

Safe and responsible operations



The health and safety of our people is our highest priority

Christine Batruch
Vice President
Corporate Responsibility

2016 was an exceptional year for Lundin Petroleum in many respects, including from a Corporate Responsibility perspective. For the first time we published a standalone Sustainability Report. Our Corporate Responsibility work has been reflected in our Annual Reports from the start, but publishing a Sustainability Report based on the Global Reporting Initiative G4 Guidelines brought the active participation of everyone in the Company, from our Board of Directors, our corporate and country based management to our operational staff.

Thanks to our Sustainability Report, Lundin Petroleum's Corporate Responsibility work can now be measured against our peers, leading to a more constructive dialogue with our stakeholders. I recall in particular the very stimulating discussions I had with students at the Stockholm School of Economics CSR week when I presented our Sustainability Report and the process we had followed to produce it. We also had in-depth discussions about our sustainability work with banks at the start of the year when Lundin Petroleum secured the USD 5.0 billion reserve-based lending facility.

Lowering our carbon intensity

2016 was also an exceptional year from a global sustainability perspective. The year culminated with the Paris Agreement entering into force, marking a turning point in the global understanding of the climate change issue and the challenge it represents. Working closely with the oil and gas industry, we are ready to contribute to finding solutions for a more energy efficient and low carbon society. This commitment is also part of our ongoing efforts to lower our carbon intensity levels, a target that we achieved in 2016.

Investing in social innovation

In addition to the projects on environmental preservation that we initiated a few years ago in partnership with the Lundin Foundation, we decided in 2016 to address one of the most important social issues currently facing Europe. Pilot projects aimed at assisting the integration of refugees and migrants into the workforce were launched in Norway and Sweden and early indications show that these projects are reaching their targets. We look forward to expanding this work in 2017.

Continuing our focus on HSE

The health and safety of our people is our highest priority. Our focus on health, safety and the environment (HSE) resulted in better Key Performance Indicators for 2016 compared to previous years. In February 2016, a fatal accident occurred on the Bertam field in Malaysia and we regret the tragic loss of one of our sub-contractors, an event which has left a mark on us all.

In 2017, we will continue to place emphasis on a strong HSE culture, thoroughly preparing our activities so as to prevent incidents and have the ability to respond to any potential unexpected situations.

You will find further information on Lundin Petroleum's performance and management approach on environmental, governance and social issues in the following section and in our 2016 Sustainability Report.

Performance 2016



Safe operations
0.67 lost time
incident rate



Diversity
38% of women on
Board of Directors



Environment
0 recordable
oil spills



Workforce
542 employees
worldwide

Goals 2017



Uphold health
and safety



Focus on carbon
efficiency



Minimise environmental
impact



Promote ethical
conduct

Read more about Lundin Petroleum's performance and management approach on environmental, governance and social issues in the Sustainability Report available on www.lundin-petroleum.com



Our People

The challenging oil market environment that has dominated over the past two years has had a major impact on the oil and gas industry. A continuation of low oil prices have led to a significant underinvestment in the offshore industry and reduced activity levels which have meant some difficult years for the many oil and gas companies, suppliers and contractors operating across the world.

Lundin Petroleum has adapted to the higher pressure on the industry through a continued focus on cost efficiency and operational excellence and as a result was one of the few oil and gas companies to increase its employee base in Norway in 2016.

World class employees

Maintaining an inclusive working environment and a focus on high performance has been the key to our success in attracting and retaining the best possible talent in the industry over the years. We will continue to build on this base of world class employees through our commitment to develop and invest in them as we believe that our people are our greatest single asset and the foundation for our future success.





Our outstanding performance would not be possible without the great team work and team spirit that exists within Lundin Petroleum

Alex Schneiter
President and CEO

At year end 2016, Lundin Petroleum had a total of 542 employees directly employed by the Group in seven different countries. During 2016, the work force increased in Norway, the organisation in Malaysia was restructured to adapt to the reduced level of activities and the divestment of the Indonesian assets was finalised.

Lundin Petroleum also employs a large number of consultants and contractors who provide services for and on behalf of Lundin Petroleum. In 2016, a total of 74 consultants were engaged for services related to exploration, project development and other operational activities.

