

Corporate Governance

Lundin Petroleum's corporate governance framework seeks to ensure that its business is conducted efficiently and responsibly, that responsibilities are allocated in a clear manner and that the interests of shareholders, management and the Board of Directors remain fully aligned

Through its corporate governance framework, Lundin Petroleum aims to ensure that its business is conducted in an efficient and responsible manner in the best interests of all shareholders and other stakeholders.

The corporate governance framework is further tied to Lundin Petroleum's sustainability profile in order to ensure that we continue to deliver sustainable value creation whilst operating in accordance with the highest ethical and operational industry standards.

Corporate Governance Report 2017

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Guiding principles of corporate governance

Since its creation in 2001, Lundin Petroleum has been guided by general principles of corporate governance, which form an integral part of Lundin Petroleum's business model and seek to:

- Protect shareholder rights
- Provide a safe and rewarding working environment to all employees
- Ensure compliance with applicable laws and best industry practice
- Ensure activities are carried out competently and sustainably
- Sustain the well-being of local communities in areas of operation

As a Swedish public limited company listed on NASDAQ Stockholm, Lundin Petroleum is subject to the Rule Book for Issuers of NASDAQ Stockholm, which can be found on www.nasdaqomxnordic.com. In addition, the Company abides by principles of corporate governance found in a number of internal and external documents.

Swedish Code of Corporate Governance

The Code of Governance is based on the tradition of self-regulation and acts as a complement to the corporate governance rules contained in the Swedish Companies Act, the Annual Accounts Act, EU rules and other regulations such as the Rule Book for Issuers and good practice on the securities market. The Code of Governance can be found on www.bolagsstyrning.se

The Code of Governance is based on the "comply or explain principle", which entails that a company may choose to apply another solution than the one provided by the Code of Governance if it finds an alternative solution more appropriate in a particular case. The Company must however explain why it did not comply with the rule in question and describe the Company's preferred solution, as well as the reasons for it.

Corporate Governance Report

This Corporate Governance Report has been prepared in accordance with the Swedish Companies Act (SFS 2005:551), the Annual Accounts Act (SFS 1995:1554) and the Code of Corporate Governance (Code of Governance) and has been subject to a review by the Company's statutory auditor.

Lundin Petroleum reports two deviations from the Code of Governance in 2017, one in respect of the composition of the Nomination Committee as further described in the schedule on page 31, and one in respect of Board member attendance at the Extraordinary General Meeting (EGM) held on 22 March 2017 as described under EGM 2017 on page 33. There were no infringements of applicable stock exchange rules during the year, nor any breaches of good practice on the securities market.

Lundin Petroleum AB (publ), company registration number 556610-8055, has its corporate head office at Hovslagargatan 5, 111 48 Stockholm, Sweden and the registered seat of the Board of Directors is Stockholm, Sweden.

The Company's website is www.lundin-petroleum.com

Highlights 2017

Jakob Thomasen appointed as a new Board member at the AGM held on 4 May 2017.	Spin-off and Lex Asea distribution of IPC completed on 24 April 2017.	AGM approved share repurchase programme initiated in August 2017 and 1,233,310 own shares repurchased in 2017 at an average price of SEK 186.14.	Review of corporate governance structure post-IPC spin-off to ensure principles of good governance maintained throughout the new organisation.
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Lundin Petroleum's Articles of Association

The Articles of Association contain customary provisions regarding the Company's governance and do not contain any limitations as to how many votes each shareholder may cast at Shareholders' Meetings, nor any special provisions regarding the appointment and dismissal of Board members or amendments to the Articles of Association.

The Articles of Association are available on the Company's website.

Lundin Petroleum's Code of Conduct

Lundin Petroleum's Code of Conduct is a set of principles formulated by the Board to give overall guidance to employees, contractors and partners on how the Company is to conduct its activities in an economically, socially and environmentally responsible way, for the benefit of all stakeholders, including shareholders, employees, business partners, host and home governments and local communities. The Company applies the same standards to all of its activities to satisfy both its commercial and ethical requirements and strives to continuously improve its performance and to act in accordance with good oilfield practice and high standards of corporate citizenship. The Code of Conduct is an integral part of the Company's contracting procedures and any violations of the Code of Conduct will be the subject of an inquiry and appropriate remedial measures. In addition, performance

under the Code of Conduct and Corporate Responsibility (CR) is regularly reported to the Board.

The Code of Conduct is available on the Company's website.

Lundin Petroleum's policies, procedures, guidelines and management system

Dedicated Group policies, procedures and guidelines have been developed to outline specific rules and controls. The policies, guidelines and procedures cover areas such as Operations, Accounting and Finance, Health and Safety, Environment, Anti-Corruption, Human Rights, Stakeholder Relations, Legal, Information Systems, Insurance & Risk Management, Human Resources, Inside Information and Corporate Communications and are continuously reviewed and updated as and when required.

In 2017 Lundin Petroleum developed a corporate HSEQ (Health, Safety, Environmental and Quality) Leadership Charter, which sets out the governance framework as well as operational governance for managing the business in accordance with high HSEQ standards. The Charter, adopted early 2018, sets out four core foundation themes: leadership, risk and opportunity management, continuous improvement and implementation. It further details how these themes are to be operationalised.

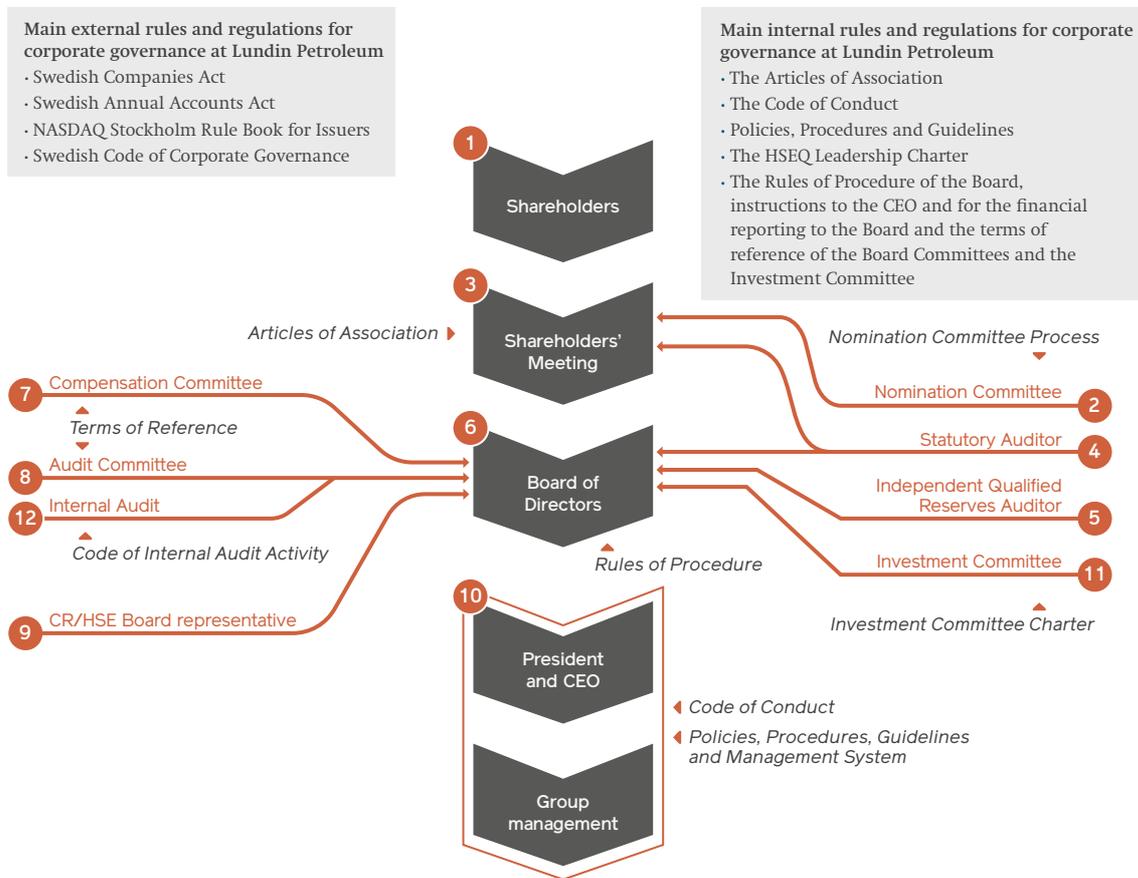
CR and HSE policies are available on the Company's website.

