



# Policy for composition and competence of the Board

Fondab AB

<b>Applies for</b>	Fondab AB - the Board and management
<b>Document type</b>	Policy
<b>Date of adoption</b>	2020-03-27 (replaces 2019-04-11)
<b>Adopted by</b>	BOD
<b>Document owner</b>	BOD
<b>Information class</b>	Public

## Version

Date	Version	Section	Adjustments
2020-03-27	2.0	[Section 1,3,5]	[MiFID II adjustments]
2019-04-11	1.0	[All sections]	[Initial Version]

# Table of Contents

- 1 Introduction..... 2
  - 1.1 Background and purpose ..... 2
  - 1.2 Legal basis..... 2
  - 1.3 Responsibilities..... 2
- 2 Regarding the Board..... 2
  - 2.1 The Boards composition..... 2
  - 2.2 Qualifications and competence..... 2
    - 2.2.1 The most important competence areas for the Board.....2
  - 2.3 The Board members’ time..... 3
  - 2.4 Diversity..... 3
  - 2.5 External assignments..... 3
- 3 Appointing a Board member ..... 4
  - 3.1 Internal suitability assessment ..... 4
  - 3.2 To exclude a Board member ..... 4
- 4 The Board’s competence..... 5
  - 4.1 Workshop and self-assessment..... 5
  - 4.2 Collective training plan..... 5
  - 4.3 Documentation of the self-assessment and the training plan ..... 5
- 5 Miscellaneous..... 6
  - 5.1 Budget ..... 6
- 6 Appendices ..... 6
  - 6.1 Appendix 1 – The most important competence areas for the Board ..... 6
  - 6.2 Appendix 2 – Areas of knowledge and competence when performing the self-assessment. 6

# 1 Introduction

## 1.1 Background and purpose

In order to maintain the public trust in the financial market it is important that all financial institutions act in an honest, fair and professional way. The Board members of each financial institution are responsible for the institution that they represent.

This Policy have been established in order to ensure that Fondab AB (“Fondab” or “the Company”) has sound processes for ensuring that the Board has the accurate competence and composition.

## 1.2 Legal basis

Fondab shall comply with the Securities Market Act (2007:528) and the Swedish Financial Authority’s (“Sw. FSA”) regulation on the Securities Market (FFFS 2017:2). This includes the rules regarding the composition and competence of the Board. Fondab shall also comply with the European Bank Authority’s (“EBA”) guidelines on Internal Governance (“GL 11”) as well as ESMA and EBA guidelines on the assessment of suitability of members of the management body and key function holders (“GL 12”).

## 1.3 Responsibilities

- The function for implementation is the BOD
- The function to perform follow up is the compliance function

# 2 Regarding the Board

## 2.1 The Boards composition

The Board shall, in accordance with Fondab articles of association, consist of 3-7 members. The Board is currently structured as follows:

- 4 Board members

The number of Board members is considered sufficient in relation to the Company’s size and needs.

## 2.2 Qualifications and competence

Each Board member shall possess sufficient qualifications that are required to fulfil the Board’s assignment in a professional and correct manner. This applies to Board members as individuals as well as the Board as a collective.

Board members shall have a good understanding of the Company’s business and shall be aware of the factors that may affect how the business is operated and controlled. It is desirable that the Board members contribute with different point of views, knowledge and experience.

### 2.2.1 The most important competence areas for the Board

Annually when adopting this Policy, or when it is deemed to be necessary (e.g. changes in the business plan, when introducing new products or entering new markets, or when performing the self-assessment according to section 4.1 below), the Board shall analyse the most important

competences needed in order for the Board to achieve its short- and long-term objectives. The most important competences for the Board as a collective shall be documented in *appendix 1* to this Policy. These most important competences shall be considered when establishing the collective training plan for the Board, see further in section 4.2 below.

When assessing what competences the Board needs to possess, it shall consider the future objectives and strategy of the Company. When the objectives are clear it is easier to assess the competence that the Board needs to acquire in order to reach them. General knowledge and experience that is needed in order to perform a board assignment in an adequate way are not mentioned especially in appendix 1. This includes knowledge of sales, risk, ethics, responsibility, knowledge of the market, etc.

