

Item 15: Resolution in respect of Employee LTIP 2022

The Board of Directors proposes that the Extraordinary General Meeting resolves to establish a long-term share-related incentive plan in the form of a share option plan for members of Group Management and other employees of the Company on the terms and conditions set out below (the “**Employee LTIP 2022**”).

Background and purpose

The reason for establishing the Employee LTIP 2022 is to align the interests of the members of Group Management and other employees with the interests of the shareholders as well as to provide market appropriate reward for a new business reflecting continuity, commitment and share price appreciation. The Board of Directors believes that the Employee LTIP 2022 will provide the Company with a crucial component to a competitive total compensation package to attract and retain employees who are critical to the Company’s future success after the completion of the combination of the Company’s exploration & production business with Aker BP.

The Employee LTIP 2022 is being introduced as part of a new remuneration approach within the new Policy on Remuneration for Group Management proposed under item 14 of the agenda, where base salaries and annual bonus opportunities have been set at the lower end of the market to create an overall remuneration approach that further emphasises the long-term sustainable growth and strategic success of the Company.

Terms and conditions

Subject to the terms and conditions of the Employee LTIP 2022, the Company will grant options (“**Employee Options**”) free of charge to members of Group Management and other employees as allocated by the Board of Directors, or the Compensation Committee of the Board of Directors, pursuant to the following principles.

1. The maximum number of Employee Options that may be granted is 8,400,000. Each Employee Option shall entitle the holder to purchase one share in the Company subject to continued employment within the Group. Accordingly, the maximum number of shares available for the participants under the Employee LTIP 2022 shall be 8,400,000.
2. The Board of Directors shall at its discretion be entitled to grant Employee Options to all employees following the completion of the combination of the Company’s exploration & production business with Aker BP (approximately 15 employees). The Chief Executive Officer may be granted up to 2,800,000 Employee Options and other employees may be granted up to 1,400,000 Employee Options each (subject to the cap of 8,400,000 Employee Options in total).
3. The purchase price per share in the Company upon exercise of an Employee Option (the “**Exercise Price**”) shall correspond to the volume weighted average price for the Company’s share on Nasdaq Stockholm during 18–22 July 2022, or a later period of five trading days as determined by the Board of Directors in the event (a) completion of the combination of the Company’s exploration & production business with Aker BP has not occurred by 18 July 2022 or (b) the volume weighted average price during 18–22 July 2022 is not deemed to be an appropriate Exercise Price due to intervening changes in the Group, the market or otherwise in the industry.
4. Instead of participants purchasing shares by paying the Exercise Price at exercise of the Employee Options, the primary settlement method shall be to “net equity settle” the Employee Options, meaning that the purchase price for each share shall be equal to the quotient value of the share (currently approximately SEK 0.01 per share) and that the number of shares that may be purchased shall be reduced by applying the following formula:

Adjusted number of shares = ((A minus B) multiplied by D) divided by (A minus C), where:

- A = the volume weighted average price for the Company’s share on Nasdaq Stockholm during the five trading days immediately preceding the date of exercise of the Employee Option
- B = the Exercise Price
- C = the quotient value of the Company’s share

- D = the number of Employee Options exercised by the participant

Only whole shares (no fractions) may be delivered and the number of shares delivered at net equity settlement shall thus be rounded down to the nearest number of whole shares.