2018 Annual General Meeting

The 2018 Annual General Meeting (AGM) will be held on 3 May 2018 at 1 p.m. in Vinterträdgården at Grand Hôtel, Södra Blasieholmshamnen 8, in Stockholm. Shareholders who wish to attend the meeting must be recorded in the share register maintained by Euroclear Sweden on 26 April 2018 and must notify the Company of their intention to attend the AGM no later than 26 April 2018.

Further information about registration to the AGM, as well as voting by proxy, can be found in the notice of the AGM, available on the Company's website.

Lundin Petroleum – Governance Structure



Lundin Petroleum’s Rules of Procedure of the Board
 The Rules of Procedure of the Board contain the fundamental rules regarding the division of duties between the Board, the Committees, the Chairman of the Board and the Chief Executive Officer (CEO). The Rules of Procedure also include instructions to the CEO, instructions for the financial reporting to the Board and the terms of reference of the Board Committees and the Investment Committee. The Rules of Procedure are approved annually by the Board.

Lundin Petroleum’s governance structure
 The object of Lundin Petroleum’s business is to explore for, develop and produce oil and gas and to develop other energy resources, as laid down in the Articles of Association. The Company aims to create value for its shareholders through exploration and organic growth, while operating in an economically, socially and environmentally responsible way for the benefit of all stakeholders. By tying the corporate governance framework to its sustainability profile, Lundin Petroleum has managed to achieve the high goals set out in the sustainability strategy. To achieve such sustainable value creation, Lundin Petroleum applies a governance structure that favours straightforward decision making processes, with easy access to relevant decision makers, while nonetheless providing the necessary checks and balances for the control of the activities, both operationally and financially.

Share capital and shareholders 1
 The shares of Lundin Petroleum are listed on NASDAQ Stockholm. The total number of shares is 340,386,445 shares with a quota value of SEK 0.01 each (rounded-off), representing a registered share capital of SEK 3,478,713. All shares of the Company carry the same voting rights and the same rights to a share of the Company’s assets and earnings. The Board has been authorised by previous AGMs to decide upon repurchases and sales of the Company’s own shares as an instrument to optimise the Company’s capital structure and to secure the Company’s obligations under its incentive plans. During 2017, the Company purchased 1,233,310 own shares at an average purchase price of SEK 186.14.

Lundin Petroleum had at the end of 2017 a total of 29,491 shareholders listed with Euroclear Sweden, which represents a decrease of 3,235 shareholders compared to the end of 2016, i.e. a decrease of approximately ten percent. As at 31 December 2017, the major shareholders of the Company, which held more than ten percent of the shares and votes, were Nemesia S.à.r.l., an investment company wholly owned by a Lundin family trust, which held 25.6 percent of the shares. In addition, Landor Participations Inc., an investment company wholly owned by a trust whose settler is Ian H. Lundin, held 3.1 percent of the shares. Furthermore, Statoil ASA held 20.1 percent of the shares as per 31 December 2017.

Further information regarding the shares and shareholders of Lundin Petroleum in 2017 can be found on pages 10 – 11.

Nomination Committee ²

The Nomination Committee is formed in accordance with the Company's Nomination Committee Process approved at the 2014 AGM. According to the Process, the Company shall invite four of the larger shareholders of the Company based on shareholdings as per 1 August each year to form the Nomination Committee, however, the members are, regardless of how they are appointed, required to promote the interests of all shareholders of the Company.

The tasks of the Nomination Committee include making recommendations to the AGM regarding the election of the Chairman of the AGM, election of Board members and the Chairman of the Board, remuneration of the Chairman and other Board members, including remuneration for Board Committee work, election of the statutory auditor and remuneration of the statutory auditor. Shareholders may submit proposals to the Nomination Committee by e-mail to nomcom@lundin-petroleum.com

Nomination Committee for the 2018 AGM

The members of the Nomination Committee for the 2018 AGM were announced and posted on the Company's website on 10 October 2017, i.e. within the time frame of six months before the AGM as prescribed by the Code of Governance. Statoil ASA and other larger shareholders of the Company were invited to join but declined the invitation.

The Nomination Committee has held four meetings during its mandate so far. To prepare the Nomination Committee for its tasks and duties and to familiarise the members with the Company, the Chairman of the Board, Ian H. Lundin, who is also the chairman of the Nomination Committee, commented at the meetings on the Company's business operations and future outlook, as well as on the oil and gas industry in general.

The full Nomination Committee report, including the final proposals to the 2018 AGM, are published on the Company's website together with the notice of the 2018 AGM.

Nomination Committee for the 2018 AGM						
Member	Appointed by	Meeting attendance	Shares represented as at 1 Aug 2017	Shares represented as at 31 Dec 2017	Independent of the Company and Group management	Independent of the Company's major shareholders
Hans Ek	SEB Investment Management AB	4/4	0.6 percent	0.6 percent	Yes	Yes
Filippa Gerstädt	Nordea Fonder	4/4	1.1 percent	1.4 percent	Yes	Yes
Ian H. Lundin	Nemesia S.å.r.l and Landor Participations Inc., also non-executive Chairman of the Board of Lundin Petroleum	4/4	28.7 percent	28.7 percent	Yes	No ¹
Åsa Nisell	Swedbank Robur Fonder	4/4	2.2 percent	2.0 percent	Yes	Yes
			Total 32.7 percent (rounded)	Total 32.7 percent		

Summary of the Nomination Committee's work during their mandate

- Considering the recommendation received through the Company's Audit Committee regarding the election of statutory auditor at the 2018 AGM.
- Considering Board and statutory auditor remuneration issues and proposals to the 2018 AGM.
- Considering proposing Committee type remuneration to the CR/HSE Board representative in view of the work requirements of the role.
- Considering a proposal to appoint an external independent Chairman for the 2018 AGM.
- Considering amendments to the Nomination Committee Process and that no changes should be proposed.
- Considering the size and composition of the Board in light of the diversity recommendations in the Code of Governance, including gender balance, age, educational and professional backgrounds and the proposed Board members' individual and collective qualifications, experiences and capabilities in respect of the Company's current position and expected development.
- Considering adding a new member to the board with relevant experience based on the Company's pure Norwegian focus and proposal to appoint the Company's former Managing Director in Norway, Torstein Sanness, as a new Board member.
- Considering the results of the annual assessment of the Board and the functioning of its work.
- Members of the Nomination Committee, who are independent of the Company's major shareholders, met and had discussions with current Board members Peggy Bruzelius, Grace Reksten Skaugen, Cecilia Vieweg and Jakob Thomasen to discuss the work and functioning of the Board, and also met with the new proposed Board member Torstein Sanness.

Other requirements

- The Nomination Committee fulfils the independence requirements of the Code of Governance and no member of Group management is a member of the Committee.
- Ian H. Lundin was unanimously elected as Chairman of the Nomination Committee. The fact that he is the Chairman of the Nomination Committee and Chairman of Lundin Petroleum constitutes a deviation from rule 2.4 in the Code of Governance, however this deviation was considered justified as Ian H. Lundin represents the major shareholders of the Company.

¹ For details, see schedule on pages 34 – 35.

Shareholders' meetings 3

The Shareholders' Meeting is the highest decision-making body of Lundin Petroleum where the shareholders exercise their voting rights and influence the business of the Company. Shareholders may request that a specific issue be included in the agenda provided such request reaches the Board in due time. The AGM is held each year before the end of June at the seat of the Board in Stockholm. The notice of the AGM is announced in the Swedish Gazette (Post- och Inrikes Tidningar) and on the Company's website no more than six and no less than four weeks prior to the meeting. The documentation for the AGM is provided on the Company's website in Swedish and in English at the latest three weeks before the AGM.

