

# CORPORATE GOVERNANCE 2008

**PA Resources is a Swedish public limited company listed on the Oslo Stock Exchange since 1997 and on the NASDAQ OMX Nordic Exchange in Stockholm since 2006. The company strives for transparency in its information to shareholders and the capital market. PA Resources is governed in accordance with the company's articles of association, the Swedish Companies Act and stock exchange regulations. The company has applied the Swedish Code of Corporate Governance (the Code) since its listing on NASDAQ OMX.**

## Introduction

This corporate governance report has been prepared in accordance with the Swedish Code of Corporate Governance (the Code) with a view to describing how the company has applied the Code during the period covered by the Annual Report. The report does not form part of the formal Annual Report documents and has not been reviewed by the company's auditors.

PA Resources deviates from the Code in the following respect, for the reasons given below:

Deviation	Explanation
2.5 Announcement of the members of the Nomination Committee at least six months ahead of the Annual General Meeting, i.e. by 13 November 2008.	Since the Board of Directors was not informed until 16 February 2009 of the persons appointed by the company's three largest shareholders as their representatives on the Nomination Committee, the composition of the Nomination Committee could not be announced until 16 February 2009.

## Corporate governance within PA Resources

The governance, management and control of PA Resources is divided between the shareholders at the Annual General Meeting, the Board of Directors and the President in accordance with the Swedish Companies Act, the Code and the Articles of Association. Corporate governance in PA Resources is organised according to the model on the right.

## Articles of Association

The name of the company is PA Resources AB and the company is public (publ). The Board of Directors of the company is domiciled in Stockholm. The object of the company's business is to conduct exploration operations, extract oil and gas and own and manage licences, shares and participations in companies that conduct exploration and extraction operations through proprietary operations, subsidiaries or cooperation with others.

The Articles of Association, which otherwise contain information on the share capital, number of Board members and auditors as well as stipulations regarding the notification and agenda of the Annual General Meeting, are available in full on the company's website [www.paresources.se](http://www.paresources.se).

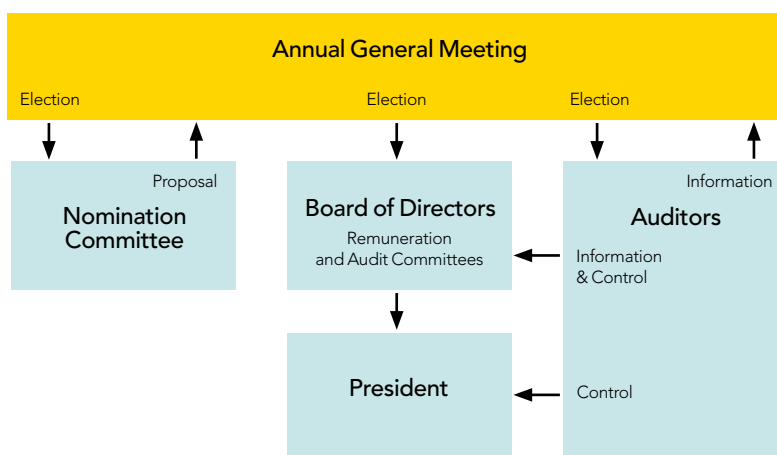
## General information

### on the Annual General Meeting

The highest body of PA Resources is the Annual General Meeting, at which all shareholders are entitled to participate either personally or by proxy/representative. The Annual General Meeting can make decisions in all matters that do not expressly fall under the exclusive competence of a company body under the Swedish Companies Act or the Articles of Association. The Annual General Meeting elects the company's Board of Directors and the Chairman of the Board. The Annual General Meeting's duties also include adopting the balance sheets and income statements of the Parent Company and the Group, deciding on the distribution of profits from the company's operations and deciding on discharge from liability for the members of the Board and the President. The Annual General Meeting also elects the company's auditors, normally for a four-year period of office. Furthermore, the Annual General Meeting shall pass resolutions regarding Board fees and approve the principles of remuneration and other terms of employment for the Executive Management.

As a general rule, every shareholder is

## Model of corporate governance within PA Resources



entitled to vote for all of his/her shares at the Annual General Meeting. The Annual General Meeting's resolutions are passed by a simple majority of the votes cast. However, to protect the smaller shareholders, certain resolutions must be passed with a qualified majority of the votes cast and the shares represented at the Meeting. In addition, as a general protection rule for minority shareholders the Annual General Meeting may not pass resolutions that could result in an undue advantage for a certain shareholder or another party to the detriment of the company or another shareholder.

