

Corporate Governance Report 2018

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This Corporate Governance Report has been prepared in accordance with the Swedish Companies Act (SFS 2005:551), the Annual Accounts Act (SFS 1995:1554) and the Swedish Corporate Governance Code and has been subject to a review by the Company's statutory auditor.

Lundin Petroleum reports one deviation from the Corporate Governance Code in 2018 in respect of the composition of the Nomination Committee as further described on page 26. There were no infringements of applicable stock exchange rules during the year, nor any breaches of good practice on the securities market.

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.

2019 Annual General Meeting

The 2019 Annual General Meeting (AGM) will be held on 29 March 2019 at 1 p.m. in Vinterträdgården at 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 Saturday 23 March 2019 (please note that since the record date is on a Saturday, shareholders must be registered in the share register on Friday 22 March 2019, at the latest) and must notify the Company of their intention to attend the AGM no later than 25 March 2019.

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.

Corporate Governance

Lundin Petroleum's corporate governance framework seeks to ensure that its business is conducted efficiently and responsibly, that responsibilities are allocated in a clear manner and that the interests of shareholders, management and the Board of Directors remain fully aligned.

Guiding principles of corporate governance

Since its creation in 2001, Lundin Petroleum has been guided by general principles of corporate governance, which form an integral part of Lundin Petroleum's business model. Lundin Petroleum's business is to explore for, develop and produce oil and gas. 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. By tying the corporate governance framework to its sustainability profile, Lundin Petroleum has managed to achieve the high goals set out in the sustainability strategy. To achieve such sustainable 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. Lundin Petroleum's principles of corporate governance seek to:

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

As a Swedish public limited company listed on Nasdaq Stockholm, Lundin Petroleum is subject to 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. Abiding to corporate governance principles builds trust in Lundin Petroleum, which results in increased shareholder value. By ensuring the business is conducted in a responsible manner, the corporate governance structure ultimately paves the way to increased efficiency.



Our corporate governance structure ensures safe, responsible and efficient operations and is fundamental to our past and future operational success.

Ian H. Lundin
Chairman of the Board

Lundin Petroleum – Governance Structure



Main external rules and regulations for corporate governance at Lundin Petroleum

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

Main internal rules and regulations for corporate governance at Lundin Petroleum

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

Highlights 2018

Torstein Sanness appointed as a new Board member at the AGM held on 3 May 2018.

A new CR/HSE Committee was established building on the work of the previous CR/HSE Board representative.

The AGM resolved to declare an inaugural cash dividend of SEK 4.00 per share.

Adoption of an updated Code of Conduct to better reflect the operating context of the Company.

Corporate Governance Rules and Regulations

Swedish Corporate Governance Code

The Corporate Governance Code is based on the tradition of self-regulation and the principle of “comply or explain”. It acts as a complement to the corporate governance rules contained in the Swedish Companies Act, the Annual Accounts Act, EU rules and other regulations such as the Rule Book for Issuers and good practice on the securities market. The Corporate Governance Code can be found on www.bolagsstyrning.se.

Lundin Petroleum’s Articles of Association

The Articles of Association contain customary provisions regarding the Company’s governance and do not contain any limitations as to how many votes each shareholder may cast at Shareholders’ Meetings, nor any special provisions regarding the appointment and dismissal of Board members or amendments to the Articles of Association. The 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 all of its activities to satisfy both its commercial and ethical requirements and strives to continuously improve its performance and to act in accordance with good oilfield practice and high standards of corporate citizenship. The Code of Conduct is an integral part of the Company’s contracting procedures and any violations of the Code of Conduct will be the subject of an inquiry and appropriate remedial measures. In addition, performance under the Code of Conduct and Corporate Responsibility (CR) is regularly reported to the Board. An updated Code of Conduct was issued in 2018 to better reflect the operating context of the Company. The Code of Conduct is available on the Company’s website.

Lundin Petroleum’s policies, procedures, guidelines and HSEQ Leadership Charter

Corporate policies, procedures and guidelines have been developed to outline specific rules and controls, to increase efficiency and improve performance by facilitating compliance. They cover areas such as Operations, Accounting and Finance, Health and Safety, Environment, Anti-Corruption, Human Rights, Stakeholder Relations, Legal, Information Systems, Insurance & Risk Management, Human Resources, Inside Information and Corporate Communications. During 2018, new corporate policies adopted include a Diversity Policy, Security Policy, Market Risk Policy and Tax Policy. All policies, procedures and guidelines are continuously reviewed and updated as and when required and have been integrated into local management systems.

In 2018 Lundin Petroleum adopted a Corporate HSEQ (Health, Safety, Environmental and Quality) Leadership Charter, which sets out the governance framework as well as operational governance for managing the business in accordance with the

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

CR and HSE related 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 reviewed and approved annually by the Board.

Share capital and shareholders

The shares of Lundin Petroleum are listed on 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. During 2018, the Company purchased 640,000 own shares at an average purchase price of SEK 186.77 and held as per 31 December 2018 1,873,310 own shares in total.

Lundin Petroleum had at the end of 2018 a total of 28,801 shareholders listed with Euroclear Sweden, which represents a decrease of 690 compared to the end of 2017, i.e. a decrease of approximately two percent. Shares in free float amounted to 51.8 percent and exclude shares held by an entity associated with the Lundin family and by Equinor.

The 10 largest shareholders as at 31 December 2018	Number of shares	Percent (rounded)
Nemesia ¹	95,478,606	28.1
Equinor	68,417,676	20.1
Vanguard	6,959,519	2.0
JP Morgan Asset Management	5,741,518	1.7
BlackRock	5,733,873	1.7
USS Investment Management	4,950,000	1.5
Norges Bank	4,102,761	1.2
State Street Global Advisors	4,058,739	1.2
Credit Suisse	4,047,202	1.2
Nordea Fonder	3,500,205	1.0
Other shareholders	137,396,346	40.4
Total	340,386,445	100

¹ An investment company wholly owned by a Lundin family trust.

