

The 2020 Remuneration Report of Lundin Energy

Introduction

Lundin Energy AB presents the 2020 Remuneration Report, which was approved by the Board of Directors on 24 February 2021. The report is designed to comply with the provisions of the revised Swedish Companies Act (2005:551) and the current Swedish Corporate Governance Code, as well as to provide a transparent account of executive remuneration for our shareholders in line with Swedish practice.

The first section reprises the Policy on Remuneration for Group Management (the “Policy”) that was approved by shareholders at the 2020 annual general meeting (“AGM”) and is followed in the second section by a description of how the Policy was implemented. The last two sections present the variable remuneration plans that Group Management participate in and the resulting remuneration levels for reportable individuals. As the Swedish reporting legislation requires the Annual Report to include certain information on remuneration in the notes to the accounts (see Appendix 1) and there are requirements for additional reporting from Lundin Energy’s auditors (see Appendix 2), the appendices reproduce relevant information to avoid excessive duplication in the main body of this Report.

Stockholm 25 February 2021

1. 2020 POLICY ON REMUNERATION FOR GROUP MANAGEMENT APPROVED BY THE 2020 ANNUAL GENERAL MEETING

The 2020 Policy follows the principles that are applicable to all employees, supporting the long-term, sustainable strategy set out in Lundin Energy’s Annual Report. This section of the Remuneration Report presents the Policy, updated for Lundin Energy’s name change, that was duly approved at the 2020 AGM.

POLICY ON REMUNERATION FOR GROUP MANAGEMENT¹

Application of the Policy

This Policy on Remuneration 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 (the “**COO**”), Chief Financial Officer (the “**CFO**”) 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

¹ 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..

- “**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 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 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.

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 reward²
<u>a) Base salary</u>	- Fixed cash remuneration paid monthly. Provides predictable remuneration to aid attraction and retention of key talent.	- The Committee reviews salaries every year as part of the review of total remuneration (see below for a description of the benchmarking process).	30% / 20%
<u>b) Annual variable remuneration</u>	- Annual bonus is paid for performance over the financial year. - 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. - Signals and rewards the strategic and	- The annual review of total remuneration also considers annual bonus awards, outcomes, target structure, weightings of targets and specific target levels of performance. - Measurable financial and non-financial performance requirements are identified according to position and responsibilities and include delivery	20% / 25%

² 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.

	operational results and behaviours expected for the year that contribute to the long-term, sustainable value creation of the Company.	against production of oil and gas, reserves and resource replacement, financial, health and safety, ESG, carbon dioxide gas emissions, and strategic targets. - The Committee reviews the design of annual variable remuneration separately.	
<u>c) Long-term incentive plan</u>	- 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. - 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.	- Annual review of total remuneration considers long-term incentive awards, outcomes, TSR peer group and targets. - 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. - The Committee reviews the design of long-term incentives separately.	40% / 50%
<u>d) Benefits</u>	- Predictable benefits to help facilitate the discharge of each executive's duties, aiding the attraction and retention of key talent.	- The Committee reviews benefits and contractual terms regularly to ensure that the Company does not fall behind the market. - Benefits are set with reference to external market practices, internal practices, position and relevant reference remuneration.	10% / 5%
Total			100% / 100%

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.

2. IMPLEMENTATION OF THE POLICY ON REMUNERATION IN 2020

The individual elements and the total remuneration of Group Management during 2020 were determined and delivered in line with the Policies approved by shareholders at the 2019 and 2020 AGMs, the outcomes and implementation of which are presented in this Remuneration Report. The Board and the Compensation Committee are satisfied that the Company's remuneration principles of recruiting, motivating and retaining high calibre executives capable of achieving the objectives of the Company have underpinned the implementation of the Policy. Remuneration has been motivational as well as appropriately and fairly rewarding executives for their contributions to Lundin Energy's success. Responsible and sustainable remuneration decisions have supported the Company's strategy, shareholders' long-term interests and sustainable business practices. Lundin Energy's strategy and long-term ambitions are further described in the 2020 Annual Report and on the website www.lundin-energy.com

The Compensation Committee

The Compensation Committee consisted during 2020 of Cecilia Vieweg (Chair), Ian Lundin and Grace Reksten Skaugen and it met formally five times during the year. The Committee also had frequent contacts by telephone and email to provide oversight and approvals of remuneration issues presented by Group Management, as well as discussions and recommendations for the Board.

The Committee invited the CEO, the COO and external advisors from Korn Ferry to attend some of its meetings and is satisfied that there has been no conflict of interest and that no individual was part of a decision that impacted his or her own remuneration directly. The work of the Board and the Committee during 2020 followed the governance process laid out in the 2020 Policy and the following sections show and explain the resulting remuneration paid and awarded as well as the summarising key implementation and decision points.

3. ELEMENTS OF REMUNERATION

Annual salary and benefits

Group Management's fixed remuneration consists of the annual salary paid in monthly instalments and benefits that follow local practice. The Compensation Committee undertakes regular reviews of all terms to ensure that all elements of the individual package, including both fixed and variable remuneration, are determined according to the Policy to contribute to reasonable and market appropriate total reward opportunities.

