

CORPORATE GOVERNANCE

Interoil's corporate governance principles aim to contribute to value creation over time, benefitting shareholders as well as other stakeholders. As an international exploration and production company, Interoil aims to conduct its business in an economically efficient, socially responsible and environmentally acceptable way.

The corporate governance principles are based on the Norwegian Code of Practice for Corporate Governance, dated 30 October 2014. The recommendation from NUES can be found at: www.nues.no.

The following presentation is structured after the 15 guidelines in the Code of Practice, and is also available on the Company's website.

1. Implementation and reporting on corporate governance

Interoil's Board of Directors strongly believes sound principles for corporate governance are an important prerequisite for building trust between the Company and its stakeholders and securing shareholder value. Owners, investors, customers, employees and other stakeholders should in the future be confident that Interoil's business activities are characterized by reliability, control, transparency and high environmental and ethical standards. Interoil will in all material aspects follow the Norwegian Code of Practice for Corporate Governance and report the Company's Corporate Governance in the annual report. Any deviations from the Code of Practice will be explained in the report.

Values and ethical guidelines

Interoil's corporate values are presented on the Company's website (www.interoil.no). Our values guide us in how we shall act and make decisions when we conduct our everyday work in Interoil.

Interoil is conscious of the effect its business has on the society. The basic principles for corporate social responsibility that the Company strives to follow, are outlined in the corporate social responsibility policy, which is available at the Company's website.

2. Business

Interoil's objective, as defined in article 2 of the Company's articles of association, is "activities such as exploration, development, production, purchase and sale of oil and natural gas deposits and production licenses, as well as any activities related thereto, including investments in equal and similar enterprises".

Interoil's vision and strategy is adopted, both for Interoil as a group and for each business area, to support the Company's objective. Interoil's vision and strategy is to become one of the strongest E&P companies operating in Colombia. Our corporate vision and strategy have the following pillars:

- Maintain a strong balance sheet by adopting a disciplined financial philosophy that balances profitability and sustainable growth.
- Allocate and deploy capital with a focus on achieving returns well in excess of Interoil's cost of capital.
- Grow oil and gas production primarily through development programs focused on maximizing the value of our asset portfolio and secondarily by acquiring new assets with a balanced risk profile.
- Become the employer of choice for E&P professionals in Latin America.
- Systematically contribute to the development of stakeholders in areas we operate.
- Continuously focus on improving our HSE performance in line with best practices in the Latin American E&P sector.

3. Equity and dividends

Interoil's book equity as of 31 December 2016, was USD 11,7 million.

The Board of Directors considers Interoil's equity and liquidity to be adequate to meet Interoil's objectives, strategies and risk profile. However, the upcoming commitments in Colombia, may require additional funding.

As of 31 December 2016, Interoil had 64 690 315 shares outstanding.



Due to the market situation, together with requirement for adequate equity and the financial result of 2016, Interoil will not pay any dividend in the near future.

Authorizations for the Board of Directors

Board of Directors authorizations are limited to defined issues, and are dealt with as separate agenda items at the general meeting.

As of 31 December 2016 there were no such authorizations.

However, at an extraordinary general meeting held on 7 April 2017 it was resolved to authorize the Board of Directors to increase the share capital of the Company by up to a total of 8 086 289 new shares without pre-emption. The authority is valid for 15 months until 30 June 2018, 3 months more than the one year recommended by the Code. The authorization is to be used in relation to capital increases to provide financing for the Company's business.

4. Equal treatment of shareholders and transactions involving related parties

Interoil has one class of shares representing one vote at the annual general meeting. Each share has a nominal value of NOK 0,5. The articles of association have no restriction regarding the rights to vote. Equal treatment is of high importance for the Company, and the Board of Directors must justify any waiver of these rights in capital increases.

Should the Board of Directors wish to propose to the general meeting that a departure be made from the pre-emptive right of existing shareholders in the event of a capital increase, such a proposal will be justified by the common interests of the Company and the shareholders, and the grounds for the proposal will be presented in the notice of the general meeting.

At the Extraordinary General Meeting held on 7 April 2017, the Board of Directors was given authority to issue new shares

without pre-emption to give the Company the flexibility to raise new capital at short notice.

Material transactions between the Company and shareholders, a shareholder's parent company, members of the Board of Directors, executive personnel or close associates of any such parties, shall be evaluated by an independent third party.

Any transactions with closely related parties, primary insiders or employees wishing to trade in Interoil shares must be cleared prior to the purchase of shares in the Company, and are firmly regulated in Interoil's own Directives for Insider Trading.

