

# **TGS 2018**

## **DECLARATION ON EXECUTIVE REMUNERATION**



# TGS 2018

## Declaration on Executive Remuneration

### From the Compensation Committee

*It is the Board's belief that attracting and retaining highly engaged executives with great vision, global experience, a passion for business and a strong drive for results is critical to TGS' continued success. Consistent with this belief, the Board has adopted a total compensation philosophy for executives that aligns compensation with a passion for business, teamwork and a drive for results. While base salaries are targeted at a relatively low level versus peers, our remuneration is heavily weighted in variable, performance-linked pay, which reflects our "results-driven" approach. All employees, at all levels in the organization, participate in the same Short-Term Incentive Plan, which is directly linked to the Company's operating profit. This alignment of reward fits well with the "teamwork" culture of the Company. Our total rewards package is designed to attract and retain talented people who have a passion for business and consistently demonstrate the highest levels of performance.*

*Although the seismic industry continues to be challenged, market conditions have improved and TGS delivered increased revenues and operating profit in 2018. Once again, the Company demonstrated its industry-leading ability to generate cash flow and returns, outperforming expectations. This improved performance resulted in strong payouts from the Short-Term Incentive Plan, which is directly linked to operating profit. The strong payouts in 2017 and 2018 offset significantly lower payouts that occurred in 2015 and 2016 during the downturn. In addition, the three-year measurement period for the 2016 Long-Term Incentive Plan was completed on 31 December 2018, with a preliminary determination of payout at approximately 39% of the maximum payout under the plan. The 2015 Long-Term Incentive Plan, which vested in August 2018, resulted in a zero payout, with none of the performance thresholds being achieved. Performance on the 2017 and 2018 Long Term Incentive Plans are tracking favourably.*

*For 2019, following consultation with some of the Company's largest shareholders, the Board proposes to keep the structure of the 2019 Long-Term Incentive Plan generally unchanged from the 2018 plan. However, following the improved return on average capital employed performance in 2018, the threshold, target and stretch target metrics will be increased. In addition, the Board has added a metric relating to sustainability initiatives. The Board has also implemented a broad-based Employee Stock Purchase Plan to facilitate greater TGS share ownership for all employees.*

#### Mark Leonard

Director and Chair of the Compensation Committee  
21 March 2019

Pursuant to the Norwegian Public Limited Liability Companies Act, section 6-16a, the Board will present the following declaration regarding remuneration of TGS' executive team to the 2019 annual general meeting.

## 1. Executive Remuneration Policy Statement

### 1.1. Total Compensation Philosophy

TGS is an international company operating in the global geoscience industry with operations world-wide. As a result, the Company's employment base, including its executive team, is and needs to be largely international. To attract and retain talented people, the total compensation package for the Company's employees must be competitive within the markets TGS operates.

As its total compensation philosophy, TGS uses a blend of components: base salary, incentive compensation (short-term and long-term awards) and non-financial benefits. TGS targets base salaries at the 25th percentile of the compensation peer group, with total actual cash compensation, defined as base salary and a variable cash bonus directly linked to TGS' operating profit, targeted between the 50th and 75th percentile of the market average in years where the Company performs above market. This mix of base salary and cash bonus for executives is heavily weighted to variable pay so that they share in the same risk and rewards as its shareholders.

The various compensation elements are balanced in a way that recognizes the individual executive's responsibilities and his or her abilities to influence the short and long-term profitable growth of the Company. Compensation is reviewed annually with performance assessed based on fulfilment of pre-defined goals.

### 1.2. Governance

The Board of Directors has established a Compensation Committee with responsibility for reviewing executive remuneration and making recommendations to the Board. The Compensation Committee is composed solely of independent directors: Mark Leonard (Chair), Wenche Agerup, Torstein Sanness and Elisabeth Grieg.

The Compensation Committee is responsible for recommending the CEO's compensation package to the Board for final review and approval. This includes the CEO's target bonus, which is specifically set by the Board. The CEO is responsible for proposing the compensation packages (excluding his own) for all executives for Compensation Committee review and Board approval. His proposal is based on each executive's performance assessed against pre-defined goals, including goals that support the corporate goals as described in section 2.2.