#### *Annual General Meeting 2009*

The next Annual General Meeting of shareholders in PA Resources will be held on 13 May 2009 in Stockholm. Notification of this Annual General Meeting will be made in accordance with the stipulations of the Articles of Association and will follow the requirements stipulated by the Code. See page 96 for more information on the 2009 Annual General Meeting.

#### *Nomination Committee*

The 2008 Annual General Meeting resolved to establish a Nomination Committee ahead of the 2009 Annual General Meeting, the tasks of which include preparing proposals for the number of Board members, election of Board members including the Chairman of the Board and remuneration to the Board members. It was further decided that the Nomination Committee should be formed by the Chairman of the Board contacting, at the end of the third quarter 2008, the three largest shareholders as of 30 September and asking them to each appoint a member of the Nomination Committee. The Nomination Committee shall thus comprise the appointed members along with the Chairman of the Board as convener.

### ■ Nomination Committee for the 2009 Annual General Meeting

Member	Number of shares*
Niklas Adler, chairman of the Nomination Committee, appointed by shareholder Bertil Lindqvist	11,697,678
Mathias Berggren, appointed by shareholder Ulrik Jansson (including controlled companies)	8,512,512
Anders Algotsson, appointed by shareholder AFA Försäkring	5,707,517
Jan Kvarnström, Chairman of the Board	

\* As of 31 September 2008

It was also resolved that the Nomination Committee should appoint a chairman from among its members. As stated in the explanation above, the composition of the Nomination Committee was not communicated within the period of time prescribed by the Code. The Nomination Committee was formally established on 16 February 2009.

The Nomination Committee held four meetings at which minutes were taken. At the meetings the Nomination Committee discussed all issues incumbent on the Nomination Committee under the Code of Corporate Governance and in accordance with the Annual General Meeting resolution. Among other things, the Nomination Committee assessed whether the present Board meets the requirements that will be placed on the Board as a result of PA Resources' situation and future emphasis, for example by studying the completed evaluation of the Board's work.

The Nomination Committee's proposals for Board members, Board fees, the Chairman of the Board, auditors, etc. will be presented in good time prior to the 2009 Annual General Meeting.

#### **Board of Directors**

Under the Articles of Association, PA Resources' Board of Directors shall consist of a minimum of three and a maximum of eight members with a maximum of eight deputies. During 2008 the Board consisted of five regular members and no deputies. The Board works according to

an established formal work plan with instructions regarding the division of work between the Board and the President.

#### *Responsibilities of the Board*

In accordance to the Swedish Companies Act and the Board's work plan, the Board is responsible for establishing overriding long-term strategies and goals, for setting budgets and business plans, for review and approval of the accounts and for making decisions in matters concerning investments and significant changes to PA Resources' organisation and operations. The Board of Directors also appoints the President and determines the salary and other benefits for the company's President.

#### *Composition of the Board*

Since the 2008 Annual General Meeting the Board of PA Resources has consisted of five members including the President. All the Board members are presented in more detail on page 46. The lawyer Ulrika Magnusson of Ulrika Magnusson Advokat AB was appointed as Board secretary and was also secretary of the Remuneration Committee and the Audit Committee. Other executives in the company attend Board meetings to present reports as needed.

#### *The Board's formal work plan*

The work of the Board of Directors is governed by an annual work plan that regulates the Board's internal division of work, the decision-making structure

of the company, the authorised company signatories, the Board's meeting schedule and the duties of the Chairman of the Board. As a general principle, the Board's work follows a fixed procedure devoted to satisfying the Board's need for information and ensuring an appropriate division of work between the Board and the President. The Board has decided to appoint a Remuneration Committee internally for more in-depth preparation of remuneration matters and also an Audit Committee. The Board has also established special instructions for the President of the company that form part of the Board's work plan.

The Board supervises the President's work and is responsible for ensuring that the company's organisation, management and guidelines for management of the company's funds are appropriately structured. Furthermore, the Board is responsible for the development and follow-up of the company's strategies through plans and targets, decisions regarding business acquisitions and divestments, major investments, management appointments and remuneration, and continuous follow-up of the business during the year.

