

## **SUMMARY OF SHAREHOLDER RIGHTS AND IMPORTANT ASPECTS IN WHICH THE COMPANY'S CONDUCT DEVIATES FROM THE SWEDISH CORPORATE GOVERNANCE CODE**

The following is a summary of certain rights of shareholders in Lundin Mining Corporation (the “**Company**”) based upon current Canadian law and the Company’s current articles and by-laws with emphasis on the rights of minority shareholders. It also sets out certain differences between Canadian corporate law and Canadian corporate governance principles compared to Swedish corporate law (in those parts applicable to companies whose shares are subject to trading on a regulated market) as well as Swedish corporate governance principles, including the Swedish Corporate Governance Code (the “**Swedish Code**”). The Company does not apply the Swedish Code.

The summary is of a general nature and not an exhaustive account or review of the aforementioned corporate documents, nor of all potentially relevant differences between Canadian and Swedish law or corporate governance requirements, material or not.

### **Corporate Governance in Canada**

No jurisdiction in Canada has adopted a prescriptive corporate governance code in its corporate legislation similar to the Swedish Code. However, the Company must comply with securities legislation and the Toronto Stock Exchange (“**TSX**”) rules, which contain corporate governance guidelines, policies and related disclosure requirements. For example, National Policy 58-201 - Corporate Governance Guidelines sets non-prescriptive guidelines in respect of governance matters, including:

- Composition of the board of directors.
- Meetings of independent directors.
- Adoption of a written mandate of the board of directors.
- Development of position descriptions for the chief executive officer, the chair of the board and each board committee.
- Orientation and continuing education for each director.
- Adoption of codes of conduct and ethics.
- Nomination and remuneration of directors.
- Performance assessment of the board and individual directors.

Further, the Company is required to disclose information about its corporate governance practices in accordance with National Instrument 58-101 - Disclosure of Corporate Governance Practices and the policies of the TSX.

### **The Business of the Company**

#### **CANADA**

The articles of the Company do not restrict the Company from carrying on its business.

#### **SWEDEN**

Under the Swedish Companies Act, the objectives of a Swedish company must be set out in the articles of association. These objectives set out the limits within which a company can operate.

## **Shares**

### CANADA

The capital structure of the Company is composed of an unlimited number of common shares without nominal or par value, and one special share without nominal or par value (which is not outstanding at this time).

### SWEDEN

Under the Swedish Companies Act, a company may issue different classes of shares only if such share classes are specified in a company's articles of association. The articles shall also contain limitations on the minimum and maximum number of shares and of each share class.

## **Voting Rights**

### CANADA

Under the Canada Business Corporations Act (“**CBCA**”), a corporation is required to maintain a securities register in which it records the securities issued by it in registered form, showing with respect to each class or series of securities the name and the latest known address of each person who is or has been a security holder, the number of securities held by each security holder, and the date and particulars of the issue and transfer of each security. A registered shareholder can either attend the shareholders meeting and vote in person or appoint someone else to vote for his or her shares (a “**proxyholder**”). A shareholder appoints a proxyholder to attend and act on the shareholder's behalf at a meeting of shareholders by giving the proxyholder a completed and executed form of proxy. A proxyholder is required to vote for the shares in accordance with the shareholder's instructions.

A non-registered shareholder has beneficial ownership of his or her shares, but a securities broker or dealer required to be registered to trade or deal in securities, a securities depository, a financial institution, or another person authorized by legislation (an “**intermediary**”) is the registered holder that holds the shares on behalf of the beneficial owner. The intermediary cannot vote with respect to the shares registered in its name unless it receives written voting instructions from the beneficial owner. If the beneficial owner requests and provides an intermediary with appropriate documentation, the intermediary must appoint the beneficial owner or nominee of the beneficial owner as proxyholder.

### SWEDEN

Under the Swedish Companies Act, all shares carry one vote unless different share classes with different voting rights are provided for in the articles of association of the company.

Shareholders registered in the share register as of the record date for a general meeting are entitled to vote at such general meeting (in person or by appointing a proxy holder).

Shareholders with shares registered through a nominee must request to be temporarily registered as a shareholder of record on the record date in order to participate in a general meeting. Shareholders must also, if provided for in the articles of association, give notice of their intention to attend the shareholders' meeting within a certain period of time.

