



To the Shareholders of  
Petroleum Geo-Services ASA (PGS)

Our ref.: PU

Lysaker, 4 April 2012

**PETROLEUM GEO-SERVICES ASA ANNUAL GENERAL MEETING**  
**3 MAY 2012 – 15.00 CET**

Enclosed please find:

- Calling Notice
- Proxy form

The annual report for 2011 and the other appendices to the Calling Notice will be made available on [www.pgs.com](http://www.pgs.com) on 4 April 2012. The hardcopy of the appendices will no longer be distributed automatically to the individual shareholders, but will be sent you upon request to [ir@pgs.com](mailto:ir@pgs.com).

Yours sincerely  
On behalf of Petroleum Geo-Services ASA

A handwritten signature in black ink, appearing to read "F. Gugen", is written over a horizontal line.

Francis Gugen  
Chairman

**ENCLOSURES**

**CALLING NOTICE FOR  
ANNUAL GENERAL MEETING**

Notice is hereby given of the 2012 Annual General Meeting of Petroleum Geo-Services ASA (the “Company”) at the PGS-House, Strandveien 4, 1366 Lysaker, Norway to be held on

**3 May, 2012, at 15:00 (Norwegian time)**

The Appendices to this Calling Notice are not enclosed to the paper version of the Calling Notice, but are made available on [www.pgs.com](http://www.pgs.com).

The Board of Directors of Petroleum Geo-Services ASA has decided to call the Annual General meeting to vote on the matters described below.

The Chairperson of the Board of Directors will open the Annual General Meeting and according to the Articles of Association § 9 the Chairperson shall also chair the Annual General Meeting.

**ITEM 1 APPROVAL OF THE CALLING NOTICE AND AGENDA**

**ITEM 2 ELECTION OF PERSON TO COUNTERSIGN THE MINUTES**

It is proposed that a person be elected among those present at the General Meeting to countersign the Minutes.

**ITEM 3 APPROVAL OF THE DIRECTORS’ REPORT AND FINANCIAL STATEMENTS OF PETROLEUM GEO-SERVICES ASA AND THE GROUP FOR 2011**

The Board of Directors’ Report and the Financial Statements of Petroleum Geo-Services ASA and the group for 2011 are presented in Appendix I.

Proposed resolution:

*The Board of Directors’ Report and the Financial Statements of Petroleum Geo-Services ASA and the group for 2011 are approved.*

**ITEM 4 APPROVAL OF DIVIDENDS FOR 2011**

The Board proposes a dividend payment for 2011 of NOK 1.10 per share. The dividend payment for the accounting year of 2011 means that approximately 3.7% of the distributable equity of Petroleum Geo-Services ASA is paid as a

dividend to the shareholders: NOK 239,579,997 (total dividend payment) x100/NOK 6,505,306,000 (total distributable equity prior to payment of dividends). The proposed dividend represents approximately 2.3% of total shareholders' equity at 31 December 2011 and will be paid from available cash and cash equivalents.

Proposed resolution:

*NOK 1.10 per share is paid as dividend for 2011, constituting an aggregate dividend payment of NOK 239,579,997. The dividend will be paid to those who are shareholders at end of trading on 3 May 2012, and the shares will be trading exclusive dividend rights as of 4 May 2012.*

#### **ITEM 5 APPROVAL OF THE AUDITOR'S FEE FOR 2011**

The Auditor's fees for 2011 for Petroleum Geo-Services ASA are NOK 3,137,224. This does not include fees related to the audits of the Company's subsidiaries, the audit of the Company's Consolidated Financial Statements or other professional services rendered. Note 34 of the Consolidated Financial Statements provide further details.

Proposed resolution:

*The General Meeting approves the Auditor's fees for 2011.*

#### **ITEM 6 ELECTION OF BOARD OF DIRECTORS**

The proposals for candidates to the Board of Directors are based on recommendations in the report from the Nomination Committee, see Appendix II to the Calling Notice and the Articles of Association § 6 a). The service period for the Board of Directors is one year or until the next annual general meeting whichever is later.

##### **ITEM 6.1 Francis Robert Gugen (Chairperson)**

Proposed resolution:

*Francis Robert Gugen shall be re-elected as Chairperson to the Board of Directors for a service period commencing on the date hereof.*

##### **ITEM 6.2 Harald Norvik (Vice Chairperson)**

Proposed resolution:

*Harald Norvik shall be re-elected to the Board of Directors as Vice Chairperson for a service period commencing on the date hereof.*

**ITEM 6.3 Daniel J. Piette**

Proposed resolution:

*Daniel J. Piette shall be re-elected to the Board of Directors for a service period commencing on the date hereof.*

**ITEM 6.4 Holly Van Deursen**

Proposed resolution:

*Holly Van Deursen shall be re-elected to the Board of Directors for a service period commencing on the date hereof.*

**ITEM 6.5 Annette Malm Justad**

Proposed resolution:

*Annette Malm Justad shall be re-elected to the Board of Directors for a service period commencing on the date hereof.*

**ITEM 6.6 Carol Bell**

Proposed resolution:

*Carol Bell shall be re-elected to the Board of Directors for a service period commencing on the date hereof.*

**ITEM 6.7 Ingar Skaug**

Proposed resolution:

*Ingar Skaug shall be re-elected to the Board of Directors for a service period commencing on the date hereof.*

**ITEM 7 NOMINATION COMMITTEE – ELECTION OF MEMBERS**

The proposals for candidates to the Nomination Committee are based on the recommendations in the report from the Nomination Committee, see Appendix II to the Calling Notice and the Articles of Association § 6 b).

**ITEM 7.1 Roger O’Neil (Chairperson)**

Proposed resolution:

*Roger O’Neil shall be shall be re-elected to the Nomination Committee as Chairperson for a new service period commencing on the date hereof and ending with the 2013 annual general meeting.*

**ITEM 7.2 C. Maury Devine**

Proposed resolution:

*C. Maury Devine shall be re-elected to the Nomination Committee for a new service period commencing on the date hereof and ending with the 2013 annual general meeting.*

**ITEM 7.3 Hanne Harlem**

Proposed resolution:

*Hanne Harlem shall be shall be re-elected to the Nomination Committee for a new service period commencing on the date hereof and ending with the 2013 annual general meeting.*

**ITEM 8 APPROVAL OF THE BOARD MEMBERS' AND NOMINATION COMMITTEE MEMBERS' FEES**

**Item 8.1 Motion to approve Board members' and Nomination Committee members' fees**

Pursuant to the Articles of Association, § 6 c), the Nomination Committee presents to the General Meeting a motion for approval of remuneration of the members of the Board of Directors and the members of the Nomination Committee, see Appendix III.

The fees for the members of the Board of Directors and the Nomination Committee members are calculated on basis of the principles approved by the Annual General Meeting 2011. These principles are disclosed in Appendix IV.

Proposed resolution:

*The General Meeting approves the fee to each member of the Board of Directors and each member of the Nomination Committee.*

**Item 8.2 Motion to approve the principles for the shareholder elected Board members' fees for the period 3 May 2012 to the annual general meeting 2013**

In accordance with the Articles of Association, § 6 c), the Nomination Committee presents to the General Meeting a motion for approval of the principles for the shareholder elected Board members' fees for the period 3 May 2012 to the annual general meeting 2013, see Appendix V.

Proposed resolution:

*The General Meeting approves the principles for the shareholder elected Board members' fees for the period 3 May 2012 to the annual general meeting 2013.*

**Item 8.3 Motion to approve the principles for the fees for the members of the Nomination Committee for the period 3 May 2012 to the annual general meeting 2013**

In accordance with the Articles of Association, § 6 c), the Nomination Committee presents to the General Meeting a motion for approval of the principles for the Nomination Committee members' fees for the period 3 May 2012 to the annual general meeting 2013, see Appendix VI.

Proposed resolution:

*The General Meeting approves the principles for the Nomination Committee members' fees for the period 3 May 2012 to the annual general meeting 2013.*

**ITEM 9 STATEMENT FROM THE BOARD REGARDING REMUNERATION PRINCIPLES FOR SENIOR EXECUTIVES**

In accordance with section 6-16a of the Public Companies Act, the Board of Directors has issued a statement with respect to the principles for remuneration for senior executives of the Company. The statement is presented in Appendix VII.

Proposed resolution:

*The Board statement pursuant to section 6-16a of the Public Companies Act is approved.*

**ITEM 10 AUTHORIZATION TO ACQUIRE TREASURY SHARES**

The General Meeting of PGS has on an annual basis authorised the Board of Directors to acquire treasury shares. The Board of Directors proposes to renew this authorization.

The purpose of such share repurchase authority is to allow for adjustments to the Company's capital structure. Further, in the opinion of the Board of Directors, treasury shares will give the Company flexibility in terms of satisfying employee share incentive plans and to fund possible acquisitions and other possible corporate transactions by the Company.

Proposed resolution:

(i) *The Board of Directors is authorized to acquire shares in the Company on behalf of the Company.*

- (ii) *The shares are to be acquired at market terms in a regulated market where the shares are traded.*
- (iii) *The shares may be disposed of either to meet obligations under employee incentive schemes, as part of consideration payable for acquisitions made by the Company, as part of consideration for any mergers, demergers or acquisitions involving the Company, by way of cancellation of the shares in part or full, to raise funds for specific investments, for the purpose of paying down loans (including convertible loans), or in order to strengthen the Company's capital base. The Board is free to choose the method of disposal considered expedient for such purposes.*
- (iv) *The maximum face value of the shares which the Company may acquire pursuant to this authorization is in total NOK 65,339,999. Under no circumstances can the Company acquire shares leading to an aggregate number of treasury shares exceeding 10 percent of the total number of shares. The minimum amount which may be paid for each share acquired pursuant to this power of attorney is NOK 3, and the maximum amount is NOK 300.*
- (v) *This authorization is valid from registration in the Norwegian Register of Business Enterprises and expires on 30 June 2013.*
- (vi) *The authorization to acquire Treasury Shares granted on 11 May 2011 is revoked with effect from the time the above authorization in this item 9 becomes effective.*

## **ITEM 11 APPROVAL OF RESTRICTED STOCK PLAN**

The Board of Directors proposes to the General Meeting a new long term incentive plan for employees. At the 2011 AGM a share option plan was approved which covered an aggregate maximum of 1,500,000 shares.

