



# Rules of Procedure

Rules of Procedures for the Board of Directors of PGS ASA (“PGS” or the “Company”).

Established by: The Board of Directors

Effective from: 15 May 2004

Last revised: 28 February 2018, and updated by the PGS Legal Department following name change on 8 May 2019

The Board of Directors (the “Board” and each member of the Board hereinafter referred to as a “Director”) of PGS has adopted the following internal Rules of Procedure to assist the Board in the exercise of its responsibilities. The Rules of Procedure shall be adopted by the Board, and shall when deemed necessary be reviewed, assessed and amended by the Board. The Remuneration and Corporate Governance Committee shall assist the Board in this task.

## Purpose

The purpose of the Rules of Procedure is to provide rules and instructions to govern the work and procedures of the Board within the framework of the Norwegian Public Limited Companies Act, the Continuing Obligations of Stock Exchange Listed Companies issued by Oslo Stock Exchange, the Rules and Regulations of the Luxembourg Stock Exchange, the Company’s Articles of Association, and the Norwegian Code of Practice for Corporate Governance (the “NUES Recommendations”).

## 1. Duties of the Board

1.1 Pursuant to Section 6-12 of the Norwegian Public Limited Companies Act, the Board has the responsibility for the administration, development and supervision of PGS. The Board shall ensure that the business activities of PGS are properly organized, determine plans and budgets for the businesses and shall be obliged to ensure that the Company’s operations, accounts and asset management are subject to proper inspection and control.

Pursuant to Section 6-13 of the Norwegian Public Limited Companies Act, the Board shall also supervise the Company’s day-to-day management and activities in general.

1.2 As part of the discharge of its responsibilities, the Board shall concentrate its work on the following tasks:

- appoint the CEO and fix his or her remuneration, taking into consideration the recommendations of the Remuneration and Corporate Governance Committee;
- approve the Company's overall organization;
- implement measures with the aim of ensuring that the Company’s financial position is satisfactory;
- determine the overriding strategy for PGS prepared in collaboration with the CEO and the Executive Management team;
- decide the financial targets for PGS prepared in collaboration with the CEO and the group leader team;

- approve the Company and its subsidiaries (the “Group”)’s business plans, budgets, and frameworks;
- review CEO performance with respect to established goals and objectives, taking into consideration the recommendations of the Remuneration and Corporate Governance Committee;
- undertake periodic reviews of results compared to business plans and budgets;
- approve financial accounts and periodic disclosure;
- authorize capital expenditure and divestments in line with the policy for delegation of authority as approved by the Board from time to time;
- make decisions in other cases involving financial dispositions that are major in relation to the Company’s operations, or which fall outside the strategy or the business plans previously approved by the Board;
- make decisions in cases that are of an unusual nature or major significance relative to the Company’s situation;
- make decisions in cases where specifically mandated by statute or regulations; and establish policies and procedures for CEO selection and succession, including policies regarding succession in the event of an emergency or the retirement of the CEO.

1.3 The Board is responsible for supervising the business activities of PGS. This includes controlling and implementing measures with the aim of ensuring that:

- the CEO uses proper and effective management and control systems, including systems for risk management, which continuously provide a satisfactory overview of the Company’s risk exposure;
- the control functions work as intended and that the necessary measures are taken to reduce extraordinary risk exposure;
- there exist satisfactory routines to ensure implementation and follow-up of principles and guidelines adopted by the Board in relation to ethical behavior, conformity to law, health, safety and working environment, and social responsibility;
- PGS has a proper internal auditing system, capable of ensuring that reliable annual reports are produced; and
- the external auditor’s recommendations are given proper consideration.

1.4 As part of the discharge of their responsibilities, Directors shall have full and free access to officers and employees of PGS. To the extent they consider it necessary and appropriate, Directors also have access to the Company’s independent advisors (including its auditors and attorneys).

## **2. The tasks and duties of the CEO vis-à-vis the Board**

2.1 The CEO has responsibility for ensuring that the Board receives all the information it requires to fulfill its duties pursuant to Rule 1 above.

2.2 The CEO has responsibility for the day-to-day management of PGS within the guidelines adopted by the Board.

2.3 Matters that, relative to the Company’s situation, are of an unusual nature or major significance may only be decided by the CEO with prior authorization by the Board, or, when the Board’s decision cannot be awaited without material risk to PGS, by the CEO acting without prior Board authorization, provided that the Board shall be informed of the decision as soon as reasonably possible.

2.4 The CEO shall, once a month and as needed, by attendance or in writing, inform the Board about:

- the Company's operations, financial condition and profit trends; and
- other matters of significance for the Board's performance of its duties relevant to Rule 1 above.

2.5 The Board, and each individual Director, may at any time require that the CEO provide the Board with a detailed account of any particular matter.