## **Shareholder Meetings**

### **CANADA**

Under the CBCA, companies are required to hold an annual general meeting of shareholders not later than fifteen months after their annual general meeting for the preceding calendar year but no later than six months after the end of the corporation's preceding financial year. A general meeting of a company must be held at the place within Canada provided in the by-laws or, in the absence of such provision, at the place within Canada that the directors determine, unless a location outside Canada is permitted by the company's articles or all the shareholders entitled to vote at the meeting agree that the meeting is to be held at that place.

The holders of not less than 5% of the issued shares that carry the right to vote at a meeting sought to be held may also requisition the directors to call a meeting of the shareholders for the purposes stated in the requisition, and if the directors do not, within 21 days after the date on which the requisition is received by the company, call a meeting of shareholders, any shareholder who signed the requisition may call the meeting. Special meetings of shareholders may be called by the board of directors of the Company (the "**Board**") at any time or by a court upon the application of a director or shareholder.

Under the CBCA, shareholder action without a meeting may only be taken by written resolution signed by all shareholders who would be entitled to vote thereon at a meeting.

### **SWEDEN**

Under the Swedish Companies Act, the board of directors is responsible for convening general meetings but holders of not less than 10% of all shares in the company may request that an extraordinary general meeting is convened. Minutes from general meetings shall be available on the company's website no later than two weeks after the meeting.

*The Swedish Code stipulates that the chairman of the board of directors together with a quorum of directors, as well as the chief executive officer, shall attend general meetings. It also stipulates that the chairman of the general meeting shall be nominated by the nomination committee and be elected by the general meeting, and that minutes from general meetings shall be available on the company's website no later than two weeks after the meeting. The Company does not comply with the Swedish Code regarding shareholder meetings. The minutes are prepared under the laws of Canada and the meeting documentation is provided only in English.*

## **Notices**

### **CANADA**

Unless waived by the shareholders, the Company must send notice of the date, time and location of a general meeting of the Company not less than 21 days and not more than 60 days before the meeting.

#### SWEDEN

Under the Swedish Companies Act, a general meeting of shareholders must be preceded by a notice. The notice of the annual general meeting of shareholders must be given no sooner than six weeks and no later than four weeks before the date of the meeting. In general, notice of extraordinary general meetings must be given no sooner than six weeks and no later than three weeks before the meeting.

*The Swedish Code also stipulates that a company shall, as soon as the time and venue of a general meeting have been decided, and in the case of annual general meeting no later than in conjunction with the third quarterly report, publish such information on the company's website. As the Company is a Canadian company, it does not comply with the Swedish Code regarding notices to shareholder meetings. Instead, the Company is subject to the Canadian requirements described above.*

#### **Record Date**

##### CANADA

The record date for a meeting of shareholders is set by the Board. Subject to certain exceptions, the Company is required to file on SEDAR a notice of record date and meeting date at least 25 days before the record date for the meeting. The record date for a meeting of the Company's shareholders must not precede the date on which the meeting is to be held by more than 60 days or by less than 30 days.

##### SWEDEN

Under the Swedish Companies Act, the record date for a general meeting is the fifth work day prior to the date of the meeting.

#### **Issue of shares**

##### CANADA

Under the policies of the TSX, shareholder approval is generally required in those instances where:

- (1) the number of securities issued or issuable exceeds 25% of the number of securities of the issuer which are outstanding, on a non-diluted basis;
- (2) control of the issuer is materially affected; or
- (3) consideration to insiders in aggregate of 10% or greater of the market capitalization of the issuer is provided, during any six-month period, and has not been negotiated at arm's length.

Under the CBCA:

- (1) subject to the articles, the by-laws and any unanimous shareholder agreement, shares may be issued at such times and to such persons and for such consideration as the directors may determine;
- (2) shares issued by the company are non-assessable, and the holders are not liable to the company or to its creditors in respect thereof; and
- (3) a share shall not be issued until the consideration for the share is fully paid in money or in property or past services and the directors must not attribute to past services or property a value that exceeds the fair market value of those past services or that property, as the case may be.

