

POLARCUS LIMITED

CORPORATE GOVERNANCE REPORT

2018

Corporate Governance Report for the year 2018 ¹

(Adopted by the Board of Directors on 27 March 2019)

1 Introduction

High standards of corporate governance are critical to Polarcus' success and long-term growth. The governance structure of Polarcus is designed to ensure sound and efficient decision-making, appropriate to the Company's size and business, whilst meeting shareholder expectations.

Polarcus adheres to the Norwegian Code of Practice for Corporate Governance (the "Code") (in light of the Company's securities being listed on the Oslo Stock Exchange), Cayman Islands' law and practice and the Company's Memorandum and Articles of Association. The Company's corporate governance is implemented through a comprehensive and efficient framework of commitments, procedures, checklists and audits as well as the promotion of a responsible corporate culture throughout the Polarcus Group.

This document contains the corporate governance commitments of Polarcus, describes how these have been implemented within the Polarcus Group and how Polarcus has complied with its commitments and the individual recommendations of the Code in 2018.

The document has been divided into the following sections:

- Section 1: Introduction;
- Section 2: The Polarcus Group, corporate structure and ownership;
- Section 3: Applicable laws, regulations, guidelines and policies;
- Section 4: The governing bodies of Polarcus;
- Section 5: Corporate governance commitments and compliance with the Code in 2018.

The Company's corporate governance commitments have been developed by its Board of Directors (the "Board") and any amendments, additions or deletions can only be decided by the Board or at a General Meeting.

2 The Polarcus Group, corporate structure and ownership

2.1 Polarcus Group and corporate structure

Polarcus Limited is a Cayman Islands exempted company with limited liability incorporated and registered with the Cayman Islands Registrar of Companies with registration number 201867 and regulated by the Companies Law. The Company was incorporated on 17 December 2007. From 30 September 2009, the Company's shares have been listed on the Oslo Axess and later, the Oslo Stock Exchange with a ticker: **PLCS**.

Polarcus' registered office is:

c/o Walkers Corporate Limited
Cayman Corporate Centre
27 Hospital Road, George Town
Grand Cayman, KY1-9008, Cayman Islands

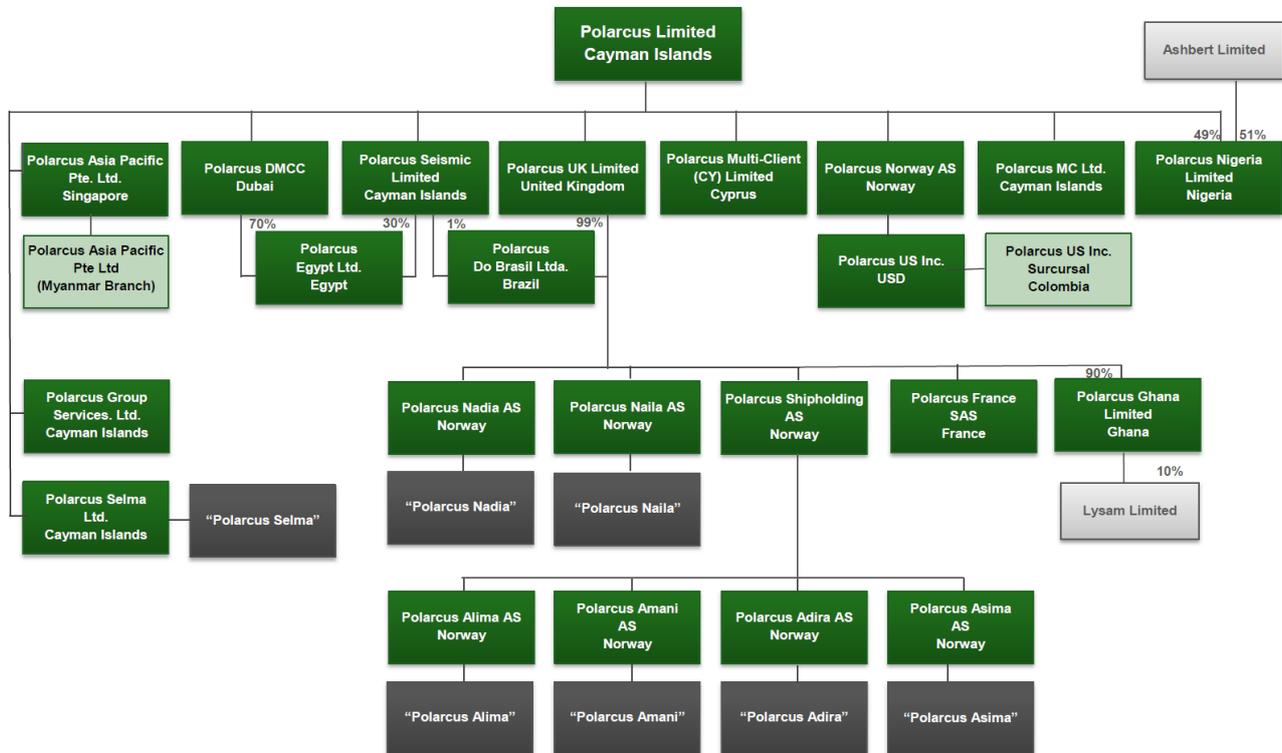
The Company's website is www.polarcus.com.

Polarcus is an innovative marine geophysical company with a pioneering environmental agenda, delivering high-end towed streamer data acquisition and imaging services from Pole to Pole.

¹ Unless otherwise stated, this Report has been prepared to reflect the position of the Company and status of the matters covered during, and as at the end of, 2018. For completeness, a brief additional section is included at the end of the Report to reflect certain selected post-year end events.

The corporate structure of Polarcus and its subsidiaries (together the “Polarcus Group” or the “Group”) as at 31 December 2018 is depicted in Figure 1 below. As at that date, Polarcus had 22 subsidiaries.

Figure 1:



Polarcus DMCC serves as the main administration company of the Group. Polarcus DMCC is a limited liability company incorporated in the Dubai Multi Commodities Centre under the laws of the United Arab Emirates. The registration number of Polarcus DMCC is DMCC 1143.

Polarcus DMCC’s registered address is:

Reef Tower, Level 20,
Cluster O
Jumeirah Lakes Towers
PO Box 283373
Dubai, United Arab Emirates

Tel: +971 4 43 60 800
Fax: +971 4 43 60 808

As at 31 December 2018, the Polarcus Group had 322 employees.

2.2 The Company’s vision and core values

The Company’s vision is “to be a pioneer in an industry where the frontiers of seismic exploration are responsibly expanded without harm to our world”.

In support of its vision, the Company has identified a set of ‘core values’ which define the Company’s ethos and the way the Polarcus management, employees and contractors are expected to perform within the business:

- **Responsibility** – for actions, for each other, the environment and the world around
- **Innovation** – in business and in operations
- **Excellence** – in delivery for shareholders and clients alike.

2.3 Ownership

2.3.1 Shareholders

The twenty largest shareholders of Polarcus as at 31 December 2018 were as follows:

	Name	Holding	%	Type
1	J.P. Morgan Securities Plc	111,789,653	22%	Nominee
2	Euroclear Bank S.A./N.V.	31,434,374	6%	Nominee
3	CATELLA HEDGEFOND	28,880,867	6%	Ordinary
4	J.P. Morgan Securities Plc	25,048,717	5%	Nominee
5	NORDNET LIVSFORSIKRING AS	16,694,119	3%	Ordinary
6	ABG SUNDAL COLLIER ASA	15,385,000	3%	Ordinary
7	INAK 3 AS	14,500,000	3%	Ordinary
8	ALTO HOLDING AS	11,907,019	2%	Ordinary
9	GSH2 SEISMIC CARRIER I AS	11,892,304	2%	Ordinary
10	SKANDINAVISKA ENSKILDA BANKEN S.A.	11,758,071	2%	Nominee
11	KRISTIAN FALNES AS	11,330,953	2%	Ordinary
12	Skandinaviska Enskilda Banken S.A.	11,211,312	2%	Nominee
13	MP PENSJON PK	7,696,397	1%	Ordinary
14	Nordnet Bank AB	6,553,354	1%	Nominee
15	NORTH ENERGY CAPITAL AS	6,378,844	1%	Ordinary
16	VERDIPAPIRFONDET DNB SMB	5,655,601	1%	Ordinary
17	Citibank, N.A.	4,741,672	1%	Nominee
18	TTC INVEST AS	4,490,860	1%	Ordinary
19	Goldman Sachs & Co. LLC	4,446,914	1%	Nominee
20	ZICKERMAN HOLDING LTD	4,163,361	1%	Ordinary
	Total	345,959,392	66%	

As at 31 December 2018, the Board of Directors, executive management and employees together held approximately 9.5% of the share capital.² All issued shares of the Company were of the same class and equal in all respects. Each share carries the right to one vote in general meetings.

2.3.2 Shareholder Agreements

The Board is not aware of the existence of any shareholder agreement between any of the Company's shareholders.

2.3.3 Warrants and employee long term incentive plans

Warrants

In Q1, 2018, the Company refinanced the majority of its debt (the "Restructuring"). In connection with the Restructuring, subsidiaries of the Company purchased POLARCUS NADIA and POLARCUS NAILA from GSH2 Seismic Carrier I AS ("GSH"). As part of the consideration for these vessels, on 26 January 2018, the Company awarded 12,846,144 transferable warrants with a strike price of NOK 3.90 to GSH. The warrants are exercisable until 30 November 2022. The number of warrants and the strike price are subject to standard adjustment mechanisms following consolidation or subdivision of the Shares. As at 31 December 2018, the warrants awarded to GSH and described above were the only warrants awarded by the Company.

Long Term Incentive plans

The Company's remuneration strategy, particularly at senior levels, is to structure its pay mix with increased emphasis on variable compensation. The Company's employee share option plans and long term incentive plans are intended, among

² As at 31 December, 2018, the shareholding of Board member Carl-Peter Zickerman via his controlled companies comprised 34,925,401 shares in the Company representing approximately 6.8% of all issued shares.

other objectives, to focus and incentivize participants on delivering strategic objectives which drives organizational performance and contributes towards the retention of key employees.

2012 Share option plan

In 2012, following AGM approval, the Company implemented a share option plan (“**2012 plan**”) under which a maximum of 140,000 options could be granted to employees of the companies within the Polarcus Group.

The exercise price for each option is based on the weighted average price for which the shares have been traded at Oslo Stock Exchange in the period of 30 trading days immediately prior to the date the options were granted.

The 2012 plan has a five-year duration from the grant date. The options vest three years after the grant date and can be exercised up to five years after the grant date.

The exercise of the options is conditional upon the market price of the shares (defined as the weighted average price for which the shares have been traded at Oslo Stock Exchange in the previous period of 30 trading days) exceeding the exercise price by at least 30% at one time during the exercise period. In addition, the exercise of the options is conditional upon the employee completing three years of service (the vesting period), and being an employee of the Group at the exercise date.

The options are exercisable upon a change of control event (being a change of control of more than 50% of the Company's issued share capital or voting rights).

As of 31 December, 2018, 16,000 options were outstanding under this plan of which 0 options had been granted to members of the Company's management. The weighted average exercise price is NOK 237.50 per option. No members of the management have exercised any options granted under this plan.

