

# CORPORATE GOVERNANCE REPORT

This report was prepared in accordance with the Swedish Annual Accounts Act (1995:1554) and the Swedish Code of Corporate Governance (the Code)

## INTRODUCTION

Crown Energy AB (publ) ('Crown Energy' or 'the Company') is a Swedish public limited company with its headquarters in Stockholm. The Company's ordinary shares are traded on NGM Main Regulated.

Crown Energy's corporate governance is allocated among shareholders, the Board, the CEO and senior management. Governance is regulated mainly by the Articles of Association, the Swedish Companies Act, NGM's rules for companies whose shares are traded on NGM Main Regulated, the Code, good practice on the stock market and internal guidelines and policies.

Companies whose shares are traded on a regulated market are required to implement the Code. The Code is part of self-regulation in the Swedish business community and is based on the "comply or explain" principle. This means that a company applying the Code may deviate from individual rules but must explain the reason for each deviation and provide a description of the solution that was chosen instead. The Code is available at [www.corporategovernanceboard.se](http://www.corporategovernanceboard.se). In accordance with the provisions of the Annual Accounts Act and the Code, Swedish companies whose shares are traded on a Swedish regulated market must

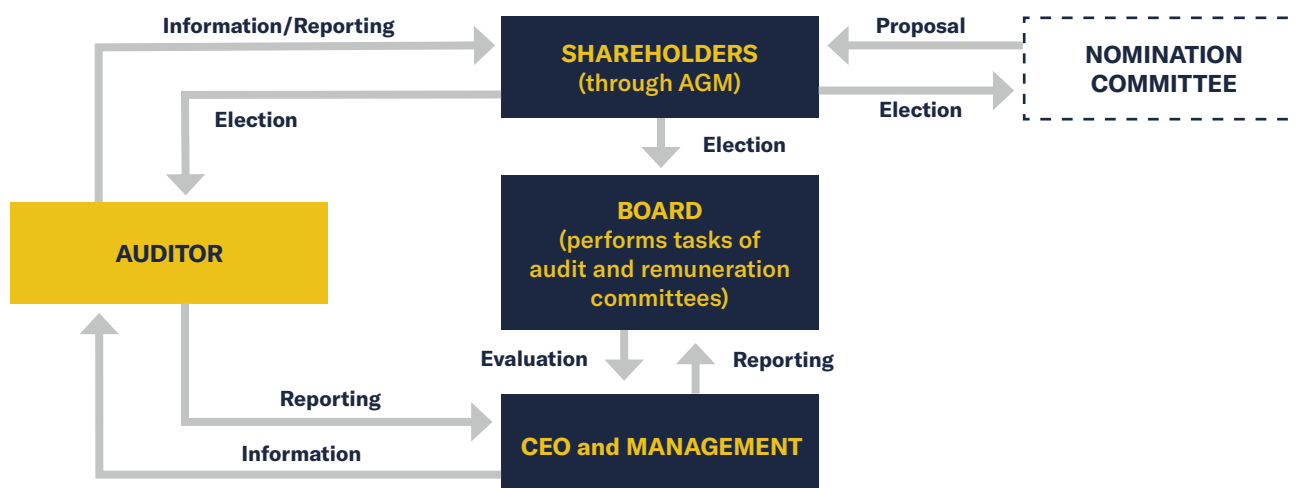
also prepare a corporate governance report. Crown Energy's corporate governance report for 2021 was prepared accordingly.

Rules of the Code from which Crown Energy deviated in 2021 are indicated in this report. The explanations and solutions that were used instead are described in each respective section of the corporate governance report.

The Company has no breaches of NGM's rules for companies whose shares are traded on NGM Main Regulated or breaches of good practice on the stock market to report for the year.

## GOVERNANCE STRUCTURE AND ACCOUNTABILITY

The shareholders of Crown Energy exercise their influence through the annual general meeting, the Company's highest decision-making body, while the Board of Directors and the CEO are responsible for the Company's organisation and management of the Company's affairs in accordance with the Swedish Companies Act, other laws and regulations, applicable rules for listed companies, the Articles of Association and the Board's internal control instruments. Crown Energy's governance structure is described in the following organisational chart of the various governing bodies. A description of each governing body follows.



