

A new Swedish Code of Corporate Governance (“the Code”) came into force on July 1, 2008. The rules of the code are a supplement to the main provisions of the Swedish Companies Act (2005:551) regarding a company’s organisation, but also to the relatively extensive self-regulation that exists for corporate governance. The Code is based on the principle of “comply or explain”. According to this principle a company may choose whether it wants to follow a clause in the Code, or choose to explain why the company chose not to follow it.

Corporate Governance Code Application

The Company is a limited liability company registered in Bermuda. In the absence of a Bermudan Code of Corporate Governance, the Company applies the Code. The Company will apply the Code in full or, where applicable, explain deviations from it. The principles of corporate governance in the Company are described below.

Shareholders’ meetings

The Annual General Meeting (“AGM”) is the highest decision-making body of the Company, in which all shareholders are entitled to attend in person or by proxy. The AGM of the Company is held in Stockholm, Sweden, in the Swedish language, once per year, no later than six months after the end of the financial year. The task of the AGM is to report on the financial results and take decisions on corporate matters, including payment of dividend and amendments to the Articles of Association. The AGM also appoints members of the Board of Directors and auditors, and establishes the remuneration of the Board of Directors and the auditors.

Appointment and Remuneration of the Board of Directors and the Auditors

Shareholders in the Company have the right to nominate members of the Board of Directors, and auditors, to the AGM. The AGM elects members of the Board of Directors for a term of one year and auditors for a period of one year. The shareholders also propose remuneration for the Board of Directors and auditors, which is to be resolved by the AGM. In accordance with the Code, the Company has established a nomination committee which prepares proposals for the election and remuneration of members of the Board of Directors and auditors for the AGM. The nomination committee is to consist of three members, of whom one is appointed from the Board of Directors and two by the Company’s major shareholders.

The Board of Directors

The 2008 Board of Directors

The Board of Directors consists of eight Directors, all of whom were re-elected at the AGM on May 14, 2008: namely Lukas H. Lundin, Paul Leander-Engström, Per Brilioth, Al Breach, Ian H. Lundin, William A. Rand, Robert J. Sali and Torun Litzén. Further, the AGM appointed Lukas H. Lundin as Chairman of the Board of Directors. For a detailed presentation of the current Board, see “Board of Directors, group management and auditors”.

Board meetings

The Board of Directors is to meet at least twice a year, in person, and more frequently when necessary. In addition, meetings are to be conducted by telephone if considered necessary. The Managing Director has a regular contact with the Chairman of the Board of Directors and several other members of the Board of Directors.

Work and Responsibilities

The Board of Directors adopts decisions on overall issues affecting the Group. However, the Board of Directors’ primary duties shall be the organisation of the Company and the management of the Company’s operations including:

- Decisions regarding the focus of the business and adoption of Company policies;
- Supply of capital;
- Appointment and regular evaluation of the work of the Managing Director and Company management;
- Approval of the reporting instructions for the Company management;
- Ensuring that the Company’s external communications are open, objective and appropriate for target audiences;
- Ensuring that there is an effective system for follow-up and control of the Company’s operations and financial position vis-à-vis the established goals; and
- Follow-up and monitoring that the operations are carried out within established limits in compliance with laws, regulations, stock exchange rules, and customary practice on the securities market.

Sub-committees of the Board

The Board of Directors has established three sub-committees: the audit committee, the compensation committee and the investment committee.

Audit committee

The Audit Committee’s task, on behalf of the Board, is to review the Company’s quarterly reports and annual reports, make recommendations to the Board regarding the Company’s quarterly reports and annual reports, review the audit fees, ensure that the Company’s internal control system is maintained

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and enforced, and keep in contact with the Group's external auditors in connection with the annual audit process.

