

Sustainability Report 2016



Contents

Foreword by the CEO	2
Our company	4
Our corporate responsibility approach	6
Corporate governance	10
Risk management	12
Compliance, anti-corruption and whistleblowing	14
Our people	16
Health and safety	18
Safe operations	20
Environment	24
Long-term ambitions in the southern Barents Sea	26
Climate change	28
Human rights	32
Stakeholder engagement	33
Innovation through R&D projects	36
Sustainable investments	39
Promoting excellence in youth through sport	43
Sustainability data	44
GRI index	48
Tell us what you think	51

Our Global Compact commitment



Lundin Petroleum has been a participant of the United Nations Global Compact since 2010. We support the 10 Principles on human rights, labour standards, environment and anti-corruption and participate in the UN Global Compact Nordic Network. We communicate on a yearly basis on our progress in implementing the 10 Principles.

This 2016 Sustainability Report also constitutes our Communication on Progress to the UN Global Compact.

Global Reporting Initiative (GRI)

Lundin Petroleum's 2016 Sustainability Report is the second report in accordance with the Global Reporting Initiative (GRI) G4 Guidelines.

Highlights

- » Welcoming the Paris Agreement on climate change
- » Industry collaboration on carbon efficiency
- » Promoting innovation through R&D
- » Sustainability engagement with banks on USD 5 billion lending facility
- » Scandinavian focus for Lundin Foundation projects

Our vision is to provide society with oil and gas that has been produced responsibly


Recognising climate change as a global challenge, we want to be part of the solution by providing low carbon intensity energy

Aligning with the SDGs



We promote the Sustainable Development Goals (SDGs) throughout our value chain and within our sphere of influence.

Revenue
 **MUSD 1,159.9**
 operating revenue

Carbon intensity
 **8.5** CO₂e kg/boe
 for Edvard Grieg
 production & drilling

Cash flow
 **MUSD 1,010.8**
 operating cash flow

Oil spills
 **0** recordable
 oil spills

Expenditure
 **MUSD 1,055.7**
 investments

Safe operations
 **0.67** lost time
 incident rate

Research & Development
 **MUSD 10.8**
 spending

Workforce
 **542** employees
 worldwide

Lundin Foundation
 **TUSD 569.3**
 contribution

Diversity
 **34%** of women
 in the Group

Foreword by the CEO

This Sustainability Report is the second of its kind for Lundin Petroleum. Stakeholder feedback has confirmed the usefulness of such a report to gain a better understanding on how we integrate our values and principles in our day to day activities. I take this opportunity to reaffirm our continued support to the Global Compact's 10 Principles on human rights, labour standards, environment and anti-corruption.

2016 has been an outstanding year for Lundin Petroleum. We achieved record high production levels with over 72,000 boepd produced for the year at a record low cash operating cost of USD 7.80 per barrel. This is primarily due to the excellent performance of the Edvard Grieg field that came on stream in November 2015, but also to the continued robust performance from our operated assets in Malaysia and France, which delivered above expectations. We have also pursued an ambitious drilling programme in Norway, in particular in the southern Barents Sea.

This very active exploration and production programme was carried out without any major incidents or spills in Norway and with an improved overall health, safety and environmental (HSE) performance. Thanks to carbon efficient equipment and technologies installed in our facilities at Edvard Grieg, we achieved a carbon intensity rate lower than the industry average in Norway, which itself is close to half of industry world average. This confirms our view that good business goes hand in hand with a robust management of HSE and corporate responsibility issues.

There were other positive developments in 2016. By acquiring an additional 15 percent equity in Edvard Grieg, we not only increased our production and reserves but we also strengthened our financial position by improving an already solid liquidity position following the signing of the USD 5.0 billion reserve-based lending facility earlier in the year.



At the same time, our largest development project Johan Sverdrup continues to deliver good news with lower project costs, higher production capacity and a reserves increase when compared to the original PDO estimates.

We have also seen our southern Barents Sea exploration strategy unfolding with the highly anticipated 23rd licensing round awards. We were very pleased to be one of the most successful companies in this 23rd round as this lays the foundation of future exploration activities and continued growth.

Such great results would not be possible without strong values, the enthusiasm, professionalism and entrepreneurship from my colleagues. My first year as the new CEO of Lundin Petroleum has been a very rewarding one thanks to our shared values and great team work.

Yours Sincerely,



Alex Schneiter
President and CEO



Our Company

Finding and developing oil and gas resources

In 2016, Lundin Petroleum (the 'Company' or the 'Group') had exploration and production assets focused on two core areas, Norway and Malaysia, as well as assets in France, the Netherlands and Russia, and offices in Stockholm and Geneva. In 2017, due to the spin-off of the Company's non-Norwegian assets into the newly formed company International Petroleum Corporation (IPC), Lundin Petroleum will maintain an exploration focus seeking to generate sustainable value from exploration to production in Norway.

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

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

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

Lundin Petroleum is **responsible** towards:

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

Exploration and Appraisal



Lundin Petroleum focuses on building core exploration areas and on assembling integrated teams of geoscientists and technical experts that have a creative and visionary approach to finding oil and gas resources. Lundin Petroleum will focus its near-term exploration and appraisal activity in the southern Barents Sea, appraising the Alta and Gohta discoveries and exploring some high impact exploration targets.

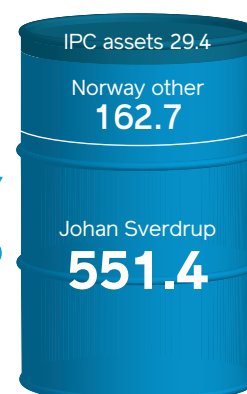
Development



Following exploration and appraisal, the strategy is to convert discoveries into reserves and production. After a development plan has been approved, construction of facilities can start, to which wells and infrastructure are connected so that production can begin. As a partner, Lundin Petroleum is involved in the ongoing construction of oil and gas production facilities on the giant Johan Sverdrup project in Norway.

Reserves end 2016
743.5 MMboe net

NORWAY
95%



Production



The production phase is defined as everything from extraction and processing to delivering the oil or gas for sale. Lundin Petroleum significantly increased its production in 2016, due to the ramp-up of production from its Edvard Grieg facility and strong ongoing performance at the Alvheim area in Norway and the Bertam field in Malaysia.

Sales and Marketing



Lundin Petroleum sells and delivers its produced crude oil directly to customers, generally to their own refineries. The sales and marketing activity within Lundin Petroleum, which was established for first oil from Edvard Grieg, is the last part of the crude oil supply chain. The first cargo was sold on 14 January 2016 and by end of year, Lundin Petroleum had sold directly a total of 25 cargoes.

Production performance 2016

72,600 boepd net



NORWAY
83%



Our Corporate Responsibility Approach

A ground breaking year

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

Over time, various sustainability standards and reporting procedures have been developed and we decided to align ourselves with standards which have been recognised internationally as to provide the information in a format that enables stakeholders to assess the Company's sustainability performance.

With this Sustainability Report, Lundin Petroleum's Corporate Responsibility work can now be measured against our peers leading to a more constructive dialogue with our stakeholders.

This year was also exceptional from a global sustainability perspective. The year culminated with the Paris Agreement entering into force, marking a turning point in the global understanding of the climate change issue and the challenge it represents.

We engaged throughout the year with stakeholders on this issue, understanding the implications of the Agreement. Working closely with the oil and gas industry, we want to be part of the solution for a more energy efficient and low carbon society.

We conducted a thorough analysis of our emission sources and levels, with a view to identify potential reductions and further energy efficiency measures. We achieved our goal to a low carbon intensity level for Lundin Petroleum in 2016.



“ We provide the market with oil that is produced responsibly ”

Christine Batruch
Vice President Corporate Responsibility

HSE challenges

2016 was a very active year from an operational perspective. In February 2016, we tragically lost one of our sub-contractors working on the Bertam field in Malaysia. We have undertaken thorough investigations and have initiated a safety leadership programme in order to reinforce our HSE culture and systems. We nonetheless managed to secure an overall improved safety performance, with better Key Performance Indicators compared to 2015.

In 2017, we will continue to place a strong emphasis on the health and safety of all the people working for us, staff and contractors, and we will thoroughly analyse potential risks associated with our activities so as to prevent incidents and ensure we have the ability to respond to any potential unexpected situation.

Our sustainability management

Lundin Petroleum's commitment to responsible conduct is an integral part of managing our business. Our Code of Conduct and specifically tailored Group policies, guidelines, processes and procedures apply to all our activities. Our countries of operations are required to integrate Corporate Responsibility into their strategic thinking and activities to protect people's rights, health, safety and security, to preserve the environment and to maintain ethical integrity.

We assess implementation of these commitments in the organisation through annual Corporate Responsibility management system audits and reviews, covering compliance with our Code of Conduct as well as with the Company's policies and guidelines on anti-corruption, human rights, labour standards, environment and stakeholder engagement. The management of health, safety and the environment is the subject of separate internal, third party and regulatory audits.

These reviews and audits enable us to assess on a continuous basis the level of integration of Corporate Responsibility principles throughout our operations.

Looking ahead

2017 will be another transformative year for Lundin Petroleum, as its strategic focus will be centred on Norway. In February 2017, Lundin Petroleum announced the spin-off of its non-Norwegian assets (Malaysia, France and the Netherlands) into a newly formed company called International Petroleum Corporation (IPC). The spin-off will allow Lundin Petroleum's management to focus exclusively on the Norwegian assets which have continuously grown in size and value since Lundin Petroleum began its activities there in 2004.

We are committed to ensure our operations are conducted in a responsible manner, which ultimately secures social, environmental as well as economic benefits for all our stakeholders

2017 Goals



Promote
**ethical
conduct**



Uphold
**health and
safety**



Minimise
**environmental
impact**



Focus on
**carbon
efficiency**

Responsible value chain

Lundin Petroleum's direct sales and marketing activity started with our production from the Edvard Grieg field. We comply with the highest business standards. We have well established processes in place to conduct checks throughout the selling process in order to comply with regulations and our corporate responsibility commitments, as well as to assess and manage associated risks involved. We conduct on a regular basis a due diligence process through "Know Your Customer" questionnaires to parties we are dealing with, whether an end-user or a carrier of our crude. Anti-corruption, anti-money laundering, ultimate beneficiary owner or destination restrictions are key elements of our due diligence process. Lundin Petroleum conducts its business with well-established partners who have similar business standards and values.

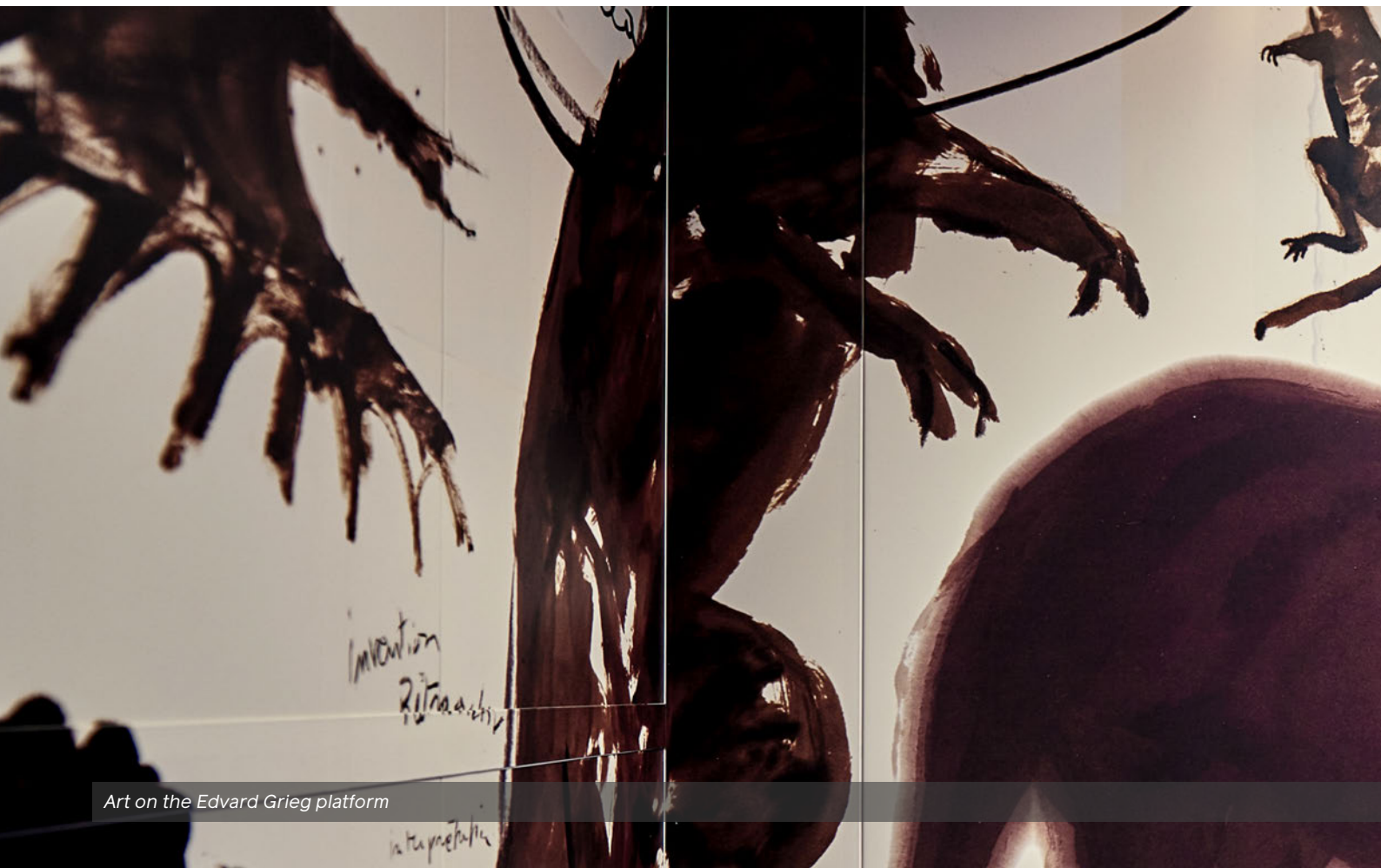
Our sustainable investments

Our work on environmental preservation in partnership with the Lundin Foundation has continued in 2016. We expanded our work in this sphere by supporting young entrepreneurs from northern Norway engaged in environmental innovation. We have also launched pilot projects in both Norway and Sweden aiming at assisting the integration of refugees and migrants into the workforce, addressing one of the most important current social issues in the world. Early indications show that these projects are reaching their targets and we look forward to expanding this work in 2017.

