

A wide-angle photograph of a desert landscape at sunset. The sky transitions from a deep blue at the top to a bright orange near the horizon where the sun is a glowing orb. In the middle ground, an oil rig stands prominently against the orange sky. The foreground is dominated by rolling sand dunes with fine ripples on their surfaces. A few small, dark shrubs are scattered across the dunes. The overall scene is serene yet industrial.

# Tethys Oil Corporate Governance Report 2020

# Corporate Governance Report 2020

Corporate Governance practices refer to the decision-making systems through which owners, directly or indirectly, control a company. Tethys Oil is a publicly traded company listed on Nasdaq Stockholm, Mid Cap. Tethys Oil adheres to the Swedish Code of Corporate Governance (“the Code”). The Code is published on [www.bolagsstyrning.se](http://www.bolagsstyrning.se), where a description of the Swedish Corporate Governance model can be found. This Corporate Governance Report 2020 is submitted in accordance with the Swedish Annual Accounts Act and the Code. It explains how Tethys Oil has conducted its corporate governance activities during 2020. Tethys Oil does not report any deviations from the Code, Nasdaq Stockholm’s rule book for issuers, recommendations from the Swedish Securities Council, decisions from Disciplinary Committee at Nasdaq Stockholm or statements from the Swedish Securities Council. The report has been examined by the Company’s auditors, please see page 28.

## External and internal framework for governance in Tethys Oil

### External:

- Swedish Companies Act
- Accounting legislation (eg Swedish Book-keeping Act, Swedish Annual Accounts Act and IFRS)
- Nasdaq Stockholm’s rule book for issuers
- Swedish Code of Corporate Governance

### Internal:

- Articles of Association
- Board instructions, rules of procedure
- Internal control framework with Code of Conduct, policies etc.

## Shareholders

Tethys Oil’s shares are traded on Nasdaq Stockholm. At year-end 2020 the share capital amounted to SEK 6,050,862, represented by 33,056,608 shares, each with a par value of SEK 0.18. All shares represent one vote each. At 31 December 2020, the number of shareholders was 9,666 (7,044). Of the total number of shares, foreign shareholders accounted for approximately 57 percent. Lansdowne Partners Austria is the only shareholder with a holding in excess of 10 percent of shares and votes,

with a holding of 3,633,699 shares representing 11.0 percent of shares and votes.

In June, and as resolved by the AGM on 13 May 2020, Tethys Oil cancelled its entire holding of treasury shares (3,238,352) previously acquired by the Company under its share repurchase programme. Tethys Oil’s holding of its own shares, acquired in December 2020, amounted to 315,552 shares (1.0 percent) as at 31 December 2020.

For further information on share, share capital development and shareholders, see pages 32–35 and Tethys Oil’s website.

## Annual General Meeting

The Annual General Meeting (“AGM”) must be held within six months of the close of the fiscal year. All shareholders who are listed in the share register on the record date and who have notified the Company of their participation in due time are entitled to participate in the AGM. The AGM was held in Stockholm on 13 May 2020. 114 shareholders were represented at the AGM, representing 35 percent of the votes and share capital in the Company. In order to safeguard the health of shareholders and personnel, the AGM was conducted with precautionary measures in accordance with the special implementing regulations due to Covid-19 which were introduced in the Code during the year 2020. The resolutions passed by the meeting included the following:

- Adoption of the income statements and balance sheets for 2019 and discharge of liability for the Board of Directors and the Managing Director;
- Re-election of Robert Anderson, Alexandra Herger, Magnus Nordin, Per Seime and Geoffrey Turbott, with Geoffrey Turbott re-elected as chairman of the Board. Klas Brand was also elected to join the Board of Directors;
- Remuneration of the members of the Board of Directors and the chairman of the Board of Directors, including Board committee membership, to be as follows: (i) annual fees of the members of the Board of Directors of SEK 330,000 (excluding the Managing Director); (ii) annual fees of the chairman of the