## SHAREHOLDERS

As at 31 December 2021, Crown Energy had about 1,300 shareholders. The Company's two largest owners at 31 December 2021, in terms of both share capital and votes, are Yoav Ben-Eli (through YBE Ventures Ltd) with approximately 72.0 per cent and Cement Fund SCSp with 13.2 per cent. All outstanding shares are ordinary shares.

The two largest shareholders had combined holdings corresponding to 85.2 per cent of the shares and votes at the end of 2021. According to Chapter 6, Section 6, Sub section 2, Paragraph 3 of the Annual Accounts Act, corporate governance reports must present direct or indirect shareholdings that represent at least one-tenth of the number of votes for all shares in the Company. There were two shareholders with shareholdings

of this type at 31 December 2021: Yoav Ben-Eli and Cement Fund SCSp. Further information about the Company's shares and shareholders can be found on pages 19–20 of this annual report.

## GENERAL MEETING

The General Meeting is Crown Energy's highest decision-making body. By law, the annual general meeting (AGM) must be held within six months after the end of the financial year. At the AGM, decisions are made on issues such as adoption of the income statement and balance sheet, appropriation of profits, discharge of liability and election of Board members and auditors. The AGM also makes decisions regarding the Articles of Association, dividends and any changes in the share capital.

Notice of the AGM, as well as of an extraordinary general meeting where resolutions to amend the Articles of Association will be addressed, shall be issued no earlier than six and no later than four weeks before the meeting through a press release, a public announcement in Post- och InrikesTidningar (Post and Domestic Times) and on the Company's website. Notice of any other general meeting shall be issued no earlier than six and no later than three weeks before the meeting. In order to attend and vote at the AGM, shareholders must be entered in the register maintained by Euroclear Sweden AB on Crown Energy's behalf no later than six working days before the meeting and must have reported their attendance to the Company as described in the meeting notice. Shareholders may be represented by proxy.

### Annual General Meeting

Crown Energy's 2021 annual general meeting was held on 26 May 2021 in Stockholm. At the meeting, 86 per cent of the Company's total number of votes and shares were represented. Among others, the following items were resolved on at the meeting:

- ▶ Adoption of the income statements and balance sheets of the Parent Company and the Group
- ▶ Discharge from liability for the Board and CEO
- ▶ Adoption of the appropriation of profits, resulting in the Company's accumulated earnings of SEK 670,188,116 being carried forward
- ▶ Adoption of the number of Board members (four) and election of Board members (re-election of all members)
- ▶ Adoption of Board fees of SEK 225,000 to be apportioned in an amount of SEK 150,000 for the Chairman and SEK 75,000 for the non-executive Board member
- ▶ Re-election of the auditor and adoption of audit fees in accordance with approved invoices
- ▶ Adoption of guidelines for remuneration of senior executives in the Group

The 2022 AGM will be held on 15 June 2022 at 10:00 am at the Company's premises at Skeppargatan 27 in Stockholm. For information on the AGM, see the Company's website at [www.crownenergy.se](http://www.crownenergy.se).

### Other general meetings

An extraordinary general meeting was held on 17 December 2021. Amendment to the object of the Company in the Company's Articles of Association.

### NOMINATION COMMITTEE

A nomination committee's main tasks are to present proposals for election of the Chairman of the Board and Board members, fees to Board members, election of auditors and auditor fees to the AGM. Policies for appointing a nomination committee are resolved on at the AGM.

Historically, Crown Energy has not had a nomination committee, which is a deviation from the Code of Corporate Governance. The Board, together with the principal shareholders, has decided that a nomination committee is currently not necessary in view of the composition of the shareholders. Depending on any future changes in shareholder composition, the issue of a nomination committee may need to be raised again and Crown Energy intends to maintain an ongoing dialogue with the principal shareholders regarding this issue.

