

Corporate Governance

The year 2016 was extremely successful for Lundin Petroleum. Our development projects progressed according to plan and we achieved our highest ever production rate as a result of the outstanding performance of our assets, in particular the Edvard Grieg field offshore Norway, as well as record low cash operating costs. This kind of success would not be possible without the skilled, dedicated and enthusiastic people that make up the Company and I would like to thank my fellow Board members, Group management and all staff for their tremendous contribution. To me, it is clear that the Company's robust corporate governance framework has also played an important role in supporting us achieve these operational successes. We apply our governance policies and procedures across all levels of the organisation to ensure that we duly monitor our projects, assess risks and opportunities and make necessary improvements as and when needed. Clearly this approach is bearing fruit.

During the year, the Board maintained its focus on closely monitoring the major Johan Sverdrup development project and projected expenditure. 2017 will be the most active year in the development of this enormous project and will require continued supervision and controls to make sure we have sufficient funding capacity to meet our commitments.

The Board further considered several opportunities to maximise shareholder value, including the Edvard Grieg transaction with Statoil, which enabled us to acquire an additional 15 percent interest in this world class asset and to thereby bring additional liquidity to the operations. The recently announced spin-off of Lundin Petroleum's Malaysian, French and Dutch assets into International Petroleum Corporation is another major example, which we believe will unlock previously unrecognised shareholder value and will create another exciting oil and gas company. The spin-off is a major undertaking and thanks to our people and high quality assets, combined with well-established governance policies, procedures and practices, I am convinced that the transition will be smooth.

I very much look forward to seeing the new Norway focused Lundin Petroleum continue its success story and it goes without saying that, as part of our core values, we will remain committed to operating in a responsible, transparent and sustainable manner for the benefit of all our shareholders and other stakeholders, whilst applying the highest standards of corporate governance.

Ian H. Lundin
Chairman of the Board

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

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



Corporate Governance Report

This Corporate Governance Report has been prepared in accordance with the Swedish Companies Act (SFS 2005:551), the Annual Accounts Act (SFS 1995:1554) and the Code of Corporate Governance (Code of Governance) and has been subject to a review by the Company's statutory auditor. Lundin Petroleum reports two deviations from the Code of Governance in 2016 in respect of the composition of the Nomination Committee, as further described in the schedule on page 54, and in respect of Board member attendance at the Extraordinary General Meeting (EGM) held on 30 May 2016, as described under EGM 2016 on page 55.

Highlights 2016

The President and CEO Alex Schneider appointed as a new Board member at the AGM on 12 May 2016.	Issuing new shares and selling the Company's treasury shares as part of the transaction to acquire from Statoil ASA an additional interest of 15 percent in the Edvard Grieg field offshore Norway.	Revising the Company's corporate governance practices following significant regulatory changes as a result of the EU Market Abuse Regulation and Audit Reform.	Maintaining a focus on effective governance practices and internal controls in a volatile oil price environment with significant committed development expenditure.
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Guiding principles of corporate governance

Lundin Petroleum is an independent Swedish oil and gas exploration and production company. After completion of the spin-off of its Malaysian, French and Dutch assets into International Petroleum Corporation through a dividend distribution, which was approved by an EGM held on 22 March 2017, its core area of business will be Norway. The ultimate parent company of the Group is the Swedish public limited liability company Lundin Petroleum AB (publ) and the Norwegian operations are conducted through its subsidiary Lundin Norway AS. In 2016, Lundin Petroleum employed worldwide approximately 542 highly experienced oil and gas professionals.

Lundin Petroleum maintains an exploration focus seeking to generate long-term value for all shareholders, as well as other stakeholders, and has, since its creation in 2001, been guided by general principles of corporate governance to:

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

Lundin Petroleum adheres to principles of corporate governance found in both internal and external rules and regulations. As a Swedish public limited company listed on NASDAQ Stockholm, Lundin Petroleum is subject to the Swedish Companies Act and the Annual Accounts Act, as well as the Rule Book

for Issuers of NASDAQ Stockholm, which can be found on www.nasdaqomxnordic.com. In addition, the Company abides by principles of corporate governance found in a number of internal and external documents.

Swedish Code of Corporate Governance

The Code of Governance is based on the tradition of self-regulation and acts as a complement to the corporate governance rules contained in the Swedish Companies Act, the Annual Accounts Act, EU rules and other regulations such as the Rule Book for Issuers and good practice on the securities market. A revised Code of Governance applies as of 1 December 2016 and this Corporate Governance report has been prepared in accordance with the principles included therein (as applicable). The Code of Governance can be found on www.bolagsstyrning.se.

The Code of Governance is based on the "comply or explain principle", which entails that a company may choose to apply another solution than the one provided by the Code of Governance if it finds an alternative solution more appropriate in a particular case. The company must however explain why it did not comply with the rule in question and describe the company's preferred solution, as well as the reasons for it. Lundin Petroleum reports two deviations from the Code of Governance in 2016. Firstly in respect of the composition of the Nomination Committee, as further detailed in the schedule on page 54, and secondly, in respect of Board member attendance at the EGM held on 30 May 2016, as described under EGM 2016 on page 55. Furthermore, there were no infringements of applicable stock exchange rules during the year, nor any breaches of good practice on the securities market.

Sudan

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

Lundin Petroleum's Articles of Association

Lundin Petroleum's Articles of Association form the basis of the governance of the Company's operations. They set forth the Company's name, the seat of the Board, the object of the business activities, the shares and share capital of the Company and contain rules with respect to Shareholders' Meetings. The Articles of Association do not contain any limitations as to how many votes each shareholder may cast at Shareholders' Meetings, nor any provisions regarding the appointment and dismissal of Board members or amendments to the Articles of Association.

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

Lundin Petroleum's Code of Conduct

Lundin Petroleum's Code of Conduct is a set of principles formulated by the Board to give overall guidance to employees, contractors and partners on how the Company is to conduct its activities in an economically, socially and environmentally responsible way, for the benefit of all stakeholders, including shareholders, employees, business partners, host and home governments and local communities. The Company applies the same standards to its activities worldwide 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. Performance under the Code of Conduct is assessed on an annual basis by the Board.

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

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

While the Code of Conduct provides Lundin Petroleum's ethical framework, dedicated Group policies, procedures and guidelines have been developed to outline specific rules and controls. The policies, guidelines and procedures cover areas such as Operations, Accounting and Finance, Health and Safety, Environment, Anti-Corruption, Human Rights, Stakeholder Relations, Legal, Information Systems, Insurance & Risk Management, Human Resources, Inside Information and Corporate Communications and are continuously reviewed and updated as and when required.

In addition, Lundin Petroleum has a dedicated Health, Safety and Environment (HSE) Management System (Green Book), modelled after the ISO 14001 standard, which gives guidance to management, employees and contractors regarding the Company's intentions and expectations in HSE matters. The Green Book serves to ensure that all operations meet Lundin Petroleum's legal and ethical obligations, responsibilities and commitments within the HSE field.

Corporate Responsibility (CR) and HSE policies are available on the Company's website.

Lundin Petroleum's Rules of Procedure of the Board

The Rules of Procedure of the Board contain the fundamental rules regarding the division of duties between the Board, the Committees, the Chairman of the Board and the Chief Executive

Officer (CEO). The Rules of Procedure also include instructions to the CEO, instructions for the financial reporting to the Board and the terms of reference of the Board Committees and the Investment Committee. The Rules of Procedure are approved annually by the Board.