2017 AGM

The 2017 AGM was held on 4 May 2017 at Grand Hôtel in Stockholm. The AGM was attended by 669 shareholders, personally or by proxy, representing 64.74 percent of the share capital. The Chairman of the Board, all of the Board members including the CEO were present, as well as the Company's auditor and all of the members of the Nomination Committee for the 2017 AGM. The members of the Nomination Committee for the 2017 AGM were Åsa Nisell (Swedbank Robur Fonder), Hans Ek (SEB Investment Management AB), Ian H. Lundin (Nemesia S.à.r.l., and Landor Participations Inc., as well as non-executive Chairman of the Board of Lundin Petroleum) and Magnus Unger (then non-executive Board member of Lundin Petroleum). All proceedings were simultaneously translated from Swedish to English and from English to Swedish and all AGM materials were provided both in Swedish and English.

The resolutions passed by the 2017 AGM include:

- Election of advokat Klaes Edhall as Chairman of the AGM.
- Re-election of Peggy Bruzelius, C. Ashley Heppenstall, Ian H. Lundin, Lukas H. Lundin, Grace Reksten Skaugen, Cecilia Vieweg and Alex Schneider as Board members and election of Jakob Thomasen as a new Board member. Magnus Unger had declined re-election.
- Re-election of Ian H. Lundin as Chairman of the Board.
- Discharge of the Board and the CEO from liability for the administration of the Company's business for 2016.
- Adoption of the Company's income statement and balance sheet and the consolidated income statement and balance sheet and deciding that no dividend was to be declared for 2016.

- Re-election of the registered accounting firm PricewaterhouseCoopers AB as the Company's statutory auditor until the 2018 AGM, authorised public accountant Johan Rippe being the designated auditor in charge.
- Approval of the remuneration of SEK 1,100,000 to the Chairman of the Board and SEK 525,000 to other Board members, except for the Chief Executive Officer, and SEK 165,000 to each Committee Chair and SEK 110,000 to other Committee members (in total not more than SEK 1,000,000 for Committee work).
- Approval of the remuneration of the statutory auditor.
- Approval of the Company's 2017 Policy on Remuneration for Group management.
- Approval of LTIP 2017 for members of Group management and a number of key employees.
- Rejection of a shareholder proposal in relation to the Company's past operations.
- Authorisation for the Board to issue new shares and/or convertible debentures corresponding to in total not more than 34 million new shares, with or without the application of the shareholders pre-emption rights.
- Authorisation for the Board to decide on repurchases and sales of the Company's own shares on NASDAQ Stockholm, where the number of shares held in treasury from time to time shall not exceed ten percent of all outstanding shares of the Company.

An electronic system with voting devices was used for the two last items requiring a qualified majority. The minutes of the 2017 AGM and all AGM materials, in Swedish and English, are available on the Company's website, together with the CEO's address to the AGM.

2017 EGM

An EGM was held on 22 March 2017 in Stockholm in respect of the Board's proposal for a spin-off of the Company's Malaysian, French and Dutch assets into International Petroleum Corporation (IPC) through a Lex Asea dividend distribution. The EGM resolved, in accordance with the Board proposal, to distribute all shares in IPC to the shareholders, which distribution was completed on 24 April 2017. In accordance with the Lex Asea provision, the Swedish tax authorities determined in June 2017 that 92.5 percent of the acquisition cost should be allocated to Lundin Petroleum shares and 7.5 percent to IPC shares.

Sudan

In June 2010, the Swedish International Public Prosecution Office commenced an investigation into alleged complicity in violations of international humanitarian law in Sudan during 1997–2003. The Company has cooperated extensively and proactively with the Prosecution Office by providing information regarding its operations in Block 5A in Sudan during the relevant time period. Ian H. Lundin and Alex Schneider have been interviewed by the Prosecution Office and have been notified of the suspicions that are the basis for the investigation. This is a normal part of Swedish legal procedure for any investigation and no charges have been brought, nor does this mean that charges will be brought. As repeatedly stated, Lundin Petroleum categorically refutes all allegations of wrongdoing and is cooperating with the Prosecution Office's investigation. Lundin Petroleum strongly believes that it was a force for good in Sudan and that its activities contributed to the improvement of the lives of the people of Sudan.

More information regarding the past operations in Sudan during 1997–2003 can be found on www.lundinhistoryinsudan.com

“ Through its corporate governance framework, Lundin Petroleum aims to ensure that its business is conducted in an efficient and responsible manner in the best interests of all shareholders and other stakeholders

Ian H. Lundin
Chairman of the Board

The Chairman of the Board and the CEO, who is also a Board member, attended the EGM, however, a quorum of Board members was not present as required by Code of Governance rule 1.2. Given the detailed information presented in the notice of the EGM, and the information memorandum, it was considered sufficient that the Chairman of the Board and the CEO represent the Board at the EGM.

External auditors of the Company

Statutory auditor **4**

Lundin Petroleum's statutory auditor audits annually the Company's financial statements, the consolidated financial statements, the Board's and the CEO's administration of the Company's affairs and reports on the Corporate Governance Report. The auditor also reviews the Sustainability Report to confirm that it contains the required information. In addition, the auditor performs a review of the Company's half year report and issues a statement regarding the Company's compliance with the Policy on Remuneration approved by the AGM. The Board meets at least once a year with the auditor without any member of Group management present at the meeting. In addition, the auditor participates regularly in Audit Committee meetings, in particular in connection with the Company's half year and year end reports. Group entities outside of Sweden are audited in accordance with local rules and regulations.

The auditor's fees are described in the notes to the financial statements, see Note 30 on page 93 and Note 7 on page 98. The auditor's fees also detail payments made for assignments outside the regular audit mandate. Such assignments are kept to a minimum to ensure the auditor's independence towards the Company and require prior approval of the Company's Audit Committee.

Independent qualified reserves auditor **5**

Lundin Petroleum's independent qualified reserves auditor certifies annually the Company's oil and gas reserves and certain contingent resources, i.e. the Company's core assets, although such assets are not included in the Company's balance sheet. The current auditor is ERC Equipoise Ltd. For further information regarding the Company's reserves and resources, see the Operations Review on pages 12 – 19.

Board of Directors **6**

The Board of Directors of Lundin Petroleum is responsible for the organisation of the Company and management of the Company's operations. The Board is to manage the Company's affairs in the interests of the Company and all shareholders with

the aim of creating long-term shareholder value. To achieve this, the Board should at all times have an appropriate and diverse composition considering the current and expected development of the operations, with Board members from a wide range of backgrounds that possess both individually and collectively the necessary experience and expertise. The Code of Governance stipulates that gender balance shall be strived for.

Composition of the Board

The Board of Lundin Petroleum shall, according to the Articles of Association, consist of a minimum of three and a maximum of ten directors with a maximum of three deputies, and the AGM decides the final number each year. The Board members are elected for a period of one year.

The Nomination Committee for the 2017 AGM considered that a Board size of eight members would be appropriate taking into account the nature, size, complexity and geographical scope of the Company's business. There are no deputy members and no members appointed by employee organisations. In addition, the Board is supported by a corporate secretary who is not a Board member. The appointed corporate secretary is Henrika Frykman, the Company's Vice President Legal.

The Nomination Committee considered that the Board as proposed and elected by the 2017 AGM is a broad and versatile group of knowledgeable and skilled individuals who are motivated and prepared to undertake the tasks required of the Board in today's challenging international business environment. The Board members possess substantial expertise and experience relating to the oil and gas industry internationally, and in particular in relation to Lundin Petroleum's core area of operation, Norway, public company financial matters, Swedish practice and compliance matters and CR/HSE matters. The Nomination Committee considered that the proposed Board fulfils the requirements regarding independence in relation to the Company, Group management and the Company's major shareholders.

Gender balance was specifically discussed and the Nomination Committee noted that 38 percent of the Board members are women and that the Company has thus met since 2015 the recommendation of the Swedish Corporate Governance Board, that larger listed Swedish companies should strive to achieve 35 percent female Board representation by 2017. The Nomination Committee nonetheless believes that it is important to continue to strive for gender balance when future changes in the composition of the Board are considered.