#### *Chairman of the Board*

Among other things, the Chairman of the Board is responsible for the Board members continuously receiving the information necessary to be able to monitor the company's position, performance, liquidity, financial planning and development, for checking that the Board's decisions are executed in an effective manner and for ensuring that the Board's work is evaluated annually. Furthermore, the Chairman is obliged to perform tasks set by the Annual General Meeting regarding the establishment of a Nomination Committee and to participate in its work and otherwise take responsibility for and undertake all of the measures incumbent on the Chairman of the Board in accordance with the Swedish Companies Act and the work plan applicable to the Board.

#### **Work during the year**

##### *Annual General Meeting 2008*

The last Annual General Meeting was held on 14 May 2008 on the premises of Ingenjörshuset in Stockholm. A total of 111 shareholders were represented at the Meeting, representing approximately 29.3 percent of the total number

of shares issued in the company. Among other things, the Meeting resolved:

- to adopt of the balance sheets and income statements of the company and the Group for 2007 and to grant the Board and the President discharge from liability for the management of 2007;
- not to distribute a dividend to shareholders;
- that the Board shall comprise five Board members and no deputies. Members Jan Kvarnström, Ulrik Jansson and Catharina Nystedt-Ringborg were re-elected to the Board and Lars Olof Nilsson and Sven Rasmusson were elected as new Board members. The Meeting elected Jan Kvarnström as Chairman of the Board;
- that the Board should receive fixed fees totalling SEK 1,375,000 and that this should be divided as follows: SEK 550,000 to the Chairman and SEK 275,000 to each of the other Board members that are not employees of the company. Ulrik Jansson, who is President of the company, consequently receives no directors' fees;
- to authorise the Board to decide on the

#### ■ Composition of the Board, number of meetings and attendance in 2008\*

Name	Attendance at total number of meetings			
	Independent**	Board meetings***	Remuneration Committee	Audit Committee
Jan Kvarnström, Chairman of the Board	Yes	20/21	1/1	4/4
Sven Rasmusson ****	Yes	13/21	1/1	4/4
Lars Olof Nilsson ****	Yes	16/21	-	4/4
Ulrik Jansson	No	21/21	-	-
Catharina Nystedt-Ringborg	Yes	21/21	1/1	4/4

\* Former Board member Harald Arnet participated in five Board meetings during 2008, former Board member Jan Pihl Grimnes participated in four Board meetings during 2008 and former Board member Jan Haudemann-Andersen in three Board meetings during 2008, these meetings having been held prior to the Annual General Meeting on 14 May 2008 when they did not stand for re-election.

\*\* Independent means that under the Code the Board member is considered to be independent of the company, its management and major shareholders in the company. Major shareholders refers to shareholdings in excess of 10%. Ulrik Jansson is a member of the Executive Management and is consequently not independent.

\*\*\* Board meetings also include telephone conferences and meetings held *per capsulam*.

\*\*\*\* Elected at the Annual General Meeting of 14 May 2008.

issue of shares, convertible bonds and/or warrants;

- to adopt guidelines for remuneration paid to senior executives.

All the resolutions passed at the Annual General Meeting are presented in the minutes of the Annual General Meeting and are available on the company's website.

#### *The work of the Board of Directors*

During the 2008 financial year PA Resources' Board of Directors held 21 meetings, of which one was the statutory Board meeting. Several meetings were held by telephone. In accordance with the work plan, the Board shall hold a minimum of six ordinary Board meetings per calendar year.

Ordinary Board meetings are held in connection with the company's reporting, the year-end report being discussed in February, the Annual Report and proposal concerning the distribution of profit in March, interim reports in April, August and October and a strategy meeting in September.

The ordinary Board meetings follow an agenda established in the Board's formal work plan, which includes a report from the President, financial reports, investments, financing matters, acquisition matters and strategic issues. Important issues discussed during the 2008 financial year included decisions regarding the refinancing of outstanding bond loans, the execution of an issue of convertible bonds with preferential rights, the sale of the Norwegian subsidiary PA Resources Norway AS, other capitalisation and financing issues, price hedging issues, and the Group's future organisation and structure.

The annual evaluation of the Board and its work was performed by an independent consultancy engaged for

the purpose. The evaluation covered such factors as working climate, work methods, composition, competencies, internal communication, etc.

#### *Remuneration Committee*

The Remuneration Committee shall primarily deal with matters relating to remuneration and incentive schemes for the President and other senior executives. During 2008 the Remuneration Committee comprised Catharina Nystedt-Ringborg, Jan Kvarnström and Sven Rasmusson. In 2008 the Remuneration Committee met once, on which occasion remuneration principles for senior executives were discussed and a proposal to the Board was drafted regarding a new bonus system for senior executives (at the level below the company's Executive Management) and key persons in the PA Resources Group.