Lundin Petroleum – governance structure

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

Share capital and shareholders 1

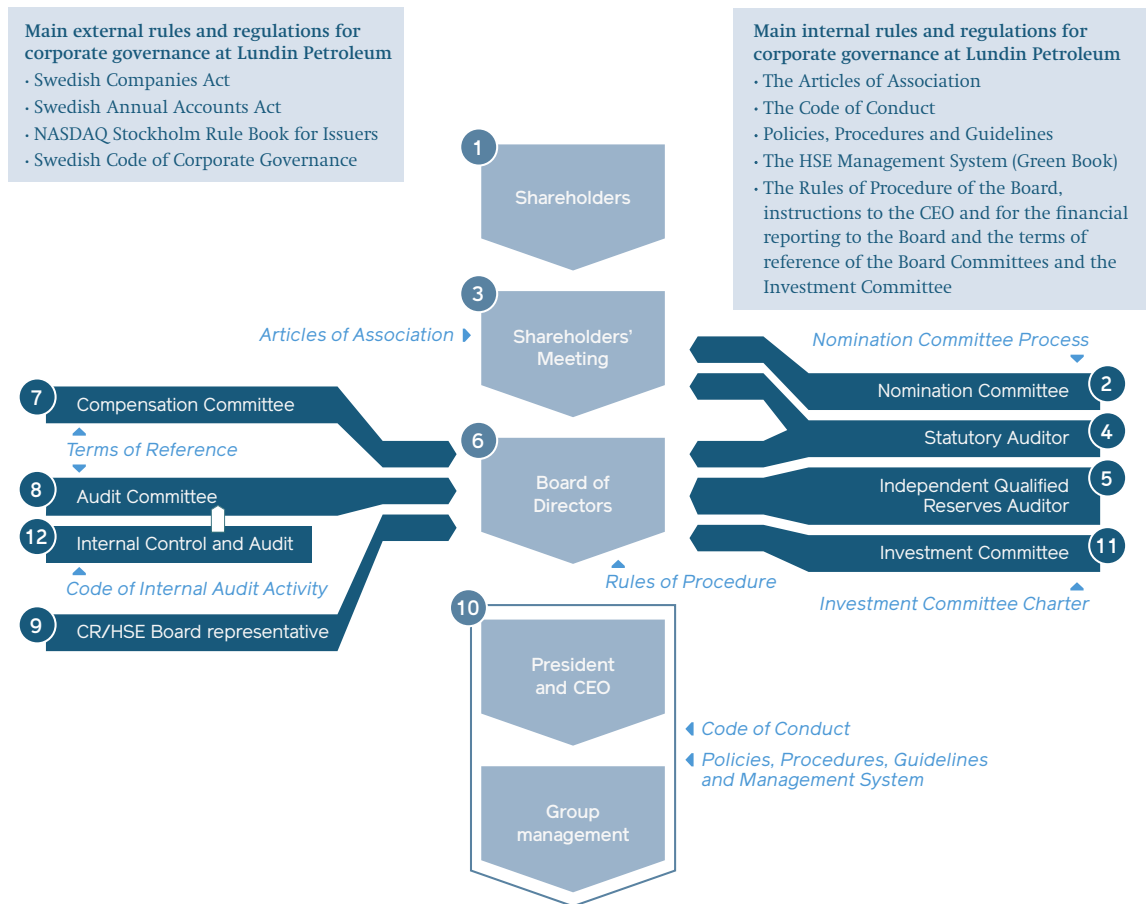
The shares of Lundin Petroleum are listed on the Large Cap list of NASDAQ Stockholm. The total number of shares is 340,386,445 shares with a quota value of SEK 0.01 each (rounded-off), representing a registered share capital of SEK 3,478,713. All shares of the Company carry the same voting rights and the same rights to a share of the Company's assets and earnings. The Board has been authorised by previous 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. This authorisation was not used in 2016.

An EGM of Lundin Petroleum was held on 30 May 2016 to approve the acquisition of an additional 15 percent working interest in the Edvard Grieg field, offshore Norway, and associated interests, from Statoil ASA (Statoil). As a part of the transaction, the Company issued in total 29,316,115 shares and transferred 2 million treasury shares to Statoil, and also received a cash consideration of approximately MSEK 544. Lundin Petroleum held no treasury shares as per 31 December 2016.

Lundin Petroleum had at the end of 2016 a total of 32,726 shareholders listed with Euroclear Sweden, which represents a decrease of 4,528 shareholders compared to 2015, i.e. a decrease of approximately 12 percent. As at 31 December 2016, the major shareholders of the Company, which held more than ten percent of the shares and votes, were Nemesia S.à.r.l., an investment company wholly owned by a Lundin family trust, which held 25.6 percent of the shares. In addition, Landor Participations Inc., an investment company wholly owned by a trust whose settler is Ian H. Lundin, held 3.1 percent of the shares. Furthermore, Statoil announced on 14 January 2016 that it had acquired 37,101,561 shares, representing 11.9 percent of the shares of the Company and, on 30 June 2016, upon the completion of the Edvard Grieg transaction, received 31,316,115 additional shares, thus taking Statoil's total shareholding up to 68,417,676, representing 20.1 percent of the shares in issue.

Further information regarding the shares and shareholders of Lundin Petroleum in 2016, as well as the Company's dividend policy, can be found on pages 14–15.

Lundin Petroleum – Governance Structure



Nomination Committee **2**

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

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

Nomination Committee for the 2017 AGM

The Nomination Committee for the 2017 AGM consists of members appointed by three of the larger shareholders of the Company based on shareholdings as per 1 August 2016. The names of the members were announced and posted on the Company's website on 26 October 2016, i.e. within the timeframe of six months before the AGM as prescribed by the Code of Governance. Statoil, as one of the larger shareholders of the Company, was invited to join but declined the invitation.

The Nomination Committee has held three meetings during its mandate and informal contacts have taken place between such meetings. To prepare the Nomination Committee for its tasks and duties and to familiarise the members with the Company, the Chairman of the Board, Ian H. Lundin, who is also a member of the Nomination Committee, commented at the meetings on the Company's business operations and future outlook, as well as on the oil and gas industry in general.

The full Nomination Committee report, including the final proposals to the 2017 AGM, are published on the Company's website together with the notice of the 2017 AGM.

Nomination Committee for the 2017 AGM						
Member	Appointed by	Meeting attendance	Shares represented as at 1 Aug 2016	Shares represented as at 31 Dec 2016	Independent of the Company and Group management	Independent of the Company's major shareholders
Åsa Nisell	Swedbank Robur fonder	3/3	2.2 percent	2.1 percent	Yes	Yes
Hans Ek	SEB Investment Management	3/3	0.6 percent	0.5 percent	Yes	Yes
Ian H. Lundin	Nemesia S.à.r.l and Landor Participations Inc., also non-executive Chairman of the Board of Lundin Petroleum	3/3	28.7 percent	28.7 percent	Yes	No ¹
Magnus Unger	Non-executive Board member of Lundin Petroleum who acts as the Chairman of the Nomination Committee	3/3	–	–	Yes	Yes
			Total 31.5 percent	Total 31.3 percent		

Summary of the Nomination Committee's work during their mandate	Other requirements
<ul style="list-style-type: none"> – Considering a report regarding the Board's work, as well as the results of the evaluation of the Board's work. – Assessing the independence of the Board members under the rules of the Code of Governance. – Considering and discussing the size and composition of the Board in light of the diversity requirements in the Code of Governance, including gender distribution, age, origin, educational and professional backgrounds and the proposed Board members' individual and collective qualifications, experiences and capabilities in view of the Company's current position and expected development. – Considering succession planning matters and proposal for election of Jakob Thomasen as a new Board member at the 2017 AGM, combined with a reappointment of the current Board members and the Chairman of the Board. Magnus Unger declined to stand for re-election. – Considering the recommendation received through the Company's Audit Committee regarding the election of statutory auditor at the 2017 AGM. – Considering Board and statutory auditor remuneration issues and proposals to the 2017 AGM. – Considering a proposal to appoint an external independent Chairman for the 2017 AGM. – Considering the Nomination Committee Process and that no changes should be proposed. – Members of the Nomination Committee, who are not members of the Company's Board, met and had discussions with one current Board member, Peggy Bruzelius, to discuss the work and functioning of the Board, and also met with the new proposed Board member Jakob Thomasen. 	<ul style="list-style-type: none"> – The Nomination Committee fulfills the independence requirements of the Code of Governance and no member of Group management is a member of the Committee. – Magnus Unger was again unanimously elected as Chairman, a function that he has held since the Nomination Committee formed for the 2006 AGM. The fact that he is the Chairman of the Nomination Committee and a Board member of Lundin Petroleum constitutes a deviation from rule 2.4 in the Code of Governance, however, as in previous years, this deviation was considered justified both by the Company and the Nomination Committee given Magnus Unger's experience and expertise within the field.

