



REPORT OF THE CHAIRMAN ON BOARD OF DIRECTORS' COMPOSITION, PREPARATION AND ORGANIZATION OF THE BOARD OF DIRECTORS' WORK, ON INTERNAL CONTROL AND RISK MANAGEMENT

CGG

**A French Public Limited Company with registered capital of € 70,826,076
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In accordance with article L.225-37 of the French commercial code, the purpose of this document is to report on the composition, the conditions of preparation and organization of the meeting of the Board of Directors, on the limitations of the authority of the management as well as the internal control and risk management procedures put in place within CGG (hereinafter referred to as "the Company") and its consolidated subsidiaries (hereinafter collectively referred to as the "Group"). The Board of Directors approved this report in its session of February 25, 2015.

This report informs shareholders of the oversight assured by General Management and the Board of Directors of the activities of the Company. Such oversight involves assuring:

- on the one hand, that acts of management and transactions and the behavior of personnel adhere to guidelines established by corporate governance bodies, applicable laws and regulations, standards, and internal rules and procedures of the Company;
- on the other hand, that the accounting, finance and management information, provided to corporate governance bodies offers a reliable and sincere presentation of the activity and situation of the Company and the consolidated group.

One of the objectives is to anticipate and manage risks resulting from the activity of the Company and risks of errors or fraud, particularly in accounting and finance.

However, as with all control systems, there is no absolute guarantee that such risks can be entirely eliminated.

In accordance with article L. 225-37 of the French commercial code, this report is divided into three sections:

- Board of Directors' composition and preparation and organization of the Board of Directors' work (I),
- limitations imposed on Management authority (II),
- procedures of internal control and risk management implemented by the Company (III).

I. Board of Directors' composition and preparation and organization of the Board of Directors 'work
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I.1. Code of corporate governance applied by the Company:

The Company complies with the AFEP-MEDEF code of corporate governance for listed companies (the "AFEP-MEDEF Code"). This code is available on the website of the MEDEF (www.medef.fr).

However, with respect to the supplementary pension plan¹, the Company applies an exception to the provisions of the AFEP-MEDEF Code, according to which in some particular circumstances (in the event of the death, incapacity or dismissal of the beneficiary, except in case of gross or serious misconduct, after reaching the age of 55 and not followed by any other professional activity) a senior executive officer may still benefit from the supplementary pension plan in effect even though he is no longer an employee of the Group. Taking into consideration circular no. 105/2004 issued by the French Social Security Department on March 8, 2004, these exceptions are maintained with regard to the following elements:

- the current supplementary pension plan may continue to apply on a uniform and identical basis to all the other executive officers also benefiting from this plan without further consequences; and
- given the seniority of certain beneficiaries of this plan and in light of their service over the years, it would be unjustified for them to lose the benefit of the pension commitments made by the Company solely because of a departure arising under very special circumstances (death, disability) or occurring shortly before retirement, making it difficult to find further employment (dismissal without gross and serious misconduct, after the age of 55, not followed by any other professional activity).

I.2. Composition of the Board of Directors as of the date of the present report:

Name	Age	Positions	Initially appointed	Director's term expires
Mr. Rémi DORVAL ⁽²⁾ <i>(independent director)</i> Nationality: French	63	Chairman of the Board	March 8, 2005	2018 General Meeting
Mr. Jean-Georges MALCOR Nationality: French	58	Chief Executive Officer ^(**) and director ^(*)	May 4, 2011	2015 General Meeting
Mr. Olivier APPERT ⁽¹⁾⁽²⁾ Nationality: French	65	Director	May 15, 2003	2016 General Meeting
Mr. Loren CARROLL ⁽¹⁾ <i>(independent director)</i> Nationality: American	71	Director	January 12, 2007	2017 General Meeting
Jean-Yves GILET ^{(2)(3)(***)} Nationality: French	58	Director	July 31, 2014	2016 General Meeting
Ms. Agnès LEMARCHAND ⁽¹⁾⁽³⁾ <i>(independent director)</i> Nationality: French	60	Director	September 21, 2012	2017 General Meeting

⁽¹⁾ Member of the Audit Committee

⁽²⁾ Member of the Technology/Strategy Committee

⁽³⁾ Member of the Appointment & Remuneration Committee

⁽⁴⁾ Member of the HSE/Sustainable Development Committee

^(*) The renewal of this office will be submitted to the approval of general meeting of May 29, 2015

^(**) The term of office was renewed by the Board of Directors on March 26, 2014 for a three-year period effective June 4, 2014

^(***) The ratification of the cooptation of Mr. Gilet will be submitted to the general meeting of May 29, 2015.