The Board has considered the advantages and disadvantages with a share option plan as a long term incentive and has after careful review decided to propose to the General Meeting to approve a restricted stock plan for the period as from the date of the General Meeting and until 5 May 2017 (the "Restricted Stock Plan"). Pursuant to the Restricted Stock Plan, the Company may grant restricted stock units ("RSUs") to employees. Awards will be granted based on amongst other considerations the position in the Company and a review on the individual participant's performance prior to award. Any RSU awarded will, subject to the participant's continued employment with the Company (or a subsidiary), be settled three years after grant. Upon settlement, the participant will receive a number of shares in the Company which equals the number of RSUs awarded. Delivery of shares will take place from the Company's pool of treasury shares or, if an insufficient number of treasury shares exists, by cash payment of an equivalent value.

Pursuant to the proposed Restricted Stock Plan, the maximum number of RSUs to be granted under this Restricted Stock Plan during the plan period is 600,000. Consequently, the maximum number of shares to be delivered to participants equals 600,000.

In the Board's opinion, a Restricted Stock Plan is better aligned with the interests of the Company and the shareholders, compared to a standard stock option plan. First, the Board believes that the RSUs will create a better retention effect on key employees as the RSUs will always have a value to the participant. Second, as delivery of shares will take place from the Company's pool of treasury shares and not by issuing new shares, there will be no dilutive effect for the Company's shareholders.

The complete terms and conditions of the new Restricted Stock Plan are seen in Appendix VIII.

At the date of this calling notice, 7,031,912 options are awarded and are or will become exercisable under previous share option programs. This amounts to approximately 3.2% of the Company's total share capital.

The General Meeting is requested to approve the Restricted Stock Plan.

Proposed resolution:

*The Restricted Stock Plan is approved.*

**ITEM 12      MOTION TO AUTHORIZE THE COMPANY'S BOARD OF DIRECTORS TO INCREASE THE SHARE CAPITAL**

The General Meeting of PGS has on an annual basis authorized the Board of Directors to issue new shares. The Board of Directors proposes to substantially renew the authorizations granted in 2011. The Board of Directors further proposes to continue to split the authorization in two, resulting in one general authorization and one authorization solely linked to the issuance of new shares in connection with the Company's share option programmes. The number of shares to be authorized under item 12.2 below is calculated so that the authorization covers the options still outstanding under the existing stock option programs.

The Board of Directors is of the opinion that the limited general authorization is necessary to provide flexibility in terms of potential acquisitions and other corporate transactions and settlements thereof, and therefore, is in the best interest of the Company. It is further proposed to authorize the Board of Directors to waive existing shareholders' preferential rights in order to allow the possibility for new shareholders subscribing shares.

Further, the Board has proposed to restrict the general authorization in item 12.1 compared to previously approved authorizations so that the number of shares to be issued under the authorization and the authorization in item 13 to



issue convertible loans in the aggregate cannot exceed 10% of the Company's share capital.

#### **Item 12.1 General authorization to issue new shares**

Proposed resolution:

*The General Meeting hereby approves the following authorization:*

- (i) The Board of Directors is authorized to increase the Company's share capital by a total amount of NOK 65,339,999 through one or more subscriptions. The authorization is, however, restricted so that the number of shares to be issued under this authorization and the authorization to issue convertible bonds in the aggregate cannot exceed 10% of the Company's share capital at the time of the resolution to issue shares. The Board of Directors is further authorized to determine the price and terms of such offerings and subscriptions, including but not limited to, whether in the Norwegian and/or the international markets, whether private or public and whether or not underwritten.*
- (ii) The authorization includes the right to increase the Company's share capital in return for non-cash contributions and the right to assume special obligations on behalf of the Company.*
- (iii) The authorization shall be utilised in connection with potential acquisitions of companies or businesses within the oil and energy sector, including the oil service sector, settlement of obligations (including convertible loans), funding of material investments or to raise funds in order to strengthen the Company's capital base.*
- (iv) The Board of Directors is further authorized to set aside the preferential rights pursuant to Section 10-4 of the Public Limited Companies Act. The rationale behind each such resolution must be given by the Board, and must be based on this being in the interest of the Company due to strategic benefits or need for capital contributions.*
- (v) The authorization includes a resolution to merge, c.f. the Public Limited Companies Act Section 13-5.*
- (vi) The authorization shall be effective from the date it is registered in the Norwegian Register of Business Enterprises and shall be valid until 30 June 2013.*
- (vii) The general authorization to issue new shares that was granted on the Extraordinary General Meeting 11 May 2011 is revoked with effect from the time the above authorization in this item 12.1 becomes effective.*

#### **Item 12.2 Authorization to issue new shares in connection with existing share option programs**

Proposed resolution:

*The General Meeting hereby approves the following authorization:*

- (i) *The Board of Directors is authorized to increase the Company's share capital by a total amount of NOK 15,000,000 through one or more subscriptions. The Board of Directors is further authorized to determine the price and terms of such offerings and subscriptions within the limits and in accordance of the terms of the Company's share option programs in force at any time.*
- (ii) *The authorization shall only be utilised in connection with the Company's share option programs in force at any time.*
- (iii) *The Board of Directors is further authorized to waive the preferential rights pursuant to Section 10-4 of the Public Limited Companies Act. The reason for this is that the objective of the share option program is to create incentives to employees.*
- (iv) *The authorization shall be effective from the date it is registered in the Norwegian Register of Business Enterprises and expires on 30 June 2013.*
- (v) *The authorization to issues new shares in connection with the share option program that was granted at the General Meeting on 11 May 2011 is revoked with effect from the time the above authorization in this item 12.2 becomes effective.*

**ITEM 13      MOTION TO AUTHORIZE THE COMPANY'S BOARD OF DIRECTORS TO ISSUE CONVERTIBLE LOANS**

The General Meeting of PGS has previously granted the Board of Directors the authority to issue convertible loans. The Board of Directors is continually considering how to further develop the Company in accordance with its identified strategy. Identifying and setting up the right financial structure is vital in this respect. In order to continue to provide the Board of Directors with sufficient flexibility to be able to put in place a cost efficient and flexible financial structure, it is desirable that the Board of Directors is granted a new power of attorney authorizing the Board of Directors to agree and enter into convertible loans. It is further proposed to authorize the Board of Directors to waive existing shareholders' preferential rights in order to allow the possibility for new investors subscribing the loan. The Board has, however, proposed to restrict the authorization so that that the number of shares to be issued pursuant to convertible loans under the authorization and the authorization in item 12.1 to issue shares in the aggregate cannot exceed 10% of the Company's share capital.

Proposed resolution:

*The General Meeting hereby approves the following authorization:*

- (i) The Company may raise new convertible loans at a total amount of NOK 3,500,000,000 (or the equivalent in other currencies). The Board of Directors are authorised to negotiate and enter into convertible loan agreements within the limits and in accordance with the terms of this authorisation.*
- (ii) The share capital of the Company may be increased by a total of NOK 65,339,999 as a result of the loans referred to in sub item (i) above being converted into equity. The authorization is, however, restricted so that the number of shares to be issued under this authorization and the general authorization to issue shares as set out in item 12.1 of the minutes from the Annual General Meeting held 3 May 2012 in the aggregate cannot exceed 10% of the Company's share capital at the time of the resolution to issue convertible bonds.*
- (iii) The shareholders' preferential rights to subscribe the loans may be set aside. The rationale behind each such resolution must be given by the Board, and must be based on this being in the interest of the company due to strategic benefits or need for capital contributions.*
- (iv) The authorization to issue new convertible loans shall be effective from the date it is registered in the Norwegian Register of Business Enterprises and shall be valid until 30 June 2013. The authorization to increase the share capital in accordance with sub item (ii) above shall be valid as long as required to meet the Company's obligations under the loan agreements.*
- (v) The authorization to issue convertible loans granted on 11 May 2011 is revoked with effect from the time the above authorization in this item 13 becomes effective.*

#### **ITEM 14 INDEMNIFICATION OF BOARD OF DIRECTORS AND CEO**

It has been the practice of the Company that the Annual General Meeting passes a resolution providing an indemnification for the Board members relating to liability and claims made against them arising out of their service for the Company. At the Extraordinary General Meeting of the Company held 13 December 2006, the general indemnification agreement for the Board of Directors was approved. The Norwegian Public Limited Companies Act also comprises an indemnification for the Company's CEO. Due to the global business of the PGS group, the Board believes that a resolution to indemnify the Board should also include the CEO of the Company as the CEO has the same exposure as Board members.

Proposed resolution:

*The General Meeting accepts indemnification for the Board members and the CEO for the period between 11 May 2011 and 3 May 2012.*

## **ITEM 15 CORPORATE GOVERNANCE STATEMENT**

Pursuant to new legislation, the corporate governance statement of the Company should be a separate item on the agenda for the Annual General Meeting. The statement is also referred to in the 2011 Board of Directors' Report and included in the annual report setting out the Financial Statements and attached separately hereto as Appendix IX.

This is a non-voting item as the corporate governance statement is subject to discussions only and not to separate approval by the shareholders.

\* \* \*

At the Company's Annual General Meeting, each share has one vote. There are a total of 217,799,997 shares. An owner with shares registered through a custodian has voting rights equivalent to the number of shares covered by the Custodian arrangement, provided that the owner of the shares shall within two working days before the Annual General Meeting provide the Company with his name and address together with a confirmation from the custodian to the effect that he is the beneficial owner of the shares held in custody.

Shareowners who wish to take part in the Annual General Meeting must give notice to DNB ASA, Registrar Services, Stranden 21, N-0021 Oslo, Norway not later than three working days before the Annual General Meeting, i.e. 30 April 2012 by 12:00 noon (Norwegian time). Notice can also be given to DNB ASA by fax at + 47 22 48 11 71. Attendance may also be registered on PGS ASA's homepage on [www.pgs.com](http://www.pgs.com) or through "Investortjenester", a service provided by most Norwegian registrars. A pin code and a reference number are required for registration.