- In the event a participant cannot exercise its Employee Options to purchase shares in the Company under applicable laws or regulations or at reasonable cost or with reasonable administrative effort by the participant or the Company, the Board of Directors shall have the right to decide to wholly or partly settle the Employee Options in cash. The Board of Directors shall also have the right to in its own discretion decide that shares and/or cash shall be withheld by the Company in order to cover or facilitate the payment of applicable taxes.
- The intention is that the Board of Directors shall grant Employee Options on 1 August 2022, but the Board of Directors shall be authorised to in its own discretion finally determine the date of grant after the completion of the combination of the Company's exploration & production business with Aker BP taking into account any potential restrictions under applicable laws or regulations. The Employee Options shall vest on 31 July 2025 (the "**Vesting Date**"). The three-year period from 1 August 2022 to the Vesting Date is referred to as the "**Vesting Period**". After the end of the Vesting Period, participants shall be entitled to exercise all or part of the Employee Options until 31 July 2029.
- In the event of a change of control of the Company or a direct or indirect sale, transfer or other disposal of all or substantially all of the business and assets, the Vesting Period shall be deemed to have completed and the participants shall be entitled to exercise the Employee Options as of the date when the transaction becomes unconditional.
- Continued employment within the group during the entire Vesting Period shall be a condition for the Employee Options to vest. If the participant resigns after the expiry of the Vesting Period, the participant shall only be entitled to exercise Employee Options during a period of three months following the last day of employment, which may be reasonably extended taking into account any potential restrictions under applicable laws or regulations. The Board of Directors shall be authorised to waive and alter these conditions according to circumstances deemed reasonable.
- The Board of Directors shall be entitled to recalculate the maximum number of shares (per Employee Option and in total) and the Exercise Price in the event of intervening rights issues, bonus issues, share splits, reverse share splits, dividends or similar events.
- In order to further align the interests of the members of Group Management with the interests of the shareholders, each member of Group Management shall be required to undertake to retain a minimum of 50 per cent of the shares received when exercising the Employee Options (net after taxes) until the participant has built a personal ownership of shares in the Company equal to 100 per cent of the participant's annual gross base salary (200 per cent for the Chief Executive Officer).
- The Board of Directors, or the Compensation Committee of the Board of Directors, shall be responsible for the detailed terms and the administration of the Employee LTIP 2022 within the scope and framework of this proposal. In connection therewith, the Board of Directors shall be entitled to adopt different terms and conditions e.g. due to new recruitment, illness, disability, death, redundancy, contractual retirement and other exceptional circumstances determined by the Board of Directors.

Delivery of shares and hedging of costs

In order to secure the delivery of shares to the participants and cover any costs (including taxes and social security charges) at exercise of Employee Options under the Employee LTIP 2022, the Board of Directors proposes that the Extraordinary General Meeting resolves to issue up to 8,560,000 warrants of series 2022:2 (see item 16 a) of the proposed agenda).

In the event the nine-tenth (9/10) majority requirement applicable to the Board of Directors' proposal to issue and transfer warrants of series 2022:2 under item 16 a) of the proposed agenda is not satisfied,

the Board of Directors proposes that the Extraordinary General Meeting resolves to approve that the Company hedges its obligations under the Employee LTIP 2022 by entering into an equity swap arrangement with a third party, whereby the third party in its own name shall be entitled to acquire and transfer shares (including to the participants) in accordance with the terms and conditions of the Employee LTIP 2022 (see item 16 b) of the proposed agenda).

Estimated costs

The Employee LTIP 2022 grants participants the right on vesting to purchase shares in the Company for a price equivalent to the Exercise Price. The Employee LTIP 2022 will be accounted for in accordance with the accounting standard IFRS 2 and the costs will be charged to the income statement over the period the Employee Options are earned.

The maximum cost for granting Employee Options under the Employee LTIP 2022 (assuming 100 per cent vesting), excluding costs related to delivery of shares and social security charges, is approximately SEK 27.5 million. Under a scenario where the share price grows by 10 per cent per annum, the maximum cost for social security charges is estimated to be approximately SEK 0.5 million if Employee Options are exercised on the Vesting Date.

Effects on key figures

The effects on key figures depend on the share price development. Assuming a share price and Exercise Price no lower than SEK 7.50; a volatility of 40 per cent; a risk-free rate of 2 per cent; a 0 per cent dividend yield; and exercise after 7 years, the number of shares required under the Employee LTIP 2022 amounts to approximately 8.4 million shares in the Company (subject to final determination of the Exercise Price), corresponding to approximately 2.9 per cent of the total number of shares and votes in the Company. If the Exercise Price is set above SEK 7.50 the maximum number of shares will decrease with the expected costs constant, and if the Exercise Price is set below SEK 7.50, the maximum number of shares will be constant with a decrease in expected costs. The Employee LTIP 2022 is expected to have only marginal effects on the Company's key figures.

