

# Corporate Governance Report 2021

Corporate governance involves the regulations and structure established to govern and manage a company in an effective and controlled manner. Corporate governance is primarily aimed at meeting the shareholders' requirements with regard to the return on their investment, and at providing all stakeholders with comprehensive, and correct, information as regards the company and its development. The Corporate Governance of Auriant Mining AB (publ) is based on the Swedish Companies Act, the Swedish Corporate Governance Code, the Articles of Association and other relevant laws and rules. Auriant Mining AB (publ) (in this Corporate Governance Report also referred to as "Auriant", the "Company" or the "Parent Company") is a Swedish public limited liability company with its registered office in Stockholm, Sweden and with business operations primarily in Siberia, Russia. Auriant was founded in 2004 and was listed on the NGM Equity, Nordic Growth Market on March 29, 2005 under the name, Central Asia Gold AB (publ). Since July 19, 2010, Auriant's shares are listed on the Swedish stock exchange, Nasdaq First North Premier, which became a SME-classified Growth Market on 1 September 2019 and is therefore now referred to as Nasdaq First North Premier Growth Market. The shares are traded under the ticker "AUR". Auriant applies the Swedish Corporate Governance Code (the "Code"). The Code is based on the "comply or explain" principle, which implies that companies applying the Code can deviate from specific rules, but they must provide an explanation for such deviation. Deviations from the Code rules are detailed in the Company's Corporate Governance Reports. Governance, management and control responsibilities in Auriant are divided between the shareholders's meeting, the Board of Directors and the Chief Executive Officer.

## THE SHAREHOLDERS' MEETING

The shareholders' right to decide on Auriant's business matters is exercised at the Shareholders' Meeting of the Company, which is the Company's highest decision-making body. The Board of Directors is appointed by the Shareholders' Meeting, and the Chief Executive Officer is appointed by the Board of Directors. The Shareholders' Meeting has a sovereign role over the Board of Directors and the Chief Executive Officer. The duties of the Shareholders' Meeting include the election of Members of the Board, the approval of principles for the appointment of the Nomination Committee and an instruction to the Nomination Committee, the adoption

of the income statement and balance sheet, resolutions on the appropriation of profits and discharge from liability for the members of the Board and the Chief Executive Officer, the determination of fees payable to the members of the Board and to the auditors and determination of the principles governing remuneration for the Chief Executive Officer and senior executives, the election of auditors and, where relevant, amendments to the Articles of Association.

## SHAREHOLDERS

There were, as of the end of 2021, in total, 98,768,270 shares in the Company and the same number of votes. There were 3,457 shareholders in the Company as of December 31, 2021. The largest shareholder was Bertil Holdings Ltd with 52.21% of shares. The second largest shareholding was that of GoMobile Nu AB, which held 22.98% of shares as of December 31, 2021. There are no other shareholders representing more than one tenth of the voting rights of all shares in the Company. The share capital of the Company as of December 31, 2021 totaled SEK 11,111,430.32.

## ANNUAL GENERAL MEETING 2021

Auriant's 2021 AGM was held on May 11, 2021. The minutes from the meeting are available at [www.auriant.com](http://www.auriant.com). Due to the continued spread of Covid-19, the Annual General Meeting was conducted by advance voting only, without physical presence of shareholders, proxies and third parties, on the basis of temporary statutory rules.

The following principal resolutions were adopted at the Annual General Meeting 2021:

- The Board of Directors and the Chief Executive Officer were discharged from liability for the previous financial year.
- It was resolved that until the end of the next annual general meeting, the number of Board Members shall be 4 and the number of deputies shall be 1.
- Lord Daresbury (Peter), Preston Haskell and Jukka Pitkäljärvi were re-elected to the Board, and Birgit Köster Hoffmann was elected as a new Board member. James Provoost Smith Jr. was re-elected as Deputy Board Member.
- Peter Daresbury was re-elected as Chairman of the Board.