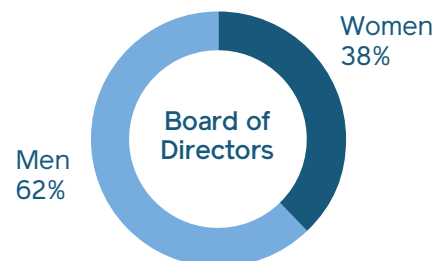
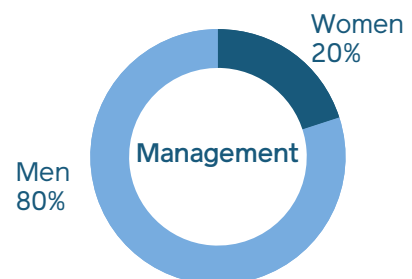
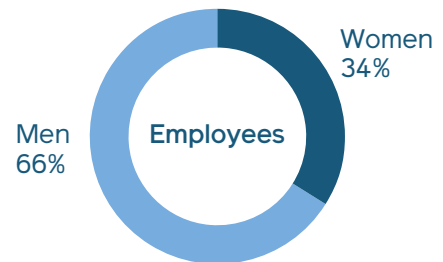
A diverse workforce

We value an open and inclusive working environment and strive to maintain a competent, engaged and experienced workforce. Acting locally and thinking globally is a guiding principle in our approach to the selection, recruitment and management of our employee base, by ensuring that all employment opportunities are offered on the basis of skills and experience.

We recruit based on qualifications and irrespective of gender, ethnicity, religion, disability etc. We are committed to promote equal opportunity and do not accept any kind of discrimination.

Wherever we operate, we actively strive to employ locally so that we can benefit from the local knowledge and experience, while contributing to enhanced expertise within the host country. Our employees are provided with the necessary skills, knowledge and motivation to be successful in their work and for the ongoing success of the Company, which is proven by its strong results and low levels of employee turnover compared to industry norms.

At year end 2016, a total of 29 different nationalities were employed throughout Lundin Petroleum's global operations. Women represented 34 percent of the total workforce and 20 percent of the managerial positions. The proportion of women in Lundin Petroleum's Board of Directors was 38 percent.



Health and Safety

A strong health and safety culture is essential to our success

Safe work environment

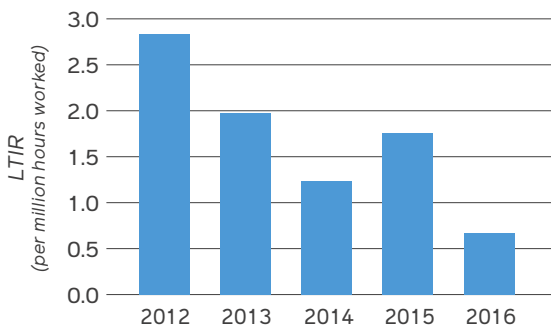
The health and safety of the people working for us is our highest priority. Our commitment is to provide a safe working environment not only for our employees, but also for contractors and others who could potentially be exposed to risks due to our activities.

We operate in an industry exposed to safety risks and accidents can potentially occur anywhere and at any time. We rely on competent and dedicated employees and contractors as well as rigorous planning to prevent accidents and ill health. In each new phase of operations we identify, analyse and aim to mitigate all potential risks.

We also test and review our emergency preparedness in operations on an ongoing basis and hold regular emergency response exercises locally, together with external emergency preparedness organisations. Internal HSE audits are also conducted in order to identify and mitigate potential safety issues and ensure that sound HSE practices are in place. Safety is a joint responsibility and we expect the same commitment from our contractors, suppliers and partners as we do from our employees.



Lost Time Incident Rate



In 2016, we achieved a Lost Time Incident Rate (LTIR) for Lundin Petroleum’s employees and contractors of 0.67 per million hours worked and a Total Recordable Incident Rate (TRIR) of 2.34 per million hours worked. This is an improvement compared to 2015 and attest to our focus on safety at a time of high operational activity.

Despite our strong performance, a fatal accident occurred in Malaysia in 2016. We tragically lost one of our sub-contractors working for the FOS Leo supply vessel on the Bertam field, offshore Malaysia. In-depth investigations into the accident were conducted both by local management and third parties with a view to fully understand the circumstances of the accident and ensure preventive measures are in place to avoid such accidents in the future. A comprehensive HSE programme was developed to improve control of work and safety leadership and will continue to be implemented throughout 2017.

 HSE indicator data can be found on page 134

Environment

Activities are planned and carried out with utmost respect for environment

Environmental responsibility starts with understanding the environmental context in which we operate. Before any exploration, development or production activities begin Lundin Petroleum uses existing environmental baseline studies or perform its own baseline or impact assessments. As a result, operational plans may be modified in order to avoid an environmental impact, for example by drilling a deviated well, changing the anchor pattern of the rig or bringing drill cuttings to shore. Drilling activities only commence after an environmental permit has been obtained from national authorities.

Oil spill prevention

Respecting our environment is an essential part of the planning phase and we have robust systems in place to ensure that risks are properly assessed and that competence and capacity exist to prevent and, if need be, manage oil spills. In addition to national arrangements, Lundin Petroleum has a contract with Oil Spill Response (OSRI), the world's largest oil spill preparedness and response organisation, to cover its worldwide activities and ensure an effective response anywhere in the world.

Operating with a low carbon intensity

Lundin Petroleum's operations are located on the Norwegian Continental Shelf, the area in the world with the lowest carbon intensity levels in the industry over the past ten years and with the highest carbon taxes. Our work to include climate change considerations in operational activities and in the selection of installation designs, products and equipment has therefore been a way of minimising both our carbon footprint and our costs.