Annual variable remuneration

The annual variable remuneration of the annual bonus for Group Management is assessed against annual performance targets that signal and reward the strategic and operational results and behaviours expected for the year that contribute to the long-term, sustainable value creation of Lundin Energy. The criteria and outcomes are further evaluated against the market, Lundin Energy's economic situation and how others are remunerated within the Company. The annual performance targets include delivery against measurable financial and non-financial performance requirements that are identified according to the individual's position and responsibilities. Each member of Group Management is set different performance weightings against each of the specific targets reflecting their influence on the performance outcome, which can result in an annual bonus paid in cash worth up to 12 months' base salary.

The Policy allows the Board to exercise discretion and recognise exceptional performance that is rewarded above the 12 months' base salary limit, up to a maximum value of 18 months' base salary.

Long-term incentive plan

Lundin Energy has operated a performance share plan as a long-term incentive plan since 2014, designed to be simple and transparent whilst rewarding the long-term, sustainable value creation at Lundin Energy. The 2020 AGM resolved to approve a performance share plan, LTIP 2020, that follows similar principles as the previously approved LTIP's 2014 to 2019 and the Board is proposing that the 2021 AGM approves such a plan again with an updated peer group, LTIP 2021. The long-term incentives are used as an important part of the remuneration of Group Management and a number of key employees of Lundin Energy. It gives participants the possibility to receive shares in Lundin Energy subject to continued employment and the fulfilment of a performance condition over a three-year performance period commencing on 1 July of the award year and ending on 30 June three years later. The performance condition is based on the share price growth and dividends (collectively "Total Shareholder Return" or "TSR") of the Lundin Energy share compared to the TSR of a peer group of companies. Relative 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. The award begins to vest with one third at the median and the full award for relative TSR equal to, or better than, the upper quartile of the peer group. For performance in-between the median and the upper quartile, the performance shares vest pro-rata on a straight-line basis. From 2019 the number of performance shares are increased to reflect dividends. LTIP 2017 and LTIP 2018 pay the dividend equivalent on vested shares in cash after vesting.

The TSR peer groups of companies for the current long-term incentive plan awards are shown in the table below. Peer group changes are partly due to significant events at some comparator companies and partly from the Compensation Committee's annual reviews that always look to improve the relevance of the performance measure.

TSR peer groups

2017	2018	2019	2020
Aker BP	Aker BP	Aker BP	Aker BP
BP	BP	Apache Corp.	Apache Corp.
Cairn Energy	Cairn Energy	BP	BP
ConocoPhillips	ConocoPhillips	Cairn Energy	Cairn Energy
ENI	ENI	ConocoPhillips	ConocoPhillips
Equinor	Equinor	ENI	ENI
Galp Energia	Galp Energia	Equinor	Equinor
Oil Search	Oil Search	Galp Energia	Galp Energia
OMV	OMV	Hess Corp.	Hess Corp.
Ophir Energy	Ophir Energy	Kosmos Energy	Kosmos Energy
Pharos Energy	Pharos Energy	MOL Group	MOL Group
Repsol	Repsol	Oil Search	Oil Search
Santos	Santos	OMV	OMV
Total	Total	Premier Oil	Premier Oil
Tullow Oil	Tullow Oil	Repsol	Repsol
Vermilion Energy	Vermilion Energy	Santos	Santos
		Total	Total
		Tullow Oil	Tullow Oil
		Vermilion Energy	Vermilion Energy

The Board of Directors may at its discretion reduce (including reduce to zero) the number of performance shares vesting 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 or safety performance.

The performance shares that a participant eventually receives are subject to further conditions to ensure that participants build towards and maintain a meaningful shareholding in Lundin Energy over time. Participants must keep at least half of the net after tax number of shares that vest until they have met the shareholding requirement. The level of shareholding expected of each participant is either 50 percent or 100 percent (or 200 percent for the CEO) of the participant's annual gross base salary, based on the participant's position within the Group.