Board of Directors:				
	Ian H. Lundin	Alex Schneider	Peggy Bruzelius	C. Ashley Heppenstall
Function	Chairman (since 2002)	President & Chief Executive Officer, Director	Director	Director
Elected	2001	2016	2013	2001
Born	1960	1962	1949	1962
Education	Bachelor of Science degree in Petroleum Engineering from the University of Tulsa.	Graduate from the University of Geneva with a degree in Geology and a Masters degree in Geophysics.	Master of Science (Economics and Business) from the Stockholm School of Economics.	Bachelor of Science degree in Mathematics from the University of Durham.
Experience	Ian H. Lundin was previously CEO of International Petroleum Corp. during 1989 – 1998, of Lundin Oil AB during 1998 – 2001 and of Lundin Petroleum during 2001 – 2002.	Alex Schneider has worked with public companies where the Lundin family has a major shareholding since 1993 and was COO of Lundin Petroleum during 2001 – 2015 and is the Company's CEO since 2015.	Peggy Bruzelius has worked as Managing Director of ABB Financial Services AB and has headed the asset management division of Skandinaviska Enskilda Banken AB.	C. Ashley Heppenstall has worked with public companies where the Lundin family has a major shareholding since 1993. He was CFO of Lundin Oil AB during 1998 – 2001 and of Lundin Petroleum during 2001 – 2002 and was CEO of Lundin Petroleum during 2002 – 2015.
Other board duties	Member of the board of Bukowski Auktions AB.	–	Chair of the board of Lancelot Asset Management AB, member of the board of Diageo PLC, Akzo Nobel NV and Skandia Liv.	Chairman of the board of Etrion Corporation and Africa Energy Corp. and member of the board of ShaMaran Petroleum Corp., Lundin Gold Inc., Filo Mining Corp. and International Petroleum Corp.
Shares in Lundin Petroleum (as at 31 December 2017)	Nil ¹	317,910	8,000	1,520,126
Board Attendance	12/12	12/12	12/12	12/12
Audit Committee Attendance	–	–	6/6	6/6
Compensation Committee Attendance	4/4	–	–	–
Remuneration for Board and Committee work	SEK 1,180,000	Nil	SEK 670,000	SEK 617,500
Remuneration for special assignments outside the directorship	SEK 1,500,000	Nil	Nil	SEK 5,203,800
Independent of the Company and the Group management	Yes	No ²	Yes	No ³
Independent of the Company's major shareholders	No ¹	Yes	Yes	No ³

1 Ian H. Lundin is the settler of a trust that owns Landor Participations Inc., an investment company that holds 10,488,956 shares in the Company, and is a member of the Lundin family that holds, through a family trust, Nemesia S.à.r.l., which holds 87,187,538 shares in the Company.

2 Alex Schneider is in the Nomination Committee's and the Company's opinion not deemed independent of the Company and Group management since he is the President and CEO of Lundin Petroleum.

3 C. Ashley Heppenstall is in the Nomination Committee's and the Company's opinion not deemed independent of the Company and Group management since he was the President and CEO of Lundin Petroleum until 2015, and not of the Company's major shareholders since he is a director of several companies in which entities associated with the Lundin family are major shareholders.



Lukas H. Lundin



Grace Reksten Skaugen



Jakob Thomasen



Cecilia Vieweg

Director	Director, CR/HSE representative	Director	Director
2001	2015	2017	2013
1958	1953	1962	1955
Graduate from the New Mexico Institute of Mining, Technology and Engineering.	MBA from the BI Norwegian School of Management, Bachelor of Science (Honours Physics) and Doctorate in laser physics from Imperial College of Science and Technology at the University of London.	Graduate of the University of Copenhagen, Denmark, masters degree in Geoscience and completed the Advanced Strategic Management programme at IMD, Switzerland.	Master of Law from the University of Lund.
Lukas H. Lundin has held several key positions within companies where the Lundin family has a major shareholding.	Grace Reksten Skaugen has been a director of Corporate Finance with SEB Enskilda Securities in Oslo and has worked in several roles within private equity and venture capital in Oslo and London. She was a member of the Board of Directors of Statoil ASA from 2002 until 2015. She is currently a member of HSBC European Senior Advisory Council and Norway country advisor to Proventus AB.	Jakob Thomasen was formerly the CEO of Maersk Oil and a member of the Executive Board of the Maersk Group from 2009 until 2016.	Cecilia Vieweg was General Counsel and member of the Executive Management of AB Electrolux from 1999 – 2016. She previously worked as legal advisor in senior positions within the AB Volvo Group and as a lawyer in private practice.
Chairman of the board of Lundin Mining Corp., Denison Mines Corp., Lucara Diamond Corp., NGEx Resources Inc., Lundin Gold Inc., Filo Mining Corp., International Petroleum Corp. and Lundin Foundation, member of the board of Bukowski Auktioner AB.	Chair of the board of NAXS Nordic Access Buyout A/S, Deputy Chair of the board of Orkla ASA and member of the board of Investor AB and Euronav NV, founder and board member of the Norwegian Institute of Directors and council member of the International Institute for Strategic Studies in London.	Chairman of the DHI Group and member of the board of the University of Copenhagen.	–
788,331 ⁴	5,000	5,900	3,500
12/12	11/12	5/5 ⁵	12/12
–	–	3/3 ⁵	–
–	4/4	–	4/4
SEK 512,000	SEK 617,500	SEK 317,500	SEK 670,000
Nil	Nil	Nil	Nil
Yes	Yes	Yes	Yes
No ⁴	Yes	Yes	Yes

⁴ Lukas H. Lundin is a member of the Lundin family that holds, through a family trust, Nemesia S.à.r.l., which holds 87,187,538 shares in the Company.

⁵ Jakob Thomasen is a member of the Board of Directors and is a member of the Audit Committee as of 4 May 2017.

Magnus Unger declined re-election at the AGM on 4 May 2017. During the period 1 January to 4 May 2017, he attended seven out of seven Board meetings held and two out of three Audit Committee meetings held. For additional information regarding Magnus Unger, please see the Company's Annual Report 2016, and for remuneration paid to him, please refer to Note 28 on pages 90 – 91.

Board meetings and work in 2017

The Chairman of the Board, Ian H. Lundin, is responsible for ensuring that the Board's work is well organised and conducted in an efficient manner. He upholds the reporting instructions for management, as drawn up by the CEO and as approved by the Board, however, he does not take part in the day-to-day decision-making concerning the operations of the Company. The Chairman maintains close contacts with the CEO to ensure the Board is at all times sufficiently informed of the Company's operations and financial status.

During 2017, twelve Board meetings were held, including the statutory meeting. To continue developing the Board's knowledge of the Company and its operations, at least one Board meeting per year is held in an operational location and is combined with visits to the operations, industry partners and other business interests. In September 2017, the Board visited the Samsung shipyard in Geoje in South Korea where two platforms for the Johan Sverdrup field were being built, and an executive session with Group management was held in connection with the Board meeting. At the executive session, an overview of the Company's general strategy and operations was given, as well as a financial update discussing the Company's current and future financing needs and hedging strategy, and an investor relations and valuation update. In-depth operations reviews were given regarding the Group's exploration, development and production activities, with a continued focus on the Norwegian operations and the major Johan Sverdrup development project. Group management also attended a number of Board meetings during the year to present and report on specific questions, and a monthly operational report was circulated to the Board, as well as a quarterly CR/HSE report.

Evaluation of the Board's work

A formal review of the work of the Board was conducted in November 2017 through a questionnaire submitted to all Board members, with the objective of ensuring that the Board functions in an efficient manner and to enable the Board to strengthen its focus on matters which may be raised.

The overall feedback from the members of the Board was positive and showed that the Board functions well. The different backgrounds, knowledge and qualifications of the individual members of the Board complement each other and the meetings are constructive with good discussions and feedback from Board members and management. The diversity and wide spectrum of qualifications and experience of the Board members are considered as beneficial and the Board is viewed as competent for addressing actual and potential issues facing the Company.

The size of the Board was considered appropriate, however, individual feedback received noted that additional directors could be considered. The Board members were of the view that

Principal tasks of the Board of Directors

- Establishing the overall goals and strategy of the Company.
- Making decisions regarding the supply of capital.
- Appointing, evaluating and, if necessary, dismissing the CEO.
- Ensuring that there is an effective system for follow-up and control of the Company's operations and the risks to the Company that are associated with its operations.
- Ensuring that there is a satisfactory process for monitoring the Company's compliance with laws and other regulations relevant to the Company's operations, as well as the application of internal guidelines.
- Defining necessary guidelines to govern the Company's conduct in society, with the aim of ensuring its long-term value creation capability.
- Ensuring that the Company's external communications are characterised by openness, and that they are accurate, reliable and relevant.
- Ensuring that the Company's organisation in respect of accounting, management of funds and the Company's financial position in general include satisfactory systems of internal control.
- Continuously evaluating the Company's and the Group's economic situation, including its fiscal position.

