



Tethys Oil Remuneration report 2022

Introduction

This remuneration report provides an outline of how Tethys Oil AB (publ)'s (the "Company" or "Tethys Oil") guidelines for remuneration to Group Executive Management (the "Remuneration Guidelines") have been applied. The Remuneration Guidelines was adopted by the Annual General Meeting ("AGM") 2022 where a change was made in respect of severance pay in the context of a change of control of the Company. The report also provides details on the remuneration of the Managing Director. In addition, the report contains a summary of Tethys Oil's outstanding share related incentive programs. The report has been prepared in compliance with Chapter 8 Sections 53 a and b of the Swedish Companies Act (2005:551) and Rules on Remuneration of the Board and Executive Management and on Incentive Programs issued by the Swedish Corporate Governance Board.

Further information on executive remuneration is available in note 11 (Employees) on page 68 in the annual report 2022. Information on the work of the remuneration committee in 2022 is set out in the corporate governance report available on Tethys Oils website or in the annual report 2022 on pages 29-33.

Remuneration of the Board of Directors is not covered by this report. Such remuneration is resolved annually by the Annual General Meeting and disclosed in note 11 on page 68 in the annual report 2022.

Key Developments 2022

The Managing Director summarises the company's overall performance in his letter to shareholders on page 7 in the annual report 2022.

Tethys Oil's Remuneration Guidelines: scope, purpose and deviations

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 Tethys Oil's market position as well as increase the shareholder value. To this end, salaries and other employment terms shall enable Tethys Oil to retain and recruit skilled Group Executive Management members at a reasonable cost. The remuneration shall be on market terms and based on the principles of performance, competitiveness and fairness.

The remuneration covered by the Company's 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 Group Executive Management can participate.

The guidelines are found in the administration report available on pages 38-48 in the annual report 2022. During 2022, the Company has complied with the applicable Remuneration Guidelines adopted by the AGM. No deviations from the guidelines have been decided and no derogations from the procedure for implementation of the guidelines have been made. The auditor's report regarding the Company's compliance with the guidelines is available on the Company's web (<https://www.tethysoil.com/en/section/corporate-governance>). No remuneration has been reclaimed. In addition to remuneration covered by the Remuneration Guidelines, the AGMs of the Company have resolved to implement long-term share-related incentive plans.

Total remuneration of the Managing Director (MSEK)

The below sets out total remuneration to Tethys Oil's Managing Director during 2022 and 2021 as expensed.

Name of Director & position	Financial year	Fixed remuneration		Variable remuneration	Pension	Total remuneration*	Proportion of fixed/variable remuneration (%)
		Base salary	Other benefits				
Magnus Nordin Managing Director	2022	5.078	0.055	0.581	0.0	5.714	90/10
	2021	3.559	0.026	0.942	0.496**	5.023	81/19

* The value of warrants allocated is not included in the total remuneration

** Pension expenses which relates to base salary has been accounted for entirely as fixed remuneration

Variable salary is recorded the same year as it is earned, prior to 2021 it was recorded the following year. In addition to remuneration described above, the Managing Director also receives warrants under the Company's long-term incentive programme as resolved by the AGM, as described below. The warrants are

transferred free of charge to the participants. The value of the warrants the Managing Director received in 2022 and 2021, including income tax paid for those warrants was MSEK 1.399 and MSEK 1.045 respectively.

Name of director (position)	Warrant incentive programme	Exercise period	Subscription price, SEK	Shares per warrant	1 Jan 2022	Number of warrants			31 Dec 2022
						Allocated 2022	Exercised 2022	Expired 2022	
Magnus Nordin (Managing Director)	2019 programme	1 Jun – 7 Oct 2022	64.9	1.21	60,000	-	-	60,000	-
	2020 programme	13 Jun – 6 Oct 2023	48.2	1.12	60,000	-	-	-	60,000
	2021 programme	12 Jun – 4 Oct 2024	70.8	1.07	60,000	-	-	-	60,000
	2022 programme	11 Jun – 6 Oct 2025	99.5	1.00	-	60,000	-	-	60,000
Total					180,000	60,000	-	60,000	180,000

Share based remuneration

Outstanding share related incentive programs

During 2022, Tethys Oil had four on-going long-term incentive programmes (2019, 2020, 2021 and 2022) as part of the remuneration package to employees. The allocation is not guaranteed and the Board of Directors of the Company shall resolve on and implement the allocation. The warrants have no vesting period or other restrictions and have been transferred free of charge to the participants and the Group accounts for any income tax for the participants to the extent such tax is attributable to the programme. The warrant can be exercised after three years.

The market value of the warrants has been calculated in accordance with the Black & Scholes formula by an independent valuation institution. The subscription price is based on the volume-weighted average of the purchase price for the Company's share on Nasdaq Stockholm during approximately a two-week period prior to the date of allocation.

The total number of issued and allocated warrants during 2022 was 160,000. Issued but not allocated warrants are held by the Company. No warrants were exercised during 2022 and 350,000 expired.

Variable remuneration and performance criteria

In accordance with the Guidelines for remuneration to Group Executive Management as adopted by the AGM in 2022, the Managing Director is eligible for variable cash remuneration totalling up to an equivalent of twelve month's basic salary.

The awarding of a variable cash salary is set in the beginning of the year and is based on a number of performance criteria in combination with personal performance targets. The performance criteria for the Managing Director's variable remuneration have

been selected to deliver the company's strategy, sustainable business practice and to encourage behaviour which is in the long-term interest of the Company. In the selection of performance measures, the strategic objectives as well as the short- and long-term business priorities for 2022 have been taken into account. The non-financial performance measures further contribute to alignment with sustainability as well as the company values.

Performance criteria and outcome as the basis for variable cash remuneration for the Managing Director in 2022

	Categories of performance criteria	Relative weighting of the performance criteria	a) Measured performance, and b) Actual remuneration outcome
Magnus Nordin Managing Director	Operations/HSE	9%	a) Zero recordable cases, 100 % b) SEK 432,465
	Sustainability/ESG	10%	a) Implementation of measurable ESG targets, 67 % b) SEK 314,520
	Production	25%	a) 0 % b) SEK 0
	Reserves & Resources	23%	a) 0 % b) SEK 0
	Strategy	23%	a) 0 % b) SEK 0
	Financial Return	9%	a) Return on capital employed >15%, 100% b) SEK 432,465
Total outcome		25%	
Total outcome (months)		3.0	

a) The level or performance achieved in the category.

b) The weighted outcome of the category (total weighting multiplied with performance level)

Comparative information on the change of remuneration and company performance

Change of remuneration and company performance over the last five reported financial years ("RFY").

	2018 vs 2017	2019 vs 2018	2020 vs 2019	2021 vs 2020	2022 vs 2021	RFY 2022
Magnus Nordin remuneration (MSEK)*	+0.705 (+21%)	+0.519 (+13%)	+1.365 (+29%)	-0.993 (-17%)	+0.691(+14%)	5.714
Consolidated operating result (MUSD)	+23 (+62%)	-24 (-39%)	-31 (-84%)	+10 (+178%)	+38 (237%)	54.2
Average remuneration on a full-time equivalent basis of employees of the parent company (MSEK)**	+0.065 (+11%)	+0.068 (+10%)	-0.007 (-1%)	+0.084 (+12%)	+0.101 (+13%)	0.888

* The value of warrants allocated is not included in the total remuneration

**Excluding members of Group Executive Management

Definitions and abbreviations

MSEK: Millions of Swedish kronor

MUSD: Millions of US Dollars

n.a.: not applicable