¹ This plan has been closed to new members since July 1, 2014.

Name	Age	Positions	Initially appointed	Director's term expires
Ms. Gilberte LOMBARD ⁽¹⁾⁽⁴⁾ (*) <i>(independent director)</i> Nationality: French	70	Director	May 4, 2011	2015 General Meeting
Ms. Hilde MYRBERG ^{(1)(3)(*)} (independent director) Nationality: Norwegian	57	Director	May 4, 2011	2015 General Meeting
Mr. Robert F. SEMMENS ⁽²⁾⁽³⁾ (*) Nationality: American	57	Director	December 13, 1999	2015 General Meeting
Ms. Kathleen SENDALL ⁽³⁾⁽⁴⁾ (independent director) Nationality: Canadian	61	Director	May 5, 2010	2018 General Meeting
Mr. Daniel VALOT ⁽⁴⁾ Nationality: French	70	Director	March 14, 2001	2016 General Meeting
Mr. Terence YOUNG ⁽²⁾⁽⁴⁾ (independent director) Nationality: American	68	Director	January 12, 2007	2017 General Meeting

⁽¹⁾ Member of the Audit Committee

⁽²⁾ Member of the Technology/Strategy Committee

⁽³⁾ Member of the Appointment & Remuneration Committee

⁽⁴⁾ Member of the HSE/Sustainable Development Committee

^(*) The renewal of this office will be submitted to the approval of general meeting of May 29, 2015

^(**) The term of office was renewed by the Board of Directors on March 26, 2014 for a three-year period effective June 4, 2014

The positions held by the members of the Board of Directors in other companies are provided in paragraph of the in the management report (item 6 – Board of Directors – of our annual report on form 20-F). The allocation rules of directors' fees and the amount paid to each director for 2014 are set forth in the management report (item 6 – Directors' compensation – of our annual report on form 20-F).

Independent directors:

The Appointment-Remuneration Committee and the Board review the qualification of the directors as independent on an annual basis before release of the annual reports.

In accordance with Article 9.1 of the AFEP-MEDEF Code, the Board of Directors considers that a director is independent when he or she has no relationship of any kind whatsoever with the company, its group or its management that may impair his or her freedom of judgment. The Appointment-Remuneration Committee and the Board of Directors rely on the criteria set out by the AFEP-MEDEF Code to assess the independence of each director. These criteria are the following:

- not to be an employee or an executive director of the corporation, or an employee or director of its parent or a company that it consolidates, and not having been in such a position for the previous five years;

- not to be an executive director of a company in which the corporation holds a directorship, directly or indirectly, or in which an employee appointed as such or an executive director of the corporation (currently in office or having held such office going back five years) is a director;
- not to be a customer, supplier, investment banker or commercial banker:
 - that is material for the corporation or its group;
 - or for a significant part of whose business the corporation or its group accounts ;
- not to be related by close family ties to an executive director ;
- not to have been an auditor of the corporation within the past five years ;
- not to have been a director of the corporation for more than twelve years;
- not to represent a significant shareholder of the company holding more than 10% of the voting rights)

As part of its review, and as an exception to the AFEP-MEDEF Code, the Appointment-Remuneration Committee and the Board of Directors estimated that the fact that Messrs. Loren Carroll and Rémi Dorval had been members of the Supervisory Board of CGG Holding B.V., a wholly-owned subsidiary of the Company, until September 1, 2010, does not impair their independence.

With regard to the criterion relating to business relations, the Appointment-Remuneration Committee and the Board of Directors confirmed that, to the best of their knowledge, there was no existing business relationship between the directors and the company or its group.

Finally, the Appointment-Remuneration Committee and the Board of Directors also confirmed that Mr. Remi Dorval, who qualified as independent before his appointment as Chairman of the Board, continued to meet all of the criteria set out by the AFEP-MEDEF Code.

In its meeting held on February 25, 2015, the Board therefore confirmed that seven out of the twelve directors who were sitting on the Board at that time qualified as independent (i.e. half of the Board members, which is compliant with the recommendation of the AFEP-MEDEF Code²) : Mrs. Agnès Lemarchand, Mrs. Gilberte Lombard, Mrs. Hilde Myrberg and Mrs. Kathleen Sendall and Messrs. Loren Carroll, Rémi Dorval, and Terence Young.