If the Employee Options are "net equity settled", the number of shares used can be significantly reduced. Under a scenario where the share price grows by 10 per cent per annum, the use of shares if all Employee Options were exercised on vesting just after the end of the Vesting Period would decrease from a maximum of 2.9 per cent to less than 0.8 per cent and if all Employee Options were exercised just before the end of the exercise period on 31 July 2029 to less than 1.5 per cent.

If the warrant settlement method proposed under item 16 a) of the proposed agenda is not approved with the requisite majority and the Company's obligations under the Employee LTIP 2022 are settled by way of an equity swap arrangement with a third party, no dilution effect will arise.

Preparation of the proposal

The Employee LTIP 2022 has been prepared by the members of the Board of Directors that are proposed to be re-elected for the period until the close of the Annual General Meeting 2023 – i.e. C. Ashley Heppenstall, Grace Reksten Skaugen and Jakob Thomasen (see item 12 of the proposed agenda) – in consultation with external advisers.

Other long-term share-related incentive plans for employees

In connection with the completion of the combination of the Company's exploration & production business with Aker BP, the Company's currently outstanding long-term share related incentive plans (adopted at the Annual General Meetings in 2019, 2020 and 2021) will lapse and be terminated.

Conditions

The resolution shall be conditional upon, and take legal effect in connection with, the completion of the combination of the Company's exploration & production business with Aker BP. Completion of the combination is planned to occur on 30 June 2022.

Majority requirement

A resolution in accordance with the Board of Directors' proposal regarding the establishment of the Employee LTIP 2022 requires support from shareholders representing more than half (1/2) of the votes cast at the Extraordinary General Meeting.

A resolution in accordance with the Board of Directors' proposal regarding the issue and transfer of warrants of series 2022:2 under item 16 a) of the proposed agenda requires support from shareholders representing not less than nine-tenth (9/10) of both the votes cast and the shares represented at the Extraordinary General Meeting. A resolution in accordance with the Board of Directors' proposal regarding the equity swap arrangement under item 16 b) of the proposed agenda requires support from shareholders representing more than half (1/2) of the votes cast at the Extraordinary General Meeting.

Stockholm in May 2022
Lundin Energy AB (publ)
The Board of Directors

Item 16: Resolution in respect of delivery of shares under the Employee LTIP 2022 through (a) an issue and transfer of warrants of series 2022:2 or (b) an equity swap arrangement with a third party

Background

Under the Employee LTIP 2022 proposed by the Board of Directors under item 15 of the proposed agenda, the Company has an obligation, subject to certain conditions, to deliver shares in the Company to the participants in the Employee LTIP 2022.

In order to secure the Company's obligation to deliver shares and to cover any costs (including taxes and social security charges), the Board of Directors proposes that the Extraordinary General Meeting resolves to issue and transfer up to 8,560,000 warrants of series 2022:2 on the terms and conditions set out in item 16 a) below. In the event the nine-tenth (9/10) majority requirement applicable to the proposed warrant settlement method is not satisfied, the Board of Directors proposes that the Extraordinary General Meeting resolves to approve that the Company hedges its obligations under the Employee LTIP 2022 by entering into an equity swap arrangement with a third party, whereby the third party in its own name shall be entitled to acquire and transfer shares (including to the participants) on the terms and conditions set out in item 16 b) below.

The Board of Directors considers the warrant settlement method to be the preferred alternative since the costs for an equity swap arrangement are significantly higher than the costs for issuing and transferring warrants. If the Extraordinary General Meeting resolves to approve the proposed warrant settlement method under item 16 a) below with the requisite majority, the Board of Directors' intends to withdraw its equity swap arrangement proposal under item 16 b) below.