Interoil focuses on transparency and independent verification of any transactions with related parties. The Company's Ethical Guidelines, which apply to all employees, contain guidelines for handling potential conflicts of interest.

There has not been any transaction of significance with closely related parties during 2016. However, consultancy agreements exist between one of the board members and the Company, and between one board member and Interoil Colombia Exploration and Production Inc. In addition, two board members have waived their fee from the Company and receive their payment from Interoil Colombia Exploration and Production Inc. The former Chief Executive Officer (CEO), who was also a board member of the Company, received all his remuneration from Interoil Colombia Exploration and Production Inc. See note 10/11 in the financial statements for more details.

5. Freely negotiable shares

Interoil's shares are listed on the Oslo Stock Exchange and are freely transferable. There are no restrictions on trade in the Company's articles of association.

6. General meetings

Interoil encourages as many shareholders as possible to exercise their rights by participating in the Annual General Meeting of the Company. Notices convening general meetings will be distributed no later than twentyone days before a general meeting. Interoil endeavors in general to make the detailed supporting documentation relating to the items on the agenda available on the Company's web site no later than on the date of the distribution of the notice of the general meeting. The notice is also distributed as a stock exchange notification.

The calling notice includes a reference to Interoil's website where the notice calling the meeting and other supporting documents are made available. As the supporting documents are made accessible for the shareholders on Interoil's website, the documents will normally not be enclosed in the calling notice sent to the shareholders, cf. Interoil's articles of association section 9.

The deadline for registering intended attendance is as close to the general meeting as possible, but no later than four days prior to the general meeting. Shareholders who are unable to attend are encouraged to vote by proxy. Information concerning both the registration procedure and the filing of proxies is included in the notice. The proxy form allows separate voting instructions to be given for each item on the agenda.

The general meeting elects the chair of the meeting. The Board of Directors generally proposes that a person independent from the Company chairs the meeting.

The general meeting elects the members of the nomination committee. The nomination committee focuses on composing a board that works optimally as a team and on ensuring that board members' experience and qualifications complement each other and that statutory gender representation requirements are met.

The general meeting is therefore requested to vote for a complete set of proposed board members, and shareholders cannot vote in advance for individual candidates. The general meeting otherwise deals with the matters it is required to consider pursuant to legislation or the Company's articles of association. The Company allows shareholders to propose matters for consideration at the general meeting, and shareholders can also ask questions and propose decisions at the general meeting itself.

The minutes from the meeting are released as soon as practical as a stock exchange notification (ticker: IOX) and on our website www.interoil.no.

7. Nomination committee

The articles of association stipulate that the Company shall have a nomination committee, elected by the general meeting. The nomination committee shall consist of three members, who shall normally serve for a term of two years. The current members of the nomination committee, which were elected at the extraordinary general meeting held 20 January 2015, are Ricardo Nicolas Mallo Huergo, Juan Carlos Esteban and Neil Arthur Bleasdale.

Of the current nomination committee, Ricardo Nicolas Mallo Huergo and Juan Carlos Esteban are board members of Andes Energia plc and therefore related to the main shareholder of Interoil. Ricardo Nicolas Mallo Huergo is also Chairman of the Board of Interoil.

The purpose of the committee is to recommend candidates for election to the Board of Directors and propose the fee payable to the board members. The committee shall emphasize that the candidates for the board have the necessary experience, competence and capacity to perform their duties in a satisfactory

manner. A reasonable presentation regarding gender and background should also be emphasized.

The nomination committee shall ensure that the recommendations are endorsed by the largest shareholders. The justified recommendations are endeavored to be made available together with the notification to the general meeting, no later than 21 days prior to the general meeting.

8. Corporate assembly and the Board of Directors; composition and independence

The Company is not required to have a corporate assembly, cf. the Public Limited Liabilities Companies Act section 6-35 (1). Thus, the general meeting elects the representatives to the board of directors directly.

According to the articles of association, the Board of Directors shall consist of one to seven members. Currently, there are six members. The members are elected for a term of two years and may stand for re-election. The proposal for nominations are generally distributed to the shareholders together with the notice of the general meeting.

The current board consists of Ricardo Nicolas Mallo Huergo (chairman), Matthieu Milandri, Dolores Rivas, Maria Rosa Siles Moreno and Mimi Berdal, who were elected at the extraordinary general meeting in January 2015 for a two-year term and Nicolas Acuña who was elected as a board member in February 2016 until the ordinary general meeting in 2017.