#### *Audit Committee*

The duties of the Audit Committee are specifically monitoring and follow-up of issues concerning the company's internal control, accounting principles, risk management, financial reporting and audit. In addition, the Audit Committee shall prepare matters relating to the election of auditors and remuneration to the auditors, and ensure an independent expert audit of the company. The Audit Committee shall meet with the company's auditors at least once a year. During 2008 the Audit Committee comprised all the Board members with the exception of the company's President Ulrik Jansson, who is also a Board member. The Audit Committee held four meetings.

#### *Executive Management*

In 2008 the Executive Management of PA Resources comprised the company's President Ulrik Jansson, CFO Bo Askvik

and Trond Bjerkan, President of PA Resources Norway AS and Vice President of PA Resources AB. The members of the Executive Management are presented in more detail on page 47.

#### *President*

Ulrik Jansson is President of the company. The President is responsible for the company's operational management, managing the business in accordance with the Board's guidelines and instructions, and for the Board receiving information and requisite decision documentation.

The President gives presentations to the Board meetings and shall ensure that the Board members continuously receive the information necessary to monitor the company's and the Group's position, performance, liquidity and development.

The President's shareholdings in PA Resources through companies controlled by him amounts to 8,512,512 shares as at 31 December 2008. For further information on Ulrik Jansson refer to pages 46–47.

#### *Audit*

PA Resources' auditors are elected by the Annual General Meeting for a period of four years. The current period was begun in 2005 and the next election of auditors will consequently take place in connection with the 2009 Annual General Meeting. The company's accounting firm is Ernst & Young AB and the auditor in charge is authorised public accountant Jaan Kubja. Jaan Kubja has been the company's auditor since 2005, having previously been deputy auditor since 1999, and consequently has good knowledge of the company and the PA Resources Group and its operations.

## Remuneration

### *Remuneration to the Board of Directors, President and Executive Management*

In 2008 a total sum of SEK 1,375,000 was paid out, as resolved by the Annual General Meeting. Of this, the Chairman of the Board received SEK 550,000 and each of the other Board members who are not employees of the company received SEK 275,000, the exception being Ulrik Jansson who is employed as President of the company. No separate fees were paid for committee work in 2008. The members are appointed for the period up to the end of the 2009 Annual General Meeting and the fees refer to this period.

In addition to the directors' fees, the Chairman of the Board was reimbursed for expenses and Board member Catharina Nystedt-Ringborg received remuneration for consultancy work relating to recruitment services and risk analysis relating to the Group's operations. During the financial year regular and former Board members redeemed a total of 400,000 warrants.

The President of PA Resources AB and the other members of the Executive

Management receive a fixed remuneration plus the benefit of a company car excluding fuel or a car allowance.

For information on remuneration paid to the Board and senior executives refer to the table on this page, to Note 8 (Remuneration and other benefits: Board of Directors, President and senior executives) and to pages 52–53 of the administration report.

### Internal control

Under the Swedish Companies Act and the Code, internal control is the responsibility of the Board of Directors. The following report regarding internal control and risk management relating to financial reporting was prepared in accordance with the Code and the guidelines of the Swedish Institute of Authorised Public Accountants (FAR) and the Confederation of Swedish Enterprise.

PA Resources is a decentralised organisation with 132 employees in the Group following disposal of the Norwegian subsidiary. Eight of these were employed in the Parent Company as at 31 December 2008. The division of responsibility within the Group has

been clearly established and the Group has built-in controls; consequently, there is deemed to be no need for a separate internal audit function. Internal control and performance monitoring occur at various levels within the Group, at subsidiary level as well as at Group level.

The five components of the framework laid down by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) constitute the basis for the description of PA Resources' internal control and risk management with regard to financial reporting.