Board of Directors of SEK 700,000; (iii) annual fees to committee members of SEK 35,000 per committee assignment, annual fees for the chairmen of the Remuneration Committee and the Technical Committee of SEK 65,000 each, annual fee for the chairman of the Audit Committee of SEK 90,000, unless the committee is chaired by the chairman of the Board of Directors in which case the annual fee is SEK 65,000. The total fees for committee work, including committee chairmen fees, shall not exceed SEK 360,000;

- Re-election of PricewaterhouseCoopers AB as auditors with authorised public accountant Ulrika Ramsvik as the auditor in charge. Auditors will be paid as invoices are approved;
- Guidelines for compensation of senior executives;
- Payment of a dividend of SEK 2.00 per share to the Company’s shareholders to be paid in May 2020 with record date 15 May 2020;
- An extraordinary distribution of SEK three (3.00) per outstanding share through a share split, a reduction of the share capital with redemption of shares from the share split and an increase of the share capital by way of a bonus issue. The record date for the share split is 22 May 2020;
- To effect a reduction of the share capital with redemption of shares held by the company and an increase of the share capital by way of a bonus issue equalling the amount of the reduced share capital.
- Approval of an incentive programme as part of the remuneration package to employees. Issuance of 350,000 warrants where each warrant is entitled to subscription to one new share in Tethys Oil during the period 13 June 2023 up to and including 6 October 2023. Subscription price for the warrants is SEK 54.00 per share;
- Authorisation for the Board to resolve on repurchasing own shares, up until the AGM 2021, up to but not more than one-tenth of all outstanding shares and to resolve on transfer of own shares;
- Rules for the appointment and work of the nomination committee;
- Authorisation for the Board to resolve to issue new shares or convertibles with

consideration in cash and, in kind or by set-off and with the right to deviate from the shareholders' preferential rights up to but not more than one-tenth of all outstanding shares, to enable the Company to facilitate the raising of capital for acquisitions and the Company's operations;

- Amendment of the Articles of Association to reduce the minimum and maximum number of shares and make certain other formal changes;

The minutes recorded at the AGM can be found at Tethys Oil's website, [www.tethysoil.com](http://www.tethysoil.com).

The Annual General Meeting 2021 is planned to be held in Stockholm on 19 May 2021 at CEST 15:00. The meeting will be held without the physical presence of shareholders, representatives or third parties. Shareholders will before the meeting be able to exercise their voting rights only by post.

### Nomination process

In accordance with the Nomination Committee process approved by the AGM 2020, the Nomination Committee for the AGM 2021 consists of members appointed by three of the largest shareholders of the Company based on shareholdings as per 30 September 2020 and the chairman of the Board. The names of the members of the Nomination Committee were announced and posted on the Company's website on 19 November 2020.

The Nomination Committee for the AGM 2021 has held four meetings during its mandate and informal contacts have taken place between such meetings. Viktor Modigh was at the first meeting appointed chairman of the nomination committee. The Nomination Committee report, including the final proposals to the AGM 2021, will be published on the Company's website together with the notice of the AGM.

The Nomination Committee's assignment is to produce proposals for the following matters, which will be presented to the AGM for resolution:

- Number of directors of the board;
- Remuneration to the chairman of the board of directors, the other directors of the board and the auditors respectively;
- Remuneration, if any, for committee work;
- Composition of the board of directors;
- Chairman of the board of directors;
- Resolution regarding the process of the Nomination Committee 2022;
- Chairman at the annual general meeting; and
- Election of auditors.

The work of the Nomination Committee included evaluation of the Board's work, competence and composition, as well as the independence of the members. The Nomination Committee also considered other criteria such as the background and experience and has also taken part in the Board evaluation. Further, the Nomination Committee has considered the Company's Board diversity policy in its proposal for Board members. The Board diversity policy is available on the Company's website.