Source: Q4 Inc.



Shareholders' Meetings

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

2018 AGM

The 2018 AGM was held on 3 May 2018 at Grand Hôtel in Stockholm. The AGM was attended by 801 shareholders, personally or by proxy, representing 68.91 percent of the share capital. The Chairman of the Board, all Board members including the CEO were present, as well as the Company's auditor and the majority of the members of the Nomination Committee for the 2018 AGM. The members of the Nomination Committee for the 2018 AGM were Hans Ek (SEB Investment Management AB), Filipa Gerstädt (Nordea Funds), Åsa Nisell (Swedbank Robur Fonder) and Ian H. Lundin (Nemesia S.à.r.l., and Landor Participations Inc., as well as non-executive Chairman of the Board of Lundin Petroleum).

The resolutions passed by the 2018 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, Cecilia Vieweg, Alex Schneider and Jakob Thomasen as Board members and election of Torstein Sanness as a new Board member.
- 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 2017.
- Adoption of the Company's income statement and balance sheet and the consolidated income statement and balance sheet for 2017 and resolving to declare a dividend of SEK 4.00 per share with a record date of 7 May 2018.
- Re-election of the registered accounting firm PricewaterhouseCoopers AB as the Company's statutory auditor until the 2019 AGM, authorised public accountant Johan Rippe being the designated auditor in charge.
- Approval of the remuneration of SEK 1,100,000 to the Chairman of the Board and SEK 525,000 to other Board

members, except for the Chief Executive Officer, and SEK 165,000 to each Committee Chair and SEK 110,000 to other Committee members and SEK 165,000 to the CR/HSE Board representative with the total fees for Committee work, including fees for the Committee Chairs and CR/HSE Board representative fees, not to exceed SEK 1,155,000.

- Approval of the remuneration of the statutory auditor.
- Approval of the Company's 2018 Policy on Remuneration for Group management.
- Approval of LTIP 2018 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 ten 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 2018 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.

External auditors of the Company

Statutory auditor

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 reviews the Sustainability Report to confirm that it contains the required information. In addition, the auditor performs a review of the Company's half year report and issues a statement regarding the Company's compliance with the Policy on Remuneration approved by the AGM. The Board meets at least once a year with the auditor without any member of Group management present at the meeting. In addition, the auditor participates regularly in Audit Committee meetings, in particular in connection with the Company's half year and year end reports. Group entities outside of Sweden are audited in accordance with local rules and regulations.

Dividend Policy

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

Nomination Committee for the 2019 AGM						
Member	Appointed by	Meeting attendance	Shares represented as at 1 Aug 2018	Shares represented as at 31 Dec 2018	Independent of the Company and Group management	Independent of the Company's major shareholders
Hans Ek	SEB Investment Management AB	3/3	0.6 percent	0.5 percent	Yes	Yes
Filippa Gerstädt	Nordea Funds	3/3	1.0 percent	1.0 percent	Yes	Yes
Åsa Nisell	Swedbank Robur Fonder	2/2 ¹	1.3 percent	0.5 percent	Yes	Yes
Ian H. Lundin	Nemesia S.å.r.l and non-executive Chairman of the Board of Lundin Petroleum	3/3	27.7 percent	28.1 percent	Yes	No ²
			Total 30.6 percent	Total 30.0 percent (rounded)		

¹ Åsa Nisell was a member of the Nomination Committee until 9 January 2019 but stepped down as a result of Swedbank Robur Fonder no longer being a larger shareholder of the Company.

² For details, see schedule on pages 28–29.

The Company's external auditor is the registered accounting firm PricewaterhouseCoopers AB, which was first elected as the Company's statutory auditor in 2001. The auditor's fees are described in the notes to the financial statements, see Note 30 on page 88 and Note 7 on page 93. The auditor's fees also detail payments made for assignments outside the regular audit mandate. Such assignments are kept to a minimum to ensure the auditor's independence towards the Company and require prior approval of the Company's Audit Committee.

Independent qualified reserves auditor

Lundin 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 Operations Review on pages 8–15.

Nomination Committee

The Nomination Committee is formed in accordance with the Company's Nomination Committee Process approved at the 2014 AGM. 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-petroleum.com.

Nomination Committee for the 2019 AGM

The members of the Nomination Committee for the 2019 AGM were announced and posted on the Company's website on 3 September 2018. Equinor ASA was invited to join but declined the invitation.

Ian H. Lundin was unanimously elected as Chairman of the Nomination Committee. The fact that he is the Chairman of the Nomination Committee and Chairman of Lundin Petroleum constitutes a deviation from rule 2.4 in the Corporate Governance Code, however this deviation was considered justified as Ian H. Lundin represents the major shareholder of the Company.

The Nomination Committee has held three meetings during its mandate so far. 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 the Chairman 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.

Summary of the Nomination Committee's work during their mandate:

- Considering the recommendation received through the Company's Audit Committee regarding the election of statutory auditor at the 2019 AGM.
- Considering Board and statutory auditor remuneration issues and proposals to the 2019 AGM.
- Considering a proposal to appoint an external independent Chairman for the 2019 AGM.
- Considering amendments to the Nomination Committee Process and that no changes should be proposed.
- Considering the size and composition of the Board in light of the diversity recommendations in the Corporate Governance Code, including gender balance, age, educational and professional backgrounds and the proposed Board members' individual and collective qualifications, experiences and capabilities in respect of the Company's current position and expected development.
- Considering the results of the annual assessment of the Board and the functioning of its work.
- Members of the Nomination Committee, who are independent of the Company's major shareholders, met and had discussions with current Board members Peggy Bruzelius, Jakob Thomassen and Torstein Sanness to discuss the work and functioning of the Board.