### BOARD OF DIRECTORS

#### *The Board's composition, function and rules of procedure*

The Board's work is conducted in compliance with the Companies Act, the Code and other applicable rules and regulations prescribed by the Company. The Board's overall function is to manage the Company's affairs and organisation.

According to the Articles of Association, Crown Energy's Board is to consist of at least three and no more than ten members, with no more than five deputies. The composition of the Board was unchanged during the year and consisted of four members.

#### *Board of Directors at 31 December 2021:*

- ▶ Pierre-Emmanuel Weil (Chairman)
- ▶ Alan Simonian (member)
- ▶ Jean Benaim (member)
- ▶ Yoav Ben-Eli (member)

There is no specific division of duties between the Board members. For additional information on the current Board, see the Board of Directors, senior executives and auditors section on pages 15-16 of the annual report.

At the statutory Board meeting after the AGM, the Board of Directors of Crown Energy establishes rules of procedure with instructions for the Board and the CEO, as well as instructions for financial reporting. The rules of procedure are reviewed and approved annually. The Board holds at least four regular meetings in addition to the statutory meeting. The meetings are scheduled to coincide with dates for financial reporting and the AGM to the greatest extent possible. Besides regular meetings, the Board convenes for additional meetings as required.

The work is led by the Chairman of the Board, who is responsible for ensuring that it is well organised and efficient. This includes ensuring that the Board has the relevant education to discharge its duties, ensuring that it receives adequate information and supporting documents and that it is evaluated annually. The Chairman also maintains frequent contact with the Company's CEO. The Chairman is appointed by the AGM. Pierre-Emmanuel Weil was re-elected Chairman of the Board at the 2021 AGM.

The Board may establish committees to delegate certain tasks. Normally, these committees consist of audit and remuneration committees. Board committees deal with issues that fall within their respective areas and submit reports and recommendations that form the basis of decisions made by the Board. The Board decides whether a committee should be established. In accordance with the Swedish Companies Act, the Board may decide to perform the duties of a committee within itself, i.e. to address the issues within the regular work of the Board. Crown Energy did not have an audit committee or remuneration committee in 2021, as the Board found it more appropriate to handle these types of issues as part of regular Board activities. Accordingly, the Board performs the duties of each committee.

The Code requires that most Board members be independent of the Company and its management. Currently two out of four board members are in the Company's management team. At least two of the independent Board members must be independent of the Company's major shareholders. Major shareholders are defined as owners who control 10 per cent or more of the shares or votes in the Company. The composition of the Board was unchanged in 2021. At the AGM in May 2021, all four Board members were re-elected. One of them is independent of the Company, its management and major shareholders. The Company deviates from the Code in that only one person is independent of both the Company's management and its major shareholders.

A summary of the Board members and their attendance at Board meetings can be found below:

| Name                 | Position     | Independent of Company and management | Independent of Company's major shareholders | Board meeting attendance 2021 |
|----------------------|--------------|---------------------------------------|---|-------------------------------|
| Pierre-Emmanuel Weil | Chairman     | Yes                                   | No  | 18/18                         |
| Alan Simonian        | Board member | No                                    | Yes   | 18/18                         |
| Jean Benaim          | Board member | Yes                                   | Yes   | 6/18                          |
| Yoav Ben-Eli         | Board member | Yes                                   | No  | 18/18                         |

#### Authorisation

The Company has no outstanding authorisations.

#### CEO AND MANAGEMENT

The CEO ensures that operations are conducted in accordance with the Swedish Companies Act, other laws and regulations, applicable rules for listed companies, the Articles of Association, the Board's internal control instruments and in accordance with the Board's established goals and strategies. In consultation with the Chairman of the Board, the CEO compiles the necessary informational and supporting documents for Board meetings, presents reports and motivates proposed resolutions. The CEO is Yoav Ben-Eli. As of 31 December 2021, Yoav Ben-Eli performs his duties on a consultancy basis and is not employed by the company.

