

The 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 to the extent it is compliant with the Bermudian Companies Act, 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 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 consists 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 2009 Board of Directors

The Board of Directors consists of eight Directors, all of whom were re-elected at the AGM on May 14th 2009: 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 meets at least twice per year in person, and more frequently when necessary. In addition, meetings are 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 are 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 for the first and third quarters, examine and make proposals to the Board regarding the Company’s six-month 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; and

During 2009, the Audit Committee met four times where all members were present. 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 presents to the AGM a proposal for the principles for remuneration and other terms of employment for the Company's Management, which is 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 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 always ensures 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 also reviews the annual remuneration of the Managing Director, Management Team and other key employees. During 2009, the Compensation Committee met twice where all members were present. 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) Ltd. 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) Ltd, 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 committees' 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, 2009 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 2009. The Nomination Committee for the 2010 Annual General Meeting consists of the following members: Ian H. Lundin appointed by Lorito Holdings Ltd, Leif Törnvall appointed by Alecta and Arne Lööv appointed by Fjärde AP-fonden (The 4th Swedish National Pension Fund). 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 2010 AGM: (i) election of the chairman of the AGM, (ii) the election of Board members, (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 2011 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 2009

Per Brilioth: Managing Director.
Anders Sjöberg: Chief Financial Officer.
Anders F. 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 senior management

At the Company's AGM held on May 14th 2009 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 consist a fixed salary, variable remuneration, other benefits and pension. Except for the Managing Director, the group management currently includes two individuals. The total remuneration shall correspond to prevailing market conditions and be competitive. The fixed and variable remuneration shall correspond to the respective individual's responsibility and authority. The variable remuneration should, in the first instance, be covered within the parameters of the Company's option plan and shall, where payable in other instances, be subject to an upper limit in accordance with market terms and specific objectives for the Company and/or the individual. The period of notice of termination of employment shall be three to six months in the event of termination

by a member of senior management. In the event of termination by the Company, the total of the period of notice of termination and the period during which severance compensation is payable shall not exceed 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, 2009 it was resolved that the remuneration of the Board of Directors (including work in the committees) be set at a total of SEK 1,260,000, of which SEK 230,000 is for the Chairman of the Board and SEK 115,000 for each of the other members of the Board of Directors. For work on the Audit Committee, remuneration of SEK 85,000 is paid to the Chairman and SEK 55,000 to each member and for work on the Compensation Committee, remuneration of SEK 30,000 is paid to the Chairman and SEK 20,000 to each member. In addition, remuneration for work on the Investment Committee, SEK 45,000 is paid to the Chairman and SEK 30,000 to each member. There is no remuneration to the Managing Director for work on the Board of Directors.

In addition, a maximum amount of SEK 1,440,000 (approximately USD 180,000) shall be allocated to the Board for remuneration of Namdo Management for management and investor relations services rendered. Namdo Management is a company controlled by the chairman of the Board Lukas H. Lundin.

Remuneration to the Managing Director and other senior executives

The Managing Director received a fixed annual salary of approximately USD 297,000 and a bonus payment of approximately USD 125,000, which was paid out in accordance with the Company's incentive programme (see below). 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 2009. 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 amounted to a total of approximately USD 382,000, and bonus paid in accordance with the Company's incentive programme amounted to approximately USD 37,000. 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 30 August 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 have been recalculated in accordance with the recalculation provision of the option terms. The number of granted options was increased by 533,920 options, and strike price was decreased by SEK 36.33 to SEK 48.33.

In June 2009, 290,000 new options were granted to employees under the incentive scheme each entitling the owner to subscribe to one SDR with a strike price of SEK 35.17. Employees resident in Sweden were offered to purchase the warrants at a price corresponding to the market value prevailing at the time of the offer. The options may be exercised no earlier than two years and not later than three years from the time of the grant.

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