Long-term Incentive Plan awards					
Name, Title, Shares owned as at 31 December 2020		Vested LTIP 2017	LTIP 2018	LTIP 2019	LTIP 2020
Alex Schneider ¹ , CEO, 444,142 shares	<i>Number of shares²</i>	113,365	80,851	93,930	119,699
	<i>Grant value at award (TUSD)³</i>	1,343	1,507	1,577	1,819
	<i>Value at vesting (TUSD)</i>	2,926			
Nick Walker ¹ , COO, 181,101 shares	<i>Number of shares²</i>	64,491	45,995	51,428	70,218
	<i>Grant value at award (TUSD)³</i>	764	857	863	1,067
	<i>Value at vesting (TUSD)</i>	1,665			
Teitur Poulsen, CFO, 96,383 shares	<i>Number of shares²</i>	42,117	30,037	34,527	48,841
	<i>Grant value at award (TUSD)³</i>	499	560	580	742
	<i>Value at vesting (TUSD)</i>	1,087			
Other Group Management, 34,567 shares	<i>Number of shares²</i>	24,567	26,637	36,959	50,342
	<i>Grant value at award (TUSD)³</i>	291	496	621	765
	<i>Value at vesting (TUSD)</i>	634			
Total Group Management, 756,193 shares	<i>Number of shares²</i>	244,540	183,520	216,844	289,100
	<i>Grant value at award (TUSD)³</i>	2,897	3,420	3,641	4,393
	<i>Value at vesting (TUSD)</i>	6,312			
End of performance period		30 June 2020 ⁴	30 June 2021	30 June 2022	30 June 2023
Share price at award		SEK 170.16	SEK 260.76	SEK 289.45	SEK 225.87
Grant value at award ³		SEK 100.10	SEK 167.10	SEK 169.00	SEK 147.10

¹ Effective 1 January 2021, Alex Schneider stepped down as President and Chief Executive Officer and Nick Walker assumed the role. Nick Walker was Deputy CEO during 2020.

² As from the 2019 plan, the number of performance shares has increased since the award date to reflect dividends. For the 2017 and 2018 plan, the dividend equivalent on vested shares is paid in cash at vesting.

³ Each award was fair valued at the date of award using an option pricing model.

⁴ LTIP 2017 vested on 29 July 2020 following the Compensation Committee's formal decision on behalf of the Board. The vesting of all other awards will be decided following the completion of the performance period.

Participants are not entitled to transfer, pledge or dispose of the LTIP awards or any rights or obligations, or to exercise any shareholders' rights regarding the LTIP awards until the performance shares have vested.

Unit Bonus Plan

Since 2008 Lundin Energy operates a long-term incentive plan for selected employees, from which members of Group Management are excluded at award but may remain as participants of after promotion. The plan awards units that vest in three equal tranches: one third after one year; one third after two years; and the final third after three years. The units are paid in cash and vesting is conditional on the holder of the units remaining an employee of the Company at the time of payment. The value of units follows the Lundin Energy share price and the cash payment at the end of each vesting period will be the number of units vesting multiplied by the average of the Lundin Energy closing share price for the five trading days prior to and following the actual vesting date adjusted for any dividend payments between grant date and vesting date.

The third and final tranche of the 2017 Unit Bonus Plan vested on 31 May 2020. The number of units held by members of the Group Management team were 1,373, which had been awarded at a value of USD 26,657 in 2017, and the total value at vesting was USD 37,357. There were no other Unit Bonus Plan awards that members of the Group Management team participated in during 2020 and neither the CEO, COO nor the CFO participated in the 2017 Unit Bonus Plan.

4. KEY IMPLEMENTATION AND DECISIONS UNDER POLICY ON REMUNERATION

The following table summarises key implementation and decision points during the year.

Aspect of Policy	2020 implementation and decisions under Policy on Remuneration
Governance	<ul style="list-style-type: none"> • 2020 Policy on Remuneration was approved by the AGM and implemented. • The Compensation Committee monitored and evaluated Lundin Energy's remuneration structures and levels, including programmes for variable remuneration, both ongoing and those that ended during the year, for Group Management. The Compensation Committee found these to be appropriate and in furtherance of Lundin Energy's goals. • The Committee also monitored and evaluated the application of the Policies that were adopted by the 2019 and 2020 AGMs. Following its evaluation, the Compensation Committee concluded that the Company's Policies on Remuneration were properly applied in 2020. • The external auditor of the Company has also issued a report to the 2021 AGM stating that the Board of Directors and the CEO of Lundin Energy have during 2020 complied with the Policies adopted at the 2019 and 2020 AGMs. • There are no changes proposed to the Policy nor will a new Policy be proposed for 2021. The Policy approved by the 2020 AGM will continue to apply. • The development of this Remuneration Report was overseen by the Compensation Committee. • Performance and remuneration outcomes for the CEO, COO, CFO and the rest of Group Management were evaluated and the resulting remuneration is outlined in section 4. The information required by chapter 5, sections 40-44 of the Annual Accounts Act (1995:1554) can be found in Note 28 of the Annual Report (as well as in Appendix 1 to this report). • The Committee considered the annual review of the Company's senior executive talent position and succession planning.