2014 Share option plan

In 2014, following AGM approval, the Company implemented a share option plan (“**2014 plan**”) under which a maximum of 150,000 options could be granted to employees of companies within the Polarcus Group.

The exercise price for each option is based on the weighted average price for which the shares have been traded at Oslo Stock Exchange in the period of 30 trading days immediately prior to the date the options were granted.

The 2014 plan has a seven-year duration from the grant of the options, with 1/3 part being available for exercise after the second, third and fourth anniversary after the grant of the options.

The exercise of the options is conditional upon the market price of the shares (defined as the weighted average price for which the shares have been traded at Oslo Stock Exchange in the previous period of 30 trading days) exceeding the exercise price by at least 30% at one time during the option period.

The options are exercisable upon a change of control event (being a change of control of more than 50% of the Company's issued share capital or voting rights).

As of 31 December, 2018, 101,000 options were outstanding under this plan of which 18,500 options had been granted to members of the Company's management. The weighted average exercise price is NOK 287.13 per option. No members of the management have exercised any options granted under this plan. No further options will be awarded under this plan.

2016 Share option plan

In 2016, following AGM approval, the Company implemented a share option plan (“**2016 plan**”) under which a maximum of 1,600,000 options could be granted to employees of companies within the Polarcus Group.

The exercise price for each option is based on the weighted average price for which the shares have been traded at Oslo Stock Exchange in the period of 30 trading days immediately prior to the date the options were granted.

The 2016 plan has a seven-year duration from the grant of the options, with 1/3 part being available for exercise after the second, third and fourth anniversary after the grant of the options.

The exercise of the options is conditional upon the market price of the shares (defined as the weighted average price for which the shares have been traded at Oslo Stock Exchange in the previous period of 30 trading days) exceeding the exercise price by at least 30% at one time during the exercise period.

The options are exercisable upon a change of control event (being a change of control of more than 50% of the Company's issued share capital or voting rights).

As of 31 December, 2018, 1,117,500 options were outstanding under this plan of which 455,000 options have been granted to members of the Company's management. The weighted average exercise price is NOK 7.27 per option. No members of the management have exercised any options granted under this plan. No further options will be awarded under this plan.

2018 Long Term Incentive Plan

In 2018, following AGM approval, the Company implemented a long term incentive plan ("**2018 LTIP**") under which a maximum of 5,600,000 shares could be granted to eligible participants in the form of Performance Stock Units ("PSUs", representing 70% of the total) and Restricted Stock Units ("RSUs", representing 30% of the total).

PSUs vest based on time, continued employment and performance; RSUs vest based on time and continued employment. Upon a change of control event (being a change of control of more than 50% of the Company's issued share capital or voting rights), all PSU and RSU awards will automatically vest. Based on achievement of criteria set by the Board, awards of PSUs and RSUs from the 2018 LTIP will be made in 2019 and 2020. The Board will determine, at the time of vesting, if PSUs and RSUs are to be paid in cash or shares. Delivery of shares, if applicable, will be executed from the Company's authorised but unissued share capital.

As of 31 December, 2018, 3,570,000 PSUs and 1,530,000 RSUs were outstanding under this plan of which 2,520,000 PSUs and 1,080,000 RSUs have been granted to members of the Company's management. The Board will make awards in 2019 for 50% of the total number of PSUs, and 50% of the total number of RSUs, based on the achievement of defined performance criteria during 2018 and continued employment of participants on the vesting date.

3 Applicable laws, regulations, guidelines and policies

3.1 Corporate laws and regulations

As a Cayman Islands company, Polarcus is subject to the Cayman Islands Companies Law as amended from time to time (the "**Cayman Islands Law**"). The Cayman Islands Law does not impose mandatory parameters around how a company elects to structure its governing bodies and the relationship between them.

The Company's Memorandum and Articles of Association (the "**Articles**") comply with the Cayman Islands Law and incorporate many principles of the Norwegian Act governing Norwegian public companies. The Articles therefore entitle the shareholders of Polarcus to more rights than they would be entitled to under the minimum requirements of the Cayman Islands Law. Cayman Islands Law will supplement the Articles and apply to corporate matters not regulated in the Articles. The Articles are posted on the Company's website www.polarcus.com.

The Company's shares are listed on the Oslo Stock Exchange, Norway. Polarcus adheres to laws and regulations at any time applicable to foreign companies listed on the Oslo Stock Exchanges, including the rules on Continuous Obligations of Stock Exchange Listed Companies, applicable clauses of the Norwegian Securities Trading Act and applicable clauses of the Norwegian Accounting Act.

Polarcus adheres to the Norwegian Code of Practice for Corporate Governance (the "**Code**") issued by the Norwegian Corporate Governance Board ("**NCGB**") most recently on 17 October 2018. The objective of the Code is to promote corporate governance that regulates the division of roles between shareholders, the board of directors and executive management more comprehensively than is required by legislation in order to strengthen confidence in listed companies among shareholders, the capital market and other interested parties. In accordance with the Norwegian Accounting Act section 3-3b, each year the Company must provide a report on the Company's corporate governance in the directors' report or a document referred to in the directors' report. A reference to this document will be included in the Board Report of the 2018 annual report of the Company.

The report on the Company's corporate governance must cover every recommendation/section of the Code and should explain how the Company has complied with each particular recommendation. If the Company does not comply with a particular recommendation of the Code, it must provide an explanation as to the reason for the deviation and what alternative solution it selected. The Code is available on www.nues.no.

It is the Company's opinion that the Company's Articles and the Cayman Islands Law do not include any provisions that conflict with the laws and regulations to which the Company is subject either as a consequence of the listing of its shares on the Oslo Stock Exchange or of the Code. Where the Cayman Islands Law or the Articles provide for alternative arrangements,

the Company has carefully considered the alternative arrangements and has striven to implement arrangements that comply with the Code.

Polarcus DMCC is subject to UAE employment and corporate laws and regulations. It is the Company's view that these laws and regulations do not impose particular material restrictions or costs on the Group that would not in some form have existed in other jurisdictions.

3.2 International laws, regulations and requirements

The Group is subject to local tax, customs, employee, environmental and other laws and regulations in the various jurisdictions where the Group's vessels operate and/or where the Group's subsidiaries are incorporated, as well as applicable securities laws in Norway as a consequence of the stock listing of the Company's shares at the Oslo Stock Exchange.

As the Group's primary business is within the marine oil & gas sector, the Group must comply with a variety of international regulations, including regulations covering its vessels (the ISM and the ISPS Codes, the IMO, SOLAS, MARPOL and STCW conventions, regulations from the flag states of the vessels and the vessels' classification society) as well as requirements developed by organizations within the sector (International Association of Oil & Gas Producers (IOGP), the International Association of Geophysical Contractors (IAGC), Oil & Gas UK (OGUK), the International Organization for Standardization (ISO) and Occupational Health and Safety Management System (OHSAS)). The regulations stipulate, inter alia, requirements for a compliant company management system that incorporates all aspects of the Group's business, hereunder environmental, health, safety and quality aspects ("EHSQ") and that is effectively used and well understood by all levels of the organization.

Compliance with ethical guidelines and regulations is also critical for the success of the Company. Reference is in this respect made to the Company's Sustainability Report for 2018.

3.3 Procedures and principles

The Company has developed and maintains an electronic management system. The structure of the Polarcus management system is as depicted in Figure 2 below:

Figure 2:



The top level documentation resides in the Company library which consists of folders containing: Polarcus' Vision and Values, Our Commitments (policy statements), Company Management System manual (describing how we manage occupational health and safety, environmental management, quality management and anti-corruption), Polarcus' principles, organization, improvement plans (annual plans for the Company), marine acquisition and vessels, contingency planning, office safety, risk management and EHSQ (covering blanket requirements such as document control, EHSQ reporting, incident investigation, journey management, management of change, as well as management of regulations/standards and guidelines). The Company's high-level commitments, which are reviewed annually by the Board's Corporate Governance & Remuneration Committee, are displayed at each Polarcus worksite and posted on the website www.polarcus.com.

The next level documentation resides in the Fleet and Onshore libraries. These virtual libraries contain the process controls known as procedures. Procedures provide the necessary reference, standards and instruction for carrying out the daily tasks of the Group. The Fleet folders include procedures particularly related to the vessels and how to carry out certain operations on the vessels, while the Onshore folders include procedures applicable to the various departments and employees, such as procedures related to tendering and negotiation of contracts, procurement, crewing, hiring, training etc. Many procedures are directly linked to a checklist which includes a step by step breakdown of the task and which help ensure the task is carried out as prescribed in the procedure.

The electronic management system allows easy access to all documents from all locations and provides not only document storage and document control but a platform for EHSQ reporting, performance monitoring and review, vessel planned maintenance, inventory and procurement.

The management system has been subject to audits from and has been approved by verification agencies and by numerous clients of the Group, including several major oil companies. The Group, including its vessels, are certified under ISM, ISPS, ISO 9001, ISO 14001 and OHSAS 18001, being the first marine seismic company in the industry to achieve such full accreditation both onshore and offshore for its total vessel fleet.

The Polarcus fleet of vessels also has accreditation to the DNV GL Triple-E™ voluntary environmental and energy efficiency performance rating scheme for ships. Each of Polarcus' active vessels have consistently been awarded the highest level of '1'.

As part of the management system and company culture, the Company annually decides on Company initiatives and vessel improvement plans setting out objectives for the Company and employees. The Company initiatives define priority areas of focus which are typically milestone activities, to complement in-year performance which is measured by annual company goals. The vessel-specific improvement plans include ongoing environmental monitoring and improvement targets, document review requirements, reporting requirements, risk management requirements, procurement management requirements and audit requirements. The Company has an improvement suggestion reporting module to better facilitate continual improvement. Compliance with all aspects of the Polarcus management system is one element measured and reviewed for each employee annually.

4 Governing Bodies of Polarcus

4.1 General Meeting

Through the general meeting ("GM"), the shareholders of Polarcus exercise ultimate authority in the Company.

The annual general meeting (the "AGM") is held before the end of June each year. The AGM will normally be held in Dubai. The Board may in addition call extraordinary general meetings ("EGM") and shall do so upon a request from the auditor or shareholders holding not less than 5% of the voting rights of the Company.

The Company will ensure that as many shareholders as possible may exercise their rights as shareholders through the GMs and that the GMs work as an effective forum for the views of the shareholders.

The following business shall be transacted at the AGM of the Company:

- the declaration and sanctioning of dividends;
- the consideration and adoption of the accounts and balance sheets and the reports of the Board and auditor and other documents required to be annexed to the financial accounts;
- the election of directors in place of those retiring or the appointment of additional directors;
- the fixing of the remuneration of the directors, the members of the nomination committee and of the auditor;
- election of members to the nomination committee and approval of any changes to its terms of reference; and
- any other business as may be set out in the notice for the meeting.

Furthermore, the following business requires the approval of the GM, either in an AGM or an EGM:

- alteration of the authorized share capital;
- change of name of the Company;
- amendment of the Articles;
- amendment of the Memorandum of the Company;
- consolidation or splitting of the share capital; and
- cancellation of shares.

Most resolutions of a GM shall be made by "Ordinary Resolution", i.e. a resolution passed by a simple majority of the shares entitled to vote at the GM. Certain resolutions of the GM require a "Special Resolution", i.e. a resolution passed by a three-

quarter majority of the shares entitled to vote at the GM. Reduction of the share capital and amendments of the Articles are examples of resolutions that require Special Resolutions.

