

# LUNDIN PETROLEUM'S 2014 COMMUNICATION ON PROGRESS TO THE UNITED NATIONS GLOBAL COMPACT





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20 April 2015

H.E. Ban Ki-moon  
Secretary-General  
United Nations  
New York, NY 10017  
USA

**Lundin Petroleum's Commitment to the United Nations Global Compact & Communication on Progress 2014**

Dear Mr Secretary-General,

I am pleased to confirm that Lundin Petroleum continues to firmly support the Global Compact and the UN Millennium Development Goals. Sharing the vision of working for a sustainable global economy, we actively strive to embed the ten principles in our strategy, culture, policies and day-to-day activities.

We support public accountability and transparency and are therefore committed to report annually on progress in implementing the Global Compact principles.

This 2014 Communication on Progress details our on-going efforts and progress in promoting human rights, labour standards, environment and anti-corruption in our business conduct.

Sincerely yours,

A handwritten signature in black ink, appearing to read "C. Ashley Heppenstall".

C. Ashley Heppenstall  
Lundin Petroleum AB  
President and Chief Executive Officer

# Highlights

Lundin Petroleum's 2014 Communication on Progress demonstrates the on-going efforts and progress made in implementing the 10 Principles of the United Nations Global Compact.

## Joining the UN Global Compact Nordic Network

Lundin Petroleum joined the UN Global Compact Nordic Network early 2014 and participated in the two bi-annual Nordic Network Meetings in Oslo and Stockholm, sharing best practice, experiences and challenges in implementing the UN Global Compact Principles.

## Corporate Responsibility

Lundin Petroleum's commitment to the United Nations Global Compact is reflected in its Code of Conduct and Corporate Responsibility policies, guidelines, systems, processes and procedures. The Company fulfils its commitment to implement the ten Principles on human rights, labour standards, environment and anti-corruption by taking steps to embed the Principles throughout the business cycle. For example, in 2014 Lundin Petroleum adopted a Biodiversity Statement to emphasise the importance of preserving the natural environment and biological diversity in its areas of operations and established a process to determine potential sensitive areas. Lundin Petroleum also reiterated its commitment to anti-corruption by signing the UN Global Compact's Call to Action, joining 280 companies urging governments to enhance anti-corruption measures.

## Health, Safety and Environment

As an international oil & gas exploration and production company, Health, Safety and Environment (HSE) are a priority for Lundin Petroleum. In 2014, additional emphasis was placed on HSE and contractor management in major projects. For instance, Lundin Petroleum refurbished a FPSO (Bertam) in Singapore over a period of 18 months. Due to strong HSE stewardship and on site supervision a remarkable safety performance with zero lost time incidents was achieved.

In 2015, Lundin Petroleum seeks continuous improvement on the 10 Principles of the UN Global Compact.

# Our Business

## Finding and Developing Oil and Gas Resources

Lundin Petroleum has exploration and production assets focused upon two core areas, Norway and South East Asia, as well as assets in France, the Netherlands and Russia. Lundin Petroleum maintains an exploration focus seeking to generate sustainable value through exploration success and also has the resources to take exploration successes through to the production phase.



### Exploration

Lundin Petroleum has a proven track record in finding new oil and gas resources.

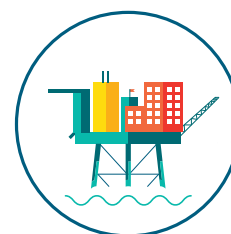
The Company's strategy of building core exploration areas in specific countries and assembling integrated teams of geologists, geophysicists and technical experts to develop new play concepts has proved very successful. The teams are encouraged to have a creative way of analysing information and thereby adapting a visionary approach to oil and gas exploration.



### Development

Based on the results from its exploration and appraisal drilling, Lundin Petroleum creates a 3D simulation model of the reservoir as accurately as possible. Thereafter the Company establishes a conceptual development plan.

The plan sets out how to best manage the reservoir for production. It includes a programme for how to extract hydrocarbons as efficiently as possible from the reservoir, a plan for the engineering and design of all surface and subsurface facilities as well as infrastructure to deliver the resources. The development plan also details all safety procedures and ensures that the environmental impact will be minimal.

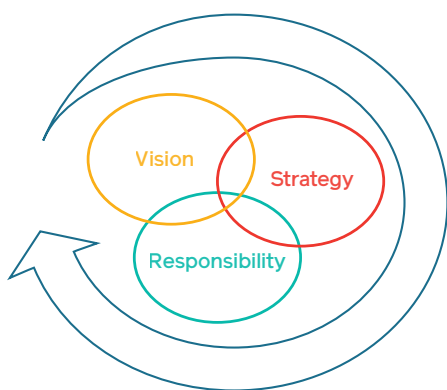
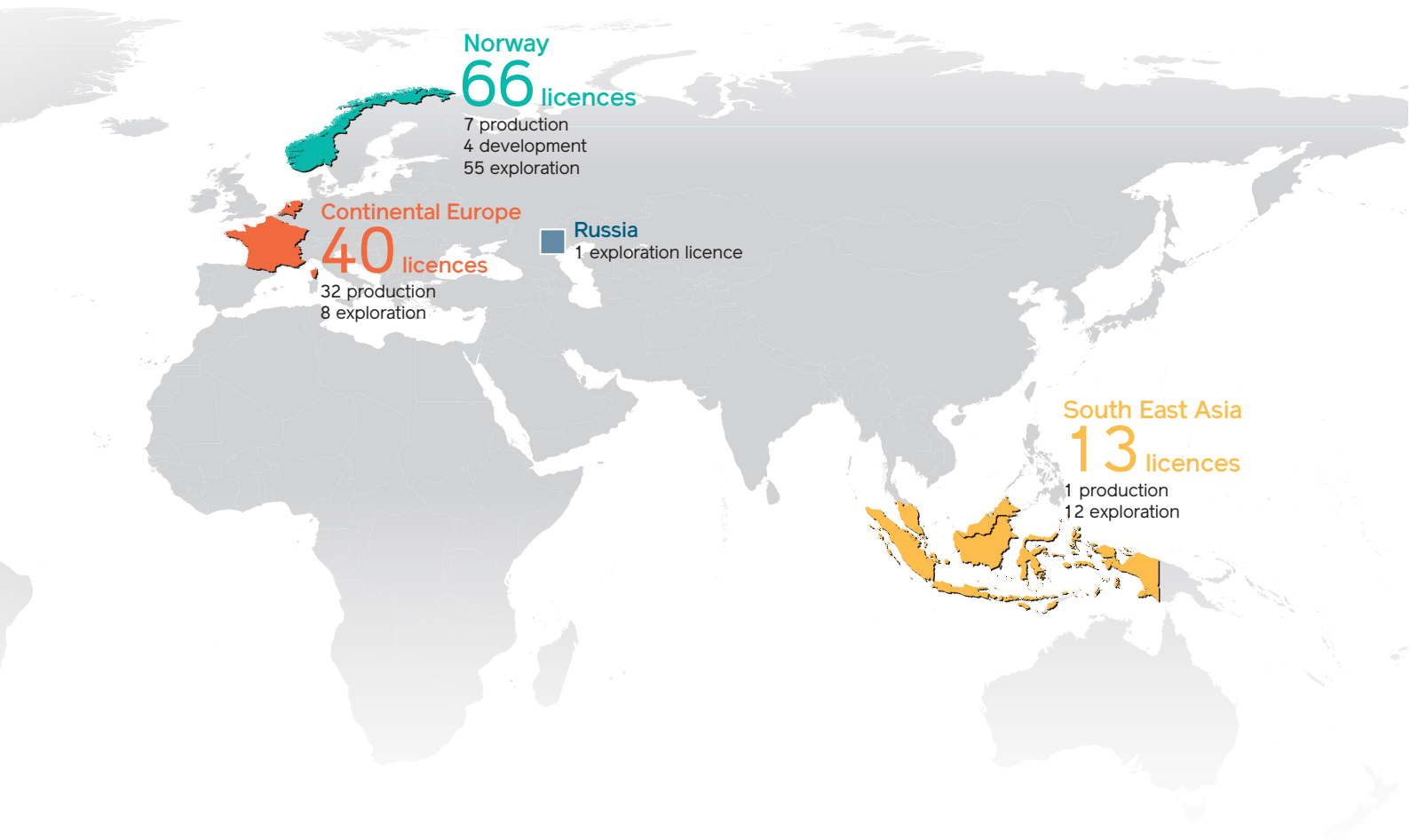