Base salary	<ul style="list-style-type: none"> • All base salaries for Group Management remain unchanged for 2021 except for where there have been role changes. • The Committee discussed and recommended to the Board the offers for 2021 for the new appointments to the positions of CEO and COO, which follow the Policy and include new salaries, which the Board approved.
Yearly variable remuneration	<ul style="list-style-type: none"> • Performance and reward outcomes for the 2019 annual bonus plan were reviewed and approved in early 2020 against pre-determined targets, as reported in the 2019 Annual Report. • For the 2020 annual bonus performance measures and ranges were defined and approved for oil and gas production, reserves and resource replacement, financial, health and safety, environmental social & governance (“ESG”), decarbonisation and strategic targets. • Performance targets for 2020 were reviewed mid-year and updated to reflect the changes to the budget as a consequence of the impact of the Coronavirus and the oil price downturn. The Committee and the Board were satisfied that the overall difficulty of meeting performance targets remained as stretching. • No changes have been made to the structure of the annual bonus for Group Management. The Board and the Committee remain satisfied that the incentive remains aligned with the Policy and that it and the targets set reward decisions, actions and behaviours key to the Company’s strategy, shareholders’ long-term interests and sustainable business practices. • Performance and reward outcomes for the 2020 annual bonus plan were reviewed and approved in early 2021 against pre-determined targets and paid as reported in the next section.
Long-term incentive plan	<ul style="list-style-type: none"> • The 2020 AGM approved the long-term incentive plan LTIP 2020 (described in section 3). The Board approved 2020 awards over performance shares equivalent to 36 months’ base salary for the CEO, 30 months’ base salary for the COO, 26 months’ base salary for the CFO and a range of 8 to 12 months’ base salary for other members of Group Management. Group Management remuneration and the 2020 LTIP awards were reviewed again immediately before formal awards 1 July 2020 in light of the oil price and Coronavirus crises. Following deliberation, it was concluded that there should be no changes to the awards previously approved in principle. • The Committee considered Lundin Energy’s redemption of shares in 2019 and decided that no changes to any outstanding LTIP awards or the performance measure were required. One of the TSR comparator companies, Ophir Energy, was acquired and delisted in 2019 and it was decided that this comparator’s TSR be measured to the point of delisting for the purpose of TSR ranking. • The Board has decided that Alex Schneider is to be treated as a “good leaver” and will therefore continue to participate in the long-term incentive awards awarded to him in 2018, 2019 and 2020. • The structure of the long-term incentive plan that shareholders will vote on at the 2021 AGM remains the same as for 2020. The Board and the Committee are satisfied that the incentive is aligned with the Policy and that it and the TSR target appropriately reward the Company’s strategy, shareholders’ long-term interests and sustainable business practices.
Benefits	<ul style="list-style-type: none"> • No substantial changes were made to the benefits for Group Management.

Severance	<ul style="list-style-type: none"> The Board has decided that Alex Schneider on stepping down as President and CEO on 1 January 2021 will be eligible for one year's salary notice and one year's salary severance payments in accordance with the Policy.
Claw-backs and similar actions	<ul style="list-style-type: none"> The Board saw no reason to exercise its right to claw back any annual bonus paid during or for 2020. The Board saw no reason to exercise its right to in exceptional circumstances reduce the allotment of the 2017 long-term incentive plan.
Deviations from the decision-making process	<ul style="list-style-type: none"> Having concluded, in light of the market situation, that it be prudent to not increase salary levels or incentive opportunities for 2021 for Group Management, the Committee decided to not conduct a review of the market levels of total remuneration during the year.
Deviations from the Remuneration Policy	<ul style="list-style-type: none"> The Company did not deviate from any part of the Policy on Remuneration approved by the 2020 AGM. Appendix 2 presents the independent Auditor's confirmation of there being no derogation from the Policy.
Other	<ul style="list-style-type: none"> The Board is proposing to the 2021 AGM that Alex Schneider be awarded an extraordinary cash compensation equal to 75,000 shares in Lundin Energy AB as a special recognition of his contribution throughout his career to the Johan Sverdrup project. The cash compensation shall be conditional upon, and become payable in connection with, the Johan Sverdrup Phase 2 project coming on-stream. This award, if approved by shareholders, falls outside the scope of the Policy and will not be considered a derogation.
Shareholder engagement	<ul style="list-style-type: none"> At the 2020 AGM a shareholder proposed amendments to the Policy on Remuneration to include claw-back provisions. The Committee and the Board considered the proposal but decided to recommend to shareholders to not make further changes to the Policy as a claw-back provision is already in place and the Board has the ability to reduce LTIP vesting in exceptional circumstances. The AGM did not support the shareholder proposal. There was no other formal feedback from shareholders regarding the Policy on Remuneration or remuneration reporting at the 2020 AGM. As in previous years, the Company initiated in 2020 a dialogue with a number of larger investors and proxy advisors and received mostly positive feedback. The Committee and the Board considered the feedback from investors and proxy advisors but concluded that on balance it would not be in shareholders' interests to make any changes to the Policy at this point in time.

5. THE RESULTING REMUNERATION FOR THE CEO, COO AND CFO; OTHER MEMBERS OF GROUP MANAGEMENT; AND THE BOARD OF DIRECTORS

The table below summarises the remuneration received for 2020, including base salary, the annual cash bonus paid for 2020, the long-term incentive plans vested in 2020 (awarded in 2017) and the value of pensions and benefits. To put these values into further context, the following table presents the annual change in remuneration for each incumbent, for the Company's results and also for the average remuneration within Lundin Energy for other full-time equivalent employees during the previous five financial years.

