

# Corporate governance

## Corporate Governance Report

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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 Swedish Corporate Governance Code and has been subject to a review by the Company's statutory auditor.

Lundin Energy reports no deviations from the Corporate Governance Code in 2020. There were no infringements of applicable stock exchange rules during the year, nor any breaches of good practice on the securities market.

Lundin Energy 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-energy.com](http://www.lundin-energy.com).

### 2021 Annual General Meeting

The 2021 Annual General Meeting (AGM) will be held on 30 March 2021 at 1 p.m. As a consequence of the global COVID-19 pandemic, the Board of Directors has decided to hold the AGM as a virtual meeting combined with proxy and postal voting options, in accordance with the Swedish Act on Temporary Exemptions to Facilitate the Execution of General Meetings in Companies and Associations (SFS 2020:198). Shareholders who wish to attend the meeting must be recorded in the share register maintained by Euroclear Sweden on the day falling six business days prior to the meeting and must notify the Company of their intention to attend the AGM no later than the date set out in the notice of the AGM.

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

Lundin Energy's corporate governance framework seeks to ensure that the 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.

### Guiding principles of corporate governance

Since its creation in 2001, Lundin Energy has been guided by general principles of corporate governance, which form an integral part of the Company's business model. Lundin Energy is an experienced Nordic oil and gas company that explores for, develops and produces resources economically, efficiently and responsibly. We focus on value creation for our shareholders and wider stakeholders through three strategic pillars: Resilience, Sustainability and Growth. Our high quality, low cost assets mean we are resilient to oil price volatility, and our organic growth strategy, combined with our sustainable approach and commitment to decarbonisation, firmly establishes our leadership role in a lower carbon energy future. To achieve such sustainable value creation, Lundin Energy 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. Lundin Energy's principles of corporate governance seek to:

- Protect shareholder rights
- Provide a safe and rewarding working environment to all employees and contractors
- 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 Energy is subject to the Rule Book for Issuers of Nasdaq Stockholm, which can be found on [www.nasdaqomxnordic.com](http://www.nasdaqomxnordic.com). In addition, the Company abides by principles of corporate governance found in a number of internal and external documents. Abiding to corporate governance principles builds trust in Lundin Energy, which results in increased shareholder value. By ensuring the business is conducted in a responsible manner, the corporate governance structure ultimately paves the way to increased efficiency.

### Corporate governance rules and regulations

#### Swedish Corporate Governance Code

The Corporate Governance Code is based on the tradition of self-regulation and the principle of "comply or explain". It acts as a complement to the corporate governance rules contained in the Swedish Companies Act, the Annual Accounts Act, EU rules and

**Lundin Energy – governance structure**



**Main external rules and regulations for corporate governance at Lundin Energy**

- Swedish Companies Act
- Swedish Annual Accounts Act
- Nasdaq Stockholm Rule Book for Issuers
- Swedish Corporate Governance Code

**Main internal rules and regulations for corporate governance at Lundin Energy**

- The Articles of Association
- The Code of Conduct
- Policies, Procedures and Guidelines
- The HSEQ Leadership Charter
- The Rules of Procedure of the Board, instructions to the CEO and for the financial reporting to the Board and the terms of reference of the Board Committees and the Investment Committee
- Code of Internal Audit Activity
- Nomination Committee process

**Highlights 2020**

The 2020 AGM approved a change of the Company's Articles of Association with the effect of amending the name from Lundin Petroleum AB to Lundin Energy AB, to better reflect the operating context of the Company.

Nick Walker was appointed as the Company's Chief Executive Officer, and Daniel Fitzgerald was appointed as the Chief Operating Officer, effective as of 1 January 2021.

The 2020 AGM resolved to declare a reduced cash dividend of USD 1.00 per share, to be paid in quarterly instalments, in accordance with a revised proposal of the Board of Directors as a response to the global COVID-19 pandemic.

Accelerating the Company's Decarbonisation Strategy to achieve carbon neutrality for operational emissions from 2025, from the original target of 2030.

other regulations such as the Rule Book for Issuers and good practice on the securities market. The Corporate Governance Code can be found on [www.bolagsstyrning.se](http://www.bolagsstyrning.se). A revised version of the Corporate Governance Code applies as of 1 January 2020 and new rules on remuneration for management and on incentive schemes applies from 1 January 2021.

### Lundin Energy'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 2020 AGM approved the change of the Company's Articles of Association with the effect of amending the name of the Company from Lundin Petroleum AB to Lundin Energy AB, as well as certain editorial amendments. The Articles of Association are available on the Company's website.

### Lundin Energy's Code of Conduct

Lundin Energy'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 sustainability is regularly reported to the Board. The Code of Conduct is available on the Company's website.

### Lundin Energy's policies, procedures, guidelines and HSEQ Leadership Charter

Corporate policies, procedures and guidelines have been developed to outline specific rules and controls, to increase efficiency and improve performance by facilitating compliance. They cover areas such as Operations, Accounting and Finance, Health and Safety, Environment and Quality (HSEQ), Anti-Fraud, Anti-Corruption, Anti-Money Laundering, Human Rights, Stakeholder Relations, Legal, Corporate Security, Information Security, Remuneration, Crisis Management, Competition, Diversity, Whistleblowing, Tax, Insurance & Risk Management, Human Resources, Inside Information and Corporate Communications. All policies, procedures and guidelines are continuously reviewed and updated as and when required and have been integrated into local management systems. During 2020, a complete review of all policies, procedures and guidelines was undertaken and updates and changes were implemented, including removing some and adopting several new ones. Several policies are available on the Company's website.

Lundin Energy's Corporate HSEQ Leadership Charter, sets out the governance framework as well as operational governance for managing the business in accordance with the highest standards.

The Charter sets out four core foundation themes: leadership, risk and opportunity management, continuous improvement and implementation and is applicable across the organisation. It further details how these themes are to be operationalised.

### Lundin Energy'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 reviewed and approved annually by the Board.

### Share capital and shareholders

The shares of Lundin Energy are listed on Nasdaq Stockholm. The total number of shares is 285,924,614. Each share has a quota value of SEK 0.01 (rounded-off) and the registered share capital of the Company is SEK 3,478,713 (rounded-off). 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 Annual General Meetings (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 2020, the Company did not purchase any own shares and held as per 31 December 2020 1,573,143 own shares in total.

At the end of 2020, Lundin Energy had a total of 45,805 shareholders listed with Euroclear Sweden, which represents an increase of 12,692 compared to the end of 2019, i.e. an increase of approximately 38 percent. Shares in free float amounted to approximately 67 percent and exclude shares held by an entity associated with the Lundin family.