4.2 Board of Directors

Directors are elected for service periods of up to two years. Directors may be re-elected and there is no limit on the number of terms that any one director may serve.

4.2.1 Members of the Board

A profile of each director of the Company's Board and their shareholding position as at 31 December 2018 is included below.

Mike Mannering, Chairman (born 1952)

Mike Mannering is an experienced Chairman and Non-Executive Director with a long career in oil field services. He held many senior corporate positions in Schlumberger including Managing Director of Schlumberger Sedco Forex in Nigeria, Vice President Integrated Services Schlumberger in Paris, Vice President Schlumberger Sedco Forex in Singapore, Vice President Schlumberger Resource Management Services in London, Managing Director Schlumberger Oilfield Services North Sea in Aberdeen, VP Global Sales, VP QHSE, Non-Exec and then Chairman of Saxon Land Drilling (95 land rigs), a JV between Schlumberger and First Reserve; and President of Rig Management Group based in London (2008-2015). Prior to Schlumberger he served as a Drilling Engineer for Shell in the Netherlands and for Deminex in Germany and Cairo. In recent years he has been Chairman and subsequently Non-Executive Director of Songa Offshore until its acquisition by Transocean; advisor to several Private Equity funds; Chairman and Investor in Navetas Energy Management until its sale in 2017; Chairman of Acoustic Data.

Mr. Mannering was appointed as a director and Chairman of the Board of Polarcus Limited on 10 May 2018. As at 31 December 2018, Mr. Mannering held no shares in Polarcus.

Nicholas Smith (born 1951)

Nicholas Smith is a Chartered Accountant with a long-term career in investment banking and as CFO of Asian investment bank, Jardine Fleming Group. He has had a successful non-executive track record in the public E&P sector and investment trusts, including seven years as Chairman of Ophir Energy plc, and as board member for several other London listed companies. He is currently Chairman of Aberdeen New Thai Ltd; Chairman of Schroder Asia Pacific Ltd, where he was previously Chair of Audit and Senior Independent Director; and a board member for JP Morgan European Small Companies Ltd where he is also Chair of Audit. Mr. Smith is FCA approved and holds a BA from the Open University.

Mr. Smith was appointed as a director of the Board on 6 March 2017. As at 31 December 2018, Mr. Smith held no shares in Polarcus.

Karen El-Tawil (born 1961)

Karen El-Tawil has spent over 30 years in the seismic industry. She retired from TGS-NOPEC Geophysical Company ASA in 2012, as VP Business Development, responsible for investor relations, M&A and corporate marketing. Previously she has managed multi-client sales for TGS, and exploration services and multi-client sales for Schlumberger Geco-Prakla. She has extensive experience of the international geophysical sector. Mrs El-Tawil is a Board member of Pulse Seismic Inc, an onshore multi-client company traded on the Toronto exchange and currently sits on that company's Compensation Committee (as Chair) and Environmental Health and Safety Committee. Mrs. El-Tawil holds a BA in Earth Science and Mathematics from Adrian College, Adrian Michigan, USA

Mrs. El-Tawil was appointed to the Board on 13 February 2014. As at 31 December 2018, Mrs El-Tawil held 4,250 shares in Polarcus.

Erik Mathiesen (born 1970)

Erik Mathiesen is an independent advisor and board member. He was, until January 2017, a founding partner of Storm Capital Management, London, an asset management company focusing on energy, transportation and real estate in the Nordics. He was also CEO of Storm Real Estate ASA until August 2016. He has worked in corporate finance advisory in shipping and oil services as a partner for EC Hambro Rabben, London and in corporate banking at Hambros Bank, London.

Mr. Mathiesen was appointed to the Board on 12 May 2016. As at 31 December 2018, he held 267,308 shares in Polarcus through his wholly owned company SISU Holding AS.

Carl-Peter Zickerman (born 1972)

Peter Zickerman has over two decades of experience in the seismic industry. He was the Founder of Eastern Echo Ltd where he held the position of Executive Vice President & Business Development and was a member of the board. In 2008, he founded Polarcus Limited where he held the position of Executive Vice President & Head of Strategic Investments until February 2016. His experience covers both maritime and seismic operations, strategy and commerce. Mr. Zickerman holds a B.Sc. in Marine Engineering from Kalmar Maritime Academy, Linnaeus University, Sweden.

Mr. Zickerman was appointed to the Board for the first time on 9 February 2008 for a period expiring on 2 July 2012 and was again appointed to the Board on 12 May 2016. As at 31 December 2018, he held 34,925,401 shares in Polarcus through his wholly owned companies Zickerman Group Limited and Zickerman Holding Limited. See also Section 2.3.1.

Tom Henning Slethei (born 1974)

Tom Henning Slethei has been an investor in the stock and bond market for more than two decades. He is Chairman and owner of various companies within real estate and finance. He has extensive board experience including as Chair of the nomination and compensation committees, Noreco ASA, as Chairman of the Board, Jåsund Utviklingsselskap AS and Sola Bredband AS, and as a Director at Forus Naeringspark. Mr. Slethei is an Economics graduate from BI Norwegian Business School and majored in business development.

Mr. Slethei was appointed to the Board on 12 May 2016. As at 31 December 2018, he held 11,907,019 shares in Polarcus through his wholly owned company, Alto Holding AS.

4.2.2 The work of the Board

The Board has the overall responsibility for the governance of the Company and for supervising the Company's executive management and business, including regularly reviewing the performance of the CEO. The Board shall ensure an appropriate organization of the Company and approve plans and budgets. The Board shall keep itself informed about the Company's financial situation and ensure that its operations, accounts and asset management are duly controlled. The Board shall provide leadership in contributing towards and setting the Company's strategic planning.

The Board has developed "Terms of Reference" that include a description of the duties and the responsibilities of the Board. In addition, Terms of Reference for the Chairman and directors have been issued and current versions of these Terms are available at www.polarcus.com.

The Board has appointed the Company's General Counsel as Company Secretary and as secretary to the Board's committees. The duties and responsibilities of the Company Secretary are set out in the Terms of Reference for the Group Company Secretary, the current version of which is available at www.polarcus.com.

4.3 Committees

The Board of Directors has established two Board Committees: the Audit and Risk Committee (the "**A&R Committee**") and the Corporate Governance and Remuneration Committee (the "**CGR Committee**"). The Board determines the composition and chairmanship of each committee annually; the current Terms of Reference for each Committee Chair is available at www.polarcus.com.

4.3.1 Audit and Risk Committee

As at 31 December, 2018, the members of the A&R Committee were Mr. Nicholas Smith (Chair) and Mr. Erik Mathiesen with Mr. Mike Mannering being invited to attend all meetings. In 2018, the A&R Committee held 3 physical meetings and 2 phone meetings.

The A&R Committee is mandated to review regularly the Company's proposals for quarterly accounts and various issues related to the accounts, introduction of new and changes to existing accounting principles, high level supervision of the budget process, to review and evaluate the Company's internal financial control and on behalf of the Board to liaise the Company's auditor and monitor the auditor's independence. The Committee is also mandated to review regularly Management's processes to mitigate key corporate risks that have been identified and appropriate mitigation measures have been implemented.

The responsibilities and authorities of the AR Committee are set out in the Terms of Reference for the committee, available at www.polarcus.com.

4.3.2 Corporate Governance and Remuneration Committee

The members of the CGR Committee as at 31 December 2018 were Mrs. Karen El-Tawil (Chair), Mr. Mike Mannering and Mr. Tom Henning Slethei. In 2018, the CGR Committee held 2 physical meetings and 6 phone meetings.

The CGR Committee is mandated to review and update the Company's governance commitments and structure regularly, and to review proposals from management on the Company's remuneration principles and overall remuneration framework, including provision for short and long term incentive plans.

The responsibilities and authorities of the CGR Committee are set out in its current Terms of Reference, available at www.polarcus.com.

4.4 Executive Management

4.4.1 The composition of the Executive Management

As at 31 December 2018, the Executive Management of Polarcus consisted of five executives with extensive knowledge within their job functions and with senior management experience including within the seismic industry.

A profile of each member in the Executive Management team and their shareholding position as at 31 December 2018 is set out below.

Duncan Eley, Chief Executive Officer (born 1972)

Duncan has over 20 years of experience in the oilfield services industry. He was appointed Chief Executive Officer of Polarcus in 2017 after 8 years with Polarcus, 3 of which as Chief Operating Officer. Prior to joining Polarcus in 2009, Duncan worked for several years with strategy consultancy firm, L.E.K. Consulting, across the energy, transport and natural resources sectors. Prior to that, he worked with Schlumberger for 10 years supporting marine seismic operations in Europe, West Africa and North America. Duncan has a Bachelor of Science and Bachelor of Engineering from Monash University in Australia. In 2006 he completed his MBA at Erasmus University in Holland.

As at 31 December 2018, Mr. Eley held 489,616 shares, 261,400 options in Polarcus stock, 840,000 PSUs and 360,000 RSUs.

Hans-Peter Burlid, Chief Financial Officer (born 1980)

Hans-Peter Burlid has over 15 years of experience in the seismic industry and was appointed as CFO of the Company in 2016. Prior to joining Polarcus, Hans-Peter served in key roles in finance, accounting and business development. He was formerly Senior Manager, Business Development and co-founder of Eastern Echo Ltd and was instrumental in the start-up of Polarcus in 2009. Mr. Burlid holds a B.Sc. in Economics and Business Administration from Blekinge Institute of Technology, Sweden.

As at 31 December 2018, Mr. Burlid held 157,596 shares, 114,900 options in Polarcus stock, 630,000 PSUs and 270,000 RSUs.

Lars Oestergaard, Chief Operating Officer (born 1973)

Lars Oestergaard has over 13 years of experience with the oil and gas industry. He joined Polarcus in June 2018 as COO where he leads the Sales, Geophysical & Operations teams as well as the EHSQ department. Mr. Oestergaard was previously employed at Maersk Drilling where he held a number of operational and commercial leadership roles, most recently as Chief Commercial Officer. Mr. Oestergaard holds a degree in Business Administration from Copenhagen Business School and a Master's Degree in Political Science from the University of Aarhus.

As at 31 December 2018, Mr. Oestergaard held 0 shares, 350,000 PSUs and 150,000 RSUs.

Caleb Raywood, General Counsel and Company Secretary (born 1970)

Caleb Raywood has over 20 years of commercial experience, predominantly in the shipping and oil and gas service sectors. Caleb joined Polarcus in 2016 as General Counsel and Company Secretary. He previously worked as General Counsel and Company Secretary for an international offshore contracting company based in Nigeria and the UAE prior to which Mr. Raywood worked for 6 years with MasterCard International Inc. as Region Counsel (South Asia, Middle East & Africa). Before that assignment, he worked for 6 years at Clyde & Co, an international law firm in London and Dubai specialising in shipping and maritime issues. Holding a Bachelor's Degree in English and European Law from the University of Essex (UK) and a

Master's Degree in European Business Law from the University of Nijmegen, The Netherlands, he leads Polarcus' team of lawyers as a qualified Barrister and Solicitor Advocate.