**Oslo, 4 April 2012**

  
Francis Gugen  
Chairperson

*List of Appendices to this Calling Notice that are made available on [www.pgs.com](http://www.pgs.com):*

- *Board of Directors' Report and Financial Statements, Appendix I*
- *Nomination Committee Report, Appendix II*
- *Board members' and Nomination Committee members' fees up to 3 May 2012, Appendix III*

- *Principles for Board members' and Nomination Committee members' fees up to 3 May 2012, Appendix IV*
- *Principles for Board members' fees up to the annual general meeting 2013, Appendix V*
- *Principles for Nomination Committee members' fees up to the annual general meeting 2013, Appendix VI*
- *Remuneration Statement, Appendix VII*
- *Restricted Stock Plan, Appendix VIII*
- *Corporate Governance Statement, Appendix IX*

*In case you are not able to participate in the Annual General Meeting, you may use the authorization of proxy to give a power of attorney to Francis Gugen, Chairperson of the Board of Directors, or Jon Erik Reinhardsen, President and CEO.*

*Francis Gugen*

*Jon Erik Reinhardsen*

*Petroleum Geo-Services ASA  
P.O. Box 89  
1325 Lysaker – Norway*

*Petroleum Geo-Services ASA  
P.O. Box 89  
1325 Lysaker - Norway*



"last name + first name"  
 "name 3"  
 "address 1"  
 "address 2"  
 "postal code + town"  
 "country"

Ref no: PIN code:

**Notice of Ordinary General Meeting**

An Ordinary General Meeting of Petroleum Geo-Services ASA will be held on Thursday 3 May 2012 at 15:00 pm at PGS House, Strandveien 4, 1366 Lysaker, Norway

If the above-mentioned shareholder is an enterprise, it will be represented by:

\_\_\_\_\_  
 Name of enterprise's representative  
 (To grant a proxy, use the proxy form below)

**Notice of attendance**

The undersigned :

will attend the Ordinary General Meeting on 3 May 2012 and vote for

	own shares
	other shares in accordance with <u>enclosed</u> Power of Attorney
A total of	shares

This notice of attendance must be received by DNB Bank ASA no later than 12:00 p.m. on 30 April 2012. It may be sent **by post** to DNB Bank ASA, Registrar's Department, 0021 Oslo, Norway, or **faxed to +47 22 48 11 71.** Notice of attendance may also be sent electronically through Petroleum Geo-Services ASA Website [www.pgs.com](http://www.pgs.com) or through VPS Investor Services.

\_\_\_\_\_  
 Place Date Shareholder's signature  
 (If attending personally. To grant a proxy, use the form below)

**Proxy (without voting instructions)**

Ref no: PIN code:

This proxy form is to be used for a proxy without voting instructions. To grant a proxy with voting instructions, please go to page 2.

If you are unable to attend the Ordinary General Meeting in person, this proxy may be used by a person authorised by you, or you may send the proxy without naming the proxy holder, in such case, the proxy will be deemed to be given to the Chair of the Board of Directors or a person authorised by him.

The proxy form should be received by DNB Bank ASA, Registrar's Department no later than 12:00 pm on 30 April 2012. It may be **sent by post** to DNB Bank ASA, Registrar's Department, 0021 Oslo, Norway, or **faxed to +47 22 48 11 71.** The proxy may also be sent electronically through Petroleum Geo-Services ASA website [www.pgs.com](http://www.pgs.com) or through VPS Investor Services.

The undersigned \_\_\_\_\_  
 hereby grants (tick one of the two):

- the Chair of the Board of Directors (or a person authorised by him), or
- \_\_\_\_\_  
 (Name of proxy holder in capital letters)

a proxy to attend and vote my/our shares at the Ordinary General Meeting of Petroleum Geo-Services ASA on 3 May 2012.

\_\_\_\_\_  
 Place Date Shareholder's signature  
 (Signature only when granting a proxy)

With regard to rights of attendance and voting, reference is made to the Norwegian Public Limited Liability Companies Act, in particular Chapter 5. If the shareholder is a company, the company's certificate of registration must be attached to the proxy.



**Proxy (with voting instructions)**

**Ref no:**

**PIN code:**

This proxy form is to be used for a proxy with voting instructions. If you are unable to attend the Ordinary General Meeting in person, you may use this proxy form to give voting instructions. You may grant a proxy with voting instructions to a person authorised by you, or you may send the proxy without naming the proxy holder, in which case the proxy will be deemed to have been given to the Chair of the Board of Directors or a person authorised by him.

The proxy form should be received by DNB Bank ASA, Registrar's Department, no later than 12:00 pm on 30 April 2012. It may be **sent by post** to DNB Bank ASA, Registrar's Department, 0021 Oslo, Norway, or **faxed to +47 22 48 11 71**.

The undersigned: \_\_\_\_\_  
hereby grants (tick one of the two):

the Chair of the Board of Directors (or a person authorised by him), or

\_\_\_\_\_  
Name of proxy holder (in capital letters)

a proxy to attend and vote my/our shares at the Ordinary General Meeting of Petroleum Geo-Services ASA on 3 May 2012.

The votes shall be exercised in accordance with the instructions below. Please note that if any items below are not voted on (not ticked off), this will be deemed to be an instruction to vote "for" the proposals in the notice. However, if any motions are made from the floor in addition to or replacement of the proposals in the notice, the proxy holder may vote or abstain from voting at his discretion. In such case, the proxy holder will vote on the basis of his reasonable understanding of the motion. The same applies if there is any doubt as to how the instructions should be understood. Where no such reasonable interpretation is possible, the proxy holder may abstain from voting.

Agenda Ordinary General Meeting 2012		For	Against	Abstention
1.	APPROVAL OF THE CALLING NOTICE AND AGENDA	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.	ELECTION OF PERSON TO COUNTERSIGN THE MINUTES	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3.	APPROVAL OF THE DIRECTORS' REPORT AND FINANCIAL STATEMENTS OF PETROLEUM GEO-SERVICES ASA AND THE GROUP FOR 2011	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4.	APPROVAL OF DIVIDENDS FOR 2011	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5.	APPROVAL OF THE AUDITOR'S FEE FOR 2011	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6.	ELECTION OF BOARD OF DIRECTORS			
6.1	Francis Robert Gugen (Chairperson)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6.2	Harald Norvik (Vice Chairperson)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6.3	Daniel J. Piette	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6.4	Holly Van Deursen	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6.5	Annette Malm Justad	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6.6	Carol Bell	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6.7	Ingar Skaug	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7.	NOMINATION COMMITTEE – ELECTION OF MEMBERS			
7.1	Roger O'Neil (Chairperson)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7.2	C. Maury Devine	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7.3	Hanne Harlem	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8.	APPROVAL OF THE BOARD MEMBERS' AND NOMINATION COMMITTEE MEMBERS' FEES			
8.1	Motion to approve Board members' and Nomination Committee members' fees	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8.2	Motion to approve the principles for the shareholder elected Board members' fees for the period 3 May 2012 to the annual general meeting 2013	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8.3	Motion to approve the principles for the fees for the members of the Nomination Committee for the period 3 May 2012 to the annual general meeting 2013	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9.	STATEMENT FROM THE BOARD REGARDING REMUNERATION PRINCIPLES FOR SENIOR EXECUTIVES	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10.	AUTHORIZATION TO ACQUIRE TREASURY SHARES	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11.	APPROVAL OF RESTRICTED STOCK PLAN	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12.	MOTION TO AUTHORIZE THE COMPANY'S BOARD OF DIRECTORS TO INCREASE THE SHARE CAPITAL			
12.1	General authorization to issue new shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12.2	Authorization to issue new shares in connection with share option program	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
13	MOTION TO AUTHORIZE THE COMPANY'S BOARD OF DIRECTORS TO ISSUE CONVERTIBLE LOANS	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
14.	INDEMNIFICATION OF BOARD OF DIRECTORS AND CEO	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
15	CORPORATE GOVERNANCE STATEMENT			

Place

Date

Shareholder's signature

(Only for granting proxy with voting instructions)

With regard to rights of attendance and voting, reference is made to the Norwegian Public Limited Liability Companies Act, in particular Chapter 5. If the shareholder is a company, the company's certificate of registration must be attached to the proxy.

## **Nomination Committee Report to 2012 AGM**

### ***Introduction***

The Nomination Committee in PGS was established at the Annual General Meeting June 8<sup>th</sup> 2005. The current committee consists of Roger O'Neil (Chairperson), Hanne Harlem and C. Maury Devine. None of the members of the Nomination Committee are employees of PGS or members of the Board of Directors of PGS.

The Nomination Committee had two meetings in 2011.

The main duties of the Nomination Committee are to propose nominees for election as members and chairperson to the Board of Directors and the Nomination Committee, and to propose the fees to be paid to the members of the Board and the Nomination Committee. The duties of the Nomination Committee are further regulated in the Nomination Committee Mandate and Charter (the "Charter"). The Nomination Committee has reviewed the Charter and found no reason to amend it this year. The Charter is available on [www.pgs.com](http://www.pgs.com).

### ***Nominees for the Board of Directors***

The Nomination Committee has in preparation of its work related to proposing nominees for election as members and chairperson to the Board of Directors interviewed existing members of the Board of Directors and the CEO. For the Annual General Meeting (AGM) May 3<sup>rd</sup> 2012, the Nomination Committee emphasizes the importance of PGS' need for a balance of experience and expertise among the members to the Board of Directors, which will provide knowledge of the strategic, international, financial and technological and management issues which face PGS and PGS' management.

PGS currently meets the requirements for both male and female directors of the Public Limited Companies Act Section 6-11 a (1). The same will apply if the Board proposed by the Nomination Committee is adopted by the AGM.

All current directors have informed the Nomination Committee of their wish to continue to serve on the Board for one more year. The Nomination Committee does not propose any changes in the Board. The proposal is thus to re-elect for a one year term the Directors Francis Gugen (chairperson), Harald Norvik (vice chairperson), Daniel J. Piette, Holly Van Deursen, Annette Malm Justad, Carol Bell and Ingar Skaug.

The Nomination Committee is of the opinion that the proposed Board will have the competence necessary to establish an Audit Committee in accordance with competency requirements of the Public Companies Act § 6-42.

Details of the Board members experience and expertise can be found on [www.pgs.com](http://www.pgs.com).



The Nomination Committee has put considerable effort in assessing the needs of PGS' Board of Directors. The Nomination Committee believes that the existing Board of Directors, will provide the necessary industry knowledge, technical competence and corporate experience needed for PGS' corporate governance.