Remuneration received 2020								
TUSD (percentage of total remuneration)	Fixed Board remuneration / base salary	Other benefits ¹	Short-term variable remuneration ²	Long- Term Incentives vested ³	Remuneration for committee work	Remuneration for special assignments outside directorship	Pension	Total Remuneration
	Fixed remuneration		Variable remuneration		Fixed remuneration			
Board members								
Ian H. Lundin	105 (50%)				12 (6%)	91 (44%)		208
Peggy Bruzelius	50 (76%)				16 (24%)			66
C. Ashley Heppenstall	50 (81%)				12 (19%)			62
Lukas H. Lundin	50 (100%)							50
Grace Reksten Skaugen	50 (64%)				28 (36%)			78
Jakob Thomasen	50 (68%)				24 (32%)			74
Cecilia Vieweg	50 (76%)				16 (24%)			66
Torstein Sanness	50 (81%)				12 (19%)			62
Total Board Members	455⁴ (68%)				120 (18%)	91 (14%)		666
Group Management								
Alex Schneiters ^{5,7} CEO	913 (12%)	1,931 (26%)	1,423 (19%)	2,926 (39%)			365 (5%)	7,558
Nick Walkers ⁵ COO	668 (21%)	83 (3%)	623 (19%)	1,665 (52%)			179 (6%)	3,218
Teitur Poulsen ⁶ CFO	536 (21%)	45 (2%)	688 (27%)	1,087 (43%)			159 (6%)	2,515
Other Group Management	1,497 (37%)	734 (18%)	864 (22%)	672 (17%)			229 (6%)	3,996
Total Group Management	3,614 (21%)	2,793 (16%)	3,598 (21%)	6,350 (37%)			932 (5%)	17,287

¹ Other benefits may include, but not limited to, severance and notice period payments, school fees and health insurance for Group management. The Board has decided that Alex Schneider on stepping down as President and CEO on 1 January 2021 will be eligible for one year's salary notice and one year's salary severance payments in accordance with the Policy on Remuneration.

² The annual bonus refers to the yearly variable remuneration paid for performance in 2020, actual payment was in 2021.

³ LTIP 2017 and Unit Bonus Plan 2017, awarded in 2017 and vested in 2020.

⁴ Board remuneration is reported on a cash basis. The timing of board remuneration payments was changed during 2020 resulting in payment of ten months of board remuneration during the year.

⁵ Effective 1 January 2021, Alex Schneider stepped down as President and Chief Executive Officer and Nick Walker assumed the role.

⁶ The Board determined that it was reasonable to recognise the excellent performance of Alex Schneider during a year which presented exceptional challenges, and equally the performance of Teitur Poulsen 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, and awarded short-term variable remuneration beyond 12 months base salary.

⁷ Pension also includes statutory pension payments during the notice period.

Percentages may not add up due to rounding. Due to reporting requirements, the information above can also be found in Note 28 of the Annual Report (and Appendix 1 to this report) where the different remuneration elements are also shown for 2019. It should also be noted that remuneration for all employees at Lundin Energy is reported in Note 28 of the Annual Report.

Remuneration paid to members of the Board

As in previous years, the Chairman received additional fixed remuneration for work performed outside of the duties of the Board. All other remuneration paid to members of the Board of Directors consisted of the fees for directorship proposed by the Nomination Committee and approved by the 2020 AGM, found in the above table, in Note 28 of the Annual Report and in Appendix 1 to this report.

How remuneration for the Board of Directors, the CEO, COO and CFO; other members of Group Management; and other employees has changed over time compared to performance

The following table illustrates the changes in remuneration over the past five years:

Percentage increase/decrease in total remuneration received from previous year					
Year	2016	2017	2018	2019	2020
Ian H. Lundin ^{1,2}	1%	1%	-19%	-6%	-13%
Peggy Bruzelius ¹	1%	4%	1%	-4%	-13%
C. Ashley Heppenstall ^{1,3}	-95%	525%	27%	-99%	-11%
Lukas H. Lundin ¹	-2%	3%	0%	-5%	-12%
Jakob Thomasen ^{1,4}	N/A	N/A	114%	5%	-11%
Grace Reksten Skaugen ^{1,5}	113%	13%	14%	9%	-12%
Torstein Sanness ^{1,6}	N/A	N/A	N/A	94%	-11%
Cecilia Vieweg ¹	-3%	3%	3%	-4%	-13%
Alex Schneider, CEO ⁷	-82%	120%	18%	32%	18%
Nick Walker, COO ⁸	168%	-3%	116%	38%	-16%
Teitur Poulsen, CFO ⁹	N/A	N/A	29%	20%	31%
Other Group Management ¹⁰	-55%	12%	-30%	18%	6%
Average Lundin Energy Employee (excluding Group Management) ¹¹	6%	13%	11%	-17%	-7%
Production ¹²	186%	45%	-6%	15%	76%
2P Reserves ¹³	5%	2%	3%	2%	-3%
EBITDAX ¹⁴	206%	100%	29%	-1%	12%
Adjusted net result ¹⁵	1330%	447%	89%	-15%	11%

¹ Board remuneration is reported on a cash basis. The timing of payment of Board remuneration was changed during 2020 resulting in payment of ten months of Board remuneration during the year.