As at 31 December 2018, Mr. Raywood held 134,615 shares, 50,000 options in Polarcus stock, 350,000 PSUs and 150,000 RSUs.

Tamzin Steel, SVP People and Business Services (born 1977)

Tamzin Steel has over 18 years' experience working in global multinational companies in the oil & gas industry. Tamzin joined Polarcus in 2016, prior to which she held senior leadership positions, with a focus on Human Resources and organizational change. Tamzin worked for KCA DEUTAG Drilling Group, an international drilling and engineering contractor, for 13 years in various global roles and latterly worked for Abu Dhabi National Energy Company (TAQA). Mrs. Steel holds a Bachelor's Degree (with Honours) in Business Studies from Robert Gordon University, Aberdeen (Scotland).

As at 31 December 2018, Ms. Steel held 134,615 shares, 50,000 options in Polarcus stock, 350,000 PSUs and 150,000 RSUs.

4.4.2 The responsibilities of the Executive Management

The Board appoints the Chief Executive Officer ("CEO"). The CEO is responsible for the day-to-day management of the Company's activities, the preparation and implementation of strategic and management issues resolved by the Board and to keep the Board informed about the Company's operations, financial position and results. The CEO is assisted by the executive management team in discharging the CEO's responsibilities. The duties, responsibilities and authorities of the CEO are set out in the CEO's job description.

The duties, responsibilities and authorities of the other members of the executive management are set out in their employment contracts and the job description for their respective positions.

5 Corporate Governance Commitments and compliance with the Code

This chapter describes the recommendations of the Norwegian Corporate Governance Code (last amended 17 October 2018) (the "Code"), the commitments of Polarcus relevant to the individual sections of the Code and a description of how Polarcus in practice has complied with the relevant recommendation in the Code during 2018. The Code is available on www.nues.no.

5.1 Recommendation 1: Implementation and reporting on Corporate Governance

5.1.1 The provision of the Code

The board of directors must ensure that the company implements sound corporate governance.

The board of directors must provide a report on the company's corporate governance in the directors' report or in a document that is referred to in the directors' report. The report on the company's corporate governance must cover every section of the Code of Practice. If the company does not fully comply with this Code of Practice, the company must provide an explanation of the reason for the deviation and what alternative solution it has selected.

5.1.2 Polarcus' commitment

The Company's focus on maintaining high standards of corporate governance is critical to its success and long-term growth. The governance structure of Polarcus is designed to be appropriate to shareholder expectations, the size and business of the Polarcus Group and to adhere to the Code, Cayman Islands law and practice and the Articles.

The Company implements its corporate governance through a comprehensive and efficient framework of commitments, procedures, checklists and audits and the promotion of a responsible corporate culture throughout the Polarcus Group.

The Board will annually review and evaluate the commitments and the need for any amendments as a consequence of the development of the Company or changes in applicable legislation or in the Code. The Board will furthermore annually review, evaluate, explain and report on the Company's compliance or non-compliance of the individual corporate governance commitments and the applicable corporate governance recommendations of the Code. The annual reports on corporate governance and the Company's commitments are published on the Company's website www.polarcus.com.

5.1.3 Compliance with the Code

The Company has implemented a set of corporate governance commitments and principles through a comprehensive and efficient framework of commitments, procedures and checklists. The Company's commitments are posted on the Company's website www.polarcus.com. The management has reviewed the Company's commitments during 2018.

The Company's corporate governance commitments are set out in this chapter and meet most of the recommendations set out in the Code.

The Board has reviewed the Company's corporate governance commitments and its compliance with the Code in 2018 and its conclusions are set out in this document. A reference to this document is also included in the Board report of the Company's 2018 annual report.

5.2 Recommendation 2: Business

5.2.1 The provision of the Code

The company's articles of association should clearly describe the business that the company shall operate.

The board of directors should define clear objectives, strategies and risk profiles for the company's business activities such that the company creates value for its shareholders.

The company should have guidelines for how it integrates considerations related to its stakeholders into its value creation.

The board of directors should evaluate these objectives, strategies and risk profiles at least yearly.

5.2.2 Polarcus' commitment

Polarcus is a marine geophysical company with a pioneering environmental agenda. The business strategies will be clearly defined and based on the Company's applicable corporate objectives. The Company's objectives and strategies will be reviewed at least annually by the board of directors. The Audit & Risk Committee will regularly review management's assessment of risks affecting the Company and mitigating actions. The board of directors will review the company's risk profiles annually. Management will engage regularly and throughout the year with shareholders and investors and with employees globally through town hall meetings each quarter.

5.2.3 Compliance with the Code

The Company's business is defined in the Company's Memorandum of Association, clause 3:

The objects for which the Company is established are to carry on, undertake, engage or invest, directly or indirectly, by itself or through subsidiaries or part-owned companies, partnerships or other forms of entities, on a worldwide basis, in any commercial activity within the international oil and oil services business, including oil and gas exploration, production and participation, seismic data services and general offshore energy related business, and whatever else may be considered incidental or conducive thereto, including without limitation the acquisition, construction, equipment, leasing, chartering, operation, agency and manning of any kind of vessels and everything incidental thereto, and the Company shall have full power and authority to carry out any other object not prohibited by the Companies Law of the Cayman Islands (as amended) (the "Law").

The Board in 2016 resolved upon a 2020 corporate strategy, which is to responsibly provide the RIGHT marine geophysical services and seismic data from Pole to Pole, through innovation and excellence to succeed in any market condition and capture additional value by re-shaping the industry to improve exploration success. The 2020 corporate strategy is within the scope of its business as set out above.

Based on the 2020 corporate strategy, the Board and management developed plans and assigned responsibilities, performance targets and completion dates. Workshops are held twice a year by the executive management and the Board to align the overall strategic plan and to review and implement required updates contingent upon external events as may be required from time to time. The Company believes that this approach will enable the management to remain focused on the essential activities necessary to achieve the corporate strategy whilst effectively managing external risks such as changes in the business or economic environment.

The Company's management has developed and maintains a corporate risk assessment matrix which describes and quantifies the major risks to the Company's business, sets out mitigating measures in respect of each major risk and defines additional mitigating measures which the Company may adopt in the event that the particular risk threat is escalated or materialises.

Management conducted a full risk assessment in March and October 2018, the product of which was presented to the Audit and Risk Committee. The risk assessment and the Audit & Risk Committee's report on Management's assessment was reviewed by the Board. Instances of an identified risk occurring, the threat of a particular risk escalating or a new major risk emerging, in the first instance, are reported to the Audit & Risk Committee which reviews mitigating actions.

The Company's management has engaged regularly with its largest shareholders and presented corporate updates at investor meetings in Oslo and in London throughout 2018. Each quarter, management holds Town Hall sessions with employees in each office and on each vessel, providing updates on corporate activity and providing an opportunity for employees to pose questions directly to management in an open forum. The Board also engages in similar sessions with employees when meeting at the Dubai headquarters and individual directors have attended on board Polarcus' vessels during a port call.

The Company includes in its annual report for 2018 a copy of clause 3 of its Memorandum and its objectives and principal strategies.

5.3 Recommendation 3: Equity and Dividends

5.3.1 The provision of the Code

The board of directors should ensure that the company has a capital structure that is appropriate to the company's objective, strategy and risk profile.

The board of directors should establish and disclose a clear and predictable dividend policy.

The background to any proposal for the board of directors to be given a mandate to approve the distribution of dividends should be explained.

Mandates granted to the board of directors to increase the company's share capital or to purchase own shares should be intended for a defined purpose. Such mandates should be limited in time to no later than the date of the next annual general meeting.

5.3.2 Polarcus' commitment

The board of directors is committed to the company having a capital structure which is appropriate to its objectives, strategy and risk profile.

Polarcus is committed to maximizing the shareholder value, including, where appropriate, declaring dividends to the shareholders from its profits by way of a disclosed dividend policy.

Polarcus will, when asking the GM for an increase of its authorized share capital ensure that the different purposes for which the share capital may be increased is clearly defined and divided into separate mandates for consideration by the GM.

In accordance with its Articles, Polarcus may only acquire its own shares if and in so far as approved by the GM, such mandate to be for a specific number of shares and for a specific period of time. The Board will ensure that any request to the GM for a mandate to acquire any of the Company's own shares shall be limited in time to the following AGM.

5.3.3 Compliance with the Code

The Company's authorized share capital as at 1 January 2018 was USD 21,783,416 divided into 217,834,157 shares of nominal or par value of USD 0.10 each. At an EGM held on 15 February 2018, the Company's authorized share capital was increased by an additional 373,255,000 new ordinary shares to facilitate the Private Placement, Repair Issue, Bond Conversion and Warrants Award, as described in the notice and minutes of the EGM, available at www.polarcus.com/news-room/. Subsequently and as at 31 December, 2018, the Company had authorised share capital of USD 59,108,915.70 divided into 591,089,157 shares of nominal or par value of USD 0.10 each.

The Company's issued and paid up share capital as at 1 January 2018 was USD 15,343,854 divided into 153,438,539 shares with nominal value USD 0.10 per share. To facilitate the Restructuring, the following issues of new ordinary shares were made:

- On 1 March 2018, the Company issued 230,769,231 new ordinary shares through the Private Placement;
- On 13 March 2018, the Company issued 98,809,712 new ordinary shares through the Bond Conversion; and
- On 12 April 2018, the Company issued 30,769,231 new ordinary shares through the Repair Offering.

Following the issue of the Private Placement, Repair Offering and Bond Conversion shares, the Company's issued share capital as at 31 December 2018 is USD 51,378,671 divided into 513,786,713 shares at par value of USD 0.10 each.

Of the 77,302,444 authorised, unissued Shares, 6,534,500 Shares have been reserved for the Polarcus Group's employee option schemes and the 2018 LTIP and up to 581,034 Shares for issue in relation to the Company's convertible bonds. The number of Shares reserved for the convertible bonds is based on the current status and is subject to standard adjustment mechanisms following rights issues, dividends, reset mechanism and other adjustments. For the reasons set out in the AGM Notice (released on 17 April 2017), the 2017 AGM approved the consolidation of all other tranches of authorised and unissued Shares such that these tranches of authorised but unissued Shares be available for the Board to issue to strengthen the Company's equity, to issue new shares in connection with merger and acquisition opportunities as well as other business reasons namely, to take advantage of viable business opportunities, including but not limited to efficiency upgrades, multi-client projects and for general working capital purposes through one or more offerings and upon terms as decided by the Board. The authorization could also be used in a takeover situation. An identical authorisation was provided by the GM at the EGM held on 15 February 2018 in relation to any excess Shares which were authorised with respect to the Bond Conversion and Warrants Award but not issued.

Due to the operation of Cayman Islands Law, it will not be possible to limit the actual Board authorization to issue authorised shares to a particular period of time. Consequently, shares reserved but not issued for their reserved purpose at the expiry of the time specified for such purpose, such as option plans, will under Cayman Islands Law be available as authorized share capital. The Board would ordinarily expect to request shareholder approval of such available authorised share capital prior to issuing such shares.

Polarcus is under certain financing arrangements restricted from distributing dividends to its shareholders without consent of the applicable lenders. Due to these restrictions and the current phase of the Company, Polarcus will not propose any dividend for the fiscal year 2018.

The Company does not hold any mandate from the GM to acquire its own shares.

