

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 company with its headquarters in Stockholm. The Company's ordinary shares are traded on NGM Equity.

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 Equity, 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 principle of comply or explain. 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. 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

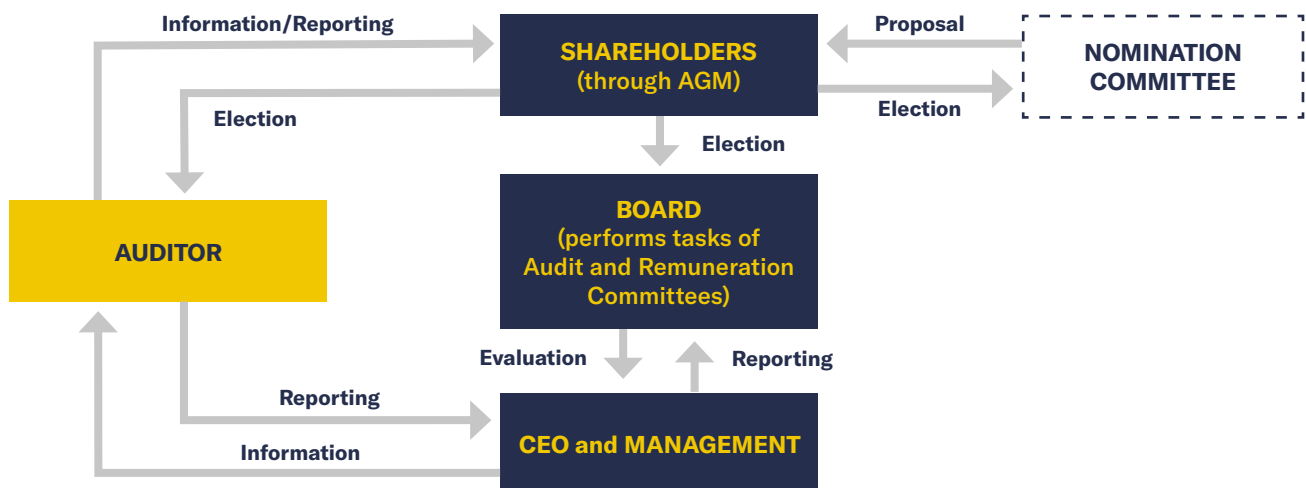
also prepare a Corporate Governance Report. Crown Energy's 2018 Corporate Governance Report was prepared accordingly.

Rules of the Code from which Crown Energy deviated in 2018 are indicated in this report. Explanations and solutions that were used instead are described in each respective section of the Corporate Governance Report.

The Company did not have any breaches of NGM's rules for companies whose shares are traded on NGM Equity 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 on 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 2018, Crown Energy had about 1,500 shareholders. The Company's three largest owners at 31 December 2018, in terms of both share capital and votes, are Yoav Ben-Eli (through YBE Ventures Ltd) with approximately 72.0 per cent of the shares, Cement Fund SCSp with 13.2 per cent and Andreas Forssell with 1.8 per cent. All outstanding shares are ordinary shares.

The three largest shareholders had combined holdings corresponding to 87 per cent of the shares as well as the votes at the end of 2018. According to Chap. 6, Sec. 6, Sub sec. 2, Par. 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 2018: Yoav Ben-Eli and Cement Fund SCSp. Further information about the Company's shares and shareholders can be found on pages 20–22 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 of year-end. Decisions are made at the AGM on such issues as adoption of the income statement and balance sheet, appropriation of profits, discharge of liability and election

of Board members and auditors. Decisions are also made at the AGM on the Articles of Association, dividends, and any changes to the share capital.

Notice of the AGM, as well as of an extraordinary general meeting where questions of amending the Articles of Association will be handled, 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 five 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 2018 Annual General Meeting was held on 17 May 2018 in Stockholm. At the meeting, 85.99 per cent of the Company's total number of votes and shares were represented. The following items and others were resolved at the meeting:

- ▶ Adoption of the income statements and balance sheets for the Parent Company and the Group
- ▶ Discharge from liability for the Board and CEO
- ▶ Adoption of appropriation of profits, resulting in the Company's accumulated earnings of SEK 1,612,512,278 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 300,000, with SEK 150,000 going to the Chairman and SEK 75,000 going to each non-employed Board member
- ▶ Re-election of auditor and adoption of audit fees as per approved invoices
- ▶ Adoption of guidelines for remuneration of Group senior executives
- ▶ Amendment of the Articles of Association to remove the pre-emption clause.