## **2.3 The Board members' time**

All Board members shall devote enough time for preparations as well as meetings, trainings and workshops. This in order to ensure that the Board has the possibility to fulfil its assignment in an appropriate way.

The time that the Board considers reasonable for the assignment shall be documented and reviewed annually. The expected time needed for the assignment may vary between the Board members. An internal Board member may need less time for preparation than an external Board member. The Chairman needs to spend more time on the Board assignment as do members of the Company's Audit Committee.

Board meetings shall be held at least 4 times annually and an ordinary Board meeting should take approximately 3 to 5 hours. Ordinary meetings generally require 1 day of preparations. More extensive meetings may require more time.

The expected time needed for the assignment should amount to approximately 8 working days per year and Board member. This includes continuous preparation and training.

## **2.4 Diversity**

The Board of Fondab shall consist of competent and experienced Board members. The composition of the Board will not be determined by various diversity aspects but by the individual qualities of each Board member. Fondab encourage diversity within the Company and the Board but when assessing the Board's composition, the experience and knowledge of the Board members are the essential factors. Discrimination due to ethnical background, gender, age or otherwise will never be accepted by the Board.

## **2.5 External assignments**

The Board members shall not hold assignments in a business that could be considered competing with Fondab. Depending on the nature of the assignment a Board member is allowed to have other board assignments whilst being on the Fondab Board. The Board of Fondab has however decided that more than 5 board assignments in total should be difficult to manage.

### 3 Appointing a Board member

New Board members shall always be carefully selected. The general meeting of shareholders appoints Board members, but the competence of a new intended Board member may in some cases, when delegated by the shareholders, be evaluated by the Compliance Officer or CEO.

Important qualities for potential Board members of Fondab are:

- They shall be able to undergo the Company's internal suitability assessment
- They shall be able to undergo a management assessment by the Sw. FSA
- They shall possess appropriate knowledge regarding the financial industry

As the general meeting of shareholders has the final responsibility to appoint Board members it may decide to deviate from the above-mentioned criteria.

#### 3.1 Internal suitability assessment

All new Board members of Fondab shall, before the management assessment performed by the Sw. FSA, undergo the Company's internal suitability assessment. This includes acquiring the following documents and information from the subject of the assessment:

- Copy of criminal record shall ensure that the intended Board member has not been convicted for any crimes in the recent years,
- UC (credit check),
- Validated ID- copy,
- Extract from Kronofogdemyndigheten ("KFM"), to ensure that the proposed Board member do not have any questionable economical activities,
- Resume shall show that the intended Board member has appropriate knowledge and experience
- References that shall confirm the proposed Board members resume and personal capabilities and reputation,
- Side activities/other assignments shall be disclosed in writing

The information provided in the internal suitability assessment should be no older than 3 months. The Board is responsible for presenting new members of the Board that have passed the suitability assessment to the general meeting of shareholders and also for performing the assessment or by delegation ensuring that the assessments are performed. The appointed person to perform the suitability assessment is called ("The assessment responsible person").

For more detailed instructions regarding the suitability assessment of Board members, please see relevant parts of Fondab's *Policy for suitability assessments of Board and management*. The suitability assessment shall be documented and stored on a permanent media (except for the copy of the criminal record which must be destroyed after being read).

#### 3.2 To exclude a Board member

A Board member who violates internal or external regulations or acts in ways that is not in accordance with the best interest of Fondab may be excluded from the Board. Excluding a Board member is a serious matter and shall never be decided on uncertain facts. Situations that may lead to an exclusion of a Board member are for example the occurrence of certain criminal activity, non-

manageable conflicts of interests, lack of interest, inappropriate behavior and other actions that could damage the reputation of Fondab or the Board member.

## **4 The Board's competence**

### **4.1 Workshop and self-assessment**

The Board shall every second year, or when it is deemed to be necessary (e.g. new composition of the Board), participate in a mandatory workshop, in which their knowledge and competence shall be discussed and evaluated. The performance of the workshop may vary from time to time.