5.4 Recommendation 4: Equal treatment of shareholders and transactions with close associates

5.4.1 The provision of the Code

Any decision to waive the pre-emption rights of existing shareholders to subscribe for shares in the event of an increase in share capital should be justified. Where the board of directors resolves to carry out an increase in share capital and waive the pre-emption rights of existing shareholders on the basis of a mandate granted to the board, the justification should be publicly disclosed in a stock exchange announcement issued in connection with the increase in share capital.

Any transactions the company carries out in its own shares should be carried out either through the stock exchange or at prevailing stock exchange prices if carried out in any other way. If there is limited liquidity in the company's shares, the company should consider other ways to ensure equal treatment of all shareholders.

In the event of any not immaterial transactions between the company and shareholders, a shareholder's parent company, members of the board of directors, executive personnel or close associates of any such parties, the board should arrange for a valuation to be obtained from an independent third party. This will not apply if the transaction requires the approval of the general meeting pursuant to the requirements of the Public Companies Act. Independent valuations should also be arranged in respect of transactions between companies in the same group where any of the companies involved have minority shareholders.

5.4.2 Polarcus' commitment

Polarcus is committed to equal treatment of all shareholders. The Articles do not prescribe any pre-emption rights for shareholders of the Company. In the event that the Company considers it to be in the best interest of shareholders or necessary to perform a share offering, the Company is committed wherever possible to limiting the level of dilution for existing shareholders. The Company will in connection with a share issue carefully consider the purpose and need for new equity, the urgency of such equity, the strategic positioning between the Company and the new shareholders the offering is directed towards, the offer price, the financial market conditions and the need for compensating existing shareholders. The Company will in connection with any share capital increase disclose whether the issue will be a pre-emption issue or not, and if it is not a pre-emption issue, the reason for this.

Should the Company find it beneficial to shareholders that Polarcus performs a stock repurchase, the Company will comply with best practice and regulations.

Polarcus has developed procedures to handle potential conflicts of interest. The executive management of the Company and each director has a duty to notify the CEO and the Board if it becomes known to any of them that he or she or a related party has any direct or indirect interest in a not immaterial transaction to be entered into by the Company. Any director with such interest shall refrain from voting in respect of such transaction. The executive management shall also inform the Company of any financial interest each of them might have in any other company with whom the Company is entering a transaction.

In the event of a not immaterial transaction between the Company and a shareholder or shareholders, directors, members of executive management or close associates of any such parties, the Board shall arrange for a valuation from an independent third party unless the Board decides to ask the GM to resolve on the matter.

5.4.3 Compliance with the Code

On 25 January 2018, the Company launched a private placement of NOK 300 million which was intended to strengthen the Company's liquidity position in response to a prolonged industry downturn impacting the seismic services segment. ABG Sundal Collier ASA ("ABG") and Wiersholm were retained to advise on the Restructuring. ABG and DNB Markets, a part of DNB Bank ASA (the "Managers") were retained to advise on and effect the Private Placement. (Further details are contained in the Company's stock exchange release dated 25 January 2018 - Polarcus launches equity private placement). Current shareholders and pre-sounded investors were given preference in the private placement and the Board, acting on advice from the Managers, considered this approach was the most likely to result in a successful equity raise. In addition, the Company conducted a subsequent, fully underwritten, offering of NOK 40 million at the same price per Share as the Private Placement to existing shareholders in the Company, allocating a preference to such existing shareholders who did not participate in the Private Placement (the "Subsequent Offering"). The outcome of the Subsequent Offering was disclosed in the Company's stock exchange release dated 5 April 2018.

There were no share transactions between the Company and related parties nor any internal transactions between the Company and shareholders during 2018.

Several transactions took place between companies within the Polarcus Group during 2018. All such transactions have been part of the day-to-day business of the companies and have been entered into and implemented using the Group's established transfer pricing principles. No transactions have required statements pursuant to paragraph 3-8 of the Norwegian Limited Liability Companies Act or approval from the general meeting of the applicable Polarcus Group subsidiaries.

5.5 Recommendation 5: Shares and negotiability

5.5.1 The provision of the Code

The company should not limit any party's ability to own, trade or vote for shares in the company.

The company should provide an account of any restrictions on owning, trading or voting for shares in the company.

5.5.2 Polarcus' commitment

The Company's Articles provide that upon listing of the shares at a regulated investment market, the shares shall be freely transferable. Notwithstanding this, the Directors may pursuant to the Articles decline to register the transfer of a share where such transfer would, in the opinion of the Directors, be likely to result in 50 per cent or more of the aggregate issued share capital of the Company, being held or owned directly or indirectly by individuals or legal persons resident for tax purposes in Norway or the Company otherwise being deemed a controlled foreign company ("CFC").

5.5.3 Compliance with the Code

The Company's shares are freely transferable. The Board does not envisage having to use the CFC-provision of the Articles.

5.6 Recommendation 6: General Meetings

5.6.1 The provision of the Code

The board of directors should ensure that the company's shareholders can participate in the general meeting.

The board of directors should ensure that:

- *the resolutions and supporting information distributed are sufficiently detailed, comprehensive and specific to allow shareholders to form a view on all matters to be considered at the meeting*

- *any deadline for shareholders to give notice of their intention to attend the meeting is set as close to the date of the meeting as possible*
- *the members of the board of directors and the chairman of the nomination committee are present at the general meeting*
- *the general meeting is able to elect an independent chairman for the general meeting*
- *Shareholders should be able to vote on each individual matter, including on each individual candidate nominated for election. Shareholders who cannot attend the meeting in person should be given the opportunity to vote. The company should design the form for the appointment of a proxy to make voting on each individual matter possible and should nominate a person who can act as a proxy for shareholders.*

5.6.2 Polarcus' commitment

Participation in a GM

The Company will ensure that as many shareholders as possible may exercise their rights as shareholders by participating in a GM and that the GM works as an effective forum for the views of the shareholders, hereunder by implementation of the following measures:

- The deadline for shareholders to give notice of their intention to attend the meeting shall be fixed to two business days before the date of the meeting at the earliest;
- Any shareholder who cannot attend the meeting in person shall be able to vote by proxy either by granting proxy to the Chairman of the Board, the Company Secretary or to an individual appointed by the shareholder on each matter to be considered at the meeting. The notice of the GM will specify at which address the instrument of proxy shall be deposited and that the proxy must be deposited no later than two business days before the date of the meeting. The Chairman of the GM may in any event at his discretion direct that an instrument of proxy shall be deemed to have been duly deposited;
- The Chairman of the meeting shall invite the shareholders to participate in discussions of the different issues at the GMs;
- The GM shall vote separately on each candidate nominated for election to the Company's Board of Directors.

The Articles permit that a person may participate at the GM by conference, telephone or other communications equipment if expressly permitted in the notice and if all persons participating can communicate with each other. Based on historic numbers of shareholder attendance at GMs and lack of any specific requirement for such facilities, the Company does not currently intend to offer such type of participation.

Wherever possible, taking into account, for practical reasons as well as cost considerations, the members of the Board, the CEO, the CFO and the Company Secretary shall be present at any GM. Furthermore, at least one member of the nomination committee shall be present at the AGM. The auditor shall be present at each GM where such presence is practical or necessary due to the nature of the business to be transacted at the meeting.

Proceedings at a GM

In order for a GM to proceed, shareholders representing not less than 10% of voting rights of the Company must be represented either in person or by proxy.

For practical reasons as well as cost considerations, the Chairman of the Board will chair the GM, provided the Chairman of the Board at any time elected is independent of any major shareholder of the Company. If the Chairman of the Board is prevented from attending or is unable or unwilling to act as Chairman of the GM, the other members of the Board present shall elect one of their number to be Chairman of the meeting and if possible a member that is independent of any major shareholder of the Company. If no member of the Board is willing or able to act as Chairman, the shareholders present at the meeting shall by ordinary resolution choose one of their number to be the Chairman of the meeting.

Minutes from the GM shall be posted on the Company's website within three business days after the date of the GM.

5.6.3 Compliance with the Code

On 29 January, 2018, the Company issued a Notice for an EGM to be held on 15 February, 2018. The purpose of the EGM was principally to approve the Private Placement, Repair Issue, Bond Conversion and Warrants Award (as described in the EGM Notice) and an associated approval to increase the Company's authorized share capital. The EGM was called, held and the meeting minutes published in full compliance with the Company's commitment and the Code in relation to those matters.

The AGM of Polarcus on 10 May 2018 was called, held and the meeting minutes published in full compliance with the Company's commitment and the Code. All members of the Board were present at the 2018 AGM including one member of the Nomination Committee. The Chair of the Nomination Committee did not attend the AGM as her presence was not considered necessary to the business due to be conducted at the AGM and in order to control travel costs associated with the AGM.

All notices for the GMs included comprehensive and detailed information allowing the shareholders to form a view on the matters that were considered, and proxy forms were made available that allowed separate voting instructions for each matter that were considered and for each candidate nominated for election by the GMs.

The Company's Articles include certain provisions that partly deviate from the principles set out in the Norwegian Public Limited Liability Companies Act and the recommendations in the Code and impacts the rights of the shareholders. The deviations include:

- (i) resolutions that amend the Articles, reduce the authorized share capital or other special resolutions require a majority of 75% of the shareholders present or shares voting (if a poll) while an increase in the authorized share capital requires an ordinary resolution of 50% majority;
- (ii) GMs may be held where decided by the Board;
- (iii) a GM can only proceed to business if more than 10% of the issued share capital is represented at the meeting either physically or by proxy;
- (iv) the Chairman of the Board shall chair the GM;
- (v) items not on the agenda for a GM or changes to an agenda item may only be accepted at the discretion of the Chairman of the meeting; and
- (vi) the rights attached to any class of shares may be varied through a special resolution passed by 75% majority at a GM of the holders of the shares of that class.

The Board considers that none of these provisions materially impacted the rights of shareholders in 2018.

5.7 Recommendation 7: Nomination Committee

5.7.1 The provision of the Code

The company should have a nomination committee, and the nomination committee should be laid down in the company's articles of association.

The general meeting should stipulate guidelines for the duties of the nomination committee, elect the chairperson and members of the nomination committee, and determine the committee's remuneration.

The nomination committee should have contact with shareholders, the board of directors and the company's executive personnel as part of its work on proposing candidates for election to the board.

The members of the nomination committee should be selected to take into account the interests of shareholders in general. The majority of the committee should be independent of the board of directors and the executive personnel. No more than one member of the nomination committee should be a member of the board of directors, and any such member should not offer himself for re-election to the board. The nomination committee should not include the company's chief executive or any other executive personnel.

The nomination committee's duties should be to propose candidates for election to the board of directors and nomination committee (and corporate assembly where appropriate) and to propose the fees to be paid to members of these bodies.

The nomination committee should justify why it is proposing each candidate separately.

The company should provide information on the membership of the committee and any deadlines for proposing candidates.

5.7.2 Polarcus' commitment

The Company shall have a Nomination Committee. The Committee Chair and the other members of the Nomination Committee shall be appointed by the GM. The GM shall furthermore determine the remuneration of the Nomination Committee and stipulate the terms of reference for the Committee.

The appointed members of the nomination committee shall recommend new candidates for the committee for approval of the GM.