The Sustainable Development Goals

The United Nations' Sustainable Development Goals (SDGs) commonly called the Global Goals, set priorities for sustainable development through to 2030. The 17 goals require action in the economic, environmental, social and political sphere in order to address global challenges.

It is a core value of Lundin Petroleum not only to produce oil and gas in an economically, environmentally and socially responsible way, but to promote this commitment within our sphere of influence, as we consider that solutions can only be found through collaborative efforts by different societal actors.



Art on the Edvard Grieg platform

Our starting point is to conduct our operations in line with the ten principles of the Global Compact. We also engage with our business partners, contractors and suppliers on ensuring that the principles are adhered to through our value chain. In addition, we take an active part in the wider discussion on societal challenges, the roles and responsibilities of different societal actors in promoting positive change.

In 2016, we integrated elements of the SDGs in our operations in particular as regards our environmental footprint. We partnered with industry and academia in R&D projects on innovative solutions, we initiated new projects with the Lundin Foundation aimed at addressing challenges related to the refugee crisis and by holding dedicated sessions with students, institutional shareholders and the financial community on the need to address social and environmental global challenges, individually and through partnerships.

Throughout this report, you will find information on Lundin Petroleum's work in 2016 to contribute to the SDGs.

About this report

The objective of this Sustainability Report is to explain to our stakeholders how we carry out our activities, disclose our management approach and provide qualitative and quantitative data.

The report has been prepared in accordance with the GRI G4 Guidelines' core level, the GRI G4 Oil and Gas Sector Supplement and the UN Global Compact.

It focuses on issues that are determined as material to Lundin Petroleum and its stakeholders, as well as those deemed to be relevant in terms of potential risks and impacts. The material issues we report on for 2016 are essentially those which had emerged from our materiality assessment described in our 2015 Sustainability Report. The main difference we identified in our review process is the increased importance of climate change. This issue is thus more thoroughly addressed in this report.

Lundin Petroleum's first Sustainability Report, which was published in May 2016, has triggered further engagement with stakeholders. We would like to thank them for their positive comments and feedback, as it helps us to improve our reporting.



Corporate Governance

Integrity and responsibility are core values at Lundin Petroleum and central to our reputation as Europe's leading independent oil and gas company. Our Code of Conduct sets our commitment to work responsibly, with integrity and respect, and provides guidance for everyone working for or on behalf of Lundin Petroleum. We are committed to ethical business practices and high standards of corporate governance.

We believe that our business can only be successful in the long-term if corporate responsibility commitments are shared by everyone working for the Company. Strong corporate governance, comprehensive risk management and robust internal controls are key to achieving our goals.

Lundin Petroleum seeks to generate long-term sustainable value for all its stakeholders. Since its creation in 2001 we have 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 activities competently and sustainably
- Sustain the well-being of local communities in areas of operations

Our corporate governance

Lundin Petroleum is an independent Swedish oil and gas exploration and production company. Following the spin-off of its Malaysian, French and Dutch assets into International Petroleum Corporation in April 2017, our core area of business is Norway. The Swedish public limited liability company Lundin Petroleum AB (publ) is the parent company operating in Norway through its subsidiary Lundin Norway AS.

As a Swedish public company listed on NASDAQ Stockholm, Lundin Petroleum is subject to the Swedish Companies Act and the Annual Accounts Act and the Swedish Corporate Governance Code, as well as the Rule Book for Issuers of NASDAQ Stockholm. In addition, the Company abides by principles of corporate governance found in a number of internal and external documents, developed in accordance with relevant international standards.

Lundin Petroleum has issued for the first time a standalone report on payments to governments in accordance with Swedish regulations implementing the EU Directive 2013/34 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings.

A summary of payments to governments done by Lundin Petroleum can be found on page 47. The report with details of payments is available on www.lundin-petroleum.com

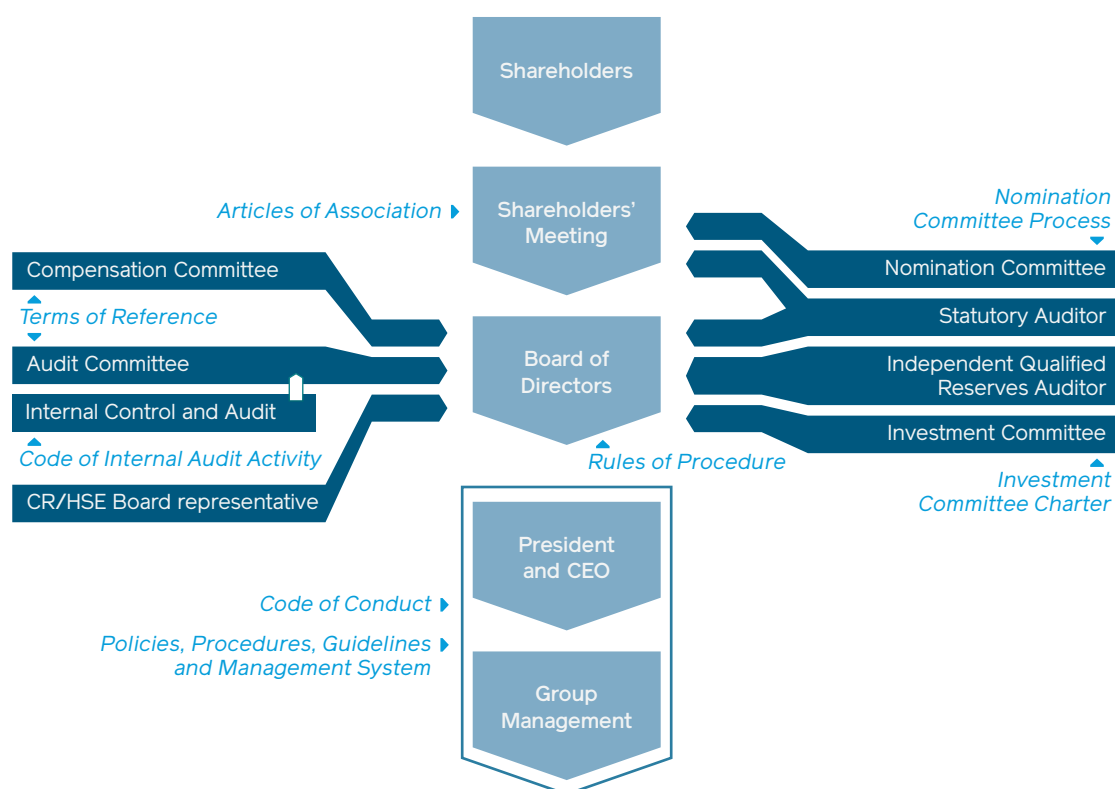
Board of Directors

Our Board of Directors is responsible for the organisation of the Company and management of the operations in the interests of the Company and all shareholders. The Board should at all times have an appropriate composition considering the current and expected development of the operations. Our Board members come from a wide range of backgrounds and possess both individually and collectively the necessary experience and expertise. Currently three out of eight of the members of the Board of Directors are women.



Lundin Norway office, Lysaker

Lundin Petroleum's Governance Structure



Code of Conduct

Lundin Petroleum's Code of Conduct is a set of values and principles formulated by the Board of Directors, 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.

As a responsible company, we carry out our operations with high standards of ethical business conduct and strive for continuous improvement to ensure safe operations while preserving the environment.

We also recognise the importance of contractors' performance in matters related to Corporate Responsibility and aim to ensure that our contractors, suppliers and other business partners abide by the same ethical standards by including our Contractor Declaration in our main contracts. In this process we also seek to increase awareness of Corporate Responsibility among our contractors.

Policies, procedures, guidelines and management system

While our Code of Conduct provides Lundin Petroleum's ethical framework, dedicated Group policies, procedures and guidelines have been developed to outline specific rules and controls. The policies, guidelines and procedures cover areas such as Operations, Accounting and Finance, Health and Safety, Environment, Anti-Corruption, Human Rights, Stakeholder Relations, Legal, Information Systems, Insurance & Risk Management, Human Resources, Inside Information and Corporate Communications. They are continuously reviewed and updated according to our Group management system.

In addition, Lundin Petroleum has a dedicated Health, Safety and Environment (HSE) Management System (the 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 our legal and ethical obligations, our responsibilities and HSE commitments.

Risk Management

Our risk management creates value by enabling us to effectively identify, mitigate and monitor potential events affecting our business and the environment in which we operate



Today's business landscape is dynamic, fluid and often characterised by rapid change, regional differences and cultural practices that lead to business risks. The oil and gas industry faces operational and financial risks, which even the combination of our robust processes, experience, knowledge and careful evaluation may not fully eliminate or which are beyond the Company's control.

Risk management creates value by enabling management to deal effectively with potential events in the Company's operations and its business environment. Risk management is a process driven by the Company's Board of Directors to encourage foresight, pro-activeness and informed decision making. Risk management brings together the assessment and review of possible events and scenarios resulting in an increased awareness throughout the Company. It also gives management the ability to take informed decisions internally to face the challenges of the business environment and encourage and maintain a proactive risk management.

Lundin Petroleum bases its risk approach on the internal control framework COSO 2013 in order to have a robust risk assessment methodology which covers all aspects of the Company's operations, not only financial reporting.

Risk identification

Risk identification and assessments are related to our business strategy. A proper risk assessment forms the basis for highlighting which risks should be prioritised by local and Group management.

As part of the risk identification and assessment process Lundin Petroleum reviews and analyses the risks that affect the business in each area of operations. The Company identifies strategic, operational, corporate responsibility, HSE, financial, security and external risks affecting its activities and this identification involves an analysis of interrelated internal and external factors.



Employees in Geneva

The risks are assessed on a quarterly basis, through a standardised methodology based on likelihood and impact. Regular reviews are conducted to focus on which risks may be reduced or eliminated; internal audits focus on risks identified in this process.

After identifying and assessing the significance of risks and opportunities, management also considers control measures. The prioritisation of control measures is based on high risks that could affect the business.

Control

Controlling risk through effective management is achieved by creating a mandate and commitment to managing risk at all levels of our business. Risk mitigation is an integral and continual part of the control activities and decision making within Lundin Petroleum.

Our robust policies and procedures allow for the establishment of clear responsibilities and business principles to reduce risk exposure. Controlling risk may also involve risk acceptance, avoidance, or transferring the impact and management of the risk to a third-party by, for example, purchasing insurance or having risk transferred by contract.

Monitoring

Monitoring risk is an important part of our continuous risk management process. It involves local operational accountability and clear responsibility for continuous identification of risks by risk owners.

“Lundin Petroleum places risk responsibility at all levels to continually manage threats and opportunities affecting our business”

Erin Link
Group Risk Manager

The Company provides oversight through regular risk reporting which enables the continual review of factors such as:

- Identifying new risks and opportunities
- Maintaining ongoing awareness of the Company's risk environment, risk management programme, and associated activities to support risk decisions
- Reviewing reported risks and incidents to ensure that adequate insurance coverage is in place
- Reviewing the internal audit plan based on reported risks

Compliance, Anti-Corruption and Whistleblowing

Regulatory compliance

Our minimum requirement throughout the Group is to conduct our activities in full compliance with applicable laws and regulations that govern our industry.

In 2016, Lundin Petroleum had no significant fines or non-monetary sanctions for non-compliance with environmental or other laws and regulations in the Group. As in previous years, there were no cases of corruption throughout the Group.

Lundin Petroleum compliance

Starting with legal compliance, Lundin Petroleum has formalised its commitment to combat corruption in its Anti-Corruption Policy and Guidelines and looks not only at its own conduct but that of its partners, contractors and suppliers. This is formalised through the inclusion of anti-corruption clauses in main contracts and our Contractor Declaration. The Contractor Declaration, which describes Lundin Petroleum's expectations in relation to corruption, is a means to engage with partners on this issue as well as to obtain their commitment in this respect. Should corruption take place at any of our contractors, it could result in the termination of the contract.

Commitment to combat corruption

Compliance with national laws and internal rules and processes are a starting point for Lundin Petroleum, as it is important to ensure that the Company abides by its own rules before requiring the same from its partners and the industry in general.

Lundin Petroleum also actively promotes anti-corruption through participation in various forums:

- Participant company to the United Nations Global Compact
- Member of the United Nations Global Compact Nordic Network
- Signatory of the United Nations Global Compact's Call to Action on Anti-Corruption
- Supporting company of the Extractive Industries Transparency Initiative (EITI)

As EITI's mission is to combat corruption in all its forms in the extractive industry, it is a partner of choice for Lundin Petroleum.

At the end of 2016, the EITI had 51 implementing countries, disclosing USD 2 trillion of taxes and royalties through EITI reports, a demonstration of increased transparency of payments in the sector.

Regular meetings are held with the EITI Secretariat, based in Oslo, as well as with the head of its multi-stakeholder group. In 2016, we had a meeting with its newly appointed Chairman, Fredrik Reinfeldt, in order to discuss the activities undertaken by the EITI.

We see the EITI as an initiative that provides benefits to governments, such as trust and accountability, as well as to our Company in terms of managing risks, enhance reputation and giving us the opportunity to be part of efforts to combat corruption in all its forms.

