once a year to the CEO and the Board of Directors.

In 2019 the Board decided to outsource Internal audit to the external consultancy OMEO Financial Consulting AB.

In 2019, Internal Audit's reviews of Avanza Bank comprised application of the remuneration policy, AML/CTF work, principles for allocating income and expenses, approval process, material IT systems, continuity planning, regulatory reporting processes and the corporate finance business. For Avanza Pension, Internal Audit primarily reviewed application of the remuneration policy, AML/CTF work, principles for allocating income and expenses, approval process, implementation of investment guidelines, regulatory reporting processes and material IT systems. For Avanza Fonder, Internal Audit has primarily reviewed application of the remuneration policy, AML/CTF work, principles for allocating income and expenses, approval process, regulatory reporting processes, material counterparties and material IT systems.

The results of the year's internal audits were reported at the meetings of the Board of Directors and the Audit Committee in June and December 2019.

The Board of Directors has decided to establish a Group-level internal audit function and hired a head of internal audit, who will take over execution of the internal audit from the external consulting firm OMEO Financial Consulting AB as of January 2020.

## Board of Directors' report on internal control over financial reporting

The Board is responsible, under the provisions of the Swedish Companies Act (SFS 2005:551), the Swedish Annual Accounts Act (SFS 1995:1554) and the Swedish Code of Conduct for Corporate Governance ("the Code"), for internal control for both Avanza Bank Holding AB (publ), referred to below as "Avanza", and the entire Avanza Group. This description is limited to internal control over financial reporting and constitutes a part of the Corporate governance report, which is appended to the Company's Annual Report.

### System of internal control and risk management over financial reporting

Internal control over financial reporting is a process, the purpose of which is to ensure compliance with the established principles for internal control and financial reporting, and that the financial reporting is prepared in accordance with laws, regulations, applicable accounting standards and generally accepted accounting principles, as well as all other requirements for companies with transferable securities listed for trade in a regulated market.

### Control environment

The keys to Avanza's internal control over financial reporting are the control environment described in the Corporate governance report, a clear and transparent organisational structure, the distribution of responsibilities, and governing internal documents such as policies, guidelines and instructions. Examples include the work plans for the Board and CEO as well as for Risk Control, Compliance, the Actuarial function and Internal Audit. Guidelines are also in place for internal governance and control, reporting, authorisation instructions and the information policy.

Another component of the control environment is risk assessment, i.e. identification and management of risks that can affect financial reporting, as well as the control activities to prevent, identify and rectify errors and discrepancies.

### Risk management

Management within Avanza of risks related to financial reporting is proactive and emphasises continuous assessments, controls and training. Avanza applies available techniques and methods in a cost-effective manner. Risk management is an integral part of the business operations. Refer to previous page for more information.

### Control activities

Control activities are integrated into the financial reporting process. They include both general and more detailed controls, which are designed to prevent, identify and rectify errors and discrepancies. Control activities are formulated and documented at a Company-wide and department level, based on a reasonable level of risk of errors and their impacts. Each department manager has primary responsibility for managing the risks associated with the department's operations and financial reporting processes.

A high level of IT security is also crucial to effective internal control over financial reporting. For this reason, rules and guidelines have been established to ensure the availability, accuracy, confidentiality and traceability of the information in the business systems.

### Information and communication

Avanza's information and communication channels are designed to promote thoroughness and accuracy in the financial reporting. Governing documents applying to the financial reporting have been made available and known to appropriate employees through the Company's intranet and have been supplemented with relevant routines and process descriptions.

Continuous information, dialogue, training and controls ensure that the employees are aware of and understand the internal regulations. This ensures a high standard of financial reporting. The entire Group applies the same system for financial reporting.

### Follow-up

Avanza's Controller function compiles and reports financial and operating data and analyses to department managers, Group Management and the Board. Moreover, the accounting and controller department actively monitors operating expenses in relation to budgets and forecasts. This work is undertaken in close cooperation with Group Management and managers in the organisation.

The control functions Risk Control, Compliance and Internal Audit monitor compliance with policies, guidelines and instructions. Additionally, Avanza has a reporting group to follow up and evaluate internal control and risk management with a focus on the financial reporting.

The Board receives monthly financial reports, and the financial situation is addressed at every Board meeting. The Board receives quarterly reports from both Risk Control and Compliance. All of these reports are based on an evaluation of the Group's activities and cover the entire organisation.

The Board also reviews the quarterly financial reports and annual accounts, as well as the observations and conclusions of the external and internal auditors.

The Group's information and communication channels are monitored on a regular basis to ensure they are appropriate for the financial reporting.

