



The Board of Directors' of Tethys Oil AB (publ) proposal on guidelines for remuneration to senior executives

The Board of Directors of Tethys Oil AB (publ) (the “**Company**”, together with its subsidiaries the “**Group**”) proposes that the Company shall apply the following guidelines for executive remuneration agreed after the Annual General Meeting 2020.

Background

The guidelines to be approved by the Annual General Meeting 2020 are the result of a review to comply with revised Swedish legislation resulting from the European Union Shareholder Rights Directive II and the 2020 revised Swedish Corporate Governance Code. However, few material changes are proposed for how the Company manages executive remuneration matters.

Application of guidelines

These guidelines apply to remuneration to senior executives and to members of the Board of Directors if remuneration is paid for work performed outside the scope of the ordinary board work (*e.g.* pursuant to an employment or consultancy agreement). For the purposes of these guidelines, senior executives include the Managing Director, the Deputy Managing Director (if applicable) and certain other executives who, from time to time, are members of the Group Executive Management. As of the date of these guidelines, the Company’s senior executives are the Managing Director, the CFO and the CTO.

These guidelines do not apply to any remuneration resolved upon or approved by the General Meeting and are only applicable to remuneration agreed, and amendments to remuneration already agreed, after the adoption of these guidelines by the Annual General Meeting 2020.

These guidelines constitute a framework within which remuneration to senior executives may be decided on by the Board of Directors.

General remuneration principles

In short, the Group’s business strategy is to create shareholder value working across the whole upstream oil and gas industry lifecycle of exploration, appraisal, development and production. A central objective in the Group’s business model is to explore for and produce oil and gas in an economically, socially, and environmentally responsible way. For more information regarding the Group’s strategic priorities, please refer to the Group’s Annual Reports and the Company’s website, www.tethysoil.com.

The Company’s remuneration principles are to ensure responsible and sustainable remuneration decisions that support the Company’s strategy, long-term interests and sustainable business practices and further enhance the Group’s market position as well as increase the shareholder value. To this end, salaries and other

employment terms shall enable the Group to retain and recruit skilled senior executives at a reasonable cost. The remuneration shall be on market terms and based on the principles of performance, competitiveness and fairness.

When evaluating whether these guidelines and the limitations set out herein are reasonable, the Board of Directors (including the Remuneration Committee) has considered the total income of all employees of the Company, including the various components of their remuneration as well as the increase and growth rate over time.

In order to comply with mandatory rules or established local practice, remuneration which is subject to rules outside Sweden may be adjusted to comply with such local rules, taking into account, to the extent possible, the overall purpose of these guidelines.

Elements of remuneration

The remuneration covered by these guidelines may consist of basic salary, variable cash salary, pension, non-financial benefits and severance pay. In addition hereto, the General Meeting may decide on, *inter alia*, long-term incentive programs in which senior executives can participate.

Principles for basic salary

The basic salary shall be in line with market conditions, be competitive, and shall take into account the scope and responsibility associated with the position, as well as the skills, experience and performance of each senior executive.

On the assumption of payment of full variable cash salary, pension benefits and other benefits, the basic salary is expected to amount to no more than 45 per cent of the total remuneration. If there is no variable cash salary, pension benefits or other benefits, the basic salary will constitute the entire remuneration.

Principles for variable cash salary

Variable cash salary, *i.e.* cash bonuses, shall be based on a set of predetermined and measurable performance criteria that reflect the key drivers for pursuing the Company's strategy, long-term interests and sustainable business practices. Such performance criteria include (but are not limited to) HSE, production, reserves replacement, business development and financial performance as well as individual performance.

To which extent the criteria for awarding variable cash salary have been satisfied shall be determined annually in connection with the publication of the year-end report for the respective financial year based on an evaluation of the senior executive's achievement of the performance indicators as described in the agreed individual performance targets.

Payment of variable cash salary shall be conditional upon the senior executive remaining employed for the duration of the qualification period. The Board of

Directors is entitled to adjust the incentive program during the term of the programme in the case of, for example, extraordinary increases or decreases in the Group's earnings.

Variable cash remuneration shall qualify for pension benefits only to the extent it is required pursuant to mandatory provisions of applicable collective bargaining agreements.