Update on the Company's application of the principle of a balanced representation of men and women on the board of directors:

Pursuant to a law dated January 27, 2011 and the AFEP-MEDEF Code, the Board of Directors has taken the initiative to better balance the women and men representation in the Board. As of the date of the present report, with four women on the board out of twelve directors, the number of women in the Board is exceeding 30%.

I.3. Activity of the Board of Directors:

1. Role of the Board of Directors:

Pursuant to article L.225-35 of the French commercial code, the Board lays down the guidelines governing the Company's activity and sees to their application. Subject to the powers explicitly

² The AFEP-MEDEF Code recommends that independent directors should account for half the members of the Board of Directors in widely-held corporations without controlling shareholders.

assigned to the shareholders' meetings and within the limits of the business purpose, it considers any question affecting the proper operation of the company and it settles the matters concerning it.

2. Preparation of meetings:

The operating procedure of the Board is governed by internal rules and regulations (hereafter the "Internal rules and regulations of the Board of Directors") which are available on the Company's website (www.cgg.com). Their main provisions are summarized below.

Information to be provided to Directors:

In preparation of every Board meeting, the Board's Secretary sends documentation to the Directors containing all useful information on each of the points appearing on the meeting agenda. This documentation is generally uploaded on the secured website of the Board of Directors and its committees to enable the directors to review it before the meeting.

Furthermore, Directors are kept informed and consulted by the Chief Executive Officer between Board meetings about all events or operations of importance to the Company.

A draft version of press releases related to quarterly, semiannual and annual financial statements and all events or operations of importance for the Company are sent to Directors sufficiently in advance of their publication so they can transmit their comments to the general management. Other press releases are systematically sent to them at the same time they are published by the Company.

In general, the Chairman of the Board ensures that Directors are able to fulfill their duties. For this purpose, he assures that each of them receives the documents and information necessary to perform their duties. In addition, Board members usually meet for a two-day annual strategic seminar generally held close to one of our operational sites. The agenda of this seminar is determined by the Chief Executive Officer, in close cooperation with the Chairman of the Board and the Chairman of each Board Committee.

3. Board meetings:

At every meeting, the Board is informed of the evolution of the operating and financial performance of the main segments of the Group since the last meeting.

This information per segment is supplemented by a particular review of the consolidated financial situation of the Group in terms of debt, cash flow and financial resources available available on a short-term basis and in the light of forecasts.

All transactions with a material impact on the strategy of the Group such as acquisitions, partnerships, disposals or strategic investments are subject to the prior authorization of the Board after the Technology/Strategic Committee has issued its recommendation. The Board is regularly informed on the progress of the transaction in question.

The Board of Directors meets at least four times per year in the presence of the statutory auditors and whenever circumstances so require.

Pursuant to the Internal Rules and Regulations of the Board of Directors, Directors may participate in Board proceedings through videoconferences or telephone conferencing provided such

telecommunication means permit the identification of participants and allow them to effectively participate to the meeting in the conditions set forth in article L.225-37 of the French commercial code. They are in such cases counted as present for the calculation of the quorum and majority in accordance with the rules of the Board of Directors. However, pursuant to law the said procedure may not be used in connection with the following decisions:

- establishment of the annual financial statements and of the management report;
- establishment of the consolidated financial statements and of the report on the management of the Group, if that is not included in the annual management report.

In addition, pursuant to the internal rules and regulations of the Board of Directors, this restriction also applies to decisions relating to the establishment of the half-year financial statements and related Board report.

4. Rules applicable to Directors:

Duty of expression:

Each Director has a duty to clearly express his or her opinions and shall endeavour to convince the Board of the relevance of his or her position.

Diligence:

Each Director must devote the necessary time, care, attention to his or her duties. Before accepting any new position or office, he or she must consider whether he or she will still be able to fulfil this obligation. Unless he or she is genuinely unable to do so, he or she must attend all meetings of the Board of Directors and of any committees of which he or she is a member, and all general meetings of shareholders.

Conflicts of interest:

Each Director must inform the Board about any conflict of interest situation, even potential, that may involve him/her because of the duties he/she may hold in other companies.

In such a case, the director shall abstain from taking part in voting on the related resolution.

Share ownership:

Since March 26, 2014, the Board's internal regulations provide that each director is required to own at least 5,000 of our shares. Current directors have been given two years to comply with this new requirement.

