

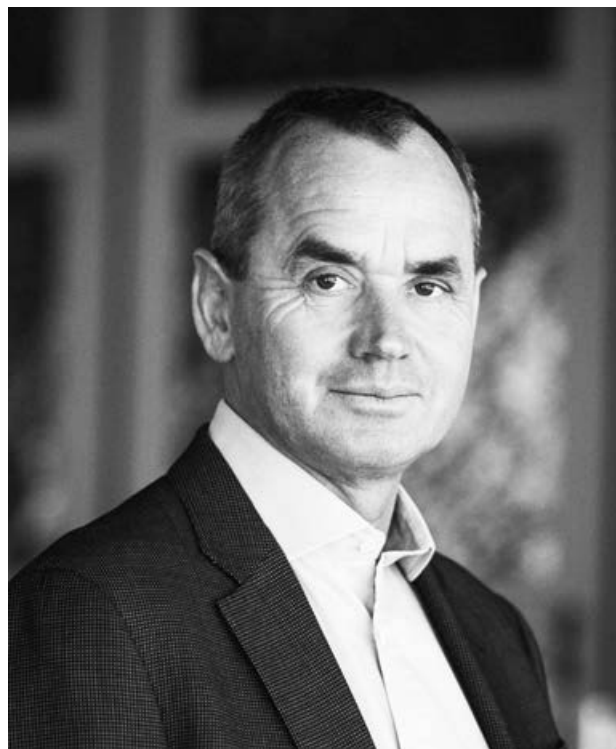
Corporate Governance

At Lundin Petroleum, we firmly believe that good corporate governance practices are key to any successful business and we are committed to applying a robust corporate governance framework suited to the Company's current operations, vision and strategy

Principles of good corporate governance, transparency and sustainability are all closely linked and are deeply rooted within Lundin Petroleum. I believe we have in many ways been frontrunners in this field applying a Code of Conduct, coupled with robust corporate policies, as a basis for our operations long before formal rules and reporting requirements were established. Over the years, we have also gradually increased our commitments to international initiatives and most recently, as a signatory of the UN Global Compact, we joined the "Call to Action" anti-corruption initiative to call on Governments to promote anti-corruption measures and implement policies that will establish systems of good corporate governance, as well as the Nordic Network, a forum to discuss the implementation of the Global Compact.

On the operational side, 2014 was a very busy year for Lundin Petroleum with an extensive exploration programme, four developments projects in Norway and Malaysia and progressing the giant Johan Sverdrup discovery in Norway towards development plan approval. A major focus for the Board has therefore been to ensure that adequate and appropriate control measures are in place to monitor the operations to ensure that the Company has access to sufficient liquidity to carry out the projects. The sharp decline in oil prices further emphasised the importance of effective governance routines and I am very pleased that Lundin Petroleum, despite challenging markets, remains today in a sound financial position with the required financial capacity to meet its obligations.

During the year, we further held extensive consultations with our stakeholders regarding the new LTIP 2014, mainly through the Compensation Committee and Group management. Several



meetings were held with institutional investors and their input and suggestions were taken into account for the final Board proposal to the 2014 AGM. I believe this process was beneficial to all parties involved and we will continue to engage with our stakeholders, as appropriate, as part of our corporate governance practices.

In 2015, we will experience some changes involving both current and former Board members of Lundin Petroleum. Subject to AGM approval, Grace Reksten Skaugen, a highly knowledgeable business professional with extensive international experience from a wide range of industries, will join the Board of Directors. At the same time, Asbjørn Larsen will step down after seven years on the Board. I would like to thank Asbjørn for his commitment and valuable input during these years, both as a Board member and as the Board CR/HSE representative, and would like to extend a warm welcome to Grace, who will undoubtedly make a great addition to the Board.

Finally, I would like to thank all Board members for their excellent work during the past year, Group management for their dedication and professional support to the Board as well as all our highly skilled staff for their professional efforts and devotion to Lundin Petroleum's corporate culture and commitment to operate in a responsible, transparent and sustainable manner. Last but not least, I would like to extend my thanks and appreciation to all fellow shareholders for your continued support and trust.

Ian H. Lundin
Chairman of the Board

Highlights 2014

Mike Nicholson appointed Chief Financial Officer of the Company as per 1 January 2014.

Implementation of a new performance based long-term incentive plan LTIP 2014 for Group management and other key employees.

Joined the UN Global Compact “Call to Action” anti-corruption initiative.

Implementation of policies for share ownership for Board members as well as Group management and other key employees, the latter as part of LTIP 2014.

Guiding Principles of Corporate Governance

Lundin Petroleum is an independent Swedish oil and gas exploration and production company with a focus on two core areas, Norway and South East Asia, and with assets in France, the Netherlands and Russia as well. Lundin Petroleum maintains an efficient Group structure that currently consists of approximately 30 companies in eight jurisdictions. The ultimate parent company of the Group is the Swedish public limited liability company Lundin Petroleum AB (publ). Lundin Petroleum currently employs worldwide approximately 600 highly experienced oil and gas professionals representing 31 nationalities.

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

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

Lundin Petroleum adheres to principles of corporate governance found in both internal and external rules and regulations. As a Swedish public limited company listed on NASDAQ Stockholm, Lundin Petroleum is subject to the Swedish Companies Act and the Annual Accounts Act, as well as the Rule Book for Issuers of NASDAQ Stockholm, which can be found on www.nasdaqomxnordic.com. Lundin Petroleum was listed on the Toronto Stock Exchange until 14 November 2014 and was up until 20 February 2015 subject to Canadian securities regulations as well, including the Toronto Stock Exchange Rule Book available on www.tmx.com.

In addition, the Company abides by principles of corporate governance found in a number of internal and external documents.

Swedish Code of Corporate Governance

The Code of Governance is based on the tradition of self-regulation and acts as a complement to the corporate governance rules contained in the Swedish Companies Act, the Annual Accounts Act and other regulations such as the Rule

Book for Issuers and good practice on the securities market. The Code of Governance can be found on www.bolagsstyrning.se. The Code of Governance is based on the “comply or explain principle”, which entails that a company may choose to apply another solution than the one provided by the Code of Governance if it finds an alternative solution more appropriate in a particular case. The company must however explain why it did not comply with the rule in question and describe the company’s preferred solution, as well as the reasons for it. Lundin Petroleum complied with all the rules of the Code of Governance in 2014, other than in one instance as mentioned in the schedule on page 58 regarding the composition of the Nomination Committee. Furthermore, there were no infringements of applicable stock exchange rules during the year, nor any breaches of good practice on the securities market.

Lundin Petroleum's Articles of Association

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

Corporate Governance Report

This Corporate Governance Report has been prepared in accordance with the Swedish Companies Act (SFS 2005:551), the Annual Accounts Act (SFS 1995:1554) and the Code of Corporate Governance (Code of Governance) and has been subject to a review by the Company’s statutory auditor. Lundin Petroleum reports one deviation from the Code of Governance in 2014 in respect of the composition of the Nomination Committee as further described in the schedule on page 58.

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, Guidelines and Procedures
 - The HSE Management System (Green Book)
 - 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
-

Lundin Petroleum's Code of Conduct

Lundin Petroleum's Code of Conduct is a set of principles formulated by the Board to give overall guidance to employees, contractors and partners on how the Company is to conduct its activities in an economically, socially and environmentally responsible way, for the benefit of all stakeholders, including shareholders, employees, business partners, host and home governments and local communities. The Company applies the same standards to its activities worldwide to satisfy both its commercial and ethical requirements and strives to continuously improve its performance and to act in accordance with good oilfield practice and high standards of corporate citizenship. The Code of Conduct is an integral part of the Company's contracting procedures and any violations of the Code of Conduct will be the subject of an inquiry and appropriate remedial measures. Performance under the Code of Conduct is assessed on an annual basis by the Board. The Code of Conduct can be found on the Company's website.