Whistleblowing

We encourage people working for us to raise concerns regarding potential unethical or illegal conduct that may arise in the course of their professional engagements at any time in an open and direct manner.

Lundin Petroleum's Whistleblowing Policy and Procedure empowers anyone working directly or indirectly for the Company to raise concerns regarding inappropriate conduct by raising them with line managers or supervisors, or via whistleblowing@lundin.ch.

In the course of 2016, the whistleblowing procedure was invoked once, by a former employee raising concerns regarding an internal process. After a thorough internal investigation, it was found that the Company's conduct was in line with documented processes, laws and regulations, and industry practice. A detailed response was sent to the whistleblower who did not pursue the matter further. This case demonstrates that people working for us are aware of our commitment to rigorous ethical conduct, that we are open to be challenged, ready to review our documents to clarify issues which may give rise to misunderstanding and that we have the ability to deal with such claims.



Edvard Grieg platform, North Sea (Norway)

Our People

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

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

World class employees

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

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

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

Aligning with the SDGs



GOAL 4:
Promote life-long learning

GOAL 8:
Ensure decent work

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

Alex Schneider
President and CEO



Employees in Lundin Norway office, Lysaker

A diverse workforce

We value an open and inclusive working environment and strive to maintain a competent, engaged and experienced workforce. Acting locally and thinking globally is a guiding principle in our approach to the selection, recruitment and management of our employee base, by ensuring that all employment opportunities are offered on the basis of skills and experience. We recruit based on qualifications and irrespective of gender, ethnicity, religion, disability, etc. We are committed to promote equal opportunity and do not accept any kind of discrimination.

Wherever we operate, we actively strive to employ locally so that we can benefit from local knowledge and experience. Our employees have the necessary skills, knowledge and motivation to be successful in their work, and this contributed to the ongoing success of the Company in 2016, as demonstrated by its strong results and low levels of employee turnover compared to industry norms.

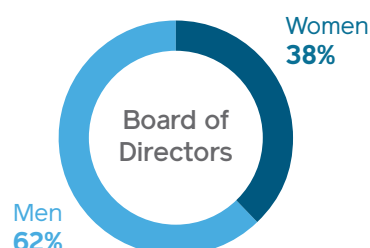
In 2016, a total of 29 different nationalities were employed throughout Lundin Petroleum's global operations. Women represented 34 percent of the total workforce and 20 percent of managerial positions. The proportion of women in the Board of Directors was 38 percent.

Labour relations

We actively engage and promote good employee relations and sound employment practices wherever we operate, offering attractive and safe working conditions.

Norway, which is our largest operating area, enjoys freedom of association. Lundin Norway is a member of Norwegian Oil and Gas, an employers association for oil and supplier companies, whilst union members among staff are currently represented by either Tekna, Industri Energy, Safe or Lederne.

542
employees



Shaping the work environment

Lundin International (France) dedicated its teambuilding day to modify the appearance of its buildings. Staff and management joined in creating street art on the walls of the main building and workshop of the Villeperdue production centre. All staff participated in this one-day event and produced paintings that not only improved the appearance of the working environment, but will also remind them of this creative and collaborative day.



Health and Safety

Our goal is zero injuries to people

Safe and responsible operations

The cornerstone of safe operations relies on having a robust safety culture and competent people. It is our duty to provide staff and contractors with safe and healthy working conditions. We do so in a number of ways. At the outset there must be a clear understanding of the activities to be carried out, followed by risk analyses and rigorous planning. Policies, processes, procedures, work practices and equipment provide the framework for carrying out activities safely. In addition, as safety requires people's personal involvement, we focus through training and toolbox talks on everyone's role and responsibility to contribute to a safe working environment. We also encourage staff to raise their concerns regarding any potential safety risks or hazards.

Pro-active management

The purpose of Lundin Petroleum's Health, Safety and Environment (HSE) management system is to prevent accidents or incidents which could have an impact on people, the environment or on the Company's assets. We undertake risk assessments and use Key Performance Indicators (KPIs) as HSE management tools, focusing not only on areas where incidents have already occurred (i.e. lagging indicators) but also where they could potentially occur (i.e. leading indicators). Analysing near misses with high potential, enables us to put in place preventive measures to avoid future incidents. Carrying out investigations after incidents have occurred enables us to ascertain the causes of the incidents and take corrective action to prevent similar ones from happening again. In both cases lessons learned are integrated in work practices and shared across the Group. HSE audits, carried out internally or through third parties, serve to identify additional areas of improvements.

Shared responsibility

Safety is a joint responsibility. Contractors, suppliers and partners are expected to have a similar culture and practice, in order to ensure that the highest safety standards are followed across all operations.

Aligning with the SDGs



GOAL 3:
Promote health and well-being

“ Safety is part of our operational culture ”

Kari Nielsen

Operations Manager at Lundin Norway

Contractor management

Responsible contractor management starts with a due diligence process at pre-qualification stage, during which contractors are screened on their HSE systems and performance. Our contracts contain clauses on parties' obligation to abide by our Code of Conduct, HSE management system, as well as internationally recognised rules and standards on anti-corruption, labour, human rights and the environment.

Our Contractor Declaration, which forms part of our main agreements, ensures that contractors are aware of our Corporate Responsibility requirements and commit to work accordingly.

To ensure expectations are met and safety standards respected, dedicated contractor sessions are held to highlight the importance of HSE management and performance as well as communicate work programmes and related safety instructions.

Focus on safety training

In France, training starts with security inductions for everyone entering our facilities; 167 security inductions were given in 2016. For everyone working for us this is complemented with dedicated safety training. There were 81 such training sessions during the year.

Emergency exercises are another form of training leading to enhanced readiness and learning by doing; 33 emergency drills were conducted in France.

Third party training adds another layer of knowledge. 57 percent of all third party training provided to our staff in France was related to safety.

Incident management

We record all incidents that occur in our operations and conduct investigations based on severity levels to identify causes and introduce required improvement measures to prevent future occurrences.

Key Performance Indicators

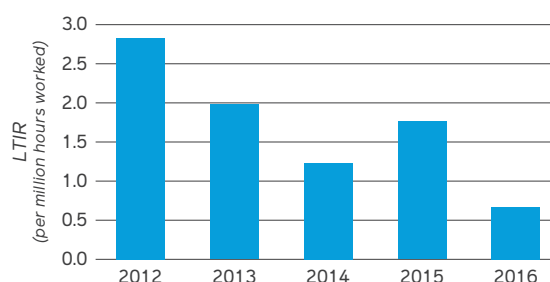
A fatal accident occurred in our operations in 2016. We tragically lost one of our sub-contractors working for the FOS Leo supply vessel on the Bertam field, offshore Malaysia. In-depth investigations into the accident were conducted both by Lundin Malaysia and third parties with a view to fully understand the circumstances of the accident and ensure preventive measures are in place to avoid such accidents in the future. A comprehensive HSE programme was developed to improve control of work and safety leadership and will continue to be implemented throughout 2017. Furthermore, dedicated sessions were held with our teams in France and Norway to discuss investigation findings and potential learning for their own operations.

In 2016, we achieved a Lost Time Incident Rate (LTIR) for Lundin Petroleum's employees and contractors of 0.67 per million hours worked and a Total Recordable Incident Rate (TRIR) of 2.34 per million hours worked. This is a marked improvement compared to 2015 and attests to our focus on safety at a time of high operational activity (see data table on page 44).

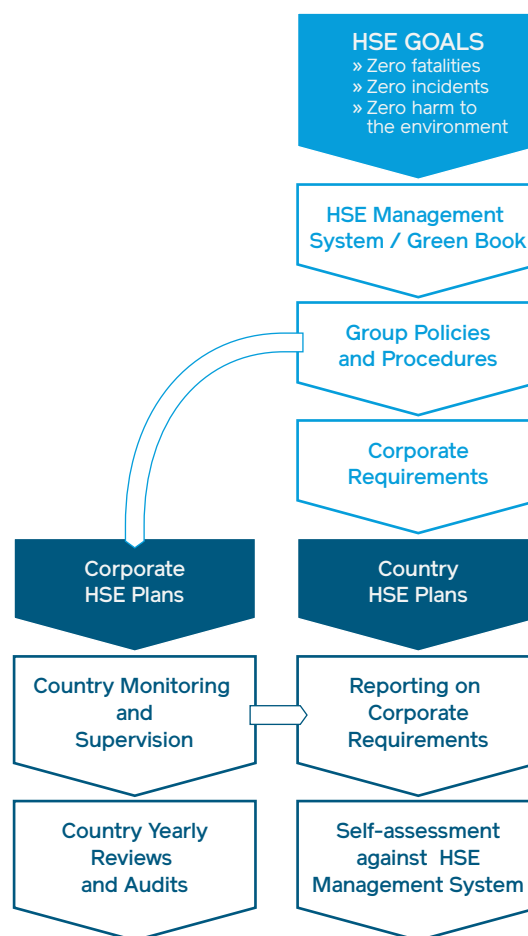
Safety leadership programme

Lundin Malaysia developed and implemented a control of work and safety leadership programme after the findings of the thorough investigation conducted in the aftermath of the fatality involving a sub-contractor working on the Bertam field. This programme aims to increase awareness, enhance capability, and improve accountability among offshore contractor staff and management. Further objectives of the programme are to raise the safety leadership skills of managers, supervisors to lead by example and elevate personal safety commitment of all personnel.

Lost Time Incident Rate
(employees and contractors)



Lundin Petroleum's HSE framework



Safe Operations

Ensuring safe and secure operations that protect people, the environment and our assets is fundamental to our business, and we work closely with industry partners on incident prevention and emergency preparedness.

Major accident preventions

We are committed to ensure that our activities, from exploration to production, are conducted safely, cost effectively and in accordance with industry best practise.

Rigorous planning integrating mitigation measures for identified risks and the selection of competent staff and contractors are critical to accident prevention. Process safety also plays an important part, as it involves managing the integrity of operating systems and processes to prevent unplanned releases which could result in an incident. The prevention and control of events that have the potential to release hazardous materials relies on good design principles, operating practices and ongoing maintenance.

“ We operate in high interdependence with contractors. Safe operations is the joint accountability of everyone involved in our activities ”

Nick Walker
Chief Operating Officer

Emergency preparedness

Emergency response, oil spill and blowout contingency plans are established prior to the commencement of activities, based on environmental risk assessments and oil spill contingency analyses, as well as safety and emergency preparedness reviews.

The emergency preparedness plan is tested on an ongoing basis together with contractors through regular emergency response drills conducted at field, country and Group level.



Drilling operations – Leiv Eiriksson drilling rig, southern Barents Sea (Norway)

Offshore preparedness in Malaysia

Oil spill emergency preparedness was the subject of Lundin Malaysia's annual major emergency exercise in 2016. The exercise, preceded by a training session organised by the international oil spill response provider OSRL, included a refresher course on oil spill contingency planning. It led to an update of the emergency response management plan to include OSRL's incident command structure and the development of the emergency business response plan for the management team.

This emergency drill involved the Bertam operations offshore, the office in Kuala Lumpur, the corporate crisis management team and various external stakeholders. The exercise aimed at testing the emergency response team's knowledge and skills to respond efficiently to an oil spill and provided assurance of Lundin Malaysia's preparedness.

Onshore emergency preparedness in France

Given that our operations in France are onshore it is important to test emergency response in coordination with local authorities and governmental emergency response structures.

We conducted an emergency fire exercise which mobilised over 100 people, among whom 40 firemen and representatives of a number of governmental agencies, such as the police, the prefecture, the fire and rescue department, the regional and interdepartmental directorate for environment and energy, the regional directorate for environment and planning, as well as contractors.

The mayor of Montmirail, previously informed of the drill, followed the event in real time after being briefed by the General Manager who coordinates emergency management and external relations with the corporate crisis management team.

The aim of the exercise is to train Lundin teams and local firemen to coordinate response in the event of a major accident. It also serves to assess the adequacy of emergency procedures and test external communications with stakeholders.

A local newspaper reported that the exercise showed "a high level of professionalism" and was conducted with "impressive efficiency".



Audits

Verifying compliance with legal and corporate HSE requirements takes place through audits. Regular audits are conducted by in-house experts within each operating entity and, on a yearly basis, we conduct corporate HSE management systems audits to ensure adherence to Lundin Petroleum's HSE policies and management system requirements.

In addition, third party audits by governmental authorities are conducted in each country of operations. The purpose of these audits is to identify potential failures in our systems or practice and highlight potential non-conformances or improvement measures. They enable our operations to continuously improve systems and performance.

In 2016, none of the audits resulted in material non-compliances, only in improvement measures.

Regulatory audits in France

French authorities conducted a total of ten audits in our French operations in 2016. Six of these were conducted by the regional and interdepartmental directorate for environment and energy and four by the regional directorate for environment and planning. All of the audits confirmed compliance with local laws and regulations.

Regulatory audits in Malaysia

In 2016, the Malaysian regulatory body for petroleum activities conducted its first HSE Management System Assurance audit at the Lundin Malaysia's head office in Kuala Lumpur and at the Bertam field. The assurance audit found a satisfactory HSE Management System implementation with a few improvement measures, which led to strengthening our systems in place.

Regulatory audits in Norway

The Petroleum Safety Authority (PSA) in Norway is a regulator whose role is to supervise safety, emergency preparedness and the working environment in Norwegian petroleum activities. The PSA also establishes standards for the petroleum industry. That involves developing regulations, controlling companies' compliance and taking enforcement action. One of its main priorities is to ensure that Company management maintain a high level of HSE culture. The PSA also pays a particular attention to oil and gas activities in the northernmost part of the Norwegian continental shelf (NCS) to ascertain that they are conducted in a safe manner, safeguarding people, environment and assets by ensuring that technical, operational and organisational barrier elements are maintained in an integrated and consistent manner.