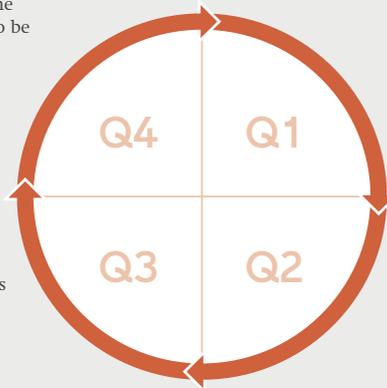
their knowledge of the Company and the oil and gas industry in general increased during the year. The need for a retirement policy was considered, however, the Board acknowledged that there was already a natural process of renewing the Board and that such a policy was therefore not needed. Visits at operational locations were appreciated and considered very useful for the understanding of the business. Committee work further functions very well and the composition of the Committees is appropriate. Individual feedback received noted that Board meetings are well prepared and managed, and questions and comments are addressed in an open and constructive manner, however there is room to improve time management. The results of the Board evaluation were presented to the Nomination Committee.



More information on the Board members can be found on www.lundin-petroleum.com

Board's yearly work cycle

- Adoption of the budget and work programme
 - Consideration of the Board self-evaluation to be submitted to the Nomination Committee
 - Audit Committee report regarding the third quarter report
 - Performance assessment of the CEO
 - Consideration of the performance review of Group management and Compensation Committee remuneration proposals
-
- Executive session with Group management
 - Detailed discussion of strategy issues
 - In-depth analysis of the Company's business
 - Adoption of the half year report, reviewed by the statutory auditor



- Approval of the year end report
 - Consideration of recommendation to the AGM to declare a dividend
 - Approval of the year end reserves report
 - Approval of remuneration proposals regarding variable remuneration
 - Approval of the Annual Report
 - Review of the auditor's report
 - Approval of the Policy on Remuneration for submission to the AGM
 - Approval of the remuneration report
 - Determination of the AGM details and approval of the AGM materials
-
- Audit Committee report regarding the first quarter report
 - Annual CR/HSE management report and performance assessment
 - Meeting with the auditor without management present to discuss the audit process, risk management and internal controls
 - Review of the Rules of Procedure
 - Statutory meeting following the AGM to confirm Board fees, committee compensation, signatory powers, appointment of CR/HSE Board representative and Corporate Secretary and adoption of the Rules of Procedure

Board of Directors work 2017

In addition to the topics covered by the Board as per its yearly work cycle, the following significant matters were addressed by the Board during the year.

- Discussing in detail the Company's spin-off of the non-Norwegian assets, and considering and approving the transaction and all related materials, subject to EGM approval.
- Approval of the necessary corporate reorganisations and other actions in order to effect the EGM decision to spin-off the non-Norwegian assets and consideration of resulting management and organisational changes to ensure continued good Company management and corporate governance.
- Considering the Company's production performance, forecasts and future outlook, including the Company's strong production following the exceptional performance of the Edvard Grieg field and capacity increase at the Edvard Grieg field facilities.
- Considering and discussing in detail the major Johan Sverdrup development project and the associated project risks, cost environment, time schedule and operator performance.
- Discussing the Company's strategy regarding its interests in the southern Barents Sea, including the operating environment, political, environmental and regulatory considerations.
- Discussing the Company's licence position in Norway and approving several licence acquisitions and divestments to optimise the Company's acreage position and ensure future organic growth opportunities.
- Considering several business acquisition opportunities in Norway, as well as divestment options for the Company's Lagansky Block licence in Russia.
- Preliminary discussions on future dividend distributions.
- Approval of a share repurchase programme, as per the 2017 AGM authorisation, to optimise the Company's capital structure and secure the Company's obligations under its incentive programs.
- Assessing the Company's oil and gas reserves and resources positions.
- Considering the Company's current and future financing needs and strategy, in particular in light of the Johan Sverdrup development, including the Company's financial risk management, cash flows, sources of funding, foreign exchange movements, hedging strategy and liquidity position.
- Discussing the Swedish Prosecution Office's on-going preliminary investigation into alleged complicity in violations of international humanitarian law in Sudan during 1997–2003.
- Discussing the current and expected economic environment, including in relation to oil prices and industry costs, and its impact on the Company's operations, as well as continued cost control measures within the Company and focus on operational delivery.
- Considering and discussing CR matters, including climate change and the Company's efforts to reduce its environmental impact, the Company's partnership with the Lundin Foundation, CR trends and initiatives, including activism in the Barents Sea, and reappointing Grace Reksten Skaugen as the Board CR/HSE representative.
- Considering the proposal for a performance based LTIP 2017, following the same principles as the previous LTIPs approved by the 2014–2016 AGMs, including continued stakeholder engagement discussions, revising the applicable peer group, approving participants, allocating individual awards and approving the detailed plan rules, subject to 2017 AGM approval.

Remuneration of Board members

The remuneration of the Chairman and other Board members follows the resolution adopted by the AGM. The Board members, with the exception of the CEO, are not employed by the Company, do not receive any salary from the Company and are not eligible for participation in the Company's incentive programmes. The Policy on Remuneration approved by the AGM also comprises remuneration paid to Board members for work performed outside the directorship.

The Board has implemented a policy for share ownership by Board members and each Board member is expected to own, directly or indirectly, at least 5,000 shares of the Company. The level shall be met within three years of appointment and during such period, Board members are expected to allocate at least 50 percent of their annual Board fees towards purchases of the Company's shares.

The remuneration of the Board, including for work performed outside the directorship, is detailed further in the schedule on pages 34–35 and in the notes to the financial statements, see Note 28 on pages 90–91.

Board committees and the CR/HSE representative

To maximise the efficiency of the Board's work and to ensure a thorough review of specific issues, the Board has established a Compensation Committee and an Audit Committee and has appointed a CR/HSE Board representative. The tasks and responsibilities of the Committees are detailed in the terms of reference of each Committee, which are annually adopted as part of the Rules of Procedure of the Board. Minutes are kept at Committee meetings and matters discussed are reported to the Board. In addition, informal contacts take place between ordinary meetings as and when required by the operations.

Compensation Committee **7**

The Compensation Committee assists the Board in Group management remuneration matters and receives information and prepares the Board's and the AGM's decisions on matters relating to the principles of remuneration, remunerations and other terms of employment of Group management. The objective of the Committee in determining compensation for Group management is to provide a compensation package that is based on market conditions, is competitive and takes into account the scope and responsibilities associated with the position, as well as the skills, experience and performance of the individual. The Committee's tasks also include monitoring and evaluating programmes for variable remuneration, the application of the Policy on Remuneration as well as the current remuneration structures and levels in the Company. In addition, the Compensation Committee may request advice and assistance of external reward consultants. For further information regarding Group remuneration matters, see the remuneration section of this report on pages 42–43.

Audit Committee **8**

The Audit Committee assists the Board in ensuring that the Company's financial reports are prepared in accordance with International Financial Reporting Standards (IFRS), the Swedish Annual Accounts Act and accounting practices applicable to a company incorporated in Sweden and listed on NASDAQ Stockholm. The Audit Committee itself does not perform audit work, however, it supervises the Company's financial reporting and gives recommendations and proposals

to ensure the reliability of the reporting. The Committee also supervises the efficiency of the Company's financial internal controls, internal audit and risk management in relation to the financial reporting and provides support to the Board in the decision making processes regarding such matters. The Committee monitors the audit of the Company's financial reports and also reports thereon to the Board. In addition, the Committee is empowered by the Committee's terms of reference to make decisions on certain issues delegated to it, such as review and approval of the Company's first and third quarter reports on behalf of the Board. The Audit Committee also regularly liaises with the Group's statutory auditor as part of the annual audit process and reviews the audit fees and the auditor's independence and impartiality. The Audit Committee further assists the Company's Nomination Committee in the preparation of proposals for the election of the statutory auditor at the AGM.

