

## **Report regarding the work of Lundin Petroleum AB's nomination committee and proposals to the 2009 annual general meeting**

The nomination committee of Lundin Petroleum AB (hereinafter "Lundin Petroleum") submits the following report of its work pending the annual general meeting of Lundin Petroleum to be held on 13 May 2009.

### **Formation of the nomination committee**

At the annual general meeting of Lundin Petroleum held on 13 May 2008, resolutions were adopted regarding the following principles for the nomination procedure pending the 2009 annual general meeting. The chairman of the board shall invite three to four of the company's major shareholders to form a nomination committee. The composition of the nomination committee shall be made public not later than six months prior to the 2009 annual general meeting. The nomination committee shall prepare proposals for the following resolutions to be adopted at the 2009 annual general meeting: (i) proposal regarding the election of a chairman of the meeting; (ii) proposal regarding the election of directors; (iii) proposal regarding the election of a chairman of the board; (iv) proposal regarding board fees, with a breakdown between the chairman and other directors as well as compensation for committee work; (v) proposal regarding the election of auditors; (vi) proposal regarding auditors' fees; and (vii) proposal regarding principles for the nomination procedure pending the 2010 annual general meeting.

On 31 July 2008, the largest shareholders of Lundin Petroleum were Lorito Holdings Ltd, Wellington Management, Swedbank Robur funds and the Second Swedish National Pension Fund.

On 25 September 2008, the nomination committee comprised the following members: Ian Lundin (chairman of the board and representative of Lorito Holdings Ltd); Magnus Unger (director); KG Lindvall (appointed by Swedbank Robur funds); Carl Rosén (appointed by the Second Swedish National Pension Fund) and Ossian Ekdahl (appointed by the First Swedish National Pension Fund). The nomination committee represents approximately 40 per cent of the shares in Lundin Petroleum.

Wellington Management declined to appoint its own representative and instead instructed Ian Lundin to ask another major shareholder to appoint, in lieu of Wellington Management, a representative who could ensure continuity and integrity in the work of the nomination committee. In accordance with this request, the First Swedish National Pension Fund was asked, and it appointed Ossian Ekdahl as representative. Ossian Ekdahl has been a member of two of Lundin Petroleum's previous nomination committees.

At the constituent meeting, Magnus Unger was appointed chairman of the nomination committee. The reason for this deviation from the Swedish Code of Corporate Governance (hereinafter the "Code") is that the members of the nomination committee considered it warranted that Ian Lundin be appointed chairman in light of the Lundin family's large shareholdings in the company. Ian Lundin gratefully acknowledged this confidence but proposed that Magnus Unger be appointed chairman, since the latter has been responsible for these types of issues within the board and in connection with general meetings over a long period of time, and his closer connection to Sweden would facilitate the work of the nomination committee. For the same reasons, Magnus Unger has served as chairman of Lundin Petroleum's previous nomination committees pending the 2006, 2007 and 2008 annual general meetings.

Information regarding the composition of the nomination committee was made public through a press release on 26 September 2008. The press release contained information regarding the manner in which shareholders may submit proposals to the nomination committee. No such proposals were submitted.

### **The work of the nomination committee**

The nomination committee has met on two occasions and informal contacts have taken place between such meetings. The nomination committee has received a report regarding the work of the board and the work procedures during the past year, the result of an evaluation of the work of the board carried out by the chairman of the board, and a study by Lundin Petroleum's legal counsel concerning the independence of the directors.

The work of the nomination committee has focused on seeking an additional independent candidate for the board. A number of different candidates have been discussed. The nomination committee thereafter decided to interview Dambisa F. Moyo, who was present at the nomination committee's second meeting. The members who are independent of the company, namely KG Lindvall, Carl Rosén and Ossian Ekdahl, were afforded an opportunity to meet Dambisa F. Moyo separately without Ian Lundin and Magnus Unger being present. The nomination committee thereafter unanimously decided to propose the election of Dambisa F. Moyo and the re-election of other directors.

Dambisa F. Moyo is a former Global Economist at Goldman Sachs in London. She previously worked at the World Bank in Washington DC. Dambisa F. Moyo holds a Doctorate in Economics from Oxford University and a Masters in Public Administration, International Trade and Finance from Harvard University.

## **The nomination committee's considerations**

### ***Election of the board***

According to the Code and the Stock Exchange's rules and regulations, which nowadays contain the same criteria regarding independence, more than one-half of the directors elected at the general meeting shall be independent of the company and company management. In addition, at least two of the directors elected by the general meeting shall be independent of both the company's major shareholders and of the company and company management.