The other members of Group management are Michail Shatkus, CFO, Alan Simonian, COO, and Peter Mikkelsen, Chief Geologist and Exploration Manager. Peter Mikkelsen performs his duties as a consultant, not as an employee of Crown Energy.

See the presentation of the CEO and other senior executives on pages 17 and 18 of the annual report.

#### INTERNAL AUDIT

The Company has a relatively simple legal and operational structure, along with established management and internal control systems. As a result, the Board determined in 2021 that a separate internal audit function was not necessary. The Board regularly monitors the Company's assessment of internal control through contact with the Company's auditors and by other means. In addition, internal efforts have been made to ensure that the controls and procedures of the incorporated new property business comply with the Group's established steering and internal control documents.

#### AUDITOR

The auditor is appointed by the AGM, on behalf of the shareholders, for the examination of Crown Energy's annual report and accounting records and the administration of the Company by the Board and CEO.

The 2021 AGM re-elected the auditing firm Öhrlings PricewaterhouseCoopers AB as Crown Energy's auditor for the period until the end of the 2021 AGM. As auditor in charge, authorised public accountant Bo Lagerström was appointed to sign the auditor's report.

The audit team had regular contact with the Company in 2021 in addition to the audit procedures performed.

The Company's auditor examined the annual accounts and the Company's internal controls for 2021.

#### Auditor's review of the half-year or nine-month report

The Company's auditor has reviewed the nine-month report for the 2021 financial year.

#### REMUNERATION

##### Remuneration guidelines

Guidelines for the remuneration of senior executives at Crown Energy are adopted by the AGM and currently cover the CEO and the CFO, who are part of the management team and are employed by the Company. The policy is to offer remuneration that is market-based and competitive. The level of remuneration should be based on position, competence, experience and performance.

##### Most recently approved remuneration guidelines – 2021 AGM

Ahead of the 2021 AGM, the Board proposed the following unchanged guidelines, which were later adopted at the AGM on 26 May 2021:

- ▶ The Board shall be entitled to deviate from the guidelines in individual cases if there are specific reasons for doing so. In the event of such a deviation, information about the deviation and the reason for it must be reported at the next AGM.
- ▶ Remuneration of the CEO and other senior executives shall consist of a fixed, market-based salary. Any benefits, where such exist, shall constitute only a limited portion of the remuneration.
- ▶ The CEO and other senior executives shall have defined contribution pension plans, which means that vesting occurs through the Parent Company's annual payment of premiums. The pension provision for the CEO shall be 30% of the CEO's annual salary. Pensions for other senior executives must be in line with the ITP plan.
- ▶ Upon termination by the Company, severance pay for senior executives can be paid in an amount corresponding to a maximum of 24 monthly salaries, including fixed salary during the notice period.
- ▶ Decisions about share and share price-related incentive schemes for senior executives shall be resolved on by the AGM. Share and share price-related incentive schemes shall be designed with the aim of achieving a greater alignment of interests between the participating executives and the Company's shareholders. Schemes that involve the acquisition of shares shall be designed to promote personal shareholdings in the Company. The vesting period, or the period from the conclusion of the agreement until shares may be acquired, shall not be less than three years. Board members who are not also employees of the Company shall not participate in schemes directed to the management or other employees. Share options shall not be included in schemes directed to the Board.
- ▶ In specific cases, the Company's Board members shall be allowed to receive fees for services rendered within their respective areas of expertise that do not constitute board work. Fees for these services shall be market-based, approved by the Board and disclosed at the AGM.

### The Board's proposed remuneration guidelines ahead of the 2022 AGM

The Board's proposed remuneration guidelines ahead of the 2022 AGM are the same as the most recently adopted guidelines (see above).

### Remuneration of the Board of Directors

Decisions regarding remuneration of the Board of Directors are resolved on by the AGM. The AGM on 26 May 2021 adopted Board fees as follows: SEK 150,000 for the Chairman and SEK 75,000 for each of the other non-executive Board members.