The full Nomination Committee report, including the final proposals to the 2019 AGM, is available on the Company's website.

Board of Directors

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.

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

The Nomination Committee for the 2018 AGM considered that a Board size of nine members would be appropriate taking into account the nature, size, complexity and geographical scope of the Company's business. The Nomination Committee considered that the Board as proposed and elected by the 2018 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 internationally and specifically Norway, being Lundin Petroleum's core area of operation, public company financial matters, Swedish practice and compliance matters and CR/HSE matters. The Nomination Committee considered that the proposed Board fulfilled the requirements regarding independence in relation to the Company, Group management and the Company's major shareholders.

Gender balance was specifically discussed and the Nomination Committee noted that 33 percent of the proposed Board members

were women. The Company aims to promote diversity at all levels of the Company, and the Nomination Committee applies the diversity requirements of the Corporate Governance Code. The recommendation of the Swedish Corporate Governance Board is that larger listed Swedish companies should strive to achieve 35 percent female Board representation by 2018, which had been achieved by the Company during 2015–2018. Whilst the percentage of women on the proposed Board was slightly lower than in the past, the Nomination Committee considered that the experience of the Board members, and in particular the significant Norwegian experience of the new proposed Board member Torstein Sanness, outweighed the slight decline. The Nomination Committee supports the ambition of the Swedish Corporate Governance Board regarding levels and timing of achieving gender balance and believes that it is important to continue to strive for gender balance when future changes in the composition of the Board are considered.

Board meetings and work in 2018

The Chairman of the Board, Ian H. Lundin, is responsible for ensuring that the Board's work is well organised and conducted in an efficient manner. He upholds the reporting instructions for management, as drawn up by the CEO and as approved by the Board, however, he does not take part in the day-to-day decision-making concerning the operations of the Company. The Chairman maintains close contacts with the CEO to ensure the Board is at all times sufficiently informed of the Company's operations and financial status.

To continue developing the Board's knowledge of the Company and its operations, 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 October 2018, the Board visited the Lundin Petroleum operated Edvard Grieg platform in the Norwegian Sea and the Kvaerner Yard at Stord where Johan Sverdrup accommodation platform topsides were being built, and an executive session with Group management was held in connection with the Board meeting. Group management also attended Board meetings during the year to present and report on specific questions, and a monthly operational report was circulated to the Board, as well as a quarterly CR/HSE report.



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.



Board of Directors:	Ian H. Lundin	Alex Schneider	Peggy Bruzelius	C. Ashley Heppenstall
Function	Chairman (since 2002), member of the Compensation Committee	President & Chief Executive Officer, Director	Director, Chair of the Audit Committee	Director, member of the Audit Committee
Elected	2001	2016	2013	2001
Born	1960	1962	1949	1962
Education	B.Sc. Petroleum Engineering from the University of Tulsa.	M.Sc. Geophysics and degree in Geology from the University of Geneva.	M.Sc. Economics and Business from the Stockholm School of Economics.	B.Sc. Mathematics from the University of Durham.
Experience	CEO of International Petroleum Corp. 1989 – 1998. CEO of Lundin Oil AB 1998 – 2001. CEO of Lundin Petroleum 2001 – 2002.	Various positions within Lundin related companies since 1993. COO of Lundin Petroleum 2001 – 2015. CEO of Lundin Petroleum since 2015.	Managing Director of ABB Financial Services AB 1991-1997. Head of the asset management division of Skandinaviska Enskilda Banken AB 1997-1998.	Various positions within Lundin related companies since 1993. CFO of Lundin Oil AB 1998 – 2001. CFO of Lundin Petroleum 2001 – 2002. CEO of Lundin Petroleum 2002 – 2015.
Other board duties	Member of the board of Etrion Corporation and Bukowski Auktioner AB.	–	Chair of the board of Lancelot Asset Management AB, member of the board of Akzo Nobel NV and Skandia Liv.	Chairman of the board of Africa Energy Corp. and member of the board of Lundin Gold Inc., Filo Mining Corp. and International Petroleum Corp.
Shares as at 31 December 2018	Nil ²	208,000	8,000	Nil ⁴
Attendance				
Board	9/9	9/9	9/9	9/9
Audit Committee	–	–	6/6	6/6
Compensation Committee	5/5	–	–	–
CR/HSE Committee	–	–	–	–
Remuneration¹				
Board and Committee work	SEK 1,210,000	Nil	SEK 690,000	SEK 635,000
Special assignments outside the directorship	SEK 1,000,000	Nil	Nil	SEK 5,328,000
Independent of the Company and Group management	Yes	No ³	Yes	No ⁴
Independent of major shareholders	No ²	Yes	Yes	No ⁴

1 See also note 28 on pages 84–85.

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

3 Alex Schneider is in the Nomination Committee's and the Company's opinion not deemed independent of the Company and Group management since he is the President and CEO of Lundin Petroleum.