The conclusion reached in the study regarding the independence of the directors which has been reviewed by the nomination committee is that all proposed directors with the exception of the CEO, Ashley Heppenstall, are to be regarded as independent of the company and company management. Furthermore, all proposed directors with the exception of William Rand are considered to be independent of the company's major shareholders, who are represented on the board by Ian Lundin and Lukas Lundin. William Rand is considered to be not independent since he holds directorships in a number of listed companies in which the Lundin family, through a family trust, holds ten per cent or more of the share capital and voting rights.

The nomination committee has noted that in certain cases it may be difficult to assess the independence of the directors. Ian Lundin has been regularly retained by company management to perform remunerated work duties which fall outside the scope of the board work, e.g. in connection with the company's major transactions, and for this reason might be deemed not independent on the company and company management. Ashley Heppenstall, in his capacity as CEO, might be deemed not independent on the company's major shareholders, notwithstanding the absence of any other business relations between them.

The nomination committee's opinion is that, irrespective of whatever assessment is made in the above-mentioned cases, the proposed board amply meets the requirements for independence as set forth in the Code and the Stock Exchange's rules and regulations. The nomination committee thus deemed it unwarranted to investigate the issue further.

The nomination committee's overall assessment is that, in light of Lundin Petroleum's operations, phase of development and circumstances in general, the proposed board has an appropriate composition, with directors possessing a multifaceted and broad range of skills, experience and backgrounds, and that it meets the requirements regarding independence in relation to the company, company management and the company's major shareholders. The nomination committee's proposal for election of Dambisa F. Moyo as new member of the board is also a step in striving for a more equal gender distribution on the board.

### ***Other issues***

The proposal regarding board fees and compensation for committee work entails unchanged fees. The CEO receives no board fees.

The term of office of Lundin Petroleum's current auditors expires in conjunction with the annual general meeting. Klas Brand has informed Lundin Petroleum that, due to PricewaterhouseCoopers' internal rules regarding the length of engagements, he cannot put forward his candidacy for re-election. The nomination committee's proposal entails that PricewaterhouseCoopers AB be elected as auditors. The proposed auditor-in-charge, Bo Hjalmarsson, is deemed well qualified for the engagement. It is proposed that fees be paid to the auditors in accordance with approved invoices. The preparation of the proposal regarding the choice of auditor has been carried out by Lundin Petroleum's board of directors' audit committee.

On the issue of the procedure regarding preparations for election pending the 2010 annual general meeting, the nomination committee has found that the proposed procedure – which is the same as adopted by the 2008 annual general meeting – has functioned well and that it accords with the practice in most listed companies.

It is proposed that *Advokat* Erik Nerpin, who has chaired Lundin Petroleum's general meetings for the past four years, be elected to chair the annual general meeting.

## **The nomination committee's proposals regarding resolutions to be adopted at the annual general meeting**

- *Advokat* Erik Nerpin, Kilpatrick Stockton Advokatbyrå be appointed as chairman of the meeting.
- Seven ordinary directors be appointed without alternates.
- Ian Lundin, William Rand, Magnus Unger, Lukas Lundin, Ashley Heppenstall, Asbjörn Larsen be re-elected and Dambisa F. Moyo be newly elected.
- Ian Lundin be re-elected as chairman of the board.
- Annual board fees of SEK 3,500,000 be paid, of which SEK 800,000 to the chairman and SEK 400,000 to each of the other directors with the exception of the CEO, Ashley Heppenstall, and SEK 100,000 per engagement be paid to the directors who are members of the board's compensation committee and audit committee; however, the total fees for committee work shall not exceed SEK 700,000.
- The registered firm of accounts, PricewaterhouseCoopers AB, be elected as the new auditor with authorised public accountant Bo Hjalmarsson as auditor-in-charge.
- Auditors' fees be paid in accordance with approved invoices.

Preparation for the election of the board and auditors, etc. pending the 2010 annual general meeting: The chairman of the board shall invite three to four of the company's major shareholders to form a nomination committee. Information regarding the composition of nomination committee shall be made public not later than six months prior to the 2009 annual general meeting. The composition of the nomination committee might be changed in the event the ownership structure changes significantly before the work of the nomination committee is completed. The nomination committee's term of office shall extend until a new nomination committee is appointed. The nomination committee shall appoint a chairman from among its members. The nomination committee shall prepare proposals regarding the following resolutions to be adopted at the 2010 annual general meeting: (i) proposal regarding the election of a chairman of the meeting; (ii) proposal regarding the election of directors; (iii) proposal regarding the election of a chairman of the board; (iv) proposal regarding board fees with a breakdown between the chairman and other directors, as well as compensation for committee work; (v) proposal regarding the election of auditors (where required); (vi) proposal regarding auditors' fees; and (vii) proposal regarding principles for the nomination procedure pending the 2011 annual general meeting.