

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 include 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 three non-executive Directors and the members during 2013 were Cecilia Vieweg, Chairman of the Committee, William A. Rand and Magnus Unger. Kristin Færøvik was a member of the Compensation Committee until the AGM on 8 May 2013, where she declined re-election to the Board of Directors. The Compensation Committee held three formal meetings in 2013 and had regular contacts in between the meetings regarding the work of the Committee.

Evaluation of remuneration of Executive Management in 2013

In accordance with the Swedish Code of Corporate Governance, during 2013, 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 2012 and 2013 AGMs. A permitted deviation from the 2013 Policy on Remuneration occurred in 2013 as the Board of Directors 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. Following its evaluation, the Compensation Committee concluded that the Company's Policies on Remuneration were properly applied in 2013.

The external auditor of the Company has also issued a report to the 2014 AGM stating that the Board of Directors and the Chief Executive Officer of Lundin Petroleum have during 2013 complied with the Policy on Remuneration as adopted at the 2012 and 2013 AGMs.

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The Board of Directors of Lundin Petroleum AB (publ)