



Corporate Governance section
of 2019 Annual report

Corporate governance report

Magseis Fairfield ASA (“**Magseis Fairfield**” or the “**Company**” and when taken together with its consolidated subsidiaries the “**Group**”) believes that good and sound corporate governance creates shareholder value and reduces risks by instilling trust and confidence in the Company. Thus, the Group has made a strong commitment to develop high standards of corporate governance.

To Magseis Fairfield, good corporate governance is characterised by clear role distribution between the Company’s governing bodies. Furthermore, open and responsible communication and cooperation between the Company’s shareholders, the Board of Directors (the Board) and executive management is imperative to secure ample control, but at the same time encourage innovation and entrepreneurship.

1. Implementation and reporting on corporate governance

Magseis Fairfield ASA is a Norwegian public limited company listed on the Oslo Stock Exchange and bases its corporate governance structure on Norwegian legislation and recommended guidelines. The company seeks to comply with the Norwegian Code of Practice for Corporate Governance (the code), last revised on 17 October 2018, which is available on the Norwegian Corporate Governance Committee’s website at www.nues.no.

Application of the code is based on the “comply or explain” principle and any deviation from the code is explained under the relevant item. As at 31 December 2019, Magseis Fairfield deviated from the recommendation on one section of the code pertaining to a Board member holding share options (section 11). The principles and implementation of the code are subject to annual reviews by the Board and a statement is included in the annual report in accordance with the requirements of the continuing obligations for listed companies from Oslo stock exchange as well as the Norwegian code.

2. The business

Magseis Fairfield’s vision is to reduce Ocean Bottom Seismic (“**OBS**”) costs to a level where it increases the addressable market and becomes widely used, not only for field development, but also for exploration. The Company’s operations comply with the business objective set forth in its articles of association article 3, which reads:

“The company’s business activities include development of geophysical equipment and methods, generation, marketing and sale of exclusive and non-exclusive geophysical exploration and other activities related thereto activities, including investments in such activities”.

The Board has defined clear goals, strategies and risk profile for its operations within the scope of the definition of its business, to create value for its shareholders and ensure that its resources are utilised in an efficient and responsible manner. The objectives, strategies and risk profile are subject to annual review by the Board. The company’s objectives and strategies are further described in the annual report and on the company’s website www.magseisfairfield.com.

Magseis Fairfield has adopted guidelines and procedures relating to human rights, employee rights and social matters, the external environment, environmental impact, working environment, equal treatment, discrimination and prevention of corruption. The purpose of these guidelines is to provide business practice guidance, and for such considerations to be integrated in the Company’s value creation.

3. Equity and dividends

Capital adequacy

As at 31 December 2019, the Group’s equity amounted to USD 185 million, which corresponds to an equity ratio of 51.8 percent and total liabilities-to-equity ratio of 0.9.

The operational and financial results for Magseis Fairfield in 2019 showed a negative development. To deliver on the vision and goals going forward, the Company acknowledged the need to initiate an

internal restructuring process to cut costs, focus on building order backlog and strengthen the balance sheet. During the last part of 2019, the Company's management initiated an internal restructuring process, followed by a refinancing of its debt and private placement in early 2020.

Magseis Fairfield evaluates on a continuous basis available alternatives to ensure adequate liquidity for its prioritised project activities and to provide the required long-term financial strength and flexibility.

Dividends and dividend policy

Magseis Fairfield is currently in a growth phase and has not yet distributed any dividends. The Board has not proposed any dividend for 2019. Any future decision to pay a dividend will depend on the company's financial position, operating profit and capital requirements.

Authorisations to the Board

At the annual general meeting (AGM) on 22 May 2019, two authorisations were granted to the Board:

- Authorisation to increase the Company's share capital by a total of up to 10 percent of the registered share capital (at the time being NOK 925,852.1) in connection with the Company's share incentive program for its employees. As at 31 December 2019, a total of 186,211 shares have been granted to key employees under the existing authorisation.
- Authorisation to increase the share capital by up to 20 percent of the registered share capital (at the time being NOK 1,851,705.9) to provide the Company with financial flexibility, including investments and acquisitions (but not mergers). The authorisation was not used as at 31 December 2019. However, in connection with the private placement completed early in 2020, the authorisation was used pertaining to tranche 1. For details see stock exchange releases from 13 February 2020.

