

Recommendations on Corporate Governance

Atlantic Petroleum Group Compliance & Response – Issue May 2022

Recommendations for Corporate Governance:

Atlantic Petroleum's response to the recommendations:

1. Interaction with the company's shareholders, investors and other stakeholders

The company's shareholders, investors and other stakeholders, including society, have a common interest in promoting the company's development and ensuring that the company is competitive and value-creating in the short as well as the long term.

Therefore, the management must ensure that the company in the short as well as the long term develops in an expedient manner.

It is therefore important that the interaction between management and shareholders, as well as with the company's investors and other stakeholders, including society, is well-functioning.

Corporate governance is, inter alia, about creating a framework, which renders it easy for shareholders, investors and other stakeholders to interact with the company's management.

Openness and transparency are preconditions for shareholders, investors and other stakeholders being able to assess and consider the company and its future prospects on a current basis and for interacting with the company in a constructive manner.

1.1. Dialogue between the company and its shareholders

1.1.1. The Committee recommends that the management through ongoing dialogue and interaction ensures that shareholders, investors and other stakeholders gain the relevant insight into the company's affairs, and that the board of directors obtains the possibility of hearing and including their views in its work.

Comply

1.1.2. The Committee recommends that the company adopts policies on the company's relationships with its shareholders, investors and if relevant other stakeholders in order to ensure that the various interests are included in the company's considerations and that such policies are made available on the company's website.

Comply

1.1.3. The Committee recommends that the company publishes quarterly reports.

Comply

1.2. General meeting

1.2.1. The Committee recommends that the board of directors organises the company's general meeting in a manner that allows shareholders, who are unable to attend the meeting in person or are represented by proxy at the general meeting, to vote and raise questions to the management prior to or at the general meeting. The Committee recommends that the board of directors ensures that shareholders can observe the general meeting via webcast or other digital transmission.

Comply

1.2.2. The Committee recommends that proxies and postal votes to be used at the general meeting enable the shareholders to consider each individual item on the agenda.

Comply

1.3. Takeover bids	
1.3.1. The Committee recommends that the company has a procedure in place in the event of takeover bids, containing a “road map” covering matters for the board of directors to consider in the event of a takeover bid, or if the board of directors obtains reasonable grounds to suspect that a takeover bid may be submitted. In addition, it is recommended that it appears from the procedure that the board of directors abstains from countering any takeover bids by taking actions that seek to prevent the shareholders from deciding on the takeover bid, without the approval of the general meeting.	Comply
1.4. Corporate Social Responsibility	
1.4.1. The Committee recommends that the board of directors adopts a policy for the company’s corporate social responsibility, including social responsibility and sustainability, and that the policy is available in the management commentary and/or on the company’s website. The Committee recommends that the board of directors ensures compliance with the policy.	The Company does not currently comply with this recommendation. This is due to the low activity of the Company and that the main focus is a low cost base until a stable revenue stream has been reestablished.
1.4.2. The Committee recommends that the board of directors adopts a tax policy to be made available on the company’s website.	The Company does not currently comply with this recommendation. This is due to the low activity of the Company and that the main focus is a low cost base until a stable revenue stream has been reestablished.
2. Tasks and responsibilities of the board of directors	
<p>It is the responsibility of the board of directors to safeguard the company's and the shareholders' interests with care and with due consideration for the investors and other stakeholders. The board of directors must ensure the value creation in the company in the short as well as in the long term and is responsible for the company’s strategy and for following up on the implementation of the strategy. In addition to the statutory duties, the board of directors must ensure that the company possesses the required financial prerequisites and the competencies to reach its targets.</p> <p>Reaching the company’s strategic targets presupposes that the board of directors engages a competent executive management to handle the day-to-day management, that the board of directors determines the division of duties between the board of directors and the executive management, determines the duties and the employment terms of the executive management and that the board of directors ensures that clear guidelines concerning responsibility, planning, follow-up and risk management are in place.</p> <p>The board of directors supervises the executive management and determines the guidelines for executing the supervision. In supervising the executive management, the board of directors must ensure that the executive management continuously improves, and that members are retained or dismissed.</p> <p>The chairperson organises, convenes and chairs meetings of the board of directors in order to ensure that duties are performed efficiently and pursues the best possible preconditions for performing the duties of the board of directors.</p>	