Lukas H. Lundin	Grace Reksten Skaugen	Torstein Sanness	Jakob Thomassen	Cecilia Vieweg
Director	Director, Chair of the CR/HSE Committee, member of the Compensation Committee	Director, member of the CR/HSE Committee	Director, member of the Audit Committee and the CR/HSE Committee	Director, Chair of the Compensation Committee
2001	2015	2018	2017	2013
1958	1953	1947	1962	1955
Graduate from the New Mexico Institute of Mining, Technology and Engineering.	M.Ba. from the BI Norwegian School of Management, B.Sc. Honours Physics and Doctoreate laser physics from Imperial College of Science and Technology at the University of London.	M.Sc. Engineering in geology, geophysics and mining engineering from the Norwegian Institute of Technology in Trondheim.	Graduate of the University of Copenhagen, Denmark, M.Sc. in Geoscience and completed the Advanced Strategic Management programme at IMD, Switzerland.	L.L.M. from the University of Lund.
Various key positions within companies where the Lundin family has a major shareholding.	Former Director of Corporate Finance with SEB Enskilda Securities in Oslo. Board member/deputy chair of Statoil ASA 2002 – 2015. Member of HSBC European Senior Advisory Council.	Managing Director of Lundin Norway AS 2004 – 2015. Managing Director of Det Norske Oljeselskap AS 2000 – 2004. Various positions in Saga Petroleum 1972 – 2000.	Former CEO of Maersk Oil and a member of the Executive Board of the Maersk Group 2009 - 2016.	General Counsel and member of the Executive Management of AB Electrolux 1999 – 2016. Senior positions in AB Volvo Group 1990-1998. Lawyer in private practice.
Chairman of the board of Lundin Mining Corp., Lucara Diamond Corp., NGEx Resources Inc., Lundin Gold Inc., Filo Mining Corp., International Petroleum Corp. and Lundin Foundation, member of the board of Bukowski Auktioner AB.	Deputy Chair of the board of Orkla ASA and member of the board of Investor AB and Euronav NV, founder and board member of the Norwegian Institute of Directors and council member of the International Institute for Strategic Studies in London.	Chairman of the board of Magnora ASA and member of the board of International Petroleum Corp., Panoro Energy ASA and TGS Nopce ASA.	Chairman of the DHI Group, ESVAGT and Falck Safety Services and member of the board of University of Copenhagen.	–
788,331 ⁵	5,000	93,310	8,820	3,500
9/9	9/9	6/6 ⁶	9/9	9/9
–	–	–	6/6	–
–	5/5	–	–	5/5
–	2/2	2/2	2/2	–
SEK 525,000	SEK 717,500	SEK 317,500	SEK 690,000	SEK 690,000
Nil	Nil	Nil	Nil	Nil
Yes	Yes	No ⁶	Yes	Yes
No ⁵	Yes	Yes	Yes	Yes

4 C. Ashley Heppenstall holds 1,542,618 shares in Lundin Petroleum AB through an investment company, Rojafi. C. Ashley Heppenstall is in the Nomination Committee's and the Company's opinion not deemed independent of the Company and Group management since he was the President and CEO of Lundin Petroleum until 2015, and not of the Company's major shareholders since he is a director of several companies in which entities associated with the Lundin family are major shareholders.

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

6 Torstein Sanness is a member of the Board of Directors as of 3 May 2018. Torstein Sanness is in the Nomination Committee's and the Company's opinion not deemed independent of the Company and Group management since he was the Managing Director of Lundin Norway AS, a subsidiary of the Company, until 2015.

Board committees

To maximise the efficiency of the Board's work and to ensure a thorough review of specific issues, the Board has established a Compensation Committee, an Audit Committee and in 2018, a new CR/HSE Committee. Considering the importance of CR/HSE matters for the Company, the Board considered it was suitable to establish a full Board Committee to replace and build on the previous work of the 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. Terms of reference were adopted in 2018 also for the CR/HSE Committee. Minutes are kept at Committee meetings and matters discussed are reported to the Board. In addition, informal contacts take place between ordinary meetings as and when required by the operations.

Compensation Committee

The Compensation Committee assists the Board in Group management remuneration matters and receives information and prepares the Board's and the AGM's decisions on matters relating to the principles of remuneration, remunerations and other terms of employment of Group management. The objective of the Committee in determining compensation for Group management is to provide a compensation package that is based on market conditions, is competitive and takes into account the scope and responsibilities associated with the position, as well as the skills, experience and performance of the individual. The Committee's tasks also include monitoring and evaluating programmes for variable remuneration, the application of the Policy on Remuneration as well as the current remuneration structures and levels in the Company. The Compensation Committee may request advice and assistance of external reward consultants. For further information regarding Group remuneration matters, see the remuneration section of this report on pages 35–37.

Compensation Committee work during 2018:

- Ongoing review of the Performance Management Process through various work sessions across the year.
- Discussions and recommendations to the Board in remuneration matters.
- 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 2017.
- Continuous monitoring and evaluation of remuneration structures, levels, programmes and the Policy on Remuneration.
- Preparing a proposal for the 2018 Policy on Remuneration for Board and AGM approval.
- Consultation and meetings with Company stakeholders, including institutional investors, regarding the proposed LTIP 2018.
- Preparing a proposal for LTIP 2018 for Board and AGM approval through various work sessions and preparation discussions.
- Review of fulfilment of LTIP 2015 performance conditions and confirmation of vesting.
- 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 2018 LTIP awards.
- Undertaking a remuneration benchmark study and various contacts and ongoing reviews in relation thereto during 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.