### Production

After exploration, appraisal and development, Lundin Petroleum enters into the production phase. The production phase is defined as everything from extraction and processing to delivering the oil or gas for sale.

Lundin Petroleum uses the income from its production assets to finance its core activity, the exploration of new oil and gas resources. However, as the Edvard Grieg and Johan Sverdrup discoveries are developed and put into production, the focus on production operations will become more prominent. The Brynhild field and the Bøyla field, offshore Norway have recently been brought onstream. With first oil from the Bertam and Edvard Grieg projects planned in 2015, Lundin Petroleum's oil and gas production is expected to reach over 75,000 boepd by the end of the year.

The Company places great emphasis on safety. Operations are carried out with human, technical and organisational barriers in place, so that a breach of a single barrier cannot alone lead to any harm to people, the environment or the Company's assets.



Our **vision** is to grow a profitable upstream exploration and production company, focused on core areas in a safe and environmentally responsible manner for the long-term benefit of our shareholders and society.

Lundin Petroleum is pursuing the following **strategy**:

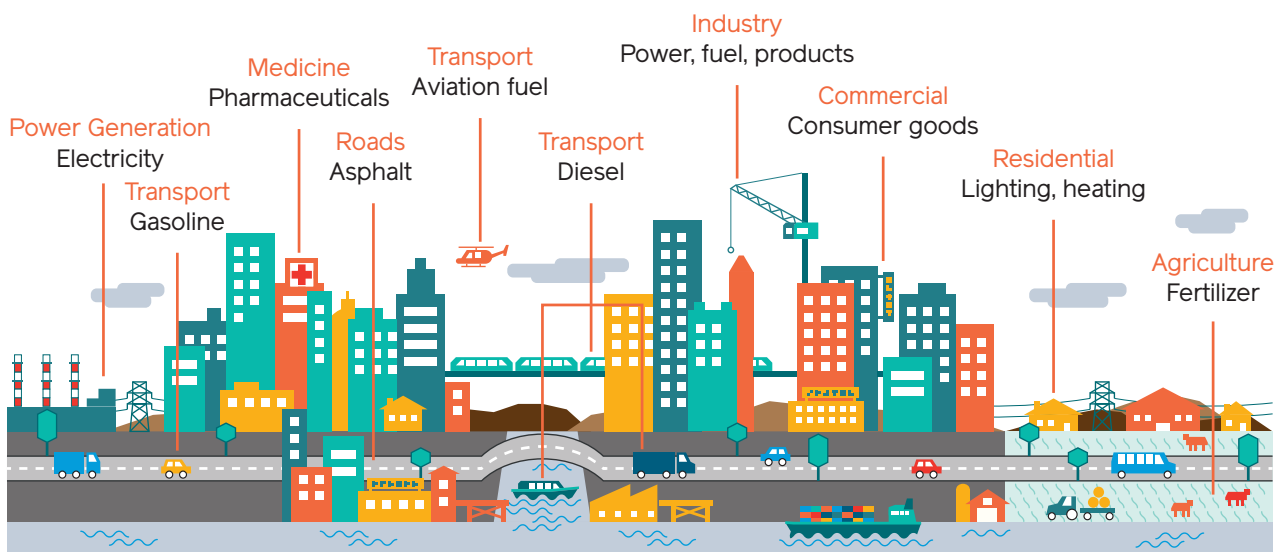
- Proactively investing in exploration to organically grow its reserve base. Lundin Petroleum has an inventory of drillable prospects with large upside potential and continues to actively pursue new exploration acreage in core areas.
- Growing its existing asset base with a proactive subsurface strategy to enhance ultimate hydrocarbon recovery.
- Acquiring new hydrocarbon reserves, resources and exploration acreage where opportunities exist to enhance value.

Lundin Petroleum is **responsible** towards:

- shareholders, to realise and sustain a good return on investment and a continuing growth of its asset base.
- employees, to provide a safe and rewarding working environment.
- host countries, owners of the resources, to find and produce oil and gas professionally, efficiently and responsibly.
- local communities, to contribute to local development and higher living standards.
- society, to contribute to wealth generation while minimising the impact of our activities on the environment.

# Sustainable Growth

Lundin Petroleum's exploration and production activities create more than just shareholder value



## Oil and gas products in our society

Oil and gas products are fundamental to modern societies and are present in many aspects of our daily life. Oil continues to be the fuel of choice for power and transportation as well as component for asphalt, pharmaceuticals, plastics and many synthetic products and consumer goods.

## Supplying the world with a basic resource

Oil remains the primary source of world energy consumption and is estimated to remain so for decades to come. The world's annual oil consumption currently amounts to roughly 32 billion barrels. Put into context, this corresponds to more than 12 Johan Sverdrup discoveries per year.

The current level of oil supply can only be maintained by increasing production from existing discoveries; by using new methods and technology to develop oil deposits or by making new oil discoveries.

Making new discoveries is Lundin Petroleum's core competence. The oil discoveries that the Company has made in Norway will not only prolong the country's oil production but will also supply the world with oil for the next 50 years.