The annual variable cash salary may not amount to more than 12 months' basic salary, and is therefore expected to amount to no more than 50 per cent of the total remuneration.

Principles for pension benefits

Pension benefits shall comprise a defined contribution scheme with premiums calculated on the full basic salary and be set on an individual basis, however, provided that mandatory provisions of applicable collective bargaining agreements do not require otherwise.

Pension benefits may not amount to more than 30 per cent of the basic salary, and is therefore expected to amount to no more than 25 per cent of total remuneration.

Principles for non-financial benefits

Non-financial benefits shall be based on market terms and shall facilitate the duties of senior executives. Non-financial benefits may include, *inter alia*, life insurance, medical insurance etc.

Premiums and other costs relating to non-financial benefits may not amount to more than five per cent of the basic salary, and is therefore expected to amount to no more than five per cent of the total remuneration.

Remuneration during notice period and severance pay

The notice period for termination of the Managing Director shall not exceed twelve months and the notice period for termination of other senior executives shall not exceed nine months.

A mutual termination period of twelve months applies between the Company and the Managing Director and of up to nine months between the Company and other senior executives.

Severance pay to the Managing Director and other senior executives shall not exceed twelve months' basic salary, provided that the employment is terminated by the Company. In the event the senior executive terminates his or her employment, no severance shall be payable.

Principles for certain remuneration to members of the Board of Directors

To the extent members of the Board of Directors perform work for the Company outside the scope of the ordinary board work, consultancy fees on market terms

may be paid in addition to any board fees resolved upon by the General Meeting. The Nomination Committee is tasked with proposing a frame, if any, for such remuneration, to be approved by the Annual General Meeting.

Long-term incentive programs

Any remuneration resolved upon by the General Meeting is not covered by these guidelines. Accordingly, these guidelines do not apply to the Company's long-term incentive programs resolved upon by the General Meeting.

The Company's existing long-term incentive programs are directed to certain key employees of the Group and designed to create conditions for retaining and recruiting competent and committed personnel to the Group. More information on the Company's existing and proposed incentive programs from time to time is available on the Company's website, www.tethysoil.com.

The role of the Remuneration Committee

The Board of Directors has established a Remuneration Committee to deal with matters of executive compensation and wider Group remuneration. Specifically, it is tasked to:

- Recommend and review remuneration guidelines for the Managing Director, the executive management and other employees in the Group to the Board of Directors;
- Recommend Company Performance Targets for each year to the Board of Directors;
- Recommend Managing Director Performance Targets for each year to the Board of Directors, and inform the Board of Directors of the Performance Targets agreed between the Managing Director and the executive management;
- Recommend remuneration (salary and benefits) for the Managing Director to the Board of Directors and inform the Board of Directors of the remuneration (salaries and benefits) for the executive management;
- Recommend allocation of bonus and warrants to the Managing Director to the Board of Directors and inform the Board of Directors of allocation of bonus and warrants to the executive management; and
- Recommend incentive programme guidance relating to employees to the Board of Directors.

Preparation and review of the compliance of these guidelines

These guidelines have been prepared by the Remuneration Committee of the Board of Directors and the Board of Directors. The Remuneration Committee is responsible for preparation of updated proposals in respect of guidelines for remuneration to the senior executives. A proposal for amended guidelines is to be prepared by the Board of Directors when the need for material amendments arises, but at least every four years.

The guidelines may also be amended by way of a resolution by other General Meetings than Annual General Meetings.

Within the scope and on the basis of these guidelines, the Board of Directors shall, based on the Remuneration Committee's preparation and recommendations, annually decide on the specific revised remuneration terms for each senior executive and make such other decisions in respect of remuneration for senior executives that may be required.

The members of the Remuneration Committee are independent in relation to the Company and the senior executives. The Managing Director and the other senior executives do not participate in the Board of Directors' handling of, or resolutions regarding, remuneration-related matters if they are affected by such matters.

Principles for derogations from these guidelines

The Board of Directors may temporarily resolve to derogate from these guidelines, in whole or in part, if in a specific case there is special cause for such derogation and a derogation is necessary to serve the Company's long-term interests, including its sustainability, or to ensure the Company's financial viability.

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Stockholm in April 2020

Tethys Oil AB (publ)

The Board of Directors