As part of its work during 2012 the Nomination Committee has also considered and adopted guidelines for Directors other engagements. It is important to PGS that its Directors are allowed and encouraged to take on other assignments besides being a PGS Board member. However, it is equally important that each Director is able to dedicate the necessary time and resources into being a PGS Director. For these reasons the Nominations Committee as established a procedure to be followed when Directors consider other assignments and some guidelines on how many other assignments Directors may have. These guidelines are included in the Rules of Procedure for the Board of Directors on [www.pgs.com](http://www.pgs.com).

### ***Nominees for the Nomination Committee***

The Nomination Committee has carefully considered whether to propose new members to the Nomination Committee on the 2012 Annual General Meeting. In this work, the Nomination Committee has specifically evaluated PGS' need for a Nomination Committee which has knowledge of the strategic, international, financial and technological and management issues which face PGS in order to identify qualified and suitable nominees to the Board of Directors. The Nomination Committee also emphasize the importance of both male and female members and both Norwegian and international members.

On this basis, the Nomination Committee proposes that Nomination Committee members Roger O'Neil, C. Maury Devine and Hanne Harlem be re-elected for a one year term.

It is proposed that Mr. O'Neil is elected chairperson of the Nomination Committee.

### ***Remuneration of the shareholder elected Board of Directors***

The Nomination Committee has reviewed remuneration practice for Directors in both international and Norwegian peer companies in order to establish a recommendation to the AGM. The Nomination Committee has concluded that it is necessary to increase the compensation for the Chairperson of the Board of Directors. This is as a result of a thorough review of compensation of our Directors versus the results from the February 2012 survey from the Norwegian Institute of Directors which indicates that the current compensation for the Chairperson in PGS is substantially below that of comparable companies. The proposal is therefore to increase the fees for the Chairperson from USD 70,000 to USD 100,000. The Nomination Committee recognize that this is an unusually large increase from one year to another and this is not a start of a trend, but rather a onetime adjustment in order to reset the compensation of the Chairperson to a level comparable to peer companies.

Otherwise current compensation levels are proposed to remain unchanged. The remuneration scheme thus proposed for the period 2011 - 2012 AGM is seen in Appendix V to the calling notice for the 2012 AGM.

The remuneration payable to the Directors for the previous period from 2011-2012 is set forth in Appendix III to the calling notice. This remuneration is calculated on basis of the principles for Director remuneration that were adapted by the 2011 AGM, see Appendix IV to the 2012 AGM calling notice.

### ***Remuneration of the Nomination Committee***

The principles for and levels of Nomination Committee member fees for the period from the 2012 AGM to the 2013 AGM proposed by the Nomination Committee are seen in Appendix VI to the calling notice for the 2012 AGM. The proposal is to keep the remuneration on the same level as it has been in the period from 2011-2012.

In presenting this for approval, the Nomination Committee has considered, among others, the need for a compensation structure reflecting the amount of work in the Nomination Committee as well as the structure of such work. The Nomination Committee has also considered comparable data for Norwegian companies.

The fees payable to the Nomination Committee members for the period from 2011-2012 are set forth in Appendix III to the calling notice. These numbers are calculated on basis of the principles for remuneration that were adapted by the 2011 AGM, see Appendix IV to the 2012 AGM calling notice.

\* \* \*

Shareholders who wish to propose new board members to PGS could do so by sending an e-mail to Mr. O'Neil at [ir@pgs.com](mailto:ir@pgs.com). Such proposals should be sent to the Nomination Committee at least two months prior to the Company's AGM.

FEES FOR BOARD MEMBERS and NOMINATION COMMITTEE MEMBERS  
11 May 2011 - 3 May 2012

Appendix III

			2Q 2011	3Q 2011	4Q 2011	1Q 2012	TOTAL
Gugen, Francis R.	Chairman	USD	14 973	23 750	25 500	29 416	<b>93 639</b>
Norvik, Harald	Vice Chairman + Chairman Audit Committee	USD	10 334	25 750	20 750	31 575	<b>88 409</b>
Piette, Daniel J.	Director + Member Audit Committee	USD	16 695	23 250	27 250	34 158	<b>101 353</b>
Bell, Carol	Director + Member Audit Committee	USD	15 694	23 250	24 250	28 658	<b>91 852</b>
Justad, Annette Malm	Director + Member Remuneration Committee	USD	10 459	21 625	19 875	23 791	<b>75 750</b>
Van Deursen, Holly A.	Director + Chairman Remuneration Committee	USD	15 335	22 500	29 750	28 646	<b>96 231</b>
Skaug, Ingar	Director + Member Remuneration Committee	USD	10 460	21 265	18 275	25 791	<b>75 791</b>
			<b>93 950</b>	<b>161 390</b>	<b>165 650</b>	<b>202 035</b>	<b>623 025</b>

			2Q 2011	3Q 2011	4Q 2011	1Q 2012	TOTAL
O'Neil, Roger	Chair Person Nomination Committee	USD	5 875	1 875	5 875	5 875	<b>19 500</b>
Devine, C. Maury	Member Nomination Committee	USD	1 250	1 250	6 750	2 000	<b>11 250</b>
Harlem, Hanne	Member Nomination Committee	USD	1 250	1 250	2 250	2 250	<b>7 000</b>
			<b>8 375</b>	<b>4 375</b>	<b>14 875</b>	<b>10 125</b>	<b>37 750</b>

**PRINCIPLES FOR THE BOARD MEMBERS' FEES <sup>1)</sup>**  
**For the period from 11 May 2011 to the annual general meeting 2012**

	Board Member Fee	Audit Committee Fee	Remuneration Committee Fee	Participation Fee for each Meeting	Participation By phone	Travel Time Allowance for each meeting
<b>All Members</b>	\$ 50,000	\$ 9,000	\$ 7,500	\$ 1,000 (AC Meeting fee; \$ 1,500)	\$ 750	- Intercontinental travel: \$ 4,500. - Regional travel (e.g. within US or Europe): \$ 3,000. - Travel within same nation/state (e.g. within Norway or Texas): \$ 500 - Travel within same city: \$ 0
<b>Committee Chairperson</b>		Additional \$5,000	Additional \$3,500			
<b>Chairperson</b>	\$ 70,000			\$ 1,000	\$ 750	As for other members
<b>Deputy Chairperson</b>	\$ 5,000 extra					

Further, any costs incurred by the Board Members in relation to their participation as a member of Board or any of the committees, will be reimbursed by the Company.

All fees and costs will be paid on a quarterly basis in arrears.

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- 1) Directors who are employee representatives shall not be covered by these principles, and separate principles for employee representatives will be prepared if employee representation becomes relevant. There are currently no employee representatives in the Board.

**PRINCIPLES FOR THE NOMINATION COMMITTEE MEMBERS' FEES**  
**For the period 3 May 2011 to the annual general meeting 2012**

	Nomination Committee Fee	Participation Fee for each Meeting	Participation By phone	Travel Time Allowance for each meeting
<b>All Members</b>	\$ 5,000	\$ 1,000	\$ 750	- Intercontinental travel: \$ 4,500. - Regional travel (e.g. within US or Europe): \$ 3,000. – Travel within same nation/state (e.g. within Norway or Texas): \$ 500 - Travel within same city: \$ 0
<b>Committee Chairperson</b>	Additional \$ 2,500			

Further, any costs incurred by the Nomination Committee Members in relation to their participation as a member of the Nomination Committee or any of the committees, will be reimbursed by the Company.

All fees and costs will be paid on a quarterly basis in arrears.

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**PRINCIPLES FOR THE BOARD MEMBERS' FEES <sup>1)</sup>**  
**For the period from 3 May 2012 to the annual general meeting 2013**

	Board Member Fee	Audit Committee Fee	Remuneration Committee Fee	Participation Fee for each Meeting	Participation By phone	Travel Time Allowance for each meeting
<b>All Members</b>	\$ 50,000	\$ 9,000	\$ 7,500	\$ 1,000 (AC Meeting fee; \$ 1,500)	\$ 750	- Intercontinental travel: \$ 4,500. - Regional travel (e.g. within US or Europe): \$ 3,000. - Travel within same nation/state (e.g. within Norway or Texas): \$ 500 - Travel within same city: \$ 0
<b>Committee Chairperson</b>		Additional \$5,000	Additional \$3,500			
<b>Chairperson</b>	\$ 100,000			\$ 1,000	\$ 750	As for other members
<b>Deputy Chairperson</b>	\$ 5,000 extra					

Further, any costs incurred by the Board Members in relation to their participation as a member of Board or any of the committees, will be reimbursed by the Company.

All fees and costs will be paid on a quarterly basis in arrears.

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- 1) Directors who are employee representatives shall not be covered by these principles, and separate principles for employee representatives will be prepared if employee representation becomes relevant. There are currently no employee representatives in the Board.

**PRINCIPLES FOR THE NOMINATION COMMITTEE MEMBERS' FEES**  
**For the period 3 May 2012 to the annual general meeting 2013**

	Nomination Committee Fee	Participation Fee for each Meeting	Participation By phone	Travel Time Allowance for each meeting
<b>All Members</b>	\$ 5,000	\$ 1,000	\$ 750	- Intercontinental travel: \$ 4,500. - Regional travel (e.g. within US or Europe): \$ 3,000. – Travel within same nation/state (e.g. within Norway or Texas): \$ 500 - Travel within same city: \$ 0
<b>Committee Chairperson</b>	Additional \$ 2,500			

Further, any costs incurred by the Nomination Committee Members in relation to their participation as a member of the Nomination Committee or any of the committees, will be reimbursed by the Company.

All fees and costs will be paid on a quarterly basis in arrears.

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## **Board of Directors' statement on remuneration to the CEO and the Executive Officers**

In accordance with §6-16a of the Norwegian Public Limited Companies Act, the Board of Directors has prepared a statement related to the determination of salary and other benefits for our CEO and other executive officers. The guidelines set out below for our CEO and other executive officers salary and other benefits, for the coming fiscal year, will be presented to the shareholders for their advisory vote at the May 2012 Annual General Meeting.