Both authorisations are valid until Magseis Fairfield's AGM in 2020, and no later than 30 June 2020. There was a separate vote on both authorisations. For supplementary information, reference is made to the minutes of the AGM. As at 31. December 2019, the Board has not been

granted any authorisation to acquire treasury shares.

4. Equal treatment of shareholders and transactions with close associates

According to the Norwegian Public Companies Act, the Company's shareholders have pre-emption rights in share offerings against cash contribution. Such pre-emption rights may be set aside, either by the general meeting or by the Board on the basis of an authorisation to the Board. Any resolution to set aside pre-emption rights will be justified by the common interests of the Company and the shareholders, and such justification will be publicly disclosed through a stock exchange notice from the Company. There were no such incidents in 2019. In connection with the private placement early in 2020, the pre-emption rights for shareholders were set aside. Please see stock exchange releases from 13 February 2020

Any transactions in own shares, i.e. a share buy-back programme, will be carried out either through Oslo stock exchange or otherwise at stock exchange prevailing prices. If there is limited liquidity in the Company's shares, the Company will consider other ways to ensure equal treatment of all shareholders. There were no transactions in own shares during 2019.

For significant transactions with related parties, the Board will consider obtaining an independent valuation, unless the agreement shall be approved by the general meeting in accordance with statutory Norwegian law. There were no significant transactions with close associates in 2019. For information regarding related party transactions, see Note 11 in the annual report.

5. Shares and negotiability

Magseis Fairfield has one class of shares, and all shares carry equal voting rights. The Company's shares are freely transferable on the Oslo stock exchange. There are no restrictions on owning, trading or voting for shares pursuant to the Company's articles of association.

6. General Meetings

The general meeting is the Company's highest authority. All shareholders are entitled to submit

items to the agenda, attend, speak and vote at general meetings, but only if the shareholder is registered with the Norwegian Central Securities Depository (VPS) five business days prior to the general meeting (record date). The Annual General Meeting (AGM) is held each year before the end of June. Extraordinary General Meetings (EGM) may be called by the Board at any time

The Board will ensure that the notice, resolutions and supporting information distributed are sufficiently detailed and comprehensive to allow shareholders to form a view on all matters to be considered at the meeting, and that any deadline for shareholders to give notice of their intention to attend shall not be earlier than two days before the meeting. Notice, appendices and minutes of meetings will be available from the Company's website www.magseisfairfield.com.

The Chairman, the CEO and the CFO will be present at general meetings. The auditor and the nomination committee will attend the AGM and any EGM to the extent required by the agenda items or other relevant circumstances. The Board ensures an independent chair for the general meeting.

Shareholders can vote on each individual matter, including on each individual candidate nominated for election. Shareholders who are unable to attend the meeting in person are encouraged to participate by proxy. The Company will prepare a proxy form that permits separate votes for each item up for consideration by the general meeting.

In 2019, Magseis Fairfield held its AGM on 22 May with 51.04 percent of the share capital represented. In addition, an EGM was held on 22 November to appoint a new chair of the Board, with 53.81 percent of the share capital represented.

7. Nomination committee

The nomination committee is governed by the articles of association section 9. The nomination committee shall consist of two to three members elected by the general meeting. The nomination committee elects its own chairman, and the members are elected for a period of up to two years.

As at 31 December 2019, Magseis Fairfield's nomination committee comprises Roar Bekker,

Antony Dowd and Anders Farestveit. Roar Bekker is independent of the Board and the executive management. Antony Dowd is President and Chief Executive Officer in Fairfield-Maxwell Ltd. which is the largest shareholder in the Company. Anders Farestveit is the fourth largest shareholder in the Company as at 31 December 2019. The members are elected until the AGM in 2020.

The nomination committee gives its recommendation to the general meeting regarding the election and remuneration of members of the Board, in addition to the election and remuneration of members of the nomination committee. The nomination committee's recommendations are justified on an individual basis. The nomination committee is expected to have contact with the shareholders, the Board and the executive management as part of proposing new candidates for the Board. The instructions for the nomination committee will be presented to the AGM in 2020.

8. Board of Directors: Composition and independence

Pursuant to the Company's articles of association, the Board may consist of up to ten directors, whereof up to three directors can be elected by the employees. The members of the Board, including its Chair, are elected by the general meeting for a period of up to two years and may be re-elected.