In 2016, Lundin Petroleum significantly reduced its greenhouse gas emissions compared to 2015 (emissions data is published in the Sustainability Report 2016) which means we are now operating with a lower intensity level than the industry average.

In addition to seeking carbon efficiency in our operations, we take an active part in discussions on climate change. Through engagement with environmental organisations and other stakeholders, we stay informed of the latest developments on international climate policy. As part of our risk management, we analyse upcoming climate policy measures and how they will affect the energy market and take this into account in our strategic planning to make sure that our asset base is robust and sustainable, taking into account both climate risks and opportunities. In addition, Lundin Norway is part of the Norwegian Oil & Gas Association's (NOROG) working group on climate change and its roadmap to 2030 and 2050, which outlines the Norwegian oil and gas industry's commitment to contribute to a future low carbon society.



Ethical Business Conduct

Anti-corruption

We are committed to operate according to the highest level of ethical standards and we believe that the rule of law and transparency are essential in order to ensure that our activities benefit society as a whole.

As part of our commitment to good governance, we track internal corruption potential through our financial and Corporate Responsibility reviews and audits. While our internal processes ensure that we have a low exposure to corruption, the issue is highlighted in our risk reviews. We monitor corruption trends through Transparency International’s Corruption Index, media and NGO reports, as well as progress made through legislative developments and law enforcement. Our business partners and contractors are expected to abide by our anti-corruption principles.

As in previous years, there were no cases of suspected or actual corruption throughout the Group in 2016.

Whistleblowing

One of the means of receiving information regarding potential or actual cases of corruption is through our Whistleblowing policy and procedure. In the course of 2016, the whistleblowing procedure was invoked once, by a former employee, regarding an internal process. A thorough review was undertaken which confirmed that Lundin Petroleum followed industry and regulatory standards.

Payments to governments

The disclosure of payments made to governments is a way to honour Lundin Petroleum’s commitment to contribute to the economic and social development of our host countries.

The Extractive Industries Transparency Initiative (EITI), which reconciles government disclosure of cash flows from the extractive industry with the disclosure of payments made by the industry to the government, is a meaningful initiative for the industry and natural resource rich countries. Since 2009, Lundin Petroleum has consistently reported payments made to governments in EITI compliant countries within the Group. See also the Lundin Petroleum report of payments to governments on www.lundin-petroleum.com

Ethical business conduct in the oil and gas industry

Promoting good governance and requiring high standards of ethical business conduct throughout our value chain is of the highest importance to Lundin Petroleum since we believe that joint industry efforts are most effective in addressing anti-corruption. Lundin Petroleum has implemented expectations of ethical business conduct in contractual clauses and in its Contractor Declaration.

Lundin Petroleum also supports and participates in a number of international initiatives to actively promote ethical standards:



- UN Global Compact
- UN Global Compact Nordic Network
- UN Global Compact’s Call to Action on Anti-corruption
- Extractive Industries Transparency Initiative (EITI)





Human rights

Lundin Petroleum is committed to ensure that respect for human rights is upheld throughout its business activities. Lundin Petroleum's assets are focused in Norway which means that we operate in a low risk environment with respect to human rights. We are nonetheless attentive to potential risks that can arise within the industry.

Lundin Petroleum adheres to all applicable national and local legislation and follows the principles for business and human rights embodied in international initiatives such as the UN Global Compact and the UN Guiding Principles on Business and Human Rights. We have a human rights due diligence

process in place for our operations in order to identify, assess and determine measures to prevent or mitigate potential human rights risks. Our human rights screenings, which review potential human rights issues in relation to planned or existing activities, have found no salient human rights issues in 2016 in relation to our operations.

Lundin Petroleum seeks to contribute to promoting human rights in the industry by engaging on the issue with partners and by requiring contractors and suppliers to sign Lundin Petroleum's Contractor Declaration, which outlines the commitment to respect human rights and to observe the highest standards of ethical business conduct.

Investing in social innovation through Lundin Foundation projects

The Lundin Foundation, founded in 2005, is a globally recognised leader in impact investments. Through our partnership with the Lundin Foundation, we support innovative solutions to key economic, social and environmental challenges which are relevant to the energy sector and to our operations. In the first years of the partnership, which was initiated in 2013, we focused on projects in Malaysia and Indonesia that aimed to increase access to renewable energy, improve biodiversity conservation and promote sustainable fisheries.

With Lundin Petroleum's operational focus shifting to Norway, the strategy has been revised to better reflect our geographical footprint. In 2016, we identified projects in Norway and Sweden which aim at supporting the increasing refugee and migrant population in these countries to improve their professional skills, start or expand businesses and enhance their employability. Lundin Petroleum also supports a project in the north of Norway that aims to encourage entrepreneurship and innovation in the area.

More information on Lundin Foundation projects can be found in the 2016 Sustainability Report.