Lundin Norway was the subject of four audits by the PSA in 2016. The areas covered were barrier management (i.e. existence of technical, operational or organisational barriers to prevent incidents) at the Edvard Grieg platform, the Company's follow-up activities, information security and logistics. Out of four audits only one identified non-conformances related to material handling, documentation and labelling. While these issues did not present high risks to the operations, they were addressed in a timely manner.

In addition to these safety audits, the Norwegian Environment Agency conducted an audit on the Edvard Grieg platform which identified two non-conformances related to the control of oil in water discharge measurements and the documentation relating to environmental effects of possible use of dispersants in case of an oil spill.

We integrated all audit findings and thereby continuously improve our HSE performance.



Maintenance checks on the Edvard Grieg platform



Fishing vessel near an oil and gas installation, North Sea (Norway)

©Philip Stephen

Cross-industry safety collaboration

Safety in the oil and gas industry is also achieved through cross-industry collaboration. We recognise the importance of cooperation with other industries sharing the same geographical space. As offshore oil and gas operations may take place in fishing areas, we must ensure that our activities do not interfere with others operating at sea.

The FishSAFE Information Project is an example of collaboration to prevent incidents in the North Sea. It provides fishermen with details of all oil and gas structures and infrastructure in U.K. waters and certain pipelines in Norwegian waters through their electronic plotters and warning devices. FishSAFE information reduces the risk that fishermen will make contact with subsea hazards when fishing causing injury, environmental harm or damage to fishing or oil and gas equipment. Lundin Norway assets displayed in the FishSAFE information system include those spanning the U.K./Norway Exclusive Economic Zones (the Brynhild to Pierce assets).

The FishSAFE Information Project is promoted by FLTC Services, a subsidiary of U.K. Fisheries Offshore Oil and Gas Legacy Trust Fund Limited. This is a company with charitable status set up by Oil and Gas U.K., the Scottish Fishermen's Federation and the National Federation of Fishermen's Organisations.

"The support of Lundin Petroleum and other offshore operators is vital to the success of The FishSAFE Information Project and plays an important role to ensure the safety of fishermen, protect the environment and reduce damage to fishing and oil industry assets. The project has received significant grants from the European Fisheries fund and the Scottish Government and involves close co-operation between the fishing and oil and gas industries. We and our delivery partners are very grateful for Lundin Petroleum's continued support."

Niall Scott

Executive Chairman of FLTC Services

Environment

Environmental responsibility starts with understanding the context in which we operate

We are committed to respect and preserve the natural environment. Our operations are exposed to various environmental settings, from onshore to offshore sites, each with different natural characteristics and sensitivities.

Exploring for and producing oil and gas may have an impact on the environment. Hence, we see it as a priority to have in place measures to minimise the impact of our operations on the surrounding environment and we closely plan and monitor our activities from this perspective.

Environmental assessments

Environmental protection starts with prevention, which is made possible by understanding the environmental context. Before starting any exploration or production activities, we perform or rely on existing environmental impact assessments and baseline surveys to determine the potential effects of our activities on the environment. The nature of the planned activities and existing knowledge of the area determine the scope of the studies and can include a review of the literature, visual monitoring as well as sediment and water sampling. Depending on the findings, measures may be taken to minimise environmental impact, for example by drilling a deviated well, changing the anchor pattern of the rig or bringing drill cuttings to shore. Operational activities take place only after receiving an environmental permit from national or state authorities.

Protecting biodiversity

The preservation of biological diversity is important to us and to our stakeholders. Baseline and impact studies assess potential impacts and we map sensitive areas covered by national laws or international treaties such as the IUCN Protected Areas and the Ramsar Convention to ensure such areas are not negatively impacted by our activities.

ZERO
oil spills
in **2016**



Oil spill prevention

Our goal is to prevent oil spills. Through our oil spill management system we ensure that risks are properly assessed and that we have the competence and capacity to prevent and, if need be, to respond effectively to a spill. Elements of the management system include oil spill contingency plans and training of staff to prevent and remediate spills.

In addition, all Group operations have arrangements with national oil spill response organisations as well as with Oil Spill Response (OSRL), to ensure an effective response in case of need.

Lundin Petroleum did not have any recordable oil spills to the environment throughout the Group in 2016.

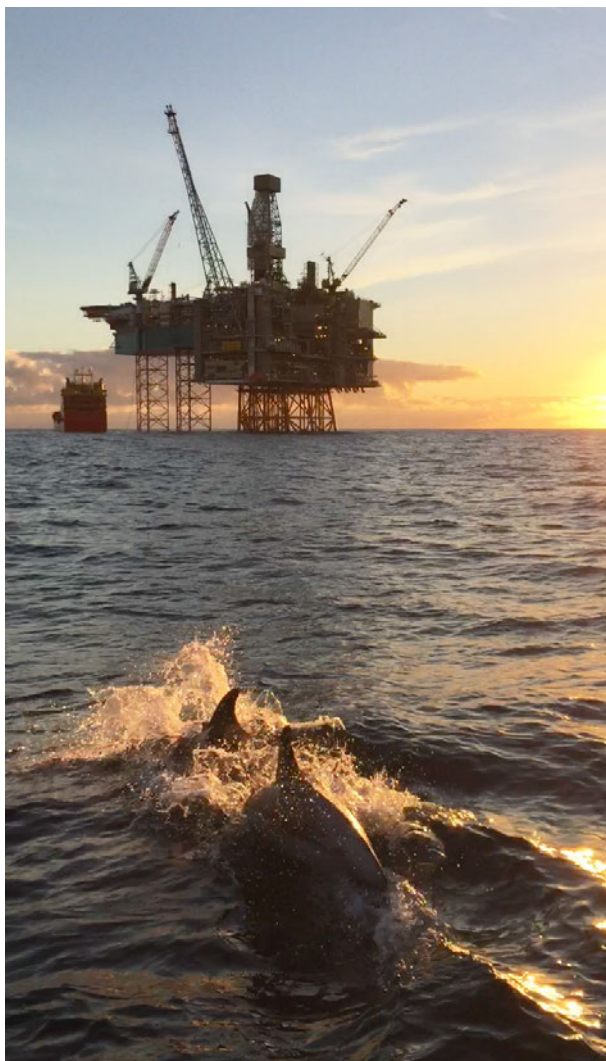
Reducing discharges to sea – the Norwegian zero goal

The Norwegian oil and gas industry has worked for a number of years to reduce discharges of environmentally harmful substances to the sea and to reduce the pollution risk associated with such discharges.

Norway's goal of zero environmentally harmful discharges to the sea was introduced in 1997 and calls for the minimisation of discharges. The zero discharge goal is to be reached within acceptable limits for the environment, safety and economics.

Restrictions on the use of chemicals are applicable for naturally occurring environmental pollutants, chemicals classified as hazardous to the environment, and oil, drill cuttings or other substances which may cause environmental harm.

Since its introduction, the zero discharge goal has contributed to a stronger focus on the substitution or phasing-out of chemicals with environmentally harmful properties and has achieved a 98.5 percent decrease between 2003 and 2012.



Water management

Water use is an important global issue as water scarcity is a growing challenge in many regions. As our operations are not located in any water scarce area, it does not represent a material risk for Lundin Petroleum.

Water used in our drilling and production activities in Malaysia and Norway comes from non-fresh water sources, such as seawater. In France, we may withdraw fresh water from reservoirs or underground aquifers but quantities withdrawn do not reduce water availability to other potential users and takes place in accordance with authorities.

We manage wastewater through on-site treatment and discharge, re-injection into the oil or gas reservoirs or other regulated disposal methods.

Waste management

Waste is managed by operations depending on the type of waste involved; organic (e.g. food scraps) and inorganic (e.g. scrap metal, paper, plastics, batteries) waste are segregated and sent to recycling or disposal sites. Hazardous waste is treated according to industry practice before being safely disposed of according to local environmental regulations.

The largest amount of waste produced takes place in relation to drilling. Drill waste includes drill mud and cuttings. Drilling muds are either water or oil based fluids used to transport drilled cuttings from downhole to surface, to stabilise the rock being drilled and to ensure that the well remains in good condition. Cuttings are transported from the hole to the surface and segregated from the drilling mud. Once the process is complete, the cuttings are disposed of and the drilling fluid either re-used or disposed of, depending on operational requirements. There are different disposal methods including reinjection, recycling, onshore disposal to controlled sites, and offshore disposal, and we ensure that they conform to regulatory requirements and best industry practice.

Decommissioning

Oil and gas projects can have a lifespan of several decades, and hence planning decommissioning early in the project life cycle enables us to make the required cost allocation in respect of our rehabilitation commitment. In our exploration activities, decommissioning is integrated in the original well design and well construction process. Under normal circumstances an exploration well is decommissioned once the well objective is achieved. During decommissioning the well is cut under the seabed eliminating all protruding elements, restoring the natural environment to its original condition. Plans for decommissioning based on authority requirements are outlined prior to production start-up. We did not carry out any decommissioning activities related to producing fields in 2016.

Aligning with the SDGs



GOAL 14:
Conserve life below water

GOAL 15:
Protect life on land

Long-term Ambitions in the Southern Barents Sea

Loppa High

Lundin Petroleum has been an active operator in the southern Barents Sea and intends to continue for many years to come. The Company acquired its first southern Barents Sea licence in 2007 and has conducted exploration activity continuously since 2011. We have so far made three significant discoveries: the Gohta discovery in 2013, the Alta discovery in 2014 and the Filicudi discovery in early 2017.

Our focus area is the Loppa High. We have identified a number of exploration opportunities in the area and have an active drilling programme ahead, which does not involve any deep water drilling. We have a long-term exploration strategy for the entire Loppa High with the ambition to better understand and develop the area. We are evaluating potential solutions for a joint development of Alta and Gohta and these solutions will be further matured until a concept selection is made. A potential investment decision and PDO approval could take place in a few years' time.

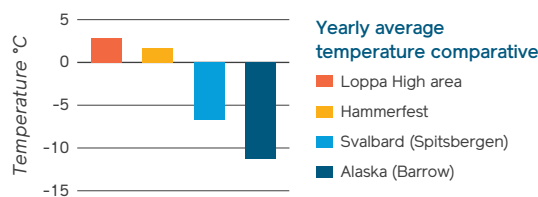
Operational conditions

The oil and gas industry has been present and active in the southern Barents Sea since the 1980s. The industry is strictly regulated from an environmental point of view, from a coexistence standpoint with the fishery industry and from an overall risk perspective. More generally, requirements applicable to the Norwegian Continental Shelf (NCS) apply to the Barents Sea.

Companies with an interest in petroleum exploration activities in the Barents Sea created BaSEC (Barents Sea Exploration Collaboration) in 2014 with the main purpose of sharing experience and increasing knowledge concerning the health, safety and environmental (HSE) management in this area.

BaSEC has not identified any HSE-related risks elements linked to our activities that cannot be handled with existing technology. Together with the industry, we have developed the required logistics solutions and emergency preparedness arrangements for our activities, taking into consideration the challenges related to the area such as distances, visibility, polar lows, etc.

Our experience from the southern Barents Sea, compared with the North Sea and the Norwegian Sea, is that there is less wind and generally better weather conditions compared to the Norwegian Sea, which, in some parts of the year, can face more extreme conditions. Due to the influence of the Gulf stream, operating areas are ice free, allowing year-round activities.



Furthermore, exploration activities in the northernmost blocks of the southern Barents Sea can be conducted without harm or impact on the ice edge and the species living there. The integrated management plan for the southern Barents Sea area has been in place since 2006. It is based on thorough research and development studies and operational experience data collected over many years and has been the subject of numerous political and public consultations. We are aligned with this plan stating that petroleum activities shall not occur within 50 km of the ice edge.

Regional and local ripple effects

Our exploration and drilling activity produces ripple effects primarily associated with logistics, base, catering and services. As we mature our discoveries up north we will ensure regional suppliers understand our future needs and requirements, enabling regional suppliers to compete for future work.

We engage in constructive dialogue with various stakeholders in the area and have established over the years a strong collaboration with academia on northern Norway. Through the Lundin Foundation, we are also collaborating on a pilot project through Kunnskapsparken Nord (KUPA) (see page 40) mentoring young entrepreneurs with sustainable business ideas.

Operating in the southern Barents Sea

Climatic conditions:

- Ice-free area
- Mild wind and waves
- Seasonal darkness and cold
- Wind and wave conditions similar to the North Sea

Environmental stewardship:

- Extensive environmental baseline assessment and seabed mapping
- Robust emergency and oil spill response plans in place



Leiv Eiriksson semi-submersible drilling rig, southern Barents Sea (Norway)

Climate Change

Our carbon intensity on Edvard Grieg is among the lowest in the industry

Meeting the energy needs of the future

Global warming is one of the greatest challenges of our time, requiring sharp reductions in anthropogenic greenhouse gas emissions. At the same time, the demand for energy continues to grow, particularly in Asia. The challenge is therefore to produce more energy at lower carbon intensity.

The 2°C scenario defined by the International Energy Agency (IEA) sees global energy demand increasing by 2040, with a slight decrease in oil consumption and a higher gas output. But oil and gas are also important feedstocks for chemicals, plastic raw materials and other finished products and demand for these will also rise with the expected growth in population and prosperity. Oil and gas provide nearly 60 percent of the world's energy and will continue to make up a large part of the demand for decades to come.

The challenge that lies ahead will be to develop and produce oil and gas in the most energy efficient and environmentally responsible way, while increasing the share of renewable energy sources.

Towards a low carbon society

The United Nation's COP21 climate summit in Paris adopted ambitious climate targets. While the goal of preventing the average global temperature from rising beyond 2°C still stands, it was agreed to seek to bring the increase down towards 1.5°C.