## Social development

An oil discovery is a great economic resource which creates wealth and jobs, benefiting not only Lundin Petroleum's employees, their families, and the Company's shareholders but also local communities and society as a whole.

## Investments

Lundin Petroleum operates in the oil and gas industry which requires a long-term perspective. On one hand, the Company generates income when oil is produced. The exploration and development phases, on the other hand, require large investments. Drilling and construction of facilities and infrastructure are particularly costly. The investment budget for Lundin Petroleum in 2015 has been set at USD 1.75 billion.

## Contribution through taxes

One of Lundin Petroleum's main financial contributions to society comes through taxes, paid in the form of corporate and production tax on sales proceeds from oil and gas production. In Norway, for example, the petroleum production tax is set at 78 percent. The giant Johan Sverdrup discovery made by Lundin Petroleum is expected to generate more than USD 150 billion in tax revenues during the life of the field.



# Developing a Sustainable Approach

### A sustainable approach

Lundin Petroleum not only adheres to applicable legislation, but is also committed to conduct its business in accordance with best industry practice and principles for corporate citizenship embodied in reliable and recognised international initiatives. The Company has integrated corporate responsibility commitments and strategies into its business through the adoption of relevant policies, guidelines and procedures and strives for continuous improvement.

Due to the nature of oil and gas operations, Lundin Petroleum has a strong focus on putting in place and developing a robust health, safety and environmental (HSE) framework. Policies on health, safety and the environment set out the Company’s commitment in this area, and the HSE Management System (Green Book) ensures these policies translate into good practice.

Lundin Petroleum’s staff worldwide are trained in the application of the Company’s Code of Conduct, Corporate Responsibility policies, and the Green Book to ensure understanding and compliance.



### Sustainable investments

In order to increase the scale and impact of Lundin Petroleum’s sustainable investment projects, the Company entered into a partnership with the Lundin Foundation in 2013. The Lundin Foundation’s core focus is impact investments, supporting projects with a social and/or environmental positive impact (see page 22).

### Creating job opportunities

Lundin Petroleum creates job opportunities across the world through direct employment and also through the various contractors and suppliers that the Company is using.

The development of the Edvard Grieg field in Norway and the Bertam field in Malaysia have generated millions of man hours in Norway and South East Asia.



# Committed to Responsible Conduct

Responsible conduct is central to our business and creates value for all our stakeholders

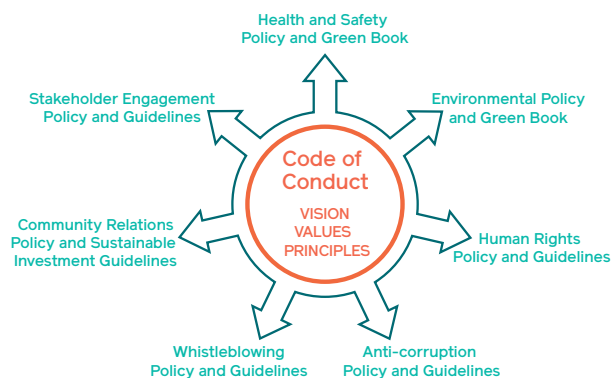
## Responsible conduct

Lundin Petroleum is committed to ensuring its worldwide operations are conducted in a responsible manner, which ultimately secures social, environmental as well as economic benefits for all our stakeholders.

The safety of our people and the protection of the environment are paramount in all of Lundin Petroleum's strategic decisions and operating activities. Our commitment to responsible conduct is set out in Lundin Petroleum's Code of Conduct and in specifically tailored Policies, Guidelines and Management Systems. These documents establish the requirement for all countries of operations to integrate Corporate Responsibility principles, systems and procedures into their activities for the protection of the health, safety and security of all stakeholders as well as the environment. Everyone within Lundin Petroleum is expected to contribute to continuously improve the way in which the Company conducts its operations.

As part of our continuous improvement efforts, Lundin Petroleum launched in 2013 a Corporate Responsibility Management System Review, covering compliance with our Code of Conduct as well as with the Company's policies and guidelines on anti-corruption, human rights, labour standards, environment and stakeholder engagement.

In 2014, Corporate Responsibility Management System Reviews were conducted in France, Indonesia, Malaysia and Norway. These process oriented reviews, will be carried out annually with the General Managers and heads of departments. They have become a valuable tool to assess the level of integration of Corporate Responsibility principles in the Group's operations. They also provide an opportunity to engage in discussions on corporate responsibility issues at different levels of the organisation; they stimulate reflections on issues of relevance given the operational contexts and contractual arrangements, and they provide an opportunity to share best practice across the Group.



## Corporate Responsibility in Practice

For the first time since Lundin Petroleum adopted its Whistleblowing Policy and Procedure in 2008, a contractor invoked it to lodge a complaint against the Company in Malaysia. The complaint did not allege fraud or corruption but improper conduct in relation to a pre-qualification for tender process. The Whistleblowing procedure was followed strictly; the matter was dealt with confidentially and with the assistance of an external lawyer. A full investigation was carried out and the conclusion was that due process had been followed. However, it was recognised that communications with the contractor could have been handled in a better manner. As a result, a formal procedure for communicating with bidders was introduced. A close-out meeting was held with the contractor who considered the matter had been dealt with in a fair and professional manner. This whistleblowing case confirmed the fitness for purpose of the Whistleblowing Policy and Procedure.



#### Performance 2014

- **Health, Safety and Environment (HSE):**  
Achieved best Key Performance Indicators to date
- **Carbon Disclosure Project (CDP):**  
Obtained highest score among Nordic oil and gas companies
- **Biodiversity Conservation:**  
Adopted Biodiversity Statement, confirming the commitment to protect the environment
- **Contractor Management:**  
Achieved zero lost time incidents during Bertam FPSO refurbishment, due to strong HSE culture and on site supervision
- **Stakeholder Engagement:**  
Consulted with southern Barents Sea stakeholders

#### 2015 Goals

- **HSE performance:**  
Maintain and reinforce positive trends
- **Corporate Responsibility:**  
Roll out new implementation & training tools
- **Contractor Management:**  
Engage actively with contractors to improve their performance
- **Stakeholder Engagement:**  
Improve communication on corporate responsibility issues
- **Sustainability Reporting:**  
Introduce the Global Reporting Initiative G4





## Committed to People

### People are Lundin Petroleum's key resource in unlocking opportunities

#### An attractive work place

Lundin Petroleum values diversity and recruits employees representing a broad spectrum of experiences and backgrounds. At the end of 2014, a total of 593 people spread across seven countries were directly employed by the Group, along with a further 235 contractors. The largest number of employees was in Norway with 320 employees, followed by Malaysia with 98 employees. The workforce increased by 32 percent compared to 2013, due to the increased activity mainly on our growth projects in Norway and Malaysia.