### Control environment

Internal control covers all companies within PA Resources and includes methods and activities for the control of accuracy and reliability in reporting, the promotion of efficiency and to ensure that given procedures and policies are complied with. PA Resources has procedures and policies such as the policy for corporate governance, the formal work plan for the Board, instructions for the President and authorisation rules. Rules are also in place for decision-making with regard to costs, investments, legally

## ■ Remuneration and fees to the Board of Directors and senior executives in 2008

SEK '000	Basic salary/ directors' fees	Variable remuneration	Other benefits	Pension expenses	Share-based payment	Other remuneration	Total
Jan Kvarnström (Chairman of the Board)	550				3,055	125	3,730
Lars Olof Nilsson (Board member)	275						275
Sven Rasmusson (Board member)	275						275
Catharina Nystedt-Ringborg (Board member)	275		2,175			222	2,672
Ulrik Jansson (President, CEO and Board member)	1,837		160	2,372			4,369
Other senior executives (CFO)	2,417	794	59	439			3,709

(Total remuneration and other benefits are reported excluding statutory social security costs.)

binding agreements, customer contracts, etc.

Reporting instructions exist to support relevant reporting that follows the organisation's structure. All subsidiaries report quarterly – both legal and operational reporting – in accordance with a standardised reporting procedure. Each company consolidates its units and reports to PA Resources AB. This reporting forms the basis for the Group's consolidated reporting.

PA Resources' accounting guidelines and principles follow IFRS, which have been implemented in the PA Resources Group to ensure uniform and stringent financial reporting.

A personnel policy is in place which shall ensure that the necessary measures are undertaken to ensure that the employees have the expertise required in their respective positions. Procedures and templates for employment, training, evaluation and promotion as well as remuneration and job descriptions are defined and documented.

#### *Risk assessment*

PA Resources is exposed to a number of different risks, both externally and internally. A precondition for being able to assess these risks is that defined goals are in place. The basis for risk management and risk assessment is to identify and analyse the risk that the set goals will not be achieved. Risk management forms

part of the planning process, in order to ensure that the results of this are taken into account in business plans, objectives and measures. Overall risk assessments are continuously carried out and where appropriate lead to specific measures to manage existing risks. See pages 30–33 for more information on PA Resources' risks and risk management.

#### *Control activities*

Control activities comprise routines and procedures that ensure that the management directives are executed and set control targets are achieved to manage significant risks. Control activities are carried out throughout the organisation, at all levels and in all functions. The activities include approval, the granting of permission, verification, reconciliation, performance follow-up and the division of tasks. Furthermore, all subsidiaries have an independent financial and accounting organisation, which ensures *inter alia* that control procedures are followed, that the Group's guidelines, handbooks and policies are complied with and that the financial reports are accurate, complete and delivered on time.

#### *Information and communication*

Appropriate information and communication are essential if internal control systems are to be able to function well. PA Resources has communication paths

to help employees carry out their duties as effectively as possible. The relevant employees in the Group have access to current policies, instructions, guidelines, handbooks, etc. Information systems supply reports that improve opportunities to conduct and control operations.

#### *Follow-up*

Follow-up is an integral part of operating activities. Supervision forms part of the management's and the individual managers' ordinary work activities and the activities that employees undertake when they carry out their work. Staff are required to report deficiencies in internal control to their line manager, and serious deficiencies shall be reported to the President and the Board. Financial reporting pertaining to interim reports and annual accounts as well as internal control are also quality assured by reviews conducted by the company's external auditors at both subsidiary and Group levels.

The Board's control is also exercised through the Audit Committee, which follows up on PA Resources' assessment of internal control, including through discussions with the company's auditors.

Stockholm, March 2009

PA Resources AB (publ)  
Board of Directors

# BOARD OF DIRECTORS AND MANAGEMENT

## BOARD OF DIRECTORS

### **Jan Kvarnström**, Chairman of the Board

Born 1948, MSc in Business and Economics and MBA. Partner in ERC.

Other board assignments: Chairman of the Board of Castellum AB and Collector AB; Senior Adviser at Investcorp.

Previous experience: Senior positions in the Bonnier Group and PK-banken (now Nordea), Managing Director of Securum AB, Esselte AB and Dresdner Bank AG.

Chairman of the Board since May 2007

Shareholding: 25,000

Options: 500,000

Convertibles: 12,500 (subscribed for in January 2009)

### **Ulrik Jansson**

Born 1954, Bachelor of Laws. President and CEO of PA Resources.

Other board assignments: Member of the boards of International Gold Exploration IGE AB, IGE Diamond AB, Tarrango Oil AB, Societe Mediterranee De Trading Corp Service AB and Gasolteknik H Irgens AB.

Previous experience: General Counsel for AGA AB and Uddeholms AB.

Board member since 1997

Shareholding: 8,512,512 through companies controlled by him

Convertibles: 1,562,500 (acquired in January 2009)

### **Catharina Nystedt-Ringborg**

Born 1951. MBA International Management, Master of Political Science and interpreter training, Sorbonne. Board work and consultant in the energy sector.