## SWEDEN

Under the Swedish Companies Act, resolutions on new share issues are as a main rule passed by the shareholders at a general meeting. A general meeting may also authorize the board of directors to issue new shares for period. Furthermore, the board of directors may also resolve to issue new shares without such authorization, provided that the resolution is conditioned upon the shareholders' approval at a general meeting.

When issuing new shares the limitations on maximum number of shares and share capital set out in the company's articles of association need to be adhered to, unless a general meeting decides to amend the articles.

### **Pre-emption Rights**

## CANADA

The articles of Lundin Mining do not contain any pre-emptive rights.

## SWEDEN

Under the Swedish Companies Act and as a main rule, shareholders have pre-emption rights (Sw. företrädesrätt) to subscribe for new shares issued in proportion to their shareholdings as of a certain record date for the new share issue. Pre-emption rights to subscribe for new shares do not apply in respect of shares issued for consideration in kind or shares issued pursuant to convertibles or warrants previously granted by the company.

### **Dividends**

## CANADA

Under the CBCA, a corporation may pay a dividend in money or property or by issuing fully paid shares of the corporation. A corporation shall not declare or pay a dividend if there are reasonable grounds for believing that:

- (1) the corporation is, or would after the payment be, unable to pay its liabilities as they become due; or
- (2) the realizable value of the corporation's assets would thereby be less than the aggregate of its liabilities and stated capital of all classes.

The Board approved a Dividend Policy which provides for the payment of a regular quarterly dividend. The declaration, timing, amount and payment of these dividends are at the discretion of the Board.

#### SWEDEN

Under the Swedish Companies Act, payments of dividends require a shareholder resolution at a general meeting. Dividends may only be made if, after the payment of the dividend, there is sufficient coverage for the company's restricted equity and the payment of dividends is justified, taking into consideration the equity required for the type of operations, the company's need for consolidation and liquidity as well as the company's financial position in general.

#### **Distribution of Assets on Liquidation**

#### CANADA

Under the CBCA, a corporation may liquidate and dissolve by special resolution of the shareholders or by court order. If a court order is sought, the liquidation of a corporation commences when a court makes an order therefor. When making an order for the liquidation of a corporation or at any time thereafter, the court may appoint any person, including a director, an officer or a shareholder of the corporation or any other body corporate as liquidator of the corporation.

After giving the appropriate notice and adequately providing for the payment or discharge of all its obligations, the Company will distribute its remaining property, either in money or in kind, among its shareholders according to their respective rights.

#### SWEDEN

Under the Swedish Companies Act, a company can enter into voluntary liquidation following a resolution by simple majority vote among the shareholders at a general meeting. The Swedish Companies Act also stipulates that a company shall enter into compulsory liquidation in a capital deficiency situation and in certain other situations.

#### **Certain Extraordinary Corporate Actions**

#### CANADA

Under the CBCA, certain extraordinary fundamental changes, such as, among others, amalgamations, continuances, and sales, leases or other dispositions of all or substantially all of the undertakings of a corporation other than in the ordinary course of business, and other extraordinary corporate actions such as liquidations, dissolutions and (if ordered by a court) arrangements, are required to be approved by special resolution. Under the CBCA, a special resolution means a resolution passed by a majority of not less than two-thirds of the votes cast by the shareholders who voted in respect of that resolution.

#### SWEDEN

Under the Swedish Companies Act, a statutory merger requires a shareholder resolution passed at a general meeting. The majority requirements for a valid resolution depends on the nature of the companies involved, however not less than two thirds of the votes cast and the shares represented at the meeting. The consideration to the shareholders of the transferor company or companies shall consist of shares in the transferee company or of cash. More than half of the aggregate value of the consideration shall consist of shares.

A voluntary liquidation requires a resolution passed at a shareholders meeting supported by more than half of the votes cast, unless otherwise provided in the articles of association of the company. A material change of the operations conducted by the company may require a change of the company's objects and purposes in the articles of association.

### **Restrictions on Change of Control**

#### **CANADA**

The Company does not have any shareholder rights plans in effect. However, the policies of the TSX require shareholder approval for certain transactions that materially affect the control of an issuer. In addition, as noted above, under the CBCA, certain extraordinary fundamental changes, that may ultimately result in a change of control, could also require shareholder approval.

#### **SWEDEN**

Not applicable for Swedish companies with shares listed on a regulated market.