The Nomination Committee for the AGM 2021 consisted of the following members:

- Viktor Modigh, chairman of the nomination committee, representing Magnus Nordin;
- Mikael Petersson, representing Lansdowne Partners Austria GmbH;
- Jan Risberg, representing himself; and
- Geoffrey Turbott, chairman of Tethys Oil

Shareholders who wish to present a motion to the Nomination Committee can do so to the chairman of the nomination committee: [nomcom@tethysoil.com](mailto:nomcom@tethysoil.com) or by letter to Tethys Oil AB, Nomination Committee, Hovslagargatan 5B, SE-111 48 Stockholm.

### The Board and its work

#### Board composition

The Articles of Association stipulate that the Board of Directors of Tethys Oil shall consist of no less than three and no more than ten Board members with no more than three deputy Board members. Board members and chairman of the Board are elected for a maximum of one year at a time. The Board of Directors of Tethys Oil since the AGM 2020 has consisted of six members and no deputies. Geoffrey Turbott has been chairman of the Board. Four Board members are independent from the Company and the Company's management, and six Board members are independent from larger shareholders. For further information on the Board members, please see pages 29–30.

#### Board of Directors elected at the AGM 2020

Member	Elected	Position	Year of birth	Nationality	Independent in relation to the Company	Independent in relation to the Company's larger shareholders
Geoffrey Turbott	2015	Chairman	1963	New Zealand	Yes	Yes
Robert Anderson	2017	Member	1953	United Kingdom	Yes	Yes
Klas Brand	2020	Member	1956	Sweden	No*	Yes
Alexandra Herger	2017	Member	1957	United States	Yes	Yes
Magnus Nordin	2001	Member	1956	Sweden	No	Yes
Per Seime	2017	Member	1946	Norway	Yes	Yes

\* Klas Brand assisted Tethys Oil in specific questions in relation to both internal controls and external reporting prior to being elected as board director in May 2020.

### Rules of procedure

The Board of Directors at Tethys Oil establishes the overall goals and strategy of the Company and resolves on larger investments, acquisitions and disposals of business activities or assets. The Board ensures that there is an appropriate system for follow-up and control of the Company's operations, including evaluating the risks associated with its operations and that there is a satisfactory process for monitoring the Company's compliance with applicable laws, other regulations and internal guidelines. The board identifies how sustainability issues impact risks to and business opportunities for the Company and also defines appropriate guidelines to gov-

ern the Company's conduct in society, with the aim of ensuring its long-term value creation capability. It appoints and evaluates the Managing Director and determines the Managing Director's salary and other compensation. The Board further ensures that the Company's external communications are characterised by openness, and that they are accurate, reliable and relevant.

The Board of Directors' work is governed by annually adopted rules of procedure. The chairman of the Board of Directors supervises the work and is responsible for it being well organised and efficient. This entails, among other things, continually following the Company's operations in

contact with the Managing Director and being responsible for other Board members receiving the information and documentation needed to ensure high-quality discussions and well-founded decisions by the Board of Directors. The chairman is responsible for the evaluation of the Board of Directors' and the Managing Director's work and represents the Board of Directors in ownership matters.

According to the current rules of procedure the Board of Directors shall, after the constituent Board meeting following the AGM, hold a minimum of five ordinary meetings during a calendar year.

### Timing and main items for ordinary meetings following AGM

May	Constituting meeting
August	Second quarter report
September–November	Strategy and discussion investment plan/budget
December	Investment plan and budget, liquidity and forecast
January–February	Fourth quarter and year-end report, allocation of profit, review auditors' report
March–April	Annual report and AGM

### Assessment of the board's work

The chairman of the Board is responsible for assessing the Board's work including the performance of individual Board members. This is done on an annual basis through a questionnaire which is anonymous for the Board members. The assessment focuses on such factors as the Board's way of working, number of meetings and effectiveness, time for preparation, available competence and individual Board

members influence of the Board's work. The Nomination Committee takes part in assessing the results, and it is a component in the nomination committee's work to submit a proposal to the AGM concerning Board members.