PGS is an international company operating in the global geophysical industry. Our operations are conducted world wide and our employment base is and needs to be largely international. The total compensation package for our CEO and other executive officers shall therefore be competitive both within the Norwegian labour market and internationally. Both the level of total compensation and the structure of the compensation package for our CEO and other executive officers shall be such that it may attract and retain highly qualified international leaders. This will require the use of several different instruments and measures also meant to provide incentives for enhanced performance and to ensure common goals and interest between the shareholders and management.

The current remuneration package for our CEO and other executive officers includes fixed elements and variable elements. The fixed elements consist of a base salary and other benefits. Other benefits include car allowance, newspaper subscription, mobile phone, internet and similar benefits. The fixed elements also include a pension plan. The CEO and three executive officers have an early retirement plan allowing for termination of employment when the CEO or the executive officers reach the age of 62. Provided that the CEO or executive officers have been employed as a CEO or an executive officer for 10 years (or in some cases longer) the CEO or the executive officers are entitled to up to 60% of the last base salary in the period up until the CEO or the executive officers reach the age of 67.

The variable elements today consist of a performance bonus scheme and participation in our share option program.

Participation in the performance bonus scheme and the target levels and the maximum levels of the annual performance bonus scheme are determined annually. Achievement under the performance bonus scheme is based partly on achievements of agreed financial key performance indicators ("KPIs") for the group and a relevant management group, and partly on achievements of agreed operational, financial and organizational KPIs included in a personal performance contract.

The Group KPIs are financial targets set by the Board of Directors at the start of a fiscal year. The Group KPIs are thereafter broken down to business unit KPIs. The personal performance contract for our CEO and other executive officers will contain such KPI goals as well as KPI goals linked to other measures of success such as HSE, operational effectiveness and organizational development.

The CEO and other executive officers have target bonus levels and maximum bonus levels. The CEO and other executive officers will for 2011 be obliged to use one third of their annual bonus (net after withholding tax) to purchase shares in the Company and retain them for 3 years. The annual performance bonus for the CEO is approved by the Board of Directors in a meeting, based on recommendations from the Remuneration and Corporate Governance Committee. The annual performance bonus scheme for the other executive officers are reviewed and



approved by the Remuneration and Corporate Governance Committee on the CEO's recommendation, and the executive officers achievements under the scheme are also reviewed by the Remuneration and Corporate Governance Committee. The Board of Directors will continue to use this scheme for determining the level of annual performance bonus in the coming fiscal year.

The Annual General Meetings in 2006, 2008, 2009, 2010 and 2011 authorized the implementation of certain share option programs. The Board of Directors will this year discontinue the implementation of new share option programs. The Board of Directors still considers it important to continue with long term incentives which are linked to the development of the Company's share price. Therefore, the Board of Directors will propose to the 2012 Annual General Meeting a Restricted Share Plan whereby each eligible employee will be granted a number of shares in the Company in 2012. Vesting of these shares and subsequent transfer to the eligible employee will take place three years later subject principally to further employment by the Company. The full Restricted Stock Plan including all terms and conditions will be presented to the Annual General Meeting in May 2012 for approval.

This statement deals primarily with the remuneration of our CEO and other executive officers. However, the above described remuneration policy is to a large extent applicable to a broad group of key employees within the Company. Enhanced performance by the management groups is not achieved by our CEO and other executive officers alone but rather is dependent on a large number of managers and key employees throughout the Company. Therefore, a large and increasing number of managers and key employees are included in performance based remuneration schemes, which contain all or some of the above mentioned elements. More than 500 employees within the Company are currently eligible for performance based remuneration. In addition all other employees may receive up to a maximum of one month salary in annual bonus. The level of this bonus is determined by the Board based on the financial results of the Company.

Remuneration of the CEO and other executive officers will be evaluated regularly by the Remuneration and Corporate Governance Committee and the Board of Directors. The Remuneration and Corporate Governance Committee has adopted a remuneration philosophy including a peer group of companies. An external consultant is used in the review of executive compensation to ensure that salary and other benefits are kept, at all times within the above adopted guidelines and principles.

The CEO received on April 1, 2011 a set retention bonus of NOK 5,000,000 with the addition of 6% annual interest from April 1, 2008. This was part of the remuneration packaged agreed with the CEO when he joined the Company on April 1, 2008. The reason for this was that the CEO had to walk away from substantial earned equity in the company where he was formerly employed. The Board of Directors considered this necessary to secure the employment of the CEO.

Since the Annual General Meeting in May 2011 the Board of Directors have followed the guidelines then approved by the Annual General Meeting with respect to remuneration of the CEO and the other executive officers.

3 May, 2012

**Petroleum Geo-Services ASA 2012 Restricted Stock Unit Plan**

1. *Plan.* The Petroleum Geo-Services ASA 2012 Restricted Stock Unit Plan (the “Plan”) was adopted by Petroleum Geo-Services ASA to reward certain corporate officers and employees of the Company and its Subsidiaries by enabling them to receive Shares of the Company.

2. *Objectives.* The purpose of the Plan is to further the interests of the Company, its Subsidiaries and its shareholders by providing incentives in the form of Awards to employees who can contribute materially to the success and profitability of the Company and its Subsidiaries. Such Awards will recognize and reward outstanding performances and individual contributions and give Participants in the Plan an interest in the Company parallel to that of the shareholders, thus enhancing the proprietary and personal interest of such Participants in the Company’s continued success and progress. This Plan will also enable the Company and its Subsidiaries to attract and retain such employees.

3. *Definitions.* As used herein, the terms set forth below shall have the following respective meanings:

“Award” means the grant of RSUs to an Employee pursuant to such applicable terms, conditions, and limitations as may be established in order to fulfill the objectives of the Plan.

“Award Agreement” means one or more agreements between the Company and an Employee setting forth the terms, conditions and limitations applicable to an Award.

“Board” means the Board of Directors of the Company.

“Change of Control” shall be deemed to have occurred if: (a) a tender offer is made and consummated for the ownership of 25% or more of the outstanding voting securities of the Company; (b) the Company is merged or consolidated with another corporation and as a result of such merger or consolidation less than 51% of the outstanding voting securities of the surviving or resulting corporation are owned in the aggregate by the persons or entities who were shareholders of the Company immediately prior to such merger or consolidation; or (c) the Company sells substantially all of its assets to another corporation, partnership or other entity that is not a wholly owned subsidiary of the Company.

“Committee” means the committee of the Board designated by the Board to administer certain portions of the Plan or, if no such committee is designated, the Board. The Committee may consist of Directors of the Board and/or of the personnel from the Company management.

“Company” means Petroleum Geo-Services ASA.

“Code” means the United States Internal Revenue Code of 1986, as amended.

“Employee” means (1) an employee of the Company or any of its Subsidiaries or (2) an individual who has agreed to become an employee of the Company or any of its Subsidiaries and is expected to become such an employee within six months following the applicable Grant Date.

“Fair Market Value” of a Share means, as of a particular date, (i) if the Company at that point is listed on Oslo Børs, the average trading price of the Shares on Oslo Børs that particular date, (ii) if the Company at that point is not listed on Oslo Børs, but is listed on another stock exchange, the average trading price of the Shares on such other stock exchange that particular date, or (iii) if the Shares are not publicly traded, the most recent value determined by an independent appraiser appointed by the Company for such purpose.

“Good Leaver” is defined in Paragraph 8(b)(ii).

“Grant Date” means the date an Award is granted to a Participant pursuant to the Plan.

“Participant” means an Employee to whom an Award has been granted under this Plan.

“Plan” is defined in Paragraph 1.

“RSU” means a restricted stock unit, each of which entitles the Participant to receive one Share, subject to the terms and conditions of the Plan and the Award Agreement.

“Settlement Date” means, subject to Paragraph 18, the third anniversary of the Grant Date, and if the applicable Settlement Date falls on a Saturday, Sunday or public holiday in Norway, the Settlement Date shall be the first day thereafter where banks in Norway are generally open for business.

“Shares” means the ordinary shares of the Company.

“Subsidiary” means (i) in the case of a corporation, any corporation of which the Company directly or indirectly owns shares representing 50% or more of the combined voting power of the shares of all classes or series of share capital of such corporation which have the right to vote generally on matters submitted to a vote of the stockholders of such corporation, (ii) in the case of a partnership or other business entity not organized as a corporation, any such business entity of which the Company directly or indirectly owns 50% or more of the voting, capital or profits interests (whether in the form of partnership interests, membership interests or otherwise), (iii) any other corporation, partnership or other entity that is a “subsidiary” of the Company within the meaning of Rule 405 promulgated by the U.S. Securities and Exchange Commission under the U.S. Securities Act of 1933, as amended and (iv) any other corporation, partnership or other entity that is a “subsidiary” of the Company within the meaning of the Norwegian Public Limited Companies Act Section 1-3 second paragraph.

“VPS Account” means an account registered in the name of the Participant with the Norwegian Central Securities Depository, Verdipapirsentralen ASA.

4. *Eligibility.* All Employees who are management or key personnel are eligible for the grant of Awards under this Plan at the discretion of the Committee.

5. *Shares Available for Awards.* Subject to the provisions of Paragraph 15 hereof, no Award shall be granted if it shall result in the aggregate number of Shares to be received by Participants under the Plan plus the number of Shares covered by or subject to Awards then outstanding under this Plan (after giving effect to the grant of the Award in question) exceeding 600,000.

The number of Shares that are the subject of Awards under this Plan that are forfeited or terminated shall again immediately become available for Awards hereunder. The Committee may from time to time adopt and observe such rules and procedures concerning the counting of Shares against the Plan maximum or any sublimit as it may deem appropriate, including rules more restrictive than those set forth above to the extent necessary to satisfy the requirements of any national stock exchange on which the Shares are listed, any applicable regulatory requirement or any tax qualification requirement. The Board and the appropriate officers of the Company are authorized to take from time to time whatever actions are necessary, and to file any required documents with governmental authorities, stock exchanges and transaction reporting systems to ensure that Shares are available for delivery pursuant to Awards.

The rights provided for by an Award Agreement, the grant and settlement of the RSUs and the RSUs themselves are at all times conditional on (i) the Board having the necessary authorization to fulfill the delivery of the Shares under the RSUs and (ii) the Company holding a sufficient number of Shares as treasury shares at the relevant Settlement Date. In the event these conditions are not met, any RSUs awarded and settled under the Plan shall be settled by a cash bonus payment equal to the Fair Market Value per Share on the date of settlement multiplied by the number of Shares subject to the Award.