The 10 largest shareholders as at 31 December 2020	Number of shares	Percent (rounded)
Nemesia <sup>1</sup>	95,478,606	33.39
BlackRock	8,721,222	3.05
Vanguard	6,919,173	2.42
T. Rowe Price	6,061,550	2.12
Miura	5,894,976	2.06
Norges Bank	4,568,838	1.60
State Street Global Advisors	3,989,593	1.40
Saudi Arabian Monetary Agency	3,303,444	1.16
Amundi	2,975,644	1.04
JPMorgan	2,900,438	1.01
Other shareholders	145,111,130	50.75
<b>Total</b>	<b>285,924,614</b>	<b>100.00</b>

<sup>1</sup> An investment company wholly owned by Lundin family trusts.  
Source: Q4 Inc.

### Shareholders' meetings

The shareholders' meeting is the highest decision-making body of Lundin Energy where the shareholders exercise their voting rights and influence the business of the Company. 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

## Dividend Policy

Lundin Energy's objective is to create attractive shareholder returns by investing through the business cycle with capital investments allocated to exploration, development and production assets. The Company's expectation is to create shareholder returns both through share price appreciation and by distributing a sustainable yearly dividend - paid in quarterly instalments and denominated in USD - with the plan of maintaining or increasing the dividend over time in line with the Company's financial performance and being sustainable even below an oil price of USD 50 per barrel. The dividend shall be sustainable in the context of allowing the Company to continue to pursue its organic growth strategy and to develop its contingent resources whilst maintaining a conservative gearing ratio and retaining an appropriate liquidity position within its available credit lines.

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 prior to the AGM and all proceedings are simultaneously translated from Swedish to English and from English to Swedish.

### 2020 AGM

The 2020 AGM was held on 31 March 2020 at Grand Hôtel in Stockholm. The AGM was attended by 773 shareholders, personally or by proxy, representing 57.8 percent of the share capital. Due to the extraordinary circumstances as a result of the global COVID-19 pandemic, and as also supported by the Corporate Governance Board through permitted deviations to the Corporate Governance Code, the Chairman of the Board, also as a member of the Nomination Committee, and the CEO attended the meeting via a video link. Some of the Board members also attended the meeting via the video link, to be able to answer potential questions from the shareholders. Other Board members followed the AGM through a livestream.

The resolutions passed by the 2020 AGM include:

- Election of advokat Klaes Edhall as Chairman of the AGM.
- Adoption of the Company's income statement and balance sheet and the consolidated income statement and balance sheet for 2019 and resolving to declare a dividend of USD 1.00 per share to be paid out in four quarterly instalments with record dates of 2 April 2020, 3 July 2020, 2 October 2020 and 4 January 2021. Before payment, each quarterly dividend of USD 0.25 per share were to be converted into a SEK amount based on the USD to SEK exchange rate published by Sweden's central bank (Riksbanken) four business days prior to each record date (rounded off to the nearest whole SEK 0.01 per share).
- Discharge of the Board and the CEO from liability for the administration of the Company's business for 2019.
- Approval of the remuneration of USD 130,000 to the Chairman of the Board and USD 62,000 to other Board members, except for the CEO, and USD 20,300 to each Committee Chair and USD 14,700 to other Committee members with the total fees for Committee work, including fees for the Committee Chairs not to exceed USD 193,200.

- Re-election of Peggy Bruzelius, C. Ashley Heppenstall, Ian H. Lundin, Lukas H. Lundin, Grace Reksten Skaugen, Torstein Sanness, Alex Schneider, Jakob Thomasen and Cecilia Vieweg as Board members.
- Re-election of Ian H. Lundin as Chairman of the Board.
- Approval of the remuneration of the statutory auditor.
- Election of the registered accounting firm Ernst & Young AB as the Company's new statutory auditor until the 2021 AGM, authorised public accountant Anders Kriström being the designated auditor in charge.
- Approval of the Company's 2020 Policy on Remuneration for Group management.
- Approval of a long-term incentive plan (LTIP) 2020 for members of Group management and a number of key employees.
- Approval of the transfer of treasury shares held by the Company to the participants under the 2017, 2018, 2019 and 2020 LTIPs.
- Authorisation for the Board to issue new shares and/or convertible debentures corresponding to in total not more than 28.5 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.
- Rejection of two shareholder proposals, which were put to the meeting by a minority shareholder.
- Approval of the change of the Company's Articles of Association with the effect of amending the name of the Company from Lundin Petroleum AB to Lundin Energy AB, as well as certain editorial amendments.

All AGM materials, in Swedish and English, are available on the Company's website, together with the Chairman's statement to the AGM.

## External auditors of the Company

### Statutory auditor

Lundin Energy'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 Company's statutory auditor was the registered accounting firm PricewaterhouseCoopers AB up until the 2020 AGM where the registered accounting firm Ernst & Young AB was elected as the Company's new statutory auditor. The auditor's fees are described in the notes to the financial statements, see Note 30 on page 72 and Note 6 on page 77. 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

Lundin Energy'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 page 5.

#### Nomination Committee

The Nomination Committee is formed in accordance with the Company's Nomination Committee Process approved at the 2020 AGM. According to the Process, the Company shall invite a minimum of three and a maximum of four of the larger shareholders of the Company based on shareholdings as per 1 June 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-energy.com](mailto:nomcom@lundin-energy.com).

#### Nomination Committee for the 2021 AGM

The members of the Nomination Committee for the 2021 AGM were announced and posted on the Company's website on 16 June 2020. The Nomination Committee has held four meetings during its mandate so far. At the first meeting, Aksel

Azrac was unanimously elected as Chairman of the Nomination Committee. 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, commented at the meetings on the Company's business operations and future outlook, as well as on the oil and gas and energy industry in general.

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 2021 AGM.
- Considering Board and statutory auditor remuneration issues and proposals to the 2021 AGM.
- Considering a proposal to appoint an external independent Chairman for the 2021 AGM.
- Considering amendments to the Nomination Committee Process and that no changes should be imposed.
- Considering the size and composition of the Board in light of the diversity recommendations in the Corporate Governance Code, 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 the results of the external assessment of the Board and the functioning of its work.
- Members of the Nomination Committee met and had discussions with current Board members Alex Schneiter and Jakob Thomasen to discuss the work and functioning of the Board, and also met with the new proposed Board member Adam I. Lundin.

