

The Board of Directors' report on the evaluation of remuneration of Group Management of Lundin Petroleum

Lundin Petroleum's principles for remuneration of Group Management are established in the Policy on Remuneration that is approved each year by the Annual General Meeting (AGM). The Policy on Remuneration provides that Lundin Petroleum's goal is to recruit, motivate and retain high calibre executives capable of achieving the objectives of Lundin Petroleum, and to encourage and appropriately reward performance that enhances shareholder value. The Policy on Remuneration operates to ensure that there is a clear link to business strategy and a close alignment with shareholder interests and current best practice, and aims to ensure that Group Management is rewarded fairly for its contribution to Lundin Petroleum's performance. To monitor and evaluate this, the Board has established the Compensation Committee.

Compensation Committee

The functions of the Compensation Committee include to receive information and prepare the Board's and the AGM's decisions on issues concerning the Policy on Remuneration and compensation of Group Management of Lundin Petroleum. The objective of the Committee in determining compensation for Group Management is to provide a compensation package that is competitive and motivating, will attract and retain qualified individuals and will encourage and promote performance. The Committee regularly evaluates the terms of employment of Group Management, taking into account individual performance, responsibilities, length of service and levels of compensation provided by industry companies.

The Compensation Committee is composed of three non-executive Directors and the members during 2015 were Cecilia Vieweg, Chairman of the Committee, William A. Rand, Magnus Unger until 7 May 2015 and Ian H. Lundin as of 7 May 2015. The Compensation Committee held three formal meetings in 2015 and had regular contacts in between the meetings regarding the work of the Committee.

Evaluation of remuneration of Group Management in 2015

In accordance with the Swedish Code of Corporate Governance, during 2015, the Compensation Committee monitored and evaluated Lundin Petroleum's current remuneration structures and levels, including programmes for variable remuneration, both ongoing and those that ended during the year, for Group Management. The Compensation Committee found these to be appropriate and in furtherance of Lundin Petroleum's goals.

In addition, the Compensation Committee monitored and evaluated the application of the Policy on Remuneration that was adopted by the 2014 and 2015 AGMs. It is noted that the 2015 Policy on for Remuneration authorizes the Board of Directors to deviate from the Policy in case of special circumstances in a specific case. The 2015 Policy on Remuneration did not comprise remuneration to members of the Board of Directors for work performed outside the directorship and to enable such payments, two deviations were approved for consultancy fees paid to two members of the Board of Directors, one being the Company's former Chief Executive Officer. The Board considered that special circumstances warranted the deviations as the Company may thereby draw on these Directors' experience and skills for specific projects and assignments. Further information regarding these deviations can be found in note 23 of the Company's Annual Report. Following its evaluation, and considering the permitted deviations, the Compensation Committee concluded that the Company's Policies on Remuneration were properly applied in 2015.

The external auditor of the Company has also issued a report to the 2016 AGM stating that the Board of Directors and the Chief Executive Officer of Lundin Petroleum have during 2015 complied with the Policy on Remuneration as adopted at the 2014 and 2015 AGMs.

April 2016

The Board of Directors of Lundin Petroleum AB (publ)