Rules applicable to transactions carried on Company's shares by Directors:

The Directors may be led to hold information relative to the Company that has come to their attention because of their position as director and which, if made public, might have an appreciable effect on the Company's share price. The significant character of a piece of information is normally related to the influence it may have on the financial results of the listed Company. A significant piece of information can relate to operating revenues, financial or budgetary estimates, investments, acquisitions or divestments, main discoveries, stops of important manufacturing units, launching or

withdrawal of products, significant changes in shareholding or management, transactions affecting the capital, the dividend, the appearance or the settlement of a dispute, etc.

In such a case, the internal regulations provide that the directors must refrain:

- from exploiting such information in their own behalf or in behalf of others, directly or through an intermediary, by purchasing or selling the Company's securities or financial products connected with the said issue;
- from communicating the said information for purposes other than and for an activity other than the one in connection with which it is held.

In addition to the above, Directors must abstain from carrying-out any transaction on the Company's shares, of whatever nature, during the 30-calendar days preceding the publication of quarterly, semiannual or annual results and until the day after the publication date. Such publications occur the last week of February, mid-May, the last week of July and mid-November.

In case of doubt, the Directors are invited to contact the Group Chief Financial Officer.

Pursuant to the provisions of the general regulation of the *Autorité des Marchés Financiers*, the Directors must notify directly to the *Autorité des Marchés Financiers* any transactions that they may carry out on the Company's shares, within 5 trading days as from the date on which they carried out such transactions. The obligation to notify such transactions is the direct responsibility of each Director.

Activity of the Board of Directors in 2014:

In 2014, the Board of Directors of the Company met twelve times. The average attendance rate of directors at these meetings was 83.80 %.

Statutory, consolidated and interim financial statements – Annual Shareholders' meeting :

The Board, among others, approved the Company's annual financial statements and the 2013 consolidated annual financial statements and reviewed the interim quarterly and half-year results for fiscal year 2014 and the 2014 forecasts and the 2015 pre-budget. The Board also convened the General meeting of shareholders held in June 2014 and approved the reports and resolutions to be submitted to shareholders' approval.

Governance :

The Board approved the modification of the composition of some committees of the Board and modified its internal rules and regulations accordingly. The Board reviewed the qualification of Directors as independent and modified the allocation rules of directors' fees. The Board also decided to maintain the split of the functions of Chairman of the Board and Chief Executive Officer, approved the appointment of the Chairman of the Board, the renewal of the term of office of the Chief Executive Officer and of its letter of protection.

Compensation :

The Board approved the compensation components of the senior executive officers for fiscal year 2014. The Board also decided to implement (i) a stock-options plan for certain employees of the Group and a specific plan for the members of the Corporate Committee (including the Chief Executive Officer and the two Corporate Officers), subject to performance conditions, and (ii) a performance units plan for certain employees of the Group members of the Corporate Committee (including the Chief Executive Officer and the two Corporate Officers), the allocation being subject to performance conditions.

The Board also determined that the performance conditions set out in the performance share plan dated June 26, 2012, in the stock option plan dated March 24, 2011 applicable to the senior executive officers (3rd batch) and in the stock option plan dated June 26, 2012 applicable to the senior executive officers and the Executive committee members (1st batch) were partially met.

Financial and strategic transactions :

The Board approved the strategic orientations of the group for 2014 and replied to the opinion issued by the works council on said orientations further to the information and consultation process of said council.

The Board also approved the contribution of the land contractual acquisition activity in North America to Geokinetics.

The Board also approved the following financial transactions:

- high yield bond denominated in euros for € 400 million ;
- high yield bond denominated in US\$ for US\$500 million ; repurchase of the 2016 bonds convertible into and/or exchangeable for new of existing shares ;
- amendments to the French and US credit facility agreements ;
- amendment and extension of its Nordea credit facility with a pool of lenders under the leadership of Nordea.

Finally, the Board also very thoroughly expertized and analysed the unsolicited approach by Technip on November 10, 2014 and subsequently the alternative solutions contemplated in lieu of the Technip pre-offer.

In this perspective, the Board organized a special committee composed of certain board members. This committee has been the day to day interlocutor of the general management and the board on all questions relating to the Technip offer. In this scope, the Committee reviewed the propositions made by the general management and assisted the Board in its assessment of the strategy to adopt vis a vis the Technip offer. It also participated to the evaluation of possible alternative solutions to the combination project with Technip in the scope of the orientations set by the Board.