The full Nomination Committee report, including the final proposals to the 2021 AGM, is available on the Company's website.

Nomination Committee for the 2021 AGM						
Member	Representing	Meeting attendance	Shares represented as at 1 Jun 2020	Shares represented as at 31 Dec 2020	Independent of the Company and Group management	Independent of the Company's major shareholders
Aksel Azrac	Nemesia S.à.r.l	4/4	33.4%	33.4%	Yes	No <sup>1</sup>
Filippa Gerstädt	Nordea Funds	4/4	1.2%	0.9%	Yes	Yes
Ian H. Lundin	Chairman of the Board of Lundin Energy	4/4	N/a <sup>2</sup>	N/a <sup>2</sup>	Yes	No <sup>2</sup>
			Total 34.6%	Total 34.3%		

<sup>1</sup> Nemesia S.à.r.l holds 33.4 percent of the shares in Lundin Energy.

<sup>2</sup> For details, see schedule on pages 28–29.

## Board of Directors

The Board of Directors of Lundin Energy 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 sustainable 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.

### Composition of the Board

The Board of Lundin Energy 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. There are no deputy members and no members appointed by employee organisations. In addition, the Board is supported by a corporate secretary, the Company's Vice President Legal Henrika Frykman, who is not a Board member.

The Nomination Committee for the 2020 AGM considered that a Board size of nine members would be appropriate and that the Board size should not be increased taking into account the nature, size and complexity of the Company's business. The Nomination Committee considered that the Board as proposed and elected by the 2020 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 international business environment. The Board members possess substantial expertise and experience relating to the oil and gas industry globally and specifically Norway, being Lundin Energy's core area of operation, public company financial matters, Swedish practice and compliance matters and sustainability and HSEQ matters. The Nomination Committee considered that the proposed Board fulfilled 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 33 percent of the proposed Board members were women. The Company aims to promote diversity at all levels of the Company, and the Nomination Committee applies the diversity requirements of the Corporate Governance Code. The recommendation of the Swedish Corporate Governance Board is that larger listed Swedish companies should strive to achieve a 35 percent Board representation of the least represented gender by 2018, which had been achieved by the Company from 2015 to 2018, and 40 percent beyond 2020. Whilst the percentage of women on the proposed Board was slightly below the recommendation, the Nomination Committee considered that the skills and broad experience of the Board members outweighed such variance. The Nomination Committee supports the ambition of the Swedish Corporate Governance Board regarding levels and timing of achieving gender balance and believes that it is important to continue to strive for gender balance when future changes in the composition of the Board are considered. The Nomination Committee further reviewed the remuneration of the Board and to achieve alignment with the Company's USD denominated business, considered that it is rational to propose that fees payable to the members of the Board of Directors and to the Chairman of the Board of Directors also be USD denominated.

## Board meetings and work in 2020

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.

To continue developing the Board's knowledge of the Company and its operations, generally 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. During 2020, it was however not considered possible to hold a Board meeting in an operational location due to the global COVID-19 pandemic. Group management attended Board meetings during the year to present and report on specific questions and a monthly operational report was further circulated to the Board.

### Principal tasks of the Board of Directors

- Establishing the overall goals and strategy of the Company.
- Making decisions regarding the supply of capital.
- Identifying how the Company's risks and business opportunities are affected by sustainability aspects.
- 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.

## Board committees

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, an Audit Committee and a Sustainability Committee. 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

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. 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 31 – 35.

Compensation Committee work during 2020:

- Ongoing review of the performance management process through various meetings across the year.
- Based on the previous changes in Swedish legislation as a result of the European Union Shareholder Rights Directive II and the new Policy on Remuneration that was prepared for and adopted by the 2020 AGM, the Committee has overseen the development of the first Remuneration Report for Board and AGM approval.
- Review of the Policy on Remuneration adopted by the 2020 AGM and decision not to propose any changes to the 2021 AGM.
- Review and discussion on remuneration levels and practices throughout the Company for consideration in relation to Group management remuneration.
- 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 2019.
- Continuous monitoring and evaluation of remuneration structures, levels, programmes and the Policy on Remuneration.
- Consultation and meetings with Company stakeholders, regarding the proposed long-term incentive plan (LTIP) 2020 and Company remuneration practices.
- Preparing a proposal for LTIP 2020 for Board and AGM approval through various work sessions and preparation discussions.

- Review of fulfilment of LTIP 2017 performance conditions and confirmation of vesting.
- Preparing a proposal for remuneration and other terms of employment for the new 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, including the new COO.
- Review of the CEO's proposals for the principles of compensation of other employees.
- Review and approval of the CEO's proposals for 2020 LTIP awards and in principle awards for 2021 LTIP.
- Frequent contacts, ongoing dialogue and decisions outside of formal meetings to provide oversight and approvals for remuneration issues as presented by Group management.
- Review of the Group management succession plan.
- Review of the LTIP performance targets and decision to propose a revised peer group for LTIP 2021 to the Board.
- Performing a mid-year review of performance targets as a consequence of the impact of the COVID-19 pandemic and the oil price downturn.
- Proposal for the compensation arrangement of the previous CEO in connection with him stepping down for Board approval.

### Audit Committee

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 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.

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.

**Audit Committee work during 2020:**

- Assessment of the 2019 year end report and the 2020 half year report for completeness and accuracy and recommendation for approval to the Board.
- Assessment and approval of the first and third quarter reports 2020 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 2021 AGM.
- Reviewing the amended dividend proposal and sharing a recommendation to the Board.
- Reviewing and approving various matters in relation to risk management including proposals on hedging and business interruption insurance

**Sustainability Committee**

The Sustainability Committee (previously the ESG/H&S Committee) assists the Board to monitor the performance and key risks that the Company faces in relation to environmental, social and governance matters. It also makes recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed. The Sustainability Committee's tasks further include reviewing and monitoring sustainability policies, as well as considering sustainability issues, risks, strategies and responses to climate change issues. The Sustainability Committee reviews Group management's proposals on sustainability targets and goals, monitors the appropriateness of sustainability audit strategies and plans, the execution and results of such plans and reviews and makes recommendations to the Board.