Lundin Petroleum's Policies, Guidelines and Procedures and Management System

While the Code of Conduct provides Lundin Petroleum's ethical framework, dedicated policies, guidelines and procedures have been developed to outline specific rules and controls applicable in the different business areas. The Company has policies, guidelines and procedures covering for example Operations, Accounting and Finance, Health, Safety and Environment (HSE), Community Relations, Anti-Corruption, Human Rights, Stakeholder Engagement, Legal, Information Systems, Human Resources and Corporate Communications. The policies, guidelines and procedures are reviewed on a continuous basis

and are modified and updated as and when required. Some of these documents can be found on the Company's website, whereas others are only available internally.

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

Lundin Petroleum's Rules of Procedure of the Board

The Rules of Procedure of the Board contain the fundamental rules regarding the division of duties between the Board, the Committees, the Chairman of the Board and the Chief Executive Officer (CEO). The Rules of Procedure also include instructions to the CEO, instructions for the financial reporting to the Board and the terms of reference of the Board Committees and the Investment Committee. The Rules of Procedure are approved annually by the Board.

Lundin Petroleum – Governance Structure

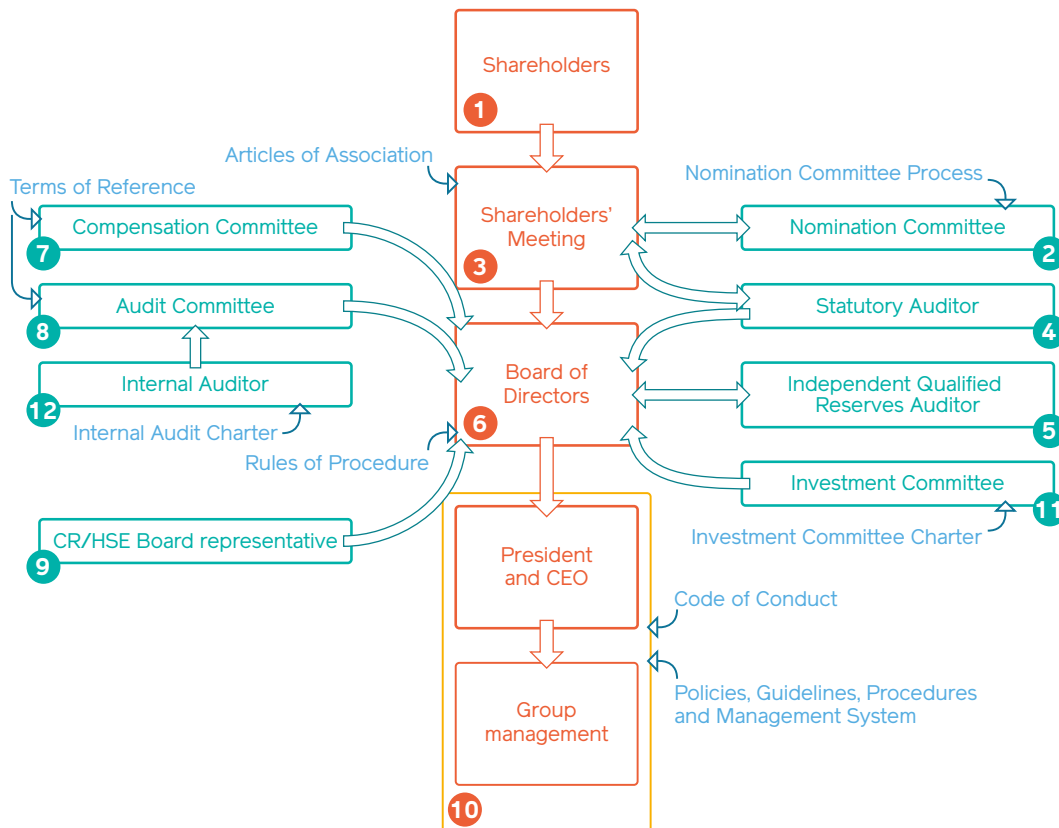
The object of Lundin Petroleum's business is to explore for, develop and produce oil and gas and to develop other energy resources, as laid down in the Articles of Association. The Company aims to create value for its shareholders through exploration and organic growth, while operating in an economically,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

Share Capital and Shareholders 1

The shares of Lundin Petroleum are listed on the Large Cap list of NASDAQ Stockholm. At the 2014 Annual General Meeting (AGM) of the Company, the shareholders approved a reduction of the Company's share capital with an amount of SEK 68,402.50 through cancellation of 6,840,250 shares held in treasury, without reimbursement to the shareholders. The total number of shares in the Company was reduced from 317,910,580 to 311,070,330 shares with a quota value of SEK 0.01 each (rounded-off). At the same time, the shareholders approved an increase of the Company's share capital through a bonus issue with an amount of SEK 68,402.50 to restore the Company's share capital. No new shares were issued in connection with the increase of share capital. After the reduction, the Company holds 2,000,000 own shares, representing 0.6 percent of the share capital. All shares of the Company carry the same voting rights and the same rights to a share of the Company's assets and net result.

Lundin Petroleum had at the end of 2014 a total of 45,668 shareholders listed with Euroclear Sweden, which represents an increase of 520 shareholders compared to 2013, i.e. an increase of approximately 1.2 percent. As at 31 December 2014, the major shareholders of the Company, which held more than ten percent of the shares and votes, were Lorito Holdings (Guernsey)

Lundin Petroleum – Governance Structure



Ltd. and Zebra Holdings and Investment (Guernsey) Ltd., two investment companies wholly owned by Lundin family trusts, which together held 28 percent of the shares. In addition, Landor Participations Inc., an investment company wholly owned by a trust whose settler is Ian H. Lundin, held 3.7 percent of the shares.

The 2013 AGM authorised the Board to approve the repurchase and sale by the Company of its own shares as an instrument to optimise the Company's capital structure and to secure the Company's obligations under its incentive plans. Based on the authorisation, Lundin Petroleum acquired 500,000 of its own shares in March 2014 and the average purchase price for these shares is SEK 124.07. The 2014 AGM held in May also authorised the Board to approve repurchases and sales, however no further own shares were acquired or sold by the Company. The average purchase price for all of the remaining 2,000,000 own shares held by the Company is SEK 65.16.

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.

Further information regarding the shares and shareholders of Lundin Petroleum in 2014, as well as the Company's dividend policy, can be found on pages 14 – 15.

Nomination Committee **2**

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

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

Nomination Committee for the 2015 AGM						
Member	Appointed by	Meeting attendance	Shares represented as at 1 August 2014	Shares represented as at 31 December 2014	Independent of the Company and the Group management	Independent of the Company's major shareholders
Åsa Nisell	Swedbank Robur fonder	3/3	3.6 percent	4.4 percent	Yes	Yes
Arne Lööv	Fjärde AP-fonden	3/3	1.1 percent	1.1 percent	Yes	Yes
Pehr-Olof Malmström	Danske Capital AB	2/3	1.5 percent	1.4 percent	Yes	Yes
Ian H. Lundin	Lorito Holdings (Guernsey) Ltd., Zebra Holdings and Investment (Guernsey) Ltd. and Landor Participations Inc., also non-executive Chairman of the Board of Lundin Petroleum	3/3	31.7 percent	31.7 percent	Yes	No ¹
Magnus Unger	Non-executive Board member of Lundin Petroleum who acts as the Chairman of the Nomination Committee	3/3	–	–	Yes	Yes
			Total 37.9 percent	Total 38.6 percent		
Summary of the Nomination Committee's work during their mandate				Other requirements		

- Receiving and considering a report regarding the Board's work, as well as the results of the evaluation of the Board's work.
- Assessing the independence of the Board members under the rules of the Code of Governance.
- Considering and discussing the size and composition of the Board, including gender distribution, age, origin, educational and professional backgrounds and the proposed Board members' individual and collective qualifications, experiences and capabilities in view of the Company's current position and expected development.
- Considering succession planning matters and proposal for election of Grace Reksten Skaugen as a new Board member at the 2015 AGM, combined with a reappointment of the current Board members and the Chairman of the Board, with the exception of Asbjørn Larsen, who has declined re-election.
- Considering a proposal for a new Board member received by the Nomination Committee.
- Considering the recommendation received through the Company's Audit Committee regarding the election of statutory auditor at the 2015 AGM.
- Considering Board and statutory auditor remuneration issues and proposals to the 2015 AGM.
- Considering a proposal to appoint an external independent Chairman for the 2015 AGM.
- Considering the Nomination Committee Process and that no changes should be proposed.
- Members of the Nomination Committee, who are not members of the Company's Board, met with two current Board members, Peggy Bruzelius and Asbjørn Larsen, to discuss the work and functioning of the Board, and with the proposed new Board member Grace Reksten Skaugen.