6. *Administration.*

(a) This Plan shall be administered by the Committee, except as otherwise provided herein.

(b) Subject to the provisions hereof, the Committee shall have full and exclusive power and authority to administer this Plan and to take all actions that are specifically contemplated hereby or are necessary or appropriate in connection with the administration hereof. The Committee shall also have full and exclusive power to adopt such rules, regulations and guidelines for carrying out this Plan as it may deem necessary or proper and which are either (i) not materially adverse to the Participant to whom such Award was granted, (ii) consented to by such Participant, or (iii) made pursuant to the adjustment provisions in Paragraph 15. The Committee may correct any defect or supply any omission or reconcile any inconsistency in this Plan or in any Award in the manner and to the extent the Committee deems necessary or desirable to further the Plan purposes.

(c) No member of the Committee or officer of the Company to whom the Committee has delegated authority in accordance with the provisions of Paragraph 7 of this Plan shall be liable for anything done or omitted to be done by him or her, by any member of the Committee

or by any officer of the Company in connection with the performance of any duties under this Plan, except for his or her own willful misconduct or as expressly provided by statute.

7. *Delegation of Authority.* The Board or the Committee may authorize a committee of one or more members of the Board to grant individual Awards pursuant to this Plan. The Committee may delegate to the Chief Executive Officer or to other employees of the Company or its Subsidiaries its administrative duties under this Plan (excluding its granting authority) pursuant to such conditions or limitations as the Committee may establish. The Committee may engage or authorize the engagement of a third-party administrator to carry out administrative functions under the Plan.

8. *Awards.*

(a) The Committee (or other committee to whom such authority is delegated under Paragraph 7) shall designate from time to time the Employees who are to be the Participants. Any Award shall be granted in the Committee's discretion based on amongst other considerations the position in the Company and a review on the individual Participant's performance prior to award. Each Award may, in the discretion of the Committee, be embodied in an Award Agreement, which shall contain such terms, conditions, and limitations as shall be determined by the Committee in its sole discretion and, if required by the Committee, shall be signed by the Participant to whom the Award is granted and signed for and on behalf of the Company. Awards may be granted singly, in combination or in tandem. Awards may also be granted in combination or in tandem with, in replacement of, or as alternatives to, grants or rights under this Plan or any other employee plan of the Company or any of its Subsidiaries, including the plan of any acquired entity. All or part of an Award may be subject to conditions established by the Committee.

(b) *RSU Terms.* An Award shall be in the form of RSUs, subject to the terms and conditions of the Plan and the Award Agreement. Unless otherwise provided by the Committee, the following terms shall apply to all RSUs:

(i) *Settlement of RSUs:* Subject to the terms and conditions of this Plan and the Award Agreement, and further subject to Paragraph 18, all RSUs will automatically be settled at the applicable Settlement Date. Following settlement, and subject to Paragraph 5, last sub-paragraph and the further terms and conditions of the Plan and the Award Agreement, a number of Shares equal to the number of RSUs settled will be delivered by the Company to the Participant's VPS Account as soon as practicable. Any delivery of Shares is conditional upon the Participant having registered a VPS Account and notified the Committee of the account details. Until the date that Shares are registered with a Participant's VPS Account, the Participant shall have no rights as a shareholder pursuant to the Plan or any Award Agreement. From the date when the Shares are registered with the Participant's VPS Account, the Participant will have the right to receive dividends thereafter declared with respect to such Shares and to exercise other shareholder rights.

(ii) *Termination of Employment:* A "Good Leaver" is someone who leaves due to retirement at the normal retirement age or early retirement with Company (or a

Subsidiary) consent, incapacity, serious ill health or death. For a Good Leaver, all RSUs continue with full effect and will automatically be settled at the applicable Settlement Date pursuant to the terms and conditions of the Plan and the Award Agreement. In the event of the death of the Employee, the RSUs shall be settled in cash as full and final settlement of all RSUs within 60 days after the time of death. If more than one heir (whether by will, statute or otherwise) of the Employee claims the cash payment, the Committee can require as a condition for making the cash payment that the heirs within 30 days from written notice from the Committee agree among themselves who shall have the right to the cash payment, and if no such confirmation has been received in writing by the Committee within the 30 day deadline, the RSUs will terminate without any cash payment taking place and without any further liability or obligations for the Company (or any Subsidiary). For an Employee who is not a Good Leaver, all RSUs outstanding at the time the Employee resigns, gives or receives a notice of termination with the Company (or a Subsidiary) will terminate immediately without any further liability or obligations for the Company (or a Subsidiary). For the avoidance of doubt, a transfer of employment between the Company and a Subsidiary or between Subsidiaries shall not be considered a termination of employment for purposes of this Plan.

9. *Change of Control.* Notwithstanding any other provisions of the Plan, including Paragraphs 7 and 8 hereof, unless otherwise expressly provided in the applicable Award Agreement, in the event of the occurrence of a Change of Control, each RSU granted under this Plan to the Participant shall be immediately settled in full; *provided, however*, that with respect to a Participant subject to United States taxation, no Change of Control shall be deemed to have occurred unless such event also constitutes an event specified in Code Section 409A(2)(A)(v) and the Treasury Regulations promulgated thereunder.

10. *Participants in Different Jurisdictions.* The Committee may grant awards to persons in a particular country under such terms and conditions as may, in the judgment of the Committee, be necessary or advisable to comply with the laws of the applicable foreign jurisdictions and, to that end, may establish sub-plans, modified RSU settlement procedures and other terms and procedures. Notwithstanding the above, the Committee may not take any actions hereunder, and no Awards shall be granted, that would violate any securities law, any governing statute, or any other applicable law.

11. *Securities Law regulations.* As the Company is a public company and is listed on Oslo Børs, there are certain laws, rules and regulations that apply for subscription, sale and purchase of the Company's securities (including Shares and other financial instruments in the Company), including but not limited to insider trading rules and notification obligations. Each Participant is obliged, and is personally responsible, to make him or her self familiar with such rules and to abide by the same.

Furthermore, the Company has rules (which might be amended from time to time in the Company's sole discretion) for its employees and employees of its Subsidiaries trading in its securities, and each Participant is also obliged, and is personally responsible, to make him or her self familiar with such Company rules and to abide by the same.

The Committee may adopt additional rules and procedures regarding the settlement of RSUs from time to time, provided that such rules and procedures are not inconsistent with the provisions of this Plan.

12. *Taxes.* The Participant shall be fully liable for any and all tax liabilities imposed upon the Participant pursuant to an Award and any and all rights conferred to the Participant under an Award Agreement, including but not limited to, taxes imposed by the settlement of RSUs and delivery of Shares or payment of cash. The Company will declare any Award and any delivery of Shares or payment of cash on the basis of an Award Agreement to the Norwegian and/or other relevant tax authorities in accordance with applicable laws at all times. The Company or its designated third-party administrator shall have the right to deduct applicable taxes (including withholding taxes) from any Award payment and withhold, at the time of delivery of cash or Shares under this Plan, an appropriate amount of cash or number of Shares or a combination thereof for payment of taxes (including withholding taxes) or other amounts required by law or to take such other action as may be necessary in the opinion of the Company to satisfy all obligations for withholding of such taxes.

13. *Amendment, Modification, Suspension, or Termination of the Plan.* The Board may amend, modify, suspend, or terminate this Plan for the purpose of meeting or addressing any changes in legal requirements or for any other purpose permitted by law, except that (i) no amendment or alteration that would adversely affect in any material respect the rights of any Participant under any Award previously granted to such Participant shall be made without the consent of such Participant and (ii) no amendment or alteration shall be effective prior to its approval by the shareholders of the Company to the extent such approval is required by applicable legal requirements or the applicable requirements of the securities exchange on which the Shares are listed.

14. *Assignability.* Unless otherwise determined by the Committee and provided in the Award Agreement or the terms of the Award, no Award or any other benefit under this Plan shall be assignable or otherwise transferable except by will or by the laws of descent and distribution. The Committee may prescribe and include in applicable Award Agreements or the terms of the Award other restrictions on transfer. Any attempted assignment of an Award or any other benefit under this Plan in violation of this Paragraph 14 shall be null and void.

15. *Adjustments.*

(a) The existence of outstanding Awards shall not affect in any manner the right or power of the Company or its shareholders to make or authorize any or all adjustments, recapitalizations, reorganizations, or other changes in the share capital of the Company or its business or any merger, demerger or consolidation of the Company, or any issue of Shares, bonds, debentures, preferred or prior preference stock (whether or not such issue is prior to, on a parity with or junior to the existing Shares) or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding of any kind, whether or not of a character similar to that of the acts or proceedings enumerated above.

(b) In the event of any subdivision or consolidation of outstanding Shares or a Share split, any other recapitalization or capital reorganization of the Company, any consolidation, merger or demerger of the Company with another corporation or entity (which do not qualify as a Change of Control), the adoption by the Company of any plan of exchange affecting the Shares, then the number of RSUs covered by the Awards shall be proportionately adjusted by the Company as appropriate to reflect such transaction; provided that such adjustments shall only be such as are necessary to maintain the proportionate interest of the holders of the RSUs and to preserve, without increasing, the value of such RSUs.

16. *Restrictions.* No Shares or other form of payment shall be delivered with respect to any Award unless the Company shall be satisfied based on the advice of its counsel that such delivery will be in compliance with applicable law. Shares delivered under this Plan may be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the rules, regulations and other requirements of the applicable securities regulatory authority, any securities exchange or transaction reporting system upon which the Shares are then listed or to which it is admitted for quotation and any applicable law. The Committee may cause a legend or legends to be placed or coded upon the Shares to make appropriate reference to any such restrictions.

17. *Right to Employment.* Nothing in this Plan or any Award Agreement shall interfere with or limit in any way the right of the Company or its Subsidiaries to terminate any Participant's employment or other service relationship at any time, or confer upon any Participant any right to continue in the capacity in which he or she is employed or otherwise serves the Company or its Subsidiaries.

18. *Postponement of the Settlement Date.* If, due to securities law restrictions, the Committee in its discretion finds it appropriate, the Committee may elect to postpone the applicable Settlement Date. The Settlement Date may, however, only be postponed for as long as the securities law restrictions apply.