Audit Committee

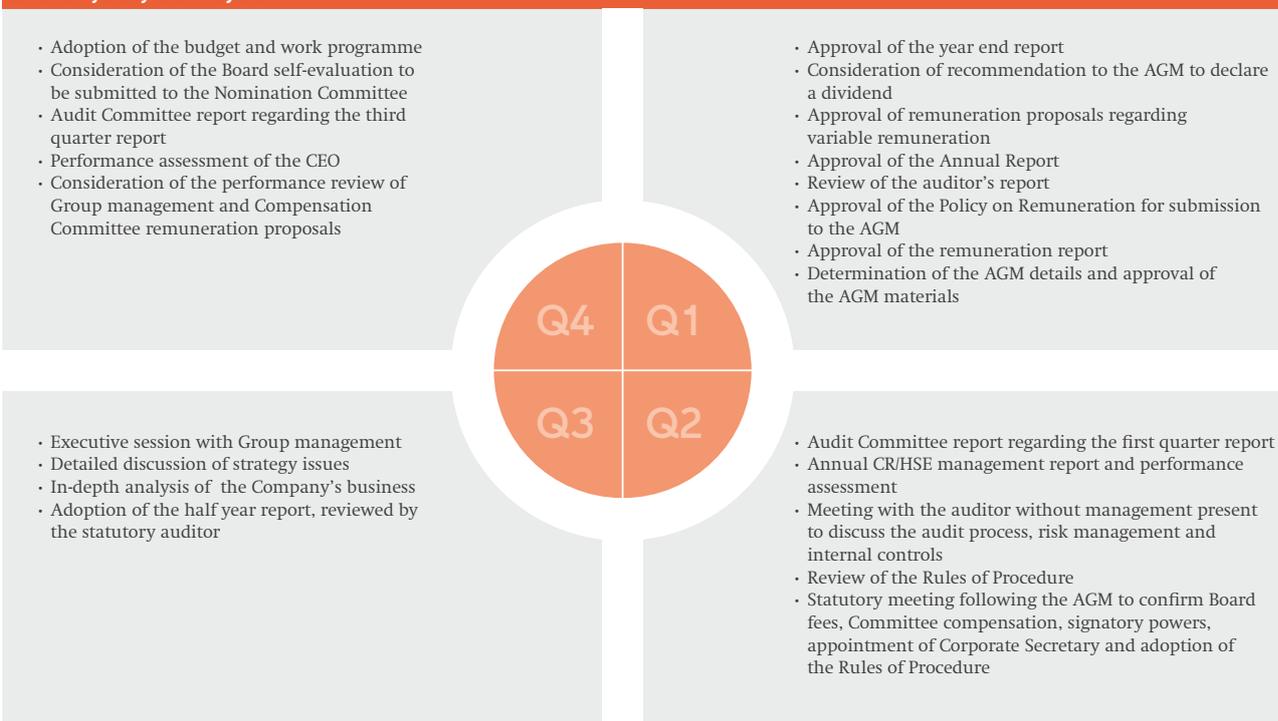
The Audit Committee assists the Board in ensuring that the Company's financial reports are prepared in accordance with International Financial Reporting Standards (IFRS), the Swedish Annual Accounts Act and accounting practices applicable to a company incorporated in Sweden and listed on Nasdaq Stockholm. The Audit Committee supervises the Company's financial reporting and gives recommendations and proposals to ensure the reliability of the reporting. The Committee also supervises the efficiency of the Company's financial internal controls, internal audit and risk management in relation to the financial reporting and provides support to the Board in the decision making processes regarding such matters. The Committee monitors the audit of the Company's financial reports and also reports thereon to the Board. In addition, the Committee is empowered by the Committee's terms of reference to make decisions on certain issues delegated to it, such as review and approval of the Company's first and third quarter reports on behalf of the Board. The Audit Committee also regularly liaises with the Group's statutory auditor as part of the annual audit process and reviews the audit fees and the auditor's independence and impartiality. The Audit Committee further assists the Company's Nomination Committee in the preparation of proposals for the election of the statutory auditor at the AGM.

The Audit Committee members have extensive experience in financial, accounting and audit matters. Peggy Bruzelius' current and previous assignments include high level management positions in financial institutions and companies and she has chaired Audit Committees of other companies. C. Ashley Heppenstall is the Company's previous CFO and CEO and Jakob Thomasen was previously CEO of Maersk Oil, and both have extensive experience in financial matters.

Audit Committee work during 2018:

- Assessment of the 2017 year end report and the 2018 half year report for completeness and accuracy and recommendation for approval to the Board.
- Assessment and approval of the first and third quarter reports 2018 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 2019 AGM.

Board's yearly work cycle



Board of Directors work 2018

Nine board meetings were held in 2018 and in addition to the topics covered by the Board as per its yearly work cycle, the following significant matters were addressed by the Board during the year.

- Discussing in detail the Company's performance in 2017 and resolving to propose to the AGM that an inaugural cash dividend of SEK 4 per share be paid to the shareholders.
- Review and approval of the updated Code of Conduct mirroring the new corporate identity following the Company's spin off of the non-Norwegian assets.
- Resolving to constitute a new CR/HSE Committee and preparing and approving the Committee terms of reference.
- Discussing in detail the financing of the Company, including the Company's financial risk management, cash flows, sources of funding, foreign exchange movements, hedging strategy and liquidity position and reviewing and approving an Amendment and Restatement Agreement with significantly improved terms in relation to the Company's USD 5 billion reserve-based credit facility.
- Discussions regarding the Company's risk management.
- Discussions regarding investor relations matters.
- Review and approval of the Company's new Diversity Policy.
- Approval of the Company's sale of shares in ShaMaran Corporation.
- Considering the Company's production performance, forecasts and future outlook.
- Considering and discussing in detail the well advanced Johan Sverdrup development project and remaining project risks, time schedule, operator performance and cost reductions and expectations.
- Discussing the Company's increased licence position and approving several licence acquisitions and divestments to optimise the Company's acreage position and ensure future organic growth opportunities.
- Considering several business acquisition opportunities in Norway, as well as options for the Morskaya asset in Russia.
- Approval of the permanent cessation of production at the Brynhild field.
- Approval of a share repurchases, as per AGM authorisation, to optimise the Company's capital structure and secure the Company's obligations under its incentive programs.
- Assessing the Company's oil and gas reserves and resources positions.
- 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 potential corporate fine of SEK 3 million and forfeiture of economic benefits of SEK 3.3 billion that the Prosecution Office aims to claim in case of a potential trial, as well as the preliminary investigation into alleged instigation of interference in a judicial matter.
- Considering and discussing CR matters, including operations in the Barents Sea, climate change and the Company's efforts to reduce its environmental impact, the Company's partnership with the Lundin Foundation and CR trends and initiatives.
- Considering and discussing the Company's HSE performance, HSE assurance activities, including audits, and the new HSEQ Leadership Charter.
- Considering the proposal for a performance based LTIP 2018, following the same principles as the previous LTIPs approved by the 2014 – 2017 AGMs, including continued stakeholder engagement discussions, revising the applicable peer group, approving participants, allocating individual awards and approving the detailed plan rules, subject to 2018 AGM approval.



