



# Corporate Governance Report

This report will outline and report on the corporate governance practices and systems of the Company through which owners, directly or indirectly, control a company. The shares are listed on Nasdaq First North (MAHA-A) and the Maha Secured Bonds 2017-2021 are listed on Nasdaq OMX (MAHA 101), both in Stockholm. As the Company is not formally required to follow the Swedish Code of Corporate Governance (the "Code"), this 2017 Corporate Governance Report is submitted in accordance with the Swedish Annual Accounts Act. It explains how Maha has conducted its corporate governance activities during 2017. The Company is not aware of any deviations from Annual Accounts Act, Nasdaq Stockholm's rule book for issuers, recommendations from the Swedish Securities Council, decisions from Disciplinary Committee at Nasdaq Stockholm or statements from the Swedish Securities Council.

## Regulatory Framework

The Company observes good corporate governance practices in accordance with the laws and regulations of Swedish legislation, and the Company's own Articles of Association and policies. The Company issues Annual Consolidated Financial Statements and interim reports in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU, and Swedish Annual Accounts Act.

*The external regulations and laws governing the Company include:*

- Swedish Companies Act
- Accounting legislation (e.g. Swedish accounting act, Swedish Annual Accounts Act and IFRS)
- Nasdaq Stockholm's rule book for issuers

*The Company's internal corporate governance instruments include:*

- Articles of Association
- Instructions and Rules of Procedure for Financial Reporting, the Managing Director and the Board of Directors as approved by the Board of Directors (the "Board")
- Maha Group policies such as Anti-corruption Policy, HSE Policy, Insider Policy, Code of Business Conduct and Ethics etc.
- Board Committee Terms of Reference, Mandates and Policies

The Company regularly seeks advice from its legal counsel, Setterwalls Advokatbyrå AB (Stockholm), and Certified Advisor FNCA Sweden AB (Stockholm) on corporate governance matters.

## Shareholders

The Company's shares (MAHA-A) are traded on Nasdaq First North and the Company's Secured Bonds 2017-2021 (MAHA 101) are traded on Nasdaq OMX. At year-end 2017 the share capital amounted to TSEK 446,562, represented by 95,155,646 shares, of which 85,972,025 were Class A shares and 9,183,621 were class B shares. In addition, there were an additional 1,698,000 convertible class

C2 shares. The class A and B shares have one (1) vote per share whereas the class C2 shares have two-tenths (2/10) votes per share. Kvalitena AB is the only shareholder with a holding in excess of 10 percent of shares and votes, with a holding of approximately 23 million shares representing a 24.2 percentage of shares and votes. For further information on share, share capital and shareholders (see section The Maha Share).

## Annual General Meeting

The Annual General Meeting ("AGM") must be held within six months of the close of the fiscal year. The Company calls the meeting through announcements in Swedish Official Gazette, Svenska Dagbladet and its website. All shareholders who are listed in the share registry on the record date, and who have notified the Company of their participation in due time, are entitled to participate in the AGM. Shareholders of Class A, B and C2 shares are entitled to exercise their respective voting rights in accordance with the description above (Shareholders). Under the Articles of Association and Swedish law, the AGM must address those matters listed below marked with "\*\*\*". The 2017 AGM (in compliance with the Articles of Association and Swedish laws) was held in Stockholm on 16 June 2017. Six shareholders were represented at the AGM, representing 12.68 percent of the votes and share capital in the Company. The submissions and resolutions passed by the 2017 AGM included the following:

- Submission of the annual report and the auditor's report and the consolidated financial statements and the auditor's report on the group\*;
- Approval of administrative matters concerning the AGM\*;
- Resolution in respect of adoption of the profit and loss statement and the balance sheet and the consolidated profit and loss statement and the consolidated balance sheet\*;
- Resolution in respect of allocation of the Company's profit or loss according to the adopted balance sheet\*;
- Resolution in respect of the members of the Board and the Managing Director's discharge from liability\*;
- Determination of the number of members of the Board and the number of auditors and, where applicable, deputy auditors;
- Determination of the fees payable to the members of the Board and the auditors\*;
- Election of members of the Board, auditors and, where applicable, deputy auditors\*;
- Resolution regarding principles for the appointment of and instructions regarding a Nomination Committee (see below)\*;
- Resolution regarding changes to the Articles of Association regarding location of the AGMs;
- Resolution regarding an incentive programme and issuance of warrants (LTIP) (see below);
- Resolution regarding authorisation for the Board to increase the share capital by up to 10%. The board of directors was authorized to resolve on issuance of new

shares, warrants and/or convertible debentures during the period until the next annual general meeting and at one or more occasions.