- The Nomination Committee fulfils the independence requirements of the Code of Governance and no member of Group management is a member of the Committee.
- Magnus Unger was again unanimously elected as Chairman, a function that he has held since the Nomination Committee formed for the 2006 AGM. The fact that he is the Chairman of the Nomination Committee and a Board member of Lundin Petroleum constitutes a deviation from rule 2.4 in the Code of Governance, however, as in previous years, this deviation was considered justified both by the Company and the Nomination Committee given Magnus Unger's experience and support from the major shareholders of the Company.

¹ For details, see schedule on pages 70–71.

2015 AGM

The 2015 AGM will be held on 7 May 2015 at 1 p.m. in Vinterträdgården at Grand Hôtel, Södra Blaiseholmshamnen 8, in Stockholm. Shareholders who wish to attend the meeting must be recorded in the share register maintained by Euroclear Sweden on 30 April 2015 and must notify the Company of their intention to attend the AGM no later than 30 April 2015. 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.

Nomination Committee for the 2015 AGM

In accordance with the Nomination Committee Process, the Nomination Committee for the 2015 AGM consists of members appointed by four of the larger shareholders of the Company based on shareholdings as per 1 August 2014. The names of the members were announced and posted on the Company's website on 30 October 2014, i.e. within the timeframe of six months before the AGM as prescribed by the Code of Governance. The Company's Vice President Legal, Jeffrey Fountain, acts as the secretary of the Nomination Committee.

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

The full Nomination Committee report, including the final proposals to the 2015 AGM, are published on the Company's website together with the notice of the 2015 AGM.

Shareholders' Meetings **3**

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

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

2014 AGM

The 2014 AGM was held on 15 May 2014 at Grand Hôtel in Stockholm. The AGM was attended by 568 shareholders, personally or by proxy, representing 48.3 percent of the share

capital. The Chairman of the Board, all of the Board members and the CEO were present, as well as the Company's auditor and the majority of the members of the Nomination Committee for the 2014 AGM. The members of the Nomination Committee for the 2014 AGM were Åsa Nisell (Swedbank Robur fonder), Arne Lööw (Fjärde AP-fonden) and André Vatsgar (Danske Capital AB), Ian H. Lundin (Lorito Holdings (Guernsey) Ltd., Zebra Holdings and Investment (Guernsey) Ltd. and Landor Participations Inc., as well as non-executive Chairman of the Board of Lundin Petroleum) and Magnus Unger (non-executive Board member of Lundin Petroleum and Chairman of the Nomination Committee). In order for all participants to be able to follow the AGM, all proceedings were simultaneously translated from Swedish to English and from English to Swedish and all AGM materials were provided both in Swedish and English.

The resolutions passed by the 2014 AGM include:

- Election of advokat Klaes Edhall as Chairman of the AGM.
- Re-election of Peggy Bruzelius, C. Ashley Heppenstall, Asbjørn Larsen, Ian H. Lundin, Lukas H. Lundin, William A. Rand, Magnus Unger and Cecilia Vieweg as Board members.
- 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 2013.
- Adoption of the Company's income statement and balance sheet and the consolidated income statement and balance sheet and deciding that no dividend was to be declared for 2013.
- Re-election of the registered accounting firm PricewaterhouseCoopers AB as the Company's statutory auditor until the 2015 AGM, with authorised public accountant Klas Brand as the auditor in charge.
- Approval of the remuneration of the Board members and the statutory auditor.
- Approval of the Company's Policy on Remuneration for Group management.
- Approval of LTIP 2014 for members of Group management and a number of key employees.
- Approval of a reduction of the Company's share capital with an amount of SEK 68,402.50 through cancellation of 6,840,250 shares held in treasury, without reimbursement to the shareholders, thus reducing the number of shares in the Company from 317,910,580 to 311,070,330 shares.
- Approval of an increase of the Company's share capital through a bonus issue with an amount of SEK 68,402.50 to restore the Company's share capital after the preceding reduction, without issuance of new shares.
- 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 or the Toronto Stock Exchange, where the number of shares held in treasury from time to time shall not exceed five percent of all outstanding shares of the Company.
- Approval of the Nomination Committee Process for future AGMs.

An electronic system with voting devices was used for voting and the minutes of the 2014 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 **4**

Lundin Petroleum's statutory auditor audits annually the Company's financial statements, the consolidated financial statements, the Board's and the CEO's administration of the Company's affairs and reports on the Corporate Governance Report. The auditor also performs a review of the Company's half year report and issues a statement regarding the Company's compliance with the Policy on Remuneration approved by the AGM. The Board of Directors meets at least once a year with the auditor without any member of Group management present at the meeting. In addition, the auditor participates regularly in Audit Committee meetings, in particular in connection with the Company's half year and year end reports. Group entities outside of Sweden are audited in accordance with local rules and regulations.

At the 2014 AGM, the audit firm PricewaterhouseCoopers AB was elected as the auditor of the Company for a period of one year until the 2015 AGM. The auditor in charge is the authorised public accountant Klas Brand.

The auditor's fees are described in the notes to the financial statements – see Note 34 on page 119 and Note 7 on page 124. 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 Investment Committee.

Independent Qualified Reserves Auditor **5**

Lundin Petroleum's independent qualified reserves auditor audits 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 auditor meets at least once a year with Group management to discuss the reserves reporting and the audit process, and provides a yearly report on reserves data. The current auditor is ERC-Equipoise Ltd. For further information regarding the Company's reserves and resources, see the Reserves, Resources and Production section on pages 18–23.

Board of Directors **6**

The Board of Directors of Lundin Petroleum is responsible for the organisation of the Company and management of the Company's operations. The Board is to manage the Company's affairs in the interests of the Company and all shareholders with the aim of creating long-term shareholder value. To achieve this, the Board should at all times have an appropriate 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. An even gender distribution should be pursued.