Alejandro Oscar Jotayan and Jose Francisco Chalela were elected as board members in January 2015, but resigned respectively in March 2017 and in December 2015. Jose Francisco Chalela continues to provide consultancy services to Interoil with focus on Colombia.

Of the current board, all board members, except for two persons, as well as the CEO, CFO and the General manager are also employed or in other ways connected to the main shareholders of the Company, Andes or Canacol. As such there can be no guarantee that no conflicts of interest may arise between these person's duties to the Company and their duties to Andes or Canacol.

The composition of the Board of Directors as a whole represents sufficient diversity of background and expertise to help ensure that the board carries out its work in a satisfactory manner. The Company's website and annual report provides detailed information about the board members expertise and capacities. The Board of Directors is aware of the need for diversification of its members, in order to add value and to best serve the common interest of Interoil and its shareholders (particularly with



respect to expertise, experience, social skills, and independence, flexibility and time capacity). The composition of the Board of Directors also contain the diversity of both genders.

In 2016, the board held 7 board meetings, with an average attendance of 90%.

The board members are encouraged to own shares in the Company.

9. The work of the Board of Directors

The Board of Directors has established an annual schedule for the board meetings and an annual plan for its work. The plan covers both the control functions and the strategy focus of the Company in addition to implementation of decision made by the board.

The Board of Directors leads the Company's strategic planning, and make decisions that form the basis for the executive personnel to prepare for and implement investments and structural measures.

The Board of Directors is engaged in the financing of the Company. The Board of Directors shall ensure that the activities in InterOil are soundly organized. This includes drawing up plans and budgets for the activities of the Company, keeping itself informed of the Company's financial position and ensuring that its activities, accounts and asset management are subject to adequate control.

The Board of Directors has issued instructions for its own work as well as for the executive personnel with particular emphasis on clear internal allocation of responsibilities and duties. The chairman of the board ensures that the board's duties are undertaken in efficient and correct manner.

The CEO and General Manager are responsible for the Company's daily operations and ensures that all necessary information is presented to the board.

The Board of Directors evaluates its performance and expertise annually.

The Company has not established neither a separate audit committee nor a remuneration committee.

10. Risk management and internal control

The Board of Directors focuses on risk management and internal control to support the Company's corporate values, business development and the quality of the financial reporting encompassing ethical guidelines and guidelines for social responsibility.

The InterOil management system covers all areas of operation of the Company. The documents for risk management,

internal control and financial reporting are incorporated in the management system. The Financial manual describes how financial management and reporting is performed in InterOil. InterOil has developed an authorization matrix that forms a part of its governing documents. Special expenditure approval procedures have also been developed.

In governing documents, emphasis is placed on highlighting the requirements to InterOil's operations and who is responsible for following up on the requirements. InterOil manages risk through this internal framework comprising of guidelines, procedures and tools intended to ensure safe and stable business operations and provide unified and reliable financial reporting, which is applicable throughout the group. This enables the operating businesses to manage the day-to-day risk related to their operations. The operating company in Colombia is ISO-certified. InterOil has implemented a system for reporting serious matters such as breaches of ethical guidelines and violations of the law. Information on the reporting system and contact details is included in InterOil's anti-corruption policy and program.

The audit committee, which consists of the whole board, assists with safeguarding the quality of the internal control and risk management, particularly in relation to financial reporting. The audit committee holds regular meetings, at least once every quarter.

The Board of Directors provides in note 3 in the annual report the main features of the Company's internal control and risk management systems as they relate to the Company's financial reporting.

11. Remuneration of the Board of Directors

The remuneration of the Board of Directors should reflect the responsibilities, the expertise and the time commitment, as well as the complexity of business. The remuneration is proposed by the nomination committee. The remuneration is not linked to the Company's performance or linked to options in InterOil.

The Board of Directors instructions clearly states that the members should not take on specific assignments for the Company in addition to their appointments as a board member. However, the former CEO, who resigned in March 2017, had functions both as a board member and as the CEO.

The remuneration to the Board of Directors for 2016 is described in note 11 in the financial statement. The remuneration to the Board of Directors for 2017 will be paid in accordance with the remuneration for 2016.

12. Remuneration of the executive personnel

The Board of Directors of InterOil prepares its statement on remuneration to management in accordance with the Public Limited Companies Act §6-16 a.



Our guidelines for future stipulation of management remuneration is to follow the general salary adjustments in our local society and at the same time, consider the measures necessary to avoid losing our key personnel and maintain a level of remuneration enabling us to recruit the kind of professionals needed for us to develop the Company according to plans.