### **Nomination Committee and its Function**

In accordance with the Nomination Committee process approved by the 2017 AGM, the Nomination Committee for the 2018 AGM consists of members appointed by three of the largest shareholders of the Company based on shareholdings as at 30 September 2017 and the Chairman of the Board. The names of the members of the Nomination Committee were announced and posted on the Company's website on 3 November 2017.

The Nomination Committee for the AGM 2017 consists of:

- Harald Pousette, appointed by Kvalitena AB
- Håkan Ehrenblad, appointed by Nerthus Investments Ltd.
- John Patrik Lindvall, appointed by Jonas Lindvall
- Wayne Thomson, Chairman of the Company's Board

The Nomination Committee for the 2018 AGM is currently completing its mandate. The Nomination Committee Report, including the final proposals to the 2018 AGM, will be published on the Company's website together with the Notice of the AGM when the Notice is given.

The Nomination Committee's purpose is to produce proposals for certain matters including, amongst others, the following (which will be presented to the 2018 AGM for consideration):

- AGM chairman
- Board Members
- Chairman of the Board
- Board fees and remuneration for committee work allocated to each member
- Auditors and auditor's fees

The work of the Nomination Committee includes evaluation of the Board's work, competence and composition, as well as the independence of the members. The Nomination Committee will also consider criteria such as the background and experience of the Board, and evaluate the work completed by it in formulating its recommendations.

### **The Board and its Function**

#### ***Board of Directors***

Pursuant to the Company's Articles of Association, the Board shall consist of not less than three (3) and not more than seven (7) ordinary members, without any deputy members. There are no specific stipulations in the Company's Articles of Association on how the board members should be assigned or dismissed. Currently, the Company's Board consists of four (4) ordinary members, appointed until the end of the next annual shareholders' meeting. The composition of the Board in the Company changed after the Company's 2017 Annual General Meeting (AGM). Mr. Ronald Panchuk resigned his position as a Board Member, and Mr. Harald Pousette accepted the position as a non-executive Board Member at the same time. Mr. Panchuk continues to work in

the capacity of Secretary and Chief Corporate Officer. The current Board is as follows Mr. Wayne Thomson, Chairman, Mr. Anders Ehrenblad, Mr. Jonas Lindvall and Mr. Harald Pousette (see bios in section The Board of Directors and Management).

During 2017, the Board convened regularly. All members of the Board participated in each Board meeting.

#### ***Rules of Procedure***

The Board's work is governed by the approved Rules of Procedure. The Board supervises the work of the Managing Director by monitoring the Company's operations. The Board ensures that the Company's organisation, administration and controls are properly managed. The Board adopts strategies and goals and provides review and approval of larger investments, acquisitions and disposals of business activities or assets. The Board also appoints the Managing Director and determines the Managing Director's salary and other compensation. The Chairman of the Board supervises the Board and is responsible for it functioning well. The Chairman, among other things, is regularly updated on the Company's operations, meets with the Managing Director and is responsible to ensure information and documentation is provided by the Company to ensure high quality discussions and proper consideration of matters.

#### ***Board Committees***

In order to increase the efficiency of its work and enable a more detailed analysis of certain matters, the Board has formed committees: Audit Committee; Compensation, Corporate Governance and Disclosure Committee; and Reserves/HSE Committee. Committee members are appointed by the Board within the Board up to the next AGM. The Committee's duties and authorities are governed by those Mandates, Policies and Terms of Reference described below.

#### ***Audit Committee***

The Board established an Audit Committee just after the 2017 AGM for the period up to and including the 2018 AGM, consisting of Wayne Thomson as Chairman, Harald Pousette and Anders Ehrenblad. The previous Audit Committee (up to the 2017 AGM) was the same except Mr. Panchuk was a member instead of Mr. Pousette.