The Compensation Committee retains an independent third-party compensation benchmarking firm to assess and recommend changes to TGS' executive compensation practices relative to its peer group. The peer group is composed of several competitors and international oil and gas services companies (18 companies in total, seven of which are U.S. and five Norwegian). The peer group is determined by considering a combination of relative factors that include annual revenue, profit, market capitalization, return on equity (ROE) and return on average capital employed (ROACE). This independent executive compensation analysis is conducted annually.

The table to the right shows the peer group for executive remuneration in 2018. The peer group is assessed annually in connection with the benchmarking process on the basis of the factors referenced above. The peer group for 2018 was the same as that used in 2017.

### 1.3. Components of 2018 Executive Remuneration

The following table summarizes the primary elements of remuneration to TGS' executives in 2018:

Remuneration Element	Objective	Award Level	Performance Criteria
Base Salary (cash component)	Base salary in combination with STI and LTI should attract and retain executives	Around 25 <sup>th</sup> percentile of our peer group	Base salary is subject to annual review with performance assessed based on fulfilment of pre-defined goals
Short Term Incentive (STI) (cash component)	Drive and reward individuals for annual achievement of business objectives and maintain a strong link between compensation and the Company's financial performance	Target Total Cash Compensation (Base Salary + STI) above 50 <sup>th</sup> and up to 75 <sup>th</sup> percentile of the market in years where the Company performs above market	Target STI is set based on individual level of responsibility, individual contribution and performance. Actual payout is a direct function of the Company's operating profit.
Long Term Incentive (LTI) (equity component)	Strengthen the alignment of top management and shareholder interests and retain key employees	Target award at 2x base salary for CEO and 1x to 1.5x average of base salary for CFO and other executives	Participation in the LTI Plan and the size of the award is reflective of the level and impact of the position. Performance criteria for payout based on ROACE target, Relative ROACE, and HSE performance.
Benefits	Industry competitive pension and insurance plans	U.S: 6% 401k matching Norway: 5.6%/15% below/above 7G (12G cap) UK: 7%	N/A

### 1.4. Review of Results of 2018 AGM Remuneration Proposals

The TGS total compensation philosophy and the specific structure and metrics of the Long-Term Incentive Plan are reviewed annually with the Company's largest shareholders. At the 2018 annual general meeting, the Company's shareholders were requested to provide a non-binding advisory vote to approve the remuneration principles for executives and a binding vote to approve the 2018 Long-Term Incentive Plan together with the issuance of free-standing warrants to fund the plan. Both motions were approved with 99.4% and 98.6%, respectively, of votes cast in favor.

Aker Solutions	Fred Olsen Energy	Kvaerner
CARBO Ceramics	Fugro N.V.	Oil States International
CGG Veritas	Helix Energy Solutions	Pason Systems
Core Laboratories	Hunting PLC	Petroleum Geo-Services
Dril-Quip	ION Geophysical	Prosafe
Forum Energy Technologies	James Fisher & Sons	Shawcor

## 2. Executive Remuneration in 2019

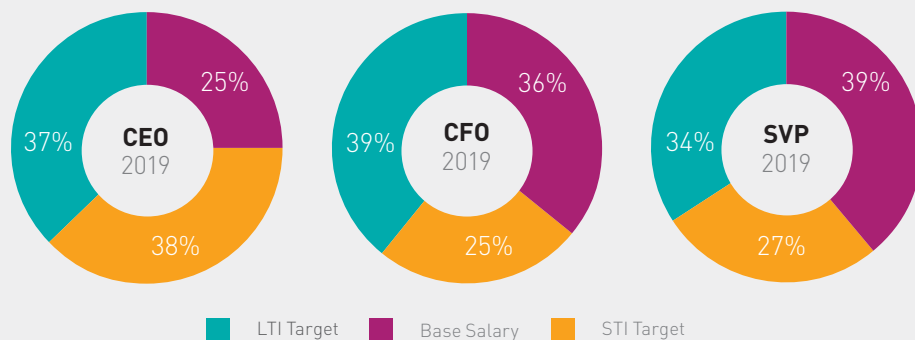
### 2.1. Overview

Consistent with the TGS total compensation philosophy, executive compensation for 2019 consists of base salary, Short-Term Incentives, Long-Term Incentives and health and retirement benefits. These components are consistent with the primary elements of executive compensation in 2018, as detailed in the chart in section 1.3 above.