Lundin Petroleum employs a large number of contractors spanning its exploration, development and operating activities. Lundin Petroleum takes its responsibility towards contractors seriously and applies the same high standards of professional conduct as it does towards its employees. This is reflected in the fact that Lundin Petroleum tracks Key Performance Indicators for health and safety not only for its employees but also for contractors over whom it has operational control.

Over the last thirteen years, Lundin Petroleum has been successful in attracting and retaining the best possible talent in the industry. This has been made possible through our good reputation as an employer driven by the opportunities and responsibilities that are given to Lundin Petroleum employees throughout our worldwide operations. Lundin Petroleum is known for keeping an open and attentive attitude towards its employees and for having short and direct channels of communication and fast decision-making, which allow for creative new ideas and propositions to be acted upon quickly generating value for our stakeholders. It is by fostering this culture of innovation and high-performance, where creativity is encouraged and rewarded, that Lundin Petroleum has confirmed its position as the employer of choice in the market place.

As the business continues to expand, Lundin Petroleum is convinced that it is this dynamic work environment that will allow the Company to retain and attract world class employees now and into the future. In order to maintain and foster this environment it continuously invests in its employees through training, skills development and by offering opportunities to move across the range of professional disciplines, which ensures that employees have the sufficient skills, knowledge and motivation to be successful in their work. The results of Lundin Petroleum's dedication to invest in its people are evident in the strong results that the Company has delivered and high levels of motivation and low levels of employee turnover at its sites around the world.



### Lundin Petroleum ranked amongst the most attractive employers in Norway

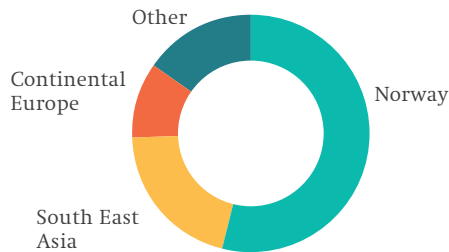
In 2014 Lundin Norway ranked among the top ten most attractive employers for engineers in the country, according to a survey conducted among more than 8,000 people, asking which company they would prefer to work for.

Lundin Norway's position as an attractive employer has also been confirmed in the hiring process and in early 2014, a total of 2,500 applications were received for 12 job vacancies.

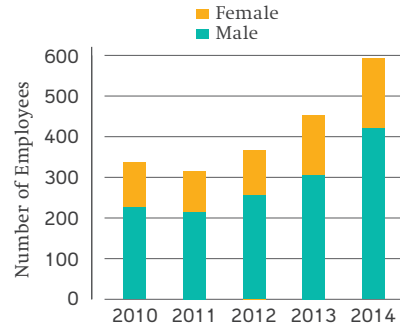
"We are pleased to see that so many people outside our company have noticed all the exciting projects we have going on at the moment. It is good to see that a company of our size is able to compete in a league where most of our competitors are considerably larger."

Jørn Kokvold  
Head of Human Resources in Norway

### Employees by Country 2014



### Employees by Gender



#### Fostering diversity

Lundin Petroleum values diversity and strives to maintain an inclusive work environment in all of its countries of operations. It recruits qualified individuals irrespective of gender, race, ethnicity, religion or disability.

Wherever the Company operates it strives to employ locally so that it can benefit from local knowledge and experience at the same time as contributing to capacity-building within the host country. During 2014, the total proportion of employed nationals in countries where Lundin Petroleum operated was 86 percent.

Lundin Petroleum rewards its employees according to their performance and their delivery on individual predetermined objectives. Its reward approach aims to encourage outstanding commitment and performance, thereby enhancing value creation across all parts of the group.

#### Investing for the future

Lundin Petroleum invests in its future employee base by training and developing talent.

In parallel with investing in its current employees, Lundin Petroleum also actively contributes to secure tomorrow's talent pool. Throughout the countries of operations, traineeships are offered in fields of petroleum engineering, geology and Corporate Responsibility.

In Indonesia, Lundin Petroleum has maintained its longstanding partnership with the Bandung Institute of Technology. In 2014 three scholarships were granted to students from different academic departments: geology, petroleum engineering and environmental science.

### Promoting healthy employees and encouraging social engagement

Lundin Petroleum invests in its people and sees the wellbeing of its employees as a top priority. To maintain a rewarding work environment it strives to uphold a healthy work balance and lifestyle amongst its employees.

During 2014, Lundin Petroleum offered a wide range of sports activities and programmes to its employees, with varying content among the different countries of operations.

Lundin Petroleum supported the participation of Nathalie Pingret, operations assistant at Lundin France, in the Mont Blanc Ultra Trail race. Nathalie managed to run 168 km in 45 hours. The benefits of the race went towards supporting A Chacun son Everest, a charitable organisation which raises funds for children with cancer and leukaemia.

# Promoting HSE Excellence

## Ensuring safe and responsible operations

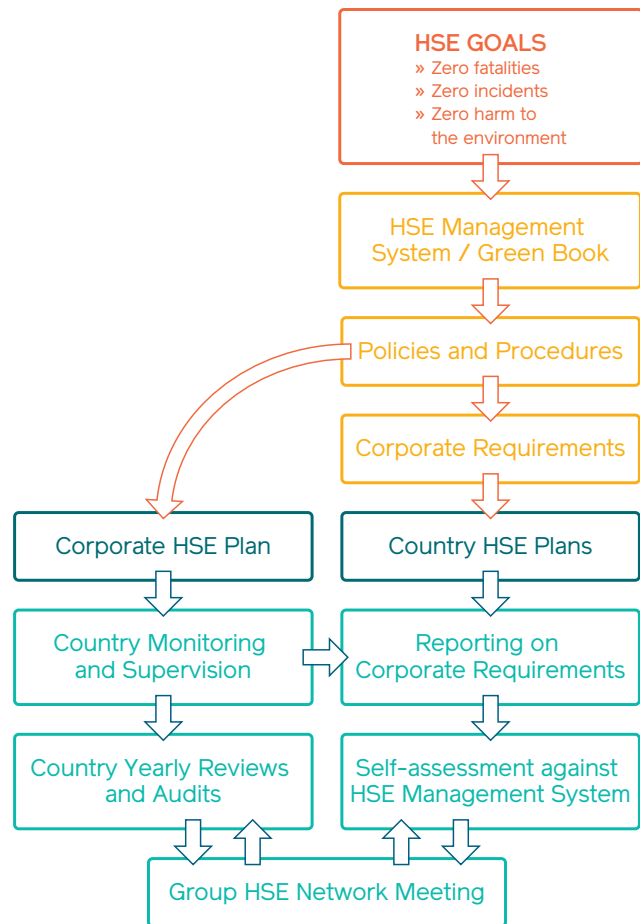
As an oil and gas company, Lundin Petroleum operates in an industry exposed to safety risks. Accidents can potentially occur anywhere and at any time, but it is Lundin Petroleum's responsibility to identify and mitigate any such potential risks and to provide its employees and contractors with safe working conditions. Dedicated policies, processes, procedures and work practices have been put in place to ensure that this responsibility is being met and that risks are being minimised.