CR/HSE Board representative **9**

The Board has a leadership and supervisory role in all CR/HSE matters within the Group and appoints yearly one non-executive Director to act as the CR/HSE Board representative. The tasks of the CR/HSE Board representative include to liaise with Group management regarding CR/HSE related matters and to regularly report on such matters to the Board. More information about the Company's CR/HSE activities can be found in the Responsibility section on pages 20–23 and in the Sustainability Report available on the Company's website.

Management **10**

Management structure

The Company's CEO, Alex Schneider, is responsible for the management of the day-to-day operations of Lundin Petroleum. He is appointed by, and reports to, the Board. He in turn appoints the other members of Group management, who assist the CEO in his functions and duties, and in the implementation of decisions taken and instructions given by the Board, with the aim of ensuring that the Company meets its strategic objectives and continues to deliver responsible growth and long-term shareholder value.

Lundin Petroleum's Group and local management consists of highly experienced individuals with worldwide oil and gas experience and comprises, in addition to the CEO:

- The Investment Committee, which in addition to the CEO includes:
 - the Chief Operating Office (COO), Nick Walker, who is responsible for Lundin Petroleum's exploration, development and production operations and HSE; and
 - the Chief Financial Officer (CFO), Teitur Poulsen, who is responsible for the financial reporting, internal control, risk management, treasury function and economics.
- The Vice President Corporate Responsibility, Christine Batruch, who is responsible for the Group's CR strategy, the Vice President Communications and Investor Relations, Alex Budden, who is responsible for all communications and investor relations matters within the Group, the Vice President Legal, Henrika Frykman, who is responsible for all legal and tax matters within the Group and the Vice President Human Resources and Shared Services, Sean Reddy, who is responsible for human resources and shared services.
- Local management, who are responsible for the day-to-day operational activities.

Audit Committee 2017

Members	Meeting attendance	Audit Committee work during the year
Peggy Bruzelius, Chair	6/6	<ul style="list-style-type: none"> – Assessment of the 2016 year end report and the 2017 half year report for completeness and accuracy and recommendation for approval to the Board. – Assessment and approval of the first and third quarter reports 2017 on behalf of the Board. – Evaluation of accounting issues in relation to the assessment of the financial reports. – Follow-up and evaluation of the results of the internal audit and risk management of the Group. – Three meetings with the statutory auditor to discuss the financial reporting, internal controls, risk management, etc. – Evaluation of the audit performance and the independence and impartiality of the statutory auditor. – Review and approval of statutory auditor's fees. – Assisting the Nomination Committee in its work to propose a statutory auditor for election at the 2018 AGM. <p>Other Requirements</p> <ul style="list-style-type: none"> – The composition and the members of the Audit Committee fulfil the requirements of the Swedish Companies Act. – The Audit Committee members have extensive experience in financial, accounting and audit matters. Peggy Bruzelius' current and previous assignments include high level management positions in financial institutions and companies and she has chaired Audit Committees of other companies. C. Ashley Heppenstall is the Company's previous CFO and CEO and Jakob Thomasen was previously CEO of Maersk Oil, and both have extensive experience in financial matters.
C. Ashley Heppenstall	6/6	
Magnus Unger ¹	2/3	
Jakob Thomasen ¹	3/3	

Compensation Committee 2017

Members	Meeting attendance	Compensation Committee work during the year
Cecilia Vieweg, Chair	4/4	<ul style="list-style-type: none"> – Ongoing review of the Executive Performance Management Process through various work sessions across the year. – Review, restructure and update of contracts of employment, including review of remuneration, for Group management following the IPC spin-off. – Discussions and recommendations to the Board in remuneration matters in connection with the IPC spin-off. – Review of the performance of the CEO and Group management as per the Performance Management Process. – Preparing a report regarding the Board's evaluation of remuneration in 2016. – Continuous monitoring and evaluation of remuneration structures, levels, programmes and the Policy on Remuneration. – Preparing a proposal for the 2017 Policy on Remuneration for Board and AGM approval. – Consultation and meetings with Company stakeholders, including institutional investors, regarding the proposed LTIP 2017. – Preparing a proposal for LTIP 2017 for Board and AGM approval through various work sessions and preparation discussions. – Review of the 2014 LTIP pay out and vesting and approval recommendation to the Board. – Preparing a proposal for remuneration and other terms of employment for the CEO for Board approval. – Review of the CEO's proposals for remuneration and other terms of employment of the other members of Group management for Board approval. – Review and approval of the CEO's proposals for the principles of compensation of other employees. – Review and approval of the CEO's proposals for 2017 LTIP awards. – Undertaking a remuneration benchmark study and various contacts and ongoing reviews in relation thereto across the year. – Frequent contacts, ongoing dialogue and decisions by email outside of formal meetings to provide oversight and approvals for remuneration and severance terms as presented by Group management. <p>Other Requirements</p> <ul style="list-style-type: none"> – The composition of the Compensation Committee fulfils the independence requirements of the Code of Governance.
Grace Reksten Skaugen	4/4	
Ian H. Lundin	4/4	

¹ Magnus Unger was a member of the Audit Committee until 4 May 2017 and Jakob Thomasen is a member of the Audit Committee as of 4 May 2017.

Group management tasks and duties

The tasks of the CEO and the division of duties between the Board and the CEO are defined in the Rules of Procedure and the Board's instructions to the CEO. In addition to the overall management of the Company, the CEO's tasks include ensuring that the Board receives all relevant information regarding the Company's operations, including profit trends, financial position and liquidity, as well as information regarding important events such as significant disputes, agreements and developments in important business relations. The CEO is also responsible for preparing the required information for Board decisions and for ensuring that the Company complies with applicable legislation, securities regulations and other rules such as the Code of Governance. Furthermore, the CEO maintains regular contacts with the Company's stakeholders, including shareholders, the financial markets, business partners and public authorities. To fulfil his duties, the CEO works closely with the Chairman of the Board to discuss the Company's operations, financial status, up-coming Board meetings, implementation of decisions and other matters.

Under the leadership of the CEO, Group management is responsible for ensuring that the operations are conducted in compliance with the Code of Conduct, all Group policies, procedures and guidelines in a professional, efficient and responsible manner. Regular management meetings are held to discuss all commercial, technical, CR/HSE, financial, legal and other issues within the Group to ensure the established short- and long-term business objectives and goals will be met. A detailed weekly operations report is further circulated to Group management summarising the operational events, highlights and issues of the week in question. Group management also travels frequently to oversee the ongoing operations, seek new business opportunities and meet with various stakeholders, including business partners, suppliers and contractors, government representatives and financial institutions. In addition, Group management liaises continuously with the Board, and in particular the Board Committees and the CR/HSE Board representative, in respect of ongoing matters and issues that may arise, and meets with the Board at least once a year at the executive session held in connection with a Board meeting in one of the operational locations.

Investment Committee ¹¹

The Company's Investment Committee, which consists of the CEO, CFO and COO, assists the Board in discharging its responsibilities in overseeing the Company's investment portfolio. The role of the Investment Committee is to determine that the Company has a clearly articulated investment policy, to develop, review and recommend to the Board investment strategies and guidelines in line with the Company's overall policy, to review and approve investment transactions and to monitor compliance with investment strategies and guidelines. The responsibilities and duties include considering annual budgets, supplementary budget approvals, investment proposals, commitments, relinquishment of licences, disposal of assets and performing other investment related functions as the Board may designate. The Investment Committee has regularly scheduled meetings and meets more frequently if required by the operations.

Internal Audit ¹²

The Internal Audit function is responsible for providing independent and objective assurance on internal control, governance and risk management. This work includes regular audits performed in accordance with an annual risk based internal audit plan, which is approved by the Audit Committee. The audit plan is derived from an independent risk assessment conducted by the Internal Audit function and is designed to address the most significant risks identified associated with the Company's operations and processes. The audits are executed using a methodology for evaluating the design and effectiveness of internal controls to ensure that risks are adequately addressed and processes are operated effectively. Opportunities for improving the efficiency of the internal control, governance, and risk management processes which have been identified through the audits are reported to management for action.

The Internal Audit Manager has a direct reporting line to the Audit Committee and submits regularly reports on findings identified in the audits together with updates on the status of management's implementation of agreed actions.