### The Board's work in 2020

During 2020, the Board held 13 meetings of which five were ordinary and eight extraordinary, in person, via telephone

and per capsulam meetings. Attendance at the meetings is shown in the table below. Board secretary was the Company's CFO Petter Hjertstedt. Prior to each meeting, Board members were provided with an agenda and written information on the matters to be covered. Each meeting has included the possibility to discuss without management representatives being present.

### Board of Directors and committee attendance in 2020

Board member	Board	Member Audit Committee	Member Remuneration Committee	Member of Technical Committee	Board meetings	Audit Committee meetings	Remuneration Committee meetings	Technical Committee meetings
Geoffrey Turbott	Chairman	Yes	–	–	13/13	5/5	–	–
Robert Andersson	Member	–	–	Yes (Chairman)	13/13	–	–	6/6
Klas Brand*	Member	Yes (Chairman)	–	–	9/10	3/3	–	–
Alexandra Herger	Member	–	Yes	Yes	12/13	–	2/2	6/6
Magnus Nordin	Member	–	–	–	13/13	–	–	–
Per Seime	Member	Yes	Yes (Chairman)	–	13/13	5/5	2/2	–

\* Klas Brand was elected as board director in May 2020.

## Board committees

In order to increase the efficiency of its work and enable a more detailed analysis of certain matters, the Board has formed committees: Audit, Remuneration and Technical. Committee members are appointed within the Board for the period until the next AGM. The committee's duties and authorities are regulated in the annually approved rules of procedure for each committee. The committees perform monitoring and evaluations, resulting in recommendations to the Board of Directors, where all decision-making takes place.

### Audit Committee

The Board has established an Audit Committee for the period up to and including the AGM 2021, consisting of Klas Brand as chairman, Geoffrey Turbott and Per Seime as members of the committee. Members of the committee during 2020 prior to AGM 2020 consisted of Geoffrey Turbott (chairman) and Per Seime. The Audit Committee convened five times in 2020. The work has mainly focused on supervising the Company's financial reporting and assessing the efficiency of the Company's financial internal controls, with the primary objective being providing support to the Board in the decision-making processes regarding such matters. The Audit Committee also regularly liaises with the Group's statutory auditors as part of the annual audit process and reviews the audit fees and the auditors' independence and impartiality. The Audit Committee also assists the Nomination Committee with proposals for resolutions on the election and remuneration of the auditor. The Audit Committee reports to the Board, normally in conjunction with the following Board meeting.

### Remuneration Committee

The Board has established a Remuneration Committee for the period up to and including the AGM 2021, consisting of Per Seime as chairman and Alexandra Herger as a member of the committee. The committee remained unchanged throughout the year. The Remuneration Committee convened two times in 2020. The work has mainly focused on preparing the Board's decisions on principles for remuneration to management, establishing key performance indicators, to monitor and evaluate

variable remuneration and the application of the guidelines for remuneration as well as to construct and propose the share-based incentive programme to the AGM. The Remuneration Committee reports to the Board, normally in conjunction with the following Board meeting.

### Technical Committee

The Board has established a Technical Committee for the period up to and including the AGM 2021, consisting of Robert Anderson as chairman and Alexandra Herger as a member of the committee. Members of the committee during 2020 prior to AGM 2020 consisted of Robert Anderson (chairman), Alexandra Herger and Gavin Graham. The Technical Committee convened six times in 2020. The work has mainly focused on following up on work programs, budgets and investment proposals, evaluation of and recommendation on appointment of independent qualified reserve auditor, oversight of the reserves audit process, review of operations management systems and technical review of new ventures projects. The Technical Committee reports to the Board, normally in conjunction with the following Board meeting.

## External auditors of the Company

### Statutory auditors

Pursuant to its Articles of Association, Tethys Oil must have one or two auditors, and no more than two deputies. A registered firm of auditors may be appointed as the Company's auditor. Tethys Oil's auditor is PricewaterhouseCoopers AB with Ulrika Ramsvik as lead partner and Sophie Damborg as co-signing auditor. PricewaterhouseCoopers AB was elected as the Company's auditor at the AGM 2020. At least once a year, the Board meets the Company's auditor without the Managing Director or any other member of the executive management present. Tethys Oil's auditors reviewed the Company's second quarter and six months report 2020.