## Proactively manage

The purpose of Lundin Petroleum's HSE management system (Green Book) is to prevent accidents or incidents from happening which can have an impact on people, the environment or on the Company's assets. The Company undertakes risk assessments and uses Key Performance Indicators (KPIs) as HSE management tools, focusing not only on areas where incidents have already occurred, but also where they could potentially occur in the future. Carrying out investigations after incidents have occurred enables us to ascertain the causes of the incidents and take corrective action to prevent them from happening again. Sharing experiences, lessons learned and best practice are also important HSE tools and take place informally within the Group on an ongoing basis and formally through quarterly Group HSE network meetings and management visits to the operations.

## Embracing a strong safety culture

While policies provide a good framework, they are not enough to ensure safe operations. A strong safety culture is created when employees are sufficiently empowered to personally take responsibility for performing their work safely and when they have a sense of ownership regarding safe operations and a deep-rooted commitment to that goal. Constant vigilance is essential as well as identifying and openly reporting risks. Lundin Petroleum believes in the sound judgment and capability of its employees and, in addition to policies, procedures and personal protective equipment provides them with the necessary resources, trainings, advice and guidance to enable them to conduct their work in the safest possible manner. Since safety is a joint responsibility, the same level of commitment is expected from contractors, suppliers and partners, in order to ensure that the highest standards of safety are followed across all operations. In 2015, the Company plans to further strengthen its existing contractor management by expanding its current inclusion of the Code of Conduct and HSE requirements to contractors to also include additional corporate responsibility issues such as anti-corruption and human rights in contractual clauses and via a contractor declaration.





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## Protecting Health, Safety and the Environment is a given in our industry

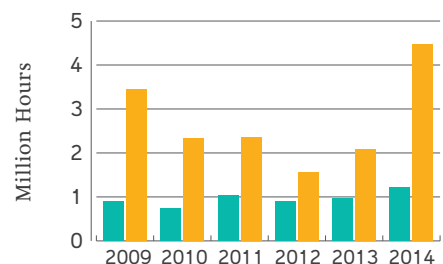
**C. Ashley Heppenstall**  
President and CEO

### Emergency preparedness

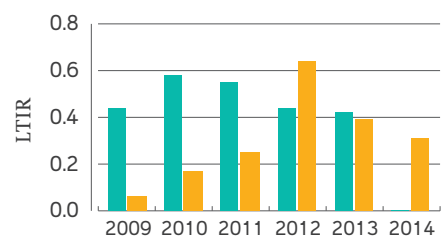
The emergency preparedness is tested on an ongoing basis together with contractors. This is done through regular emergency response drills conducted in each operation and at least one drill per operation and per year is conducted, with the corporate crisis management team. Throughout the year internal and third party HSE audits and HSE management systems reviews were conducted to identify potential safety issues and to ensure that a sound HSE management was in place.

Likewise the Company has systems and processes in place to prevent and, if need be, manage oil spills. These range from developing oil spill contingency plans based on impact studies, to training staff to prevent and remediate spills. In addition, as a precautionary step, Lundin Petroleum has a Group wide contract with an oil spill response organisation to ensure fast and efficient remedial actions in the event of a spill. In 2014, despite its best efforts, the Company recorded six chemical and two oil spills. Apart from the oil spill in France, none of the other incidents required mobilisation of oil or any chemical clean-up resources or any further measures to remedy the situation, since the oil diluted to harmless concentrations immediately after the incident and caused no measurable harm to the environment. As for France, while the incident required removal of soil where the spill occurred, there was no lasting impact on the environment.

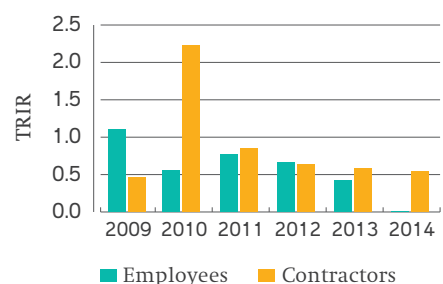
Exposure Hours



Lost Time Incident Rate



Total Recordable Incident Rate





# HSE Performance

## Systematic reporting

All incidents that occur at Lundin Petroleum's sites are reported and shared at different levels in the Company, with the purpose of increasing awareness and preventing future occurrences. "Near misses with high potential" are treated as importantly as serious incidents since they are deemed to have had potential to cause harm if circumstances had been slightly different. Since the Company was created, there have been no work-related fatalities in its operations. During 2014, the Lost Time Incident rate (LTI) for Lundin Petroleum's employees and contractors was 0.25 per 200,000 hours, which is the best performance to date. The majority of incidents were minor and occurred while performing daily routine work, and ranged from a broken finger to a strained ankle.



## HSE Indicator Data

		2014	2013	2012	2011	2010
Exposure Hours	Employees	1,219,744	960,508	909,196	1,036,831	731,793
	Contractors	4,466,854	2,074,824	1,561,482	2,354,452	2,336,409
Fatalities	Employees	0	0	0	0	0
	Contractors	0	0	0	0	0
Lost Time Incidents <sup>1</sup>	Employees	0	2	2	3	2
	Contractors	7	4	5	3	2
Restricted Work Incidents <sup>2</sup>	Employees	0	0	0	0	0
	Contractors	1	0	0	3	7
Medical Treatment Incidents <sup>3</sup>	Employees	0	0	1	1	0
	Contractors	4	2	0	4	17
Lost Time Incident Rate <sup>4</sup>	Employees	0.00	0.42	0.44	0.58	0.55
	Contractors	0.31	0.39	0.64	0.25	0.17
Total Recordable Incident Rate <sup>4</sup>	Employees	0.00	0.42	0.66	0.77	0.55
	Contractors	0.54	0.58	0.64	0.85	2.23
Oil Spills	No.	2	0	2	7	1
	Vol. (m <sup>3</sup> )	5.2	0	4	33	10
Chemical Spills	No.	6	7	1	2	1
	Vol. (m <sup>3</sup> )	45.9	59.37	1.75	3.50	7.70
Hydrocarbon Leaks	No.	0	0	0	0	0
	Mass (kg)	0	0	0	0	0
Near Misses with High Potential	No.	7	2	5	3	3

<sup>1</sup> Lost Time Incident (LTI) is an incident which results in a person having at least one day away from work.