TGS executive remuneration is heavily weighted in variable, performance-linked pay. While base salaries are targeted at around the 25th percentile versus peers, the Short-Term Incentive Plan (see section 2.3 below) is intended to bring total cash compensation above the market average in years where the Company performs above market (target above 50th and up to 75th percentile of the market). Target total cash compensation for 2019 for the executive team averages slightly below the 50th percentile based on the third-party benchmarking data.

The Long-Term Incentive Plan for executives (see section 2.4 below) is intended to strengthen the alignment of executive and shareholder interests and aid retention in a competitive marketplace. Third-party compensation benchmarking indicates that the target award level for 2019 is slightly below the 50th percentile for the CEO and CFO and slightly above the 50th percentile, on average, for the remaining executives. In 2019, the aggregate number of share units to be issued under the Long-Term Incentive Plan (performance share units and restricted share units) was reduced to 360,000 as a result of the increase in the TGS share price during 2018. In line with the overall reduction, the total number of share units that may be issued to the executive team was reduced to 231,000 (from 300,000).

The following charts highlight the distribution of the various 2019 compensation components at target levels for the CEO, CFO and a Senior Vice President (SVP). The 2019 Long-Term Incentive is valued based on performance at the target level and a beginning-of-the-year share price of NOK 211 with a NOK:USD exchange rate of 0.115. For illustrative purposes, one SVP was selected.



### Executive Pay Overview 2015 – 2019

The table to the right reflects the target total compensation for the CEO, CFO and a Senior Vice President (SVP) from 2015 to 2019. The purpose of the table is to allow a simple comparison of the total targeted compensation that is established for executives each year, removing variances caused by the timing of actual payments from the Short- and Long-Term Incentive Plans. The Short-Term Incentive numbers shown are based on what can be earned (accrued) for the full plan year. This will differ from actual bonus payments made in the year (as reflected in Note 9 of the

2018 Consolidated Financial Statements) as bonus payments are made approximately two months after the end of the relevant quarter (i.e., a proportion of the Short-Term Incentive will be paid in the following year). The Long-Term Incentive targets shown in each year reflect the three-year plan that is implemented in that year with payout, if any, occurring three years later, although the expected payout, if any, is shown for the year the plan was implemented to allow comparability of target versus payout. For example, the Long-Term Incentive target shown for 2016 is scheduled to payout during 2019, but the expected payout is shown for 2016. For Long-Term Incentives, it should be noted that comparability of the target award to the expected payout is affected by variations in stock price and exchange rate between different dates.

	Year	Base salary as of 1st January (USD) <sup>1)</sup>	Annual target STI (USD) <sup>2)</sup>	Actual plan year STI (USD) <sup>3)</sup>	Annual LTI target to vest in 3 yrs <sup>4)</sup>	Actual LTI Pay-out after 3-yrs (USD) <sup>5)</sup>	Total target compensation (USD)
CEO	2015	506,000	961,302	263,751	574,231	-	2,041,533
	2016	506,000	400,000	614,065	588,475	649,695	1,494,475
	2017	500,000	450,000	959,130	877,636	TBD	1,827,636
	2018	550,000	785,250	1,631,592	1,320,843	TBD	2,656,093
	2019	565,000	850,000	TBD	831,610	TBD	2,246,610
CFO	2015	301,880	550,020	136,330	287,115	-	1,139,015
	2016	354,819	125,751	197,874	276,929	305,739	757,500
	2017	348,701	134,796	287,304	413,005	TBD	896,502
	2018	383,850	248,978	475,953	621,573	TBD	1,254,400
	2019	362,863	251,972	TBD	391,346	TBD	1,006,181
SVP	2015	308,000	342,847	94,066	172,269	-	823,116
	2016	336,000	120,000	132,537	225,005	248,413	681,005
	2017	342,000	131,000	279,208	335,567	TBD	808,567
	2018	346,968	226,404	470,416	485,604	TBD	1,058,976
	2019	353,040	237,724	TBD	305,739	TBD	896,503

Notes:

<sup>1)</sup> Base Salary as of 1st January of each year for the executive holding the position on that date.