Duties of the Audit Committee

The duties of the Audit Committee are to handle critical accounting issues and check the financial reports the Company publishes. Among other issues and reports to be addressed are:

- Issues concerning internal control and application of relevant accounting policies and laws;
- Discuss uncertainties in the reported figures, changes in estimates and valuations;
- Significant events after the reporting period;
- Treat determined anomalies;
- The Company's annual and interim financial reports, which are presented four times per year, shall be examined;
- Discuss any other issues other than the above, which can have effects on the Company's financial reporting;
- Periodically (at least once a year) meet with the company's auditors and provide information on the focus and extent of the audit. The Audit Committee and auditors will also discuss co-ordination between internal control and external audits and auditors' views on the potential risks in the quality of the company's reports;
- The Audit Committee shall provide guidelines for other services than auditing services that the Company may require from the auditors;
- The Audit Committee shall annually, in connection with the year-end, evaluate the auditors' work. They must notify the Nominating Committee of its results, which must be taken into account when nominating auditors for the AGM;
- Assisting the Nominating Committee in prepara-

tion of nomination of auditors and remuneration of the auditors;

- The Audit Committee shall examine the annual and interim financial reports and make recommendations to the Board with respect to these;

In 2008, the Audit Committee met four times. The Audit Committee consists of William A. Rand, Torun Litzén and Ian H. Lundin.

Compensation committee

The function of the Compensation Committee is to receive information on, and determine matters regarding, compensation and other employment matters to the Group Management.

Duties of the Compensation Committee

The Compensation Committee shall present to the AGM a proposal for the principles for remuneration and other terms of employment for the Company's Management, which will be subject to the approval of the AGM. Establishing principles for remuneration and other conditions of employment is therefore included as an item on the agenda of the AGM. The proposals are to be published on the Company's website in connection with the notice for the AGM. In assessing the details of the proposed principles, the Compensation Committee shall always ensure that the total compensation for Group Management represents current market conditions and is competitive. The proposed principles include the following considerations:

- The relationship between fixed and variable compensation, as well as the link between performance and compensation;
- The main conditions for bonus and stock option programmes;
- The main conditions for non-monetary benefits, as

well as retirement, dismissal and redundancy payments; and

- Which individuals from Group Management are to be covered by the proposed principles for compensation.

Proposed principles that differ significantly from the original principles and the Board's procedure of preparation and resolution on the decision of remuneration for Group Management shall be reported to the AGM. The Compensation Committee will also review the annual remuneration of the Managing Director, Management Team and other key employees. In 2008, the Compensation Committee met twice. The Compensation Committee includes Lukas H. Lundin, Robert J. Sali and Paul Leander-Engström.

Investment committee

The function of the Investment Committee is to make suitable investment recommendations to the Cypriot subsidiary Vostok Komi (Cyprus) Limited. These recommendations must at all times be in line with the overall strategy of the Company as decided by the Board of Directors and communicated from time to time to the Investment Committee. A majority of the Investment Committee i.e. two directors can make recommendations to the Board of Vostok Komi (Cyprus) Limited, which will then resolve the matter. The Investment Committee consists of three of the board members, namely Lukas H. Lundin, Per Brilioth and Paul Leander-Engström.

The committee's representation at the Annual General Meeting

If one or more proposals to the AGM have been prepared by any of the sub-committees of the Board of Directors, the Chairman or other members should

attend the AGM so as to present their justification for the proposal. If no member of the committee concerned is physically represented at the AGM, the committee shall appoint another member from the Board of Directors to represent the committee.

Nominating Committee

At the Company's AGM on May 14, 2008, it was resolved to establish a Nominating Committee, consisting of representatives of the three largest shareholders of the Company, as at the last banking day of August, 2008. The Nomination Committee for the 2009 Annual General Meeting consists of the following members: Ian H. Lundin, appointed by Lorito Holdings Ltd; Anders Algotsson, appointed by AFA Insurance; and Arne Lööv, appointed by Fjärde AP-fonden. At the Nomination Committee's first meeting Ian H. Lundin was elected Chairman of the Committee. The Nomination Committee's task is to prepare proposals for the following resolutions at the 2009 AGM: (i) election of the chairman of the meeting, (ii) the election of directors, (iii) the election of the Chairman of the Board, (iv) the remuneration to the directors of the Board, (v) election of auditors and remuneration of the Company's auditors, and (vi) proposals on how the nomination process for the AGM 2010 will be implemented.

Management

The Managing Director, who is a member of both the Board of Directors as well as of group management, manages the Company's day-to-day activities and prepares investment recommendations in cooperation with the other members of the Investment Committee. For a detailed presentation of the management, see the section "Board of Directors, group management and auditors".

Group Management in 2008

Per Brilioth: Managing Director.

Sergei Glaser: Analyst and member of group management.

Anders Sjöberg: Chief Financial Officer.

Anders Börjesson: Legal Counsel.