This Committee operates under the Company's approved Audit Committee Terms of Reference and Instructions of Financial Reporting. The Audit Committee convened regularly and its work focused on supervising the Company's financial reporting and assessing the efficiency of the Company's financial reporting process and internal controls, with a view to providing recommendations to the Board for its decision-making processes regarding such matters. The Chairman of the Audit Committee also liaises with: (a) the Group's statutory auditor as part of the annual audit process and reviews the audit fees, the auditor's independence and impartiality; and (b) the Company's CFO. The Audit committee reports to the Board with recommendations on matters in its mandate and in particular

the Q1 – Q4 Financial Statements and Management Report, the Year End Financials and the Annual Report.

#### *Compensation, Corporate Governance and Disclosure Committee*

The Board established a Compensation, Corporate Governance and Disclosure Committee just after the 2017 AGM for the period up to and including the 2018 AGM, consisting of Harald Pousette as Chairman, Anders Ehrenblad and Wayne Thomson.

This Committee convened in conjunction with the Board meetings and was consulted regularly. This Committee is governed by the Compensation/Corporate Governance Committee Terms of Reference, the Disclosure Committee Mandate and Internal Disclosure Procedure. The Committee's work focused on establishing remuneration guidelines to management, to monitor and evaluate variable remuneration and to construct and propose incentive programs to the AGM or Board as applicable. This Committee makes recommendations to the Board.

As and when Corporate Governance and/or public disclosure issues arise under the Company's Policies this Committee assists the Board. Prior to the 2017 AGM this Committee was Wayne Thomson, Chairman and Anders Ehrenblad.

#### *Reserves/HSE Committee*

The Board established a Reserves/HSE Committee shortly after the 2017 AGM for the period up to and including the 2018 AGM, consisting of Wayne Thomson, Chairman and Jonas Lindvall. This Committee convened regularly in 2017. This Committee is governed by the reserves and HSE Committee Terms of Reference and the Health, Safety and Environmental Policy Document. The work has mainly focused on following up on evaluation of and recommendation on appointment of independent qualified reserve auditor, oversight of the reserves audit process and review of operations and HSE management systems as required. This Committee made recommendations to the Board, normally in conjunction with the Board meeting and particularly in respect of the Company's Reserve Report.

Prior to the 2017 AGM the Reserves/HSE Committee consisted of Wayne Thomson, Chairman and Jonas Lindvall.

#### *External Auditors*

At the 2017 Annual General Meeting for the period until the conclusion of the next Annual General Meeting the authorized accounting firm Deloitte AB was elected as Maha's auditor. The Auditor in charge is Fredrik Jonsson.

#### *Internal Controls*

While the Board (with assistance from the Audit Committee), in accordance with the Swedish Companies Act, has the ultimate responsibility for the internal controls over the Company's financial reporting; front line responsibility for such is with the Managing Director and CFO under the approved Instructions for Financial Reporting and the Instructions to Managing Director. Typical of listed companies in the oil and gas sector, Maha maintains a system of internal controls for its financial reporting that is designed to minimize risks and ensure a high level of reliability and compliance with applicable accounting principles. The Company's CFO and Managing Director continually work on improving the financial reporting process through evaluating the risk of errors in the financial reporting and related control activities. Control activities include close monitoring and approval by the Company's executive team and in line with the authorization guidelines of invoices, payables, contracts, legal commitments and financial activities in relation to the oil and gas operations of the Company in Wyoming and Brazil. With the 2017 acquisition of the Tie Field and Tartaruga Field in Brazil the Company's executive team has been regularly in Brazil providing oversight and rationalizing of financial reporting, procurement and internal control processes to ensure best practices are employed. The purpose of these activities is to ensure and monitor that control activities are in place for the areas of identified risks related to financial reporting activities. The Audit Committee, the CFO, and the Managing Director follow up on the compliance and effectiveness of the Company's internal controls to ensure the quality of internal processes is appropriate.

#### *Remuneration for Board Members and Senior Management*

For additional information on Board members and senior management compensation please refer to note 23 to the Financial Statements.