<sup>2)</sup> Amount reflected is for a plan year and not actual amounts received during a year; bonus amounts are paid quarterly two months after quarter end (ex: Q4 bonus paid in Q1 of following year).

<sup>3)</sup> Amounts in 2016 include STI earned plus a special executive team share-matching bonus paid in Q1 2017 from unallocated STI bonus funds. This bonus represented up to 25% of each executive's 2016 Short-Term Incentive target and was conditioned upon the executive's purchase from personal funds, on a one-for-one matching basis with the bonus funds, TGS common shares in the open market. The Company has no plans to continue this special bonus in the future.

<sup>4)</sup> Based on achievement of metrics at mid-level targets. Exchange rates and stock price calculated at date of AGMs, except for 2019 where stock price of NOK 211 and exchange rate of 0.115 was applied.

<sup>5)</sup> Amounts reflected are the actual payout of the plan following vesting to allow some comparability of target to payout (ex: 2015 plan had no payout upon vesting in 2018 and is reflected by "-" in the 2015 row). For the 2016 LTI, actual payout is estimated using preliminary reported results, a beginning-of-the-year share price of NOK 211 and exchange rate of 0.115.

## 2.2. Performance Criteria for Base Salary and Short Term Incentive Awards

Salary increases and target Short-Term Incentive awards for all employees, including executives, are based upon a review of performance against individual goals. Individual goals include goals that are intended to support TGS corporate goals, as well as performance goals specific to the individual. TGS establishes its corporate goals at the start of each year and shares these across the organization. The goals for 2019 include specific targets relative to financial performance, customer engagement, employee engagement and delivery of milestones relative to the TGS three-year strategic plan.

The table below describes in further detail the corporate goals that have been set for 2019, with examples of individual executive goals that support the corporate goals.

Corporate Goal	Target	Example Executive Goals
Financial Performance	ROACE higher than 17%	Revenue targets Operating cost savings Project ROI Contract terms Cash management
Customer Engagement	40-45% prefunding of new investments Grow late sales versus 2018	Customer interaction (meetings/events) Marketing efforts Product quality and delivery Customer services Customer feedback
Employee Engagement	Improve Employee Engagement Capital versus 2018 (>62% as measured by third party, CEB)	Interaction between teams Communications around market conditions, ongoing projects, industry challenges, etc. Training and development
Strategic Initiatives	Implement action plans for initiatives relating to Imaging, Data & Analytics, and profitable growth	Improve Imaging reputation through R&D, proprietary opportunities Further develop Data & Analytics toward profitability Increase presence in South Atlantic Apply new technologies (OBN) in mature basins Establish new core basis onshore

The CEO's goals for 2019 are aligned with the corporate goals and the targets described above, emphasizing ROACE, cash flow, revenue, strategic initiatives in imaging and data & analytics, and employee engagement. In addition, the CEO has set goals relating to sustainability initiatives and HSE.

## 2.3. Short Term Incentives 2019

The TGS Short-Term Incentive Plan provides a cash bonus for employees that is directly proportional to the actual operating profit of TGS. This plan has been successfully used by TGS for over 20 years to focus all employees on generating operating profit. The 2019 plan will be funded by allocating 9.5% of TGS operating profit (reduced from 12.75% in 2018) to be shared among all eligible employees (approximately 1.3% designated for executives and the remaining 8.2% designated for all other employees). The percentage of operating profit designated is determined by the amount of operating profit in the budget and the amount of bonus needed to compensate employees in line with the TGS total compensation philosophy and peer group comparison.

Short-Term Incentive target awards were low in 2016 through 2018 due to the market downturn. However, with improving conditions, targets for 2019 are more in line with, although still slightly below, pre-2016 targets. As a result, target total cash compensation for executives in 2019 is on average only slightly below the market 50th percentile based on third-party benchmark data (versus the aspiration of 50th to 75th percentile).

Individual Short-Term Incentive bonus targets are set at the beginning of each plan year. The target for each executive is based on the individual's level of responsibility in the organization, individual contribution, performance versus previous year goals and benchmark data. In 2019, the CEO bonus target is set at approximately 150% of base salary. The other executives have bonus targets between 56% and 94% of base salary.