<sup>2</sup> Restricted Work Incident (RWI) is an incident which results in keeping a person from performing one or more routine functions.

<sup>3</sup> Medical Treatment Incident (MTI) is a work related injury or illness that does not result in a job restriction or days away from work.

<sup>4</sup> Lost Time Incident Rate and Total Recordable Incident Rate are calculated on the basis of 200,000 hours.





### Strong HSE performance on Bertam FPSO refurbishment

In 2014, major projects such as Bertam in Malaysia required a strong HSE management in order to be successfully implemented. At the Keppel shipyard in Singapore where the Bertam FPSO vessel was refurbished with zero lost time incidents and only one recordable incident over a period of 18 months and with onsite personnel ranging from 100 to 1,200 daily. This exceptional performance was the result of a strong HSE stewardship, which included recruitment of new staff to strengthen existing HSE teams, selection of contractors with strong HSE credentials and a dedicated HSE officer that conducted on-site supervision during the entire duration of the work.

The excellent safety performance on the Bertam FPSO refurbishment demonstrates the importance of communicating the Company's HSE commitment and expectations to all contractors, and the value of exercising a close and constructive supervision of the work that is being conducted at all times.



# Respect for our Natural Environment

## Committed to protect the environment throughout all stages of our operations

Working in the oil and gas industry requires us to minimise the impact of our activities on the surrounding natural environment. Every site, from onshore fields in the French mainland to offshore activities on the Norwegian Continental Shelf, has its own natural characteristics and sensitivities. Respect and dedication to preserving our common natural heritage is very important. Lundin Petroleum protects the environment in which it operates by performing extensive environmental impact and baseline studies prior to and during exploration or production activities. These requirements are set out in the Company's HSE Management System (the Green Book) and apply to all countries within the Group, which perform these environmental studies in addition to complying with national and local laws and regulations.

The life cycle of an operation, from licence application to site restoration, typically involves six important stages in which the Company has to carefully analyse all potential impacts on the environment.

### Licence application 1

For planned or newly acquired licences, data is gathered and analysed in order to gain an understanding of the particular environmental context for the area where operations are to be conducted. Environmental baseline studies are further conducted to identify if there are any environmental aspects that may be impacted by operational activities so that appropriate steps to minimise any impact can be taken.

### Seismic acquisition 2

In those new areas where seismic data acquisition is necessary, consultations with local stakeholders such as local officials, land owners, concerned communities and fisheries, are undertaken prior to starting any seismic campaigns. These consultations are guided by the outcome from the environmental impact studies and aim to reach an agreement as to when and how seismic campaigns can take place. When required, dialogues with the fishery industry are initiated in order to avoid seismic acquisitions being performed in particularly sensitive periods, and where appropriate, to establish compensation schemes.

### Exploration and appraisal drilling 3

Prior to starting exploration or appraisal drilling, extensive environmental baseline and impact studies of the planned activities are conducted, and an environmental permit is obtained from national authorities. The scope of the studies normally depends on the extent of existing knowledge of the area and may include literature studies, visual monitoring and sediment and water sampling. Following the outcome of these studies, measures may be taken to minimise the environmental impact of the operations, for example by drilling a deviated well, changing the anchor pattern of the rig or bringing drill cuttings to shore.



In addition to studies, other measures aimed at protecting the environment during drilling operations include risk assessments, emergency response and oil spill preparedness plans and substitution of chemicals to more environmentally friendly alternatives wherever possible.

### Field development 4

Once the decision is taken to develop a field, full environmental impact assessments are carried out and environmental management plans are established which aim to minimise the environmental footprint. An example of this is the design of the Company's operating facilities, which are constructed to minimise emissions to air, discharges to sea and the impact on land. Other technical solutions include low NO<sub>x</sub> emission technology, waste heat recovery, produced water re-injection, flare gas recovery, gas injection or, in the case of Norway, using power from shore for offshore facilities. The Edvard Grieg platform in Norway is designed and constructed according to the examples listed above.

### Production 5

When reaching the production phase, the HSE Management System and Plan as well as a detailed monitoring programme are in place to measure levels of emissions to air and, for offshore activities, discharges to sea. Through such monitoring, the Company is able to identify areas of improvement in relation to energy optimisation and the efficient use of chemicals, and for setting improvement targets.

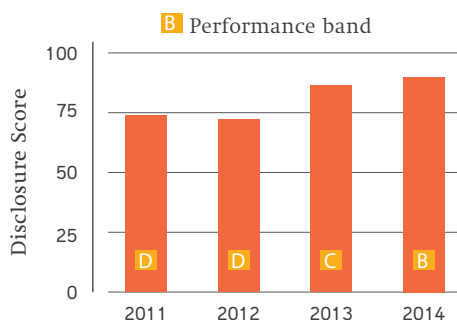
### End of project and site restoration 6

When operations come to an end, sites are decommissioned according to best practice and in compliance with applicable regulations regarding recovery of materials and site restoration. For onshore sites, all structures are removed and trees are planted. If an agreement is reached with the landowner, refurbished structures may however be left and for example, to be used for storage of agricultural equipment.

## Climate change

Lundin Petroleum recognises climate change as an important issue for the oil and gas sector and has, since 2007, committed to integrate the issue of energy efficiency and greenhouse gas emissions reduction in its strategic planning. Over the years it has developed systems and processes for operations to integrate climate related considerations in the selection of installation designs, products or equipment. As a result, in 2014 Lundin Petroleum received a score of 90B in its reporting to the Carbon Disclosure Project, which is the highest score obtained among Nordic oil and gas companies.

**Lundin Petroleum's CDP Ranking**  
2011–2014



## Biodiversity

The preservation of biological diversity is implicit in Lundin Petroleum's Environmental Policy and the Green Book and operations continuously assess the potential effects of oil and gas activities on the biodiversity in their baseline and impact studies. In 2014, the Company decided to emphasise its commitment to preserve biodiversity in its areas of operations by consulting with two significant conservation organisations, the International Union for Conservation of Nature (IUCN) and Fauna & Flora International (FFI), and by issuing a Biodiversity Statement approved by the Board. In addition to integrating considerations of biodiversity in the operational plans, Lundin Petroleum funds projects which promote biodiversity. For example, it contributed over a number of years to artificial breeding of sturgeons in the Caspian Sea. In 2014, it funded the transport of Siberian cranes (an endangered species) from Siberia where they were bred, to Astrakhan from where they pursue their seasonal migration.



## Edvard Grieg platform designed to minimise the impact on the environment

The development of Edvard Grieg consists of constructing a platform for production and processing of oil and gas and is the first stand-alone development project operated by Lundin Petroleum on the Norwegian Continental Shelf. As part of Lundin Petroleum's firm commitment to a strong health, safety and environment performance, the Edvard Grieg platform is being designed and constructed in order to minimise the impact on the environment.