All members shall be independent of the executive management and at least one member must be independent of the Board. The Committee may include one member of the Board to ensure that the Company's position and situation is sufficiently communicated, understood and considered by the Nomination Committee; however, such member should be an independent director of the Board. The Chairman of the Board or members of the Company's executive team should not be part of the Committee. The members of the Committee should be selected to take into account the interests of shareholders in general.

The Nomination Committee will propose the term for the new Committee which will be subject to the approval of the GM.

The Nomination Committee's mandate is to evaluate and provide a proposal for candidates, individually, to the Company's Board and to the Nomination Committee of the Company. The Nomination Committee shall also present a proposal for remuneration of the Board to the GM.

The names of the members of the Nomination Committee at any time will be posted on the Company's web site www.polarcus.com. Guidance for making proposals of candidates to the Board as well as any deadline for nominations shall be posted on the Company's web site.

5.7.3 Compliance with the Code

The Company's Articles do not include provisions particular for a Nomination Committee as this is not customary for Cayman Islands companies.

The Company otherwise seeks to comply with the recommendations in the Code with respect to the Committee's independence from the Board and the status of the directors that can act as members of the Committee. The Company emphasizes the importance of the involvement of a current member of the Board in the appointment of new members or re-election of members to the Board in order to ensure a well-functioning and highly competent Board, representing shareholders in general. The Chair and other members of the Nomination Committee are approved by the AGM. The Board considers that the current procedure for the appointment of members to the Nomination Committee and the composition of the Nomination Committee serves its purpose well. The Committee is mandated to evaluate and submit recommendations to the AGM on: nominees for election as members (including, if deemed appropriate, deputy members) to the Board and the role of Chairman and, if appropriate, Deputy Chairman of the Board; remuneration of the Board, future nominees to the Nomination Committee, remuneration of Nomination Committee members and amendments to the Committee's terms of reference.

The Nomination Committee currently consists of Mrs. Katherine Hall (Chair), Mrs. Karen El-Tawil and Mr. Kristian Falnes who were all elected by the 2018 AGM for a period of one year. Mrs. El-Tawil is an independent director of the Board and does not vote in Nomination Committee meetings. Mrs. Hall and Mr. Falnes are independent of the Board. All Committee members are independent of the executive management of the Company and none of the Nomination Committee's members hold any employment position within the Polarcus Group.

The Notice for the 2018 AGM included the Committee's Report and Recommendations including a proposal for Board remuneration and remuneration of the Committee itself. The 2018 AGM approved remuneration of the Board Chairman of USD 108,000 and USD 49,500 for the other members in addition to USD 1,500 per member per committee meeting.

The 2018 AGM approved remuneration of the Nomination Committee of USD 6,000 for the Committee Chair and USD 3,000 for each other member in addition to USD 1,500 per member per Committee meeting.

The Terms of Reference for the work of the Nomination Committee were approved by the 2018 AGM and are available at www.polarcus.com.

5.8 Recommendation 8: Board of directors: composition and independence

5.8.1 The provision of the Code

The composition of the board of directors should ensure that the board can attend to the common interests of all shareholders and meets the company's need for expertise, capacity and diversity. Attention should be paid to ensuring that the board can function effectively as a collegiate body.

The composition of the board of directors should ensure that it can operate independently of any special interests. The majority of the shareholder-elected members of the board should be independent of the company's executive personnel and material business

contacts. At least two of the members of the board elected by shareholders should be independent of the company's main shareholder(s).

The board of directors should not include executive personnel. If the board does include executive personnel, the company should provide an explanation for this and implement consequential adjustments to the organization of the work of the board, including the use of board committees to help ensure more independent preparation of matters for discussion by the board, cf. Section 9.

The general meeting (or the corporate assembly where appropriate) should elect the chairman of the board of directors.

The term of office for members of the board of directors should not be longer than two years at a time.

The annual report should provide information to illustrate the expertise of the members of the board of directors, and information on their record of attendance at board meetings. In addition, the annual report should identify which members are considered to be independent.

Members of the board of directors should be encouraged to own shares in the company.

5.8.2 Polarcus' commitment

Pursuant to the Articles, the Board may consist of between 2 to 10 directors. The members of the Board and the Chairman of the Board shall be elected by the AGM by ordinary resolution. Any director appointed in an EGM shall be elected by special resolution requiring a majority of 75% of voting shares. Furthermore, removal of a director also requires a special resolution with a majority of 75% of voting shares.

Each Director shall serve for a term of up to two years which expires at the conclusion of the AGM in the year in which the period of office expires. A director is eligible for re-election.

The Board shall together have qualities, experience and expertise that the Company needs in order for it to maintain a position as a recognized provider of geophysical seismic services world-wide including, but not limited to, geophysical seismic expertise, corporate, financial and investor relations experience. Directors shall furthermore have the ability to work efficiently as a team and have sufficient capacity to carry out his/her duties.

The Board shall attend to the common interest of all shareholders and operate independently of any special interests and have a balanced combination of directors put forward by major shareholders and directors that are independent of any shareholder or shareholder groups. Only in exceptional circumstances shall the Board exist with less than two independent directors and in such an event, immediate steps will be taken to restore the number of independent directors to no less than two. The Company will furthermore ensure that the majority of directors are independent of the Company's executive management and material business contacts.

The directors are encouraged to own shares in the Company. No director shall be eligible to be awarded options in the Company's stock.

The Annual Report of the Company shall include a profile of each director reflecting their expertise and experience and in which capacity they act as director - either as a director initially put forward by a shareholder or as an independent director together with a record of their attendance at board meetings.

5.8.3 Compliance with the Code

During 2018, the Board of the Company consisted of six Directors.

At the 2018 AGM, Mr. Rigg retired from the Board having acted as director and Chairman since 2008. Mr. Mannering was elected as director and Chairman, Mrs. El-Tawil, Mr. Mathiesen, Mr. Zickerman and Mr. Slethei were re-elected as directors. Mr. Mannering, Mrs. El-Tawil and Mr. Mathiesen were elected for a period of two years, expiring at the 2020 AGM at which all directors are eligible for re-election. Mr. Zickerman and Mr. Slethei were re-elected for a period of one year expiring at the 2019 AGM at which both directors are eligible for re-election.

As at 31 December 2018, the Board comprised the following members:

- Mr. Mike Mannering, Chairman and independent director
- Mr. Nicholas Smith, independent director
- Mrs. Karen El-Tawil, independent director
- Mr. Carl-Peter Zickerman, associated with Zickerman Group Ltd. and Zickerman Holding Ltd.

- Mr. Tom Henning Slethei, associated with Alto Holding AS
- Mr. Erik M. Mathiesen, independent director.

As at 31 December, 2018, four of the directors were independent of the Company's main shareholders, the executive management and material business contacts, while two directors were associated with major shareholders of the Company, one of whom also has a commercial relationship with executive management. One director is female.

Mr. Zickerman, formerly employed by the Company as Executive Vice President Strategic Investments and a founder of the Company, is a consultant with Zickerman Group Consultancy DMCC, which has been engaged to provide business and advisory consultancy services to the Company, in particular, in relation to corporate, financial, business development and related strategic matters. These consultancy services commenced on 1 February 2016.

Mr. Zickerman has experience in the seismic industry, gained from his prior start-up ventures, Eastern Echo Ltd where he held the position of Executive Vice President Business Development. Prior to this, he was the Managing Director and founder of GeoBird Ltd., a marine seismic service provider, later sold to SeaBird Exploration Ltd. His experience covers both maritime and seismic operations.

As the profile of the current directors indicates (see Section 4.2.1), the Board provides diversified and valuable expertise and experience to the Company, including seismic expertise and experience relevant for the Company's core business as well as financial and investor-related expertise.

It is the Company's opinion that the composition of the Board complies with the Company's corporate governance commitments and the Code both in respect of: (i) requirements for independence from main shareholders, executive management and material business contacts, (ii) independence from special interests and the ability to attend to the common interests of all shareholders and (iii) required diversity of expertise and experience.

The Company considers that the individual members of the Board reserve sufficient time to carry out their duties as directors in Polarcus. None of the directors hold such a number of board positions in other companies or other employment that such other positions would compromise the time needed to act as directors in Polarcus.

Four Directors (or companies associated with these directors) own shares in the Company (please see Section 4.2.1).

The Annual Report for 2018 will include a profile of each director and document their attendance at Board meetings.

5.9 Recommendation 9: The work of the Board of Directors

5.9.1 The provision of the Code

The board of directors should issue instructions for its own work as well as for the executive management with particular emphasis on clear internal allocation of responsibilities and duties.

The board of directors should ensure that members of the board of directors and executive personnel make the company aware of any material interests that they may have in items to be considered by the board of directors.

In order to ensure a more independent consideration of matters of a material character in which the chairman of the board is, or has been, personally involved, the board's consideration of such matters should be chaired by some other member of the board.

The Public Companies Act stipulates that large companies must have an audit committee. The entire board of directors should not act as the company's audit committee. Smaller companies should give consideration to establishing an audit committee. In addition to the legal requirements on the composition of the audit committee etc., the majority of the members of the committee should be independent.

The board of directors should also consider appointing a remuneration committee in order to help ensure thorough and independent preparation of matters relating to compensation paid to the executive personnel. Membership of such a committee should be restricted to members of the board who are independent of the company's executive personnel.

The board of directors should provide details in the annual report of any board committees appointed.

The board of directors should evaluate its performance and expertise annually.

5.9.2 Polarcus' commitment

The Board, the Board Committees and each director are required to comply with and carry out their responsibilities in accordance with applicable instructions, guidelines, the Terms of Reference and any additional board procedures in place.

The Board shall regularly consider the appointment of Board Committees in order to enhance and ensure independent and efficient preparation and consideration of matters. Only directors independent of the executive management team can be members of such committees.

The Company will include details in the Annual Report of the Board Committees to which directors have been appointed.

The Board will evaluate its performance and expertise annually which may entail an internal and/or externally-led assessment.

5.9.3 Compliance with the Code

The Board has issued separate Terms of Reference that set out the authorities, responsibilities and duties of the Board, the Chairman, Directors, the Company Secretary, Board Committees and the Chair of Board Committees. Furthermore, performance goals have been prepared for the CEO and all members of the executive management team which have been approved by the Board. In accordance with the Terms of Reference, the Board established a plan for its work for 2018 and has carried out an evaluation of its performance in 2018.

The Board held 5 physical meetings, 11 phone meetings and executed 4 sets of written resolutions in 2018. The Board also held 1 all day strategy session with the Company's management.

The attendance by the various directors at the board meetings during 2018 is reflected in the table below:

Board Member	No. of Physical Meetings	No. of Phone Meetings
Mike Mannering (elected to the Board on 10 May 2018)	3	4
Karen El-Tawil	5	11
Carl-Peter Zickerman	5	10
Erik Mathiesen	5	11
Tom Henning Slethei	5	10
Nicholas Smith	5	9
Peter Rigg (term expired on 10 May 2018)	2	7

Two committees have been established by the Board; (i) the Audit and Risk Committee and (ii) the Corporate Governance and Remuneration Committee. All members of the Committees are independent of executive personnel. A description of each Committee and its mandate is included in Section 4.3 and in the 2018 Annual Report.

With respect to 2018, the Board reviewed its performance by way of self-assessment with additional feedback from management.