It may be expedient to organise the duties of the board of directors in an annual wheel in order to ensure that the board of directors addresses all the relevant duties on an annual basis.	
2.1. Overall tasks and responsibilities	
2.1.1. The Committee recommends that the board of directors in support of the company's statutory objects according to its articles of association and the long-term value creation considers the company's purpose and ensures and promotes a good culture and sound values in the company. The company should provide an account thereof in the management commentary and/or on the company's website.	Comply
2.1.2. The Committee recommends that the board of directors at least once a year discusses and on a regular basis follows up on the company's overall strategic targets in order to ensure the value creation in the company.	Comply
2.1.3. The Committee recommends that the board of directors on a continuously basis takes steps to examine whether the company's share and capital structure supports the strategy and the long-term value creation in the interest of the company as well as the shareholders. The Committee recommends that the company gives an account thereof in the management commentary.	Comply
2.1.4. The Committee recommends that the board of directors prepares and on an annual basis reviews guidelines for the executive management, including requirements in respect of the reporting to the board of directors.	Comply
2.2. Members of the board of directors	
2.2.1. The Committee recommends that the board of directors, in addition to a chairperson, appoints a vice chairperson, who can step in if the chairperson is absent and who can generally act as the chairperson's close sparring partner.	Comply
2.2.2. The Committee recommends that the chairperson in cooperation with the individual members of the board of directors ensures that the members up-date and supplement their knowledge of relevant matters, and that the members' special knowledge and qualifications are applied in the best possible manner.	The Company does not currently comply with this recommendation. This is due to the low activity of the Company and that the main focus is a low cost base until a stable revenue stream has been reestablished.
2.2.3. The Committee recommends that if the board of directors, in exceptional cases, requests a member of the board of directors to take on special duties for the company, for instance, for a short period to take part in the daily management of the	Comply

<p>company, the board of directors should approve this in order to ensure that the board of directors maintains its independent overall management and control function. It is recommended that the company publishes any decision on allowing a member of the board of directors to take part in the daily management, including the expected duration thereof.</p>	
<p>3. The composition, organisation and evaluation of the board of directors</p>	
<p>The board of directors acts collectively and has a joint responsibility for performing the duties of the board of directors. The composition of the board of directors must enable the board of directors to manage duties relating to strategy, management and supervision/control. It is important that the board of directors manages its duties efficiently in a constructive dialogue with executive management and that the individual members of the board of directors always act independently without any conflict of interest. Diversity (including age, gender or educational and commercial background) increases the quality of the work and the interaction on the board of directors and ensures diverse approaches to solving the tasks of the board of directors.</p> <p>The board of directors determines the qualifications required on the board and continuously evaluates whether the composition and the qualifications of the members, reflect the company's requirements for safeguarding the company's interests.</p> <p>The evaluation of the board of directors is an important tool to ensure that the company has a competent, relevant, professional and active board of directors. It is therefore important that the board of directors on a current basis conducts self-evaluation and evaluates its cooperation with executive management, and that there is transparency in the process as well as the results of the evaluations. The evaluation should also include an evaluation of the chairperson's performance of his/her duties.</p> <p>Pursuant to the Danish Companies Act, the board of directors will typically include employee representatives, and they should be evaluated in the same manner as the other members of the board of directors.</p>	
<p>3.1. Composition</p>	
<p>3.1.1. The Committee recommends that the board of directors on an annual basis reviews and in the management commentary and/or on the company's website states</p> <ul style="list-style-type: none"> • which qualifications the board of directors should possess, collectively and individually, in order to perform its duties in the best possible manner, and • the composition of and diversity on the board of directors. 	<p>The Company does not currently comply with this recommendation. This is due to the low activity of the Company and that the main focus is a low cost base until a stable revenue stream has been reestablished.</p>
<p>3.1.2. The Committee recommends that the board of directors on an annual basis discusses the company's activities in order to ensure relevant diversity at the different management levels of the company and adopts a diversity policy, which is included in the management commentary and/or available on the company's website.</p>	<p>The Company does not currently comply with this recommendation. This is due to the low activity of the Company and that the main focus is a low cost base until a stable revenue stream has been reestablished.</p>
<p>3.1.3. The committee recommends that candidates for the board of directors are recruited based on a thorough process approved by the board of directors.</p>	<p>The Company does not currently comply with this recommendation. This is due to the low activity of the Company and that the main focus is a low cost base until a stable revenue stream has been reestablished.</p>