### Assessment and position on internal audits

Internal Audit's work is based on an audit plan established annually by the Board of each subsidiary. The plan is based on a risk analysis and the work comprises an examination and assessment of whether systems, internal control mechanisms and routines are appropriate and effective, as well as issuing recommendations, controlling that these recommendations are followed and reporting in writing at least once a year to the CEO and the Board of Directors.

Internal auditing was performed in 2019 by an external consultant. The Chairman of the Board of each subsidiary (the Audit Committee's Chairman in Avanza Bank) meets with the internal auditors to discuss which issues to focus on.



# Board of Directors and Auditors



## Sven Hagströmer, Chairman

Born: 1943

Elected: 1997

**Committees:** Remuneration & Credit Committee

**Education:** Studies at Stockholm University

**Diversity and suitability:** Over 40 years of experience in the finance industry. Highly skilled business executive and entrepreneur who has founded several companies and co-financed others outside the finance industry. Strongly engaged in various social projects and projects involving gender equality and diversity. Thorough knowledge of and keen feel for the financial markets.

**Relevant employment history:** Founder of Sven Hagströmer Fondkommission AB 1981. Chairman of Avanza's Board of Directors since 1999

**Other significant assignments:** Chairman of Creades AB and Biovestor AB, Board member of Doberman AB and Doberman Group AB

**Holdings on 31 December 2019:** (incl. family and companies): 30,976,230 (of which Creades 15,530,000)



## Jonas Hagströmer

Born: 1982

Elected: 2015

**Committees:** –

**Education:** MBA from Lund University, studies at Hong Kong University of Science and Technology

**Diversity and suitability:** Experience from corporate finance, investment companies and board assignments for a number of companies. Broad knowledge of the financial market. Contributes an investor's and shareholder's perspective as well as expertise in the inner workings of the financial services sector.

**Relevant employment history:** 2012– Creades AB, Investment Manager. 2007–2011 Keystone Advisers (later on MCF Corporate Finance), Corporate Finance Associate and analyst

**Other significant assignments:** Chairman of Inet AB and Inet Holding AB, Board member of Biovestor AB, Apotea AB and Apolea Holding AB

**Holdings on 31 December 2019:** (incl. family and companies): 15,000 and indirect shareholding via Biovestor and Creades



## Viktor Fritzén

Born: 1985

Elected: 2018

**Committees:** Audit Committee

**Education:** Master of Science, Stockholm School of Economics, Major in Finance

**Diversity and suitability:** Background in the financial industry and experience from growth companies, building strong company culture, IT and compliance.

**Relevant employment history:** 2012-2018 LeoVegas Group, CFO. 2011–2012 GP Bullhound, Corporate Finance Analyst. 2009–2011 Goldman Sachs, Global Investment research analyst

**Other significant assignments:** Board member of Appjobs Sweden AB

**Holdings on 31 December 2019:** (incl. family and companies): 5,000



## Birgitta Klasén

Born: 1949

Elected: 2014

**Committees:** Credit & Audit Committee

**Education:** MSc Engineering Physics from the Royal Institute of Technology in Stockholm, Economics at Stockholm University and MA Education from the Stockholm Institute of Education

**Diversity and suitability:** Extensive IT experience and expertise. 19 years as an executive at IBM, a member of a number of boards in the banking and IT industries, and experience as an IT consultant for corporate managements and boards. Realistic and fact-based understanding of the technology Avanza uses and what is required for Avanza to stay on the technological forefront.

**Relevant employment history:** 2008–2016 Acando AB, Board member. 2009–2016 IFS AB, Board member. 2006–2008 Telelogic AB, Board member. 2005–2008 OMX AB, Board member. 2004–2005 EADS, CIO. 2000–2005 Föreningsparbanken, Board member. 1996–2001 Pharmacia & Upjohn, CIO. 1995–1996 Telia, CIO. 1976–2004 IBM, Various executive positions including VP of its wholly owned outsourcing company Responsor AB

**Other significant assignments:** Senior IT Advisor and Board member of Assa Abløy AB and Benefie Ltd.

**Holdings on 31 December 2019:** (incl. family and companies): 50,000



### Mattias Miksche

Born: 1968

Elected: 2008

**Committees:** Remuneration Committee

**Education:** Master of Science in Business and Economics, Stockholm School of Economics

**Diversity and suitability:** Extensive expertise in Internet and mobile services. Operational experience from developing and improving digital interaction with customers and users in various industries. Experience from various board assignments and private investments in tech-companies