Investor Relations

The Investor Relations function of the Company is managed by Robert Eriksson, who is Head of Investor Relations of the Company. Robert Eriksson devotes a significant part of his time to the Company, while simultaneously being engaged in Investor Relations activities for a number of other companies within the Lundin group of companies.

Remuneration of the Board of Directors and group management

Guidelines for the remuneration of the Board of Directors and group management

At the Company's AGM held on May 14, 2008, resolved on the following guidelines for the remuneration of the Board of Directors and group management. Remuneration of the Managing Director and other members of the group management shall consist of fixed salary, possible variable remuneration, other benefits and pension. Except for the Managing Director, the group management currently includes three individuals. The total remuneration shall correspond to prevailing market conditions and be competitive. Fixed and variable remuneration shall correspond to the respective individual's responsibility and authority. The variable remuneration shall primarily be handled within the framework of the Company's stock option plan, and in those cases where other variable remuneration may be given, this shall be subject to a limit in accordance with market terms, and specified performance targets for

the Company and/or the holder of the position. The manager shall have a notice period of three to six months. In the event of termination from the Company, the notice period and the time during which severance pay is paid out shall together constitute a maximum of 12 months. Pension benefits shall be either benefit-based or contribution-based or a combination thereof, with individual retirement ages. Benefit-based pension benefits are conditional on the benefit being earned during a predetermined period of employment. The Board of Directors shall be entitled to deviate from these guidelines in individual cases should special reasons exist.

Remuneration of the Company's Board of Directors

At the AGM on May 14, 2008, it was resolved that the remuneration of the Board of Directors (including work in the committees) be set at a total of USD 316,000, of which USD 57,000 is for the Chairman of the Board and USD 29,000 for each of the other members of the Board of Directors. For work on the Audit Committee, remuneration of USD 21,000 is paid to the Chairman and USD 14,000 to each member and for work on the Remuneration Committee, remuneration of USD 8,000 is paid to the Chairman and USD 5,000 to each member. In addition, remuneration for work on the Investment Committee, USD 11,000 is paid to the Chairman and USD 7,000 to each member. There is no remuneration to the Managing Director for work on the Board of Directors.

Remuneration to the Managing Director and other senior executives

The Managing Director received a fixed annual salary of approximately USD 285,000. The salary was equivalent to a service, estimated at around 80 percent. The Managing Director has a pension plan

under the Swedish ITP standard, which is accounted for as a defined contribution plan in accordance with IAS 19.30. The pension is calculated on the basis of the Managing Director's base salary. No additional payments have been made to the Managing Director during 2008. The Managing Director is entitled to 12 months' of full salary in the event of termination by the Company. Should he choose to resign the notice period is six months. Other senior executives' fixed annual salary amounts to a total of approximately USD 316,000. No additional payments have been made to the other members of the group management during 2008. The other members of the group management have a notice period of three months and the same applies in case of termination by the Company.

Incentive programme

Incentive programme for the Company

It was decided at the Extra General Meeting held on August 29, 2007, in accordance with a proposal from the Board of Directors, to adopt an incentive programme in the Company which entitles present and future employees to be allocated call options, entitling the holder to acquire SDRs in the Company. The purpose of the proposed incentive scheme is to create conditions to retain and recruit competent employees to the Group as well as promote the long-term interests of the Company, by offering its employees the opportunity to participate in any favourable developments in the value of the Company. The Company's employees are not party to any variable bonus programme. The exercise price for the options shall correspond to 120 percent of the market value of the SDRs at the time of the granting of the options which amounted to approximately SEK 86. The options may be exercised no earlier than two years and not later than three years from

the time of the grant. For employees and consultants resident outside of Sweden no premium shall be paid for the options and the options may only be exercised if the option holder, at the time of exercise, is still employed or is a consultant within the Group. For employees and consultants resident in Sweden the options are offered at a purchase price corresponding to the market value of the options at the time of the offer. The options shall be fully transferable and will be considered as securities. Among other things this means that the options are not contingent upon employment and will not lapse should the employee leave his or her position within the Group. The Company may grant not more than 1 million options. Allocation of options to the Managing Director shall not exceed 500,000 options and allocation to each member of the senior management or to other key employees shall not exceed 200,000 options. The allocation of options shall be decided by the Board of Directors whereby among other things the performance of the employee and his or her position in and importance to the Group will be considered. Directors who are not employed by the Group shall not be able to participate in the scheme. In order to stimulate the participation in the scheme, the Company has the intention to arrange for a subsidy in the form of a bonus payment, which after tax, corresponds to the option premium. Half of the bonus is intended to be paid in connection with the purchase of the options and the remaining half in connection with the exercise of the options. The latter bonus payment is subject to the requirement that the holder is still an employee or consultant of the Group at the time of exercise of the options. If the options are not exercised the latter bonus payment will not be paid. For employees resident in Sweden the participation in the programme therefore contains a risk. On August 30, 2007, it was decided to