The actual bonus amounts paid over a plan year, representing the designated percentage of operating profit, are paid quarterly following announcement of quarterly financial results. If the Board anticipates that the upcoming quarter(s) will result in a negative operating profit, the plan includes a withholding provision that may be instituted at the Board's discretion. The actual payout is limited to a multiple of two times (2x) target bonus. This cap has been reduced from three times (3x) target bonus in 2017, and two and one-half times (2.5x) target bonus in 2018. The reduction in the cap reflects that target bonuses are beginning to return toward historical levels. Since 2000, the average payout has been 108% of target with the lowest payout being 27% of target (2015) and the highest payout being 213% of target (2017).

For executives, TGS reserves the right to demand the repayment of any cash performance bonus that has been paid on the basis of facts that were self-evidently incorrect or as the result of misleading information supplied by the individual in question.

## 2.4. Long Term Incentives 2019

### Long-Term Incentives Generally

Since 2015, the Company has issued Long-Term Incentives through an annual equity-based Performance Share Unit (PSU) Plan, with performance against various metrics measured over a three-year period. A limited number of share-based Long-Term Incentive awards are usually issued each year upon authorization from shareholders at the annual general meeting. For 2019, TGS is seeking approval from the AGM for a total of 360,000 shares under the Long-Term Incentive Plan, with 278,040 allocated to the 2019 PSU Plan and the remaining 81,960 allocated to the Restricted Share Unit (RSU) Plan. Assuming all 360,000 shares were earned under the Long-Term Incentive Plan, this would create less than 0.36% dilution.

Prior to 2014, the Company generally issued stock options as long-term incentives. Stock options were issued at market price when granted, vested over a four-year period starting on the third anniversary of the grant and expired five years after the stock option pool was approved by shareholders at the AGM. In June 2018, the stock options granted in 2013 expired, and no other stock options remain outstanding at 31 December 2018. In 2014, the Company issued cash-based Long-Term Incentives providing for cash bonuses linked to performance against defined metrics, measured over a three-year period. The shift from stock options in 2014 reflected the Board's goal to provide a system that is both more performance-based and more closely aligned with long-term shareholder interests.

### Share Ownership Guidelines

In 2014, the Board implemented share ownership guidelines for executives. These guidelines are designed to encourage long-term share ownership by requiring each executive to retain the equity granted through the Long-Term Incentive Plans, such that the awarded equity (once vested), together with any other shares that may be held by the executive, meet certain ownership levels. The following are the required levels: CEO – three times (3x) base salary, CFO – two times (2x) base salary, and all other executives – one times (1x) base salary. An executive has five years from the date the executive is first subject to the guidelines to meet the required level of ownership. If an executive does not meet the share ownership guidelines, the executive must retain all shares awarded from any Long-Term Incentive Plan until the requirement is satisfied. In 2018, the Board expanded the guidelines to include certain non-executive senior management, with the level set at one times (1x) base salary.

### 2019 PSU Plan

In 2019, the executive team members (currently nine staff) will be eligible to participate in the 2019 PSU Plan, as well as eight non-executive senior managers with substantial responsibility at the business unit level. It is proposed that the seventeen participants will be granted PSUs based on his or her individual performance, span of responsibility and ability to execute the TGS business plan. The

PSUs will vest three years after the date of grant (anticipated to be August 2022) and will be converted to a number of TGS shares depending on the achievement of certain metrics.

A threshold, target and stretch (cap) is set for each metric, and no shares will be earned in each category if final values are below the performance threshold. A cash bonus in an amount equivalent to dividends paid on TGS common shares will accrue on PSUs that are ultimately awarded.

In 2019, following consultation with some of the Company's largest shareholders representing over 34% of issued stock, the Board proposes maintaining a similar plan structure as 2018, with the exception of an added sustainability metric. The 2019 plan will therefore comprise an absolute ROACE metric, a relative ROACE metric and a mix of leading and lagging HSE and sustainability metrics. The absolute ROACE threshold, target and stretch target metrics will be increased from last year such that an average ROACE of more than 17% will be required for any payout to occur. Target ROACE will be set at 24% and stretch will be set at 31%. In 2018, ROACE achieved by TGS was 17%.

The following table describes the specific metrics with target payout set at 60% of the PSU grant and stretch target set at 100% of the PSU grant.