### Tethys Oil's auditor: PricewaterhouseCoopers AB

	<b>Ulrika Ramsvik</b>	<b>Sophie Damborg</b>
Role	Lead partner	Co-signing Auditor
Company auditor since	2014	2020

The audit firm has, besides the audit, conducted a limited number of other assignments on behalf of Tethys Oil. These assignments mainly consisted of services associated with auditing, such as in-depth reviews during the audit. Remuneration to the auditors of Tethys Oil is paid in accordance with approved current accounts. In 2020, remuneration to PricewaterhouseCoopers AB amounted to MUSD 0.2 (MUSD 0.1). For details on remuneration to auditors, see note 10, Auditor's fees. During 2020 the auditor's advisory business was engaged to provide consultancy services within process efficiency and internal controls within Tethys Oil's finance function.

### Independent qualified reserves auditor

Tethys Oil's independent qualified reserves auditor annually certifies Tethys Oil's oil reserves and resources, although such assets are not included in the Company's balance sheet. The independent qualified reserves auditor for the 2020 report was ERC Equipoise Limited ("ERCE"), the same that also audited the 2019 report. For further information, see Reserves on page 9.

## Managing Director and executive management

The executive management in Tethys Oil throughout 2020 has consisted of the Managing Director (Magnus Nordin), CFO (William Holland until 8 January 2020 followed by Petter Hjertstedt) and the CTO (Fredrik Robelius). The Board of Directors has adopted an instruction for the Managing Director which clarifies the responsibilities and authority of the Managing Director. According to the instruction, the Managing Director shall provide the Board of Directors with decision data in order to enable the Board to make well-founded decisions and with documents to

enable it to continually monitor the activities for the year. The Managing Director is responsible for the day-to-day business of the Company and shall take the decisions needed for developing the business – within the legal framework, the business plan, the budget and the instruction for the Managing Director adopted by the Board of Directors as well as in accordance with other guidelines and instructions communicated by the Board of Directors. The Board evaluates the work of the Managing Director. The Board examines this issue formally at least once a year, and without any member of the executive management present during this evaluation process.

### **Guidelines for remuneration to senior executives**

The guidelines for remuneration to senior executives were approved by the Annual General Meeting 2020. It is the Board's opinion that there exists no need for any significant changes to the remuneration guidelines to be proposed for the AGM in 2021.

#### *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 (eg 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.

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.

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. 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 percent 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, ie 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 preparation 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 programme 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 percent 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 percent of the basic salary, and is therefore expected to amount to no more than 25 percent 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 percent of the basic salary, and is therefore expected to amount to no more than five percent of the total remuneration.

#### *Remuneration during notice period and severance pay*

The notice period for termination of the Managing Director shall not exceed 12 months and the notice period for termination of other senior executives shall not exceed nine months.

A mutual termination period of 12 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 12 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](http://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.

Remuneration to executive management 2020  
(MSEK)

	Basic salary	Pension arrangements	Variable salary	Share-based long-term incentive*	Other benefits	Total 2020	Total 2019
Managing director	3.494	0.436	2.057	1.045	0.029	7.061	6.217
Other executive management	8.985	0.632	1.833	1.245	0.016	12.711	10.868
<b>Total</b>	<b>12.479</b>	<b>1.067</b>	<b>3.890</b>	<b>2.291</b>	<b>0.045</b>	<b>19.772</b>	<b>17.085</b>

**Remuneration to the Board 2020**

Remuneration to be paid to the Board of Directors for the period between the AGMs of 2020 and 2021 amounts to a total of TSEK 2,380, allocated among the Board members in the way shown in the below table. The Annual General Meeting 2020 resolved that remuneration of the chairman of the Board of Directors shall be TSEK

700 per annum and of the other members TSEK 330 per member per annum. Remuneration is not paid for service of the Boards or directors of subsidiaries. Magnus Nordin, who is employed by Tethys Oil, does not receive any remuneration for his service on the Board of Directors.