A series of innovative technical solutions have been selected for the project that will see a reduction in emissions and discharges to sea. Examples include low-NO<sub>x</sub> emission technology, waste heat recovery, flare gas recovery and gas injection. The electrification of the platform from shore, meaning that electrical power will be supplied from land via cables out to sea, is an example of a measure that will significantly reduce the emissions levels from the offshore facility. Produced water re-injection, whereby produced water is being re-injected into the reservoir after passing through a redundant treatment system which will ensure low oil content in the water, is another example of how to minimise discharges to sea. Furthermore, both living quarters and helideck will be constructed entirely in aluminium, a material that has been chosen because of its low weight, easy maintenance and for its environmental friendliness.

A new Oil Spill Detection (OSD) radar system will also be installed on the Edvard Grieg platform. This new maritime radar will be able to detect even very small oil spills, as well as recognising other sea clutter, to produce clear and effective information that can be acted upon quickly. The installation of the radar system will be the first operational system that has the ability to detect oil spills at sea within a wide range of weather conditions, including quiet and coarse sea states.

# Commitment to Engage with Stakeholders

It is important for Lundin Petroleum to openly communicate with people and organisations which are impacted by or impact the Company. In its Code of Conduct, Lundin Petroleum identifies its shareholders, employees, host countries, local communities and society as its stakeholders; they remain the focus of the Company's attention. The type and frequency of engagement with each group differs according to the need and opportunity for engagement.

## Shareholders

Shareholders are informed of Lundin Petroleum's strategy and ongoing activities through public disclosure in the form of financial reports, press releases, external presentations and through the corporate website. Other forums in which the Company engages with shareholders are in individual or joint meetings and at the Annual General Meeting.

## Employees

Engagement with staff takes place on a daily basis throughout the Group. Corporate senior management visit country offices on a regular basis and hold individual meetings to discuss group strategy and to track progress on all issues impacting the Company. In addition, Corporate Responsibility training sessions and management system reviews or audits are also conducted. In 2015, Lundin Petroleum plans to introduce a new Corporate Responsibility induction and eLearning tool.

## Host governments

Contact with host governments take place prior to the acquisition of a licence and the engagement continues at national and local levels throughout the lifetime of the licence period.

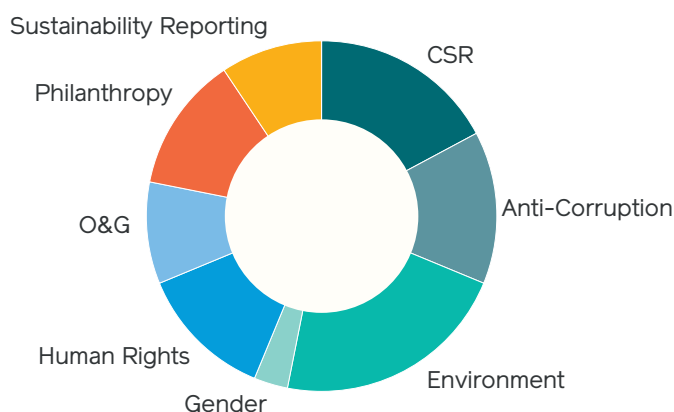
## Local communities

Engagement with local communities takes place prior to and during operational stages, comprising informal discussions as well as formal meetings, together with local authorities.

## Stakeholder Engagement by Group



## Stakeholder Engagement by Area of Sustainability





### International initiatives

Lundin Petroleum also engages with a variety of organisations such as NGOs, international initiatives and industry groups in different forums. In 2014 Lundin Petroleum formally joined the Nordic Network of the UN Global Compact and participated in events dedicated at promoting responsible business practice by organisations such as the EITI, the UN Forum on Business & Human Rights, the French Industrial Petroleum Union and the Norwegian Oil and Gas Association.

Lundin Petroleum also seeks to contribute to the better understanding of the importance and impact of corporate responsibility in its operations and to the sector by participating as a speaker or panellist in various conferences and workshops. These forums offer an important opportunity to meet and exchange views and best practice with experts on corporate responsibility.



UN Forum on Business & Human Rights  
Human Rights Council room, United Nations Geneva



# The Lundin Foundation



## Sustainable investment delivery through the Lundin Foundation partnership

The Lundin Foundation is a globally recognised leader in venture philanthropy that supports market-based solutions to sustainable and inclusive growth. The Foundation is currently supported by a number of publicly traded natural resource companies committed to the highest standards of corporate social responsibility.

The Lundin Foundation provides risk capital, technical assistance, and strategic grants to outstanding social enterprises and organisations across the globe, with a view to contributing to sustained improvements in social and economic development.

In 2013, Lundin Petroleum entered into a Memorandum of Understanding with the Lundin Foundation through which 0.1 percent of the prior year's operating revenues are contributed to the Foundation. To date, the Company has contributed more than USD 2.7 million. A minimum of seventy percent of contributed funds are dedicated to supporting initiatives in designated areas where Lundin Petroleum has exploration, development, or production assets.

During the initial two years of the partnership, activities have been focused in South East Asia on three thematic areas with clearly identified needs; sustainable fisheries, access to energy, and biodiversity conservation.



## The Projects

The Lundin Foundation has identified and partnered with a small group of organisations piloting innovative solutions to key development challenges. The long term objective is to scale demonstrated successes from the pilots. To date, partners have focused on establishing the groundwork and completing initial stages of the pilots including the establishment of key partnerships, design and development of technologies, and baseline assessments of market potential. In the year ahead, it is expected that all partnerships produce results and data which will validate key assumptions and inform strategic decisions. This includes community adoption behaviours and benefits of leveraging market incentives, consumer usage data and payment behaviours, scale of investment opportunities and linkage to conservation benefits. The Lundin Foundation is working closely with management teams and advising on strategic directions.



### Sustainable Fisheries

Indonesia and Malaysia sit within the Coral triangle; the most biodiverse marine ecosystem in the world with close to 40% of the world's reef fish, and 76% of the world's known coral species. This system is under threat due to overfishing and destructive fishing practices. A coordinated approach involving the adoption of sustainable fishing practices and fish recovery zones supported by policy and market incentives can reverse the decline.

Rare Conservation, Indonesia: Through its partnership with Rare Conservation, the Foundation is supporting innovative, scalable conservation and fisheries-management reform in three near-shore marine ecosystems in Indonesia to ensure profitable and sustainable fisheries while boosting livelihoods, protecting habitats, and enhancing coastal resilience to climate change. The Foundation is supporting a two year initiative led by Rare Conservation to pilot a set of scalable interventions with a direct impact on approximately 11,000 people, over 3,500 fishers, and the long term intention is to scale demonstrated results across the country.