Principal tasks of the Board of Directors

- Establishing the overall operational 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
- Ensuring that there is a satisfactory process for monitoring the Company's compliance with laws and other regulations relevant to the Company's operations
- Defining necessary guidelines to govern the Company's ethical conduct
- 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

Composition of the Board

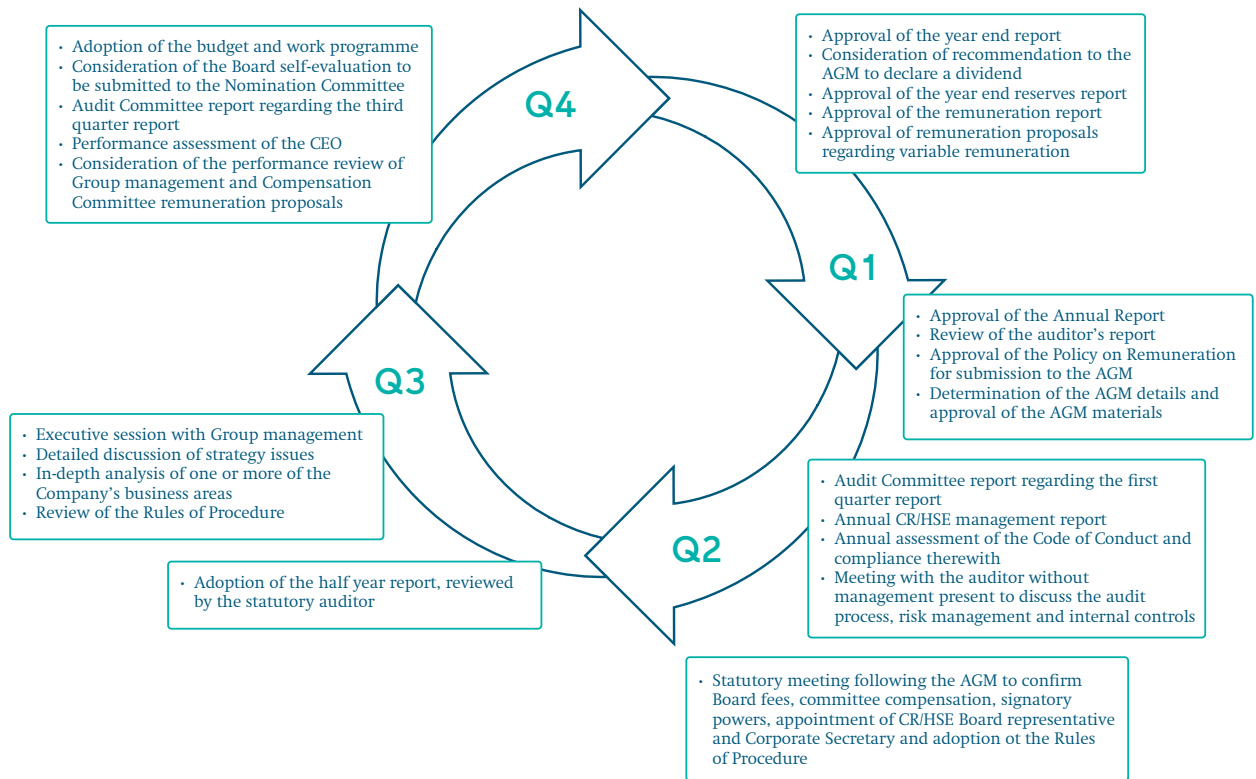
The Board of Lundin Petroleum shall, according to the Articles of Association, consist of a minimum of three and a maximum of ten directors with a maximum of three deputies, and the AGM decides the final number each year. The Board members are elected for a period of one year.

The Nomination Committee for the 2014 AGM considered that a Board size of eight members would be appropriate taking into account the nature, size, complexity and geographical scope of the Company's business. The 2014 AGM approved the proposal and re-elected Peggy Bruzelius, C. Ashley Heppenstall, also CEO of the Company, Asbjørn Larsen, Ian H. Lundin, also Chairman of the Board, Lukas H. Lundin, William A. Rand, Magnus Unger and Cecilia Vieweg as Board members for a period until the 2015 AGM. There are no deputy members and no members

Sudan

In June 2010, the Swedish International Public Prosecution Office commenced an investigation into alleged violations of international humanitarian law in Sudan during 1997–2003. The Company has cooperated extensively and proactively with the Prosecution Office by providing information regarding its operations in Block 5A in Sudan during the relevant time period. As repeatedly stated, Lundin Petroleum categorically refutes all allegations of wrongdoing and will cooperate with the Prosecution Office's investigation. Lundin Petroleum strongly believes that it was a force for good in Sudan and that its activities contributed to the improvement of the lives of the people of Sudan.

Board's Yearly Work Cycle



appointed by employee organisations. In addition, the Board is supported by a corporate secretary who is not a Board member. The appointed corporate secretary is Jeffrey Fountain, the Company's Vice President Legal.

In the opinion of the Nomination Committee, the Board as proposed and elected by the 2014 AGM is composed of multi-faceted individuals who are well-suited for the job and whose expertise, experience and background is extensive. Such expertise and experience relates to the oil and gas industry generally and in particular in relation to Lundin Petroleum's current and prospective areas of operations, public company financial matters, Swedish practice and compliance matters, as well as Corporate Responsibility (CR)/HSE matters. At the 2013 AGM, two new members were elected to the Board, both women. The Nomination Committee nonetheless noted that it is important to continue to strive for a more equal gender distribution, and the Nomination Committee for the 2015 AGM has in-line therewith proposed Grace Reksten Skaugen, a Norwegian business woman with extensive international, financial and oil and gas experience, for election as a new Board member at the 2015 AGM.

Further, in preparation of the elections at the 2014 AGM, the Nomination Committee considered the independence of each proposed Board member and determined that the composition of the proposed Board met the independence requirements of the Code of Governance both in respect of independence towards the Company and Group management and towards the Company's major shareholders. The independence of each Board member is presented in the schedule on pages 70 – 71.

Board Meetings and Work

In addition to applicable rules and regulations such as the Swedish Companies Act and the Code of Governance, the Board is guided by the Rules of Procedure, which set out how the Board is to conduct its work. The Chairman of the Board, Ian H. Lundin, is responsible for ensuring that the Board's work is well organised and conducted in an efficient manner. He upholds the reporting instructions for management, as drawn up by the CEO and as approved by the Board, however, he does not take part in the day-to-day decision-making concerning the operations of the Company. The Chairman maintains close contacts with the CEO to ensure the Board is at all times sufficiently informed of the Company's operations and financial status, and to provide support to the CEO in his tasks and duties. The Chairman further meets, at various occasions during the year, shareholders of the Company to discuss shareholder questions and ownership issues in general, as well as other Company stakeholders. In addition, the Chairman actively promotes the Company and its interests in the various operational locations and in respect of potential new business opportunities.

In addition to the statutory meeting following the AGM, the Board normally holds at least six ordinary meetings per calendar year, as per a yearly work cycle, to ensure the Board duly addresses all areas of responsibility and that adequate focus is placed on strategic and important issues for the benefit of the Company's shareholders.

At the meetings, the CEO reports on the status of the business, prospects and the financial situation of the Company. The Board also receives management updates and presentations on

Board of Directors



Ian H. Lundin
Chairman since 2002
Director since 2001
Member of the Nomination
Committee



Peggy Bruzelius
Director since 2013
Member of the Audit
Committee



C. Ashley Heppenstall
Director since 2001
President and Chief
Executive Officer since 2002



Asbjørn Larsen
Director since 2008
Member of the Audit
Committee
CR/HSE Board
representative



Lukas H. Lundin
Director since 2001



William A. Rand
Director since 2001
Chairman of the Audit
Committee
Member of the
Compensation Committee



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



Cecilia Vieweg
Director since 2013
Chairman of the
Compensation Committee

the business and operations of the Company, financial status, CR and HSE matters, risk management, legal questions and investor relations matters, to enable the Board to duly monitor the Company's operations and financial position. Furthermore, the Board receives regular reports from the Company's Audit Committee, Compensation Committee and the CR/HSE Board representative on issues delegated to, or considered by, the Committees and the CR/HSE Board representative.

Board Meetings and Work in 2014

During 2014, ten board meetings were held, including the statutory meeting. One of the meetings took place over a two day period to give the Board ample time to review and discuss the Company's business and activities. 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, contractors and other business interests. In September 2014, the Board visited the Norwegian operations, including some of the Company's major contractors, and an executive session with Group management was held in connection with the Board meeting. At the executive session, an overview of the Company's general strategy and operations was given and the Company's current and future financing needs were discussed. In-depth operations reviews were given regarding the Group's exploration and development activities, with a continued focus on the Norwegian and South East Asian operations, as well as a reserves and production update, with a particular focus on the

planned inclusion of the Johan Sverdrup field in 2015 as well as the Company's ongoing development projects. In addition, a financial update, a CR/HSE report and an investor relations report were given. Group management also attended a number of Board meetings during the year to present and report on specific questions, as and when required.