Other board assignments: Member of the boards of CN-R Affärsutveckling AB, Svenskt Pantlotteri AB and Antrepo AB.

Previous experience: Managing Director of Swedish Water Development AB, Senior Vice President of ABB Ltd and Fläkt AB and other positions at AGA Systeme Infrarouges SARL, the Government Offices of Sweden and the OECD.

Board member since 2006

Shareholding: 25,000

Convertibles: 12,500 (subscribed for in January 2009)

### **Sven Rasmusson**

Born 1953, Bachelor of Laws. Lawyer and partner in the law firm Rasmusson & Partners Advokat AB.

Other board assignments: Chairman of the Board of Ponderus Invest AB, Projektbyrån i Stockholm AB and Steelwrist AB. Member of the boards of Raspart Förvaltning AB and Rasmusson & Partners Advokat AB.

Previous experience: Business lawyer and adviser to inter alia listed companies and their boards. Lawyer and partner in the law firm Lindhs DLA Nordic.

Board member since May 2008

Shareholding: 50,000 including shares held through companies controlled by him

Convertibles: 25,000 (subscribed for in January 2009)

### **Lars Olof Nilsson**

Born 1962, MSc in Business and Economics. Board work and consultant at Nordic Capital.

Other board assignments: Member of the boards of Kaptensbacken AB, BE Group AB, International Gold Exploration IGE AB, IGE Nordic AB, Lappland Goldminers AB, AGL Treasury Support AB and AGL Transaction Services AB.

Previous experience: Head of the Finance and Business Development staff units at Trelleborg AB.

Board member since May 2008

Shareholding: 2,000

Convertibles: 1,000 (subscribed for in January 2009)



Jan Kvarnström



Ulrik Jansson



Catharina Nystedt-Ringborg



Sven Rasmusson



Lars Olof Nilsson



Ulrik Jansson



Bo Askvik



Mohamed Messaoudi



Hans Ryckborst



Graham Goffey



Jaan Kubja

## EXECUTIVE MANAGEMENT

### Ulrik Jansson

President and CEO

Born 1954, Bachelor of Laws. President and CEO of PA Resources since 1996

Previous experience: General Counsel for AGA AB and Uddeholms AB.

Shareholding: 8,512,512 through companies controlled by him

Convertibles: 1,562,500

### Bo Askvik

CFO

Born 1958, MSc Business and Economics, employed since 2007

Previously CFO at Sanitec Corp, Intrum Justitia AB and SAPA and other positions at Borealis Coordination Centre, Neste Sverige AB, Östgöta Enskilda Bank and Nordstjernen AB.

Shareholding: 25,000

Options: 150,000

Convertibles: 12,500

During 2008 Trond Bjerkan, Vice President of PA Resources AB and President of the subsidiary PA Resources Norway AS, was also a member of the Executive Management. On the sale of the company he transferred to the new owner.

## AUDITORS

Regular auditor:

Ernst & Young AB, Stockholm

### Jaan Kubja

Auditor in Charge, authorised public accountant

Born 1960

Auditor of PA Resources since 2005. Previously deputy auditor since 1999.

Other auditing assignments: Svenska Statoil AB, Norsk Hydro Olje AB, International Gold Exploration IGE AB and IGE Nordic AB.

Member of FAR SRS.

## REGIONS

### North Africa

#### Mohamed Messaoudi

Managing Director, PA Resources Tunisia

Born 1952, MSc Engineering and MBA, employed since 2007

Previous experience: Leading international positions with Storm Ventures, Nexen, MBC Consulting, Shell, Petroleum Development of Oman and Elf.

### West Africa

#### Hans Ryckborst

Managing Director, PA Resources Congo

Born 1942, PhD Geological Engineering, employed since 2008

Previous experience: Reservoir Engineer in Canada and Gabon, leading international positions with GGPC Limited Gabon, Bowleven (GGPC), Tullow Oil, ATP Oil & Gas and Vanco Energy. Special adviser to the International Monetary Fund (IMF), the World Bank and the Government in Gabon.

### North Sea

#### Graham Goffey

Managing Director, PA Resources UK

Born 1964, MSc Petroleum Geology and MBA, employed since January 2009

Previous experience: Leading international positions with Sterling Energy, Conoco, LASMO and Paladin Resources for example in management of exploration.