Annual fee for committee members is TSEK 35 per committee assignment and annual fees for the chairman of the Remuneration and Technical Committees are TSEK 65. The annual fee for the chairman of the Audit Committee is TSEK 90, unless the committee is chaired by the Chairman of the Board in which case the annual fee is TSEK 65.

Remuneration to board and committee members for the period between the AGMs of 2020 and 2021 (in their capacity as board members)  
(TSEK)

Member	Board of directors	Audit Committee	Technical Committee	Remuneration Committee	Total
Geoffrey Turbott	700	35	–	–	735
Robert Andersson	330	–	65	–	395
Klas Brand*	330	90	–	–	420
Alexandra Herger	330	–	35	35	400
Magnus Nordin	–	–	–	–	–
Per Seime	330	35	–	65	430
<b>Total</b>	<b>2,020</b>	<b>160</b>	<b>100</b>	<b>100</b>	<b>2,380</b>

\* Klas Brand was remunerated in 2020 for assisting Tethys Oil in specific questions in relation to both internal controls and external reporting prior to being elected as board director in May 2020.

**Financial reporting and control**

The Board of Directors has the ultimate responsibility of the internal control for the financial reporting. Tethys Oil's system of internal control, with regard to financial reporting, is designed to minimise risks involved in the financial reporting process and ensure a high level of reliability in financial reporting. Furthermore, the system of internal control ensures compliance with applicable accounting and other requirements that Tethys Oil must meet as a listed company.

Tethys Oil's main assets are owned in partnership. The focus of internal control is

therefore to ensure reliability and accuracy of the operator's financial information. The control is conducted by monthly and quarterly cost controls, quarterly budget reviews and interviews with operators to understand and explain deviations.

*Internal control*

Tethys Oil continually works on improving financial reporting through evaluating the risk of errors in the financial reporting and related control activities. Control activities include following up on instructions and the application of accounting principles. The Board of Directors is responsible for and monitors the control

activities, which involve all levels of the organisation. The activities limit the identified risks and ensure correct and reliable financial reporting. The Company's financial department analyses and follows up on budget deviations, draws up forecasts, follows up on significant variations between periods and reports to the Board of Directors, which minimises the risks for errors in the financial reporting. The control activities also include following up on the authorisation manual and accounting principles. These control activities also include the operators in partnerships. The Board of Directors further decides on specific control activities and auditing of



operators in partnerships. The financial department regularly follows up on deviations and irregularities and reports to the Audit Committee. This structure is considered sufficient and suitable given the size and nature of the Company's business. At the current size of the Company and the fact that the Company's interests in producing assets are non-operated, it is not considered necessary to have a dedicated internal auditor function.

#### *Information and communication*

The Board has adopted an information policy for the purpose of ensuring that the external information is correct and complete. There are also instructions regarding information security and how to communicate financial information.

#### *Monitoring*

Both the Board and the management follow up on the compliance and effective-

ness of the Company's internal controls to ensure the quality of internal processes. The Board receives detailed monthly reports on the financial situation and development of the business to this end. The Audit Committee ensures and monitors that control activities are in place for important areas of risk related to financial reporting.

Stockholm, 9 April 2021

Tethys Oil AB (publ)  
The Board of Directors

## **Auditor's report on the Corporate Governance Statement**

To the general meeting of the shareholders in Tethys Oil AB (publ), corporate identity number 556615-8266.

#### *Engagement and responsibility*

It is the board of directors who is responsible for the corporate governance statement for the year 2020 on pages 21–28 and that it has been prepared in accordance with the Annual Accounts Act.

#### *The scope of the audit*

Our examination has been 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 the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Gothenburg, 9 April 2021  
PricewaterhouseCoopers AB

Ulrika Ramsvik  
*Authorized Public Accountant*  
*Lead Partner*

Sophie Damborg  
*Authorized Public Accountant*