### **Mandatory Take-over Bids/Squeeze-out Rules**

#### **CANADA**

The CBCA together with Canadian securities laws, contain the procedural requirements for takeover bids and going-private transactions. If a bid is accepted by more than 90% of the shares of any class of shares to which the take-over bid relates, other than shares held at the date of the take-over bid by or on behalf of the offeror or an affiliate or associate of the offeror, the offeror is entitled to acquire the shares held by any dissenting offerees.

If the acquiring company elects to proceed by way of takeover bid but fails to acquire the requisite percentage of the shares to permit a compulsory acquisition of the minority, the company may elect to squeeze out the minority through an alternative statutory process if it acquires a certain threshold percentage of the company's issued and outstanding shares.

#### **SWEDEN**

Under Swedish law an obligation to launch a mandatory take-over bid applies when a party becomes the owner of 30% or more of the votes in a company with shares listed on a regulated market.

Under the Swedish Companies Act, a shareholder holding more than 90% of the shares in a company is entitled, on a compulsory basis, to buy-out the remaining shares from the other

shareholders in the company. On the other hand, a minority shareholder is also, in such situation, entitled to demand that the majority shareholder purchases his or her shares.

### **Redemption Provisions**

#### **CANADA**

A listed company can file a Notice of Intention to Make a Normal Course Issuer Bid with the TSX seeking approval for the company to purchase by normal market purchases up to, when aggregated with all other purchases by the listed issuer during the same trading day, the greater of 25% of the average daily trading volume of the shares and 1,000 securities, up to a maximum in a 12 month period of the greater of 5% of the outstanding shares or 10% of the Public Float.

#### **SWEDEN**

Under the Swedish regulations, a company with shares listed on a regulated market is permitted to repurchase a maximum of 10% of all outstanding shares in the company.

### **Amendments to the Articles or By-laws**

#### **CANADA**

Under the CBCA, the amendment of the articles of a corporation generally requires the approval by special resolution of the shareholders. The CBCA provides that, unless the articles or by-laws otherwise provide, the directors may, by resolution, make, amend or repeal any by-law that regulates the business or affairs of a corporation. Where the directors make, amend or repeal a by-law, they are required under the CBCA to submit the by-law, amendment or repeal to the shareholders at the next meeting of shareholders, and the shareholders may confirm, reject or amend the by-law, amendment or repeal by an ordinary resolution, which is a resolution passed by a majority of the votes cast by shareholders who voted in respect of the resolution. If the directors of a corporation do not submit a by-law, an amendment or a repeal to the shareholders at the next meeting of shareholders, the by-law, amendment or repeal will cease to be effective on the date of the meeting of shareholders at which it should have been submitted, and no subsequent resolution of the directors to adopt, amend or repeal a by-law having substantially the same purpose and effect is effective until it is confirmed or confirmed as amended by the shareholders.

#### **SWEDEN**

Under the Swedish Companies Act, an amendment of the articles of association requires a shareholder resolution at a general meeting. The majority requirement for a valid resolution depends on the type of alteration.

### **Number of Directors**

#### **CANADA**

Under the CBCA, a public company must have no fewer than three directors at least two of whom are not officers or employees of the corporation or its affiliates and whereby at least



twenty-five per cent of the directors of a corporation must be resident Canadians and if a corporation has less than four directors, at least one director must be a resident Canadian. The directors are elected at the annual meeting of shareholders of the Company for a term expiring at the end of the next annual meeting. Under the CBCA, the directors may also, if the articles so provide, appoint one or more additional directors, who shall also hold office for a term expiring at the end of the next annual meeting, provided that the total number of directors so elected shall not exceed one third of the number of directors elected at the previous annual meeting.

The articles of the Company provide that it shall have a minimum of three and a maximum of ten directors.

#### SWEDEN

Under the Swedish Companies Act, a public company shall have a board of directors consisting of at least three board members and the Chairman of the board may not be the managing director of the company.

#### **Nomination, Appointment and Removal of Directors**

#### CANADA

Under the CBCA the shareholders of a corporation may by ordinary resolution at a special meeting remove any director or directors from office. However, there are a couple of exceptions. Where the articles provide for cumulative voting, a director may be removed from office only if the number of votes cast in favour of the director's removal is greater than the product of the number of directors required by the articles and the number of votes cast against the motion. In addition, where the holders of any class or series of shares of a corporation have an exclusive right to elect one or more of the directors, a director so elected may only be removed by an ordinary resolution at a meeting of the shareholders of that class or series.