² The reduction in remuneration for Ian H. Lundin during 2018 related to a decrease in remuneration for special assignments outside the directorship.

³ C. Ashley Heppenstall stepped down as CEO of Lundin Energy in 2015 explaining the reduction in remuneration for 2016. During 2017 and 2018 the performance based incentive plan that was awarded when C. Ashley Heppenstall was the CEO of the Company vested, as a consequence the percentage decreased in 2019. The amount of the performance based incentive plans mentioned above relates to his previous work as a CEO and does not relate to his work as a Board member.

⁴ Jakob Thomasen was appointed Board member during 2017, and therefore only received Board remuneration for part of that year, as a consequence the percentage increased in 2018.

⁵ Grace Reksten Skaugen was appointed Board member during 2015, and therefore only received Board remuneration for part of that year, as a consequence the percentage increased in 2016.

⁶ Torstein Sanness was appointed Board member during 2018, and therefore only received Board remuneration for part of that year, as a consequence the percentage increased in 2019.

⁷ In 2015, the remaining entitlement under a phantom option plan was paid to Alex Schneider and as a consequence the percentage decreased in 2016. No performance share plan vested in 2016 and as a consequence the percentage increased in 2017. The pay-out under the performance share plan increased during 2018 and 2019 compared to the corresponding prior year mainly as a result of an increase in the Lundin Energy share price and decreased in 2020 mainly as a result of a lower share price for the Lundin Energy share. The Board decided that Alex Schneider on stepping down as President and CEO on 1 January 2021 was eligible for one year's salary notice and one year's salary severance payment. The Board further determined that it was reasonable to recognise the

excellent performance of Alex Schneider during a year which presented exceptional challenges and awarded short-term variable remuneration beyond 12 months base salary for 2020.

⁸ Nick Walker joined Lundin Energy during 2015, and therefore only received remuneration for part of that year, as a consequence the percentage increased in 2016. Nick Walker received his first pay-out under the performance share plan in 2018. The pay-out under the performance share plan increased during 2019 compared to the prior year mainly as a result of an increase in the Lundin Energy share price and decreased in 2020 mainly as a result of a lower share price for the Lundin Energy share.

⁹ Teitur Poulsen was appointed CFO in 2017, for prior years, his remuneration is included in other Group Management. The pay-out under the performance share plan increased during 2018 and 2019 compared to the corresponding prior year mainly as a result of an increase in the Lundin Energy share price and decreased in 2020 mainly as a result of a lower share price for the Lundin Energy share. The Board determined that it was reasonable to recognise the excellent performance of Teitur Poulsen 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, and awarded short-term variable remuneration beyond 12 months base salary for 2020.

¹⁰ In 2015, the remaining entitlement under a phantom option plan was paid to members of Group Management and no performance share plan vested in 2016, as a consequence the percentage decreased in 2016. The decrease in 2018 is a result of changes to Group Management in 2017 following the IPC-spin off. The pay-out under the performance share plan increased during 2019 compared to the prior year mainly as a result of an increase in the Lundin Energy share price.

¹¹ The average Lundin Energy employee figure for each year is calculated as the total gross remuneration, divided by the average number of employees for the year. The majority of the employees are employed in Norway and the weakening of the NOK compared to the USD during 2019 and 2020 has had a negative impact on the average remuneration during these years when converting to USD.

¹² Production measured by thousand barrels of oil equivalent per day (“Mboepd”) as reported in the Annual Reports, from continuing operations only.

¹³ Proved plus probable reserves (“2P”), as reported in the Annual Reports, from continuing operations only, excluding the impact of asset sales/acquisitions.

¹⁴ Earnings before interest, taxes, depreciation and amortisation, equal to operating profit before depletion of oil and gas properties, exploration costs, impairment costs, depreciation of other tangible assets and gain on sale of assets (“EBITDAX”), as reported in the Annual Reports, from continuing operations only.

¹⁵ The adjusted net result equals the adjusted net result reported in the Annual Reports, from continuing operations only.

Remuneration from other companies within the Group

No additional remuneration was paid in 2020 to the CEO, COO, CFO or any other member of Group Management or the Board by any other company within the Group.