19. *Governing Law and Disputes.* This Plan and all determinations made and actions taken pursuant hereto shall be governed by and construed in accordance with the laws of the Kingdom of Norway. Any disputes arising out of or in connection with this Plan and any Award shall be settled by the ordinary courts in Norway with Asker og Bærum tingrett as the legal venue.

20. Section 409A.

(a) Awards made under this Plan are intended to comply with or be exempt from Code Section 409A, and ambiguous provisions hereof, if any, shall be construed and interpreted in a manner consistent with such intent. No payment, benefit or consideration shall be substituted for an Award if such action would result in the imposition of taxes under Code Section 409A. Notwithstanding anything in this Plan to the contrary, if any Plan provision or Award under this Plan would result in the imposition of an additional tax under Code Section 409A, that Plan provision or Award shall be reformed, to the extent permissible under Code Section 409A, to avoid imposition of the additional tax, and no such action shall be deemed to adversely affect the Participant's rights to an Award.



(b) If the Participant is identified by the Company as a “specified employee” within the meaning of Code Section 409A(a)(2)(B)(i) on the date on which the Participant has a “separation from service” (other than due to death) within the meaning of Treasury Regulation § 1.409A-1(h), any Award payable or settled on account of a separation from service that is deferred compensation subject to Code Section 409A shall be paid or settled on the earliest of (1) the first business day following the expiration of six months from the Participant’s separation from service, (2) the date of the Participant’s death, or (3) such earlier date as complies with the requirements of Code Section 409A.

21. *Effectiveness and Term.* The Plan is effective as of 3 May, 2012. No Award shall be made under the Plan after 3 May, 2017.

## Corporate Governance

**Petroleum Geo-Services is committed to maintaining high standards of corporate governance. We believe that effective corporate governance is essential to our Company's success and establishes the framework by which we conduct ourselves in delivering services to our customers and creating value for our shareholders.**

Petroleum Geo-Services ASA is registered in Norway as a public limited liability company, and our corporate governance model is based on Norwegian corporate law and the Norwegian Code of Practice for Corporate Governance. To the extent practicable, PGS adheres to requirements applicable to registrants of foreign securities in the United States, where our American Depositary Shares (ADS) are publicly traded. We have also implemented corporate governance guidelines particularly suited to our Company and the industry in which we operate.

The Norwegian Public Limited Companies Act section 5-6 (4) requires that the Ordinary General Meeting approves the statement of Corporate Governance. This report will therefore be presented to the General Meeting on May 3, 2012.

Our corporate governance principles, which have been adopted by our Board of Directors, are summarized below. Our website provides full versions of our basic corporate government documents. These items include the Company's articles of association, corporate governance policy, the Board of Directors' Rules of Procedure, and the charters for the Company's Audit Committee, Remuneration and Corporate Governance Committee, and Nomination Committee. The documents can be downloaded from our website: [www.pgs.com](http://www.pgs.com).

In accordance with the Norwegian Accounting Act section 3-3b PGS is required to give a statement of our corporate governance in the Board of Directors report. In the Board of Directors report we refer to this document.

### Code of Conduct and Core Values

We have adopted a Code of Conduct that reflects our commitment to our shareholders, customers, and employees to carry out our business with the utmost integrity. Our Code of Conduct and Core Values are available in full on our website: [www.pgs.com](http://www.pgs.com).

### Business

Our business purpose, as presented in the Company's Articles of Association, is as follows:

*"The business of the Company is to provide services to and participate and invest in energy related businesses."*

Our business operations and the goals and strategies for our business areas are presented in greater detail on pages 16-37 of the 2011 annual report.

### Equity and Dividends

The Board continually monitors the adequacy of the Company's equity in light of its objectives, strategy, and risk profile.

The Board of Directors has adopted a dividend policy whereby it is the intention to distribute between 25% to 50% of net income as dividends.

The Board of Directors is authorized to buy back up to 10 percent of the Company's share capital. The current such authorization expires no later than June 30, 2012.

It has been an ongoing practice of PGS shareholders to grant limited authorizations to the Board of Directors permitting it to increase the Company's share capital and/or acquire the Company's shares (treasury shares) for certain defined purposes. Separate General Meeting votes are held for (a) authorizations related to employee stock incentive programs and (b) authorizations for other purposes. When a proposed authorization encompasses share capital increases and/or acquisition of treasury shares for various purposes, the Company does not find it practical to hold separate votes on each proposed purpose. Authorizations are time-limited; they expire at the next AGM.

### **Equal Treatment of Shareholders and Transactions with Close Associates**

PGS has a single share class where all shares carry the same rights. At our General Meetings, each share carries one vote. Our Board of Directors is committed to equal treatment of shareholders in all respects.

When applicable, transactions involving the Company's own shares should be carried out through a stock exchange, or at prevailing stock-exchange prices if carried out in an alternative manner.

Transactions between the Company and shareholders, a shareholder's parent company, members of the Board of Directors, executive officers or close associates of any such party (referred to as "Close Associates") shall be conducted at arm's length and at market terms. Material transactions with Close Associates will be subject to independent valuation by third parties. According to PGS' Code of Conduct, our employees shall not have any personal or financial interest that might conflict with those of PGS nor influence, or appear to influence judgments or actions in carrying out their responsibilities on behalf of the Company. According to our Rules of Procedure, a member of our Board of Directors may not participate in discussions or decision-making as to issues in which the director or any person closely associated to the director has a material personal or financial interest. The Code of Conduct and Rules of Procedure are available on our website: [www.pgs.com](http://www.pgs.com).

### **Freely Transferable Shares**

The Company's shares are freely transferable.

### **General Meetings**

Through participation in General Meetings, our shareholders exercise ultimate authority over the Company and elect the members of its Board of Directors and the chairperson of the Board of Directors.

Pursuant to PGS' Articles of Association, the notice of an Annual General Meeting (AGM) is distributed at least four weeks in advance of the meeting to shareholders or their depository banks. For ADS holders, the record date for notice-distribution purposes is set at approximately five weeks prior to the AGM. A copy of the call notice with appendices will be posted on our website: [www.pgs.com](http://www.pgs.com).

Notices convening Extraordinary General Meetings (EGM) must be distributed at least two weeks ahead of the meeting. The Board of Directors is to call shareholders to an EGM upon a written demand by the Company's independent auditor or shareholders representing at least five percent of the share capital, or for other purposes.

Shareholders who wish to attend a General Meeting must notify the Company's registrar or PGS by the date stated in the meeting notice, which must be at least two working days before the General Meeting.

According to the Company's Articles of Association, documents to be considered at the General Meeting may be published on our website. The same applies to documents that, due to statutory requirements must be attached to, or included in the notice calling the General Meeting. If the documents are published in such a manner, the statutory requirements for distribution shall not apply. Nevertheless, shareholders are entitled to request that documents to be considered by the General Meeting be sent to them via regular mail.

To vote at General Meetings, in person or by proxy, a shareholder must be registered with the Norwegian Registry of Securities (VPS). Holders of ADS may vote according to the underlying shares by: (a) having the underlying shares transferred to an account with the Norwegian Central Securities Depository in the name of the holder, (b) attending the meeting as a shareholder by providing their name and address and a confirmation from Citibank, depository for the ADS, to the effect that they are the beneficial owner of the underlying shares, or (c) authorizing Citibank to vote the ADS on their behalf.

An owner with shares registered through a custodian has voting rights equivalent to the number of shares covered by the custodial arrangement, provided that the owner of the shares, within two working days of the General Meeting, provides us with his or her name and address together with written confirmation from the custodian to the effect that he or she is the beneficial owner of the shares held in custody.

Written and/or electronic voting in accordance with the Public Companies Act § 5-8 b), shall be allowed for meetings where such method of voting is arranged by the Board of Directors.

All directors generally attend the AGM. In accordance with our Articles of Association, the chairperson of the Board of Directors chairs General Meetings. This is a deviation from the NUES Recommendation (identified below) No. 6 for making arrangements to ensure an independent chairman for the General Meetings. The reason for this deviation is that the Company has found this more practical and that PGS wishes to ensure that General Meetings are chaired by a competent person having proper insight in PGS' overall operations.

### **Nomination Committee**

According to our Articles of Association, the Company has a Nomination Committee comprised of three members to be elected by our shareholders at the AGM. Nominations should take into account the interests of shareholders in general. The members and the chairperson of the Nomination Committee are elected at the General Meeting. The majority of Nomination Committee members shall qualify as independent parties, pursuant to the Norwegian Code of Practice for Corporate Governance. The term of service shall be two years unless the General Meeting determines that the period shall be shorter.

The Nomination Committee's main responsibilities, which are set out in its charter, are to propose nominees for election as members and chairperson of the Board of Directors and the Nomination Committee. Further, the Committee proposes remuneration to be paid to members of the Board of Directors and Nomination Committee. Remuneration is approved by the General Meeting. Annually, the Nomination Committee produces a written report containing its nominations and proposals, which is distributed in advance of each AGM.

Once a year the Nomination Committee meet with each individual director and discuss the how the Board and its committees function and whether there are a need for changes to the Board.

**Current Nomination Committee**

The current Nomination Committee comprises Roger O'Neil (chairperson), C. Maury Devine, and Hanne Harlem. All three were reelected at the AGM held 11 May 11, 2011 for a service period ending with the 2012 AGM.

Shareholders who wish to propose new Board members may do so by submitting a candidate's name to PGS' investor relations staff via the Company's website: [www.pgs.com](http://www.pgs.com) by following the link, "Nominate a Board Member." The deadline for submissions each year is the end of February. Alternatively, candidates can be proposed by letter to PGS or via email to: [ir@pgs.com](mailto:ir@pgs.com). PGS does not employ any Nomination Committee members and none is a member of our Board of Directors.

In 2011, the Nomination Committee held two meetings. The Nomination Committee's report on its work and recommendations will be distributed with the notice of the 2012 Annual General Meeting.

**Board of Directors — Composition and Independence**

According to PGS' Articles of Association, our Board of Directors shall have from three to thirteen directors. The period of service for members of the Board of Directors shall be one year.

The Board has adopted its own Rules of Procedure that establish in more detail its roles and responsibilities, including:

- Directors' qualifications
- Requirement that a majority of the Board, a majority of the members of the Remuneration and Corporate Governance Committee and all members of the Audit Committee are considered to be independent directors
- Annual review and determination of the independence of each director

The composition of the Board of Directors is a reflection of the Company's commitment to protect the common interests of all shareholders and the Company's need for expertise, capacity, and diversity.