**Relevant employment history:** 2005–2016 Glorious Games Group AB (formerly Stardoll), Founder and CEO. 2009–2016 Sportamore AB, Board member. 2008–2011 Eniro AB, Board member. 2003–2005 Boxman AB (later on Lovefilm Nordic), Founder and CEO. 2003–2005 E\*TRADE Sverige AB, Board member. 2002–2003 E\*TRADE Bank AG (Germany), CEO. 2000–2002 E\*TRADE Sverige AB, CEO

**Other significant assignments:** Chairman of Hem Design Studio AB, Board member of Dustin Group AB, Euroflorist Intressenter AB, New Bubbleroom Sweden AB, Stratys AB and Sana Labs AB. Advisor on technical issues to Altor Equity Partners

**Holdings on 31 December 2019** (incl. family and companies): 13,950



### Hans Toll

Born: 1970

Elected: 2014

**Committees:** Credit & Audit Committee

**Education:** Master of Science in Business and Economics, Stockholm School of Economics

**Diversity and suitability:** 20 years of experience from the financial sector with broad network of contacts. Thorough understanding of Avanza's operations and challenges after his previous role as Deputy Managing Director at Avanza Bank. Background as financial analyst with deep understanding of the financial services sector, its players and financial instruments.

**Relevant employment history:** 2010–2013 Avanza Bank AB, Deputy Managing Director and Head of Bank and Investments. 2002–2010 RAM One – Rational Asset Management AB, Portfolio Manager. 1999–2002 Investor Trading AB, Analyst. 1995–1999 Investor AB, Financial Analyst

**Other significant assignments:** Chairman of Bright Sunday AB, Board member of Creades AB and WeWind AB

**Holdings on 31 December 2019** (incl. family and companies): 125,000



### Jacqueline Winberg

Born: 1959

Elected: 2003

**Committees:** Remuneration Committee

**Education:** Master of Science in Business and Economics, Stockholm School of Economics

**Diversity and suitability:** Broad expertise in corporate governance, the impact of corporate culture and different types of leadership. Experience from the banking sector and with board assessments and directors' duties. Contributes knowledge in succession planning, executive search and compensation issues.

**Relevant employment history:** 2006– Stanton Chase, Managing Partner. 1996–2005 Ray & Berndtson in Sweden, Partner. 1995–1996 Michaël Berglund Chefsrekrytering, Consultant. 1985–1990 Handelsbanken. 1984–1985 PK-banken

**Other significant assignments:** CEO, Founder, Managing Partner and Board member of Stanton Chase International AB, Board member of Aktiebolaget Fastator and Offentliga Hus i Norden AB

**Holdings on 31 December 2019** (incl. family and companies): 8,500



## Auditors

### KPMG AB

Auditor-in-Charge: Mårten Asplund

Born: 1972

Authorised Public Accountant

# Group Management



## **Rikard Josefson, CEO**

Born: 1965

**Employed:** 2017

**Education:** B.A Economics Stockholm University

**Employment history:** 2011–2017 Länsförsäkringar Bank, CEO. 2011 SEB, Head of Global Transaction Services. 2004–2010 SEB, Deputy Head the Swedish retail banking operations. 2000–2004 SEB Finans, CEO. 1999–2000 Latvijas Unibanka (SEB), Deputy CEO. 1998–1999 SEB, Project Manager

**Other significant assignments:** Board member of SweSec Licensiering AB

**Holdings on 31 December 2019** (incl. family and companies):

*Shares:* 20,021

*Warrants* (corresponding number of shares): 180,000



## **Jesper Bonnivier, CEO Avanza Fonder AB**

Born: 1974

**Employed:** 2019

**Education:** Business administration Linköping's and Mälardalen's Universities

**Employment history:** 2011-2018 Länsförsäkringar Fondförvaltning AB, Deputy CEO and Head of Asset Management. 2009-2010 Länsförsäkringar AB, Head of Securities Administration. 2007–2008 Länsförsäkringar Fondförvaltning AB, Deputy CEO and Head of Fund Analysis and Valuation.

**Other significant assignments:** –

**Holdings on 31 December 2019** (incl. family and companies):

*Shares:* 200

*Warrants* (corresponding number of shares): 16,390



## **Birgitta Hagenfeldt, CFO, Deputy CEO**

Born: 1961

**Employed:** 2008

**Education:** MBA, Örebro University

**Employment history:** 2002–2008 RAM One –Rational Asset Management AB, Head of Administration. 1980–2002 KPMG, Authorised Public Accountant and Head of Financial Auditing