The Company lists the members of the Corporate Governance and Nominating Committee of the Board in its management information circular. The management information circular includes, among other things, information on voting procedure, background information about the Company's nominated, Board compensation, executive compensation, as well as information on the audit committee and other committees of the Board.

Under Canadian laws and practice, all of the results of the work of the Corporate Governance and Nominating Committee are presented to the Board. A synopsis of the work of the Corporate Governance and Nominating Committee, Human Resources/Compensation Committee, Audit Committee and other committees of the Board is presented in the management information circular.

The Board of directors appoints the Corporate Governance and Nominating Committee from among its members. The Chair is generally proposed by the Corporate Governance and Nominating Committee to the Board and is appointed by the Board pursuant to the Company's By-Laws.

In accordance with the Company’s diversity policy, the Company, among other things, recruits from a diverse pool of candidates for all positions, including senior management and Board appointments, and reviews succession plans to ensure an appropriate focus on diversity. The Company is committed to a merit-based system for all positions, including senior management and Board appointments, which requires a diverse and inclusive culture. Within this framework, the Corporate Governance and Nominating Committee is responsible for making recommendations to the Board on the election and re-election of Board nominees and considers a range of factors, including performance, skills and diversity, and the identification and nomination of women directors, when identifying and selecting candidates for election or re-election.

## SWEDEN

Under Swedish law, the board of directors shall, with some exceptions, be elected by the annual general meeting of shareholders. The members of the board of directors are usually elected for the period until the end of the next annual general meeting of shareholders.

*As the Company is a Canadian company, the Company does not comply with the Swedish Code regarding the nomination, appointment and remuneration of the Board. Instead, the Company is subject to the Canadian regulations described above. Thus, the Company does not comply with the Swedish Code regarding, among other things, the procedures for appointment of a nomination committee, requirements regarding the independence of the members of the committee and the committee’s tasks, including the obligation to describe how the committee has applied the Company’s diversity policy, and the requirement that each member is to promote the interest of all shareholders.*

*Further, and for the same reason, the Company does not comply with the Swedish Code regarding the size and composition of the Board, requiring among other things that not more than one of the members may be a member of the executive management of the company and the requirement that a majority of the members of the board shall be independent of the company and its executive management (as defined in the Swedish Code). Instead, the Company is subject to the Canadian regulations described above.*

## **Majority Voting Policy**

### CANADA

The Board has adopted a policy on majority voting (the “**Majority Voting Policy**”) that provides that each director of the Company should be elected by the vote of a majority of the Shares, represented in person or by proxy, at any meeting for the election of directors.

The Chair of the Board will ensure that the number of shares voted “for” or “withheld” from voting for each director nominee of the Company is recorded and promptly made public after the relevant meeting. If any nominee for director receives, from the shares voted at the meeting in person or by proxy, a greater number of shares withheld than shares voted for his or her election, the director must promptly tender his or her resignation to the Chair of the Board

following the meeting, to take effect upon acceptance by the Board. To assist the Board in making a determination with regard to exceptional circumstances, the Board will refer the resignation to the Corporate Governance and Nominating Committee who will expeditiously consider the director's offer to resign and make a recommendation to the Board whether to accept the resignation. Within 90 days of the shareholders' meeting, the Board will make a final decision concerning the acceptance of the director's resignation and announce that decision by way of a news release.

The Majority Voting Policy does not apply to a contested election of directors, that is, where the number of nominees exceeds the number of directors to be elected.

If the director fails to tender his or her resignation as contemplated in the Majority Voting Policy, the Board will not re-nominate the director. Subject to any corporate law restrictions, where the Board accepts the offer of resignation of a director and that director resigns, the Board may exercise its discretion with respect to the resulting vacancy and may, without limitation, leave the resultant vacancy unfilled until the next annual meeting of shareholders, fill the vacancy through the appointment of a new director whom the Board considers to merit the confidence of the shareholders, or call a special meeting of shareholders to elect a new nominee to fill the vacant position.