The Sustainability Committee's work during 2020 includes:

- Review the investigation findings for all serious safety incidents.
- Review of key local and corporate sustainability risks and management responses, including risks imposed by COVID-19.
- Discussion on strategy for carbon neutrality and actions required, including investment in developing natural carbon capture projects.
- Accelerating the Company's Decarbonisation Strategy to achieve carbon neutrality for operational emissions from 2025, from the original target of 2030.
- Review of external ESG Ratings.
- Discussion and recommendation to align external reporting with the recommendations of the Task Force on Climate Related Financial Disclosures (TCFD).
- Review of overall sustainability performance with particular focus on trends and performance improvement.
- Review of the sustainability audits and actions carried out during the year.
- Review of the Sustainability Committee's terms of reference and changing the name of the Committee.

**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. All Board members fulfil the policy requirement.

The remuneration of the Board, including for work performed outside the directorship, is detailed further in the schedule on pages 28–29 and in the notes to the financial statements, see Note 28 on pages 68–69.

**Evaluation of the Board's work**

An external review of the work of the Board was conducted in the fall through an on-line survey specifically tailored for the Company. The purpose of the external review was to assess if the Board functions in an efficient manner and to enable the Board to improve on matters which may be raised. The results were also reported to the Nomination Committee.

The overall feedback from the external review was positive and showed that the Board functions well. Drivers for shareholder value creation are clearly connected to the Company's strategy, and the Board is quick to respond to changing business conditions and the Chairman is well qualified to lead the Board. The Board frequently assesses how strategies are implemented by Group management and sustainability matters are regularly included in the Board meeting agendas. Internal financial controls were considered as working well and investments are given appropriate and robust reviews. The composition of the Board was considered appropriate and the Board members collectively exhibit diversity and breadth in respect of their qualifications, experience and background.

## Board's yearly work cycle

### Q1 / Q2 activities

- Approval of the year end report
- Consideration of recommendation to the AGM to declare a dividend
- 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 (if applicable)
- Approval of the Remuneration Report
- Determination of the AGM details and approval of the AGM materials
- Statutory meeting following the AGM to confirm Board fees, Committee compensation, signatory powers, appointment of corporate secretary
- Audit Committee report regarding the first quarter report
- Approval of the annual Sustainability Report
- Meeting with the auditor without management present to discuss the audit process, risk management and internal controls
- Review of the Rules of Procedure

### Q3 / Q4 activities

- Executive session with Group management
- Adoption of the budget and work programme
- Consideration of the Board 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
- Detailed discussion of strategy issues
- In-depth analysis of the Company's business
- Adoption of the half year report, reviewed by the statutory auditor

## Board of Directors work 2020

16 board meetings were held in 2020 and 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 performance in 2019 and 2020 and resolving to propose to the 2020 AGM that an increased cash dividend of USD 1.80 per share should be paid to the shareholders, as well as subsequent discussions and decision to amend the proposal to USD 1.00 per share based on the uncertainties caused by the global COVID-19 pandemic.
- Discussing and deciding to propose to the 2020 AGM that the Company's Articles of Association shall be changed with the effect of amending the name of the Company from Lundin Petroleum AB to Lundin Energy AB.
- Reviewing and approving a short-term bridge facility to provide increased liquidity during uncertain market conditions.
- Reviewing and approving a revolving credit facility for renewable investments.
- Considering the temporary Norwegian tax incentives and their impact on the Company's development portfolio.
- Discussions regarding the Company's risk management.
- Considering the Company's production performance, forecasts and future outlook.
- Considering and discussing in detail the Johan Sverdrup project and remaining project risks, time schedule, production and capacity increases, Phase 2 development progress, operator performance and cost expectations.
- Considering the reserves revision in relation to the Edvard Grieg field and the ensuing reserves increase, as well as the tie-back projects for Solveig Phase 1 and Rolvsnes extended well test.
- Considering and approving the acquisition of a Barents Sea portfolio from Idemitsu Petroleum Norge AS.
- Discussing the Company's licence position 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.
- Reviewing the Company's oil and gas reserves and resources positions.
- Discussing the Swedish Prosecution Authority's ongoing preliminary investigation into alleged complicity in violations of international humanitarian law in Sudan during 1997–2003, as well as the preliminary investigation into alleged instigation of interference in a judicial matter.
- Considering and discussing sustainability matters, including operations in the Barents Sea, climate change and the Company's efforts to reduce its carbon footprint and environmental impact, including approving an accelerated Decarbonisation Strategy achieving carbon neutrality from 2025 from operational emissions, the Company's partnership with the Lundin Foundation and sustainability trends and initiatives, as well as further investment opportunities into renewable energy assets.
- Considering and approving an agreement to invest in the Metsälamminkangas windfarm in Finland as well as divest 50 percent to Sval Energi AS.
- Considering and discussing the Company's HSEQ performance, including incidents that occurred during the year, HSEQ audits, and the HSEQ Leadership Charter.
- Considering the proposal for a performance based long-term incentive plan (LTIP) 2020, following similar principles as the previous LTIPs approved by the 2014–2019 AGMs, including continued stakeholder engagement discussions, revising the applicable peer group, approving participants, allocating individual awards and approving the detailed plan rules, subject to 2020 AGM approval.
- Reviewing the Company's new investment grade credit rating and discussing the implications thereof.
- Considering the stepping down of the Company's previous CEO Alex Schneiter and discussing the succession plan in place, as well as appointing Nick Walker as the new CEO as per 1 January 2021.
- Discussing in detail the financing of the Company, including the Company's financial risk management, cash flows, sources of funding, foreign exchange movements, hedging strategy and liquidity position and reviewing and approving a new corporate USD 5 billion facilities agreement with sustainability linked key performance indicators to replace the previous USD 5 billion reserve-based lending facility.

