

LUNDIN PETROLEUM AB'S 2014 POLICY ON REMUNERATION FOR GROUP MANAGEMENT

Application and Objectives of the Policy

In this Policy on Remuneration, the term “Group Management” refers to the President and Chief Executive Officer, the Executive Vice President and Chief Operating Officer, the Chief Financial Officer, the Senior Vice President Development and other Vice President level employees. Group Management currently comprises seven executives.

It is the aim of Lundin Petroleum to recruit, motivate and retain high calibre executives capable of achieving the objectives of the Group, and to encourage and appropriately reward performance that enhances shareholder value. Accordingly, the Group operates this Policy on Remuneration to ensure that there is a clear link to business strategy and a close alignment with shareholder interests and current best practice, and aims to ensure that Group Management is rewarded fairly for its contribution to the Group's performance.

Compensation Committee

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

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

Elements of Remuneration

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

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

Base Salary

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

Yearly variable salary

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

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

The cost of yearly variable salary for 2014 is estimated to range between no payout at minimum level and MSEK 25.6 (excluding social costs) at maximum level, based on the current composition of Group Management.

Long-term Incentive Plan

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

Information on the principal conditions of the proposed 2014 LTIP for Group Management is available as part of the documentation for the Annual General Meeting on www.lundin-petroleum.com.

The cost at grant of the proposed 2014 LTIP is estimated to range between no payout at minimum level and MSEK 95.0 (excluding social costs) at maximum level, based on the current composition of Group Management.

Other Benefits

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

Severance Arrangements

A mutual notice period of between one and twelve months applies between the Company and executives, depending on the duration of the employment with the Company. In addition, severance terms are incorporated into the employment contracts for executives that give rise to compensation, up to two years' base salary, in the event of termination of employment due to a change of control of the Company. The Board 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.

Authorisation for the Board

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

Outstanding Remunerations

Information regarding previously approved remunerations to Group Management, which remain outstanding (if any), is available in note 32 of the Company's Annual Report.

Deviations from the 2013 Policy on Remuneration

In 2013, the Board of Directors agreed on a deviation from the 2013 Policy on Remuneration and approved a severance arrangement for the Company's former Chief Financial Officer. The Board considered that special circumstances warranted such a deviation, in view of the former Chief Financial Officer's substantial contribution to the Company over his years of service. The details of the deviation are described in note 31 of the Company's Annual Report.