- It was resolved that the remuneration to the Chairman of the Board shall be SEK 400,000, and SEK 250,000 to each of the other ordinary board members and to the deputy board member. It was decided that remuneration amounting to SEK 25,000 per year and member shall be paid for participation in each committee established by the Board. The maximum amount of remuneration payable to the Board, including remuneration for work in committees, is SEK 1,725,000.
- It was resolved to re-elect the auditing firm, Öhrlings PricewaterhouseCoopers AB as auditor.
- The AGM approved the principles for appointment of the Nomination Committee and the instruction for the Nomination Committee in accordance with the Nomination Committee's proposal.
- The AGM authorised the Board to resolve to increase the Company's share capital by new share issues, to the extent that it corresponds to a dilution of not more than 20 percent, after full exercise of the authorisation. The purpose of the authorization is to increase financial flexibility of the Company and the acting scope of the Board. Should the Board resolve on an issue with deviation from the shareholders' preferential rights, the new issue shall be made at market terms and conditions. The authorization is effective until the next Annual General Meeting.

At the Annual General Meeting 2021, a total of 51,563,892 shares were represented by advance votes submitted on behalf of 2 shareholders. The shares represented comprised approximately 52.21 per cent of the total number of shares in the Company.

### EXTRAORDINARY GENERAL MEETING 2021

The Extraordinary General Meeting was held on December 22, 2021. Due to the continued spread of Covid-19, the meeting was conducted by advance voting, without physical presence of shareholders, proxies and third parties, on the basis of temporary statutory rules. The meeting resolved to approve that the Company has entered into an addendum agreement to the bond issue agreement dated 9 April 2018 with Golden Impala Limited, whereby the following main terms shall apply for the new bond with effect from January 01, 2022. The principal amount shall be USD 33,827,665 and the interest rate shall be three months U.S. Dollars LIBOR plus 6.44 percent (the "Interest Rate"). The interest shall be paid quarterly in arrears within five business days after the last day of the relevant quarter. In case any interest for the quarter is not paid on its due date, the penalty interest at the rate equal to the Interest Rate plus 2 percentage points shall accrue on any unpaid interest. The maturity date shall be 31 December 2024.

The minutes from the meeting are available at [www.auriant.com](http://www.auriant.com).

At the Extraordinary General Meeting 2021, a total of 73,527,060 shares were represented by advance votes submitted on behalf of 3 shareholders. The shares represented comprised approximately 74.44 per cent of the total number of shares in the Company. The shareholder related to Golden Impala Limited abstained from voting on the item of the agenda regarding approval of entering into the addendum agreement to the bond issue agreement with Golden Impala Limited. The resolution was approved by a majority of the remaining votes cast at the meeting by advance voting.

### ANNUAL GENERAL MEETING IN 2022

The Annual General Meeting of shareholders will be held on Tuesday, May 10, 2022. The annual report for 2021 is available on the Company's website as of April 19, 2022.

### NOMINATION COMMITTEE

The Nomination Committee works to promote common interests of all shareholders of the Company and focuses on ensuring that the Company's Board of Directors is comprised of members possessing the knowledge and experience corresponding to the needs of the Company.

The role of the Nomination Committee is to present proposals to the AGM for: (i) the election of AGM Chairman; (ii) the number of members of the Board; (iii) the election of the Chairman of the Board and other Board Members; (iv) Board fees, allocated between the Chairman and other Members; (v) any remuneration for committee work; and (vi) the election and payment of auditors and alternate auditors (where applicable). In addition, the Nomination Committee shall make proposals for decisions regarding the principles to be applied in establishing a new Nomination Committee and, if deemed necessary, a proposal regarding changes to the instruction to the Nomination Committee.