#### **Advance Notice Policy**

The Company's By-Laws contain an advance notice requirement (the "**Advance Notice Policy**") for nominations of directors by shareholders in certain circumstances. The purpose of the Advance Notice Policy is to provide shareholders, directors and management of the Company with direction on the nomination of directors. The Advance Notice Policy fixes a deadline by which holders of record of Shares of the Company must submit director nominations to the Company prior to any annual or special meeting of shareholders and sets forth the information that a shareholder must include in the notice to the Company for the notice to be in proper written form.

Pursuant to the Advance Notice Policy, nominations of persons for election to the Board may be made at any annual meeting of shareholders, or at any special meeting of shareholders if one of the purposes for which the special meeting was called was the election of directors: (a) by or at the direction of the Board, including pursuant to a notice of meeting; (b) by or at the direction or request of one or more shareholders pursuant to a proposal made in accordance with the provisions of the CBCA, or a requisition of the shareholders made in accordance with the provisions of the CBCA; or (c) by any person (a "**Nominating Shareholder**"): (A) who, at the close of business on the Notice Date (as defined below) and on the record date for notice of such meeting, is entered in the securities register as a holder of one or more shares carrying the right to vote at such meeting; and (B) who complies with the notice procedures set forth in the Advance Notice Policy.

In addition to any other applicable requirements, for a nomination to be made by a Nominating Shareholder, the Nominating Shareholder must have given timely notice thereof in proper written form in accordance with the provisions of the Advance Notice Policy.

To be timely, a Nominating Shareholder's notice must be made: (a) in the case of an annual meeting of shareholders, not less than 30 days nor more than 65 days prior to the date of the annual meeting; provided, however, in the event that the annual meeting is to be held on a date that is less than 50 days after the date (the "**Notice Date**") on which the first public announcement of the date of the annual meeting was made, notice may be made not later than the close of business on the 10th day following such public announcement; and (b) in the case of a special meeting of shareholders (which is not also an annual meeting) called for the purpose of electing directors (whether or not called for other purposes), not later than the close of business on the 15th day following the day on which the first public announcement of the date of the special meeting was made. In no event shall any adjournment or postponement of a meeting of shareholders or the announcement thereof commence a new time period for the giving of a shareholder's notice as described above.

To be in proper written form, a Nominating Shareholder's notice must set forth, among other things, particulars as to each person whom the Nominating Shareholder proposes to nominate for election as director, including their name, age, address, principal occupation, and the class or series and number of shares in the capital of the Company which are controlled or which are owned beneficially or of record by the person as of the record date for the meeting of shareholders (if such date shall then have been made publicly available and shall have occurred) and as of the date of such notice.

No person shall be eligible for election as a director of the Company unless nominated in accordance with the provisions of the Advance Notice Policy; provided, however, that nothing in the Advance Notice Policy shall be deemed to preclude discussion by a shareholder (as distinct from the nomination of directors) at a meeting of shareholders of any matter in respect of which it would have been entitled to submit a proposal pursuant to the provisions of the CBCA. The Chairman of the meeting shall have the power and duty to determine whether a nomination was made in accordance with the procedures set forth in the foregoing provisions and, if any proposed nomination is not in compliance with such foregoing provisions, to declare that such defective nomination shall be disregarded.

## **Remuneration**

### **CANADA**

According to the by-laws of the Company, the directors shall be paid such remuneration for their services as the Board may from time to time determine. The directors shall also be entitled to be reimbursed for reasonable expenses they may incur in and about the business of the Company.

The compensation package for directors is intended to provide a competitive level of remuneration reflective of the responsibilities, accountability and time commitments of the

Board members. Executive officers of the Company who also act as directors of the Company do not receive any additional compensation for services rendered in such capacity, other than as paid by the Company to such executive officers in their capacity as executive officers. Options and other incentive based securities may be granted from time to time upon the recommendation of the Human Resources/Compensation Committee of the Board.

The Board has adopted a non-binding shareholder advisory vote on the Company's approach to executive compensation which provides shareholders with a formal opportunity to provide their views on the disclosed objectives of the Company's pay for performance compensation model. The Human Resources/Compensation Committee, and the Board, will take the results of the vote into account, as appropriate, when considering future compensation policies, procedures and decisions, all of which are to be consistent with its pay for performance compensation model.