APPENDIX 1: NOTE 28 OF THE ANNUAL REPORT

Note 28 Remuneration to the Board of Directors, Group Management and Other Employees

Salaries, other remuneration and social security costs TUSD	2020		2019	
	Salaries and other remuneration	Social security costs	Salaries and other remuneration	Social security costs
Parent Company in Sweden				
Board members	575	146	654	125
Employees	689	354	646	339
Subsidiaries abroad				
Group management	16,355	2,273	15,187	1,959
Other employees	81,389	20,383	83,394	21,271
Total	99,008	23,156	99,881	23,694
of which pension costs		9,252		9,058

2020 Salaries and other remuneration for the Board members and Group management TUSD	Fixed Board remuneration/ base salary	Other benefits ¹	Short-term variable remuneration ²	Performance based incentive plan ³	Remuneration for Committee work	Remuneration for special assignments outside of directorship	Pension	Total 2020
Parent Company in Sweden								
Board members								
Ian H. Lundin	105	—	—	—	12	91	—	208
Peggy Bruzelius	50	—	—	—	16	—	—	66
C. Ashley Heppenstall	50	—	—	—	12	—	—	62
Lukas H. Lundin	50	—	—	—	—	—	—	50
Grace Reksten Skaugen	50	—	—	—	28	—	—	78
Jakob Thomasen	50	—	—	—	24	—	—	74
Cecilia Vieweg	50	—	—	—	16	—	—	66
Torstein Sanness	50	—	—	—	12	—	—	62
Total Board members	455⁴	—	—	—	120	91	—	666
Subsidiaries abroad								
Group management								
Alex Schneider	913	1,931	1,423	2,926	—	—	365	7,558
Nick Walker	668	83	623	1,665	—	—	179	3,218
Teitur Poulsen	536	45	688	1,087	—	—	159	2,515
Other ⁵	1,497	734	864	672	—	—	229	3,996
Total Group management	3,614	2,793	3,598	6,350	—	—	932	17,287

¹ Other benefits may include, but not limited to, severance and notice period payments, school fees and health insurance for Group management. The Board has decided that Alex Schneider on stepping down as President and CEO on 1 January 2021 will be eligible for one year's salary notice and one year's salary severance payments in accordance with the Policy on Remuneration.

² The Board determined that it was reasonable to recognise the excellent performance of Alex Schneider during a year which presented exceptional challenges, and equally the performance of Teitur Poulsen 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, and awarded short-term variable remuneration beyond 12 months base salary.

³ Performance Based Incentive Plan 2017 and Unit Bonus Plan 2017, awarded in 2017 and vested in 2020.

⁴ Board remuneration is reported on a cash basis. The timing of board remuneration payments was changed during 2020 resulting in payment of ten months of board remuneration during the year.

⁵ Comprises Vice President Sustainability, Vice President Legal, Vice President Corporate Affairs, Vice President Investor Relations and Vice President Human Resources and Shared Services.

Note 28 continued

2019 Salaries and other remuneration for the Board members and Group management TUSD	Fixed Board remuneration/ base salary	Other benefits ¹	Short-term variable remuneration ²	Performance based incentive plan	Remuneration for Committee work	Remuneration for special assignments outside of directorship	Pension	Total 2019
Parent Company in Sweden								
Board members								
Ian H. Lundin	120	—	—	—	13	106	—	239
Peggy Bruzelius	57	—	—	—	19	—	—	76
C. Ashley Heppenstall	57	—	—	—	13	—	—	70
Lukas H. Lundin	57	—	—	—	—	—	—	57
Grace Reksten Skaugen	57	—	—	—	32	—	—	89
Jakob Thomasen	57	—	—	—	26	—	—	83
Cecilia Vieweg	57	—	—	—	19	—	—	76
Torstein Sanness	57	—	—	—	13	—	—	70
Total Board members	519	—	—	—	135	106	—	760
Subsidiaries abroad								
Group management								
Alex Schneider	798	30	927	4,464	—	—	173	6,392
Nick Walker	622	71	601	2,358	—	—	169	3,821
Other ³	2,065	316	1,554	1,381	—	—	372	5,688
Total Group management	3,485	417	3,082	8,203	—	—	714	15,901

¹ Other benefits may include, but not limited to, severance and notice period payments, school fees and health insurance for Group management.

² This column shows bonuses awarded for achievements in 2019, including a discretionary award to the CEO and some other members of Group management.

³ Comprises Chief Financial Officer, Vice President Corporate Responsibility, Vice President Legal, Vice President Corporate Affairs, Vice President Investor Relations and Vice President Human Resources and Shared Services.

Board members

There are no severance pay agreements in place for any non-executive directors and such directors are not eligible to participate in any of the Group's incentive programmes.

Group management

The pension contribution for Group management is between 15 percent and 18 percent of the qualifying income for pension purposes. The Company provides for 60 percent of the pension contribution and the employee for the remaining 40 percent. Qualifying income is defined as annual base salary and short-term variable remuneration and is capped at approximately TCHF 853 (TCHF 846). The typical contractual retirement age for men is 65 years and for women 64 years.

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

See page 31 – 35 of the Corporate Governance report for further information on the Group's principles of remuneration and the Policy on Remuneration for the Group management for 2020.