Board of Directors:	Ian H. Lundin	Alex Schneider	Peggy Bruzelius	C. Ashley Heppenstall
<b>Function</b>	Chairman (since 2002) Elected 2001 Born 1960 Compensation Committee member	Director Elected 2016 Born 1962	Director Elected 2013 Born 1949 Audit Committee chair	Director Elected 2001 Born 1962 Audit Committee member
<b>Education</b>	B.Sc. Petroleum Engineering from the University of Tulsa.	M.Sc. Geophysics and degree in Geology from the University of Geneva.	M.Sc. Economics and Business from the Stockholm School of Economics.	B.Sc. Mathematics from the University of Durham.
<b>Experience</b>	CEO of International Petroleum Corp. 1989–1998. CEO of Lundin Oil AB 1998–2001. CEO of Lundin Energy 2001–2002.	Various positions within Lundin related companies since 1993. COO of Lundin Energy 2001–2015. CEO of Lundin Energy 2015–2020.	Managing Director of ABB Financial Services AB 1991–1997. Head of the asset management division of Skandinaviska Enskilda Banken AB 1997–1998.	Various positions within Lundin related companies since 1993. CFO of Lundin Oil AB 1998–2001. CFO of Lundin Energy 2001–2002. CEO of Lundin Energy 2002–2015.
<b>Other board duties</b>	Member of the board of Etrion Corporation and member of the advisory board of Adolf H. Lundin Charitable Foundation (AHLCF).	–	Chair of the board of Lancelot Asset Management AB and member of the board of International Consolidated Airlines Group S.A. and Skandia Liv.	Chairman of the board of International Petroleum Corp. and Josemaria Resources Inc. and member of the board of Lundin Gold Inc. and Lundin Mining Corp.
<b>Shares as at 31 December 2020</b>	Nil <sup>2</sup>	444,142	8,000	Nil <sup>4</sup>
<b>Attendance</b>				
Board	16/16	16/16	16/16	16/16
Audit Committee	–	–	7/7	7/7
Compensation Committee	5/5	–	–	–
Sustainability Committee	–	–	–	–
<b>Remuneration<sup>1</sup></b>				
Board and Committee work	USD 72,350 and SEK 426,667	Nil	USD 41,150 and SEK 243,733	USD 38,350 and SEK 226,667
Special assignments outside the directorship	USD 52,632 and SEK 333,333	Nil	Nil	Nil
<b>Independent of the Company and Group management</b>	Yes	No <sup>3</sup>	Yes	Yes
<b>Independent of major shareholders</b>	No <sup>2</sup>	Yes	Yes	Yes

1 See also Note 28 on pages 68–69.

2 Ian H. Lundin is in the Nomination Committee's and the Company's opinion not deemed independent of the Company's major shareholder as Ian H. Lundin is a member of the Lundin family that holds, through family trusts, Nemesia S.å.r.l., which holds 95,478,606 shares in the Company.

3 Alex Schneider 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 Energy up until the end of 2020.

4 C. Ashley Heppenstall holds 1,442,618 shares in Lundin Energy AB through an investment company, Rojafi.

5 Lukas H. Lundin is in the Nomination Committee's and the Company's opinion not deemed independent of the Company's major shareholder as Lukas H. Lundin is a member of the Lundin family that holds, through family trusts, Nemesia S.å.r.l., which holds 95,478,606 shares in the Company.

Lukas H. Lundin	Grace Reksten Skaugen	Torstein Sanness	Jakob Thomasen	Cecilia Vieweg
Director Elected 2001 Born 1958	Director Elected 2015 Born 1953 Sustainability Committee chair Compensation Committee member	Director Elected 2018 Born 1947 Sustainability Committee member	Director Elected 2017 Born 1962 Audit Committee member Sustainability Committee member	Director Elected 2013 Born 1955 Compensation Committee chair
Graduate (engineering) from the New Mexico Institute of Mining and Technology.	MBA from the BI Norwegian School of Management, Ph.D. Laser Physics and B.Sc. Honours Physics from Imperial College of Science and Technology at the University of London.	M.Sc. Engineering in geology, geophysics and mining engineering from the Norwegian Institute of Technology in Trondheim.	Graduate of the University of Copenhagen, Denmark, M.Sc. in Geoscience and completed the Advanced Strategic Management programme at IMD, Switzerland.	L.L.M. from the University of Lund.
Various key positions within companies where the Lundin family has a major shareholding.	Former Director of Corporate Finance with SEB Enskilda Securities in Oslo. Board member/deputy chair of Statoil ASA 2002–2015. Member of HSBC European Senior Advisory Council.	Various positions in Saga Petroleum 1972–2000. Managing Director of Det Norske Oljeselskap AS 2000–2004. Managing Director of Lundin Norway AS 2004–2015.	Former CEO of Maersk Oil and a member of the Executive Board of the Maersk Group 2009–2016.	General Counsel and member of the Executive Management of AB Electrolux 1999–2017. Senior positions in AB Volvo Group 1990–1998. Lawyer in private practice. Member of the Swedish Securities Council 2006–2016.
Chairman of the board of Lundin Mining Corp., Lucara Diamond Corp., Lundin Gold Inc., Lundin Foundation and Bukowski Auktioner AB and member of the board of Filo Mining Corp.	Member of the board of Investor AB, Euronav NV and PJT Partners, founder and board member of the Norwegian Institute of Directors, trustee and council member of the International Institute for Strategic Studies in London.	Chairman of the board of Magnora ASA, deputy chairman of Panoro Energy ASA and member of the board of International Petroleum Corp. and TGS Nopec ASA.	Chairman of the DHI Group, ESVAGT, RelyOn Nutec and Hovedstadens Letbane.	–
425,000 <sup>5</sup>	6,000	93,310	8,820	5,000
16/16 – – –	15/16 – 5/5 2/2	16/16 – – 2/2	16/16 7/7 – 2/2	15/16 – 5/5 –
USD 31,000 and SEK 183,333 Nil	USD 48,500 and SEK 286,667 Nil	USD 38,350 and SEK 226,667 Nil	USD 45,700 and SEK 270,000 Nil	USD 41,150 and SEK 243,333 Nil
Yes	Yes	Yes	Yes	Yes
No <sup>5</sup>	Yes	Yes	Yes	Yes



More information on the Board members can be found on [www.lundin-energy.com](http://www.lundin-energy.com)

## Group management

### Management structure

Lundin Energy's Group and local management consists of highly experienced individuals with extensive worldwide oil and gas experience. The Company's CEO, Nick Walker, replaced on 1 January 2021 the Company's previous CEO, Alex Schneider, who stepped down from his position after having worked with the Company since its inception in 2001, and as its CEO since 2015. The CEO is responsible for the management of the day-to-day operations of Lundin Energy. 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.

The Company's Investment Committee consists of, in addition to the CEO, the Chief Operating Officer (COO), Daniel Fitzgerald, who is responsible for Lundin Energy's exploration, development and production operations and HSEQ, and the Chief Financial Officer (CFO), Teitur Poulsen, who is responsible for the financial reporting, internal control, risk management, treasury function, commercial and economics. The Investment Committee 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.

In addition to the members of the Investment Committee, Lundin Energy's Group management comprises:

- The Vice President Legal, Henrika Frykman, who is responsible for all legal and tax matters within the Group, the Vice President Corporate Affairs, Alex Budden, who is responsible for corporate affairs and strategic communications within the Group, the Vice President Investor Relations Edward Westropp, who is responsible for investor relations and financial communications within the Group and the Vice President Sustainability, Zomo Fisher who is responsible for the Group's corporate sustainability strategy.
- Local management, who are responsible for the day-to-day operational activities.