CR/HSE Committee

The CR/HSE Committee assists the Board to monitor the performance and key risks that the Company faces in relation to corporate responsibility and health, safety and environmental matters. The CR/HSE Committee's responsibility is to oversee the Company's conduct and performance on CR/HSE matters, to inform the Board and make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed. The CR/HSE Committee's tasks further include reviewing and monitoring CR/HSE policies and the effectiveness of CR compliance, as well as considering CR issues, risks, strategies and responses to climate change issues. The CR/HSE Committee reviews Group management's proposals on HSE targets and goals, monitors the appropriateness of HSEQ audit strategies and plans, the execution and results of such plans and reviews and makes recommendations to the Board in relation to the Company's sustainability report. More information about the Company's CR/HSE activities can be found in the Responsibility section on pages 16–17 and in the Sustainability Report available on the Company's website.

CR/HSE Committee work during 2018:

- Review and approval of CR/HSE Committee terms of reference.
- Review of policies and conduct of the Company in respect of CR matters.
- Review of the effectiveness of the compliance to the Lundin Petroleum Code of Conduct.
- Review of major CR issues or risks of public concern and the Company strategy to address them.
- Review the Company's strategy and response to climate change issues.
- Review the standards, policies and conduct of the Company relating to the application of the HSEQ Leadership Charter, Health and Safety Policy and Environmental Policy.
- Review of HSE performance and monitoring of potential and/or large reputational risk for the Company with particular focus on corrective actions.
- Monitor the appropriateness of HSEQ audit strategies and plans, and the execution and results of such plans.
- Review of the cyber risks and awareness programme.
- Review of 2019 HSEQ plan.
- Discussing ESG assessments of Lundin Petroleum.

Remuneration of Board members

The remuneration of the Chairman and other Board members follows the resolution adopted by the AGM. The Board members, with the exception of the CEO, are not employed by the Company, do not receive any salary from the Company and are not eligible for participation in the Company's incentive programmes. The Policy on Remuneration approved by the AGM also comprises remuneration paid to Board members for work performed outside the directorship.

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

The remuneration of the Board, including for work performed outside the directorship, is detailed further in the schedule on pages 28–29 and in the notes to the financial statements, see Note 28 on pages 84–85.

Evaluation of the Board's work

A formal review of the work of the Board was conducted in September 2018 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 improve on matters which may be raised.

The overall feedback from the members of the Board was positive and showed that the Board functions well. The different backgrounds, knowledge and qualifications of the individual members of the Board complement each other and the meetings are constructive with good discussions and feedback from Board members and management. The diversity and wide spectrum of qualifications and experience of the Board members are considered as beneficial and the Board is viewed as competent for addressing actual and potential issues facing the Company.

The size of the Board was considered appropriate, however, individual feedback received noted that there was room for additional directors, whilst a too large composition could make the Board less efficient. The Board members considered that their knowledge of the Company and the oil and gas industry in general had increased during the year and that Board members are well prepared for the meetings. The need for a retirement policy was considered, however, the Board acknowledged that there was already a natural process of renewing the Board as the Company adapts to the new environment. Visits to operational locations were appreciated and considered very useful for the understanding of the business. Committee work was believed to function well, with well appreciated Committee Chairs, and the composition of the Committees in general was deemed appropriate. Individual feedback received noted that management reports were excellent and that Board meetings were well prepared. The results of the Board evaluation were presented to the Nomination Committee.



More information on the Board members can be found on www.lundin-petroleum.com

Group management



Alex Schneider

President and Chief Executive Officer



Nick Walker

Chief Operating Officer



Teitur Poulsen

Chief Financial Officer



Christine Batruch

Vice President Corporate Responsibility



Alex Budden

Vice President Corporate Affairs



Henrika Frykman

Vice President Legal



Sean Reddy

Vice President Human Resources and Shared Services



Edward Westropp

Vice President Investor Relations

Major topics addressed by Group management in 2018

- Consideration of the financing of the Company, including different sources of funding, and negotiation of an Amendment and Restatement Agreement with significantly improved terms in relation to the Company's USD 5 billion reserve-based credit facility.
- Consideration of a sustainable dividend policy in view of the development of the Company's activities.
- Management of the Norwegian acreage position, including pursuing new core areas of operation and solidifying existing core areas, through active licence acquisition and divestment management to optimise the Norwegian licence portfolio, including acquisitions of working interests in several discoveries.
- Management of the on-going exploration activities, development projects, appraisal activities and production operations.
- Continued focus on cost control measures and maximising operational efficiency and performance.
- Consideration of organisational changes and improvements as well as considering new ventures and opportunities.
- Development and adoption of a new Tax Policy and ongoing review of the Company's transfer pricing policies and BEPS compliance.
- Ongoing analysis of climate change implications to the business and adaptation of the Company's business model to address this issue from a risk and opportunity perspective.
- Defence of the Swedish Prosecution Office's on-going preliminary investigation into alleged complicity in violations of international humanitarian law in Sudan during 1997–2003, including in respect of the potential corporate fine of SEK 3 million and forfeiture of economic benefits of SEK 3.3 billion that may become due upon the conclusion of a potential trial.

