

## **The Board of Directors' report on the evaluation of remuneration of the executive management of Lundin Petroleum**

Lundin Petroleum's principles for remuneration of executive management are established in the Policy on Remuneration that is approved each year by the Annual General Meeting (AGM). The Policy on Remuneration provides that Lundin Petroleum's goal is to recruit, motivate and retain high calibre executives capable of achieving the objectives of Lundin Petroleum, and to encourage and appropriately reward performance in a manner that enhances shareholder value. The Policy on Remuneration operates 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 executive management are rewarded fairly for their contribution to Lundin Petroleum's performance. To monitor and evaluate this, the Board has established the Compensation Committee.

### **Compensation Committee**

The functions of the Compensation Committee are to receive information and prepare the Board's and the AGM's decisions on issues concerning the Policy on Remuneration and compensation of the executive management of Lundin Petroleum. The objective of the Committee in determining compensation for executive management is to provide a compensation package that is competitive and motivating, will attract and retain qualified individuals and will encourage and promote performance. The Committee regularly evaluates the terms of employment of executive management, taking into account individual performance, responsibilities, length of service and levels of compensation provided by industry companies.

The Compensation Committee is composed of four non-executive Directors and the members during 2010 were William A. Rand, Chairman of the Committee, Lukas H. Lundin, Magnus Unger and Dambisa F. Moyo. The Compensation Committee held four meetings in 2010.

### **Evaluation of remuneration of executive management in 2010**

In accordance with the revised Code of Corporate Governance, during 2010, the Compensation Committee monitored and evaluated Lundin Petroleum's current remuneration structures and levels, including programmes for variable remuneration, both ongoing and those that ended during the year, for the executive management. The Compensation Committee found these to be appropriate and in furtherance of Lundin Petroleum's goals. In addition, the Compensation Committee monitored and evaluated the application of the Policy on Remuneration that was adopted by the 2010 AGM, and found that such Policy was properly applied.

The external auditors of the Company have also issued a report to the 2011 AGM stating that the Board of Directors and the Chief Executive Officer of Lundin Petroleum have during 2010 complied with the Policy on Remuneration as adopted at the 2010 AGM.

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