The Board shall, based on the knowledge requirements decided by the Board itself evaluate its knowledge and competence. Through this self-assessment each Board member shall individually evaluate his/her strengths and weaknesses in relation to the areas identified by the Board in *appendix 2*.

The self-assessment will show what competence the Board needs to strengthen and what already exists within the Board. The self-assessments will be reviewed by the Compliance Officer and the outcome will result in a collective training plan for the Board.

Due to new regulations, new conditions within the Company and other circumstances the identified competences which are considered most relevant in this Policy (see *appendix 1*) might need to be reviewed in conjunction with the workshop.

### **4.2 Collective training plan**

The outcome of the discussions at the workshop and the self-assessment forms (section 4.1 above) shall be documented in a collective training plan for the Board. The Board members shall together decide on what training they wish to take part in during the coming years. The Board has decided that two well organized training sessions per year should be sufficient, in connection to Board meetings.

All Board members have a responsibility to keep themselves updated on industry news and relevant updates in external and internal rules and regulations.

### **4.3 Documentation of the self-assessment and the training plan**

Method, date, result and the names of the present Board members shall be documented on a permanent media. The same applies to the forms, training material, presentations etc. that were used to perform the self-assessments.

The individual self-assessment forms shall not be shared with others than the concerned Board member, the chairman of the Board and the Compliance Officer, and shall be archived by the chairman of the Board on a permanent media with restricted access. The training plan shall also be archived by the chairman of the Board on a permanent media with restricted access.

## 5 Miscellaneous

### 5.1 Budget

The Company shall ensure that the Board has sufficient funds for training and workshops. The budget for the annual training activities shall be decided annually and its reasonability shall be reviewed by the Internal Audit Function.

## 6 Appendices

### 6.1 Appendix 1 – The most important competence areas for the Board

The following identified competences are at present the most important for the Board to improve/stay informed about, in order for the Board to achieve its short- and long-term objectives:

- Information, technology and IT-platforms
- Regulatory and behavioral changes that will impact the business
- Recovery and contingency

The above-mentioned areas of competence and knowledge shall be considered when establishing the collective training plan for the Board.

### 6.2 Appendix 2 – Areas of knowledge and competence when performing the self-assessment

The following areas of knowledge and competence shall be analysed *individually* and *collectively* when the Board members are performing the self-assessment according to section 4.1 in the Policy:

#	Area of knowledge and competence
1	Fondab's corporate values, culture and behavior within the management body and the institution
2	Internal capital, regulatory capital and funding
3	Treasury management
4	Recovery and resolution
5	Policy on outsourcing and outsourced activities
6	Information technology and security
7	Financial information and regulatory reporting
8	Business strategy and business plan, including associated risks
9	Fondab's services, products and markets
10	The key policies
11	Risk management (identifying, assessing, monitoring, controlling and mitigating the main types of risk of the institution)

<b>12</b>	IT risks
<b>13</b>	Legal requirements and regulatory frameworks
<b>14</b>	Data protection measures (Namely the General Data Protection Regulation, GDPR)
<b>15</b>	Operational risks
<b>16</b>	Credit risks
<b>17</b>	Anti-Money Laundering (AML) & Counter Terrorism Financing (CTF)
<b>18</b>	Accounting and auditing
<b>19</b>	Transparency and customer protection (including information to clients)
<b>20</b>	Whistleblowing mechanisms
<b>21</b>	The structure and responsibilities of the management body and its committees
<b>22</b>	Internal governance and internal control framework (including knowledge about the duties of the risk management, compliance and audit functions)
<b>23</b>	Risk strategy, risk culture and risk appetite (including frameworks)
<b>24</b>	Market risks
<b>25</b>	Legal/ reputational risks
<b>26</b>	Compliance risks
<b>27</b>	Remuneration policy and practices (management level and institution-wide)
<b>28</b>	Management of conflicts of interest
<b>29</b>	Managerial skills and experience
<b>30</b>	Equality and diversity
<b>31</b>	Financial and capital markets (local, regional and global perspective)