Evaluation of the Board's Work

A formal review of the work of the Board was conducted in November 2014 through a questionnaire submitted to all Board members, with the objective of ensuring that the Board functions in an efficient manner and to enable the Board to strengthen its focus on matters which may be raised. The topics considered included several aspects of the Board's structure, work, meetings and general issues such as support and information given to the Board.

Individual feedback from all Board members was received and the overall conclusions were very positive and showed that the structure and composition of the Board is appropriate and the Board members have relevant experience, which enables the Board to function as an effective governing body. The Board Committees' duties and decision-making powers within the Board are clear and the Committees report to the Board in an appropriate manner. The Board meetings are well planned and prepared, with high quality presentations, and enable the Board to effectively monitor the Company's activities and performance. Board meetings in connection with site visits to

Board of Directors

Board's work during the year

In addition to the topics covered by the Board as per its yearly work cycle, the following significant matters were addressed by the Board during the year.

- Considering the Company's production performance, forecasts and future outlook, and the on-going development projects for the Edvard Grieg, Brynhild, Bøyla and Bertam fields, and the appraisal of the Johan Sverdrup field, as well as the associated project risks, cost overruns and delays and implications on timing and costs of the operations.
- Discussing the Company's worldwide exploration activities and strategy, including in the southern Barents Sea.
- Assessing the Company's oil and gas reserves and resources positions, including the impact of the expected inclusion of the reserves related to the Johan Sverdrup field in 2015.
- Approving the Phase 1 concept selection for the Johan Sverdrup field, including extensive discussions during the year regarding project status, associated risks and benefits, technical, commercial and economic matters, forecast costs, time schedule, funding implications, the unitisation process as well as plans and sequencing for the future development phases of the field.
- Considering the shift in the drilling rig market, in particular in Norway, availability of drilling rigs and mitigation of risks in relation thereto.
- Evaluating legal and commercial issues in relation to the Company's interest in the Lagansky Block in Russia and the potential impact of international sanctions imposed in respect of certain Russian legal entities and persons.
- Considering and approving potential asset and licence disposals and acquisitions, including the sale of the Company's assets in the Komi Republic, onshore Russia.
- Assessing the Company's current and future financing needs and strategy, including the Company's financial risk management, cash flows, sources of funding, hedging strategy and liquidity position, in particular in a declining oil price environment.
- Considering and approving an increased external bank facility from USD 2.5 billion to USD 4 billion.
- Detailed discussions regarding the proposal for a new performance based LTIP to be submitted to the 2014 AGM for approval, including in respect of the stakeholder engagement discussions and meetings held with Swedish and foreign investors, the appropriate peer group, approval of participants, allocation of individual awards and approval of the detailed plan rules.
- Considering and approving new policies for share ownership for members of the Board and Group management, the latter subject to AGM approval under the terms of the proposed LTIP 2014, and approving revised severance and notice period arrangements, subject to AGM approval in relation to Group management.
- Implementation of the authorisation granted by the 2013 AGM to repurchase the Company's own shares, detailed discussions regarding the Company's holding of own shares and approving a proposal to the 2014 AGM to cancel shares held by the Company, with the exception of two million shares to be retained as treasury shares.
- Approving to join the "Call to Action" anti-corruption initiative of the UN Global Compact.
- Considering and approving a delisting of the Company's shares from the Toronto Stock Exchange.
- Considering management succession planning questions and expressing support for the appointment of Kristin Færøvik as Managing Director of Lundin Norway following the retirement of Torstein Sanness in 2015.

the operational areas were considered very helpful, as were the written monthly management reports received in-between Board meetings. Individual suggestions received included that one additional meeting in person per year would be beneficial, that Board materials could be circulated even further in advance of Board meetings and as in previous years, that more time should be given to discussions regarding the Company's overall strategy rather than to very detailed operational matters.

The results and conclusions of the review were presented to the Nomination Committee.

Remuneration of Board Members

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

At the 2014 AGM, the Chairman was awarded an amount of SEK 1,050,000 and each other Board member, with the exception of the CEO, an amount of SEK 500,000. The AGM further decided to award SEK 100,000 for each ordinary Board Committee assignment and SEK 150,000 for each assignment as Committee Chairman, however, limited to a total of SEK 900,000 for Committee work. No remuneration is due for any assignments in relation to the Reserves Committee. In addition, the 2014 AGM approved an amount of SEK 1,500,000 to be paid to the Chairman of the Board for special assignments outside the directorship.

The Board adopted in 2014 a new policy for share ownership for Board members, according to which each Board member is expected to own, directly or indirectly, at least 5,000 shares of the Company. The level shall be met within three years of appointment and during such period, Board members are expected to allocate at least 50 percent of their annual Board fees towards purchases of the Company's shares.

The remuneration of the Board of Directors is detailed further in the schedule on pages 70–71 and in the notes to the financial statements – see Note 32 on pages 117–118.

Board Committees and the CR/HSE Representative

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

Compensation Committee 7

The Compensation Committee assists the Board in Group management remuneration matters and receives information and prepares the Board's and the AGM's decisions on matters relating to the principles of remuneration, remunerations and other terms of employment of Group management. The objective of the Committee in determining compensation for Group management is to provide a compensation package that is based on market conditions, is competitive and takes into account the scope and responsibilities associated with the

position, as well as the skills, experience and performance of the individual. The Committee's tasks also include monitoring and evaluating programmes for variable remuneration, the application of the Policy on Remuneration as well as the current remuneration structures and levels in the Company. In addition, the Compensation Committee may request other advice and assistance of external reward consultants. For further information regarding Group remuneration matters, see the remuneration section of this report on pages 66–69.

Audit Committee 8

The Audit Committee assists the Board in ensuring that the Company's financial reports are prepared in accordance with International Financial Reporting Standards (IFRS), the Swedish Annual Accounts Act and accounting practices applicable to a company incorporated in Sweden and listed on NASDAQ Stockholm and the Toronto Stock Exchange (until November 2014). The Audit Committee itself does not perform audit work, however, it supervises the Company's financial reporting and assesses the efficiency of the Company's financial internal controls, internal audit and risk management, with the primary objective of providing support to the Board in the decision making processes regarding such matters. In addition, the Committee is empowered by the Committee's terms of reference to make decisions on certain issues delegated to it, such as review and approval of the Company's first and third quarter interim financial statements on behalf of the Board. The Audit Committee also regularly liaises with the Group's statutory auditor as part of the annual audit process and reviews the audit fees and the auditor's independence and impartiality. The Audit Committee further assists the Company's Nomination Committee in the preparation of proposals for the election of the statutory auditor at the AGM.

Reserves Committee

As a result of the delisting of the Company's shares on the Toronto Stock Exchange in November 2014, and the approval of the Ontario Securities Commission for the Company to cease being a Reporting Issuer in Canada in February 2015, the Board as a whole decided to assume the tasks and responsibilities of the Reserves Committee and therefore dissolved the Reserves Committee.

During 2014, the Reserves Committee reviewed and reported to the Board on matters relating to the Company's policies and procedures for reporting oil and gas reserves and related information as per National Instrument 51–101 (NI 51–101) issued under applicable Canadian securities regulation. The Reserves Committee reported to the Board on the Company's procedures for disclosing oil and gas reserves and other related information, on the appointment of the independent qualified reserves auditor and on the Company's procedures for providing information to the independent qualified reserves auditor.