¹ For details, see schedule on pages 66–67.

2017 Annual General Meeting

The 2017 AGM will be held on 4 May 2017 at 1 p.m. in Vinterträdgården at the Grand Hôtel, Södra Blasieholmshamnen 8, in Stockholm. Shareholders who wish to attend the meeting must be recorded in the share register maintained by Euroclear Sweden on 27 April 2017 and must notify the Company of their intention to attend the AGM no later than 27 April 2017. Further information about registration to the AGM, as well as voting by proxy, can be found in the notice of the AGM, available on the Company's website.

Shareholders' meetings ³

The Shareholders' Meeting is the highest decision-making body of Lundin Petroleum where the shareholders exercise their voting rights and influence the business of the Company. Shareholders may request that a specific issue be included in the agenda provided such request reaches the Board in due time. The AGM is held each year before the end of June at the seat of the Board in Stockholm. The notice of the AGM is announced in the Swedish Gazette (Post- och Inrikes Tidningar) and on the Company's website no more than six and no less than four weeks prior to the meeting. The documentation for the AGM is provided on the Company's website in Swedish and in English at the latest three weeks, however usually four weeks, before the AGM. At the AGM, the shareholders decide on a number of key issues regarding the governance of the Company, such as election of the members of the Board and the statutory auditor, the remuneration of the Board, management and the statutory auditor, including approval of the Policy on Remuneration, discharge of the Board members and the CEO from liability and the adoption of the annual accounts and appropriation of the Company's result. Extraordinary General Meetings are held as and when required for the operations of the Company.

Resolutions at Shareholders' Meetings generally require a simple majority to pass, unless the Swedish Companies Act requires a higher proportion of shares represented and votes cast at the Meeting. The results of each Shareholders' Meeting are press released promptly after the Shareholders' Meeting and the approved minutes are published on the Company's website at the latest two weeks after the Shareholders' Meeting.

2016 AGM

The 2016 AGM was held on 12 May 2016 at Grand Hôtel in Stockholm. The AGM was attended by 589 shareholders, personally or by proxy, representing 60.4 percent of the share capital. The Chairman of the Board, all of the Board members and the CEO were present, as well as the Company's auditor and all of the members of the Nomination Committee for the 2016 AGM. The members of the Nomination Committee for the 2016 AGM were Åsa Nisell (Swedbank Robur fonder), Ulrika Danielson (Andra AP-fonden) and Knut Gezelius (SKAGEN Funds), Ian H. Lundin (Lorito Holdings (Guernsey) Ltd., Zebra Holdings and Investment (Guernsey) Ltd., which have since transferred their shareholdings to Nemesia S.à.r.l., and Landor Participations Inc., as well as non-executive Chairman of the Board of Lundin Petroleum) and Magnus Unger (non-executive Board member of Lundin Petroleum and Chairman of the Nomination Committee). All proceedings were simultaneously translated from Swedish to English and from English to Swedish and all AGM materials were provided both in Swedish and English.

The resolutions passed by the 2016 AGM include:

- Election of advokat Klaes Edhall as Chairman of the AGM.
- Re-election of Peggy Bruzelius, C. Ashley Heppenstall, Ian H. Lundin, Lukas H. Lundin, Grace Reksten Skaugen, Magnus Unger and Cecilia Vieweg as Board members and election of the Company's CEO Alex Schneiter as a new Board member. William A. Rand had declined re-election.
- Re-election of Ian H. Lundin as Chairman of the Board.
- Discharge of the Board and the CEO from liability for the administration of the Company's business for 2015.
- Adoption of the Company's income statement and balance sheet and the consolidated income statement and balance sheet and deciding that no dividend was to be declared for 2015.

- Re-election of the registered accounting firm PricewaterhouseCoopers AB as the Company's statutory auditor until the 2017 AGM, authorised public accountant Johan Rippe being the designated auditor in charge.
- Approval of the remuneration of the Board members and the statutory auditor.
- Approval of the Company's Policy on Remuneration for Group management.
- Approval of LTIP 2016 for members of Group management and a number of key employees.
- Authorisation for the Board to issue new shares and/or convertible debentures corresponding to in total not more than 34 million new shares, with or without the application of the shareholders pre-emption rights.
- Authorisation for the Board to decide on repurchases and sales of the Company's own shares on NASDAQ Stockholm, where the number of shares held in treasury from time to time shall not exceed five percent of all outstanding shares of the Company.

An electronic system with voting devices was used for the two last items requiring a qualified majority. The minutes of the 2016 AGM and all AGM materials, in Swedish and English, are available on the Company's website, together with the CEO's address to the AGM.

2016 EGM

An EGM was held on 30 May 2016 in Stockholm in respect of the acquisition of an additional 15 percent interest in the Edvard Grieg field offshore Norway, and associated interests, from Statoil. The EGM resolved, in accordance with the Board of Directors' proposals:

- to approve the acquisition of Statoil's ownership interests in the Edvard Grieg field and associated interests in exchange for the issuance of 27,580,806 new shares to Statoil representing a purchase price of USD 470 million (approximately SEK 3.8 billion based on an agreed share price of SEK 138 per share);
- to authorise the Board to issue no more than 27,580,806 new shares to Statoil against payment in kind;
- to authorise the Board to resolve to issue no more than 1,735,309 new shares to Statoil for cash consideration of SEK 145.66 per share, with deviation from the shareholders' pre-emption rights; and
- to authorise the Board to resolve on the sale of up to 2,000,000 shares in Lundin Petroleum to Statoil for cash consideration of SEK 145.66 per share, with deviation from the shareholders' pre-emption rights.

The Chairman of the Board and the CEO, who is also a Board member, attended the EGM, which was held approximately two weeks after the AGM. However, a quorum of Board members was not present as required by Code of Governance rule 1.2. The notice of the EGM had been issued before the AGM and the proposed transaction had also been presented at the AGM, and it was therefore considered sufficient that the Chairman of the Board and the CEO represent the Board at the EGM.

The transaction was completed on 30 June 2016 and as a result, Statoil now owns 68,417,676 shares of Lundin Petroleum, representing 20.1 percent of the Company shares. The total dilution effect of the share issue to Statoil was approximately 8.6 percent of the number of shares in the Company.

External auditors of the Company

Statutory auditor **4**

Lundin Petroleum's statutory auditor audits annually the Company's financial statements, the consolidated financial statements, the Board's and the CEO's administration of the Company's affairs and reports on the Corporate Governance Report. The auditor also 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 of Directors 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.

At the 2016 AGM, the audit firm PricewaterhouseCoopers AB was re-elected as the auditor of the Company for a period of one year until the 2017 AGM. The auditor in charge is the authorised public accountant Johan Rippe.