2019 PSU Plan	Performance	Percentage Payout	
<b>Metric 1: Relative ROACE</b>			
	Below 50 <sup>th</sup> percentile	0%	Below Threshold
<i>TGS ROACE relative to seismic peer group (11 companies: TGS, CGG, PGS, Schlumberger, ION, Spectrum, Polarcus, Shearwater (Rieber Shipping), Seabird, EMGS, Seitel)</i>	50 <sup>th</sup> to 75 <sup>th</sup> percentile but not top 3	20%	Target
	3rd	30%	
	2nd	35%	
	1st	40%	Stretch (Max)
<b>Metric 2: Absolute ROACE</b>			
	17%	0%	Below Threshold
<i>EBIT/Avg capital employed (2019+2020+2021) / 3</i>	24%	20%	Target
	31%	40%	Stretch (Max)
<b>Metric 3: HSE and Sustainability</b>			
	Zero Lost Time Injuries	6.66%	Target
<i>HSE: 2 Leading, 1 Lagging Sustainability: Leading</i>	Crew Safety Visits and Safety Inspections	6.66%	Target
	Achievement of Metrics in relation to Sustainability Goals	6.66%	Target

With respect to Absolute ROACE, where actual performance falls between the threshold and target or between the target and stretch, the actual payout will be based on a linear calculation.

The Board believes that the proposed target metrics are sufficiently challenging and should align with shareholder expectations. Historical performance is provided in the following table.

Metric	2019 Threshold	2019 Target	2019 Stretch	2018	2017	2016	2015
Relative ROACE	50 <sup>th</sup> percentile	50 <sup>th</sup> to 75 <sup>th</sup>	1st	1st	1st	1st	3rd
Absolute ROACE	17%	24%	31%	17%	10%	5%	-2%
Lost Time Injuries	Zero	Zero	Zero	Zero	Zero	1 – Fail	Zero

For 2019, TGS proposes the following grant amounts: (i) CEO, up to 57,120 PSUs, (ii) CFO, up to 26,880 PSUs, (iii) remaining seven executives, an average of 21,000 PSUs each, and (iv) the eight senior managers, an average of 5,880 PSUs each (278,040 maximum combined grant to executive team and senior leaders). At a stock price of 211 NOK and currency exchange rate of 0.115 USD/NOK, the PSU Plan is worth USD 4.0 million at the target level and USD 6.7 million if all stretch targets are achieved.

### 2019 RSU Plan

TGS is also proposing that 81,960 units are allocated to the RSU Plan for other key employees (around 60 staff or 10% of the workforce). Executives will not qualify for RSUs. Key employees in the RSU plan must achieve satisfactory performance against their goals over the three-year plan period to earn the RSUs. The individual performance goals will be based on the performance criteria described in section 2.2 above with a focus on goals that support the corporate targets for ROACE, customer engagement, employee engagement and strategic initiatives.

## 2.5. Employee Share Purchase Plan

In February 2019, TGS implemented an Employee Share Purchase Plan (ESPP) pursuant to which eligible employees are allowed to purchase common shares of the Company at a discount through payroll deductions. The intent of the ESPP is to encourage broader share ownership among TGS employees to further increase alignment with shareholders.

Under the ESPP, participating employees will save money through voluntary, after-tax payroll deductions over a period of six months (the Offer Period). Upon completion of the Offer Period, employees will have the option to use the savings to purchase TGS stock at a 15% discount to the market price at the time of purchase. The plan sets a maximum amount of savings that can be accumulated during each Offer Period, resulting in a maximum purchase of approximately 100 shares per employee per Offer Period (approximately 200 shares per participant per year). The ESPP is limited to 1,000,000 shares that may be acquired during the life of the plan. Shares will be purchased from the open market, and no shares will be issued by

TGS; therefore, there will be no dilution of existing shareholders. The cost for TGS to administer this plan and fund the discount is expected to be approximately USD 250,000 per annum based on industry average rates of employee participation.

All employees (other than a small number of employees in a foreign subsidiary) may participate in the ESPP, subject to meeting a short service requirement for eligibility. All executives are permitted to participate in the ESPP.