2.6 The CEO shall notify any PGS subsidiary of proposed resolutions in the Board, which may be of importance to such subsidiary, prior to a final resolution being made.

### **3. The tasks and duties of the Chairperson of the Board**

The Chairperson of the Board shall:

- lead and facilitate the deliberations in the Board;
- ensure that the Board is dealing with the issues for which it is responsible;
- together with the CEO, develop, supervise and maintain the work plan for the Board;
- together with the CEO, plan and decide on the agenda for each meeting of the Board;
- maintain close contact with the chairperson of each of the Board's committees and facilitate the Board's supervision and decision-making with respect to the issues considered by such committees;
- together with the members of the Remuneration and Corporate Governance Committee, evaluate the CEO;
- participate on the annual general meeting; and
- perform all other tasks pertaining to the Chairperson of the Board pursuant to the Norwegian Public Limited Company Act and other applicable regulation.

### **4. Notice of meetings of the Board**

4.1 A minimum of six board meetings shall be held each year.

4.2 Meetings shall be held in accordance with a meeting calendar approved by the Board. The CEO shall, following approval by the Chairperson of the Board, annually present a meeting calendar covering the next calendar year to the Board for approval. The meeting calendar shall be structured so as to allow the Board to deal with its tasks listed in Rule 1 above in a systematic and orderly fashion.

4.3 The Directors will meet regularly in executive session without management participation. In addition, if the Board includes a Director who does not qualify as "independent" under the NUES Recommendations, the Directors that qualify as "independent" will upon the request of the Chairperson of the Board's request meet in executive session on their own.

4.4 The CEO shall, following approval by the Chairperson of the Board, issue notice of meetings of the Board. Written notification shall be issued to all the Directors, normally with no less than four working days' notice before the meeting. Notice of a shorter duration may be sent, provided there are valid grounds.

4.5 Additional meetings of the Board beyond those listed in the meeting calendar may be held when deemed necessary by the Chairperson of the Board in consultation with the CEO.

4.6 The Chairperson of the Board, the CEO or any Director may request an extraordinary meeting of the Board. A meeting of the Board shall be held within 10 days of any such request, or as soon as possible thereafter dependent on the nature of the matters to be considered.

4.7 Directors are expected to attend Board meetings and meetings of committees on which they serve.

## **5. Committees**

5.1 The Board shall appoint at least three Directors to serve as the Audit Committee. The shareholder elected Directors and members of the Audit Committee shall meet the independence, expertise, experience and financial literacy requirements of Norwegian law, including any requirements as set out in the NUES Recommendations. The Audit Committee shall act as preparatory body in connection with the Board's supervisory roles in financial control, as well as with respect to its oversight of the integrity of the financial statements and disclosures of PGS; the independent auditor's qualifications, independence and performance; the performance of the Company's internal audit function and compliance with legal and regulatory requirements. As required by Norwegian law, decision making authority shall remain with the Board and shall not be delegated to committees or subcommittees.

5.2 The Board shall appoint at least two Directors to serve as the Remuneration and Corporate Governance Committee. The Board shall, to the extent possible, ensure that a majority of the shareholder elected Directors and members of the Committee be "independent Directors" in accordance with the NUES Recommendations. The Remuneration and Corporate Governance Committee shall act as preparatory body in connection with the Board's decisions in relation to the Total Compensation (defined as compensation, benefits and perquisites) of the Company's CEO and in relation to the Company's Corporate Governance policies and procedures. Decision-making authority shall remain with the Board. The Committee shall have decision-making authority related to the Total Compensation of senior executives other than the CEO.

5.3 The Board may also appoint committees consisting of Directors to consider special cases or questions. The decision to appoint such a committee shall state the committee's terms of reference and duration.

## **6. Preparation of matters to be dealt with by the Board**

6.1 The CEO shall prepare materials to support the matters to be discussed by the Board in consultation, where appropriate, with the Chairperson of the Board.

6.2 The chairperson of a committee of the Board shall ensure that the Board after every committee meeting receives a report on the issues reviewed by the committee, and that all matters before the committee requiring the decision of the Board are placed on the agenda of the Board, and that adequate documentation in support of the decision is provided to the Board.

6.3 Whenever possible, necessary written background information on matters to be discussed by the Board shall be issued together with the meeting notice.

6.4 Matters before the Board shall be sufficiently analyzed and described to provide the Board with a satisfactory basis for its decisions.

6.5 Notice of the meetings with the documentation should, where appropriate, contain the administration's proposed resolution with respect to each matter on the agenda.

## **7. Conducting the Board discussions**

7.1 The Board shall deal with matters in meetings unless the Chairperson of the Board finds that the matter can be adequately dealt with in writing, by means of a telephone conference or by other means pursuant to section 6-19 of the Norwegian Public Limited Companies Act.