The Reserves Committee also met with Group management and the independent qualified reserves auditor to review, and determine whether to recommend that the Board approve, the statement of reserves and other oil and gas information required to be submitted under NI 51–101.

CR/HSE Board Representative 9

The Board of Directors has a leadership and supervisory role in all CR and HSE matters within the Group and appoints yearly one non-executive Director to act as the CR/HSE Board representative. The tasks of the CR/HSE Board representative include to liaise with Group management regarding CR and HSE

Audit Committee 2014

Members	Meeting attendance	Audit Committee work during the year	Other requirements
William A. Rand, Chairman	6/6	<ul style="list-style-type: none"> – Assessment of the 2013 year end report and the 2014 half year report for completeness and accuracy and recommendation for approval to the Board. – Assessment and approval of the first and third quarter reports 2014 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. The committee met with the statutory auditor without management present at these meetings. – 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 2015 AGM. 	<ul style="list-style-type: none"> – The composition of the Audit Committee fulfils the independence requirements of the Swedish Companies Act and the Code of Governance. – All Audit Committee members have extensive experience in financial, accounting and audit matters. William A. Rand has chaired the Audit Committee since its inception in 2002, Asbjørn Larsen's previous assignments include the position of CFO and CEO of a Norwegian listed upstream petroleum company and Peggy Bruzelius' current and previous assignments include high level management positions in financial institutions and companies and she has chaired the Audit Committees of other companies.
Asbjørn Larsen	6/6		
Peggy Bruzelius	6/6		

Compensation Committee 2014

Members	Meeting attendance	Compensation Committee work during the year	Other requirements
Cecilia Vieweg, Chairman	3/3	<ul style="list-style-type: none"> – 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 2013. – Continuous monitoring and evaluation of remuneration structures, levels, programmes and the Policy on Remuneration. – Preparing a proposal for the 2014 Policy on Remuneration for Board and AGM approval. – Consultation with Company stakeholders, including institutional investors, regarding the new proposed LTIP 2014. – Preparing a proposal for LTIP 2014 for Board and AGM approval, with the assistance of the HayGroup. – 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 Executive Management and VP level employees for Board approval. – Review and approval of the CEO's proposals for the principles of compensation of other Group management and employees. – Review and approval of the CEO's proposals for 2014 LTIP awards. – Undertaking a remuneration benchmark study and engaging the HayGroup to assist with the study. 	<ul style="list-style-type: none"> – The composition of the Compensation Committee fulfils the independence requirements of the Code of Governance. – Cecilia Vieweg has previously held positions in listed companies' Compensation Committees and, considering the varied backgrounds and experience of the Committee members in general, including the position of William A. Rand as Chairman of the Committee for more than 10 years, the Compensation Committee has ample knowledge and experience of management remuneration issues.
Magnus Unger	3/3		
William A. Rand	3/3		

Reserves Committee 2014

Members	Meeting attendance	Reserves Committee work during the year	Other requirements
Ian H. Lundin, Chairman	1/1	<ul style="list-style-type: none"> – General review of the Company's oil and gas reserves procedures and practices. – Review of the Company's procedures for assembling and reporting other information associated with oil and gas activities. – Meeting with management and ERC-Equipoise Ltd., the independent qualified reserves auditor, to discuss the 2013 reserves reporting. – Review of reserves data. 	<ul style="list-style-type: none"> – The composition of the Reserves Committee fulfilled the independence requirements of Canadian securities regulation as per NI 51 – 101.
Asbjørn Larsen	1/1		

related matters and to regularly report on such matters to the Board of Directors. The current CR/HSE Board representative is Asbjørn Larsen. More information about the Company's CR/HSE activities can be found in the Sustainable Developments section on pages 44–53.

Management 10

Management Structure

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

Lundin Petroleum's Group and local management consists of highly experienced individuals with worldwide oil and gas experience and in addition to the CEO, comprises the following:

- The Investment Committee, which in addition to the CEO includes
 - the Chief Operating Officer (COO), Alexandre Schneider, who is responsible for Lundin Petroleum's worldwide exploration and production operations, as well as HR;
 - the Chief Financial Officer (CFO), Mike Nicholson, who is responsible for the financial reporting, internal audit, risk management, tax, treasury function and economics; and
 - up until end January 2015, the Senior Vice President Development (SVP Development), Chris Bruijnzeels, who was responsible for operations, reserves and the optimum development of Lundin Petroleum's asset portfolio, as well as IT.
- The Vice President Corporate Responsibility, Christine Batruch, who is responsible for the Group's CR and HSE strategy, the Vice President Legal, Jeffrey Fountain, who is responsible for all legal matters within the Group and the Vice President Corporate Planning and Investor Relations, Teitur Poulsen, who is responsible for Group investor relations as well as all matters relating to the corporate planning and development of Lundin Petroleum.
- The General Managers/Managing Directors who are responsible for the day-to-day activities of the local operational entities.

A management change occurred as per the end of January 2015 as the Company's former SVP Development, Chris Bruijnzeels, decided to step down following twelve years with the Company.

Group Management Tasks and Duties

The tasks of the CEO and the division of duties between the Board and the CEO are defined in the Rules of Procedure and the Board's instructions to the CEO. In addition to the overall management of the Company, the CEO's tasks include ensuring that the Board receives all relevant information regarding the Company's operations, including profit trends, financial position and liquidity, as well as information regarding important events such as significant disputes, agreements and developments in important business relations. The CEO is also responsible for preparing the required information for Board decisions and for ensuring that the Company complies with applicable legislation, securities regulations and other rules such as the Code of Governance. Furthermore, the CEO maintains regular contacts

with the Company's stakeholders, including shareholders, the financial markets, business partners and public authorities. To fulfil his duties, the CEO works closely with the Chairman of the Board to discuss the Company's operations, financial status, upcoming Board meetings, implementation of decisions and other relevant matters.

Under the leadership of the CEO, Group management is responsible for ensuring that the operations are conducted in compliance with all Group policies, guidelines and procedures in a professional, efficient and responsible manner. Regular management meetings are held to discuss all commercial, technical, CR/HSE, financial, legal and other relevant issues within the Group to ensure the established short and long-term business objectives and goals will be met. A detailed weekly operations report is further circulated to Group management summarising the operational events, highlights and issues of the week in question. Group management also travels frequently to oversee the ongoing operations, seek new business opportunities and meet with various stakeholders, including business partners, suppliers and contractors, government representatives and financial institutions. In addition, Group management liaises continuously with the Board, and in particular the Board Committees and the CR/HSE Board representative, in respect of ongoing matters and issues that may arise, and meets with the Board at least once a year at the executive session held in connection with a Board meeting in one of the operational locations.

Investment Committee 11

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

Remuneration

Group Principles of Remuneration

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

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

Management



C. Ashley Heppenstall

President and Chief
Executive Officer,
Director



Christine Batruch

Vice President Corporate
Responsibility



Alexandre Schneider

Executive Vice President and
Chief Operating Officer



Jeffrey Fountain

Vice President Legal



Mike Nicholson

Chief Financial Officer



Teitur Poulsen

Vice President Corporate
Planning and Investor
Relations



more information on the management can
be found on www.lundin-petroleum.com

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

Policy on Remuneration for Group Management

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

LTIP 2014

The 2014 AGM resolved to approve a new performance based LTIP 2014 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 2014 and expiring on 1 July 2017. 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 other 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 2014 and the total LTIP award made in respect of 2014 was 608,103.

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 2014, 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 2014 are further subject to certain disposition restrictions to ensure participants build

POLICY ON REMUNERATION FOR GROUP MANAGEMENT AS APPROVED BY THE 2014 AGM

Application and Objectives of the Policy

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

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

Compensation Committee

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

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

Elements of Remuneration

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

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

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 2014, the Compensation Committee undertook on behalf of the Board a review of the work and performance of Group

Base Salary

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

Yearly Variable Salary

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

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

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

Long-term Incentive Plan

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

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

The cost at grant of the proposed 2014 LTIP is estimated to range between no payout at minimum level and MSEK 95.0 (excluding

social costs) at maximum level, based on the current composition of Group management.