<p>The Committee recommends that in assessing candidates for the board of directors – in addition to individual competencies and qualifications – the need for continuity, renewal and diversity is also considered.</p>	
<p>3.1.4. The Committee recommends that the notice convening general meetings, where election of members to the board of directors is on the agenda - in addition to the statutory items - also includes a description of the proposed candidates’</p> <ul style="list-style-type: none"> • qualifications, • other managerial duties in commercial undertakings, including board committees, • demanding organisational assignments and • independence. 	Comply
<p>3.1.5. The Committee recommends that members to the board of directors elected by the general meeting stand for election every year at the annual general meeting, and that the members are nominated and elected individually.</p>	Comply
<p>3.2. The board of director’s independence</p>	
<p>3.2.1. The Committee recommends that at least half of the members of the board of directors elected in general meeting are independent in order for the board of directors to be able to act independently avoiding conflicts of interests. In order to be independent, the member in question may not:</p> <ul style="list-style-type: none"> • be or within the past five years have been a member of the executive management or an executive employee in the company, a subsidiary or a group company, • within the past five years have received large emoluments from the company/group, a subsidiary or a group company in another capacity than as member of the board of directors, • represent or be associated with a controlling shareholder, • within the past year have had a business relationship (e.g. personally or indirectly as a partner or an employee, shareholder, customer, supplier or member of a governing body in companies with similar relations) with the company, a subsidiary or a group company, which is significant for the company and/or the business relationship, • be or within the past three years have been employed with or a partner in the same company 	Comply

<p>as the company's auditor elected in general meeting,</p> <ul style="list-style-type: none"> • be a CEO in a company with cross-memberships in the company's management, • have been a member of the board of directors for more than twelve years, or • be closely related to persons, who are not independent, cf. the above-stated criteria. <p>Even if a member of the board of directors does not fall within the above-stated criteria, the board of directors may for other reasons decide that the member in question is not independent.</p>	
<p>3.2.2. The Committee recommends that members of the executive management are not members of the board of directors and that members retiring from the executive management does not join the board of directors immediately thereafter.</p>	<p>The Company does not currently comply with this recommendation. This is due to the low activity of the Company and that the main focus is a low cost base until a stable revenue stream has been reestablished.</p>
<p>3.3. Members of the board of directors and the number of other managerial duties</p>	
<p>3.3.1. The Committee recommends that the board of directors and each of the members on the board of directors, in connection with the annual evaluation, cf. recommendation 3.5.1., assesses how much time is required to perform the board duties. The aim is for the individual member of the board of directors not to take on more managerial duties than the board member in question is able to perform in a satisfactory manner.</p>	<p>Do not currently comply – the company's main focus is a low cost base. The board will reconsider when a stable revenue stream has been reestablished</p>
<p>3.3.2. The Committee recommends that the management commentary, in addition to the statutory requirements, contains the following information on the individual members of the board of directors:</p> <ul style="list-style-type: none"> • position, age and gender, • competencies and qualifications relevant to the company, • independence, • year of joining the board of directors, • year of expiry of the current election period, • participation in meetings of the board of directors and committee meetings, • managerial duties in other commercial undertakings, including board committees, and demanding organisational assignments, and • the number of shares, options, warrants, etc. that the member holds in the company and its group companies and any changes in such holdings during the financial year. 	<p>Do not fully comply.</p>
<p>3.4. Board committees</p>	
<p>Establishing board committees may increase efficiency and improve the overall quality of the</p>	