7.2 The annual report and annual financial statements shall always be approved in a meeting where the Directors are physically present.

7.3 Meetings shall be led by the Chairperson of the Board. In the Chairperson's absence, the Vice-Chairperson shall chair the meeting. In the absence of both the Chairperson and the Vice-Chairperson, the chair of the meeting shall be elected from among the other Directors.

7.4 Meetings of the Directors or independent Directors, as the case may be, in executive session shall be led by the Chairperson of the Board if he or she is an independent Director. Otherwise, the presiding Director will be chosen by a vote of the Directors or independent Directors, as the case may be.

7.5 To ensure independent preparation of matters of material nature in which the Chairperson of the Board is or has been actively engaged, another Director should lead the discussion.

## **8. Board resolutions**

8.1 The Board may make a resolution when more than half of the Directors are present or participate in the discussion of the matter. In this respect, the Directors who are deemed to be disqualified (see Rule 9) shall not be regarded as being present.

8.2 The Board may not make a resolution unless all Directors have been given an opportunity, insofar as possible, to participate in the discussion of the matter in question.

8.3 A resolution by the Board shall require that the majority of the Directors who have participated in the discussion of the matter have voted in favor of the resolution. However, a resolution by the Board that change the Company's established situation shall require the affirmative vote of more than 1/3 of all Directors.

8.4 In the event of a parity of votes, the Chairperson of the meeting shall cast the deciding vote.

## **9. Disqualification**

9.1 A Director may not participate in the discussion or decision of issues that are of such special importance to the Director in question, or to any person closely related to the Director, that the Director must be regarded as having a material personal or financial interest in the matter.

9.2 The rest of the Board may decide whether there exist such weighty special interests that can be deemed to constitute a conflict of interest on the part of a Director. Otherwise, the Directors shall judge their own competence.

9.3 Any Director with a material personal or financial interest in a matter shall inform the Board of such interest at the latest when the matter is being addressed by the Board.

## **10. Minutes**

10.1 Minutes shall be kept of each meeting of the Board. The minutes shall, at a minimum, contain the following information:

- Time;
- Place;
- Participants;
- How the discussion was held;
- Information on how the meeting was called and that all Directors were given the opportunity to participate in the meeting;
- Brief presentation of each matter under discussion;
- Resolutions, including information concerning voting;
- In the event of dissent, a record of which Directors dissented; and
- Identification of the person who kept the minutes.

10.2 All Directors who participate in a meeting shall sign the minutes of such meeting. A Director has the right to request a separate entry in the minutes.

## **11. Confidentiality of information**

11.1 Directors shall keep confidential any information they receive about PGS and its subsidiaries by virtue of their position as a Director.

11.2 Any duty to release information that follows from legislation or regulation shall take precedence over the duty to keep information confidential pursuant to this Rule 11. Furthermore, the duty to keep information confidential does not apply to any information that is already public knowledge or in the public domain.

11.3 Directors, and any other persons that receive written material prepared for the purpose of discussion by the Board (Board papers), shall keep the Board papers in a secure place unavailable for others.

11.4 When a Director retires from the Board, all confidential material received by such Director shall be returned to the Board or destroyed.

## **12. Conflicts of interest and independence**

12.1 If a Director plans to participate as an owner, elected representative, employee or consultant of any company that is a competitor of PGS, dependent upon its relationship to PGS (for example a material vendor or supplier to PGS, or a small oil company where PGS has made or is likely to make a material investment) or a company in the seismic, seismic equipment or

seismic technology segment, the Board shall be notified and shall have the right, acting reasonably, to approve or disapprove of such participation.

12.2 Each Director shall keep the Board informed of investments, compensation, or any other financial interest acquired, held or received by such Director in companies or activities which operate in the same industry as PGS or have transactions with PGS. No Director, their associates or affiliated companies, can in connection with legal transactions on behalf of the Company accept remuneration from others than the Company.

12.3 The CEO shall keep the Board informed of investments, compensation, or any other financial interest acquired, held or received by the CEO or any member of the senior management of PGS, in companies or activities which operate in the same industry as PGS or have transactions with PGS. The Board shall approve or disapprove of such investments, compensation or other financial interest of the CEO. Neither the CEO nor his or her associates or affiliated companies can in connection with legal transactions on behalf of the Company accept remuneration from others than the Company. The CEO shall approve or disapprove of such investments, compensation or other financial interest of other senior management.

12.4 The CEO shall inform the Board if he or she, or any member of senior management, has a material direct or indirect interest in any transaction where the Company is involved. Such information shall be given prior to any discussions in the Board on the transaction in question.