The auditor's fees are described in the notes to the financial statements, see Note 26 on page 117 and Note 7 on page 122. The auditor's fees also detail payments made for assignments outside the regular audit mandate. Such assignments are kept to a minimum to ensure the auditor's independence towards the Company and require prior approval of the Company's Audit Committee.

Independent qualified reserves auditor **5**

Lundin Petroleum's independent qualified reserves auditor certifies annually the Company's oil and gas reserves and certain contingent resources, i.e. the Company's core assets, although such assets are not included in the Company's balance sheet. The current auditor is ERC Equipoise Ltd. For further information regarding the Company's reserves and resources, see the Production, Reserves and Resources section on pages 18–21.

Board of Directors **6**

The Board of Directors of Lundin Petroleum is responsible for the organisation of the Company and management of the Company's operations. The Board is to manage the Company's affairs in the interests of the Company and all shareholders with the aim of creating long-term shareholder value. To achieve this, the Board should at all times have an appropriate and diverse composition considering the current and expected development of the operations, with Board members from a wide range of backgrounds that possess both individually and collectively the necessary experience and expertise. The Code of Governance recommends that an even gender distribution should be pursued.

Composition of the Board

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

Principal tasks of the Board of Directors

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

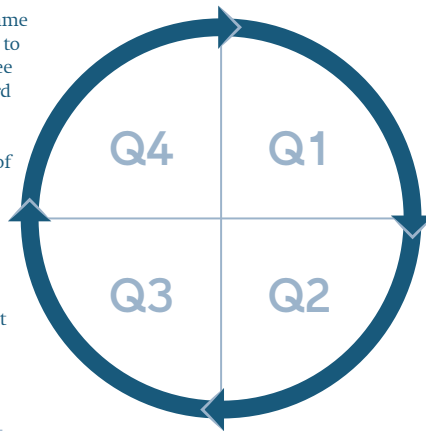
The Nomination Committee for the 2016 AGM considered that a Board size of eight members would be appropriate taking into account the nature, size, complexity and geographical scope of the Company's business. The 2016 AGM approved the proposal and re-elected Peggy Bruzelius, C. Ashley Heppenstall, Ian H. Lundin, also Chairman of the Board, Lukas H. Lundin, Grace Reksten Skaugen, Magnus Unger and Cecilia Vieweg as Board members, and elected the Company's CEO Alex Schneider as a new Board member, for a period until the 2017 AGM. William A. Rand had declined re-election. There are no deputy members and no members appointed by employee organisations. In addition, the Board is supported by a corporate secretary who is not a Board member. The appointed corporate secretary is Henrika Frykman, the Company's Vice President Legal.

The Nomination Committee considered that the Board as proposed and elected by the 2016 AGM is a broad and versatile group of knowledgeable and skilled individuals who are motivated and prepared to undertake the tasks required of the Board in today's challenging international business environment. The Board members possess substantial expertise and experience relating to the oil and gas industry in Norway and internationally and in particular in relation to Lundin Petroleum's core areas of operations, public company financial matters, Swedish practice and compliance matters and CR/HSE

Board's Yearly Work Cycle

- Adoption of the budget and work programme
- Consideration of the Board self-evaluation to be submitted to the Nomination Committee
- Audit Committee report regarding the third quarter report
- Performance assessment of the CEO
- Consideration of the performance review of Group management and Compensation Committee remuneration proposals

- Executive session with Group management
 - Detailed discussion of strategy issues
 - In-depth analysis of one or more of the Company's business areas
 - Review of the Rules of Procedure
-
- Adoption of the half year report, reviewed by the statutory auditor



- Approval of the year end report
- Consideration of recommendation to the AGM to declare a dividend
- Approval of the year end reserves report
- Approval of the remuneration report
- Approval of remuneration proposals regarding variable remuneration

- Approval of the Annual Report
- Review of the auditor's report
- Approval of the Policy on Remuneration for submission to the AGM
- Determination of the AGM details and approval of the AGM materials

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- Audit Committee report regarding the first quarter report
 - Annual CR/HSE management report
 - Annual assessment of the Code of Conduct and compliance therewith
 - Meeting with the auditor without management present to discuss the audit process, risk management and internal controls
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- Statutory meeting following the AGM to confirm Board fees, committee compensation, signatory powers, appointment of CR/HSE Board representative and Corporate Secretary and adoption of the Rules of Procedure

matters. Gender balance was also specifically discussed and the Nomination Committee noted that 37.5 percent of the Board members are women and that the Company has thus met since 2015 the recommendation of the Swedish Corporate Governance Board, that larger listed Swedish companies should strive to achieve 35 percent female Board representation by 2017.

The Nomination Committee also considered the independence of each proposed Board member and determined that the composition of the proposed Board met the independence requirements of the Code of Governance both in respect of independence towards the Company and Group management and towards the Company's major shareholders. The independence of each Board member is presented in the schedule on pages 66–67.

Board meetings and work

In addition to applicable rules and regulations such as the Swedish Companies Act and the Code of Governance, the Board is guided by the Rules of Procedure, which set out how the Board is to conduct its work. 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, and to provide support to the CEO in his tasks and duties. The Chairman further meets, at various occasions during the year, shareholders of the Company to discuss shareholder questions and ownership

issues in general, as well as other Company stakeholders. In addition, the Chairman actively promotes the Company and its interests in the various operational locations and in respect of potential new business opportunities.

In addition to the statutory meeting following the AGM, the Board normally holds at least six ordinary meetings per calendar year to ensure all areas of responsibility are duly addressed and that adequate focus is placed on strategic and important issues. At the meetings, the CEO reports on the status of the business, prospects and the financial situation of the Company. The Board also receives management updates and presentations on the business and operations of the Company, financial status, CR/HSE matters, insurance and risk management, legal questions and investor relations matters, to enable the Board to duly monitor the Company's operations and financial position. Furthermore, the Board receives regular reports from the Company's Audit Committee, Compensation Committee and the CR/HSE Board representative on issues delegated to, or considered by, the Committees and the CR/HSE Board representative. A monthly operational report is also circulated to the Board members.

Board meetings and work in 2016

During 2016, 15 Board meetings were held, including the statutory meeting. To continue developing the Board's knowledge of the Company and its operations, at least one Board meeting per year is held in an operational location and is combined with visits to the operations, industry partners and other business interests. In September 2016, the Board visited the Norwegian operations and an executive session with Group management was held in connection with the Board meeting.

Board of Directors

**Ian H. Lundin**

Chairman since 2002
 Director since 2001
 Member of the Nomination
 Committee
 Member of the
 Compensation Committee

Peggy Bruzelius

Director since 2013
 Chair of the Audit
 Committee

C. Ashley Heppenstall

Director since 2001
 Member of the Audit
 Committee

Lukas H. Lundin

Director since 2001

At the executive session, an overview of the Company's general strategy and operations was given, as well as a financial update discussing the Company's current and future financing needs and hedging strategy, and an investor relations and valuation update. In-depth operations reviews were given regarding the Group's exploration and development activities, with a continued focus on the Norwegian operations. The executive session was followed by a site visit to the Leiv Eriksson rig and a tour of the Snøhvit field LNG facilities. Group management also attended a number of Board meetings during the year to present and report on specific questions.

Evaluation of the Board's work

A formal review of the work of the Board was conducted in November 2016 through a questionnaire submitted to all Board members, with the objective of ensuring that the Board functions in an efficient manner and to enable the Board to strengthen its focus on matters which may be raised. The topics considered included several aspects of the Board's structure, work, meetings and general issues such as support and information given to the Board.