The 2019 AGM will be held on 14 May 2019 at 10:00 am at the offices of the Company's lawyer (Baker & McKenzie) at Vasagatan 7 in Stockholm. For information on the AGM, see the Company's website at www.crownenergy.se.

Other general meetings

No extraordinary general meetings were held in 2018.

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 decided with the principal shareholders that a nomination committee is currently not necessary in view of the composition of shareholders. Depending on any future changes in shareholders, the issue of a nomination committee may need to be raised again and Crown Energy is planning to engage in an ongoing dialogue with the principal shareholders on this issue.

BOARD

The Board's composition, functions, 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 2018:

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

There is no specific division of duties between Board members. For additional information on the current Board, see the Board of Directors, senior executives and auditors section on pages 18–19 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 on the rules of procedure between the Board and the CEO along with 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 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 at the AGM. Pierre-Emmanuel Weil was re-elected Chairman of the Board at the 2018 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 themselves, that is, address the issues within the regular Board. In 2018, Crown Energy did not have an audit committee or remuneration committee since the Board found it to be more appropriate to handle these types of issues within the regular Board. Accordingly, the Board performs the duties of each committee.

The Code requires that most Board members be independent of the Company and its management. 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 ten per cent or more of the shares or votes in the Company. The Board's composition was unchanged in 2018. At the AGM in May 2018, 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.

The work of the Board in 2018

Under the Board's rules of procedure, the Board is to convene at least four times per year in addition to the statutory meeting. The Board held 11 meetings in 2018, including one statutory meeting.

Several Board meetings have been held in 2019 as well, including one in April for a debriefing from the Company's auditors on the 2018 financial year.

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 2018
Pierre-Emmanuel Weil	Chairman	Yes	No	11/11
Alan Simonian	Board member	No	Yes	11/11
Jean Benaim	Board member	Yes	Yes	8/11
Yoav Ben-Eli	Board member	Yes	No	11/11

Authorisation

The Company has no outstanding authorisations.

CEO AND MANAGEMENT

The CEO ensures that operations are conducted in accordance with the Companies Act, other laws and regulations, applicable rules for listed companies, the Articles of Association, and 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 substantiates proposed resolutions. The CEO is Andreas Forssell.

Group management is otherwise comprised of Jenny Björk, CFO, Alan Simonian, COO, and Peter Mikkelsen, chief geologist and exploration manager. Peter Mikkelsen performs his duties as a consultant, not as employees of Crown Energy.

See the presentation of the CEO and other senior executives on pages 18-19 of the Annual Report.

INTERNAL AUDITING

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 2018 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. The Parent Company hired a controller in 2018 to

increase its internal control resources. In addition, efforts were pursued internally to ensure that the controls and procedures of the incorporated new property business are in line with the Group's guidance and internal control documents.

AUDITOR

The auditor is appointed at the AGM to audit, on behalf of the shareholders, Crown Energy's Annual Report and accounts and the Board's and CEO's management of the Company.

The 2018 AGM re-elected audit firm Öhrlings PricewaterhouseCoopers AB as Crown Energy's auditor until the end of the 2019 AGM. As chief auditor, authorised public accountant Bo Lagerström was appointed to sign the auditor's report.

The audit team had regular contact with the Company in 2018 in addition to the audit procedures performed. The Company's auditors audited the annual accounts and the Company's internal controls for 2018. Apart from this, the auditor also performed statutory audits in conjunction with the year's share issues. The Company's financial nine-month report was reviewed.

REMUNERATION

Remuneration guidelines

Guidelines for remuneration of senior executives at Crown Energy are adopted at the AGM and currently cover the CEO and the Company's CFO, who are in senior management and who are employees of the Company. The policy is that remuneration should be commercially competitive. The remuneration level should be based on position, competence, experience and performance.

Most recently approved remuneration guidelines – 2018 AGM

For the 2018 AGM, the Board proposed the following, essentially unchanged, guidelines, which were later adopted at the AGM on 17 May 2018:

- ▶ 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, notice of the deviation and the reason for it must be reported at the next AGM.
- ▶ The remuneration of the CEO and other senior executives shall consist of a fixed, market-based salary. Any potential benefits 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 payments 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 to a maximum of 24 monthly salaries, including fixed salary, during the notice period.
- ▶ Decisions on share and share price related incentive schemes for senior executives shall be taken at the AGM. Share and share price related incentive schemes shall be designed with the aim of achieving 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 management or other employees. Share options shall not be included in schemes directed to the Board.
- ▶ The Company’s Board members shall, in specific cases, be allowed to receive fees for services rendered within their respective areas of expertise that are not associated with 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 for the 2019 AGM

The Board’s proposed remuneration guidelines for the 2019 AGM are the same as the most recently adopted guidelines (see above).