The composition of the Board is based on the Company's needs for expertise, capacity and balanced decision making, together with the aim of ensuring that the Board can operate independently of any special interests and that the Board can function effectively as a collegial body. A summary of the competence and background of each individual board member is available on the company's website www.magseisfairfield.com.

All board members are regarded as independent in relation to the Company's executive management and material business contacts. Five of the current board members are considered as independent of the company's main shareholders, please refer to the table below.

Board members are encouraged to hold shares in the Company to promote a common financial interest between the Directors and the shareholders of the Company. The current Board

members hold directly or indirectly 2.55 percent of the outstanding shares in the Company at year-end 2019.

| Name | Role | Considered independent of main shareholders | Served since | Term expires | Participation Board Meetings 2019 ** | Shares in Magseis Fairfield (direct/ indirect) as at 31 December 2019 |
|-----------------------|--------------|---|--------------|--------------|--------------------------------------|---|
| Wenche Kjøllås | Chairperson | Yes | 22.05.2019* | AGM 2021 | 100% | 55,000 ¹ |
| Charles W Davison Jr. | Board member | No | 12.12.2018 | AGM 2021 | 89% | 0 |
| Jan Bertil Gateman | Board member | No | 04.09.2009 | AGM 2020 | 94% | 4,638,382 ² |
| Bettina R. Bachmann | Board member | Yes | 04.06.2014 | AGM 2020 | 100% | 0 ⁵ |
| Edvin Endresen | Board member | Yes | 23.05.2018 | AGM 2020 | 94% | 20,000 ⁶ |
| Angela Durkin | Board member | Yes | 22.05.2019 | AGM 2020 | 90% | 0 ³ |
| Luis A. Gomes Araujo | Board member | Yes | 22.05.2019 | AGM 2021 | 90% | 0 ⁴ |

*Elected as board member at the AGM in 2019, and then as Chair at the EGM in 2019.

**Participation in Board meetings as from holding Directorship in 2019.

¹ Mrs. Kjøllås holds her shares in the company indirectly through Jawendel AS. In connection with Private Placement in February 2020, additional 296,038 were acquired, resulting in total number of 351,038 shares held through Jawendel AS.

² Mr. Gateman holds his shares in the Company indirectly through Geo Innova AS. In connection with Private Placement in February 2020, additional 1,176,470 were acquired, resulting in total number of 5,814,852 shares held through Geo Innova AS.

³ On 14 February 2020, Mrs. Durkin acquired 78,892 shares in the company.

⁴ On 14 February 2020, Mr. Araujo acquired 45,000 shares in the company.

⁵ On 21 February 2020, Mrs. Bachman acquired 50,000 shares in the company.

⁶ On 25 February 2020, Mr. Endresen acquired 40,000 shares in the company.

The Board continuously evaluates conflict of interest and its members independence in each resolution. One of the Board members is hired as an executive consultant and is also the tenth largest shareholder in the Company with ownership of 2.50 percent of the outstanding shares as per year-end 2019.

9. The work of the Board of Directors

Pursuant to the Norwegian Public Companies Act, the Board is responsible for the over-all management of the Company and shall supervise the Company's day-to-day management and its business activities in general.

In addition to legal requirements, the Board has adopted supplementary rules of procedures, which provides further regulation on inter alia the responsibilities of the Board, administrative procedures, quorum requirements, disqualification issues, meeting procedures, the division of work between the Board and the CEO, and confidentiality.

The Board meets several times over the year. The meetings include reviews and discussions related to the Company's strategy, financial development, risk profile and other matters of extraordinary nature or of major importance to the Company. During 2019, the Board held 18 meetings. The working methods for the Board are subject to open discussion.

Between meetings, the Chairman and CEO update the other board members on current matters. Each Board meeting includes a briefing by the CEO followed by a Q&A session. The Board has adopted an annual plan which focuses on the strategic goals of the Group. The Board has also established guidelines for the executive management with a clear division of responsibilities.

In cases where the Chairman of the Board is or has been actively involved, another member of the Board will be asked to lead the discussions.