<p>board of directors' work. Board committees are committees set up by the board of directors for a specific purpose and the members who sit on these committees are chosen among the members of the board of directors.</p> <p>Board committees should solely have a preparatory function prior to the board of directors' consideration of and decision on a matter. As a result, all significant information should not solely be received by the board committee but should be submitted to all members of the board of directors, nor should the board of directors restrict or omit matters for consideration and decision by the board of directors.</p> <p>Consequently, the board of directors remain responsible for decisions prepared by a board committee. The Committee recommends that the board of directors, in addition to the statutory audit committee, as a minimum establishes a nomination committee and a remuneration committee. If the company is particularly exposed, or if other circumstances render it relevant for the company to set up additional permanent committees, the board of directors should consider this. This may also contribute to optimising the use of special competencies on the board of directors. Examples of other permanent committees may be a research and development committee, a conduct and compliance committee or a risk committee.</p> <p>In order to ensure the required focus and time spent on a particular assignment, the board of directors may elect to set up an ad hoc committee to handle important assignments or matters that may be of a temporary nature, for instance, for the purpose of addressing reputational issues, negotiating large acquisitions or responding to takeover bids. The recommendations do not cover such ad hoc board committees.</p>	
<p>3.4.1. The Committee recommends that the management describes in the management commentary:</p> <ul style="list-style-type: none"> • the board committees' most significant activities and number of meetings in the past year, and • the members on the individual board committees, including the chairperson and the independence of the members of the committee in question. In addition, it is recommended that the board committees' terms of reference are published on the company's website. 	<p>Do currently not fully comply – the company's main current focus is a low cost base. The board will reconsider when a stable revenue stream has been reestablished</p>
<p>3.4.2. The Committee recommends that board committees solely consist of members of the board of directors and that the majority of the members of the board committees are independent.</p>	<p>Comply</p>
<p>3.4.3. The Committee recommends that the board of directors establishes an audit committee and appoints a chairperson of the audit committee, who is not the chairperson of the board of directors. The Committee recommends that the audit committee, in addition to its statutory duties, assists the board of directors in:</p> <ul style="list-style-type: none"> • supervising the correctness of the published financial information, including accounting practices in significant areas, significant accounting estimates and related party transactions, • reviewing internal control and risk areas in order to ensure management of significant risks, including in relation to the announced financial outlook, • assessing the need for internal audit, 	<p>Do not currently comply – the company's main current focus is a low cost base. The board will reconsider when a stable revenue stream has been reestablished</p>

<ul style="list-style-type: none"> • performing the evaluation of the auditor elected by the general meeting, • reviewing the auditor fee for the auditor elected by the general meeting, • supervising the scope of the non-audit services performed by the auditor elected by the general meeting, and • ensuring regular interaction between the auditor elected by the general meeting and the board of directors, for instance, that the board of directors and the audit committee at least once a year meet with the auditor without the executive management being present. <p>If the board of directors, based on a recommendation from the audit committee, decides to set up an internal audit function, the audit committee must:</p> <ul style="list-style-type: none"> • prepare terms of reference and recommendations on the nomination, employment and dismissal of the head of the internal audit function and on the budget for the department, • ensure that the internal audit function has sufficient resources and competencies to perform its role, and • supervise the executive management’s follow-up on the conclusions and recommendations of the internal audit function. 	
<p>3.4.4. The Committee recommends that the board of directors establishes a nomination committee to perform at least the following preparatory tasks:</p> <ul style="list-style-type: none"> • describing the required qualifications for a given member of the board of directors and the executive management, the estimated time required for performing the duties of this member of the board of directors and the competencies, knowledge and experience that is or should be represented in the two management bodies, • on an annual basis evaluating the board of directors and the executive management’s structure, size, composition and results and preparing recommendations for the board of directors for any changes, • in cooperation with the chairperson handling the annual evaluation of the board of directors and assessing the individual management members’ competencies, knowledge, experience and succession as well as reporting on it to the board of directors, 	<p>Do not currently comply – the company’s main current focus is a low cost base. The board will reconsider when a stable revenue stream has been reestablished</p>