The Chairman and non-executive Board members do not receive a salary from the Company and are not eligible to participate in any of the Company's future incentive schemes.

On 1 December 2019, Yoav Ben-Eli was employed by one of the Parent Company's subsidiaries in the Netherlands. Consequently, this individual only received Board fees until the end of November 2019. From 1 December 2019 to 31 January 2021, Yoav Ben-Eli received a monthly salary of EUR 5,000.

### Senior executives' remuneration and benefits in 2021

Decisions regarding remuneration of the CEO are made by the Board. CEO Andreas Forssell received SEK 130,000 per month during 2021. Andreas Forssell also received pension benefits which, as far as the Board can determine, are comparable to those for CEOs of companies like Crown Energy received.

Yoav Ben-Eli was appointed CEO of the company as of September 2021. Since 1 February 2021, Yoav Ben-Eli, Board member and largest shareholder in the Company, is remunerated by the Group's subsidiary in Angola through a consulting agreement. The agreement amounts to EUR 20,000 per month, which corresponds to SEK 2,545 thousand for the period February–December 2021. Yoav Ben-Eli received a salary of SEK 50 thousand for January 2021 from the Group subsidiary in the Netherlands.

The other senior executives of Crown Energy are Michail Shatkus (CFO), Alan Simonian (COO) and Peter Mikkelsen (Exploration Manager). Decisions regarding the remuneration of other senior executives are made by the CEO. The CFO and COO receive pension benefits which, as far as the Board can determine, are comparable to those for equivalent positions in companies like Crown Energy.

Apart from public pension plans, Crown Energy has no contractual pension benefits other than the pension benefits of the CEO, CFO and COO. Unless otherwise stated above, the Company has not entered any agreements with members of the Company's management, governance or supervisory bodies that entitle such members to any benefits after termination of their positions.

Peter Mikkelsen performs his management duties for the Company on a consultancy basis and is hired as needed. In 2021, Peter Mikkelsen invoiced total fees amounting to SEK 46 thousand.

The remuneration of Board members and senior executives is summarised below:

### Remuneration, Board of Directors and senior executives

| Amounts in SEK THOUSAND                     | Basic salary/<br>Board fee | Variable remuneration | Other benefits | Pension expenses | Total 2021   | Total 2020   |
|---|----------------------------|-----------------------|----------------|------------------|--------------|--------------|
| <b>Board of Directors</b>                   |                            |                       |                |                  |              |              |
| Pierre-Emmanuel Weil, Chairman of the Board | 150                        | -                     | -              | -                | 150          | 150          |
| Jean Benaim, member                         | 75                         | -                     | -              | -                | 75           | 75           |
| Alan Simonian, member*                      | -                          | -                     | -              | -                | -            | -            |
| Yoav Ben-Eli, member**                      | 2,595                      | -                     | -              | -                | 2,595        | 2,595        |
| <b>Senior executives</b>                    |                            |                       |                |                  |              |              |
| Andreas Forssell, CEO                       | 1,481                      | -                     | -              | 390              | 1,871        | 1,481        |
| Other senior executives                     | 1,462                      | -                     | -              | 153              | 1,616        | 1,462        |
| <b>Total Board and senior management</b>    | <b>5,763</b>               | <b>-</b>              | <b>-</b>       | <b>543</b>       | <b>6,307</b> | <b>5,763</b> |

\* Alan Simonian was a full-time employee and a member of management in 2021. His salary is included under 'Other senior executives'. As Alan Simonian received a salary in 2021, he was not paid any Board fees.

\*\* Yoav Ben-Eli was appointed CEO of the company as of September 2021. Since 1 February 2021, Yoav Ben-Eli, Board member and largest shareholder in the Company, is remunerated by the Group's subsidiary in Angola through a consulting agreement. The agreement amounts to EUR 20,000 per month, which corresponds to SEK 2,545 thousand for the period. February–December 2021. Yoav Ben-Eli received a salary of SEK 50 thousand for January 2021 from the Group subsidiary in the Netherlands.