The principles for the appointment of the Nomination Committee were approved by the AGM on May 11, 2021, as follows. The Nomination Committee shall consist of the Chairman of the Board and three other Members, each appointed by one of the three owners with the largest number of voting rights. The selection of the three largest shareholders shall be made on the basis of the share register of the Company kept by Euroclear Sweden AB as of the last banking day in September. However, if it becomes known to the Company that two or more of the largest shareholders are controlled by the same physical person(s) (or the same physical person(s) holds shares in the Company both directly and through a company controlled by him), then all such shareholders shall be considered

to comprise one shareholder for the purposes of the participation in the Nomination Committee. At the earliest convenient date after the end of September, the Chairman of the Board shall contact the three shareholders with the largest number of voting rights, as determined above, and request that they each appoint a member to the Nomination Committee. If any of the three shareholders with the largest number of voting rights decline their right to appoint a member to the Nomination Committee, the shareholder with the next largest number of voting rights shall be provided with the opportunity to appoint a member. If such shareholder also declines its right to appoint a member to the Nomination Committee or does not respond to the request within a reasonable time, then the Nomination Committee shall be constituted by the remaining members. Unless the Nomination Committee members decide otherwise, the Chairman of the Nomination Committee shall be the member that represents the shareholder with the largest number of voting rights in the Company. If a member leaves the Nomination Committee before its work is completed, and if the Nomination Committee considers that there is a need to replace this member, then the Nomination Committee shall appoint a new member.

The Annual General Meeting 2021 resolved that the Instruction to the Nomination Committee shall remain unchanged. The Instruction is available on the Company's website.

The Nomination Committee for the 2022 AGM is comprised of Lord Peter Daresbury, Chairman of the Board; Risto Silander, appointed by the largest shareholder Bertil Holdings Ltd; and Per Åhlgren, appointed by the second largest shareholder GoMobile Nu AB. The shareholders that appointed members of the Nomination Committee jointly represented more than 74 percent of the voting rights in the Company as of the last banking day in September 2021. The Nomination Committee was duly constituted by the three members appointed as above, and is chaired by Per Åhlgren.

## BOARD OF DIRECTORS

In accordance with the Swedish Companies Act, the Board of Directors is responsible for the organisation of the Company and the administration of the Company's business, and shall continually assess the Company's and the Group's financial situation. The Board of Directors deals with issues of material significance, such as business plans, including profitability targets, budgets, interim reports and annual reports, the acquisition or sale of companies, significant property acquisitions or sales, the establishment of important policies, the structure of internal control systems, and significant organisational changes. Each year, Auriant's Board adopts written rules of procedure for the Board of Directors, written instructions to the

Chief Executive Officer, written instructions regarding financial reporting and a Chart of Authority further detailing the division of work between the Board and the Chief Executive Officer. The rules of procedure regulate, among other things, the Board's duties, the minimum number of Board meetings to be held each year, the manner in which meetings are to be notified and the documents required to be distributed prior to Board meetings and the manner in which the minutes of Board meetings are to be drawn up. The written instructions regarding financial reporting regulate the reporting system in place, as the Board needs to be able to continually assess the Company's and Group's financial position. The written instructions to the Chief Executive Officer, together with the Chart of Authority, regulate the division of work, authorities, and responsibilities between the Board and the Chief Executive Officer.

According to the Articles of Association, the Board of Directors shall comprise a minimum of three, and maximum of ten, ordinary Members, and not more than five Deputy Board Members, elected by the Annual General Meeting.

## CHAIRMAN OF THE BOARD OF DIRECTORS

The 2021 Annual General Meeting re-elected Lord Peter Daresbury as Chairman of the Board. During 2021, Auriant's Chairman of the Board led the Board's work and ensured that the Board fulfilled its duties. The Chairman of the Board continually followed the Group's business and development through contact with the Chief Executive Officer.

## MEMBERS OF THE BOARD OF DIRECTORS

At year-end 2021, Auriant's Board was comprised of four ordinary Board Members, Peter Daresbury (Chair), Preston Haskell, Birgit Köster Hoffmann and Jukka Pitkäljärvi, and one Deputy Board Member, James Provoost Smith Jr., all elected by the Annual General Meeting on May 11, 2021.

The members of the Board are presented in greater detail in the Board of Directors section of the annual report, and the details of the members' independence vis à vis the Company and its management are presented below.