The Board has adopted guidelines for notification by board members and executive management if they have any material direct or indirect interest in any transaction entered by the Company. This also includes that if one of the board members' interest in a matter does not disqualify him or her from considering the matter, the Company may need to take the individual's interest into consideration when considering the item.

Once per year, the Board conducts an assessment of its performance and expertise, which is presented to the nomination committee. The assessment includes the work of the board, the

work of its committees and the contribution made by the various board members.

Board committees

Audit and risk committee

The Company's audit and risk committee is governed by the Norwegian Public Companies Act and a separate instruction adopted by the Board. The audit and risk committee shall consist of minimum two board members. Board members who are also members of the executive management cannot be members of the audit committee. As at 31 December 2019, the audit and risk committee consisted of board members Wenche Kjøllås (Chair), Edvin Endresen and Bettina Bachmann, all three considered independent of the executive management.

The main tasks of the audit and risk committee are to;

- (i) review management's risk assessment and internal control, as well as annual budget process
- (ii) oversee corporate reporting, and act as a preparatory organ for the Board on interim and annual financial reporting processes
- (iii) review the external audit process, hereunder maintain ongoing contact with the Company's auditor regarding the audit of the annual accounts and ensure the company has an adequate internal control and risk management, as well as assess and monitor the auditor's independence and potential conflicts of interests and; prepare audit committee reporting to the Board after each meeting and report any circumstances with material impact on the company's financial and/or operational situation. The committee is also responsible for reviewing and updating its instructions and evaluate the individual and joint work of the committee.
- (iv)

The audit committee shall have a minimum of five meetings each year, coordinated with the Company's financial reporting schedule. The audit and risk committee held 6 meetings in 2019.

Compensation and talent committee

The Company's compensation and talent committee is governed by a separate instruction adopted by the Board. The members of the committee are appointed by and among the members of the Board and shall be independent of the Company's executive management. As at 31 December 2019, the compensation and talent committee consisted of Wenche Kjølås (Chair), Luis Araujo and Angela Durkin.

The primary purpose of the compensation and talent committee is to assist and facilitate the decision-making of the Board in matters related to remuneration of the executive management, review recruitment policies, career and succession planning and management development plans, and prepare matters relating to other material employment issues with respect to the executive management.

10. Risk management and internal control

The Board, together with the executive management, evaluates the risks related to the Group's operations on a continuous basis. Key risk factors relate to current operations as well as construction of the Group's proprietary system, obtaining contractual counterparties, retaining key staff and general financial risks. In addition, risks inherent in the business plan are monitored: commodity prices, exchange rates, competition, the political and regulatory environment, counterparty performance, and the potential growth of the business and the application of new technology.

Each year, as a minimum, the Board will conduct a thorough assessment of the Company's most important areas of exposure to risk. The annual review is carried out together with the Board's review of the annual accounts, and the Company's auditor is expected to attend this meeting.

The Board, through its work with the financial department and the annual audit process, ensures that the Group has reliable internal control and systems for risk management. The Company's Code of Conduct sets the standard for the behaviour which can be expected internally and externally by anyone employed by or associated with Magseis Fairfield and includes guidance on

how to report any concerns related to illegal or unethical conduct.

Magseis Fairfield prepares its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS), which are intended to give a true and fair view of the company's and the group's assets, liabilities, financial position and results of operations. The Board is presented with and approves the annual budget/forecast at the end of the preceding financial year or in the beginning of the commencing financial year. Thereafter, the Board is presented with regular updates and reports identifying material variations from the approved budget/forecast. Explanations are obtained for material variances. The Board also approves interim financial statements on a quarterly basis, based on a review together with the executive management.

11. Remuneration of the Board of Directors

The remuneration of the Board is decided by the general meeting, based on a recommendation from the nomination committee. The proposal from the nomination committee is submitted to the Company's shareholders together with the notice for the AGM.

The remuneration of the Board reflects the responsibility and competence of the Directors, as well as the time spent and complexity of the business of the Group. Board members who participate in Board committees receive additional compensation for this. The remuneration is not linked to the Company's performance and does not contain any share options. Detailed information on the remuneration of the Board members is specified in note 31 in the annual report.

Board members and/or companies with which they are associated should not take on other assignments than the directorship for the Company, in order to maintain independent. However, if they do, this shall be disclosed to the full board and remuneration for such additional duties will be approved by the Board.