The Paris Agreement also specifies that the climate goals must be reached in a way which does not undermine employment and prosperity. Between 2050 and 2100, greenhouse gas emissions should not exceed the level which can be absorbed naturally and through carbon capture and storage (CCS). This provides the framework for tomorrow's low-emission society.

Aligning with the SDGs



GOAL 13:
Integrate climate change
measures



Drilling operations, North Sea (Norway)

The Norwegian oil and gas industry

Oil and gas activities on the Norwegian Continental Shelf (NCS) have been the driving force in Norway's economy for more than 40 years, and have formed the basis for developing the nation's welfare state. The Norwegian society has benefited from it in the form of jobs, robust centres of expertise and value creation. The Norwegian supplier industry operates globally in a number of areas and ranks today as the second most important export sector for the country, after export of petroleum. Value creation by the petroleum activity has given the Norwegian government the opportunity to build up and maintain good welfare systems and to accumulate revenues in the government pension fund. An important part of the income stream from the state to municipalities comes from oil and gas revenues and goes to nursery schools, healthcare facilities and schools.

Forecasts from the Norwegian Petroleum Directorate indicate that more than half of the resources on the NCS are yet to be discovered. This offers great opportunities for the Norwegian community as oil and gas will continue to be one of the cornerstones of the country's economic growth.

The Norwegian society, government and oil and gas industry however recognise that there are challenges ahead to extract these resources in the most sustainable way. The oil and gas industry has in that respect joined efforts to contribute to global climate targets by reducing emissions and utilising oil and gas in an energy efficient way.

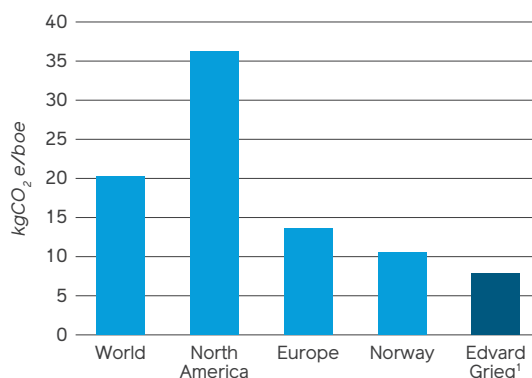
Leader among producing nations

Norwegian petroleum production is among the leaders for low greenhouse gas emissions. The average amount released per unit produced in 2015 is less than half the global figure. The industry has cut its emissions by more than five million tonnes of CO₂ since 1996 as a result of a number of policy instruments and innovation.

Norway is also a leader for recovery factors from oil and gas fields on the NCS. That reflects a purposeful commitment to technology development and implementation, as well as close collaboration between different technical disciplines. Important areas include improvements to methods for data acquisition and modelling in order to identify new drilling targets, important advances in drilling technology, extensive use of gas or water injection for pressure support, and low-pressure production in the late life of the fields.

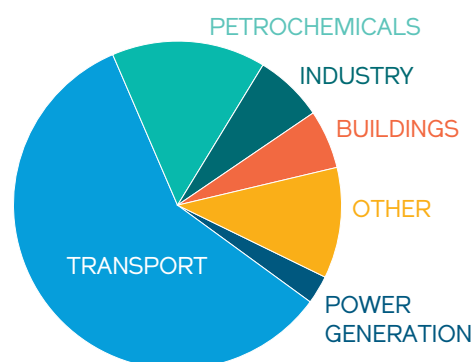
More than 80 percent of Lundin Petroleum's operations in 2016 are located in Norway, the most energy efficient oil and gas producing country in the world

Average emissions intensity
2015



¹ Edvard Grieg production and development drilling emissions in 2016

Reliance on oil



World oil demand by 2040:
103.4 MMbpd
(vs 92.5 MMbpd in 2015)

Norway's policies and carbon tax result in effective reduction in carbon emissions

Regulatory framework

Several policy instruments were implemented by the Norwegian government to regulate the Norwegian oil industry's carbon dioxide emissions. These emissions are primarily released from burning gas and diesel oil to generate the necessary power and heat on installations to produce oil and gas and from limited flaring of gas which is primarily a safety precaution.

The carbon tax is the most important Norwegian carbon reduction incentive measure, alongside the purchase of the EU emission trading system's (ETS) allowances for carbon emissions. These two regulatory mechanisms constitute the most stringent climate policy instruments since 1991.

Other key measures include the zero flaring policy, emission and discharge permits with requirements for energy management, the use of the best available technology and the feasibility assessment of power from shore for new developments.

Many of the measures adopted have contributed to a substantial reduction of emissions, but further emission reductions from the industry will be required. In a 2050 perspective, emissions along the whole value chain from drilling and production to field cessation and end use of oil and gas must be substantially reduced from their current levels.

Lundin Petroleum supports the Norwegian industry's roadmap for the NCS, which sets clear ambitions and goals for emission reductions.

Value creation and reduced greenhouse gas emissions from the NCS

The roadmap for the Norwegian Continental Shelf (NCS) is an initiative by the Norwegian oil and gas industry to adapt to a future low-emission society. The roadmap deals first and foremost with the ambitions for reducing greenhouse gas emissions from the petroleum sector, and contains an action plan which describes the specific steps the industry will take to reach the established goals.

The roadmap was developed by Konkraft, which consists of representatives from Norwegian Oil and Gas, the Federation of Norwegian Industries, the Norwegian Shipowners Association as well as the Norwegian Confederation of Trade Unions represented by Fellesforbundet and Industri Energi. Lundin Norway contributed in developing the Norwegian Oil and Gas input to the roadmap.

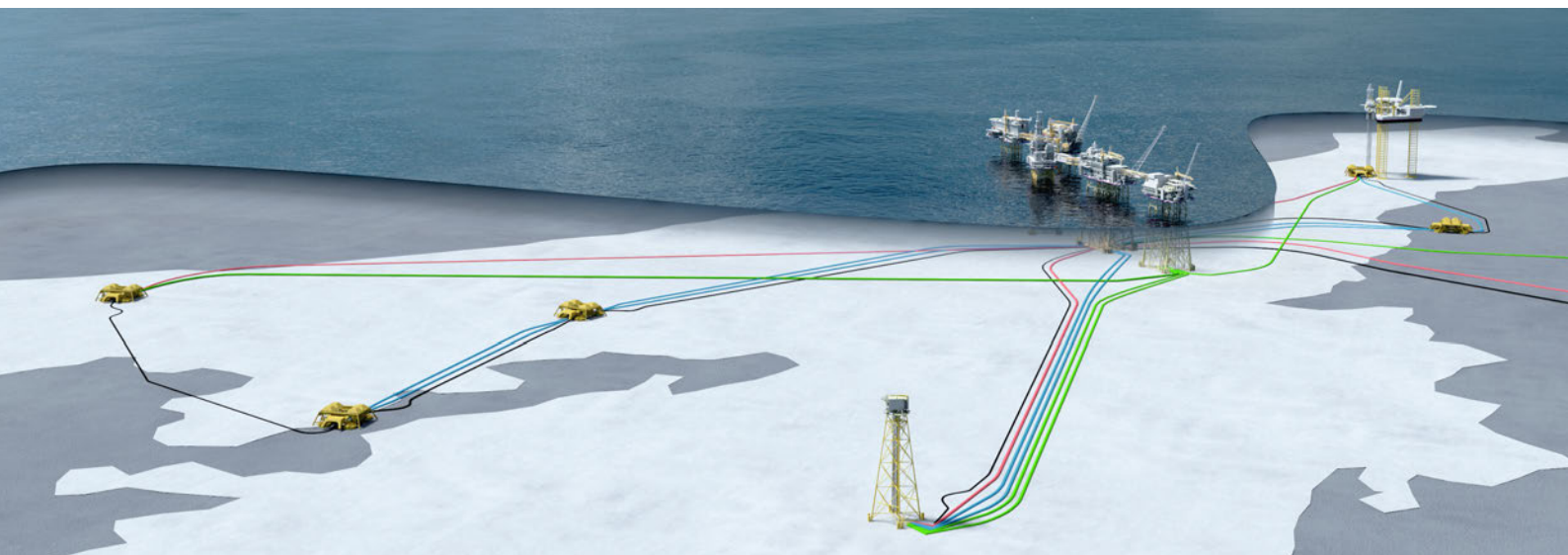
The Norwegian petroleum industry has the following goals for 2030:

Maintain safe and profitable production at the present level and implement CO₂ reduction measures from 2020 which correspond cumulatively to 2.5 million tonnes of CO₂ equivalents per year by 2030

and for 2050:

Maintain its position as Norway's most important value creator and increase the average recovery factor to at least 60 percent.

The NCS will remain the world leader for low CO₂ emissions and the sector will develop and adopt technology and solutions which substantially will reduce average CO₂ emissions per unit of hydrocarbons produced compared with the 2030 level.



World class efficiency

The majority of our activities are located in Norway, the area in the world which over the past ten years has had the lowest carbon intensity levels in the industry. At the same time it is the country with the highest carbon tax for oil operations. By including climate change considerations in operational activities and in the selection of installation designs, products and equipment, we have minimised both our carbon footprint and our operational costs.

The platform on the Edvard Grieg field, located west of Stavanger in the North Sea, has been constructed using the best available technology which was applied in three carbon emitting processes: flaring, power generation and energy management. Flaring does not take place in normal operations. Power generation is highly efficient with gas turbines and energy management is optimised with heat waste recovery. Energy efficiency on Edvard Grieg has reached a level as to become a world class platform, with emission intensity levels considerably lower than the Norwegian average.

In order to fulfil our obligations, we have implemented an energy policy for our operated production facilities on the Norwegian Continental Shelf. This energy policy has contributed to the implementation of energy management on Edvard Grieg, which is in compliance with the energy management system NS-EN ISO 50001:2011. This enables us to ensure a systematic management approach focusing on continuous improvement of energy consumption and performance. Furthermore, we support the approach to new technology such as energy efficient products, services and design solutions. We participate in technology development aiming to reduce greenhouse gas emissions from heat and power production.

Johan Sverdrup efficiency

The major development project Johan Sverdrup, in which Lundin Norway has a 22.6 percent working interest and operated by Statoil, is another project which will demonstrate how innovative technical solutions can lead to increased energy efficiency and a significant reduction of greenhouse gas emissions. The Johan Sverdrup field will receive power from shore from the start of production, expected to result in reduced emissions to air by 80 up to 90 percent compared to a standard development.

Powering offshore installations from land has already been implemented on a number of fields in the Norwegian Continental Shelf where conditions are appropriate. The industry conducts a detailed assessment of opportunities for power from shore in all new developments on the NCS.

Lundin Petroleum's emissions

In 2016, Lundin Petroleum's direct GHG emissions were 264 thousand tonnes, representing a carbon intensity of 8.9 CO₂e kg/boe. This represents a low carbon intensity level compared to the industry, which stood at 20.5 in 2015.

Beyond operations

In addition to operational measures, Lundin Petroleum monitors and actively participates in the debate on climate change and, through engagement with environmental organisations and other stakeholders, we stay informed of the latest developments on this issue in order to remain among the most carbon efficient oil companies.

Aligning with the SDGs



GOAL 9:

Contribute to innovative and energy efficient industry and infrastructure

Human Rights

Respect for Human Rights is an integral part of business

We are committed to ensure that we respect human rights throughout all of our business activities. The majority of our assets are located offshore and in Europe which means that we operate in a low risk environment with respect to human rights. We are nonetheless attentive to potential risks both in Europe and in other countries of operations.

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

Our Human Rights Policy and Guidelines provide guidance on our human rights due diligence process for our operations to identify, assess and determine potential human rights risks and measures to prevent or mitigate them if they occur. Through screening, we review potential human rights impacts in relation to our planned or existing activities. The screening in 2016 showed no violations and that practices in place are adequate to address potential risks.

Our leverage for human rights

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

UN Guiding Principles on Business and Human Rights

The adoption of the UN Guiding Principles on Business and Human Rights in 2011 marked a new understanding of and greater expectations for human rights issues and obligations within the global business community.

Lundin Petroleum endorsed the UN Guiding Principles in 2012 and is committed to respect human rights and promote human rights in the business environment as fundamental values necessary to our success.

Engaging with stakeholders on human rights

Although we have no salient human rights issues, we consider it important, as a responsible corporate citizen, to contribute to the debate on business and human rights to confirm the relevance of these issues.

In the course of 2016, we took part in the CSR Week of the Stockholm School of Economics presenting our Corporate Responsibility approach and showing how such an approach is an integral part of business success for companies like Lundin Petroleum. We also took part in a panel discussion organised by the Geneva Bar Association on the UN Guiding Principles on Business and Human Rights, where the issue was discussed from the point of view of business (Lundin Petroleum), civil society (Amnesty International) and government (Swiss Ministry of Foreign Affairs).



Employees in front of Lundin Norway office, Lysaker

Stakeholder Engagement

Understanding the context in which we operate and the expectations of our stakeholders is an important aspect of how we do business. We engage with our stakeholders at different levels, depending on the nature of their interest or their link to our activities.

We communicate honestly and transparently with people and organisations which may be impacted by or impact our activities. Our engagement takes place once we have analysed these different aspects and are confident that we have ascertained genuine needs and expectations. Our ability to identify and address these expectations is key in fostering constructive and long-term relationships and in enabling us to carry out our activities.

Shareholders

We inform our shareholders regarding our strategy and ongoing activities through our financial reports, press releases, presentations and website. Engagement with shareholders also takes place in informal meetings and at shareholder meetings.

Employees

We maintain an open and ongoing dialogue with our staff throughout the Group. Our corporate management visits country operations on a regular basis to share our strategy and plans, and discuss how those are implemented in-country. Staff presentations also take place throughout the Group.

Business partners

We have an ongoing dialogue with our business partners at management level where we share operational strategy and plans and at the operational level where we work together to ensure safe and effective operations. We also discuss, collaborate and work closely with partners, suppliers and contractors to develop innovative solutions.