## BOARD MEMBERS' INDEPENDENCE\* AND SHARES IN AURIANT

Board member	Shares in Auriant (owned by the Board member or by his closely related parties)	Stock options in Auriant	Independent of the Company and management	Independent of the major shareholders
Peter Daresbury (Chair)	125,258	0	Yes	Yes
Preston Haskell	51,563,892	0	No	No
Birgit Köster Hoffmann	0	0	Yes	Yes
Jukka Pitkäjärvi	0	0	Yes	Yes
James Provoost Smith Jr. (deputy Board member)	0	0	Yes	No

\* Independence as defined by the Swedish Code of Corporate Governance.

## BOARD MEMBERS' ATTENDANCE AT BOARD MEETINGS IN 2021

Name	Position	Present
Peter Daresbury	Chair	9/10
Preston Haskell	Member	10/10
Birgit Köster Hoffmann	Member	5 <sup>1</sup> /10
Jukka Pitkäjärvi	Member	10/10
James Provoost Smith Jr.	Deputy Board Member	9 <sup>2</sup> /10

<sup>1</sup> Ms. Köster Hoffmann attended 5 out of 6 Board meetings held after she was elected to the Board at the AGM on May 11, 2021.

<sup>2</sup> Mr. Smith participated in 2 Board meetings as deputy for the ordinary Board members and attended 7 out of 8 remaining Board meetings without participating in the decisions taken at those meetings.

## THE BOARD'S WORK IN 2021

The Board held 10 meetings in 2021. Due to the continuing Covid-19 pandemic, most of the Board meetings (7) during 2021 were held by teleconference. Three meetings were ordinary meetings with personal attendance. In addition, the Board passed 22 resolutions per *capsulam*, i.e. by correspondence. Important issues dealt with by the Board in 2021, in addition to the approval of the annual financial statements and the interim reports, and approval of the budgets, included:

- Measures to prevent the spread of the new coronavirus, and potential effects of the COVID-19 pandemic on the Group's operations
- The Company's and the Group's financial position and liquidity
- Strategic decision-making
- Approval of major contracts in accordance with the Chart of Authority

- Preparation for the Annual General Meeting and the Extraordinary General Meeting.

The Board has conducted an evaluation of its work under the guidance of the Chairman of the Board. The evaluation is carried out on the basis of a self-assessment questionnaire. The questionnaire is circulated to the Board in the beginning of the year. Each ordinary Board member and deputy Board member is to complete the questionnaire independently. Responses are collated by the Chairman of the Board who then leads a discussion of the key points arising from the questionnaire, especially those areas that require improvement. This usually takes place at the last Board meeting in person prior to the AGM. Copies of completed questionnaires are also to be provided to the Nomination Committee. The evaluation ensures that the basic stipulations of the Code of Corporate Governance are complied with.

## BOARD COMMITTEES

### Remuneration Committee

During 2021, the Remuneration Committee was comprised of Peter Daresbury and Preston Haskell. The Committee was chaired by Peter Daresbury. The Remuneration Committee submits proposals for resolution by the Board regarding salary and other terms of employment of the CEO. The Committee also approves proposals regarding salaries and other terms of employment of the Group's management, according to the CEO's proposal. The Committee's other tasks include monitoring and evaluating programmes for variable remuneration to the executive management.

In 2021, the Remuneration Committee held three meetings, attended by each member of the Committee.

### Finance and Audit Committee

In 2021, the Finance and Audit Committee was first comprised of JP Smith and Peter Daresbury. Upon her election to the Board at the Annual General Meeting 2021, Birgit Köster Hoffmann joined the Committee as the third member. JP Smith continued to serve as Chairman of the Committee. The members of the Committee have the necessary competence and experience in accounting matters.

In 2021, the Finance and Audit Committee held five meetings. The meetings were attended by the members of the Committee as follows:

JP Smith	4/5
Peter Daresbury	5/5
Birgit Köster Hoffmann	3/5

### Technical Committee

During 2021, the Technical Committee was comprised of Jukka Pitkäljärvi and Preston Haskell. Mr. Pitkäljärvi served as Chairman of the Committee. The Committee's task is to advise the remainder of the Board on mining and technical issues.