12. Remuneration of the executive personnel

The Board has prepared a policy with key principles for remuneration of the CEO and executive management.

The components of the remuneration of senior executives includes a base salary, variable bonus, participation in share programs and pension schemes. The total remuneration shall ensure that Magseis Fairfield attracts, motivates, retains and rewards senior executives with desired skills and experience, as well as ensures alignment with the long-term interests of the Company's shareholders.

In 2012 Magseis established a share option programme for executive management and key personnel. In 2018 the share option programme was replaced with Restricted Stock Unit (RSU) and Performance Stock Unit (PSU) programs, but the share option programme will roll until it is finished as per 1 March 2021. The various share programs are intended to incentivise performance and are based on quantifiable factors over which the employee in question has influence. The performance related remuneration is subject to an absolute limit. Details on the share option programme and the RSU and PSU programs can be found in the AGM notice document for 2019, as well as in the annual report.

The Board's statement on remuneration principles for senior executives was presented to and adopted by the AGM in 2019. The statement was presented for a consultative vote, except for the part regarding guidelines for share-based incentives which were subject to a separate vote.

13. Information and communications

Communication with shareholders, investors and analysts is a high priority for Magseis Fairfield. The Company believes that objective and timely information to the market is a prerequisite for a fair valuation of the Group, and in turn, the generation of shareholder value.

The Board has adopted an investor relations policy, to clarify roles and responsibilities related to financial reporting and regulate contact with shareholders and the investor market. The policy is

based on openness and considers equal treatment of all market participants. The CEO and the CFO are responsible for investor and shareholder relations outside general meetings. As a rule, no such communication shall be conducted within a two-week period prior to the disclosure of the interim reporting. In addition, the Board has adopted instructions pertaining to the handling of inside information, in which the company's obligations and procedures as a stock exchange listed company are explained.

Interim reports are provided on a quarterly basis, in accordance with the Oslo stock exchange's recommendation. Magseis Fairfield provides presentations in connection with the company's interim reports, to provide an overview of the operational and financial developments, market outlook and the company's prospects. All information distributed to the Company's shareholders will be provided in English and published on the Company's webpage (www.magseisfairfield.com) at the same time as it is sent to the shareholders.

14. Take-overs

Magseis Fairfield's articles of association do not contain any restrictions, limitations or defence mechanisms against take-over bids, nor have other measures been implemented to hinder the acquisition of shares in the Company.

In accordance with the Securities Trading Act and the Code, the Board has adopted guidelines for how it shall act in the event of a takeover bid. In the event of an offer, the Board shall ensure that the company's shareholders are treated equally, and that the company's activities are not unnecessarily interrupted. Furthermore, the Board will not seek to hinder or obstruct takeover bids for Magseis' 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 will only be entered into where the Board believes it is in the common interest of the Company and its shareholders. Any transaction that is in effect a disposal of the Company's activities should be decided by the general meeting.

Information about agreements entered into between the Company and the bidder that are material to the market's evaluation of the bid will be publicly disclosed no later than at the same

time as the announcement that the bid will be made is published.

If an offer is made for the shares of Magseis Fairfield, the Board will make a recommendation on whether the shareholders should accept the offer or not. The Board may arrange for a valuation from an independent expert.

15. Auditor

The Company's statutory auditor is Deloitte AS. The auditor is appointed by the general meeting and is regarded as independent of the Company. The Board will from time to time evaluate the audit arrangement for the Company.

The Board requires that the auditor participates in meetings of the audit and risk committee and in meetings of the Board that deal with the annual accounts. The auditor shall present to the Board a report outlining the audit activities in the previous fiscal year and highlight the areas that caused the most attention or discussions with management,

together with a plan for the work related to the Group's audit. In connection with the annual audit, the Board also requires the auditor to review the Company's internal control procedure, including weaknesses identified and proposals for improvement. At least once per year, the Board meets with the Company's auditor without any members of the executive management present.

The Board has established guidelines for the use of the auditor by the executive management for services other than the audit, in order to prevent any potential conflicts of interest and not put the auditor's integrity and independence at risk.

The remuneration of the auditor is approved by the AGM. The Board will inform the general meeting about the fees paid to the auditor for services other than the annual audit and the details are given in notes to the annual report. For more information about remuneration to the auditor, see note 8 in the 2019 financial statements.