Host governments

We initiate a dialogue with host governments prior to the application for a licence and we continue to interface with national or local authorities throughout the lifecycle of our operations.

Local communities

We visit the communities where we are planning to have a presence, whether through an office, a supply base, or other operational facility in order to determine the best way to conduct our activities.

“ An open dialogue with our stakeholders helps us to better plan and execute our work in line with common expectations ”

Paul Atkinson

General Manager at Lundin Malaysia

International initiatives

We engage with a variety of organisations such as NGOs and industry groups to exchange views and best practice in terms of responsible business conduct. We are members of different industry associations and participate in the work of international initiatives that promote principles of corporate citizenship like the UN Global Compact, the UN Guiding Principles on Business & Human Rights, the Extractive Industries Transparency Initiative (EITI) and the CDP.

Stakeholder engagement for seismic campaigns

In order to ensure safety for all and to avoid interference between our seismic activities in Malaysia and other offshore activities, we notify and discuss our plans with stakeholders to agree on the best way forward.

A seismic campaign refers to seismic data acquisition in a survey area and the processing of the captured data. This takes place with a survey vessel accompanied by three support vessels. Many stakeholders, from local fishermen to host authorities, are involved in seismic campaigns, whose impacts on stakeholders vary depending on the survey area. Marine seismic data acquisition can affect the fishing community in the area of survey. The fishermen may not be able to fish in the area because the survey vessel needs separation space in order to maintain a safe distance and avoid any chance of collision. Fish traps and fish aggregating devices may have to be removed in the survey area. These can potentially affect fishermen's livelihood and source of income if no compensation takes place. Fishermen are compensated in a fair and equitable way in coordination with the Department of Fisheries and the regulator Petronas.

The engagement takes place at multiple levels: with Petronas, the Department of Fisheries, Malaysia Maritime Enforcement Agency, Royal Malaysia Navy and local stakeholders such as fishermen. After the formal approval from the National Security Council we hold discussions with neighbouring operators and conduct local authority briefings. A multi-language liaison officer is responsible for communicating with the fishermen.

Engaging with youth through student competition

Our industry depends on improving techniques, technologies and products to continuously become safer and more efficient. To achieve this we search for new ideas on an ongoing basis. By launching the student competition “Show us your idea!” in Norway we aimed at encouraging young people to look at the oil and gas industry with fresh eyes and to come forward with suggestions for new ways of doing things.

The ideas generated do not necessarily need to be major inventions, as we know from the industry’s development that what becomes a major improvement over time often consists of many small steps. Our approach is to consider all ideas even if they would not be technologically feasible today, by weighting the ideas themselves and innovative ways of thinking.

Our jury composed of experts from Lundin Norway assessed all the proposals and selected three winners, who were given the opportunity to present their ideas at the 2016 ONS Conference in Stavanger, the annual flagship event of the international oil and gas industry. The winners were offered advice and guidance from Lundin Norway on how to further mature and develop their ideas. We also brought them offshore on the Edvard Grieg platform in the North Sea for a guided tour of the installation.

The following three projects were selected based on our two criteria: value of the idea and innovative thinking.

Gas hydrates injection

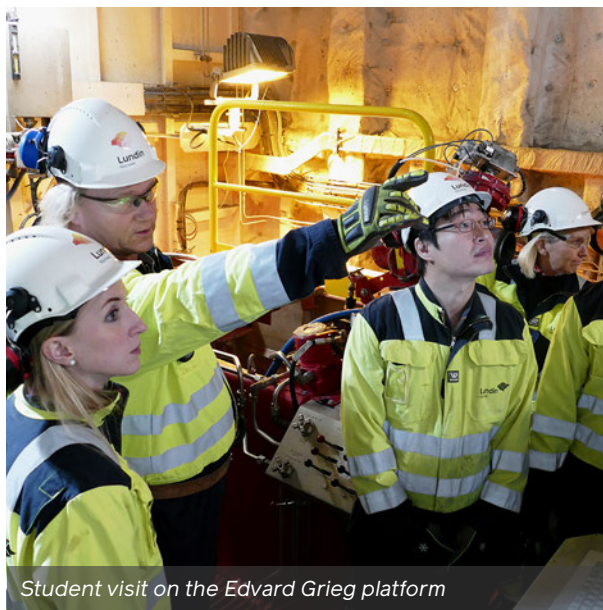
The idea is to utilise gas hydrates for injection into reservoirs to provide pressure support for improved and increased production. Gas hydrates are stable as long as we are able to control pressure and relatively low temperatures. With rising temperatures the hydrates convert into gas, expanding to a volume 170 to 180 times the original size of the hydrates. Therefore the potential use of gas hydrates for injection purposes is substantial. There are however still technological barriers to the current implementation of the idea (Tonje L. Bjerga’s, master student at Norwegian University of Science and Technology).

Drill riser design

The idea is to copy building techniques from nature to offshore structures. The stem of a daffodil is formed as a helically twisted elliptic cylinder. This allows it to be slim, yet strong enough to carry the weight of a relatively large flower and to withstand the drag force of the wind. Applied to risers at an offshore platform, for instance, a shape like this could make it stronger and more stable, and the twisted shape could reduce vibration induced by vortex in the water (Wonmin Jeong’s, master student at University of Stavanger).

Virtual reality training

The idea is to use virtual reality technology in training offshore personnel. This is a technology that gives new opportunities to training in complex socio-technical systems. Virtual reality, through VR-glasses, gives vivid and realistic training scenarios without the need of expensive simulators. This relatively cheap equipment also allows developers to work on non-proprietary software. A training programme which ensures that trainees are frequently and well trained, and that operators have the necessary skills and knowledge of the systems, could improve both safety and efficiency (Jørgen Ernsten’s, PhD candidate at University College of Southeast Norway).



Student visit on the Edvard Grieg platform



ABN·AMRO

Engaging with financial institutions: ABN AMRO's integrated sustainability approach



The energy sector is an area of strategic importance to ABN AMRO. We acknowledge the energy sector's complexities and believe that for the sector to continue moving towards a more sustainable path, the sustainability challenges should be addressed in a comprehensive and structured manner. Sustainability risks such as climate change, water scarcity, population growth, resource constraints are all combining to change the nature of the risks our clients have traditionally been exposed to. As a bank, acting as financier and advisor to the sector, understanding our clients' management of those risks is crucial as it can also translate into risk for ourselves; it is therefore a key component of our client acceptance and credit approval process.

We have opted for an inclusive strategy with our oil and gas clients and we seek to partner with companies that are industry leaders, apply high sustainability standards, commit to drive transition towards a more sustainable environment and actively engage in dialogue with their stakeholders.

As part of our due diligence in relation to the USD 5.0 billion reserve base lending facility in favour of Lundin Petroleum, we assessed the Company's sustainability profile. In 2016 we held a number of discussions with Senior Management, including the VPs of Corporate Responsibility and of Corporate Finance. At the time the Company had just published its first Annual Sustainability Report, which we viewed as an important milestone in its sustainability journey. Over the next few months we discussed the Company's perspective on sustainability risks faced by the energy sector and Lundin Petroleum's approach going forward (for example in relation to its new exploration licences in the southern Barents Sea), as well as its plans and further ambitions in terms of sustainability. We shared our methodology with the Company and their feedback on our tools will allow us to sharpen our understanding of the industry.

We value these dialogues as they improve our mutual understanding, provide a means to share best practice, to learn from each other and discuss practical next steps for both the client and the bank that may contribute to the transition towards a more sustainable energy sector. For example, an important topic for the bank is climate change and how our clients will adapt to the Paris Agreement and resulting GHG emissions reduction targets. We therefore look forward continuing the discussion on these topics with Lundin Petroleum.

We find Lundin Petroleum's sustainability ambition and approach to be consistent with ours: based on a strong commitment from senior management to the highest standards, it is fully integrated into day to day operations and supported by a strong company culture and governance model.

Peter Boogers
Global Head Energy Clients, ABN AMRO

ABN AMRO's Sustainability Risk Framework

ABN AMRO's Sustainability Risk Framework ensures risks are adequately identified, analysed, mitigated, managed, monitored and reported. Our framework includes a coherent set of policies, guidelines and statements describing how we manage our sustainability risks and embeds it in our decision making process.

Client Onboarding & Credit approval:

potential new clients are assessed against our sustainability framework before on-boarding. The outcome of the sustainability analysis is discussed in the client acceptance committees. Once a relationship has been approved, financing request are further assessed for additional sustainability risks (e.g. financing of project or assets) and the outcome of the sustainability analysis is discussed by the approving committee. We then annually review both our clients and individual financings to ensure ongoing compliance.

Sustainability Dialogue & Assessment:

Direct engagement with the client is the starting point of the sustainability assessment as it allows us to better understand our clients' risks and challenges, and their approach to managing these. We take an integrated approach with both our coverage bankers and in-house sustainability experts, jointly leading these discussions. Topics include, amongst others, health and safety, human rights, climate change, environmental impact and GHG emissions, local communities and working conditions.

Independence & Governance:

Our governance model includes dedicated sustainability experts embedded in the business, as well as a centralised sustainability team focusing on policy development and advising on sensitive files. This guarantees independent sustainability analysis and further safeguards compliance with the bank's sustainability requirements. Files that raise particular concerns or dilemma are discussed at the board level. This ensures that the most sensitive files receive board level attention and commitment.

Innovation through R&D Projects

Our “no intellectual property rights” approach is reflected in our vision for shared value creation

Innovation has brought us and the industry to where we stand today and is key to our future success as innovative solutions help us to increase efficiency, speed up and deliver more cost-effective developments, and enhance the safety of our operations.

We promote innovation through Research and Development (R&D) projects in various fields and in collaboration with research centres around the world. We work with governmental research institutes, world-class academics and industry specialists, and share ideas and expertise with business partners inside and beyond the oil and gas industry to drive innovation forward.

In Norway, we have a global network of R&D partnerships covering 74 projects to which we contributed MUSD 10.8 in 2016.

Innovation without intellectual property rights

As much as innovation is needed it is most of the time protected by intellectual property (IP) rights which safeguard the economic interests of the creator. This approach adds a barrier to full implementation and widespread expansion of the innovative solution. We are proud to distinguish ourselves with our approach of sharing our knowledge and ideas openly. We believe we gain more from sharing new ideas and solutions than from claiming IP rights, as these innovations might make the industry as a whole safer, more efficient and more profitable.

Aligning with the SDGs



GOAL 9:

Invest in research and innovation



Developing new seismic technology

What initially started as an idea from one of Lundin Norway's geophysicists has now been transformed into a new market-ready technology for seismic data imaging. Over the course of several years we have worked with the geoscience company CGG to develop a completely new acquisition solution named TopSeis™. This new solution provides a significantly better image of the subsurface and hence overcomes the inability of previous methods to image shallow geological features, such as faults, gas pockets, channels and stratigraphic pinch-outs. By overcoming these shortcomings, TopSeis™ enables exploration and development teams to make critical investment decisions on the basis of high-quality data delivered at a lower cost compared to other seismic acquisition techniques.

In conventional acquisition of seismic data, the signal source is placed in front of the streamers and is towed by the same seismic vessel, and results in a large part of the signal reflections not being recorded. Seabed seismic, where the streamers are placed directly on the seabed and the source is towed above, partly solves these challenges, but comes at a higher cost.

TopSeis™ is a method involving two seismic vessels operating in tandem. By placing the signal sources of one of the boats directly over the cables instead of in front of them, this yields more signal reflection than with conventional seismic acquisition. This allows us to examine the subsurface with ten to fifteen times more signal energy. To achieve this, the streamers must be towed at a sufficient depth in the water so that the vessel with the streamer can sail over them without interfering with the cables, an operation previously considered impossible.

"We are delighted to have had the opportunity to work so closely with Lundin on the development of TopSeis and look forward to seeing how this solution will open the door to a better understanding of shallow reservoirs to help oil and gas companies extract the full potential of these highly prospective fields in the Barents Sea and beyond."

Jean-Georges Malcor
CEO of CGG



"Developing TopSeis has been a win-win for Lundin Norway and CGG. It has resulted in an acquisition solution for Lundin Norway that addresses the specific imaging challenges on the Loppa High and in a new promising technology for CGG."

Halvor Jahre
Exploration Manager at Lundin Norway

TopSeis™ provides a detailed and quantitative depiction of the reservoirs, and is particularly well-suited for relatively shallow oil and gas fields such as those in the southern Barents Sea. This will reduce the risk associated with drilling and improve the chance of finding oil and gas. The acquisition method also makes it possible to cover a large area in a single operation and is therefore much more cost-effective than seabed seismic.

CGG announced the launch of TopSeis™ at ONS 2016. It represents the latest evolution in offshore broadband seismic and is specifically designed to overcome the intrinsic lack of near offsets inherent in 3D towed-streamer seismic.

CGG was a natural choice when Lundin Norway set out to challenge a seismic company to transform the TopSeis™ idea into a feasible commercial method. The method has been improved and tested using advanced data models. Successful field tests were conducted off the coast of Gabon in western Central Africa and at the Frigg-Gamma field in the North Sea. In connection with further exploration activity, Lundin Norway plans to move forward with full-scale TopSeis™ surveys on the Loppa High in the southern Barents Sea during 2017.

Research collaboration

The Research Centre for Arctic Petroleum Exploration (ARCEX) is a Norwegian research centre hosted and led by the University of Tromsø, the Arctic University of Norway. The overarching goal of ARCEX is to create new knowledge about the petroleum resources in the Arctic and to provide essential knowledge and methodology for eco-safe exploration.

The research is carried out at six universities (UiT, NTNU, UiO, UiB, UNIS and UiS) and four research institutions (Akvaplan-niva, IRIS, NGU and Norut). ARCEX will educate and train highly competent candidates for the industry and academia within petroleum geology and environment, and the centre will recruit at least 27 PhD and postdoctoral fellows.