Remuneration of the Board of Directors

Resolutions on the remuneration of the Board are made at the AGM. At the AGM on 17 May 2018, it was decided that the Chairman of the Board’s remuneration would be SEK 150,000 and that the remuneration of other Board members not employed by the Company would be SEK 75,000 each.

Chairmen and Board members who are not also employees of the Company do not receive a salary from the Company and are not eligible to participate in any of the Company’s future incentive schemes.

Board fees, all amounts in SEK THOUSAND	2018	2017
Chairman of the Board	150	150
Board member (per person)	75	75

Remuneration of and benefits for senior executives in 2018

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

The other senior executives of Crown Energy are Jenny Björk, 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 equivalent positions in companies like Crown Energy.

Between the Company and the CEO, CFO and COO, there is a notice period of 24 months from the Company and 6 months from the employee.

Apart from public pension plans, Crown Energy has no contracted pension benefits other than the pension benefits of the CEO, CFO and COO. Unless otherwise stated above, the Company has not entered any agreement 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 obligations to the Company on a consultant basis and is hired as needed. In 2018, Peter Mikkelsen invoiced total fees of SEK 109 thousand.

The remuneration of employed senior executives is summarised below:

Senior executives, all amounts in SEK THOUSANDS	Base salary	Variable remuneration	Other benefits	Pension expenses	Total 2018	2017
Andreas Forssell, CEO	1,589	-	-	433	2,022	2,030
Other senior executives	1,437	-	-	257	1,695	2,254
Total	3,026	-	-	690	3,717	4,285

Remuneration of auditor

The 2018 AGM elected Öhrlings PricewaterhouseCoopers AB as the auditor, with Bo Lagerström serving as chief auditor. Mr Lagerström is an authorised public accountant and a member of FAR SRS, Sweden's association for accountancy professionals. Remuneration to the auditor is paid on open account. Remuneration paid to Pricewaterhouse Coopers by the Group for fiscal year 2018 totalled SEK 2,331 thousand (1,928), of which SEK 1,504 thousand (1,095) pertained to audit engagements and SEK 828 thousand (833) was for other engagements. An audit involves reviewing the Annual Report and bookkeeping along with the administration of the Board of Directors and CEO, other tasks incumbent upon the Company's auditor to perform and advice or other assistance prompted by observations made during the audit or the performance of other tasks. Everything else is considered other engagements.

INTERNAL CONTROL AND RISK MANAGEMENT OF FINANCIAL REPORTING FOR THE 2018 FINANCIAL YEAR

The Board is responsible for the internal control of 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 regarding financial reporting. Following is a brief description of how internal control and financial reporting works.

Control environment

The control environment forms the basis of internal control of the 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 operating activities. In addition to guidance documents such as instructions for the Board and CEO, the disclosure policy and the financial reporting policy, there are also guidelines and policies for operating and administrative activities. All guidance 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 financial reporting. Currently,

the business is relatively small and involves a limited number of persons. 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 occur if the necessary control elements were not built into procedures. The Company's risk assessment analysed how and where errors may occur in the procedures. Issues that are important to 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 the economic development of the markets in which the Company operates.

Control activities

Several control measures were established based on the Company's risk assessments. These are both of a preventive nature, meaning that they are designed to avoid reporting losses or errors, and of 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 disclosure policy that governs how investor relations are managed.

Follow-up

In 2018, follow-up of operations was mainly done in connection with regular Board meetings.

The Company intends to update procedural descriptions, policies and guidance documents as necessary, but at least annually. The Board shall receive quarterly financial results, including management's comments on operations. The Company's auditor participates in at least one Board meeting to present 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

Engagement and responsibility

The board of directors is responsible for the corporate governance statement for the year 2018 on pages 25-29 and for it being 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 paragraph 2 items 2-6 of the Annual Accounts Act and chapter 7 section 31 paragraph 2 of the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Stockholm, 12 April 2019

Öhrlings PricewaterhouseCoopers AB

Bo Lagerström
Authorised Public Accountant