Major topics addressed by Group management in 2017

- The spin-off of Lundin Petroleum's Malaysian, French and Dutch assets into IPC and Lundin Petroleum's continued organic growth strategy in respect of the Norwegian operations.
- Review of the corporate governance framework post-IPC spin-off to ensure an effective transition and that best corporate governance practices are maintained.
- The oil price environment and its effect on the financing of the Company, including consideration of various sources of funding, and ability to carry out current operations and future projects.
- Management of the on-going exploration activities, development projects and production operations.
- Management of the Norwegian acreage position, including pursuing new core areas of operation and solidifying existing core areas, through active licence acquisition and divestment management to optimise the Norwegian licence portfolio.
- Continued focus on cost control measures and maximising operational efficiency and performance.
- Review of the Company's transfer pricing policies considering the new Group structure following the IPC spin-off.
- Developing the new HSEQ Leadership Charter that sets out clear expectations around leadership, defines clear commitments from the Company and ensures that the Company adhere to the broader industry best practice.
- Ongoing analysis of climate change implications to the business and adaptation of the Company's business model to address this issue from a risk and opportunity perspective.
- Ongoing monitoring and participation in relevant stakeholder discussions regarding Arctic activities and possible implications to the Company's southern Barents sea exploration activities.
- Development of new Group Environmental Policy and joint elaboration of an environmental strategy for Norway.

Group management



Alex Schneider
President and Chief
Executive Officer



Nick Walker
Chief Operating Officer



Teitur Poulsen
Chief Financial Officer



More information on Group management can be found on www.lundin-petroleum.com



Christine Batruch
Vice President
Corporate Responsibility



Alex Budden
Vice President
Communications and
Investor Relations



Henrika Frykman
Vice President Legal



Sean Reddy
Vice President Human
Resources and Shared
Services

Remuneration

Group principles of remuneration

Lundin Petroleum aims to offer all employees compensation packages that are competitive and in line with market conditions. These packages are designed to ensure that the Group can recruit, motivate and retain highly skilled individuals and reward performance that enhances shareholder value.

The Group's compensation packages consist of four elements, being (i) base salary; (ii) yearly variable salary; (iii) long-term incentive plan (LTIP); and (iv) other benefits. As part of the yearly assessment process, a Performance Management Process has been established to align individual and team performance to the strategic and operational goals and objectives of the overall business. Individual performance measures are formally agreed and key elements of variable remuneration are clearly linked to the achievement of such stated and agreed performance measures.

To ensure compensation packages within the Group remain competitive and in line with market conditions, the Compensation Committee undertakes yearly benchmarking studies. For each study, a peer group of international oil and gas companies of similar size and operational reach is selected, against which the Group's remuneration practices are measured. The levels of base salary, yearly variable salary and long-term incentives are set at the median level, however, in the event of exceptional performance, deviations may be authorised. As the Group continuously competes with the peer group to retain and attract the very best talent in the market, both at operational and executive level, it is considered important that the Group's compensation packages are determined primarily by reference to the remuneration practices within this peer group.

Policy on Remuneration for Group management

The remuneration of Group management follows the principles that are applicable to all employees, however, these principles must be approved by the shareholders at the AGM. The

Compensation Committee therefore prepares yearly for approval by the Board and for submission for final approval to the AGM, a Policy on Remuneration for Group management. Based on the approved Policy on Remuneration, the Compensation Committee subsequently proposes to the Board for approval the remuneration and other terms of employment of the CEO. The CEO, in turn, proposes to the Compensation Committee, for approval by the Board, the remuneration and other terms of employment of the other members of Group management.

The yearly variable salary for Group management is assessed against annual performance targets that reflect the key drivers for value creation and growth in shareholder value. These annual performance targets include delivery against specific production, reserves and resource replacement, financial, health and safety, environment, corporate responsibility and strategic targets. Each member of Group management is set different performance weightings against each of the specific targets reflecting their influence on the performance outcome. The performance target structure and specific targets are reviewed annually by the Compensation Committee to ensure that it aligns with the strategic direction and risk appetite of the Company and the performance target structure and specific targets are approved by the Board.

Within the Policy on Remuneration, the Board of Directors may approve yearly variable salary in excess of twelve months base salary in circumstances or in respect of performance which it considers to be exceptional. To have this discretion is important to accommodate the uncertainties and cyclical nature of the oil and gas industry. The Board has made two such decisions that are reported in this Annual Report. The Board determined that it was reasonable to recognise for the financial year 2016 the exceptional performance in relation to production and financial management, and for the financial year 2017, the exceptional performance that led to the successful spin-off of IPC and significant value creation for shareholders.

LTIP 2017

The 2017 AGM resolved to approve a performance based LTIP 2017, that follows the same principles as the previously approved LTIPs 2014–2016, for Group management and a number of key employees of Lundin Petroleum, which gives the participants the possibility to receive shares in Lundin Petroleum subject to the fulfilment of a performance condition under a three year performance period commencing on 1 July 2017 and expiring on 30 June 2020. The performance condition is based on the share price growth and dividends (Total Shareholder Return) of the Lundin Petroleum share compared to the Total Shareholder Return of a peer group of companies.

At the beginning of the performance period, the participants were granted awards which, provided that among others the performance condition is met, entitle the participant to be allotted shares in Lundin Petroleum at the end of the performance period. The number of performance shares that may be allotted to each participant is limited to a value of three times his/her annual gross base salary for 2017 and the total LTIP award made in respect of 2017 was 355,954.

The Board of Directors may reduce (including reduce to zero) the allotment of performance shares at its discretion, should it consider the underlying performance not to be reflected in the outcome of the performance condition, for example, in light of operating cash flow, reserves and HSE performance. The participants will not be entitled to transfer, pledge or dispose of the LTIP awards or any rights or obligations under LTIP 2017, or perform any shareholders' rights regarding the LTIP awards during the performance period.

The LTIP awards entitle participants to acquire already existing shares. Shares allotted under LTIP 2017 are further subject to certain disposition restrictions to ensure participants build towards a meaningful shareholding in Lundin Petroleum. The level of shareholding expected of each participant is either 50 percent or 100 percent (200 percent for the CEO) of the participant's annual gross base salary based on the participant's position within the Group.

Performance monitoring and review

The Board is responsible for monitoring and reviewing on a continuous basis the work and performance of the CEO and shall carry out at least once a year a formal performance review. In 2017, the Compensation Committee undertook on behalf of the Board a review of the work and performance of Group management, including the CEO. The results were presented to the Board, together with proposals regarding the compensation of the CEO and other Group management. Neither the CEO nor other Group management were present at the Board meetings when such discussions took place.

The tasks of the Compensation Committee also include monitoring and evaluating the general application of the Policy on Remuneration, as approved by the AGM, and the Compensation Committee prepares in connection therewith a yearly report, for approval by the Board, on the application of the Policy on Remuneration and the evaluation of remuneration of Group management. As part of its review process, the statutory auditor of the Company also verifies on a yearly basis whether the Company has complied with the Policy on Remuneration. Both reports are available on the Company's website.

POLICY ON REMUNERATION FOR GROUP MANAGEMENT AS APPROVED BY THE 2017 AGM**Application of the Policy**

At an extraordinary general meeting held on 22 March 2017, the Company's shareholders resolved upon a dividend in kind of all shares in IPC. In this Policy on Remuneration, the term "Group management" refers to the President and Chief Executive Officer, the Chief Operating Officer, the Chief Financial Officer and Vice President level employees. Following the dividend in kind, Group management will be comprised of six executives in 2017.

This Policy on Remuneration also comprises remuneration paid to members of the Board of Directors for work performed outside the directorship.

Objectives of the Policy

It is the aim of Lundin Petroleum to recruit, motivate and retain high calibre executives capable of achieving the objectives of the Group, and to encourage and appropriately reward performance that enhances shareholder value. Accordingly, the Group operates this Policy on Remuneration 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 the Group's performance.

Compensation Committee

The Board of Directors of Lundin Petroleum has established the Compensation Committee to, among other things, administer this Policy on Remuneration. The Compensation Committee is to receive information and prepare the Board's and the AGMs' decisions on matters relating to the principles of remuneration, remunerations and other terms of employment of Group management. The Compensation Committee meets regularly and its tasks include monitoring and evaluating programmes for variable remuneration for Group management and the application of this Policy on Remuneration, as well as the current remuneration structures and levels in the Company.