The compensation structure and guidelines for executive personnel and key employees are subject to annual review and approval by the Board of Directors. The compensation structure and guidelines for executive personnel and key employees are described in "Remuneration of Senior Executives" in the Board of Directors report.

Interoil negotiates all terms and conditions on an arm's length basis at market conditions, enabling Interoil to recruit the professionals the Company seeks.

The remuneration to the executive management is described in note 11 in the consolidated financial statements.

13. Information and communications

Interoil's information policy is based on transparency and on providing the shareholders, investors and financial market with correct and timely information, in a way that safeguards the principle of equal treatment of all shareholders, and satisfies the regulations and practice applicable to listed companies.

Interoil's key communication objectives are visibility, transparency and openness and the Company will achieve these objectives through precise, relevant, timely and consistent information. Interoil co-ordinates its external and internal communication activities to ensure that the Company is presented in a clear and consistent manner and that the Company's brand and reputation is managed properly. All sensitive information will be controlled and disclosed in compliance with statutory laws and the relevant stock exchange rules and regulations.

The Board of Directors has approved a designated Investor relations policy which covers guidelines for the Company's contact with shareholders other than through general meetings.

Interoil reports the financial result each quarter, and from time to time presentations at conferences in Norway and abroad. Our quarterly reports and investor presentations are made available on Interoil's web site, www.interoil.no.

The Company also reports its monthly average production on the first trading day at Oslo Børs after the 10th of each month.

- Interoil's website, www.interoil.no contains information regarding the Company, its activity and contact information, and is updated on a regular basis. In addition, all presentation materials and financial reports are available on the website.

- Interoil distributes all sensitive press releases as well as all reports through Hugin and Oslo Stock Exchange (www.newsweb.no).

- Interoil publishes an annual financial calendar which can be consulted on the Oslo Stock Exchange website, through news agencies and on the Company's website.

14. Takeovers

The Board of Directors has established guideline principles for how it will act in the event of a take-over bid:

- In a bid situation, the Company's Board of Directors and management has an independent responsibility to ensure that shareholders are treated equally and that the Company's business activities are not disrupted unnecessarily.

- The Board of Directors has a particular responsibility to ensure that shareholders are given sufficient information and time to form a view of the offer.

- The Board of Directors should not hinder or obstruct take-over bids for the Company's activities or shares.

- In the event of a take-over bid for the Company's shares, the Company's Board of Directors should not exercise mandates or pass any resolutions with the intention of obstructing the take-over bid unless this is approved by the general meeting following announcement of the bid.

- If an offer is made for the Company's shares, the Company's Board of Directors should issue a statement making a recommendation as to whether shareholders should or should not accept the offer. The Board of Director's statement on the offer should make it clear whether the views expressed are unanimous and if this is not the case it should explain the basis on which specific members of the Board of Directors have excluded themselves from the Board of Director's statement.

- The Board of Directors should arrange a valuation from an independent expert. The valuation should include an explanation and should be made public no later than at the time of the public disclosure of the board's statement.

Any transaction that is in effect a disposal of the Company's activities should be decided by the general meeting.

15. Auditor

The auditor shall be independent of the Company. The remuneration for auditors is presented in note 12 in the financial statement.

Pricewaterhouse Coopers was appointed as auditor on the general meeting 20 October 2015.

The audit committee, consisting of the whole Board of Directors, will meet with the auditor regularly. The objective of the committee is to focus on internal control, independence of the auditor, risk management and the Company's financial standing, including the quarterly and annual financial statements.

The auditor will send a complete Management Letter/Report to the Board of Directors – which is a summary report with comments from the auditors including suggestions of any improvements if needed. This is an important tool for the board in order to get a better overview and fulfil the control duties. The auditor is also present in at least one board meeting each year.

The auditor annually submits the audit plan to the audit committee. The auditor participates in meetings of the Board of Directors that deal with the annual accounts. In this meeting, the auditor reviews any material changes in accounting principles, comments on estimated figures and report material matters regarding disagreement with the executive management. The Board of Directors also meets with the auditor at least once a year without presence of the executive management.

The auditors present once a year to the audit committee a review of the Company's internal control procedures, identifying weaknesses and proposals for improvement.

The Board of Directors reports the remuneration paid to the auditor at the ordinary general meeting. The fee is detailed in fee paid for audit and fee paid for other specific assignments.

The Board of Directors of the Company has not established guidelines for the executive management's use of the auditors for services other than the audit, contrary to what is recommended by the Code of Practice.