<ul style="list-style-type: none"> • handling the recruitment of new members to the board of directors and the executive management and nominating candidates for the board of directors' approval, • ensuring that a succession plan for the executive management is in place, • supervising executive managements' policy for the engagement of executive employees, and • supervising the preparation of a diversity policy for the board of directors' approval. 	
<p>3.4.5. The Committee recommends that the board of directors establishes a remuneration committee to perform at least the following preparatory tasks:</p> <ul style="list-style-type: none"> • preparing a draft remuneration policy for the board of directors' approval prior to the presentation at the general meeting, • providing a proposal to the board of directors on the remuneration of the members of the executive management, • providing a proposal to the board of directors on the remuneration of the board of directors prior to the presentation at the general meeting, • ensuring that the management's actual remuneration complies with the company's remuneration policy and the evaluation of the individual member's performance, and • assisting in the preparation of the annual remuneration report for the board of directors' approval prior to the presentation for the general meeting's advisory vote. 	<p>Do not currently comply – the company's main current focus is a low cost base. The board will reconsider when a stable revenue stream has been reestablished</p>
<p>3.5. Evaluation of the board of directors and the executive management</p>	
<p>3.5.1. The Committee recommends that the board of directors once a year evaluates the board of directors and at least every three years engages external assistance in the evaluation. The Committee recommends that the evaluation focuses on the recommendations on the board of directors' work, efficiency, composition and organisation, cf. recommendations 3.1.-3.4. above, and that the evaluation as a minimum always includes the following topics:</p> <ul style="list-style-type: none"> • the composition of the board of directors with focus on competencies and diversity • the board of directors and the individual member's contribution and results, • the cooperation on the board of directors and between the board of directors 	<p>Do not currently comply – are in an ongoing process of establishing procedures so that the company complies in 2023</p>

<p>and the executive management,</p> <ul style="list-style-type: none"> • the chairperson’s leadership of the board of directors, • the committee structure and the work in the committees, • the organisation of the work of the board of directors and the quality of the material provided to the board of directors, and • the board members’ preparation for and active participation in the meetings of the board of directors. 	
<p>3.5.2. The Committee recommends that the entire board of directors discusses the result of the evaluation of the board of directors and that the procedure for the evaluation and the general conclusions of the evaluation are described in the management commentary, on the company’s website and at the company’s general meeting.</p>	Comply
<p>3.5.3. The Committee recommends that the board of directors at least once a year evaluates the work and results of the executive management according to preestablished criteria, and that the chairperson reviews the evaluation together with the executive management. In addition, the board of directors should on a continuous basis assess the need for changes in the structure and composition of the executive management, including in respect of diversity, succession planning and risks, in light of the company’s strategy.</p>	Comply
<p>4. Remuneration of management</p>	
<p>In order to facilitate a better understanding and acknowledgement of the compensation package offered to the management it is important that there is openness and transparency concerning the company’s overall remuneration policy and the size of the remuneration of the individual members of management. The remuneration policy should support the company’s long-term value creation, and the board of directors should consider whether the remuneration is reasonable.</p> <p>In addition, competitive remuneration is a precondition for attracting and retaining competent members to the management. The company should have a remuneration policy under which the overall remuneration, i.e. the fixed and variable parts and the other employment terms, are reasonable and in accordance with the individual management member’s responsibilities, performance and value creation.</p> <p>The variable part of the remuneration (incentive pay) will normally be divided into short-term remuneration, typically cash-based bonus schemes, relating to the results achieved in a specific financial year, and long-term remuneration, typically share-based incentive schemes, relating to the company's development over a number of years.</p> <p>A short-term bonus scheme should in addition to the short-term targets and results be viewed in relation to the company’s strategic direction and the remuneration depending on the achievement of long-term results. In order to support the long-term value creation, the variable part of the remuneration relating to the long-term incentive schemes should be based on realised results over a period of at least three years. The board of</p>	