Other Benefits

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

Severance Arrangements

A mutual notice period of between one and twelve months applies between the Company and executives, depending on the duration of the employment with the Company. In addition, severance terms are incorporated into the employment contracts for executives that give rise to compensation, up to two years' base salary, in the event of termination of employment due to a change of control of the Company. The Board of Directors is further authorised, in individual cases, to approve severance arrangements, in addition to the notice periods and the severance arrangements in respect of a change of control of the Company, where employment is terminated by the Company without cause, or otherwise in circumstances at the discretion of the Board. Such severance arrangements may provide for the payment of up to one year's base salary; no other benefits shall be included. Severance payments in aggregate (i.e. for notice periods and severance arrangements) shall be limited to a maximum of two years' base salary.

Authorisation for the Board

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

Outstanding Remunerations

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

Deviations from the 2013 Policy on Remuneration

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

management, including the CEO. The results were presented to Board, together with proposals regarding the compensation of the CEO and other Group management. Neither the CEO nor other Group management were present at the Board meetings when such discussions took place.

The tasks of the Compensation Committee also include monitoring and evaluating the general application of the Policy on Remuneration, as approved by the AGM, and the Compensation Committee prepares in connection therewith a yearly report, for approval by the Board, on the application of the

Policy on Remuneration and the evaluation of remuneration of Group management. As part of its review process, the statutory auditor of the Company also verifies on a yearly basis whether the Company has complied with the Policy on Remuneration. Both reports are available on the Company's website.

Board's Proposal for Remuneration to Group Management to the 2015 AGM

For information regarding the Board's proposal for remuneration to Group management to the 2015 AGM, including a similar LTIP as approved by the 2014 AGM, see the Directors' report, page 88.

Board of Directors				
Name	Ian H. Lundin	Peggy Bruzelius	C. Ashley Heppenstall	Asbjørn Larsen
Function	Chairman (since 2002)	Director	President and Chief Executive Officer, Director	Director, CR/HSE representative
Elected	2001	2013	2001	2008
Born	1960	1949	1962	1936
Education	Bachelor of Science degree in Petroleum Engineering from the University of Tulsa.	Master of Science (Economics and Business) from the Stockholm School of Economics.	Bachelor of Science degree in Mathematics from the University of Durham.	Norwegian School of Economics and Business Administration (NHH).
Experience	Ian H. Lundin was previously CEO of International Petroleum Corp. during 1989–1998, of Lundin Oil AB during 1998–2001 and of Lundin Petroleum during 2001–2002.	Peggy Bruzelius has worked as Managing Director of ABB Financial Services AB and has headed the asset management division of Skandinaviska Enskilda Banken AB.	C. Ashley Heppenstall has worked with public companies where the Lundin family has a major shareholding since 1993. He was CFO of Lundin Oil AB during 1998–2001 and of Lundin Petroleum during 2001–2002.	Asbjørn Larsen was CFO of Saga Petroleum during 1978–1979 and President and CEO during 1979–1998.
Other board duties	Chairman of the board of Etrion Corporation and member of the board of Bukowski Auktioner AB.	Chair of the board of Lancelot Asset Management AB, member of the board of Axfood AB, Diageo PLC, Akzo Nobel NV and Skandia Liv.	Member of the board of Etrion Corporation, ShaMaran Petroleum Corp., Gateway Storage Company Limited and Africa Energy Corp.	Member of the board of Selvaag Gruppen AS, The Montebello Cancer Rehabilitation Foundation and The Tom Wilhelmsen Foundation.
Shares in Lundin Petroleum (as at 31 December 2014)	Nil ¹	8,000	1,391,283	12,000
Board Attendance	9/10	10/10	10/10	10/10
Audit Committee Attendance	–	6/6	–	6/6
Compensation Committee Attendance	–	–	–	–
Reserves Committee Attendance	1/1	–	–	1/1
Remuneration for Board and Committee work	SEK 1,025,000	SEK 595,000	Nil	SEK 595,000
Remuneration for special assignments outside the directorship ⁶	SEK 1,590,000	Nil	Nil	Nil
Independent of the Company and the Group management	Yes ²	Yes	No ³	Yes
Independent of the Company's major shareholders	No ¹	Yes	No ³	Yes

1 Ian H. Lundin is the settler of a trust that owns Landor Participations Inc., an investment company that holds 11,538,956 shares in the Company, and is a member of the Lundin family that holds, through a family trust, Lorito Holdings (Guernsey) Ltd. which holds 76,342,895 shares in the Company and Zebra Holdings and Investment (Guernsey) Ltd. which holds 10,844,643 shares in the Company.

2 Ian H. Lundin has been regularly retained by management to perform remunerated work duties which fall outside the scope of the regular work of the Board. It is the Nomination Committee's and the Company's opinion that despite his work, he remains independent of the Company and the Group management.

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

Board of Directors			
Lukas H. Lundin	William A. Rand	Magnus Unger	Cecilia Vieweg
Director	Director	Director	Director
2001	2001	2001	2013
1958	1942	1942	1955
Graduate from the New Mexico Institute of Mining, Technology and Engineering.	Commerce degree (Honours Economics) from McGill University, Law degree from Dalhousie University, Master of Laws degree in International Law from the London School of Economics and Doctorate of Laws from Dalhousie University (Hon.).	MBA from the Stockholm School of Economics.	Master of Law from the University of Lund.
Lukas H. Lundin has held several key positions within companies where the Lundin family has a major shareholding.	William A. Rand practised law in Canada until 1992, after which he co-founded an investment company and pursued private business interests.	Magnus Unger was an Executive Vice President within the Atlas Copco group during 1988 – 1992.	Cecilia Vieweg is General Counsel and member of the Executive Management of AB Electrolux since 1999. She previously worked as legal advisor in senior positions within the AB Volvo Group and as a lawyer in private practice.
Chairman of the board of Lundin Mining Corp., Denison Mines Corp., Lucara Diamond Corp., NGEx Resources Inc., Lundin Gold Inc. and Lundin Foundation, member of the board of Bukowski Auktioner AB.	Member of the board of Lundin Mining Corp., Denison Mines Corp., New West Energy Services Inc. and NGEx Resources Inc.	–	Member of the board of the Association of Swedish Engineering Industries and the Swedish Securities Council.
788,331 ⁴	118,441	250,000	3,500
9/10	10/10	10/10	9/10
–	6/6	–	–
–	3/3	3/3	3/3
–	–	–	–
SEK 495,000	SEK 745,000	SEK 595,000	SEK 645,000
Nil	Nil	Nil	Nil
Yes	Yes	Yes	Yes
No ⁴	No ⁵	Yes	Yes

4 Lukas H. Lundin is a member of the Lundin family that holds, through a family trust, Lorito Holdings (Guernsey) Ltd. which holds 76,342,895 shares in the Company and Zebra Holdings and Investment (Guernsey) Ltd. which holds 10,844,643 shares in the Company.

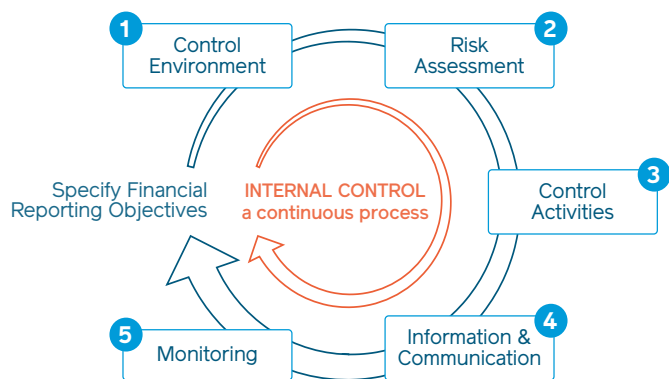
5 William A. Rand is in the Nomination Committee's and the Company's opinion not deemed independent of the Company's major shareholders since he holds directorships in companies in which entities associated with the Lundin family hold ten percent or more of the share capital and voting rights.