### 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 Corporate Governance Code. 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

## Major topics addressed by Group management in 2020

- Overseeing the Johan Sverdrup project, including production matters, capacity increases and progress on Phase 2 development.
- Overseeing the reserves revision in relation to the Edvard Grieg field and the ensuing reserves increase.
- Overseeing the progress on the Edvard Grieg tie-back projects Solveig Phase 1 and Rolvsnes extended well test.
- Discussing and negotiating the terms for the acquisition of a Barents Sea portfolio from Idemitsu Petroleum Norge AS.
- Management of the Norwegian acreage position through active licence acquisition and divestment management to optimise the Norwegian licence portfolio.
- Management of the ongoing exploration activities, development projects, appraisal activities and production operations.
- Consideration of organisational changes and improvements.
- Considering new ventures and opportunities.
- Developing an updated Decarbonisation Strategy, including to reach carbon neutrality from 2025.
- Analysis of climate change risks and implications to the business, and alignment with the recommendations of the Task Force on Climate Related Financial Disclosures.
- Considering several further investment opportunities into renewables projects.
- Negotiating the terms for the acquisition of 100 percent interest in the Metsälamminkangas wind farm project in Finland as well as the subsequent divestment of 50 percent to Sval Energi AS.
- Considering in detail operational safety incidents that occurred including mitigating actions for the future.
- Discussing the impact of the global COVID-19 pandemic and taking necessary actions to ensure the safety of employees and to mitigate the impact on the Company's operations.
- Focussing on cost control measures to mitigate the impact of COVID-19, including through cost reductions and phasing of operations.
- Negotiating a short-term bridge facility to provide increased liquidity during uncertain market conditions.
- Negotiating a revolving credit facility for renewable investments.
- Negotiating and overseeing the refinancing of the existing reserve-based lending facility agreement into a new corporate facilities agreement with sustainability linked key performance indicators.
- Preparing and implementing an inaugural public credit rating from S&P Global Ratings.
- Defence of the Swedish Prosecution Authority's ongoing preliminary investigation into alleged complicity in violations of international humanitarian law in Sudan during 1997–2003 as well as the preliminary investigation into alleged instigation of interference in a judicial matter.

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 and the HSEQ Leadership Charter in a professional, efficient and responsible manner. Regular management meetings are held to discuss all commercial, technical, sustainability, 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 circulated to Group management summarising the operational events, highlights and issues of the week in question. Group management also travel 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, 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.

#### **Internal audit**

The internal audit function is responsible for providing independent and objective assurance in order to systematically evaluate and propose improvements for more effective governance, internal control and risk management processes. 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 within the Group. 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 governance, internal control and risk management processes which have been identified through the internal 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. For additional information on internal control, see page 36.

#### **Remuneration**

##### **Group principles of remuneration**

Lundin Energy 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) annual variable remuneration; (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

### **Sudan**

In June 2010, the Swedish Prosecution Authority began a preliminary investigation into alleged complicity in violations of international humanitarian law in Sudan during 1997–2003. The Company has cooperated extensively and proactively with the investigation by providing information regarding its operations in Block 5A in Sudan during the relevant time period. We remain convinced that there is no link between Lundin and the alleged primary crimes, and that the company was a force for good for the development of Sudan. Ian H. Lundin and Alex Schneiter have been interviewed by the Swedish Prosecution Authority and have, together with the Company, been notified of the relevant suspicions and received final notice of the investigation, which is being reviewed and commented on by the defence.

In 2018, the Company was notified by the Swedish Prosecution Authority that the Company may be liable to a corporate fine of SEK 3 million and forfeiture of economic benefits from the alleged offense in the amount of SEK 3,282 million, based on the profit of the sale of the Block 5A asset in 2003 of SEK 720 million. Any potential corporate fine or forfeiture could only be imposed after the conclusion of a trial, should one occur.

In 2018, the Swedish Prosecution Authority also began a preliminary investigation into alleged interference in a judicial matter as a result of allegations of witness harassment. The Company and its representatives are not aware of any details of the alleged actions, despite several requests for information, and reject any knowledge of, or involvement in, any wrongdoing. Ian H. Lundin and Alex Schneiter have been interviewed by the Swedish Prosecution Authority and have been notified of the suspicions that form the basis for the investigation.

Neither investigation means that charges have been, or will be, brought against any individuals or the Company. Lundin Energy knows that there are absolutely no grounds for any allegations of wrongdoing by the Company or any Company representatives in respect of any of these allegations. More information regarding the past activities in Sudan during 1997–2003 can be found on [www.lundinsudanlegalcase.com](http://www.lundinsudanlegalcase.com).

gas companies of similar size and operational reach is selected, against which the Group's remuneration practices are measured. The levels of base salary, annual variable remuneration 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. Due to the fact that no salary increases would be made and considering the uncertain times, it was decided not to undertake a benchmarking study in 2020.

#### **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 for approval by the Board and for submission for final approval to the AGM, a Policy on Remuneration for Group management when any changes are proposed or at least every four years. No changes are proposed to the 2020 Policy on Remuneration as approved by the 2020 AGM.

The yearly variable remuneration 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 of oil and gas, reserves and resource replacement, financial, health and safety, sustainability, carbon dioxide gas emissions 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 2020 Policy on Remuneration, the Board of Directors could approve annual variable remuneration in excess of 12 months' base salary up to a cap of 18 months' base salary in circumstances or in respect of performance which it considered to be exceptional. To have had this discretion was 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 Note 28 on pages 68 – 69. The Board determined that it was reasonable to recognise the excellent performance of the CEO during a year which presented exceptional challenges, and equally the performance of the CFO for his efforts in ensuring a successful refinancing of the existing reserve-based lending facility into a new corporate facilities agreement under the challenging circumstances.

#### **Long-term incentive plan 2020**

The 2020 AGM resolved to approve a performance based LTIP 2020, that follows similar principles as the previously approved LTIPs 2014 – 2019, for Group management and a number of key employees of Lundin Energy, which gives the participants the possibility to receive shares in Lundin Energy subject to the fulfilment of a performance condition under a three year performance period commencing on 1 July 2020 and expiring

on 30 June 2023. The performance condition is based on the share price growth and dividends (Total Shareholder Return) of the Lundin Energy 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 Energy 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 2020 and the total LTIP award made in respect of 2020 was 393,113.