5.10 Recommendation 10: Risk management and internal control

5.10.1 The provision of the Code

The board of directors must ensure that the company has sound internal control and systems for risk management that are appropriate in relation to the extent and nature of the company's activities. Internal control and the systems should also encompass the company's guidelines etc. for how it integrates considerations related to stakeholders into its creation of value.

The board of directors should carry out an annual review of the company's most important areas of exposure to risk and its internal control arrangements.

5.10.2 Polarcus' commitment

Good risk management and quality processes are at the core of the Company's business.

The Company will ensure sound internal control of its business and compliance with all relevant laws, regulations, and market requirements *inter alia* through its company management system.

The Company will regularly carry out internal cross department audits in accordance with detailed procedures and audit plan in order to ensure sufficient regular monitoring and review of the content of and the compliance with the Group's management system.

As part of the company management system and culture, employees are required to report near-misses, incidents and non-conformances. Compliance with all aspects of the Polarcus management system shall be one element measured for each employee in their annual assessment.

The executive management and each department of the Group shall, in its decision-making, identify the risk involved and possible mitigation measures available. A standard risk matrix has been developed by the Company for this purpose. Furthermore, the executive management shall at least once a year review its operation and any risk attached to the operation. The result of such review shall at least annually be reviewed by the A&R Committee and presented to the Board.

The Company shall facilitate an open door style of management to ensure that any work related concerns or matters related to illegal or unethical conduct may be discussed freely and openly by each and every employee with any member of the executive management and the CEO without any fears of retribution and with a strong commitment to listening to the employees, to evaluating the discussions and for taking actions for improvement.

The Company's anonymous whistle-blower e-mail address shall enable employees of the Company to report situations that may have implications of bribery, corruption, financial irregularity or other serious irregularity or a previously duly submitted report about essentially the same serious irregularity which has not been corrected. Any e-mail to such address will automatically be forwarded to the Company's CEO and a nominated Polarcus board member to action.

The Company shall maintain a Gifts Register for recording gifts and entertainment given and received and establish procedures for employees to report gifts and entertainment.

The Company shall implement procedures for the Group's internal control and risk management as they relate to financial reporting.

5.10.3 Compliance with the Code

As described in Section 3.3, the Company has established an electronic management system which contains Polarcus' commitments (policy statements covering all aspects of the Company's corporate responsibility profile), Company manuals and planning documents. The commitments, manuals and planning documents are supported by procedures. The procedures provide the necessary reference, standards and instruction for responsibly carrying out the daily tasks of the Group, in many situations aided by checklist that helps ensure that the task is carried out as prescribed in the procedure. The management system ensures a well-functioning operation and compliance with clients' requirements, the Company's corporate governance and corporate social responsibility commitments.

The management system has been subject to audits from and been approved by most clients of the Group. In 2018, the Company upgraded its ISO 9001 and ISO 14001 certifications to the new standards ISO 9001:2015 and ISO 14001:2015. The Company has been certified as OHSAS 18001 since 2010, becoming the first seismic player in the industry to achieve such full accreditation both onshore and offshore for its total vessel fleet. The accreditations are subject to regular audits.

The Company has developed audit procedures and audit plans for internal cross-departmental audits. Audits have been carried out throughout 2018 to ensure sufficient regular monitoring and review of the Group's compliance with the management system and the need for updates of the content of the management system and individual manuals and procedures. Management carried out a review of the main risks associated with the operation of the Group biannually and presented the results to the Board's A&R Committee and to the Board during 2018.

The Group has established appropriate internal control routines to cater for the operations of the Company. Polarcus' management reviews the Company's financial status on a regular basis. The quarterly and annual financial statements are presented to the A&R Committee and are approved by the Board with a detailed comparison to budget.

The Company has implemented an electronic invoice control system, a detailed authority matrix for financial dispositions and payment routines. In order to manage accounts receivables appropriately, monthly invoicing routines and weekly monitoring are in place. The Company's costs are monitored at least monthly using a mixture of forecasting, as well as actual versus budget and forecast analysis. The Company has ensured that trained personnel are tasked with the responsibility of ensuring compliance with international, national and local tax, fees and filing requirements and external service providers have been retained where appropriate.

Also, as a measure to assist in the internal controls of the Company, the executive management is required to report to the Board regularly on:

- EHSQ, including incidents and near-misses;

- Financial accounts, including a monthly management report which contains the Company's accounts and a comparison to budget, the status and compliance with the Company's financial covenants in its finance and vessel lease agreements, vessels' capex, currency exposure as well as cash flow analysis;
- Vessels operation status, including a monthly operational performance report which contains vessel fleet performance, opex and capex measured against budget and particular issues related to each vessel; and
- Sales/multi-client and marketing measures and status on employment backlog for the vessels.

For the purpose of the Group's internal control and risk management as they relate to financial reporting, the Company has implemented accounting policies and procedures which are actively used to ensure the reliability, consistency and the uniformity of the financial information both in respect of general financial information of the Group and in connection with specific transactions. The Group prepares its financial statements in accordance with International Financial Reporting Standards (IFRS), and the significant accounting policies are disclosed in the notes to the Group's consolidated financial statements.

The Group's accounting services are, for all Group companies, centralized in Dubai enabling efficient internal communication and unified practice of the policies and procedures. The Group's management team reviews monthly financial reporting, including trends in profit and loss and balance sheet items, and analyses the financial performance of business areas and support units. The Company's A&R Committee assesses the integrity of the accounts. It also enquires into, on behalf of the Board, issues related to financial review, internal control, and external audit of the Company's accounts. The Board through the A&R Committee ensures that the Company is capable of producing reliable financial statements and that the external auditor's recommendations are given thorough attention.

The Company has established and practices a commitment to an open door style of management to ensure that any work-related concerns or matters related to illegal or unethical conduct may be discussed freely and openly by each and every employee with any member of the executive management and the CEO.

The Company has established a whistle-blower e-mail address where employees of the Company can report situations anonymously that may have implications of bribery, corruption, financial irregularity or other serious irregularities. Any e-mail to such address will automatically be forwarded to the Company's CEO and a nominated Board member. A separate whistle-blower e-mail address allows concerned individuals to report a matter to the Board Chairman and a second nominated Board member for action.

5.11 Recommendation 11: Remuneration of the board of directors

5.11.1 The provision of the Code

The remuneration of the board of directors should reflect the board's responsibility, expertise, time commitment and the complexity of the company's activities.

The remuneration of the board of directors should not be linked to the company's performance. The company should not grant share options to members of its board.

Members of the board of directors and/or companies with which they are associated should not take on specific assignments for the company in addition to their appointment as a member of the board. If they do nonetheless take on such assignments this should be disclosed to the full board. The remuneration for such additional duties should be approved by the board.

Any remuneration in addition to normal directors' fees should be specifically identified in the annual report.

5.11.2 Polarcus' commitment

The remuneration of the Board shall reflect the Board's responsibility, expertise, time commitment and the complexity of the Company's activities from year to year. The remuneration shall not be linked to the Company's performance.

The Company shall not establish option schemes for its directors.

As a general principle, the directors or companies associated with a director shall not take on specific assignments for the Company. If a director's particular expertise is needed by the Company for a period of time, the framework of such assignment as well as the remuneration shall be approved by the Board in advance.

The annual report shall provide information on all remuneration paid to each member of the Board. Any remuneration in addition to normal director's fees shall be specifically identified.

5.11.3 Compliance with the Code

The Company requires considerable input and assistance from the directors. The AGM in 2018 approved an annual remuneration of each director of USD 49,500 and USD 108,000 for the Chairman. Committee work is currently subject to a compensation of USD 1,500 per Committee member per committee meeting. Other than reimbursement of expenses incurred on Company business, no additional payment is received by directors.

There is no stock option scheme for directors. Four directors (or companies associated with a director) own shares in the Company.

One director (Mr. Zickerman) works as a consultant to the Company. (See Section 5.8.3 for detail). Mrs. El-Tawil also serves on the Company's Nomination Committee. None of the other directors has taken on any specific assignment with the Company. The Annual Report for 2018 includes a summary of the remuneration of all Board members.

5.12 Recommendation 12: Remuneration of executive personnel

5.12.1 The provision of the Code

The board of directors is required by law to prepare guidelines for the remuneration of the executive personnel. These guidelines are communicated to the annual general meeting. The board of directors' statement on the remuneration of executive personnel should be a separate appendix to the agenda for the general meeting. It should also be clear which aspects of the guidelines are advisory and which, if any, are binding. The general meeting should vote separately on each of these aspects of the guidelines.

The guidelines for the remuneration of the executive personnel should set out the main principles applied in determining the salary and other remuneration of the executive personnel. The guidelines should help to ensure convergence of the financial interests of the executive personnel and the shareholders.

Performance-related remuneration of the executive personnel in the form of share options, bonus programmes or the like should be linked to value creation for shareholders or the company's earnings performance over time. Such arrangements, including share option arrangements, should incentivize performance and be based on quantifiable factors over which the employee in question can have influence. Performance-related remuneration should be subject to an absolute limit.

5.12.2 Polarcus' commitment

The CGR Committee annually reviews and proposes to the Board, updated guidelines for the remuneration of members of the executive management, including the CEO. When preparing the guidelines, the Committee shall take into account, among other factors, the location of the management, the level of remuneration normal within the industry of the Group and special characteristics of the different positions within the executive management. The guidelines shall include a summary of the characteristics of employee option schemes and bonus schemes applicable to the Group. The guidelines shall be communicated to the AGM.

Proposals for employee incentive schemes and arrangements to award shares or share units to employees shall be approved by a GM.

The annual report shall provide information on the principles for the remuneration of the executive personnel and information on the elements of the remuneration of the CEO and the executive management.

5.12.3 Compliance with the Code

The current employee options schemes of the Company and the 2018 LTIP have been approved by the GM of the Company. The schemes are designed to provide convergence of employees' interests with shareholder value creation. The option schemes established in 2012, 2014 and 2016 contain share performance requirements and are consistent with the requirements of the Code through a requirement for an increase of the share market price as a condition for exercise. The 2018 LTIP contains a substantial element of PSUs which will vest only on achievement of performance targets established by the Board. All schemes include multi-year vesting periods. The schemes do not contain absolute remuneration limits but the number of options that may be granted to each employee (and the number of PSUs and RSUs under the 2018 LTIP is limited). No schemes include a requirement for a minimum period of ownership of the shares.

The Board is confident that the principles of the schemes appropriately align the interests of the Company's shareholders and the employees.

A summary of the remuneration guidelines for 2018 was approved by the 2018 AGM and no changes to the remuneration program were applied. In accordance with the provision for a targeted plan to align key employees with near-term priorities, approved at the 2017 AGM, certain payments were made in Q1 and Q3 of 2018.

The annual reports of the Company include information on the remuneration of the executive management and the general principles behind the various elements.

5.13 Recommendation 13: Information and communications

5.13.1 The provision of the Code

The board of directors should establish guidelines for the company's reporting of financial and other information based on openness and taking into account the requirement for equal treatment of all participants in the securities market.

The board of directors should establish guidelines for the company's contact with shareholders other than through general meetings.

5.13.2 Polarcus' commitment

The reporting of financial and other information from the Company shall be based on openness and equal treatment of all participants in the securities market. The Company will comply with detailed reporting requirements applicable for companies whose shares are listed on Oslo Stock Exchange.