Individual feedback from all Board members was received and the overall conclusions were very positive and showed that the structure and composition of the Board is appropriate and that the Board members have diverse qualifications with relevant operational and corporate experience, which enables the Board to function as an effective governing body. Board members considered that they continuously increase their knowledge of the Company and that individual contributions and overall effectiveness do not correlate with length of service or age,

and hence, that no term limits should be implemented. The Board Committees' duties and decision-making powers within the Board are clear and the Committees report to the Board in an appropriate manner. There are sufficient Board meetings, which are well planned and prepared and enable the Board to effectively monitor the Company's activities and performance. Site visits to the operational areas were considered necessary and valuable, and the monthly operational reports summarising the activities and main events of each month were good and succinct. The staff and related support to the Board, including Board and Committee materials, were also considered very good. Individual suggestions received included that more time should be given to discussions regarding the Company's overall strategy rather than very detailed operational matters. The results and conclusions of the review were presented to the Nomination Committee.

Remuneration of Board Members

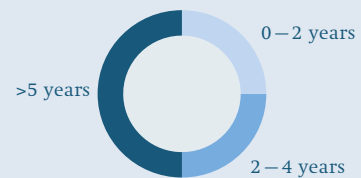
The remuneration of the Chairman and other Board members follows the resolution adopted by the AGM. The Board members, with the exception of the CEO, are not employed by the Company, do not receive any salary from the Company and are not eligible for participation in the Company's incentive programmes.

At the 2016 AGM, the Chairman was awarded an amount of SEK 1,050,000 and each other Board member, with the exception of the CEO, an amount of SEK 500,000. The AGM further decided to award SEK 100,000 for each ordinary Board Committee assignment and SEK 150,000 for each assignment as Committee Chairman, however, limited to a total of SEK 900,000 for Committee work.



More information on the Board members can be found on pages 66–67 and on www.lundin-petroleum.com

Length of Board Service



Alex Schneider
Director since 2016
President and CEO



Grace Reksten Skaugen
Director since 2015
CR/HSE Board representative
Member of the Compensation Committee



Magnus Unger
Director since 2001
Chairman of the Nomination Committee
Member of the Audit Committee



Cecilia Vieweg
Director since 2013
Chair of the Compensation Committee

Board of Directors work during the year

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 future strategy, including the spin-off of the non-Norwegian assets, and considering and approving the transaction and all related materials, subject to EGM approval.
- Considering the Company's production performance, forecasts and future outlook, including the Company's historic record production achieved in the fourth quarter and the excellent performance of the Edvard Grieg field.
- Considering and discussing in detail the major Johan Sverdrup development project and the associated project risks, cost environment, time schedule and operator performance.
- Discussing in detail the proposed transaction to acquire an additional 15 percent interest in the Edvard Grieg field offshore Norway, and related assets, from Statoil and approving the transaction and all related materials, subject to EGM approval.
- Discussing the Company's strategy regarding its interests in the southern Barents Sea, including the operating environment, political, environmental and regulatory considerations, and approving the 2017 drilling programme.
- Assessing the Company's oil and gas reserves and resources positions.
- Approving a new long-term USD 5.0 billion reserve-based lending facility and a new short-term USD 300 million revolving credit facility.
- Approving the implementation of a Sponsored Level 1 American Depositary Receipt programme.
- Considering the Company's current and future financing needs and strategy, in particular in light of the Johan Sverdrup development in the current oil price environment, including the Company's financial risk management, cash flows, different sources of funding, foreign exchange movements, hedging strategy and liquidity position.
- Discussing the Swedish Prosecution Office's on-going preliminary investigation into alleged complicity in violations of international humanitarian law in Sudan during 1997–2003, including the interviews with Ian H. Lundin and Alex Schneider and the notification of suspicions that are the basis for the investigation.
- Discussing at length the current and expected economic environment, including in relation to continuing volatile oil prices and industry costs, and its impact on the Company's operations, as well as continued cost control measures within the Company and focus on operational delivery.
- Assessing and discussing the Company's HSE performance, including the tragic fatality incident involving one of the Company's contractors at the Bertam FPSO, and HSE risk identification and management.
- Considering and discussing CR matters, including the Company's partnership with the Lundin Foundation and its projects in the Company's areas of operation, the Sustainability Report and CR trends and initiatives, and reappointing Grace Reksten Skaugen as the Board CR/HSE representative.
- Considering the proposal for a performance based LTIP 2016, following the same principles as the 2014 and 2015 LTIPs approved by the 2014 and 2015 AGMs, including continued stakeholder engagement discussions, revising the applicable peer group and performance conditions, approving participants, allocating individual awards and approving the detailed plan rules, subject to 2016 AGM approval.

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

The remuneration of the Board of Directors is detailed further in the schedule on pages 66–67 and in the notes to the financial statements, see Note 24 on pages 114–115.

Board Committees and the CR/HSE Representative

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

Compensation Committee **7**

The Compensation Committee assists the Board in Group management remuneration matters and receives information and prepares the Board's and the AGM's decisions on matters relating to the principles of remuneration, remunerations and other terms of employment of Group management. The objective of the Committee in determining compensation for Group management is to provide a compensation package that is based on market conditions, is competitive and takes into account the scope and responsibilities associated with the position, as well as the skills, experience and performance of the individual. The Committee's tasks also include monitoring and evaluating programmes for variable remuneration, the application of the Policy on Remuneration as well as the current remuneration structures and levels in the Company. In addition, the Compensation Committee may request advice and assistance of external reward consultants. For further information regarding Group remuneration matters, see the remuneration section of this report on pages 63–65.

Audit Committee **8**

The Audit Committee assists the Board in ensuring that the Company's financial reports are prepared in accordance with International Financial Reporting Standards (IFRS), the Swedish Annual Accounts Act and accounting practices applicable to a company incorporated in Sweden and listed on NASDAQ Stockholm. The Audit Committee itself does not perform audit work, however, it supervises the Company's financial reporting and gives recommendations and proposals to ensure the reliability of the reporting. The Committee also supervises the efficiency of the Company's financial internal controls, internal audit and risk management in relation to the financial reporting and provides support to the Board in the decision making processes regarding such matters. The Committee monitors the audit of the Company's financial reports and also reports thereon to the Board. In addition, the Committee is empowered by the Committee's terms of reference to make decisions on

certain issues delegated to it, such as review and approval of the Company's first and third quarter interim financial statements on behalf of the Board. The Audit Committee also regularly liaises with the Group's statutory auditor as part of the annual audit process and reviews the audit fees and the auditor's independence and impartiality. The Audit Committee further assists the Company's Nomination Committee in the preparation of proposals for the election of the statutory auditor at the AGM.

CR/HSE Board representative **9**

The Board has a leadership and supervisory role in all CR/ HSE matters within the Group and appoints yearly one non-executive Director to act as the CR/HSE Board representative. The tasks of the CR/HSE Board representative include to liaise with Group management regarding CR/HSE related matters and to regularly report on such matters to the Board of Directors. The current CR/HSE Board representative is Grace Reksten Skaugen. More information about the Company's CR/HSE activities can be found in the Responsibility section on pages 42–49.

Management **10**

Management structure

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

Lundin Petroleum's Group and local management consists of highly experienced individuals with worldwide oil and gas experience. As a result of the announced spin-off of the Company's non-Norwegian business, several management changes occurred. Following the spin-off, Group and local management comprises, in addition to the CEO:

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

Prior to the spin-off, Mike Nicholson was the Company's CFO and Teitur Poulsen was the Vice President Corporate Planning and Investor Relations. Jeffrey Fountain was Vice President Legal and Christophe Nerguararian was Vice President Corporate Finance.