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 2020, 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 2020 are further subject to certain disposition restrictions to ensure participants build towards a meaningful shareholding in Lundin Energy. 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 2020, an external review of the CEO's performance was undertaken through an online survey, and the results were reported to and discussed by the Board. The Board also considered proposals regarding the compensation of the CEO and other members of Group management. Neither the CEO nor other members of 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.

#### **Board's proposal for remuneration to Group management to the 2021 AGM**

The Board does not propose any changes to the Policy on Remuneration for Group management as approved by the 2020 AGM.

## POLICY ON REMUNERATION FOR GROUP MANAGEMENT AS APPROVED BY THE 2020 AGM<sup>1</sup>

### Application of the Policy

This Policy on Remuneration (the “Policy”) applies to the remuneration of “Group Management” at Lundin Energy AB (“Lundin Energy” or the “Company”), which includes (i) the President and Chief Executive Officer (the “CEO”), (ii) the Deputy CEO, who from time to time will be designated from one of the other members of Group Management, and (iii) the Chief Operating Officer, Chief Financial Officer and Vice President level employees. The Policy also applies to members of the Board of Directors (the “Board”) of the Company where remuneration is paid for work performed outside the directorship.

### Background to the changes to the 2020 Policy compared to the Policy approved in 2019

The Policy approved by the 2020 AGM was the result of a review to comply with revised Swedish legislation resulting from the European Union Shareholder Rights Directive II and the 2020 revised Swedish Corporate Governance Code. Few material changes were made to how the Company manages executive remuneration matters, however the new legislation, together with discussions with shareholders’ representatives, led to some changes to the Policy that were submitted to the shareholders for approval. The differences between the 2020 Policy and the Policy approved by the 2019 AGM were as follows:

- the 2020 Policy is more explicit than the 2019 Policy on the links to strategy, long-term performance and sustainability and requires that the Compensation Committee (the “Committee”) takes shareholders’ opinions into account, as well as remuneration across the broader employee population, when making its decisions and recommendations to the Board.
- The Board can continue to award annual variable remuneration worth up to 12 months’ base salary but the 2020 Policy provides more clarity by imposing a cap of 18 months’ base salary for occasions when individuals have delivered outstanding performance.
- The 2020 Policy describes the design and governance of different elements of remuneration in more detail than the 2019 Policy, as well as their relative proportions of total remuneration.
- There is more information on terms and decision making processes and considerations, including how the Company can deviate from the Policy.

The 2020 Policy is, together with previous years’ Policies, available on the Company’s website [www.lundin-energy.com](http://www.lundin-energy.com) and it will remain available for ten years.

### Key remuneration principles at Lundin Energy

Lundin Energy’s remuneration principles and policies are designed to ensure responsible and sustainable remuneration decisions that support the Company’s strategy, shareholders’ long-term interests and sustainable business practices. It is the aim of Lundin Energy to recruit, motivate and retain high calibre executives capable of achieving the objectives of the

Company and to encourage and appropriately and fairly reward executives for their contributions to Lundin Energy’s success.

### Remuneration to members of the Board

In addition to Board 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.

### Compensation Committee

The Board has established the Compensation Committee to support it on matters of remuneration relating to the CEO, the Deputy CEO, other members of Group Management and other key employees of the Company. The objective of the Committee is to structure and implement remuneration principles to achieve the Company’s strategy, the principal matters for consideration being:

- the review and implementation of the Company’s remuneration principles for Group Management, including this Policy which requires approval by the General Meeting of Shareholders;
- the remuneration of the CEO and the Deputy CEO, as well as other members of Group Management, and any other specific remuneration issues arising;
- the design of long-term incentive plans that require approval by the General Meeting of Shareholders; and
- compliance with relevant rules and regulatory provisions, such as this Policy, the Swedish Companies Act and the Swedish Corporate Governance Code.

When the Committee makes decisions, including determining, reviewing and implementing the Policy, it follows a process where:

- the Board sets and reviews the terms of reference of the Committee;
- the Chair of the Committee approves the Committee’s agenda;
- the Committee considers reports, data and presentations and debates any proposal. In its considerations the Committee will give due regard to the Company’s situation, the general and industry specific remuneration environment, the remuneration and terms of employment of the broader employee population, feedback from different stakeholders, relevant codes, regulations and guidelines published from time to time;
- the Committee may request the advice and assistance of management representatives, other internal expertise and of external advisors. However, it shall ensure that there is no conflict of interest regarding other assignments that any such advisors may have for the Company and Group Management;
- the Committee ensures through a requirement to notify and recuse oneself that no individual with a conflict of interest will take part in a remuneration decision that may compromise such a decision;
- once the Committee is satisfied that it has been properly and sufficiently informed, it will make its decisions and, where required, formulate proposals for approval by the Board; and
- the Board will consider any items for approval or proposals from the Committee and, following its own discussions, make decisions, proposals for a General Meeting of Shareholders and/or further requests for the Committee to deliberate on.

<sup>1</sup> At the time of approval of the Policy, the Company was named “Lundin Petroleum AB”, herein replaced throughout with references to the Company’s new name “Lundin Energy AB”. The Policy has also been updated to reflect the fact that the Policy has been approved by the 2020 AGM and is no longer a proposal.