grant 710,000 of the authorised 1,000,000 options under the Company's incentive programme to a group of employees. As a consequence of the Preferential Issue, the options will be recalculated in accordance with the recalculation provision of the option terms. A recalculation may result in increased dilution.

Incentive program for the Company's portfolio companies

At an Extra General Meeting held on August 29, 2007, an incentive scheme was adopted which entails that the Company may issue and transfer call options to members of the executive management and other employees related to investments in non-listed portfolio companies to create opportunities for employees to take part in any future increase in value. By enabling the Company's employees to subscribe for call options of shares in portfolio companies' opportunities are created for employees to take part in any future increase in value, in a similar mode as for individuals that are working within so called private equity companies. The options shall entitle the holder to acquire shares in the portfolio company from Group companies at a certain exercise price corresponding to 110–150 percent of the market value of the shares in the portfolio company at the time of the transfer of the options. The term of the options shall be no longer than five years. The Company shall be entitled to repurchase the options at market value if the holder ceases to be an employee of the Group. The number of options issued can correspond to no more than 10 percent of the underlying shares in a portfolio company owned by Vostok Nafta. The Directors of the Board who are not employed by the Company shall not be entitled to participate in the programme. As of yet no call options have been transferred to any employees

within the Group. This is to a large extent due to the longer lead times associated with investments in non-listed portfolio companies.

Other matters related to remuneration

The Board of Directors may be dismissed without a notice period. There are no agreements on severance payment or pensions for the Board of Directors with the exception for the Managing Director in his capacity as Managing Director, see "Remuneration to the Managing Director and other senior executives" above. Except as otherwise stated there are no reserved or accrued amounts in the Company for pensions or other post-employment remunerations or post-assignment for members of the Board of Directors or the senior executives.

Auditors

At the annual general meeting of shareholders on May 14, 2008, the audit firm PricewaterhouseCoopers AB, Sweden, was elected auditor for the period up to the next AGM.

Klas Brand, born 1956. Authorised public accountant, Lead Partner. Auditor in the Company since 2007. PricewaterhouseCoopers AB, Göteborg, Sweden.

Bo Hjalmarsson, born 1960. Authorised public accountant, Partner. Auditor in the Company since 2007. PricewaterhouseCoopers AB, Stockholm, Sweden.

During the year the auditing firm has not had any other assignments from Vostok Nafta in addition to auditing work specified in the section "Independent Auditors' Report" on page 73.

Internal control

The Board of Directors has overall responsibility for setting up effective internal control systems. Responsibility for maintaining and carrying out effective control has been delegated to the Managing Director. Internal control is a process which should be applied to ensure that goals such as effective and profitable operation are attained, financial reporting is reliable and laws and ordinances are complied with. The Board of Directors has also, as described above, set up an audit committee which is responsible for continuously reviewing the Company's control in relation to financial reporting.

Composition of the Board of Directors, elected on May 14, 2008, including meeting attendance for 2008

Name	Elected to the board	Position	Connection to the company	Audit committee	Compensation committee	Investment committee	Attended board meetings	Board fee, USD thousand
Lukas H. Lundin	2007	Chairman	Main Owner		X	X	100%	76
Al Breach	2007	Member	Independent				100%	29
Per Brilioth	2007	Member	Management			X	100%	-
Paul Leander-Engström	2007	Member	Independent		X	X	100%	41
Torun Litzén	2007	Member	Independent	X			100%	43
Ian H. Lundin	2007	Member	Main owner	X			100%	43
William A. Rand	2007	Member	Independent	X			100%	50
Robert J. Sali	2007	Member	Independent		X		83%	34
Number of meetings				4	2		6	