### Remuneration of auditor

The 2021 AGM elected Öhrlings PricewaterhouseCoopers AB as the auditor, with Bo Lagerström as auditor in charge. Bo Lagerström is an authorised public accountant and a member of FAR, Sweden's association for accountancy professionals. Remuneration to the auditor is paid on open account. Remuneration paid to Öhrlings PricewaterhouseCoopers by the Group for the 2021 financial year totalled SEK 1,449 thousand (1,132), of which

SEK 1,355 thousand (1,132) was related to audit services and SEK 94 thousand (0) to other services. Audit services refers to the statutory examination of the annual financial statements and the bookkeeping, as well as administration by the Board of Directors and the CEO, other tasks incumbent upon the Company's auditor and advice or other assistance occasioned by observations during such examination or the execution of other such tasks. Everything else is considered other services.

### **INTERNAL CONTROL AND RISK MANAGEMENT OF FINANCIAL REPORTING FOR THE 2021 FINANCIAL YEAR**

The Board is responsible for internal control in the Company and, according to the Annual Accounts Act, the Board must annually submit a description of the key elements of the Company's internal control and risk management system regarding financial reporting. Below is a brief description of how the internal control and financial reporting work.

#### **Control environment**

The control environment forms the basis of internal control over financial reporting. The Company's internal control structure is based on a clear division of responsibilities and duties between the Board and CEO as well as within the operating activities. In addition to steering documents such as instructions for the Board and CEO, the corporate communications policy and the financial reporting policy, there are also guidelines and policies for the operating and administrative activities. All steering documents and process descriptions are communicated within the organisation and are available and known to the personnel concerned.

#### **Risk assessment**

The Company identifies, analyses and makes decisions on how to manage the risk of errors in the financial reporting. At present, the operations are relatively small and involve a limited number of people. The Company has identified the operational processes and income statement and balance sheet items for which there is a risk that errors, omissions or irregularities could arise if the necessary control elements are not built into the routines. In its risk assessment, the Company has analysed how and where in the processes errors can arise. Issues that are important in risk assessment include whether assets and liabilities exist on

a given date, accurate valuation, whether a business transaction occurred and whether items are recognised in accordance with laws and regulations. Currently, the Company's biggest risk is linked to economic developments in the markets where the Company operates.

#### **Control activities**

Based on the Company's risk assessments, several control measures have been established. These are of both a preventive nature, meaning that they are designed to avoid losses or errors in the reporting, and an investigative nature. The controls are also meant to ensure that errors are corrected.

#### **Information and communication**

Internal regulations, policies and procedural descriptions are available on the Company's internal network. Regular meetings, either in person or by phone, are used for internal communication to and from the Board and management.

To ensure that external communication with the stock market is accurate, there is a corporate communications policy that governs how investor relations are managed.

#### **Monitoring**

In 2021, internal control was mainly monitored as part of the business at regular Board meetings.

The Company's process descriptions, policies and steering documents are updated as needed, but at least annually. The Board shall receive quarterly financial reports, including management's comments on operations. The Company's auditor participates in at least one Board meeting to present his/her observations about the Company's internal procedures and control systems.

# AUDITOR'S REPORT ON THE CORPORATE GOVERNANCE STATEMENT

To the general meeting of the shareholders in Crown Energy AB (publ),  
corporate identity number 556804-9598

## Assignment and division of responsibilities

The board of directors is responsible for ensuring that the corporate governance statement for 2021 on pages 22-26 has been prepared in accordance with the Annual Accounts Act.

## Focus and scope of the examination

Our examination has been conducted in accordance with FAR's auditing standard RevR 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 this examination has provided us with sufficient basis for our opinion.

## Opinion

A corporate governance statement has been prepared. Disclosures in accordance with Chapter 6, Section 6, second paragraph, points 2-6 of the Annual Accounts Act and Chapter 7, Section 31, second paragraph of the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Stockholm on the date of our digital signature

Öhrlings PricewaterhouseCoopers AB

Bo Lagerström  
Authorised Public Accountant