Lundin Norway is one of eight industry partners. ARCEX receives financial support from industry partners, from the Ministry of Petroleum and Energy, the Ministry of Foreign Affairs (through the Research Council of Norway) and from Troms County Council.

Research topics include:

- Assessment of the petroleum potential in the Barents Sea
- Reconstruction of rifting, uplift, subsidence, erosion and sedimentation in space and time in the Arctic
- Link between onshore and offshore arctic geology
- Sensitivity of species in arctic ecosystems
- Risk management for arctic projects
- Seismic in the presence of sea ice
- Development of sustainable seismic sources

Lundin Norway is a key industry partner in ARCEX, providing not only financial support, but also participating in the research through co-supervision of PhD candidates and co-authoring of scientific papers.

“ Participation in ARCEX is a means to improve our success rates and reduce financial and environmental exposure for projects in the high north. ”

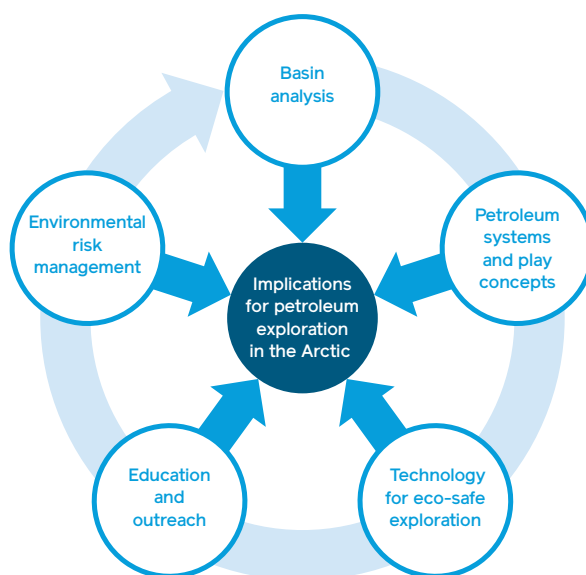
Geir Birger Larssen

Geological Advisor at Lundin Norway



“ The aim of ARCEX is to improve our understanding of arctic geology through the development and use of eco-friendly exploration techniques with the least possible risk of ecological impact. Hence, ARCEX is a truly multidisciplinary research centre where we educate specialists in arctic geology, geophysics, technology, marine biology, ecotoxicology and risk analysis. ”

Professor Alfred Hanssen
Director ARCEX



Sustainable Investments

Addressing societal challenges beyond our operations

Throughout this report, we have explained the manner in which we conduct our activities and the steps taken at different operational stages to integrate ethical, environmental and social responsibilities in our operating systems.

Given the nature and location of our activities, we may not through our activities alone have a material impact beyond our immediate sphere of responsibility. We remain committed, however, to be part of the solution to wider societal challenges. This is why we decided to partner with the Lundin Foundation to join with other likeminded companies, governmental and civil society organisations working on finding innovative solutions to key economic, social and environmental challenges.

The Lundin Foundation addresses the needs of SMEs facing limited access to financing through its impact investments. It provides fit for purpose capital, in the form of accelerator grants, debt and equity, to help refine and scale early stage ideas. Investment criteria are financial viability of the project, innovative business models, but most importantly measurable social or environmental impact.

Our partnership initially focused on access to energy, biodiversity conservation and sustainable fisheries, themes which are aligned with the United Nations Sustainable Development Goals (SDG). As our areas of operations have shifted to Norway, so has the geographical focus and type of projects we support.

Aligning with the SDGs



GOAL 17:
Strengthen partnerships for sustainable development



In 2016, we initiated projects in Norway and Sweden. These initiatives target the following key issues.

Refugee integration

The on-going instability in the Middle-East has increased the number of people seeking safety and refuge. Such an influx creates high demands on existing resettlement and integration services. New and innovative opportunities to effectively support the integration of newcomers are a priority across Europe.

Social and environmental entrepreneurship among youth

Across Scandinavia, there is a growing interest in entrepreneurship among youth as a viable career path. The Foundation has leveraged its track record and experience in impact investing to launch new initiatives supporting the growth of social and environmental innovation in the region.

Partnership with the Lundin Foundation

The Lundin Foundation, founded in 2005, is a globally recognised leader in impact investments. Through our partnership with the Lundin Foundation, we support innovative solutions to key economic, social and environmental challenges which are relevant to our areas of operations.

In the first years of the partnership, which was initiated in 2013, we focused on projects in Malaysia and Indonesia that aimed to increase access to renewable energy, improve biodiversity conservation and promote sustainable fisheries.

With Lundin Petroleum's operational focus shifting to Norway, the strategy has been revised to better reflect our geographical footprint.

In 2016, we identified projects in Norway and Sweden which aim at supporting the refugee and migrant population in these countries to improve their professional skills, start or expand businesses or enhance their employability. Lundin Petroleum also supports a project in the north of Norway that aims to encourage sustainable entrepreneurship and innovation among youth in the area.

Arctic Accelerator, Northern Norway

Social and environmental innovation is a growing field that is gaining traction in Norway among the next generation of entrepreneurs who see the opportunities in running a profitable business while also having a positive impact on societal challenges.

The Lundin Foundation has partnered with Kunnskapsparken (KUPA), a business incubator operating in northern Norway to launch a programme called Arctic Accelerator. This programme supports start up and early stage entrepreneurs under the age of 35 based in northern Norway, to grow and develop business ideas which promote the sustainable use of local resources and environmental sustainability. By focusing in these areas, the Accelerator aims to support sustainable environmental innovations, while also enhancing entrepreneurship and employment opportunities in northern Norway.

The initiative was launched in July 2016 and received over 20 high quality applications. Six businesses have been selected and are receiving in-depth support from KUPA's vast array of resources to grow businesses active in a range of sectors including reduction in supermarket waste, sustainable aquaculture, marine waste management, shared shipping economy and seaweed farming. The pilot programme will conclude in 2017 with the entrepreneurs pitching to potential investors.

“ Arctic Accelerator was launched in July 2016 as a unique pilot programme aimed at young entrepreneurs in northern Norway with business ideas promoting sustainable development in the region. Arctic Accelerator is the result of excellent cooperation with the Lundin Foundation and we look forward to evaluate the pilot and to develop the programme further in 2017. ”

Trond Slettbakk
Managing Director, KUPA

C/O Business, Malmö, Sweden

The refugee crisis has led to a large influx of refugees in Sweden over the last couple of years, which will require substantial efforts from all actors in society to achieve successful integration.

The Lundin Foundation has partnered with Impact Invest Scandinavia to pilot C/O Business, a business accelerator targeted at the ‘invisible entrepreneurs’ — refugees who were successful entrepreneurs in their home countries. Supporting ‘invisible entrepreneurs’ creates unique opportunities for new businesses to emerge as well as for employment of refugees. C/O Business provides in-depth support to help entrepreneurs understand the Swedish business environment, requirements and links to the business network. The target impact of C/O Business is to support the growth of sustainable enterprises, create employment among refugees and demonstrate an innovative model to supporting employment and integration.

C/O Business was launched in Malmö and Lund in the south of Sweden in September 2016. It received over 60 applications and is now working with 14 entrepreneurs leading a range of businesses including: children's environmental education programming in Arabic and Swedish, halaal poultry processing, food and arts cultural centre and solar installations. The first round of C/O Business will conclude in June 2017, offering an opportunity for the entrepreneurs to pitch to local investors and scale business aspirations.

Aligning with the SDGs



- GOAL 1:**
Contribute to ending poverty
- GOAL 8:**
Contribute to sustainable economic growth

BOOST Accelerator, Oslo, Norway

In 2015, Norway received over 30,000 refugees, not an insignificant number in a country with a population of 5.2 million people. While existing institutions are offering much needed services, opportunities exist to accelerate the path to employment for newcomers.

The Lundin Foundation partnered with SoCentral, a recognised leader in social innovation in Norway and the Municipality of Oslo to launch BOOST Refugee, a pilot accelerator focused on developing sustainable solutions to improve employment outcomes for refugees.

BOOST was launched in September 2016 and within a few weeks, the programme received 34 applications of which five have been selected for in-depth business training and mentoring support. The programme will continue through to 2017 when the most promising enterprises will have an opportunity to pitch to local investors.

One such initiative is International Sandwich Brothers, which is led by a team between the ages of 18 to 24. It has been operational for less than 6 months but has already created 12 jobs and is on a strong growth track.



RARE Fish Forever, Indonesia

RARE Indonesia promotes sustainable near shore fisheries while improving livelihoods, protecting habitats and enhancing coastal resilience to climate change.

The Lundin Foundation established a partnership with RARE's Fish Forever programme in 2014. The objective of this pilot programme was to introduce new governance models in nearshore fisheries, use market based incentives to promote sustainable management practices and improve the sustainability of fisheries for local communities.

The Fish Forever pilot project concluded in 2016 with notable achievements. Working closely with local governments and traditional leadership, 54,356 hectares of nearshore fisheries have been legally recognised with Territorial Usage Rights and No Take Zones. This is the first of its kind in Indonesia. It benefits 2,000 fishing families through usage based rights, improving the incentives to adopt sustainable fishing practices. RARE also launched a successful pilot to introduce seaweed farming as an alternative income stream for fishermen. The pilot has demonstrated the potential for twofold increase in income for seaweed farmers. Based on the success of the pilot, the number of fishermen taking up seaweed as an income opportunity has increased by threefold.

As a result of our partnership, RARE is preparing to scale the approach to 40 sites in 2017, working closely with government and new funders.



Sustainable fishing, Indonesia

Aligning with the SDGs



GOAL 12:

Ensure sustainable consumption and production

Donation to the Swiss Red Cross for Syrian refugees

Lundin Petroleum made a donation to the Swiss Red Cross for its work with Syrian refugees, a population plagued by several years of conflict.

Promoting Excellence in Youth through Sport

We support tomorrow's world class athletes

Good to Great, Sweden

Lundin Petroleum has been the main sponsor of the Good to Great Tennis Academy in Sweden since 2013. Good to Great was founded by three former world-class players, Magnus Norman, Mikael Tillström and Nicklas Kulti. Through the tennis academy they provide a platform for young talented tennis players wishing to develop to world-class level. Their goal is to re-establish Sweden as one of the leading tennis nations in the world. Good to Great makes an important contribution to young tennis talents and promotes Swedish tennis abroad.

The Norwegian College of Elite Sport, Norway

Lundin Norway has been supporting the Norwegian College of Elite Sport for several years to encourage younger generations pursuing excellence. This college enrolls young athletes who compete and use their athletic skills at the international level while fulfilling the educational requirements before they start university. The values and team skills they develop can be put to good use in sport and in the corporate world. Both Magnus Carlsen, World Champion in chess, and Tiril Eckhoff, World Champion in biathlon, were students at the Norwegian College of Elite Sport.



Good to Great Tennis Academy, Stockholm

Lundin Petroleum Sustainability Data

Health and Safety ¹	2016	2015
Fatalities		
Employees	0	0
Contractors	1	0
Total	1	0
Lost time incidents		
Employees	0	1
Contractors	2	8
Total	2	9
Restricted work incidents		
Employees	0	0
Contractors	2	0
Total	2	0
Medical treatment incidents		
Employees	2	1
Contractors	0	9
Total	2	10
Lost time incident rate (million hours worked)		
Employees	0	0.78
Contractors	1.06	2.08
Total	0.67	1.76
Total recordable incident rate (million hours worked)		
Employees	1.79	1.55
Contractors	2.66	4.43
Total	2.34	3.71
Exposure hours		
Employees	1,115,738	1,286,396
Contractors	1,881,461	3,841,243
Total	2,997,199	5,127,639
Near misses with high potential	3	6
Contractor screening using HSE criteria²		
New contractors (%)	100	100

Environment	2016	2015
UNPLANNED RELEASES TO SEA OR LAND		
Oil spills (>0.1m³)		
Number	0	0
Vol. (m ³)	0	n/a
Chemical spills (>0.1m³)³		
Number	2	6
Vol. (m ³) ³	65.20	59.88
Hydrocarbon leaks (>0.1 kg/s)		
Number	1	0
Mass (kg)	650	n/a
EMISSIONS		
Direct GHG (CO₂e, tonnes) – CDP Scope 1	264,000	98,530
Indirect GHG (CO₂e, tonnes) – CDP Scope 2	2,100	1,735
Other indirect GHG (CO₂e, tonnes) – CDP Scope 3	115,500	143,823
NO_x (tonnes)	463	499
SO_x (tonnes)	14	45
Flared hydrocarbons (m³)	37,158,000	19,629,132
Vented hydrocarbons (tonnes)⁴		
Methane	243	482.81
nmVOC	291	470.19
Energy consumption (MWh) – CDP Scope 1+2	657,900	145,392
Renewable energy consumption (MWh) – CDP Scope 1+2	6,200	5
Group GHG emissions intensity (CO₂e, kg/boe)⁵	8.9	8.5
Edvard Grieg emissions intensity (CO₂e, kg/boe) – production & development drilling⁶	8.5	–
WATER		
Freshwater withdrawal⁷		
Surface water (m ³)	0	0
Ground water (m ³)	4,899	3,756
Rainwater (m ³)	0	100
Produced water (m³)	1,912,608	1,841,535
Disposal of produced water		
Reinjected water into the reservoir (m ³) (France, Norway)	847,816	1,026,818
Percentage of total water volume disposed (%)	44.3	55.8
Injection into disposal wells (m ³) (France)	562,376	562,495
Percentage of total water volume disposed (%)	29.3	30.5
Discharge to sea (m ³) (Norway, Malaysia) ⁸	492,914	252,222
Percentage of total water volume disposed (%)	25.8	13.7
Hydrocarbons discharged to sea within produced water (m ³) ⁹	8.39	4.2
Total (m³)¹⁰	1,903,106	1,841,535