Audit Committee 2016			
Members	Meeting attendance	Audit Committee work during the year	Other requirements
Peggy Bruzelius, Chair	6/6	<ul style="list-style-type: none"> – Assessment of the 2015 year end report and the 2016 half year report for completeness and accuracy and recommendation for approval to the Board. – Assessment and approval of the first and third quarter reports 2016 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 2017 AGM. 	<ul style="list-style-type: none"> – The composition and the members of the Audit Committee fulfil the requirements of the Swedish Companies Act. – The Audit Committee members have extensive experience in financial, accounting and audit matters. Peggy Bruzelius' current and previous assignments include high level management positions in financial institutions and companies and she has chaired Audit Committees of other companies. Magnus Unger has previously been a member of the Company's Audit Committee and C. Ashley Heppenstall is the Company's previous CFO and CEO, and both have extensive knowledge of financial matters.
William A. Rand ¹	3/3		
C. Ashley Heppenstall ¹	3/3		
Magnus Unger	6/6		
Compensation Committee 2016			
Members	Meeting attendance	Compensation Committee work during the year	Other requirements
Cecilia Vieweg, Chair	2/2	<ul style="list-style-type: none"> – Review of and strengthening the Performance Management Process through several work sessions and ongoing reviews across the year. – 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 2015. – Continuous monitoring and evaluation of remuneration structures, levels, programmes and the Policy on Remuneration. – Preparing a proposal for the 2016 Policy on Remuneration for Board and AGM approval. – Consultation and meetings with Company stakeholders, including institutional investors, regarding the proposed LTIP 2016. – Preparing a proposal for LTIP 2016 for Board and AGM approval through several work sessions and preparation discussions. – Preparing a proposal for remuneration and other terms of employment for the CEO for Board approval. – Review of the CEO's proposals for remuneration and other terms of employment of the other members of Group management for Board approval. – Review and approval of the CEO's proposals for the principles of compensation of other employees. – Review and approval of the CEO's proposals for 2016 LTIP awards. – Undertaking a remuneration benchmark study and various contacts and ongoing reviews in relation thereto across the year. – Frequent contacts, ongoing dialogue and decisions by email outside of formal meetings to provide oversight and approvals for remuneration and severance terms as presented by Group management. 	<ul style="list-style-type: none"> – The composition of the Compensation Committee fulfils the independence requirements of the Code of Governance.
William A. Rand ²	0/0		
Grace Reksten Skaugen ²	2/2		
Ian H. Lundin	2/2		

1 William A. Rand was a member of the Audit Committee until 12 May 2016 and C. Ashley Heppenstall is a member of the Audit Committee as of 12 May 2016.

2 William A. Rand was a member of the Compensation Committee until 12 May 2016 and Grace Reksten Skaugen is a member of the Compensation Committee as of 12 May 2016.

Group management



Alex Schneider

President and
Chief Executive Officer



Nick Walker

Chief Operating Officer



Teitur Poulsen

Chief Financial Officer

Group management tasks and duties

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

Under the leadership of the CEO, Group management is responsible for ensuring that the operations are conducted in compliance with all Group policies, procedures and guidelines in a professional, efficient and responsible manner. Regular management meetings are held to discuss all commercial, technical, CR/HSE, financial, legal and other issues within the Group to ensure the established short- and long-term business objectives and goals will be met. A detailed weekly operations report is further circulated to Group management summarising

the operational events, highlights and issues of the week in question. Group management also travels frequently to oversee the ongoing operations, seek new business opportunities and meet with various stakeholders, including business partners, suppliers and contractors, government representatives and financial institutions. In addition, Group management liaises continuously with the Board, and in particular the Board Committees and the CR/HSE Board representative, in respect of ongoing matters and issues that may arise, and meets with the Board at least once a year at the executive session held in connection with a Board meeting in one of the operational locations.

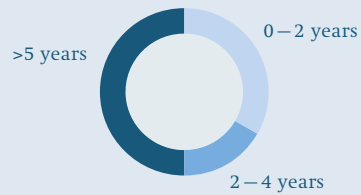
Investment Committee **11**

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



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

Length of Management Service



Christine Batruch

Vice President Corporate Responsibility



Alex Budden

Vice President Communications and Investor Relations



Henrika Frykman

Vice President Legal

Major topics addressed by Group management in 2016

- The spin-off of Lundin Petroleum’s Malaysian, French and Dutch assets into International Petroleum Corporation and Lundin Petroleum’s continued organic growth strategy in respect of the Norwegian operations.
- The volatile oil price environment and its effect on the current operations and future projects.
- Strategic asset acquisitions and disposals, including acquiring an additional 15 percent share in the Edvard Grieg field offshore Norway from Statoil.
- Management of the on-going exploration activities, development projects and production operations.
- Continued focus on cost control measures and maximising operational efficiency and performance.
- Focused investor relations activities towards the US institutional investor market.
- Stakeholder engagement initiatives.
- Review and update of the Group’s key governance policies and procedures, including establishing new reporting requirements and routines as a result of the EU’s Market Abuse Regulation and Audit Reform.

to the strategic and operational goals and objectives of the overall business. Individual performance measures are formally agreed and key elements of variable remuneration are clearly linked to the achievement of such stated and agreed performance measures.

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

Remuneration

Group principles of remuneration

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

The Group’s compensation packages consist of four elements, being (i) base salary; (ii) yearly variable salary; (iii) long-term incentive plan (LTIP); and (iv) other benefits. As part of the yearly assessment process, a Performance Management Process has been established to align individual and team performance

Policy on Remuneration for Group management

The remuneration of Group management follows the principles that are applicable to all employees, however, these principles must be approved by the shareholders at the AGM. The Compensation Committee therefore prepares yearly for approval by the Board and for submission for final approval to the AGM, a Policy on Remuneration for Group management. Based on the approved Policy on Remuneration, the Compensation Committee subsequently proposes to the Board for approval the remuneration and other terms of employment of the CEO. The CEO, in turn, proposes to the Compensation Committee, for approval by the Board, the remuneration and other terms of employment of the other members of Group management.

LTIP 2016

The 2016 AGM resolved to approve a performance based LTIP 2016, that follows the same principles as the previously approved LTIPs 2014 and 2015, for Group management and a number of key employees of Lundin Petroleum, which gives the participants the possibility to receive shares in Lundin Petroleum subject to the fulfilment of a performance condition under a three year performance period commencing on 1 July 2016 and expiring on 1 July 2019. The performance condition is based on the share price growth and dividends (Total Shareholder Return) of the Lundin Petroleum share compared to the Total Shareholder Return of a peer group of companies.

At the beginning of the performance period, the participants were granted awards which, provided that among others the performance condition is met, entitle the participant to be allotted shares in Lundin Petroleum at the end of the performance period. The number of performance shares that may be allotted to each participant is limited to a value of three times his/her annual gross base salary for 2016 and the total LTIP award made in respect of 2016 was 530,503.

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 2016, 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 2016 are further subject to certain disposition restrictions to ensure participants build towards a meaningful shareholding in Lundin Petroleum. The level of shareholding expected of each participant is either 50 percent or 100 percent (200 percent for the CEO) of the participant's annual gross base salary based on the participant's position within the Group.

Performance monitoring and review

The Board is responsible for monitoring and reviewing on a continuous basis the work and performance of the CEO and shall carry out at least once a year a formal performance review. In 2016, the Compensation Committee undertook on behalf of the Board a review of the work and performance of Group management, including the CEO. The results were presented to the Board, together with proposals regarding the compensation of the CEO and other Group management. Neither the CEO nor other Group management were present at the Board meetings when such discussions took place.

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

POLICY ON REMUNERATION FOR GROUP MANAGEMENT AS APPROVED BY THE 2016 AGM**Application of the Policy**

In this Policy on Remuneration, the term "Group Management" refers to the President and Chief Executive Officer, the Chief Operating Officer, the Chief Financial Officer and Vice President level employees. Group Management will be comprised of seven executives in 2016.