APPENDIX 2: THE AUDITOR'S STATEMENT ON THE POLICY ON REMUNERATION

Revisorsyttrande enligt 8 kap. 54 § aktiebolagslagen (2005:551) om bolagsstämans riktlinjer avseende ersättningar till ledande befattningshavare har följts

Till bolagsstämman i Lundin Energy AB (publ), org.nr 556610-8055

Vi har granskat om styrelsen och verkställande direktören för Lundin Energy AB (publ) under år 2020 har följt de riktlinjer för ersättningar till ledande befattningshavare som fastställts på bolagsstämman den 29 mars 2019 respektive bolagsstämman den 31 mars 2020.

Styrelsens och verkställande direktörens ansvar

Det är styrelsen och verkställande direktören som har ansvaret för att riktlinjerna följs och för den interna kontroll som styrelsen och verkställande direktören bedömer är nödvändig för att tillse att riktlinjerna följs.

Revisorns ansvar

Vårt ansvar är att lämna ett yttrande, grundat på vår granskning, till bolagsstämman om huruvida riktlinjerna har följts. Vi har utfört granskningen enligt FAR:s rekommendation RevR 8 *Granskning av ersättningar till ledande befattningshavare i vissa publika aktiebolag*. Denna rekommendation kräver att vi följer yrkesetiska krav samt planerar och utför granskningen för att uppnå rimlig säkerhet att bolagsstämans riktlinjer i allt väsentligt följts. Revisionsföretaget tillämpar ISQC 1 (International Standard on Quality Control) och har därmed ett allsidigt system för kvalitetskontroll vilket innefattar dokumenterade riktlinjer och rutiner avseende efterlevnad av yrkesetiska krav, standarder för yrkesutövningen och tillämpliga krav i lagar och andra författningar.

Vi är oberoende i förhållande till Lundin Energy AB (publ) enligt god revisorssed i Sverige och har i övrigt fullgjort vårt yrkesetiska ansvar enligt dessa krav.

Granskningen har omfattat bolagets organisation för och dokumentation av ersättningsfrågor för ledande befattningshavare, de nya beslut om ersättningar som fattats samt ett urval av de utbetalningar som gjorts under räkenskapsåret till de ledande befattningshavarna. Revisorn väljer vilka åtgärder som ska genomföras, bland annat genom att bedöma risken för att riktlinjerna inte i allt väsentligt följts. Vid denna riskbedömning beaktar revisorn de delar av den interna kontrollen som är relevant för riktlinjernas efterlevnad i syfte att utforma granskningsåtgärder som är ändamålsenliga med hänsyn till omständigheterna, men inte i syfte att göra ett uttalande om effektiviteten i bolagets interna kontroll.

Vi anser att vår granskning ger oss rimlig grund för vårt uttalande nedan.

Uttalande

Vi anser att styrelsen och den verkställande direktören för Lundin Energy AB (publ) under 2020 följt de riktlinjer för ersättningar till ledande befattningshavare som fastställdes på bolagsstämman den 29 mars 2019 respektive bolagsstämman den 31 mars 2020.

Stockholm den 18 februari 2021

Ernst & Young AB



Anders Kriström
Auktoriserad revisor

TRANSLATION FROM THE SWEDISH ORIGINAL

Auditor's report in accordance with Chapter 8, Section 54 of the Swedish Companies Act (2005:551) on whether the guidelines adopted by the General Meeting regarding remuneration to Group Executive Management have been complied with

To the General Meeting of Lundin Energy AB (publ), corporate identity 556610-8055

We have examined whether the Board of Directors and the Managing Director of Lundin Energy AB (publ), have, for the year 2020, complied with the guidelines on remuneration to Group Executive Management, adopted at the General Meeting on 29 March 2019 and the General Meeting on 31 March 2020, respectively.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for compliance with the guidelines and for the internal control the Board of Directors and the Managing Director determine is necessary to ensure compliance with the guidelines.

Auditor's responsibility

Our responsibility is to issue a report, based on our examination, to the General Meeting regarding whether the guidelines have been complied with. The examination has been performed in accordance with FAR's recommendation RevR 8 *Granskning av ersättningar till ledande befattningshavare i vissa publika aktieföretag* (Examination of Remuneration to Group Executive Management in Certain Listed Companies). Those standards require us to comply with the ethical requirements, and also to plan and perform the examination in such a manner that we may obtain reasonable assurance about whether the guidelines on remuneration have been complied with. The firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We are independent of Lundin Energy AB (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

The examination has covered the company's organization and documentation of issues concerning remuneration for Group Executive Management, new decisions concerning remuneration, as well as a selection of the financial year's payments to Group Executive Management. The procedures selected depend on the auditor's judgement, including the assessment of the risk that the guidelines have not, in all material respects, been complied with. In making this risk assessment, the auditor considers internal control relevant to the company's compliance with the guidelines in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

We believe that our examination provides a reasonable basis for our conclusion.

Conclusion

In our opinion the Board of Directors and the Managing Director of Lundin Energy AB (publ) have, during the year 2020, complied with the guidelines on remuneration to Group Executive Management, which were adopted by the General Meeting on 29 March 2019 and 31 March 2020, respectively.

Stockholm, 18 February 2021

Ernst & Young AB



Anders Kriström
Authorized Public Accountant