In 2021, the Technical Committee held two meetings. Each member of the Committee attended both meetings.

The Committees report to the Board on their work on a regular basis.

## BOARD FEES

The Board of Directors' fees are decided by the Shareholders' Meeting. The following Board fees were approved by the Annual General Meeting of shareholders in 2021: for the Chairman of the Board Peter Daresbury, SEK 400,000; and SEK 250,000 to each of the other ordinary board members and to the deputy board member. It was decided that remuneration amounting to SEK 25,000 per year and member shall

be paid for participation in each Committee established by the Board. It was further resolved that the maximum amount of remuneration payable to the Board, including remuneration for work in committees, shall be SEK 1,725,000.

## GROUP MANAGEMENT

As of the end of 2021, the Group's management was comprised of the CEO, deputy CEO, CFO, COO, Head of HR and Group General Counsel. The management of the Company as at the date of this report is presented on pages 38-39 of the annual report.

The Chief Executive Officer is responsible for the ongoing management of the Company. The CEO's work is evaluated once a year. Ms. Danilo Lange is the CEO of the Company since September 2020.

In the event that the CEO becomes unable to fulfill CEO's duties, the deputy CEO shall substitute for the CEO until a new CEO is appointed. Such events are specified in the written instructions to the CEO, adopted by the Board. Maria Carrasco is the Deputy CEO of the Company since October 2016.

## REMUNERATION OF EXECUTIVE MANAGEMENT

For information regarding remuneration to the Chief Executive Officer, senior executives and other employees, please see Note 5 on page 78-79 of the annual report.

## LONG-TERM INCENTIVE PROGRAMS

The Board regularly evaluates the need for long-term incentive programs. At present, no long-term incentive programs are established in the Company.

## AUDITOR

The AGM appoints the auditor of the Company. The auditor's task is to examine the Company's annual financial statements and accounts, as well as the administration and management by the Board and the Chief Executive Officer. The AGM of May 11, 2021 re-elected, for a period until the 2022 AGM, the auditing firm Öhrlings PricewaterhouseCoopers AB as the Company's auditors. Since May 2018, the auditor-in-charge at PwC is Authorized Public Accountant Anna Rozhdestvenskaya.

The audit is conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

The audit of the annual accounts is conducted during the period from February to April in the year following the financial year in question, and also includes a review of the nine-month bookclosing in November of the financial year in question.

## INTERNAL CONTROL

Internal control is often defined as a process that is influenced by the Board, the company management and other staff, and which is established and developed to provide reasonable assurance that the company's targets are being met in terms of the business operations being both appropriate to the goals of the company and being efficient. Reasonable assurance is also to be provided as regards the reliability of the financial reporting and compliance with relevant laws and regulations. Internal control consists of various aspects: control environment, risk assessment, control activities, and monitoring.

### Control environment

The control environment primarily consists of the organisational structure, the assignment of responsibility and powers, management philosophy, ethical values, staff competence, policies and guidelines, as well as routines. In addition to the relevant legislation, the framework within which Auriant's Board and management work is comprised of the owners' aims and the Swedish Corporate Governance Code. The formal decision-making procedure is based on the division of responsibility between the Board and the CEO, which the Board establishes each year in the form of written instructions to the Chief Executive Officer and the Chart of Authority. The CEO can delegate a degree of decision-making to other senior executives. Two members of the Board have the authority to sign on behalf of the Company. The CEO, in his/her normal business activities, is also entitled to sign on behalf of the Company. The CEO must act in accordance with the division of responsibilities and limits of authority set out in the Chart of Authority.

### Risk assessment

A structured risk assessment makes it possible to identify material risks having an effect on internal control with regard to financial reporting and where these risks exist within the organisation. Auriant's Board continually assesses the Company's risk management, by assessing the preventative measures needed to be taken to reduce the Company's risks. This involves, for example, ensuring that the Company has appropriate insurance and that the Company has the necessary policies and guidelines in place.