The Company has established investor relations and external communication procedures. Legal disclosure obligations and regulations for financial reporting shall be strictly followed.

The Company shall, prior to the close of each year, publish a calendar setting out announcement of financial reports, the date of the AGM and other major events for the following year.

All information to be sent to the shareholders or to the market in general shall simultaneously be published on the Company's website www.polarcus.com.

5.13.3 Compliance with the Code

The Company's financial calendar for 2018 was presented on the Polarcus website www.polarcus.com.

The Company has developed investor relations and external communication procedures. Legal disclosure obligations and regulations for financial reporting have been strictly followed. All information sent to the market has been published on the Company's website www.polarcus.com.

Representatives of the executive management of the Company visit major shareholders of the Company on a regular basis in order to facilitate and maintain a healthy dialogue and enable shareholders to communicate their particular concerns related to the Company. The Company's CEO and CFO are responsible for the communication with shareholders, potential investors and the market in general.

5.14 Recommendation 14: Take-overs

5.14.1 The provision of the Code

The board of directors should establish guiding principles for how it will act in the event of a take-over bid.

In a bid situation, the company's board of directors and management have an independent responsibility to help ensure that shareholders are treated equally, and that the company's business activities are not disrupted unnecessarily. The board has a particular responsibility to ensure that shareholders are given sufficient information and time to form a view of the offer.

The board of directors should not hinder or obstruct take-over bids for the company's activities or shares.

Any agreement with the bidder that acts to limit the company's ability to arrange other bids for the company's shares should only be entered into where it is self-evident that such an agreement is in the common interest of the company and its shareholders. This provision shall also apply to any agreement on the payment of financial compensation to the bidder if the bid does not proceed. Any financial compensation should be limited to the costs the bidder has incurred in making the bid.

Agreements entered into between the company and the bidder that are material to the market's evaluation of the bid should be publicly disclosed no later than at the same time as the announcement that the bid will be made is published.

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

If an offer is made for a company's shares, the company's board of directors should issue a statement making a recommendation as to whether shareholders should or should not accept the offer. The board's statement on the offer should make it clear whether the views expressed are unanimous, and if this is not the case it should explain the basis on which specific members of the board have excluded themselves from the board's statement. The board should arrange a valuation from an independent expert. The valuation should include an explanation and should be made public no later than at the time of the public disclosure of the board's statement.

Any transaction that is in effect a disposal of the company's activities should be decided by a general meeting (or the corporate assembly where relevant).

5.14.2 Polarcus' commitment

The Company has established detailed guiding principles for how the Board and executive management shall act in the event of a take-over bid. The guiding principles comply with applicable laws and the Code. The principles describe the various phases of a take-over process and include procedures to ensure that sufficient information and time are made available for the shareholders to evaluate the offer of such takeover. Encompassed in the guidelines are principles for the Board's evaluation of the offer and the arrangement of fairness opinions as well as regulations concerning agreement with bidders. The principles give guidance as to when a GM should be called and include which actions the Board must take or refrain from taking. Actions and authorizations of the Board differ dependent on whether the take-over situation is a result of an invitation to the Company or is a general offer to shareholders.

Under the guidelines, the Board shall not exercise mandates or pass any resolutions with the intention of obstructing the take-over bid unless this is approved by a GM following announcement of such bid. The principles authorize the Board to continue the completion of any transactions it or the management has entered into for commercial purposes prior to obtaining knowledge of the take-over bid, independent of these transactions were made public or not. An exception is the intention to dispose of a majority of its activities, which will be subject to a resolution by a GM as long as the Company is subject to a take-over bid. The current authorization approved by the GM includes a right for the Board to issue shares with a takeover situation in mind. It is the view of the Board that such authorization should only be used if it is clear that this will be beneficial to all shareholders.

5.14.3 Compliance with the Code

The Board has developed detailed guidelines for take-over situations which take into account the principles of the Code. Except where information has been announced publicly, the Company does not report on the existence or content of any take-over or similar situations as this may result in the disclosure of inside information or other information which the Company considers is inappropriate to release.

At the 2017 AGM and the EGM on 15 February 2018, the GM approved the consolidation of tranches of authorised and unissued Shares such that these Shares were available for the Board to issue to strengthen the Company's equity. Authorization was given for Shares to be issued in a takeover situation - see Section 5.3.3 for further details.

5.15 Recommendation 15: Auditor

5.15.1 The provision of the Code

The auditor should submit the main features of the plan for the audit of the company to the audit committee annually.

The auditor should participate in meetings of the board of directors that deal with the annual accounts. At these meetings the auditor should review any material changes in the company's accounting principles, comment on any material estimated accounting figures and report all material matters on which there has been disagreement between the auditor and the executive management of the company.

The auditor should at least once a year present to the audit committee a review of the company's internal control procedures, including identified weaknesses and proposals for improvement.

The board of directors should hold a meeting with the auditor at least once a year at which neither the chief executive nor any other member of the executive management is present.

The board of directors should establish guidelines in respect of the use of the auditor by the company's executive management for services other than the audit.

The board of directors must report the remuneration paid to the auditor at the annual general meeting, including details of the fee paid for audit work and any fees paid for other specific assignments.

5.15.2 Polarcus' commitment

The Company's Audit and Risk Committee shall annually request an audit plan from the auditor concerning the audit of the Company's consolidated financial statements.

The Board shall request and make appropriate provisions so that the auditor can participate in board meetings that deal with annual accounts. The auditor shall in such meetings review any material changes in the Company's accounting principles, comment on any material estimated accounting figures and report on all material matters on which there has been disagreement between the auditor and the executive personnel of the Company. The Board shall in combination with such review meet with the auditor without the presence of the CEO or any other member of management.

The auditor shall at least once a year discuss the Company's internal control procedures with the audit committee, including identified weaknesses and proposals for improvement.

The Company has established guidelines as to when it is acceptable to use the Company's auditor for services other than the audit, in order to ensure the auditor's continued independence. In principle, global tax and transfer pricing services may be obtained from the auditor. The executive personnel shall furthermore carefully evaluate, when instructing consultants, whether any of such consultants can be linked to the auditor and therefore put the independence of the auditor at risk.

The management shall provide the Board with a summary of all services in addition to the audit work that have been undertaken by the auditor.

The Board shall report the remuneration paid to the auditor at the AGM, including details of the fee paid for audit work and any fees paid for other specific assignments.

5.15.3 Compliance with the Code

The Company's external auditors are Ernst & Young AS, Oslo, Norway.

The external auditor discussed the Company's internal control procedures with the Board in the absence of the CEO and all other members of management at a Board meeting on 12 April 2018 at which the external auditor advised the Board that there were no areas of concern in respect of general levels of financial reporting and competence.

The Board received an audit plan from the external auditor for the 2018 audit in October 2018. The external auditor presented the plan to the A&R Committee on 18 October, 2018, highlighting key accounting developments and provided an independent assessment on the preparation of the Company's accounts.

The external auditor presented the result of the audit of the 2018 financial statements to the Board of Directors in the meeting dealing with the 2018 annual report, including presentation of any material changes in the Company's accounting principles, significant accounting estimates and report on any material matters which there had been disagreement between the external auditor and Polarcus' Executive Management as well as any internal control weaknesses and improvement opportunities.

Guidelines permitting the management to seek global tax and transfer pricing services from the auditor have been established and were complied with during 2018. The Company has during 2018 received services globally from Ernst & Young on tax issues and transfer pricing procedures on a limited scale. The Company is confident that these services have not compromised the independency of the auditor.

The consolidated financial statements of the Company include a summary of remuneration paid to the auditors. The audit fee paid to Ernst & Young AS in respect of the 2018 financial year will be submitted to the 2019 AGM for approval.

6 Post 2018 year-end events

By way of brief update, this section highlights certain selected events that have occurred post 2018 year end.³

In relation to Section 2.1:

- In order for the Group to provide services more efficiently in Mexico and on advice from the Company's legal and tax advisors, Polarcus Mexico, S.A. de C.V. ("Polarcus Mexico") was incorporated in Mexico on 26 March 2019. Under Mexican law, a company is required to have 2 shareholders. Polarcus UK Limited owns 99% of the shares in Polarcus Mexico and the balance 1% is owned by Polarcus Norway AS.
- Given the lack of any recent or projected activity in Polarcus France SAS and in order to maintain an efficient corporate structure, the Company took steps in Q1, 2019 to commence a voluntary de-registration of this subsidiary in the relevant local government registries. Polarcus France SAS has no employees and does not own or lease any property.

In relation to Section 2.3.1

- The twenty largest shareholders of Polarcus as at 29 March 2019 are as follows:

	Name	Holding	%	Type
1	J.P. Morgan Securities Plc	118,458,414	23%	Nominee
2	Euroclear Bank S.A./N.V.	33,028,849	6%	Nominee
3	J.P. Morgan Securities Plc	28,193,239	5%	Nominee
4	ZICKERMAN GROUP LTD	24,871,860	5%	Ordinary
5	NORDNET LIVSFORSIKRING AS	18,972,488	4%	Ordinary
6	INAK 3 AS	14,500,000	3%	Ordinary
7	ALTO HOLDING AS	11,907,019	2%	Ordinary
8	GSH2 SEISMIC CARRIER I AS	11,892,304	2%	Ordinary
9	NORTH ENERGY ASA	11,378,844	2%	Ordinary
10	KRISTIAN FALNES AS	11,350,000	2%	Ordinary
11	ZICKERMAN HOLDING LTD	10,053,541	2%	Ordinary
12	VERDIPAPIRFONDET DNB SMB	6,995,188	1%	Ordinary
13	Nordnet Bank AB	6,700,187	1%	Nominee
14	VERDIPAPIRFONDET FIRST GLOBALT	6,553,582	1%	Ordinary
15	JP Morgan Chase Bank	5,084,548	1%	Nominee
16	MP PENSJON PK	5,076,619	1%	Ordinary
17	NÆRINGSLIVETS HOVEDORGANISASJON	5,000,000	1%	Ordinary
18	Citibank	4,741,672	1%	Nominee
19	TTC INVEST	4,490,860	1%	Ordinary
20	Goldman Sachs & Co. LLC	4,446,488	1%	Nominee
	Total	343,695,702	66%	

³ This information is not, and is not intended to be, exhaustive in relation to material events relating to the Company that have occurred since 31 December 2018.

In relation to Section 4.4.1

- Members of Executive Management acquired shares in the Company on 4 March 2019:
 - Duncan Eley, Chief Executive Officer of Polarcus: 150,000 shares. As at 31 March 2019, he owns 639,616 shares in Polarcus.
 - Hans-Peter Burlid, Chief Financial Officer: 75,000 shares. As at 31 March 2019, he owns 232,596 shares in Polarcus.
 - Lars Oestergaard, Chief Operating Officer: 75,000 shares. As at 31 March 2019, he owns 75,000 shares in Polarcus.
 - Caleb Raywood, General Counsel & Company Secretary: 75,000 shares. As at 31 March 2019, he owns 209,615 shares in Polarcus.
 - Tamzin Steel, SVP, People & Business Services: 75,000 shares. As at 31 March 2019, she owns 209,615 shares in Polarcus.

In relation to Section 5.7.3

- An amendment to the Articles has been proposed for the 2019 AGM in order for the Company to be fully in compliance with the Code's recommendation.