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

Objectives of the Policy

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

Compensation Committee

The Board of Directors of Lundin Petroleum has established the Compensation Committee to, among other things, administer this Policy on Remuneration. The Compensation Committee is to receive information and prepare the Board 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 the 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,

Board's Proposal for Remuneration to Group Management to the 2017 AGM

For information regarding the Board's proposal for remuneration to Group management to the 2017 AGM, including a similar LTIP as approved by the 2014, 2015 and 2016 AGMs, see the Directors' report, pages 82 – 83.

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

Yearly variable salary

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

The yearly variable salary shall, in the normal course of business, be based upon a predetermined limit, being within the range of one to twelve monthly salaries (if any). However, the Compensation Committee may recommend to the Board 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 2016 is estimated to range between no payout at minimum level and MSEK 23.0 (excluding social costs) at maximum level, based on the current composition of Group Management.

Long-term Incentive Plan

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

Information on the principal conditions of the proposed 2016 LTIP for Group Management, which follows the same principles as the LTIP approved by the 2014 and 2015 Annual General Meetings, is available as part of the documentation for the Annual General Meeting on www.lundin-petroleum.com.

The cost at grant of the proposed 2016 LTIP is estimated to range between no cost at minimum level and MSEK 52.7 (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.

Remuneration to members of the Board of Directors

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

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

Remunerations outstanding to Group Management comprise awards granted under the Company's previous LTIP programs and include 13,464 unit bonus awards under the 2013 Unit Bonus Plan, 212,308 LTIP Awards under the 2014 Performance Based Incentive Plan and 303,883 LTIP Awards under the 2015 Performance Based Incentive Plan. Further information about these plans is available in note 24 on pages 114–115.

Permitted deviations from the 2015 Policy on Remuneration

The 2015 Policy on Remuneration authorises the Board of Directors to deviate from the Policy in case of special circumstances in a specific case. The 2015 Policy on Remuneration did not comprise remuneration to members of the Board of Directors for work performed outside the directorship and to enable such payments, two deviations were approved for consultancy fees paid to two members of the Board of Directors, one being the Company's former Chief Executive Officer. The Board considered that special circumstances warranted the deviations as the Company may thereby draw on these Directors' experience and skills for specific projects and assignments. Further information regarding these deviations can be found in note 24 on pages 114–115.

Board of Directors

Name	Ian H. Lundin	Alex Schneider	Peggy Bruzelius	C. Ashley Heppenstall
Function	Chairman (since 2002)	President & Chief Executive Officer, Director	Director	Director
Elected	2001	2016	2013	2001
Born	1960	1962	1949	1962
Education	Bachelor of Science degree in Petroleum Engineering from the University of Tulsa.	Graduate from the University of Geneva with a degree in Geology and a Masters degree in Geophysics.	Master of Science (Economics and Business) from the Stockholm School of Economics.	Bachelor of Science degree in Mathematics from the University of Durham.
Experience	Ian H. Lundin was previously CEO of International Petroleum Corp. during 1989 – 1998, of Lundin Oil AB during 1998 – 2001 and of Lundin Petroleum during 2001 – 2002.	Alex Schneider has worked with public companies where the Lundin family has a major shareholding since 1993 and was COO of Lundin Petroleum during 2001 – 2015 and is the Company's CEO since 2015.	Peggy Bruzelius has worked as Managing Director of ABB Financial Services AB and has headed the asset management division of Skandinaviska Enskilda Banken AB.	C. Ashley Heppenstall has worked with public companies where the Lundin family has a major shareholding since 1993. He was CFO of Lundin Oil AB during 1998 – 2001 and of Lundin Petroleum during 2001 – 2002 and was CEO of Lundin Petroleum during 2002 – 2015.
Other board duties	Chairman of the board of Etrion Corporation and member of the board of Bukowski Auktioner AB.	–	Chair of the board of Lancelot Asset Management AB, member of the board of Diageo PLC, Akzo Nobel NV and Skandia Liv.	Chairman of the board of Etrion Corporation and Africa Energy Corp. and member of the board of ShaMaran Petroleum Corp., Lundin Gold Inc., Filo Mining Corp. and Gateway Storage Company Limited.
Shares in Lundin Petroleum (as at 31 December 2016)	Nil ¹	223,133	8,000	1,391,283
Board Attendance	15/15	7/7 ²	14/15	15/15
Audit Committee Attendance	–	–	6/6	3/3 ⁴
Compensation Committee Attendance	2/2	–	–	–
Remuneration for Board and Committee work	SEK 1,150,000	Nil	SEK 650,000	SEK 550,000
Remuneration for special assignments outside the directorship	SEK 1,500,000	Nil	Nil	SEK 5,208,300
Independent of the Company and the Group management	Yes	No ³	Yes	No ⁵
Independent of the Company's major shareholders	No ¹	Yes	Yes	No ⁵

1 Ian H. Lundin is the settler of a trust that owns Landor Participations Inc., an investment company that holds 10,638,956 shares in the Company, and is a member of the Lundin family that holds, through a family trust, Nemesia S.à.r.l. which holds 87,187,538 shares in the Company.

2 Alex Schneider is a member of the Board of Directors since 12 May 2016.

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 is the President and CEO of Lundin Petroleum.

	Lukas H. Lundin	Grace Reksten Skaugen	Magnus Unger	Cecilia Vieweg
	Director	Director, CR/HSE representative	Director	Director
	2001	2015	2001	2013
	1958	1953	1942	1955
	Graduate from the New Mexico Institute of Mining, Technology and Engineering.	MBA from the BI Norwegian School of Management, Bachelor of Science (Honours Physics) and Doctorate in laser physics from Imperial College of Science and Technology at the University of London.	MBA from the Stockholm School of Economics.	Master of Law from the University of Lund.
	Lukas H. Lundin has held several key positions within companies where the Lundin family has a major shareholding.	Grace Reksten Skaugen has been a director of Corporate Finance with SEB Enskilda Securities in Oslo and has worked in several roles within private equity and venture capital in Oslo and London. She is currently a member of HSBC European Senior Advisory Council and Norway country advisor to Proventus AB.	Magnus Unger was an Executive Vice President within the Atlas Copco group during 1988–1992.	Cecilia Vieweg was General Counsel and member of the Executive Management of AB Electrolux from 1999–2016. She previously worked as legal advisor in senior positions within the AB Volvo Group and as a lawyer in private practice.
	Chairman of the board of Lundin Mining Corp., Denison Mines Corp., Lucara Diamond Corp., NGEx Resources Inc., Lundin Gold Inc., Filo Mining Corp. and Lundin Foundation, member of the board of Bukowski Auktioner AB.	Chair of the board of NAXS Nordic Access Buyout A/S, Deputy Chair of the board of Orkla ASA and member of the board of Investor AB and Euronav NV, founder and Chair of the Norwegian Institute of Directors and council member of the International Institute for Strategic Studies in London.	–	–
	788,331 ⁶	–	250,000	3,500
	15/15	14/15	15/15	14/15
	–	–	6/6	–
	–	2/2	–	2/2
	SEK 500,000	SEK 550,000	SEK 600,000	SEK 650,000
	Nil	Nil	SEK 150,000	Nil
	Yes	Yes	Yes	Yes
	No ⁶	Yes	Yes	Yes

⁴ C. Ashley Heppenstall is a member of the Audit Committee as of 12 May 2016.

⁵ C. Ashley Heppenstall is in the Nomination Committee's and the Company's opinion not deemed independent of the Company and the Group management since he was the President and CEO of Lundin Petroleum until 2015, and not of the Company's major shareholders since he is a director of companies in which entities associated with the Lundin family hold ten percent or more of the share capital and voting rights.