All directors are independent of the Company's management. All directors are also per December 31, 2011 independent of our major business relations and major shareholders. No member of our Board of Directors may be an executive of PGS. Directors are not permitted to perform paid consultancy work for us. Five board members, directly or indirectly, own PGS shares.

Shareholders and other interested parties may communicate directly with our independent directors by written correspondence addressed to Petroleum Geo-Services, Board of Directors (Independent Members), Secretary of the Board of Directors and General Counsel Rune Olav Pedersen, PO Box 89, NO-1325 Lysaker, Norway. On [www.pgs.com](http://www.pgs.com) we also invite any shareholders to set up a meeting or call with Mr. Pedersen where any issue on corporate governance or corporate responsibility may be discussed.

**Current Board of Directors**

As of December 31, 2011, the Board of Directors comprised seven shareholder representatives. Current board members are presented on the Company's website: [www.pgs.com](http://www.pgs.com) and in this annual report. Board meeting attendance in 2009-2011 exceeded 75 percent for each board member elected at the last AGM.

**The work of the Board of Directors**

In accordance with Norwegian corporate law, our Board of Directors has overall responsibility for management of our company, while our CEO is responsible for day-to-day management.

The Board of Directors supervises our CEO's day-to-day management and company activities in general. The Board of Directors is also responsible for ensuring that appropriate management, guidelines, and control systems are in place and are followed. Our CEO, as agreed with the chairperson of the Board of Directors, annually submits a schedule for the meetings of the Board of Directors in the upcoming calendar year. The schedule is subject to Board approval. In 2011, the Board of Directors held 9 meetings including conference calls.

Key elements of the Rules of Procedure covering the Board of Directors' responsibilities to determine the Company's financial targets, set strategies along with the CEO and executive committees, and approve business plans, budgets, and budgetary and risk frameworks. In its supervision of the Company's business activities, the Board of Directors will seek to ensure that satisfactory procedures exist for monitoring and follow-up of board approved corporate principles and guidelines covering areas such as ethical conduct; adherence to laws, rules, and regulations; health, safety and environment; and corporate social responsibility.

The rules also require an annual self-evaluation to determine whether the Board of Directors and its committees are functioning effectively. The annual self evaluation is prepared and facilitated by the Remuneration and Corporate Governance Committee. An anonymous survey is carried out and the results are discussed in the Board of Directors. The results of the survey is made available for the Nomination Committee.

The tasks and duties of our CEO vis-à-vis PGS' Board of Directors are also outlined in the rules, along with the tasks and duties of the chairperson of the Board of Directors. The CEO participates in all board meetings other than closed sessions. The Board of Directors elects a vice chairperson to chair board meetings in the chairperson's absence. The full text of the Board of Directors' Rules of Procedure is available at: [www.pgs.com](http://www.pgs.com).

Our governance structure is organized as described below.

Our Board of Directors is responsible for the development and supervision of our business activities. The Board has established an Audit Committee and a Remuneration and Corporate Governance Committee to assist in organizing and carrying out its responsibilities.

Board responsibilities include:

- The Board of Directors appoints PGS' CEO
- The Board of Directors, along with the CEO, is committed to operating PGS in an effective and ethical manner in order to create value for our shareholders. Our Code of Conduct requires management to maintain an awareness of the risks involved in carrying out our business strategies. Personal interests must not override or conflict with the interests of PGS

The responsibilities of the CEO include:

- The CEO is responsible for the day-to-day management of company activities
- The CEO organizes PGS' Executive Committees and our Disclosure Committee to further assist the CEO

- The CEO, under the guidance and supervision of our Board of Directors and the Audit Committee, is responsible for ensuring that the Company's financial statements in all material respects, fairly present our financial condition and the results of operations. Timely disclosure of issues to the Board of Directors is also essential to the assessment of the Company's financial condition, business performance and risks.

### **Board of Directors Committees**

Our Audit Committee comprises board members Harald Norvik (chairperson), Carol Bell, and Daniel J. Piette. All committee members are considered independent of the Company. The committee's functions are to assist our Board of Directors in its supervision of the integrity of PGS' financial statements; to monitor the independent auditor's qualifications, independence, and performance; to monitor the performance of the internal audit function; and to promote and control compliance with laws and regulatory requirements.

PGS' Remuneration and Corporate Governance Committee comprises board members Holly Van Deursen (chairperson), Annette Malm Justad, and Ingar Skaug. The function of the committee is to assist in matters relating to the compensation, benefits, and perquisites of our CEO and other senior executives. Review and modification of the Company's guidelines for good corporate governance are also committee responsibilities.

### **Risk Management and Internal Control**

The Board of Directors is responsible for ensuring that appropriate guidelines, monitoring, and internal control systems are in place and effective.

The Board of Directors has systems in place to ensure that the CEO exercises appropriate and effective management. Further the Board of Directors supervises and controls that effective internal control systems are in place, including systems for risk management and financial reporting. The Board of Directors makes sure that the internal control functions are working as intended and that necessary measures are taken to reduce extraordinary risk exposure. Furthermore, the Board of Directors makes certain that satisfactory routines exist to ensure follow-up of principles and guidelines adopted by the Board of Directors governing ethical conduct; compliance with laws, rules, and regulations; health, safety, and working environment; and corporate social responsibility.

PGS' management conducts day-to-day follow-up of financial management and reporting. The Board of Directors' Audit Committee assesses the integrity of our accounts. It also inquires into, on behalf of the Board of Directors, issues related to financial review, internal control, and external audit of PGS' accounts.

PGS has an appropriate and effective internal auditing system, and the Board of Directors ensures that it is capable of producing reliable annual reports and that the external auditor's recommendations are given thorough attention.

Each year the internal audit department consults management and prepares a risk matrix setting out the main risks for the Company. These risk factors and what the Company is doing to mitigate them are subject to discussion in the Board of Directors.

The Board of Directors shall conduct a periodic review of PGS' corporate governance policies and procedures, including the Board of Directors' Rules of Procedure. This process is done annually and managed by the

Remuneration and Corporate Governance Committee. Any changes to policies or procedures are presented to the Board of Directors for approval.

The Company's anti-corruption program includes a policy statement, guidelines on several ethical issues, periodic training, compulsory contract wording etc. This program is evaluated yearly by the Audit Committee.

Any non-conformance is systematically followed up and corrective measures are implemented and monitored.

### **Remuneration of the Board of Directors and Executive Management**

Remuneration of board members is not linked to performance but is based on participation in meetings and is approved annually by the General Meeting. Board members shall not solicit or accept specific assignments for PGS beyond their role as board members. Board members do not hold any PGS share options.

For details on compensation for individual board members, please see Note 34 to the financial statement of PGS.

Remuneration paid to board members will be proposed by the Nomination Committee, according to its charter, and submitted to the AGM for approval.

The compensation level, structure and guidelines for executive managers are subject to annual review by the Remuneration and Corporate Governance Committee and any compensation issues pertaining to the CEO is approved by the Board of Directors. The Remuneration and Corporate Governance Committee uses an external advisor for this work and a specific peer group of comparable companies and an executive remuneration philosophy has been adopted. This is done in order to ensure and facilitate a structured approach to the annual review of executive compensation. The Remuneration and Corporate Governance Committee reviews the total compensation level, the mix between fixed and performance related compensation and the mix between short, medium and long term compensation.

PGS currently has a compensation structure for our executive managers that include base salary, benefits such as free newspaper and mobile phone etc, cash bonus, share bonus, a pension plan and stock option programs. Features in these programs include an absolute ceiling on performance-related remuneration, shares received as bonus will have to be held for at least three years and a cap on maximum gain on the option programs.

For further details on our compensation structure and total compensation to executive team members, see Note 34 to the financial statement of PGS.

### **Information and Communications**

Our Board of Directors is committed to reporting financial results and other relevant information based on openness and the requirement for equal treatment of all shareholders and securities market participants. As a listed company, we comply with relevant disclosure rules and regulations. Announcements are released through the Thomson Reuters reporting channel and posted on the Oslo Stock Exchange's news service: [www.newsweb.no](http://www.newsweb.no). In addition, all announcements are available on the Company's website: [www.pgs.com](http://www.pgs.com). Our policy of accessibility for shareholders is also presented on the Company's website.

### **Takeover bids**



The Board of Directors has established guiding principles for how it will act in the event of a takeover bid. The Board of Directors will ensure that all shareholders are treated equally and prevent disruptions to or interference with Company operations to the extent possible. In the event of a takeover bid, the Board of Directors will, in accordance with its overall responsibility and good corporate governance, act for the benefit of our shareholders and ensure that they are given sufficient information in the matter. If a takeover bid is made, the Board of Directors will issue a statement containing a recommendation as to whether our shareholders should accept or reject the offer, including an independent valuation of the offer. PGS' Articles of Association do not contain any restrictions, limitations, or defense mechanisms against acquisition of our shares.

**Auditor**

Our Audit Committee shall support the Board of Directors in the administration and exercise of its responsibility for supervision of the work of the independent auditor, who shall keep the Board of Directors informed of all aspects of its work for PGS. This duty includes submission of an annual plan for the audit of PGS. The auditor attends all Audit Committee meetings and, at least once a year, meets with our Audit Committee without the presence of management. In-house policies govern the use of the auditor's services.

The independent auditor meets with our full Board of Directors at least once a year in connection with the preparation of the annual financial statements and, at least once a year, presents a review of our financial reporting and internal control procedures for financial reporting. At least once a year our independent auditors have a meeting with the Board of Directors without the presence of any member of the executive management.

The remuneration paid to the auditor for mandatory and other audit services will be reported to the AGM for approval.

**Compliance with Laws, Rules, Regulations and Recommendations**

As part of our Business Practice outlined on [www.pgs.com](http://www.pgs.com), PGS is *inter alia* committed to comply with relevant laws, rules and regulations. In addition, PGS complies with the current recommendations given by the Norwegian Code of Practice for Corporate Governance ("NUES Recommendations"), subject only to the deviations identified and justified in this report. The NUES Recommendations are available at [www.nues.no](http://www.nues.no)