Management

Management structure

Lundin Petroleum's Group and local management consists of highly experienced individuals with extensive worldwide oil and gas experience. 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.

The Company's Investment Committee consists of, in addition to the CEO, the Chief Operating Officer (COO), Nick Walker, who is responsible for Lundin Petroleum's exploration, development

and production operations and HSE, and the Chief Financial Officer (CFO), Teitur Poulsen, who is responsible for the financial reporting, internal control, risk management, treasury function and economics. The Investment Committee assists the Board in discharging its responsibilities in overseeing the Company's investment portfolio. The role of the Investment Committee is to determine that the Company has a clearly articulated investment policy, to develop, review and recommend to the Board investment strategies and guidelines in line with the Company's overall policy, to review and approve investment transactions and to monitor compliance with investment strategies and guidelines. The responsibilities and duties include considering annual budgets, supplementary budget approvals, investment proposals, commitments, relinquishment of licences, disposal of assets and performing other investment related functions as the Board may designate.

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

- The Vice President Corporate Responsibility, Christine Batruch, who is responsible for the Group's CR strategy, the Vice President Corporate Affairs, Alex Budden, who is responsible for corporate affairs and strategic communications within the Group, the Vice President Legal, Henrika Frykman, who is responsible for all legal and tax matters within the Group, the Vice President Human Resources and Shared Services, Sean Reddy, who is responsible for human resources and shared services and the Vice President Investor Relations Edward Westropp, who is responsible for investor relations and financial communications within the Group.
- Local management, who are responsible for the day-to-day operational activities.

Group management tasks and duties

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

Under the leadership of the CEO, Group management is responsible for ensuring that the operations are conducted

in compliance with the Code of Conduct, all Group policies, procedures and guidelines and the HSEQ Leadership Charter in a professional, efficient and responsible manner. Regular management meetings are held to discuss all commercial, technical, 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 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, in respect of ongoing matters and issues that may arise, and meets with the Board at least once a year at the executive session held in connection with a Board meeting in one of the operational locations.

Internal Audit

The Internal Audit function is responsible for providing independent and objective assurance on internal control, governance and risk management. This work includes regular audits performed in accordance with an annual risk based internal audit plan, which is approved by the Audit Committee. The audit plan is derived from an independent risk assessment conducted by the Internal Audit function and is designed to address the most significant risks identified associated with the Company's operations and processes. The audits are executed using a methodology for evaluating the design and effectiveness of internal controls to ensure that risks are adequately addressed and processes are operated effectively. Opportunities for improving the efficiency of the internal control, governance, and risk management processes which have been identified through the audits are reported to management for action.

The Internal Audit Manager has a direct reporting line to the Audit Committee and submits regularly reports on findings identified in the audits together with updates on the status of management's implementation of agreed actions.

Sudan

In 2010, the Swedish Prosecution Authority began a preliminary investigation into alleged complicity in violations of international humanitarian law in Sudan during 1997 – 2003. The Company has cooperated extensively and proactively with the investigation by providing information regarding its operations in Block 5A in Sudan during the relevant time period and strongly believes that it was a force for development in Sudan. Ian H. Lundin and Alex Schreiber have been interviewed by the Swedish Prosecution Authority and have been notified of the suspicions that are the basis for the investigation. In 2018, the Company was notified by the Swedish Prosecution Authority that the Company may be liable to a corporate fine of SEK 3 million and forfeiture of economic benefits from the alleged offense in the amount of SEK 3,282 million, based on the profit of the sale of the Block 5A asset in 2003 of SEK 720 million. Any potential corporate fine or forfeiture could only be imposed after the conclusion of a trial, should one occur.

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

Neither investigation entails that charges have been, or will be, brought against any individuals or the Company. Lundin Petroleum remains convinced that there are absolutely no grounds for any allegations of wrongdoing by the Company or any Company representatives in respect of any of these allegations. More information regarding the past operations in Sudan during 1997 – 2003 can be found on www.lundinhistoryinsudan.com.

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 remuneration; (iii) long-term incentive plan (LTIP); and (iv) other benefits. As part of the yearly assessment process, a Performance Management Process has been established to align individual and team performance to the strategic and operational goals and objectives of the overall business. Individual performance measures are formally agreed and key elements of variable remuneration are clearly linked to the achievement of such stated and agreed performance measures.

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

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.

The yearly variable remuneration for Group management is assessed against annual performance targets that reflect the key drivers for value creation and growth in shareholder value. These annual performance targets include delivery against specific production, reserves and resource replacement, financial, HSE, CR and strategic targets. Each member of Group management is set different performance weightings against each of the specific targets reflecting their influence on the performance outcome. The performance target structure and specific targets are reviewed annually by the Compensation Committee to ensure that it aligns with the strategic direction and risk appetite of the Company and the performance target structure and specific targets are approved by the Board.

Within the Policy on Remuneration, the Board of Directors may approve yearly variable remuneration in excess of twelve months base salary in circumstances or in respect of performance which it considers to be exceptional. To have this discretion is important to accommodate the uncertainties and cyclical nature of the oil and gas industry.

LTIP 2018

The 2018 AGM resolved to approve a performance based LTIP 2018, that follows the same principles as the previously approved LTIPs 2014–2017, 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 2018 and expiring on 30 June 2021. 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 2018 and the total LTIP award made in respect of 2018 was 278,917.