⁶ Lukas H. Lundin is a member of the Lundin family that holds, through a family trust, Nemesia S.å.r.l., which holds 87,187,538 shares in the Company.

William A. Rand declined re-election at the AGM on 12 May 2016. During the period 1 January to 12 May 2016, he attended six out of eight Board meetings held and all three Audit Committee meetings held. For additional information regarding William A. Rand, please see the Company's Annual Report 2015, and for remuneration paid to him, please refer to Note 24 on pages 114–115.

Internal Control and Audit

The objective for internal control over financial reporting is to provide reliable and relevant information in compliance with applicable laws and regulations

Introduction

The responsibility of the Board of Directors for internal control over financial reporting is regulated by the Swedish Companies Act, the Swedish Annual Accounts Act and the Swedish Code of Governance. The information in this report is limited to internal control regarding financial reporting and describes how internal control over the financial reporting is organised, but does not comment on its effectiveness.

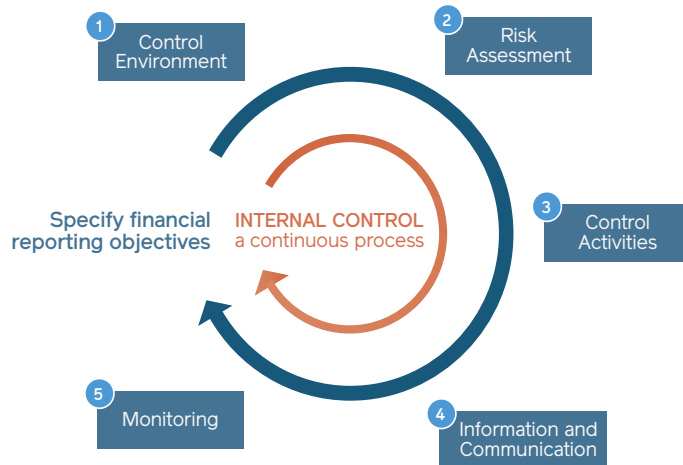
Internal control system for financial reporting

An internal control system for financial reporting can only provide reasonable and not absolute assurance against material misstatement or loss, and is designed to manage rather than eliminate the risk of failure to achieve the financial reporting objectives.

Lundin Petroleum’s internal control system for financial reporting consists of five key objectives, as described below and in the section on risk management on pages 36 – 41. The key objectives are based on the principles of the Committee of Sponsoring Organisation (COSO) that set out the guiding principles of internal control. The internal control of financial reporting is a continuous evaluation of the risks and control activities within the Company. The evaluation work is an ongoing process that involves internal and external benchmarking.

Joint operations audits

The oil and gas industry is based upon companies sharing costs and risks through joint operating arrangements. One joint operating partner is appointed to be the operator and is responsible for managing the operations, including the joint operating accounting, on behalf of the joint operating partners. Joint operating partners have audit rights over the joint operations to ensure that accounting procedures are followed and costs are incurred in accordance with the joint operating agreement.



Control environment 1

The control environment of Lundin Petroleum encompasses the “tone at the top” provided by the Board and it influences the Company’s governance processes and the risk and control consciousness of its employees. The Board is responsible for ensuring that the Company has an adequate internal control system. The Audit Committee assists the Board to ensure that the Company has formalised routines that support the principles for financial reporting and internal controls, and that the Company’s financial reports are produced in accordance with legislation, applicable accounting standards and other requirements for listed companies.

By setting the objectives for the Company, the Board provides the management with the ability to set up the strategy and the performance goals for the Company. The internal control processes are structured accordingly to identify risk events that could arise in the context of financial reporting, compliance and the Company’s operational objectives.

Risk assessment 2

When risks are identified and evaluated, control activities are implemented to minimise the risks in the financial reporting process. Conclusions of the risk assessment are reported to the Group Risk Manager, Group management and the Board through the Audit Committee. Identified risk areas are mitigated through business processes with incorporated risk management, policies and procedures, segregation of duties and delegation of authority.

Control activities 3

The Group management presents recommendations to the Board, which then provides direction to ensure there is a programme to select and develop control activities that contribute to mitigate risks to acceptable levels. The Investment Committee oversees the Company’s investment decisions through the annual budget process, supplementary budget requests submitted during the year and makes recommendations to the Board as required. The finance department of each company within the



Group is responsible for the regular analysis of the financial results and for reporting thereon to the finance department at Group level. The Company also selects and develops general control activities with the support of information systems improvement and development of control activities following a “Three lines of defence” approach.

Information and communication **4**

The Company communicates financial information internally, including objectives and responsibilities for internal control, which are necessary to support the functioning of internal controls. Communicating relevant information throughout all levels of the Company in a complete, correct and timely manner is an important part of the financial internal control framework. Internal policies and procedures relating to the financial reporting, such as the Authorisation Policy, the Company Accounting Principles Manual and the Finance and Accounting Manual, are updated and communicated on a regular basis to all involved employees and are accessible through the information system network.

Monitoring **5**

The Board’s measures for monitoring that the internal control related to financial reporting and reporting to the Board function adequately include among others; ensuring that relevant internal policies and procedures are in place and are respected, that regular meetings are held with Group management to follow-up on the financial status and activities of the Company, that internal and external audits are performed, that audit reports are reviewed and followed-up on, that continuous reporting is made to the Board and that the financial reporting is prepared in accordance with applicable rules and regulations and show a true and fair view of the financial status of the Company. These measures are implemented and continuously monitored under the direction of the Audit Committee, with the assistance of Group management at all levels of the Company, including the Company’s CFO. In this respect, the Internal Audit and the Company’s finance department monitor financial compliance with internal policies, procedures and other corporate policy documents. The Audit Committee monitors the efficiency of the internal auditing, internal control and financial reporting, reviews all interim and annual financial reports and reports regularly thereon to the Board.

Three lines of defence

1. First line of defence — Local Operations
This is provided by local staff and management who own and manage risk and control through adequate design of internal control processes managerial and supervisory controls to ensure compliance with processes and to manage unexpected events. All employees in the Company are accountable for compliance with the policies and procedures within their areas of control and risk management.
2. Second line of defence — Group Management
This is provided by the oversight functions within the Company, including amongst other financial control, risk management and information security. The Company’s policies, procedures, guidelines and management system constitute the framework to add value to the business with regard to risk and compliance.
3. Third line of defence — Internal Audit
This is provided by internal audit, providing the Board and Group management independent assurance regarding the Groups internal control, risk management and governance.

Internal audit **12**

Internal Audit provides independent and objective appraisal of the control environment thereby adding value to the organisation through a continuous improvement process. The Internal Audit is concerned with the adequacy and effectiveness of systems of control and whether they are managed, maintained, complied with and function effectively. The Group Internal Audit Manager has a primary reporting line to Lundin Petroleum’s Audit Committee.

Internal Audit performs regular audits according to a risk based internal audit plan which is approved by the Audit Committee twice per year. In addition, the Internal Audit coordinates and monitors joint operating audits that are undertaken by Lundin Petroleum.

Further, an important activity carried out by Internal Audit is to follow-up on the results of the previous years’ internal audits and risk assessments to ensure that the appropriate corrective measures have been implemented.

Stockholm, 30 March 2017

The Board of Directors of Lundin Petroleum AB (publ)

Auditor's report on the Corporate Governance Statement

To the general meeting of the shareholders in Lundin Petroleum AB (publ), corporate identity number 556610-8055.

Engagement and responsibility

It is the board of directors who is responsible for the corporate governance statement for the year 2016 on pages 50 – 69 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

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

Opinions

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

Stockholm, 31 March 2017

PricewaterhouseCoopers AB

Johan Rippe
Authorised Public Accountant
Lead Partner

Johan Malmqvist
Authorised Public Accountant