The ESPP is submitted to the 2019 AGM for approval for the sole purpose of meeting certain U.S. tax regulations. Under 423 of the United States Internal Revenue Code, U.S.-based employees will receive a tax benefit that defers the recognition of income on the discount amount if the ESPP meets certain criteria. One of the criteria requires that the ESPP be approved by the Company's shareholders within twelve months of implementation. The Company has structured the plan to meet all other criteria necessary to allow the tax benefit, including allowing participation by all U.S.-based employees who meet the short service eligibility requirement.

## 2.6. Pension and Insurance Plans

The TGS executive team is part of the TGS general pension plan (401k in U.S.) as administered in accordance with local custom and policy in Norway, U.S. and U.K. The pension plan is assessed annually based on a review of market and peers in each geography, and no special or additional pension contributions are given to executives. In 2019, TGS will make the following maximum pension contributions (as a percentage of cash compensation) to executives depending on location:

- 6% 401k matching (cap at USD 19,000) in U.S.;
- 5.6%/15% below/above 7G (12G cap) pension in Norway; and
- 7% contribution in U.K.

The TGS executive team and their dependents are also provided with the option to participate in health and death insurance benefits as generally available to employees of TGS and in accordance with local custom and policy. In addition, executives are offered an annual medical / health assessment.

## 2.7. Severance Pay Arrangements

The maximum amount payable to the CEO in case of termination of employment without cause or for good reason is one times the amount of his highest annual base salary in effect during the three years that immediately precede the date of termination, spread over an ensuing one-year period conditional upon his continued compliance with restrictive covenants.

The maximum amount payable to the CFO in case of termination for any reason other than redundancy, gross misconduct or statutory retirement is one times the amount of his highest annual base salary in effect during the three years that immediately precede the date of termination, spread over an ensuing one-year period conditional upon his continued compliance with restrictive covenants.



The amount payable to the CEO or CFO in the case of termination associated with a “change of control” event is one times the highest gross annual compensation received during the three years immediately preceding the “change of control” event, paid as a lump sum.

No other members of the executive team have employment agreements providing termination benefits.

## 3. 2018 Remuneration Results and Assessment

### 3.1. Results from the 2018 AGM

In accordance with section 6-16a of the Norwegian Public Limited Companies Act, the Board prepared a statement during 2018 with respect to the principles for remuneration of executives of the Company, which was noted and approved at the annual general meeting. In addition, the Board presented the 2018 Long-Term Incentive Plan to the annual general meeting, which was also approved.

The Board of Directors believes that the compensation awarded to executives in 2018 fully complies with the statements, proposals and approvals from the 2018 annual general meeting.

Approved at 2018 AGM	Status	2018 Actual
Executive base salaries are consciously set low (around 25 <sup>th</sup> percentile of our peer group)	Compliant	Third party benchmark data from October 2018 indicated that actual base salaries are slightly below the 25 <sup>th</sup> percentile
12.75% of operating profit allocated to Short Term Incentive bonus pool	Compliant	Actual payout was below 12.75% of operating profit (due to employee turnover)
Long Term Incentive Plan with Relative ROACE, Absolute ROACE and HSE metrics	Compliant	Long Term Incentive Plan implemented as proposed to AGM
Issue maximum of 444,200 free-standing warrants to fund Long Term Incentive Plan	Compliant	433,900 free-standing warrants issued relating to 2018 Long Term Incentive Plan (290,000 PSUs and 143,900 RSUs (49,000 of the RSUs included the same performance metrics as the PSUs))
Stock Ownership Guidelines	Compliant	Executives have five years to meet Guidelines

### 3.2. Performance in 2018

In its assessment of the CEO and executive performance in 2018, and consequently their annual base salary and Short-Term Incentive awards, the Board put emphasis on financial goals (including specific targets for cash flow, revenue, operating profit and ROACE), strategic goals (including development of technology initiatives), employee engagement, customer engagement and cost control. Performance against these goals was either at or ahead of target.

### 3.3. Total Executive Compensation for 2017 and 2018 (IFRS Basis)

Reference is made to Note 9 of the Consolidated Annual Financial Statements as of and for the year ended 31 December 2018 for certain information regarding historical cash compensation and Long-Term Incentives for executives, presented in accordance with IFRS standards.