### Control activities

Control measures are required to prevent, detect and correct errors and discrepancies. Each quarter, Auriant Mining's Finance Department compiles financial reports providing details of earnings and cash flow for the most recent accounting period at subsidiary and Group level. Deviations from budget and forecasts are analysed and commented on. Documented processes exist for the compiling of the

information on which the financial reports are based. Detected errors and discrepancies are analyzed and followed up.

### Monitoring

Financial monitoring is carried out on a quarterly basis for all profit centres and at Group level. In addition, Group management receives operational results on a weekly and monthly basis. Monitoring is, then, carried out in comparison with budgets. Targets for the expected volume of gold production for the full year are set during the budgeting process at the end of the previous year.

The Board receives weekly production updates and monthly operational reports, including plan-to actual analysis, of the Group. Financial reports of the Group, including profit and loss statements, cash flows, and statements of financial position, are analyzed by the Board on a quarterly basis. The Board continuously evaluates the information provided by the management.

Given its size, the Company has chosen not to establish a separate internal audit unit. If the Board finds it appropriate, internal control will be further expanded. The issue of internal control will be discussed by the Board again in 2022.

## DEVIATIONS FROM THE SWEDISH CORPORATE GOVERNANCE CODE

The Swedish Corporate Governance Code (the "Code") is based on the "comply or explain" principle. This means that companies are not obliged to comply with every rule in the Code at all times, but are allowed the freedom to choose alternative solutions which they feel are better suited to their particular circumstances, as long as they openly report every deviation, describe the alternative solution they have chosen, and explain their reasons for doing so.

A revised Swedish Corporate Governance Code applies since 1 January 2020. In view of the Covid-19 pandemic, rules 1.1-1.3 of the Code did not need to be applied in 2021, as announced by the Swedish Corporate Governance Board on 18 December 2020. Accordingly, no deviation from the Code is deemed to have taken place if these rules are not applied.

The Company did not comply with the following rules of the Code in 2021, for the reasons set out below:

- *Code rule 4.2 provides that deputies for directors elected by the shareholders' meeting are not to be appointed.*

The Annual General Meeting 2021 re-elected James Provoost Smith Jr. as Deputy Board Member, in accordance with the Nomination Committee's proposal. The Nomination Committee considered that the Board composition with 4 ordinary board members and 1 deputy board member was appropriate for the Company's operations and phase of development.

• Code rule 9.2 provides that, except for the Chairman of the Board who may chair the Remuneration Committee, the other members of the Committee elected by the shareholders meeting are to be independent of the Company and its executive management.

The Board member Mr. Preston Haskell, who is not independent in relation to the Company and executive management in accordance with the criteria set out in Code rule 4.4, was a member of the Remuneration Committee in 2021. Mr. Haskell's involvement in the Remuneration Committee is considered to be in the best interests of all of the shareholders of the Company for the following reasons. Mr. Haskell is, himself, the largest owner in the Company, indirectly owning, through companies, 52.21% of the shares, and, furthermore, he has significant knowledge and experience of executive remuneration issues. Mr. Haskell is not a member of the executive management of the Company.

### PROPOSAL FOR LOSS DISTRIBUTION

The Group's equity at year-end 2021 amounted to US\$ -6.2 mln, of which share capital is US\$ 1.438 mln.

In the Parent Company the unrestricted shareholders equity amounts to:

	2021
	SEK
Share premium reserve	780,638,510
Retained earnings	-867,126,968
Net income/loss for the year	-123,805,408
<b>Total unrestricted equity</b>	<b>-210,293,867</b>

The Board of Directors and the Chief Executive Officer propose that the Parent Company's accumulated net results are carried forward and that no dividend be paid for the financial year.

### Auditor's Report on the Corporate Governance Report

The auditor's report on this Corporate Governance Report is included in the Auditor's Report, presented on page 112 of the annual report.