6 The remuneration paid during 2014 relates to fees paid for special assignments undertaken on behalf of the Group. The payment of such fees was in accordance with fees approved by the 2013 and 2014 AGMs.

Internal Control and Risk Management for the Financial Reporting

Introduction

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



Internal Control System for Financial Reporting

Lundin Petroleum’s objective for financial reporting is to provide reliable and relevant information for internal and external purposes, in compliance with existing laws and regulations, in a timely and accurate manner. An internal control system for financial reporting has been created to ensure that this objective will be met. An internal control system can only provide reasonable and not absolute assurance against material misstatement or loss, and is designed to manage rather than eliminate the risk of failure to achieve the financial reporting objectives.

Internal Auditor **12**

The internal auditor of Lundin Petroleum provides an independent and objective appraisal function established as a service adding value to the organisation. The internal auditor is concerned with the adequacy and effectiveness of systems of control and whether they are managed, maintained, complied with and function effectively. To this end, the internal auditor will evaluate controls that promote efficient management reporting, compliance with procedures, protection of organisational assets and interests and effective control. The internal auditor reports to the Audit Committee.

The Five Key Components

Lundin Petroleum’s Financial Reporting Internal Control System consists of five key components, as described below and is based upon the Committee of Sponsoring Organisations of the Treadway Commission (COSO) framework. The Group applies the updated version of the COSO framework with its 17 principles. The internal control of financial reporting is a continuous evaluation of the risks and control activities within the Group. The evaluation work is an ongoing process that involves internal and external benchmarking, as well as improvement and development of control activities.

Control Environment **1**

Lundin Petroleum’s Board of Directors has the overall responsibility for establishing an effective internal control system. The Audit Committee assists the Board in relation to the financial reporting, internal control and the reporting of financial risks. The Audit Committee also supervises the efficiency of the internal auditing, internal control and financial reporting and reviews all interim and annual financial reports.

The CEO is responsible for maintaining in the daily operations an effective control environment and for operating the system of internal control and risk management in the Group and is assisted by Group management at varying levels. Lundin Petroleum’s internal auditor is further responsible for ensuring that the internal control framework is adhered to.

The development and implementation of a Group-wide framework of consistent policies and procedures, to strengthen the internal control of the Group, is a continuous process. Together with laws and external regulations, these internal policies and procedures form the control environment which is the foundation of the internal control and risk management process at Lundin Petroleum. All employees are accountable for compliance with these policies and procedures within their areas of control and risk management.

Risk Assessment **2**

Risk assessment is an integrated part of the internal control framework and is performed on an ongoing basis at Lundin Petroleum. Risk assessment is a process that identifies, sources and measures the risk of material error in the financial reporting and accounting systems of the Group. This process is the basis for designing control activities to mitigate identified risks.

Risks relating to financial reporting are monitored and assessed by the Board through the Audit Committee. As part of the risk assessment, Lundin Petroleum reviews and analyses the risks that exist within the financial reporting process and structures its internal control systems around the risks identified. The risks are assessed, on a quarterly basis, through a standardised methodology based on likelihood and impact and are then documented in a Group-wide risk map. When risks are identified and evaluated, control activities are implemented to minimise the risks in the financial reporting process. Conclusions of the risk assessment are reported to management and the Board through the Audit Committee. Identified risk areas are mitigated through business processes with incorporated risk management, policies and procedures, segregation of duties and delegation of authority. For further details on the different risks, see the Risks and Risk Management section on pages 70–71.

Control Activities **3**

The finance department of each Group company is responsible for the regular analysis of the financial results and for reporting thereon to the finance department at Group level. Various other control activities are also incorporated into the financial reporting process to ensure that the financial reporting gives a true and fair view at any reporting date and that business is conducted efficiently.

The Investment Committee oversees the Group's investment decisions through the annual budget process, supplementary budget requests submitted during the year etc., and makes recommendations to the Board as required. The Investment Committee meets regularly and its review and approval process constitutes an important control activity within the Group.

The internal auditor performs on a regular basis risk assessments and audits as per an internal audit plan which is approved by the Audit Committee twice per year. In addition, the internal auditor coordinates joint venture audits that are undertaken by Lundin Petroleum. In the oil and gas industry, operations are conducted through joint venture arrangements, where partners share the costs and risks of the activities. To ensure that accounting procedures are followed and costs are incurred in accordance with the joint operating agreement, for non-operated assets, joint venture partners have audit rights over the operating partner.

Information and Communication **4**

Communicating relevant information throughout all levels of the Group, as well as to external parties, in a complete, correct and timely manner is an important part of the internal control framework.

Internal policies and procedures relating to the financial reporting, such as the Authorisation Policy, the Group Accounting Principles Manual and the Finance and Accounting Manual, are updated and communicated on a regular basis by Group management to all affected employees and are accessible through the information system network.

For communication to external parties, a communications policy has been formulated. The policy has been approved by the Board and defines how external information is to be issued, by whom and the way in which the information should be given.

Significant internal documents that form the control environment at Lundin Petroleum:

- **The Code of Conduct:** the Code of Conduct sets out the principles by which Lundin Petroleum is guided and describes the responsibilities it has towards its stakeholders.
- **The Anti-fraud Policy:** this policy outlines the employees' responsibilities with regard to fraud prevention, what to do if fraud is suspected and what action will be taken by management in the case of suspected or actual fraud.
- **The Whistleblowing Policy:** this policy was adopted to complement the anti-fraud policy as a means to address serious concerns that could have a significant impact on the Group.
- **The Authorisation Policy:** this policy defines the limits of authority that are applicable within the Group.
- **The Group Accounting Principles Manual:** this manual outlines the Group's accounting principles and explains how transactions are to be accounted for and requirements for disclosure. The manual focuses upon the accounting policies to be applied in accordance with International Financial Reporting Standards (IFRS).
- **The Finance and Accounting Manual:** this manual describes the day-to-day financial procedures within the Group.
- **The Risk Management Policy:** the risk management policy establishes a common understanding of the Company's minimum requirements and principles to be followed in relation to the management of risk for all activities undertaken by the Group.

Monitoring **5**

In order to ensure the effectiveness of the internal control in respect of the financial reporting, monitoring activities are conducted by the Board, the Audit Committee and Group management, including the Company's CFO. The internal auditor and the Group finance department monitor compliance with internal policies, procedures and other policy documents. Further, an important monitoring activity carried out by the internal auditor is to follow-up on the results of the previous years' internal audits and risk assessments to ensure that the appropriate corrective measures have been implemented. Monitoring takes place at a central level, but also locally in the Group companies.

Stockholm, 8 April 2015

The Board of Directors of Lundin Petroleum AB (publ)

Auditor's report on the Corporate Governance Statement

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

It is the Board of Directors who is responsible for the Corporate Governance Statement for the year 2014 on pages 54–73 and that it has been prepared in accordance with the Annual Accounts Act.

We have read the corporate governance statement and based on that reading and our knowledge of the company and the group we believe that we have a sufficient basis for our opinions. This means that our statutory 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.

In our opinion, the Corporate Governance Statement has been prepared and its statutory content is consistent with the annual accounts and the consolidated accounts.

Stockholm, 8 April 2015
PricewaterhouseCoopers AB

Klas Brand
Authorised Public Accountant
Lead Partner

Johan Malmqvist
Authorised Public Accountant
Partner