12.5 No Director shall be an executive of PGS. In addition, a majority of the shareholder elected Directors shall be "independent" pursuant to the requirements of the NUES Recommendations and the rules of the Oslo Stock Exchange. No Director will qualify as "independent" unless the Board affirmatively determines that the Director has no material relationship with PGS. In addition to the examples and provisions of the NUES Recommendations, the following provisions will apply as examples of relevant factors for the purpose of determining a Director's independence:

- A Director who receives, or whose immediate family member receives, direct compensation from the Company, except for certain permitted payments, would not be independent until after he or she ceases to receive such compensation. Examples of "permitted payments" include, among other things, compensation for Board or Board committee service, pension payments and payments arising solely from investments in the Company's securities.
- A Director who is affiliated with or employed by a present or former internal or external auditor of PGS would not be independent until after the end of the affiliation or employment relationship. This restriction would also include an immediate family member who is affiliated with or employed in a professional capacity by a present or former internal or external auditor of PGS.
- A Director who is employed as an executive officer of another company where any of the Company's present executives serve on that company's Remuneration Committee would not be independent until after the end of such service or employment relationship. This restriction would also include an immediate family member who is employed at such company.
- A Director who is an executive officer or an employee of a company that makes payments to, or receives payments from, PGS for property or services in an amount which, in any single fiscal year, exceeds 2% of such other company's consolidated gross revenues, would not be independent until after falling below such threshold. This restriction would also include an immediate family member who is an executive officer or employee at such company.



- A Director who receives options in PGS will not be regarded as independent for as long as the Director holds such options.
- A Director who receives performance based remuneration will not be regarded as independent for as long as such performance based remuneration is applicable towards that Director.

12.6 Directors or their affiliated companies cannot perform paid consultancy work for the Company. Directors or their affiliated companies cannot take on other separate unpaid tasks for the Company in addition to their Board appointment without notifying the whole Board.

### **13. Director orientation and continuing education**

Each new Director should participate in an orientation program, which should be conducted promptly after his or her initial election or appointment. This orientation will include presentations by and meetings with senior management to familiarize new Directors with the Company, its management structure and operations, its industries, key legal, financial, and operational issues facing the Company, its compliance programs, its Code of Conduct and its internal and independent auditors. Other Directors are also welcome to attend any of these orientation programs. The Board of Directors, at their discretion, shall have access to educational programs related to their duties as Directors on an ongoing basis to enable them to better perform their duties and to recognize and deal appropriately with issues that arise. Subject to approval of the Chairperson of the Board, PGS will provide appropriate reasonable funding for any such program in which a Director wishes to participate.

### **14. Self-evaluation**

The Board shall conduct an annual self-evaluation to determine whether it and its committees are functioning effectively. The evaluation shall be discussed and considered by the Board and it shall consider whether any action or response is appropriate. The Remuneration and Corporate Governance Committee shall assist the Board with its annual self-evaluation.

### **15. Insider trading regulations**

The Board has adopted the Primary Insider Trading Directive for trading in financial instruments issued by PGS.

### **16. Take-overs**

16.1 The Board has adopted guiding principles for how it will act in the event of a take-over bid. The guiding principles set out specific tasks for both the Board and for the management upon receipt of a take-over bid.

16.2 Provided that no substantial reasons require otherwise, the Board will not seek to hinder or render difficult any offers being made for PGS' assets or financial instruments. If a take-over situation as described in item 14 of the NUES Recommendations should arise, the Board will, in addition to ensuring compliance with relevant laws and regulations, make best efforts to be in compliance with the NUES Recommendations.

### **17. Interaction with shareholders**



17.1 The Board shall facilitate annual interaction with shareholders on matters related to corporate governance and corporate social responsibility. In order to ensure equal treatment of shareholders in this respect such annual interaction sessions will be conducted by the Secretary of the Board on behalf of the Board, and a report for the Board will be prepared following the annual sessions.

17.2 To the extent shareholders specifically request to address the Directors or the Board directly this will be conducted by the Chairperson of the Board together with one other Director and/or a member of senior management, as appropriate.

## **18. Other directorships**

18.1 Directors are expected to advise the Chairperson of the Board and the Chairperson of the Nomination Committee promptly upon considering any other public company directorship. The Nomination Committee will consider whether such additional directorships or assignments would adversely affect the ability of the Director to function effectively on the Company's Board.

18.2 Directors who are executives in other companies should normally not serve on more than two boards of larger listed companies including the Board of the Company. Directors who are not currently employed as an executive in another company should normally not serve on more than four boards of larger listed companies including the Board of the Company.

## **19. Transactions with related parties**

19.1 If there are transactions which are not insignificant between the Company and shareholders, a shareholder's parent company, directors, senior executives or any related party of such parties, the Board shall ensure that a valuation from an independent third party is carried out. This does not apply when the general meeting shall deal with the matter pursuant to the provisions of the Public Limited Liability Companies Act. An independent evaluation shall also be provided upon transactions between companies within the same group where minority shareholders exist.