Under Canadian securities laws, the Company is required to provide details with respect to the compensation of certain officers and the directors in its management information circular.

#### SWEDEN

Under the Swedish Companies Act, the remuneration to the board of directors shall be determined by the annual general meeting of shareholders, specifying the amount for each director. The annual general meeting of shareholders shall establish guidelines for the remuneration of the board and executive management.

*The Swedish Code stipulates that a company shall have a remuneration committee. The remuneration committee shall prepare the board of directors' resolutions regarding executive compensation and shall also monitor and evaluate programs for variable compensation for the executive management and the guidelines established by the general meeting.*

*The Swedish Code also stipulates that variable remuneration is to be linked to predetermined and measurable performance criteria aimed at promoting the company's long-term value creation. Variable compensation paid in cash shall be subject to predetermined limits regarding the total outcome. The shareholders' meeting is to decide on all share and share-price related incentive schemes for the executive management. The vesting period or the period from the commencement of an agreement to the date for acquisition of shares is to be no less than three years. Programmes designed for board members are to be devised by the company's owners. Fixed salary during a period of notice and severance pay are together not to exceed an amount equivalent to the individual's fixed salary for two years. The Company does not comply with the Swedish Code regarding remuneration and variable compensation. Instead, the Company is subject to the Canadian rules and regulations set forth above.*

#### **Powers of the Board of Directors**

#### CANADA

Directors of corporations governed by the CBCA have fiduciary obligations to the corporation. Under the CBCA, directors, when exercising the powers and discharging their duties, must act

honestly and in good faith with a view to the best interests of the corporation and exercise the care, diligence and skill that a reasonably prudent individual would exercise in comparable circumstances.

The Board is responsible for the stewardship of the business and for acting in the best interests of the Company and its shareholders. The specific duties of the Board are contained in the Board of Directors' Mandate. A copy of the Mandate of the Board of Directors is attached to the management information circular.

## SWEDEN

Under the Swedish Companies Act, the Board of directors is responsible for the organization of the company and shall monitor the financial situation of the company and the group. The Board shall appoint a managing director and issue instructions to such director setting out the responsibilities of the Board and managing director. The Board shall also issue instructions in reporting obligations in order for the Board to fulfill its duties.

The managing director is responsible for the day-to-day management of the company in accordance with law, which normally includes appointing the other senior executives.

*The Swedish Code stipulates, among other things, that the board is to meet the company's statutory auditor at least once a year, without the chief executive officer or any other member of the executive management present. It also stipulates that the board of directors is to ensure that the company's six- or nine-month report is reviewed by the statutory auditor.*

*The Company does not comply with the Swedish Code regarding the tasks of the Board, the size and composition of the Board, the Chair of the Board, the procedures of the Board and the evaluation of the Board and the chief executive officer. Instead, the Company is subject to the Canadian regulations set forth above.*

## **Right to Indemnification**

### CANADA

Under the CBCA, a corporation may indemnify a director or officer of the corporation, a former director or officer of the corporation or another individual who acts or acted at the corporation's request as a director or officer, or an individual acting in a similar capacity, of another entity, (an "**Indemnifiable Person**") against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, reasonably incurred by the Indemnifiable Person in respect of any civil, criminal administrative, investigative or other proceeding in which the Indemnifiable Person is involved because of that association with the corporation or other entity.

A company may not indemnify an Indemnifiable Person unless the individual:

- (1) acted honestly and in good faith with a view to the best interests of the corporation, or, as the case may be, to the best interests of the other entity for

which the individual acted as director or officer or in a similar capacity at the corporation's request; and

- (2) in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, the individual had reasonable grounds for believing that the individual's conduct was lawful.

A corporation may, with the approval of a court, also indemnify an Indemnifiable Person in respect of an action by or on behalf of the corporation or other entity to procure a judgment in its favour, to which the individual is made a party because of the individual's association with the corporation or other entity, against all costs, charges and expenses reasonably incurred by the individual in connection with such action, if the Indemnifiable Person fulfils all of the conditions set out above.

#### SWEDEN

The Swedish Companies Act does not contain any specific provisions requiring that the articles of association provide for indemnification of board members, officers or other persons.