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 2018, 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 2018 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 2018, 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 members of Group management. Neither the CEO nor other members of Group management were present at the Board meetings when such discussions took place.

The tasks of the Compensation Committee also include monitoring and evaluating the general application of the

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

Board's Proposal for Remuneration to Group management to the 2019 AGM

For information regarding the Board's proposal for remuneration to Group management to the 2019 AGM, including a new LTIP, see the Directors' report, pages 50 – 51.

POLICY ON REMUNERATION FOR GROUP MANAGEMENT AS APPROVED BY THE 2018 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 is expected to be comprised of seven executives in 2018.

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, 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). The cost of yearly variable salary for 2018 is estimated to range between no payout at minimum level and MSEK 22.1 (excluding social costs) at maximum level, based on the current composition of Group Management. 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.

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 2018 LTIP for Group Management, which follows the same principles as the LTIP approved by the 2014 - 2017 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 2018 LTIP is estimated to range between no cost at minimum level and MSEK 48.7 (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

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

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 203,553 LTIP Awards under the 2015 Performance Based Incentive Plan, 242,057 LTIP Awards under the 2016 Performance Based Incentive Plan, 258,619 LTIP Awards under the 2017 Performance Based Incentive Plan, 1,700 unit bonus awards under the 2015 Unit Bonus Plan, 4,662 unit bonus awards under the 2016 Unit Bonus Plan, 4,119 unit bonus awards under the 2017 Unit Bonus Plan. Further information about these plans is available in note 29 of the Company's Annual Report 2017.

Internal control over financial reporting

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

Introduction

According to the Swedish Companies Act and the Corporate Governance Code, the Board has overall responsibility for establishing and monitoring an effective system for internal control. The purpose of this report is to provide shareholders and other parties with an understanding of how internal control is organised at Lundin Petroleum.

Lundin Petroleum's system for internal control over financial reporting is based on the Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The five components of this framework are control environment, risk assessment, control activities, information and communication and monitoring activities.

Control environment 1

The control environment is the foundation of Lundin Petroleum's system for internal control over financial reporting and is characterised by the fact that the main part of the Group's operations is located in Norway where the Company has carried out operations for many years using well established processes. The control environment is defined by the Company's policies and procedures, guidelines and codes as well as its responsibility and authority structure. The business culture established within the Group is also fundamental to ensure highest level of ethics, morals and integrity.

Risk assessment 2

Risks relating to financial reporting are evaluated and monitored by the Board through the Audit Committee. The Group's risk assessment process is used as a means to monitor that risks are managed and consists in identifying and evaluating risks and also determining the potential impact on the financial reporting. Regular reviews on local level as well as on Group level are made to assess any changes made in the Group that may affect internal control.

Control activities 3

Control activities range from high level reviews of financial results in management meetings to detailed reconciliation of accounts and day to day review and authorisation of payments. The monthly review and analysis of the financial reporting made on Company level and Group level are important control activities performed to ensure that the financial reporting does not contain any significant errors and also to prevent fraud. In addition, it is common in the oil and gas industry that projects are organised through joint ventures, where the partners have audit rights over the joint venture. Regular audits control that costs are allocated and accounted for in accordance with the joint operating agreement.

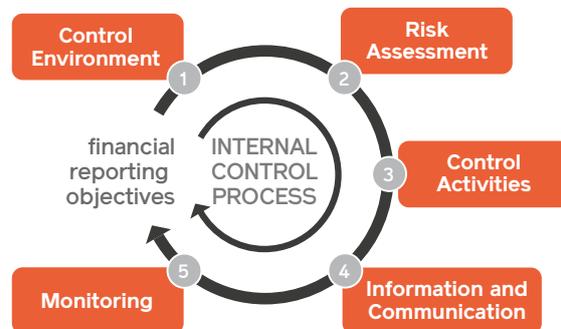
Information and communication 4

Lundin Petroleum has processes in place aiming to ensure effective and correct information in regards to financial reporting, both internally within the organisation as well as externally to the public. All information regarding the Company's policies, procedures and guidelines is available on the Group's intranet and any updates and changes to reporting and accounting policies are issued via email and at regular finance meetings. In addition, the Communication and Investor Relations Policy ensures that the public is provided with accurate, timely and relevant information.

Monitoring 5

Monitoring of control activities is made at different levels of the organisation and involves both formal and informal procedures performed by management, process owners or control owners. In addition, the Group's Internal Audit function maintains test plans and performs independent testing of selected controls to identify any weaknesses and opportunities for improvement. The results from the testing are presented to the external auditors who determine to what extent they can rely on this testing for the Group audit.

The Internal Audit Manager has a direct reporting line to the Audit Committee and submits regularly reports on findings identified in the audits together with updates on the status of management's implementation of agreed actions. The Audit Committee assists the Board in their role to ensure that steps are taken to address any weaknesses revealed in internal and external audits and to implement proposed actions.



Joint venture audits

It is common in the oil and gas industry that projects are organised through joint ventures with production licences awarded to a group of companies forming a joint venture. When entering into an exploration licence there is no guarantee that oil or gas will be found and in a joint venture the risk is shared between the partners. One partner is appointed to be the operator and is responsible for managing the operations, including the accounting for the joint venture. All partners have audit rights over the joint venture to ensure that costs are incurred in accordance with the joint operating agreement and that accounting procedures are followed.

Stockholm, 1 March 2019

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 2018 on pages 22 – 38 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, 4 March 2019

PricewaterhouseCoopers AB

Johan Rippe
Authorised Public Accountant
Lead Partner

Johan Malmqvist
Authorised Public Accountant