### Access to Energy

Micro-grids powered by renewable sources present a unique solution in countries like Indonesia, where the cost of extending the grid to remote areas is prohibitively high. Despite its impact potential, few micro-grid businesses targeting rural communities have reached meaningful scale or attracted investor interest due in part to the challenges of developing sustainable business models. Target communities and consumers are often low income, with limited initial energy demand (due to limited electrical appliances), and the market is limited in size (solar mini-grids typically connect 50-100 households).

Electric Vine Industries (EVI), Indonesia: EVI has developed an innovative solar mini-grid targeted for remote communities in Eastern Indonesia where only 38% of households are electrified. EVI is piloting the system in Abar, a small town of 50 households located Lake Sentani and accessible by boat only. There are limited income generation opportunities beyond small crafts and fishing. Households currently have access to energy via a diesel generator which provides a few hours of energy a night, depending on available fuel.

Through its partnership with the Lundin Foundation, EVI is constructing a prototype solar micro-grid system, gather consumer data to determine commercial viability and refine business model. It intends to scale up to provide power to over 100'000 households in the next

five years, via innovative Public Private Partnerships (PPPs) with the Indonesian government.

Penampang Renewable Energy (PRE), Malaysia: PRE leads a group of organisations and local businesses in Sabah Province that have demonstrated decentralised, self-sustaining models for rural electrification that empower communities rather than foster dependency. PRE is also a recognised manufacturer of micro-hydro systems and renewable energy in Sabah Malaysia. A unique opportunity exists to help them transform into a sustainable business that focuses on designing and installing community owned renewable energy.

### Environmental Conservation

South East Asia, with its tropical climate and proximity to the equator, holds a wealth of biodiversity both on and offshore. Indonesia for example, has the second highest level of biodiversity in the world, contains over 10% of the world's animals and over 25% of the world's fish population. However this unique biodiversity is coming under considerable threat with direct implications on local livelihoods.

Oryx Impact Investment Fund, Indonesia: Oryx is a newly established impact investment company - a spin off initiative from Fauna and Flora International - dedicated to enabling and supporting an ecosystem of sustainable small - and medium-sized conservation enterprises in Indonesia that are based on sustainable resource use, demonstrate direct conservation impact, and are within strategically important, biodiversity significant landscapes that are serving to protect threatened species and habitats while building sustainable livelihoods.

Blue Impact Capital, Malaysia: Blue Impact Capital is a pioneering social enterprise in South East Asia. Traditionally, industrial mushroom farming uses sawdust from trees to grow mushrooms. By replacing sawdust with readily available agricultural by-products, Blue Impact Capital contributes toward combating deforestation, reduced carbon emissions and opportunities for underemployed women.



more information on the Lundin Foundation can be found on their website [www.lundinfoundation.org](http://www.lundinfoundation.org)

# Progress on the Principles of the Global Compact



## The UN Global Compact

The UN Global Compact is an initiative to encourage businesses and other actors in society to adopt sustainable and socially responsible practices. This is achieved through endorsement of, and reporting on the implementation of Ten Principles covering Human Rights, Labour Standards, Environment and Anti-Corruption. Lundin Petroleum became a participant of the UN Global Compact in 2010 and since then continues to implement the Principles in its operations. In 2014, Lundin Petroleum submitted its fourth Communication on Progress report; made a financial contribution to the UN Global Compact Foundation, joined the UN Global Compact Nordic Network and attended the bi-annual Nordic Network meetings to share best practice with other businesses committed to implement the Principles.

## Human Rights



Lundin Petroleum's Board of Directors strengthened the Company's commitment towards human rights by formally endorsing the UN Guiding Principles on Business and Human Rights, building upon the Human Rights Policy that was adopted in 2012. Since then the Company has focused on further embedding the Human Rights Policy through the adoption of Human Rights Guidelines. Employees in France, Indonesia, Malaysia, Norway and Switzerland are continually trained on the Company's Human Rights Policy & Guidelines. In 2014, Lundin Petroleum participated in the third annual Forum on Business and Human Rights at the UN in Geneva in order to learn about the challenges of implementing the Guiding Principles, to exchange views and opinions on current best practices and to engage with human rights experts and stakeholders.

## Labour standards



Lundin Petroleum has committed in its Code of Conduct to respect and protect employees' rights, including freedom of association and the right to collective bargaining. It ensures equal opportunity without discrimination on the basis of age, culture, disability, gender, race or religion by selecting candidates based on their competence and qualifications to perform the job. Every country of operations has a formal induction process in order to familiarise new employees with their rights and responsibilities and with Lundin Petroleum's Code of Conduct and Corporate Responsibility Policies.





## Environment

Lundin Petroleum continues to promote environmental protection and awareness throughout its operations. Country operations assess potential effects of their activities through baseline and environmental impact studies and contingency plans, and also support or take part in initiatives promoting environmental stewardship. Lundin Petroleum has in addition chosen to highlight two key issues which are particularly relevant to an oil and gas company, Climate Change and Biodiversity. The Company has committed to robust stewardship in these areas in dedicated Statements and in its operations. In 2014, Lundin Petroleum disclosed its strategy and greenhouse gas emissions to the Carbon Disclosure Project (CDP) for the sixth consecutive year and received the highest score among Nordic oil and gas companies. The Company also adopted a Biodiversity Statement, which was reviewed by two authoritative biodiversity organisations, the International Union for Conservation of Nature (IUCN) and Fauna and Flora International (FFI), to emphasise its commitment to preserve biological diversity in its areas of operations.

## Anti-corruption



Lundin Petroleum adopted its Anti-Corruption Policy and Guidelines in 2011 and since then monitors corruption trends through Transparency International's Corruption Index, the media and NGO reports, legislative developments and law enforcement. Lundin Petroleum tracks corruption potential within the Group through its Financial and Corporate Responsibility reports, reviews and audits. No cases of corruption occurred throughout the Group in 2014. In addition, Lundin Petroleum actively promotes anti-corruption within the Group and in the public domain, at conferences, with business partners, as well as engages with peers on the issue of the global fight against corruption. In 2013 Lundin Petroleum became a supporting company of the Extractive Industries Transparency Initiative (EITI), a voluntary initiative aimed at promoting anti-corruption and transparency through revenue disclosure. In 2014, the Company actively supported the EITI process in Indonesia, one of two EITI compliant countries within the Group, by meeting with the Indonesian EITI Secretariat and meeting with a key anti-corruption Commissioner. Lundin Petroleum also signed the UN Global Compact Call to Action on anti-corruption, which is an appeal by companies urging governments to enhance anti-corruption measures.





This is our **Communication on Progress** in implementing the principles of the **United Nations Global Compact**.

We welcome feedback on its contents.