**Other significant assignments:** Board member of Sectra AB

**Holdings on 31 December 2019** (incl. family and companies):

*Shares:* 273,040

*Warrants* (corresponding number of shares): 196,650



## **Camilla Hedenfelt, Head of Human Resources/CHRO**

Born: 1968

**Employed:** 2019

**Education:** BA Personnel and working life programme, Stockholm's University

**Employment history:** 2016-2019 Orkla Care AB (Orkla AS acquired Cederroth AB 2016), HR Director. 2014-2016 Cederroth AB, HR Director. 2012-2014 Swedish Match, HR Manager. 2007-2012 Orkla Brands Nordic (within Orkla ASA), HR Manager

**Other significant assignments:** –

**Holdings on 31 December 2019** (incl. family and companies):

*Shares:* 0

*Warrants* (corresponding number of shares): 13,690



### Åsa Mindus Söderlund, CEO Forsäkringsaktiebolaget Avanza Pension and Group responsible for CSR

Born: 1965

**Employed:** 2017

**Education:** Bachelor Financial Economics, Stockholm School of Economics and Business Administration

**Employment history:** 2017-2018 Avanza Fonder, CEO, 2012-2017 SPP, CEO SPP Consultant and member of Group Management SPP Pension & Insurance. 2010-2012 mindUS Consulting, Project leader with focus on international outsourcing within the fund and asset management industry. 2005-2010 Atos Consulting, Director and CEO. 1998-2005 Capgemini Ernst&Young, Senior Manager Ernst & Young Management Consulting. 1991-1997 Ministry of Finance, Head of Section.

**Other significant assignments:** -

**Holdings on 31 December 2019** (incl. family and companies):

*Shares:* 250

*Warrants* (corresponding number of shares): 28,420



### Gunnar Olsson, COO

Born: 1972

**Employed:** 2018

**Education:** MBA, Mittuniversitetet

**Employment history:** 2012-2018 Länsförsäkringar Bank AB, Head of business development and products. 2000-2012 SEB, Head of third party sales and Business developer. 1998-2000 PAR AB (Now Bisnode), Account Manager

**Other significant assignments:** Chairman of Stabelo Group AB

**Holdings on 31 December 2019** (incl. family and companies):

*Shares:* 6,250

*Warrants* (corresponding number of shares): 43,780



### Teresa Schechter, CLO

Born: 1970

**Employed:** 2006

**Education:** LL.M. University of Gothenburg

**Employment history:** 2006-2017 Avanza Bank AB, Head of Compliance, Legal and Surveillance. 2004-2006 Aktieinvest FK AB, Compliance Officer and Corporate counsel. 2002-2004 Swedish Shareholders' Association, Legal Council. 1999-2001 Aktiesparinvest / HQ.se AB, Corporate Council

**Other significant assignments:** -

**Holdings on 31 December 2019** (incl. family and companies):

*Shares:* 0

*Warrants* (corresponding number of shares): 47,470



### Peter Strömberg, CIO

Born: 1972

**Employed:** 2014

**Education:** MSc Business Administration & Information Technology, Gotland University College/ Stockholm University

**Employment history:** 2010-2014 RSA Scandinavia IT-Service Management, IT Director. 1998-2010 Nasdaq OMX, Vice President OMX Technology

**Other significant assignments:** -

**Holdings on 31 December 2019** (incl. family and companies):

*Shares:* 0

*Warrants* (corresponding number of shares): 89,590



### Peter Westling, Head of Innovation and Marketing

Born: 1971

**Employed:** 2012

**Education:** MBA, Stockholm University

**Employment history:** 2002-2011 Garbergs advertising firm, CEO, Partner and Communication Strategist

**Other significant assignments:** Board member of Monetise Capital AB

**Holdings on 31 December 2019** (incl. family and companies):

*Shares:* 4,000

*Warrants* (corresponding number of shares): 195,450

**Stockholm, 20 February 2020**

Sven Hagströmer  
Chairman of the Board

Viktor Fritzén  
Board member

Jonas Hagströmer  
Board member

Birgitta Klasén  
Board member

Mattias Miksche  
Board member

Hans Toll  
Board member

Jacqueline Winberg  
Board member

Rikard Josefson  
CEO

### **The auditor's examination of the corporate governance statement**

To the general meeting of the shareholders in Avanza Bank Holding AB, corporate identity number 556274-8458

#### *Engagement and responsibility*

The Board of Directors is responsible for that the corporate governance statement on pages 38–50 has been prepared in accordance with the Annual Accounts Act.

#### *The scope of the audit*

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

#### *Opinions*

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act and the Annual Accounts Act for Credit Institutions and Securities Companies.

Stockholm, 20 February 2020

KPMG AB

Mårten Asplund  
Authorised Public Accountant  
Auditor-in-Charge

Dan Beitner  
Authorised Public Accountant