## Elements of remuneration for Group Management

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

	Description, purpose and link to strategy and sustainability	Process and governance	Relative share of estimated/maximum total reward <sup>1</sup>
<b>a) Base salary</b>	<ul style="list-style-type: none"> <li>Fixed cash remuneration paid monthly. Provides predictable remuneration to aid attraction and retention of key talent.</li> </ul>	<ul style="list-style-type: none"> <li>The Committee reviews salaries every year as part of the review of total remuneration (see below for a description of the benchmarking process).</li> </ul>	30% / 20%
<b>b) Annual variable remuneration</b>	<ul style="list-style-type: none"> <li>Annual bonus is paid for performance over the financial year.</li> <li>Awards are capped at 18 months' base salary, paying up to 12 months' base salary for ranges of stretching performance requirements. Any value over 12 months' base salary is paid for delivering outstanding performance.</li> <li>Signals and rewards the strategic and operational results and behaviours expected for the year that contribute to the long-term, sustainable value creation of the Company.</li> </ul>	<ul style="list-style-type: none"> <li>The annual review of total remuneration also considers annual bonus awards, outcomes, target structure, weightings of targets and specific target levels of performance.</li> <li>Measurable financial and non-financial performance requirements are identified according to position and responsibilities and include delivery against production of oil and gas, reserves and resource replacement, financial, health and safety, ESG, carbon dioxide gas emissions and strategic targets.</li> <li>The Committee reviews the design of annual variable remuneration separately.</li> </ul>	20% / 25%
<b>c) Long-term incentive plan</b>	<ul style="list-style-type: none"> <li>Performance share plan that aligns the interests of participants with those of shareholders through awards in shares worth up to 36 months' base salary on award, vesting after 3 years subject to performance.</li> <li>Relative Total Shareholder Return ("TSR") summarises the complex set of variables for long-term sustainable success in oil and gas exploration and production into a single performance test relative to peers that the Company competes with for capital.</li> </ul>	<ul style="list-style-type: none"> <li>Annual review of total remuneration considers long-term incentive awards, outcomes, TSR peer group and targets.</li> <li>Participants are required to build a significant personal shareholding of up to 200% of base salary over time by retaining shares until a predetermined limit has been achieved.</li> <li>The Committee reviews the design of long-term incentives separately.</li> </ul>	40% / 50%
<b>d) Benefits</b>	<ul style="list-style-type: none"> <li>Predictable benefits to help facilitate the discharge of each executive's duties, aiding the attraction and retention of key talent.</li> </ul>	<ul style="list-style-type: none"> <li>The Committee reviews benefits and contractual terms regularly to ensure that the Company does not fall behind the market.</li> <li>Benefits are set with reference to external market practices, internal practices, position and relevant reference remuneration.</li> </ul>	10% / 5%
<b>Total</b>			100% / 100%

<sup>1</sup> Estimated reward shows the percentage of total reward where proportions are estimated assuming 50 percent of maximum annual bonus and 50 percent of the long-term incentive without any share price or dividend effect. Proportions of maximum reward assume full vesting of both annual variable remuneration and the long-term incentive but without any share price or dividend effect. Different actual awards and the variable nature of incentives means that the actual proportions for an individual may be different.

## Review and benchmarking

Every year the Committee undertakes a review of the Company's remuneration policies and practices considering the total remuneration of each executive as well as the individual components. Levels are set considering:

- the total remuneration opportunity;
- the external pay market;
- the scope and responsibilities of the position;
- the skills, experience and performance of the individual;
- the Company's performance, affordability of reward and general market conditions; and
- levels and increases in remuneration, as well as other terms of employment, for other positions within the Company.

External benchmarks for total remuneration are found from one or more sets of companies that compete with Lundin Energy for talent, taking into consideration factors like size, complexity, geography and business profile when determining such peer groups.

## Variable remuneration

The Company considers that variable remuneration forms important parts of executives' remuneration packages, where associated performance targets reflect the key drivers for pursuing the Company's strategy, and to achieve sustainable value creation and growth in long-term shareholder value. The Committee ensures that performance and design align with the strategic direction and risk appetite of the Company before incentives are approved by the Board.

There is no deferral of incentive payments, however, the Board can recover annual bonuses paid in the unlikely event of outcomes based on information which is subsequently proven to have been manifestly misstated. The Board can also in exceptional circumstances reduce long-term incentive awards, including reducing them to zero, should it consider the vesting outcome to incorrectly reflect the true performance of the Company.

## Benefits

Benefits provided shall be based on market terms and shall facilitate the discharge of each executive's duties. The pension provision is the main benefit and follows the local practice of the geography where the individual is based. The pension benefits consist of a basic defined contribution pension plan, where the employer provides 60 percent and the employee 40 percent of an annual contribution of up to 18 percent of the capped pensionable salary and a supplemental defined contribution pension plan where the employer provides 60 percent and the employee 40 percent of a contribution up to 14 percent of the capped pensionable salary.

## Severance arrangements

Executives have rolling contracts where mutual notice periods of between three and twelve months apply between the Company and the executive, 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 in the event of termination of employment due to a change of control of the Company. Such compensation, together with applicable notice periods, shall not exceed 24 months' base salary.

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 12 months' base salary; no other benefits shall be included.

In all circumstances, severance payments in aggregate (i.e. for notice periods and severance arrangements) shall be limited to a maximum of 24 months' base salary.

## Authorisation for the Board

In accordance with Chapter 8, Section 53 of the Swedish Companies Act, the Board shall be authorised to approve temporary deviations from the Policy on any element of remuneration described in this Policy, except from the maximum award of annual variable remuneration, which shall at all times be limited to 18 months' base salary. Deviations shall be considered by the Committee and shall be presented to the Board for approval. Deviations may only be made in specific cases if there are special reasons outside of normal business that make it necessary to increase reward in order to help secure the Company's long-term interests, financial viability and/or sustainability by recognising exceptional contributions. The reasons for any deviation shall be explained in the remuneration report to be submitted to the AGM.

## Outstanding remunerations<sup>1</sup>

Remunerations outstanding to Group Management comprise awards granted under the Company's previous long-term incentive programs and include 258,619 shares for awards under the LTIP 2017, 195,658 shares for awards under the LTIP 2018, 222,148 shares for awards under LTIP 2019 and 2,746 unit bonus awards under the 2017 Unit Bonus Plan. Further information about these plans is available in Note 28 of the Company's Annual Report 2019.

<sup>1</sup> As at the 2020 AGM

## Internal control over financial reporting

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

According to the Swedish Companies Act and the Corporate Governance Code, 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 Energy.

Lundin Energy'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

The control environment is the foundation of Lundin Energy's system for internal control over financial reporting and is characterised by the fact that the main part of the Group's operations is 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. In the area of control activities Lundin Energy has documented all critical, financial processes and controls in the Group. The business culture established within the Group is also fundamental to ensure highest level of ethics, morals and integrity.

### Risk assessment

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 determining 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

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

Lundin Energy 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 to meet the requirements for a listed company. 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 Communications- and Investor Relations policies ensure that the public is provided with accurate, reliable, and relevant information concerning the Group and its financial position at the right time.

## Monitoring

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. Controls that have failed the testing must be remediated which means establishing and implementing actions to correct weaknesses. 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 licence 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.

### **The auditor's examination of the corporate governance statement**

The Board of Directors is responsible for that the corporate governance statement on pages 19–36 has been prepared in accordance with the Annual Accounts Act.

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

Ernst & Young AB, P.O Box 7850 103 99 Stockholm, was appointed auditor of Lundin Energy AB (publ) by the general meeting of the shareholders on the 31 March 2020 and has been the company's auditor since 2020.

Stockholm 1 March, 2021

Ernst & Young AB  
Anders Kriström  
Authorized Public Accountant