Item 16 a): Resolution in respect of delivery of shares under the Employee LTIP 2022 through an issue and transfer of warrants of series 2022:2

In order to secure the Company's obligation to deliver shares under the Employee LTIP 2022, the Board of Directors proposes that the Extraordinary General Meetings resolves to issue and transfer warrants of series 2022:2 in the Company on the following terms and conditions:

1. A maximum of 8,560,000 warrants shall be issued.
2. The right to subscribe for warrants shall, with deviation of the shareholders' preferential rights, rest with the Company itself.
3. The reason for deviating from the shareholders' preferential rights is to secure the Company's obligations to deliver shares and to cover any costs (including taxes and social security charges) under the Employee LTIP 2022.
4. Subscription for the warrants shall take place on a separate subscription list not later than 1 August 2022.
5. The warrants shall be issued free of charge.
6. Each warrant shall entitle the holder to subscribe for one new share in the Company. The subscription price for each new share shall be equal to the quotient value of the Company's share.
7. The warrants may be exercised during the period from and including 1 August 2022 up to and including 1 August 2030.
8. The new shares shall carry rights to dividends for the first time on the record date for dividends that occurs after subscription has been effected.
9. The subscription price and the number of shares for which each warrant entitles subscription may be re-calculated under certain circumstances as set forth in the complete terms and conditions for the warrants.

10. Upon exercise of all 8,560,000 warrants, the Company's share capital will increase by SEK 104,145.59 (based on a quotient value of approximately SEK 0.01). If the subscription price exceeds the quotient value of the shares, the excess amount shall be allotted to the non-restricted statutory reserve (Sw. *den fria överkursfonden*).
11. The Company may transfer up to 8,560,000 warrants (a) free of charge to participants (and/or a designated third party) for the purpose of enabling the delivery of shares in the Company at exercise of Employee Options under the Employee LTIP 2022 and (b) at a price equal to the fair market value of the warrants as determined using a customary valuation method to a designated third party for the purpose of covering any costs (including taxes and social security charges) at exercise of Employee Options under the Employee LTIP 2022.

The complete terms and conditions for the warrants of series 2022:2, a transcript of the Company's Articles of Association and documents prepared pursuant to Chapter 14, section 8 of the Swedish Companies Act will be available at the Company and on the Company's website, www.lundin-energy.com, not later than three weeks prior to the Extraordinary General Meeting.

The resolution shall be conditional upon, and take legal effect in connection with, the completion of the combination of the Company's exploration & production business with Aker BP. Completion of the combination is planned to occur on 30 June 2022. The resolution shall also be conditional upon that the Extraordinary General Meeting resolves to establish the Employee LTIP 2022 in accordance with the Board of Directors' proposal under item 15 of the proposed agenda.

A resolution in accordance with the Board of Directors' proposal requires support from shareholders representing not less than nine-tenth (9/10) of both the votes cast and the shares represented at the Extraordinary General Meeting.

Item 16 b): Resolution in respect of delivery of shares under the Employee LTIP 2022 through an equity swap arrangement with a third party

The Board of Directors proposes that the Extraordinary General Meetings resolves to approve that the Company hedges its obligations under the Employee LTIP 2022 by entering into an equity swap arrangement with a third party, whereby the third party in its own name shall be entitled to acquire and transfer shares (including to the participants) in accordance with the terms and conditions of the Employee LTIP 2022.

The resolution shall be conditional upon, and take legal effect in connection with, the completion of the combination of the Company's exploration & production business with Aker BP. Completion of the combination is planned to occur on 30 June 2022. The resolution shall also be conditional upon that the Extraordinary General Meeting resolves to establish the Employee LTIP 2022 in accordance with the Board of Directors' proposal under item 15 of the proposed agenda.

A resolution in accordance with the Board of Directors' proposal requires support from shareholders representing more than half (1/2) of the votes cast at the Extraordinary General Meeting.

Stockholm in May 2022
Lundin Energy AB (publ)
The Board of Directors