#### **Auditors, Financial Statements, Auditor's Reports, and Audit Committee**

#### CANADA

In accordance with the CBCA, shareholders of the Company are required at each annual meeting of the Company to pass an ordinary resolution appointing an auditor to hold office until the close of the next annual meeting. Unless the auditor is appointed by the court in accordance with the provisions of the CBCA, shareholders of the Company can remove the auditor from office by ordinary resolution at a special meeting of shareholders.

Under the CBCA, the directors of the Company must place before the shareholders at every annual meeting (a) comparative financial statements as prescribed in respect of the immediately preceding financial year; (b) comparative financial statements as prescribed in respect of the period that began immediately after the end of the last completed financial year and ended not more than six months before the annual meeting; (c) the report of the auditor, if any; and (c) any further information respecting the financial position of the corporation and the result of its operations required by the articles, the by-laws or any unanimous shareholder agreement.

The Company is required to prepare and file on SEDAR its annual financial statements and annual management discussion and analysis along with the report of the auditor, if any, within the prescribed period of time following financial year-end. The Company is also required to prepare and file on SEDAR its quarterly financial statements and interim management discussion and analysis within the prescribed period of time following the end of the first, second and third financial quarter.

#### SWEDEN

An auditor shall be elected by the general meeting.

A shareholder may propose that an auditor appointed by the Swedish Companies Registration Office shall participate in the audit together with other auditors. Where the proposal is supported by owners of at least one-tenth of all shares in the company or at least one-third of the shares represented at the meeting, the Companies Registration Office shall appoint an auditor (a so called minority auditor). Further, a shareholder may submit a proposal for an examination through a special examiner. Where the proposal is supported by owners of at least one-tenth of all shares in the company or at least one-third of the shares represented at the general meeting, the Swedish Companies Registration Office shall appoint one or more special examiners. The examination may relate to the company's management and accounts during a specific period of time in the past or certain measures or circumstances within the company.

Under the Swedish Companies Act, the annual general meeting shall adopt the balance sheet and the profit and loss statement. Further, it makes decisions in respect of the disposition of the company's profit or loss (such as payment of dividends). Swedish companies with shares listed on a regulated market are required to make their annual reports public not later than four months after the end of each financial year. The annual report, together with the auditor's report, must be presented at the annual general meeting.

According to the Swedish Companies Act, companies with shares listed on a regulated market must have an audit committee, unless the assignments of such committee are carried out by the board of directors.

## **Corporate Governance Reports and Website**

### **CANADA**

Companies listed on the TSX must provide certain corporate governance information in their management information circular. The management information circular is distributed together with the Company's notice of annual shareholders' meeting and is filed on SEDAR. There is no requirement to have the management information circular reviewed by the Company's auditors, and unless the Company elects and is able to use the "notice-and-access" provisions under Canadian securities laws, there is no requirement to include the management information circular on the Company's website. The content of the management information circular is regulated by Canadian securities laws, and the management information circular must, among other things, include a discussion of the Company's compliance with the Canadian corporate governance principles. Although there are currently not many legal requirements regarding the information on the Company's website, the Company does include information useful to investors.

### **SWEDEN**

Swedish companies with shares listed on a regulated market are obliged by law to prepare an annual corporate governance report, with information about, among other things, the key elements of the internal control systems, information about major shareholders, information about the board of directors and its committees and any mandates for the board of directors to issue new shares or acquire treasury shares. Some listed companies, but not all, must include



information on the diversity policy applicable to the company's board of directors, for example with respect to age, gender, education and professional background.

All companies of a certain size must produce a sustainability report containing information on issues such as environmental impact, social conditions, human resources, respect for human rights and anti-corruption measures.

*The Swedish Code requires that the company has a section on its website devoted to corporate governance matters, where, among other things, the company's ten most recent corporate governance reports are to be posted as well as the company's sustainability reports. Companies shall collect updated information about directors' and chief executive officers' and their related parties' shares etc. in the company in connection with the annual general meeting in order to be able to publish the information on the company's website in connection with the notice of the meeting (regarding the board) and in the corporate governance report (regarding the board and chief executive officer).*

*While the Company has published information relating to corporate governance policies adopted and maintained by the Company, including the Company's diversity policy, the Company does not fully comply with the Swedish Code on information on corporate governance and sustainability reports. Instead, the Company is subject to the securities legislation and TSX rules discussed above.*