directors should consider the value of the remuneration at the time of allocation as well as the potential value at the time of exercise based on pessimistic, expected and optimistic scenarios.

The board of directors should ensure a reasonable and responsible correlation between remuneration and value creation. Short-term bonus schemes as well as long-term incentive schemes should be established in a manner that does not unduly promote short-sighted and riskprone conduct.

A company may wholly or partly replace cash remuneration of the board of directors with remuneration paid in shares of the company corresponding to an equivalent value.

4.1. Remuneration of the board of directors and the executive management

<p>4.1.1. The Committee recommends that the remuneration for the board of directors and the executive management and the other terms of employment/service is considered competitive and consistent with the company's long-term shareholder interests.</p>	<p>Do not currently fully comply - Remuneration policy complies with the recommendations and last approved by the AGM in 2011. Please refer to website for further details.</p>
<p>4.1.2. The Committee recommends that share-based incentive schemes are revolving, i.e. that they are periodically granted, and that they primarily consist of long-term schemes with a vesting or maturity period of at least three years.</p>	<p>Comply</p>
<p>4.1.3. The Committee recommends that the variable part of the remuneration has a cap at the time of grant, and that there is transparency in respect of the potential value at the time of exercise under pessimistic, expected and optimistic scenarios.</p>	<p>Not currently relevant – the company has no variable remuneration.</p>
<p>4.1.4. The Committee recommends that the overall value of the remuneration for the notice period, including severance payment, in connection with a member of the executive management’s departure, does not exceed two years’ remuneration including all remuneration elements.</p>	<p>Comply</p>
<p>4.1.5. The Committee recommends that members of the board of directors are not remunerated with share options and warrants</p>	<p>Comply</p>
<p>4.1.6. The Committee recommends that the company has the option to reclaim, in whole or in part, variable remuneration from the board of directors and the executive management if the remuneration granted, earned or paid was based on information, which subsequently proves to be incorrect, or if the recipient acted in bad faith in respect of other matters, which implied payment of a too large variable remuneration.</p>	<p>Not currently relevant – the company has no variable remuneration.</p>

5. Risk management

Risk and risk management becomes increasingly decisive. Effective risk management contributes to reducing the strategic and business risks, to ensuring compliance and to securing the quality of the basis for management decisions and the financial reporting.

<p>Companies are exposed to different risks. Therefore, it is important that the board of directors identifies and considers the company-specific risks and ensures that effective risk management is in place, including appropriate internal control. This also applies to the company's risks in relation to sustainability.</p> <p>Risk management should be a regular item on the “annual wheel” of the board of directors and the company should report on the procedure for exposing risks, the identified significant risks and how the company handles such risks.</p>	
<p>5.1. Identification of risks and openness in respect of additional information</p>	
<p>5.1.1. The Committee recommends that the board of directors based on the company's strategy and business model considers, for instance, the most significant strategic, business, accounting and liquidity risks.</p> <p>The company should in the management commentary give an account of these risks and the company's risk management.</p>	<p>Comply</p>
<p>5.2. Whistleblower scheme</p>	
<p>5.1.2. The Committee recommends that the board of directors establishes a whistleblower scheme, giving the employees and other stakeholders the opportunity to report serious violations or suspicion thereof in an expedient and confidential manner, and that a procedure is in place for handling such whistleblower cases.</p>	<p>Do not currently comply – due to the current number of employees.</p>