Environment (continued)	2016	2015
WASTE		
Drill waste using aqueous drilling fluid (by disposal method)		
Onshore disposal to controlled sites		
Drill cuttings (tonnes)	0	291
Water based mud (tonnes)	0	15,856
Offshore disposal with or without pre-treatment		
Drill cuttings (tonnes)	10,279	13,128
Water based mud (tonnes)	31,098	59,561
Drill waste using non-aqueous drilling fluid (by disposal method) ¹¹		
Onshore disposal to controlled sites		
Drill cuttings (tonnes)	3,433	2,049
Oil based mud (tonnes)	4,000	6,841
Offshore disposal with pre-treatment		
Drill cuttings (tonnes)	1,553	2,863
Oil based mud (tonnes)	0	0
People	2016	2015
Employees		
Total ¹²	542	589
Employee turnover (%)	1.69	6.5
New hire rate (%)	2.25	2.2
Gender diversity		
Number of men	359	420
Number of women	183	169
Women in workforce (%)	34	29
Women in management (%)	20	20
Women in the Board of Directors (%)	38	38
Employees by age groups (%)		
< 30 years	8	8
30 – 50 years	63	60
> 50 years	29	32
Incidents of discrimination	0	0
Society	2016	2015
Disputes associated with operations	0	0
Actual impacts on local communities	0	0
Corporate donations (USD)		
Sustainable investments	17,500	33,300
Contribution to the Lundin Foundation	569,300	785,200
Total	586,800	818,500
Contributions to initiatives (USD)		
United Nations Global Compact	5,000	5,000
Extractive Industries Transparency Initiative (EITI)	35,000	35,000
CDP	2,760	3,440
Total	42,760	43,440

Anti-corruption	2016	2015
Communication of anti-corruption policy		
Board of Directors (%)	100	100
Employees (%)	100	100
Training on anti-corruption¹³		
Board of Directors (%)	100	100
Employees (%)	100	87
Confirmed incidents of corruption		
Number of incidents	0	0
Impact on employees	0	0
Impact on contractor relations	0	0
Legal cases	0	0
Report to the EITI	Norway	Norway

Compliance	2016	2015
Significant fines		
Number	0	0
Value (USD)	n/a	n/a
Environmental fines		
Number	0	0
Value (USD)	n/a	n/a
Non-monetary sanctions		
Number	0	0
Environmental non-monetary sanctions		
Number	0	0

Payments to governments (TUSD) ¹⁴	Taxes	Royalties	Fees	Production entitlement	Total 2016
Country					
Norway	-269,858.3	—	25,488.1	—	-244,370.2
France	-687.7	—	—	—	-687.7
The Netherlands	-1,353.3	170.6	167.8	—	-1,014.9
Malaysia	—	—	—	20,495.8	20,495.8
Total	-271,899.3	170.6	25,655.9	20,495.8	-225,577.0

¹ IOGP definition and methodology.

² We report on main contractors which are determined based on the scope of work, contract duration, contract value and/or relevant risk factors.

³ The volume represents the total amount of the spill of which the chemical component represents only a small percentage.

⁴ Vented hydrocarbons include fugitive emissions for 2016.

⁵ Gross emissions divided by gross production from operated fields and development drilling. The apparent increase in intensity compared to 2015 is due to the inclusion of development drilling emissions.

⁶ Edvard Grieg gross emissions from production operations and development drilling divided by gross production.

⁷ Quantities of freshwater utilised during onshore operations (France), excluding municipal water consumption for offices.

⁸ Produced water is only released to sea if the water quality conforms with national regulation.

⁹ Volume of hydrocarbons discharged within produced water are below the OSPAR Convention's 30 ppm threshold recommendation.

¹⁰ Discrepancy between produced water and disposal of produced water is due to amounts of produced water transported from Edvard Grieg through the oil pipeline to the oil terminal onshore.

¹¹ Prior to any offshore disposal of non-aqueous drilling fluid, drilled cuttings are treated to reduce the amount of residual oil, to ensure that levels are below regulatory defined amounts.

¹² Permanent and fixed term employees by end of year paid directly by the Company.

¹³ Percentage of Board and employees trained through e-learning course 2015 – 2016.

¹⁴ The report on payments to governments with details of payments is available on www.lundin-petroleum.com.

GRI Index

Lundin Petroleum's 2016 GRI index, in accordance with the GRI G4 "core" level, provides references to the GRI G4 indicators the Company reports on.

Standard Disclosure	Description	Reference
GENERAL STANDARD DISCLOSURES		
Strategy and analysis		
G4-1	Statement from the CEO	SR 10
Strategy and analysis		
G4-3	Name of the organisation	SR 10
G4-4	Primary brands, products, and services	SR 4-5
G4-5	Location of headquarters	AR 50
G4-6	Name of countries where the organisation operates	SR 4
G4-7	Ownership and legal form	AR 50
G4-8	Markets served	SR 4-5
G4-9	Scale of the reporting organisation	AR 71
G4-10	Number of employees	SR 17
G4-11	Employees covered by collective bargaining agreements	SR 17
G4-12	Description of supply chain	SR 4-5
G4-13	Significant changes during the reporting period	SR 16
G4-14	Precautionary approach or principle	SR 24
G4-15	Subscription to externally developed economic, environmental and social charters, principles, or other initiatives	SR 33
G4-16	Memberships of associations (such as industry associations) and national or international advocacy organisations	SR 33
Identified material aspects and boundaries		
G4-17	List of entities included in financial statement	AR 73
G4-18	Process for defining the report content	SR 9
G4-19	Material Aspects (referred to as material issues)	SR 9
G4-20	Aspect Boundary within the organisation	SR 9
G4-21	Aspect Boundary outside the organisation	SR 9
G4-22	Restatement of information	n/a
G4-23	Significant changes from previous reporting periods	n/a
Stakeholder engagement		
G4-24	Stakeholder groups engaged	SR 33
G4-25	Basis for selection of stakeholders	SR 33
G4-26	Approach to stakeholder engagement	SR 33
G4-27	Topics and concerns raised through stakeholder engagement	SR 33
Report profile		
G4-28	Reporting period	SR 1
G4-29	Previous reporting date	SR 6
G4-30	Reporting cycle	SR 9
G4-31	Contact point	SR 51
G4-32	GRI option, Content Index, and references	SR 48
G4-33	External Assurance	n/a
Governance		
G4-34	Governance structure	SR 10-11
Ethics and integrity		
G4-56	Code of conduct	website
SPECIFIC STANDARD DISCLOSURES		
CATEGORY: ECONOMIC		
Economic performance & profitability of operations		
G4-DMA	Disclosures on management approach	AR 89-94
G4-EC1	Direct economic value generated and distributed	AR 78-88
G4-OG1	Volume and type of estimated proved reserves and production	AR 18-19
CATEGORY: ENVIRONMENTAL		
Energy		
G4-DMA	Disclosures on management approach	SR 24
G4-EN3	Energy consumption within the organisation	SR 45
Water		
G4-DMA	Disclosures on management approach	SR 25
G4-EN8	Water withdrawal by source	SR 45
G4-EN9	Water sources significantly affected by withdrawal of water	SR 25
Biodiversity		
G4-DMA	Disclosures on management approach	SR 24
G4-EN11	Operational site in or near protected areas	SR 24-26
G4-EN12	Significant impact on biodiversity in protected areas	SR 24

Standard Disclosure	Description	Reference
SPECIFIC STANDARD DISCLOSURES (continued)		
CATEGORY: ECONOMIC (continued)		
Emissions		
G4–DMA	Disclosures on management approach	SR 28–31
G4–EN15	Direct greenhouse gas emissions (Scope 1)	SR 45
G4–EN16	Energy indirect greenhouse gas emissions (Scope 2)	SR 45
G4–EN17	Other indirect greenhouse gas emissions (Scope 3)	SR 45
G4–EN18	Greenhouse gas emissions intensity	SR 45
G4–EN21	NOx, SOx, and other significant air emissions	SR 45
G4–OG6	Volume of flared and vented hydrocarbon	SR 45
Compliance		
G4–DMA	Disclosures on management approach	SR 14
G4–EN29	Significant fines and non-monetary sanctions for non-compliance with environmental laws and regulations	SR 47
Supplier environmental assessment		
G4–DMA	Disclosures on management approach	SR 18
G4–EN32	New suppliers (referred to as contractor) that were screened using environmental criteria	SR 44
Effluents and waste		
G4–DMA	Disclosures on management approach	SR 25
G4–EN22	Water discharge	SR 45
G4–OG5	Volume and disposal of formation or produced water	SR 45
G4–EN24	Number and volume of significant spills	SR 45
G4–OG7	Drilling waste	SR 46
Decommissioning		
G4–DMA	Disclosures on management approach	SR 25
G4–OG11	Decommissioned sites and sites that are in the process of being decommissioned	SR 25
CATEGORY: SOCIAL		
Employment		
G4–DMA	Generic disclosures on management approach	SR 16–17
G4–LA1	Employee hires and turnover	SR 46
Occupational health and safety		
G4–DMA	Disclosures on management approach	SR 18–19
G4–LA6	Type of injuries and injury rates	SR 44
Diversity and equal opportunity		
G4–DMA	Disclosures on management approach	SR 17
G4–LA12	Diversity in composition of governance bodies and among employees	SR 17 and 46
Supplier assessment for labour practices		
G4–DMA	Disclosures on management approach	SR 18
G4–LA14	New suppliers that were screened using labour practices criteria	SR 44
Non-discrimination		
G4–HR3	Total number of incidents of discrimination and corrective actions taken	SR 46
Human rights		
G4–DMA	Disclosures on management approach	SR 32
G4–HR9	Human rights reviews or impact assessments	SR 32
Local communities		
G4–DMA	Disclosures on management approach	SR 33
G4–SO2	Operations with significant actual and potential negative impacts on local communities	SR 46
G4–OG10	Significant disputes with local communities and indigenous peoples	SR 46
Anti-corruption		
G4–DMA	Disclosures on management approach	SR 14
G4–SO4	Communication and training on anti-corruption policies and procedures	SR 47
G4–SO5	Confirmed incidents of corruption and actions taken	SR 47
Compliance		
G4–DMA	Disclosures on management approach	SR 14
G4–SO8	Significant fines and non-monetary sanctions for non-compliance with laws and regulations	SR 47
Emergency preparedness		
G4–DMA	Disclosures on management approach	SR 20
Asset integrity and process safety		
G4–DMA	Disclosures on management approach	SR 20–21
G4–OG13	Process safety events ¹	n/a

¹ The information is currently unavailable at Group level.

AR: Annual Report

SR: Sustainability Report

Forward-looking statements

Certain statements made and information contained herein constitute “forward-looking information” (within the meaning of applicable securities legislation). Such statements and information (together, “forward-looking statements”) relate to future events, including the Company’s future performance, business prospects or opportunities. Forward-looking statements include, but are not limited to, statements with respect to estimates of reserves and/or resources, future production levels, future capital expenditures and their allocation to exploration and development activities, future drilling and other exploration and development activities. Ultimate recovery of reserves or resources are based on forecasts of future results, estimates of amounts not yet determinable and assumptions of management.

All statements other than statements of historical fact may be forward-looking statements. Statements concerning proven and probable reserves and resource estimates may also be deemed to constitute forward-looking statements and reflect conclusions that are based on certain assumptions that the reserves and resources can be economically exploited. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, using words or phrases such as “seek”, “anticipate”, “plan”, “continue”, “estimate”, “expect”, “may”, “will”, “project”, “predict”, “potential”, “targeting”, “intend”, “could”, “might”, “should”, “believe” and similar expressions) are not statements of historical fact and may be “forward-looking statements”. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. No assurance can be given that these expectations and assumptions will prove to be correct and such forward-looking statements should not be relied upon. These statements speak only as on the date of the information and the Company does not intend, and does not assume any obligation, to update these forward-looking statements, except as required by applicable laws. These forward-looking statements involve risks and uncertainties relating to, among other things, operational risks (including exploration and development risks), production costs, availability of drilling equipment, reliance on key personnel, reserve estimates, health, safety and environmental issues, legal risks and regulatory changes, competition, geopolitical risk, and financial risks. These risks and uncertainties are described in more detail under the heading “Risks and Risk Management” and elsewhere in the Company’s annual report. Readers are cautioned that the foregoing list of risk factors should not be construed as exhaustive. Actual results may differ materially from those expressed or implied by such forward-looking statements. Forward-looking statements are expressly qualified by this cautionary statement.

Lundin Petroleum

References to “Lundin Petroleum” or “the Company” pertain to the corporate group in which Lundin Petroleum AB (publ) (company registration number 556610–8055) is the Parent Company or to Lundin Petroleum AB (publ), depending on the context.

Tell Us What You Think

Your feedback is valued

We welcome any questions, comments or suggestions you might have to this report and our performance.

Please send your feedback to:

info@lundin.ch



Stay up to date with Lundin Petroleum's news and events by visiting our website
www.lundin-petroleum.com

Follow us on social media



Printed by Exakta Print and Landsten Reklam, Sweden 2017.

Exakta Print is FSC® and ISO 14001 certified and is committed to all round excellence in its environmental performance. The paper used for this report contains material sourced from responsibly managed forests, certified in accordance with the FSC®. Holmen, the manufacturer of the paper used in this report, is ranked 21st on the 2017 Global 100 list of the world's most sustainable companies. The paper is manufactured for Exakta Print to ISO 14001 international standards.

Corporate Head Office
Lundin Petroleum AB (publ)
Hovslagargatan 5
SE-111 48 Stockholm, Sweden

T +46-8-440 54 50

F +46-8-440 54 59

E info@lundin.ch

W lundin-petroleum.com