The Compensation Committee may request the advice and assistance of external reward consultants, however, it shall ensure that there is no conflict of interest regarding other assignments that such consultants may have for the Company and Group management.

Elements of remuneration

There are four key elements to the remuneration of the Group management:

- a) base salary;
- b) yearly variable salary;
- c) long-term incentive plan; and
- d) other benefits.

Board's Proposal for Remuneration to Group management to the 2018 AGM

For information regarding the Board's proposal for remuneration to Group management to the 2018 AGM, including a similar LTIP as approved by the 2014–2017 AGMs, see the Directors' report, pages 57–58.

Base salary

The executive's base salary shall be based on market conditions, shall be competitive and shall take into account the scope and responsibilities associated with the position, as well as the skills, experience and performance of the executive. The executive's base salary, as well as the other elements of the executive's remuneration, shall be reviewed annually to ensure that such remuneration remains competitive and in line with market conditions. As part of this assessment process, the Compensation Committee undertakes yearly benchmarking studies in respect of the Company's remuneration policy and practices.

Yearly variable salary

The Company considers that yearly variable salary is an important part of the executive's remuneration package where associated performance targets reflect the key drivers for value creation and growth in shareholder value. Through its Performance Management Process, the Company sets predetermined and measurable performance criteria for each executive, aimed at promoting long-term value creation for the Company's shareholders.

The yearly variable salary shall, in the normal course of business, be based upon a predetermined limit, being within the range of one to twelve monthly salaries (if any). However, the Compensation Committee may recommend to the Board for approval yearly variable salary outside of this range in circumstances or in respect of performance which the Compensation Committee considers to be exceptional.

The cost of yearly variable salary for 2017 is estimated to range between no payout at minimum level and MSEK 20.0 (excluding social costs) at maximum level, based on the current composition of Group management.

Long-term Incentive Plan

The Company believes that it is appropriate to structure its long-term incentive plans (LTIP) to align Group management's incentives with shareholder interests. Remuneration which is linked to the share price results in a greater personal commitment to the Company. Therefore, the Board believes that the Company's LTIP for Group management should be related to the Company's share price.

Information on the principal conditions of the proposed 2017 LTIP for Group management, which follows the same principles as the LTIP approved by the 2014–2016 AGMs, is available as part of the documentation for the AGM on www.lundin-petroleum.com

The cost at grant of the proposed 2017 LTIP is estimated to range between no cost at minimum level and MSEK 43.8 (excluding social costs) at maximum level, based on the current composition of Group management.

Other benefits

Other benefits shall be based on market terms and shall facilitate the discharge of each executive's duties. Such benefits include statutory pension benefits comprising a defined contribution scheme with premiums calculated on the full base salary. The pension contributions in relation to the base salary are dependent upon the age of the executive.

Severance arrangements

A mutual notice period of between one and twelve months applies between the Company and executives, depending on the duration of the employment with the Company. In addition, severance terms are incorporated into the employment contracts for executives that give rise to compensation, up to two years' base salary, in the event of termination of employment due to a change of control of the Company. The Board is further authorised, in individual cases, to approve severance arrangements, in addition to the notice periods and the severance arrangements in respect of a change of control of the Company, where employment is terminated by the Company without cause, or otherwise in circumstances at the discretion of the Board. Such severance arrangements may provide for the payment of up to one year's base salary; no other benefits shall be included. Severance payments in aggregate (i.e. for notice periods and severance arrangements) shall be limited to a maximum of two years' base salary.

Remuneration to members of the Board

In addition to Board's fees resolved by the AGM, remuneration as per prevailing market conditions may be paid to members of the Board for work performed outside the directorship.

Authorisation for the Board

The Board is authorised to deviate from the Policy on Remuneration in accordance with Chapter 8, Section 53 of the Swedish Companies Act in case of special circumstances in a specific case.

Outstanding Remunerations

Remunerations outstanding to Group management comprise awards granted under the Company's previous LTIP programs and include 122,263 LTIP Awards under the 2014 Performance Based Incentive Plan, 191,454 LTIP Awards under the 2015 Performance Based Incentive Plan, 227,670 LTIP Awards under the 2016 Performance Based Incentive Plan, 761 unit bonus awards under the 2014 Unit Bonus Plan, 1,864 unit bonus awards under the 2015 Unit Bonus Plan and 2,421 unit bonus awards under the 2016 Unit Bonus Plan. The awards will be recalculated as a result of the dividend in kind of IPC in accordance with the applicable plan rules. Further information about these plans is available in Note 29 of the Company's Annual Report 2016.

Internal control over financial reporting

The control environment is the foundation of Lundin Petroleum's system for internal control over financial reporting



Introduction

According to the Swedish Companies Act and the Code of Governance, the Board has overall responsibility for establishing and monitoring an effective system for internal control. The purpose of this report is to provide shareholders and other parties with an understanding of how internal control is organised at Lundin Petroleum.

Lundin Petroleum's system for internal control over financial reporting is based on the Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The five components of this framework are control environment, risk assessment, control activities, information and communication and monitoring activities.

Control environment ¹

The control environment is the foundation of Lundin Petroleum's system for internal control over financial reporting and is characterised by the fact that the main part of the Group's operations are located in Norway where the Company has carried out operations for many years using well established processes. The control environment is defined by the Company's policies and procedures, guidelines and codes as well as its responsibility and authority structure. The business culture established within the Group is also fundamental to ensure highest level of ethics, morals and integrity.

Risk assessment ²

Risks relating to financial reporting are evaluated and monitored by the Board through the Audit Committee. The Group's risk assessment process is used as a means to monitor that risks are managed and consists in identifying and evaluating risks and also determine the potential impact on the financial reporting. Regular reviews on local level as well as on Group level are made to assess any changes made in the Group that may affect internal control.

Control activities ³

Control activities range from high level reviews of financial results in management meetings to detailed reconciliation of accounts and day to day review and authorisation of payments. The monthly review and analysis of the financial reporting made on Company level and Group level are important control activities performed to ensure that the financial reporting does not contain any significant errors and also to prevent fraud. In addition, it is common in the oil and gas industry that projects are organised through joint ventures, where the partners have audit rights over the joint venture. Regular audits control that costs are allocated and accounted for in accordance with the joint operating agreement.

Information and communication ⁴

Lundin Petroleum has processes in place aiming to ensure effective and correct information in regards to financial reporting, both internally within the organisation as well as externally to the public. All information regarding the Company's policies, procedures and guidelines is available on the Group's intranet and any updates and changes to reporting and accounting policies are issued via email and at regular finance meetings. In addition, the Communication and Investor Relations Policy ensures that the public is provided with accurate, timely and relevant information.

Monitoring ⁵

Monitoring of control activities is made at different levels of the organisation and involves both formal and informal procedures performed by management, process owners or control owners. In addition, the Group's Internal Audit function maintains test plans and performs independent testing of selected controls to identify any weaknesses and opportunities for improvement. The results from the testing are presented to the external auditors who determine to what extent they can rely on this testing for the Group audit.

The Internal Audit Manager has a direct reporting line to the Audit Committee and submits regularly reports on findings identified in the audits together with updates on the status of management's implementation of agreed actions. The Audit Committee assists the Board in their role to ensure that steps are taken to address any weaknesses revealed in internal and external audits and to implement proposed actions.

Joint venture audits

It is common in the oil and gas industry that projects are organised through joint ventures with production licences awarded to a group of companies forming a joint venture. When entering into an exploration license there is no guarantee that oil or gas will be found and in a joint venture the risk is shared between the partners. One partner is appointed to be the operator and is responsible for managing the operations, including the accounting for the joint venture. All partners have audit rights over the joint venture to ensure that costs are incurred in accordance with the joint operating agreement and that accounting procedures are followed.

Stockholm, 23 March 2018

The Board of Directors of Lundin Petroleum AB (publ)

Auditor's report on the Corporate Governance Statement

To the general meeting of the shareholders in Lundin Petroleum AB (publ), Corporate Identity Number 556610-8055

Engagement and responsibility

It is the board of directors who is responsible for the corporate governance statement for the year 2017 on pages 28–44 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

Opinions

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2–6 the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Stockholm 26 March 2018

PricewaterhouseCoopers AB

Johan Rippe
Authorised Public Accountant
Lead Partner

Johan Malmqvist
Authorised Public Accountant