Appraisal of the operation of the Board and its committees:

The Board of Directors organizes an annual appraisal of its operation and of its Committees'. It is a self-appraisal analyzed by an outside consultant and completed every three year by a more in-depth appraisal which includes individual interviews of each director with the outside consultant. The last full appraisal was performed in 2011.

In 2014, and the appraisal was completed by individual interviews of the Chairman of the Board, the Chief Executive Officer and the Chairman of each committee with the outside consultant.

The Directors have globally favorably assessed the way the Board and its committees operate. They underlined their satisfaction with the governance of the Group and the quality of the communication between the general management and the Board. They insisted on the quality of the discussions and work of the Board and indicated that they were satisfied with the way the Chairman was leading the Board's works and conducting its discussions.

They confirmed that, in 2014, they were able to deepen their review of the Group strategy whose long-term objectives are now well set. They indicated their wish to go deeper into their review of the group technology and services offer as well as its management of risks. Besides, with respect to human resources, they want to spend more time on the succession planning review. Finally, regarding the documentation package sent to them prior to each meeting, they have expressed the wish that presentations be more concise.

1.4. Committees established by the Board of Directors:

The Internal rules and regulations of the Board of Directors define the composition, duties and operating procedures of the Board committees. The Audit Committee and the Appointment and Remuneration Committee have their own charter. They are appended to the Internal Rules and Regulations of the Board of Directors and are available on the Company's website (www.cgg.com).

1.4.1. Appointment-Remuneration Committee:

a) Responsibilities:

The responsibilities of this Committee in terms of propositions and/or recommendations to be made to the Board of Directors relate to:

1. the compensation to be paid to the senior executive officers ("*mandataires sociaux*") to be appointed from time to time, including the procedures for setting the variable part thereof and the grant of possible benefits in kind;
2. all provisions relative to the retirement of the senior executive officers considered as "*mandataires sociaux*";
3. for the "*mandataires sociaux*", the deferred elements of the compensation packages (pension, severance payment) to be submitted to the shareholders' annual meeting;
4. the evaluation of financial consequences on the Company's financial statements of all compensation elements for *mandataires sociaux*;
5. the contracts between the Company and a "*mandataire social*";
6. the possible candidacies for filling Director's positions, positions as senior executive officer considered as "*mandataire social*" or positions as a member of a Board Committee.
7. the periodical review of the independence of Board members;
8. the Directors' fees level and their allocation rules;
9. the realization of capital increases reserved for the employees; and
10. the installation of cash and/or share compensation plans.

In addition to the assignments here above described, this Committee is also in charge of:

1. examining compensation of the Corporate Committee ("C-Com") members and its evolution;
2. carrying out performance evaluation of the Board and its Committees;
3. carrying out performance evaluation of the Chairman of the Board and the Chief Executive Officer;
4. reviewing the succession planning process of C-Com members;
5. ensuring compliance of compensation and benefits policies with all applicable regulations;
6. reviewing the compensation data and other related information to be publicly disclosed by the Company in its annual reports and any other reports to be issued pursuant to applicable laws and regulations; and
7. approving the policy and process of verifying and reimbursing expenses of the Directors and the senior executive officers ("*mandataires sociaux*").

The Committee may also consider any question submitted to it by the Chairman in connection with one of the matters mentioned above.

The work of the Committee is recorded in its minutes. The Committee reports to the Board on its proceedings after each meeting.

b) Composition:

As of the date of this report, the members of the Committee are as follows:

Hilde Myrberg (Chairman)^(*)
Jean-Yves Gilet
Robert Semmens
Agnès Lemarchand ^(*)
Kathleen Sendall ^(*)

^(*) independent director

In compliance with the AFEP-MEDEF Code, this Committee is composed of a majority of independent Directors. The Chairman of the Board and the Chief Executive Officer are involved in the work of the committee relating to the appointment of directors.

c) Activity:

In 2014, this Committee met six times. The average meeting attendance rate was 93.30 %.

During these meetings, the Committee examined, inter alia, (i) the remuneration of the Chairman of the Board, of the Chief Executive Officer and of the Corporate Officers ("*Directeurs Généraux Délégués*") and their 2014 objectives, (ii) the compensation of the other members of the C-Com, (iii) the amount of the Directors' fees and their allocation rules, (iv) the implementation of the new LTI program³, (v) the report on the qualification of Directors as independent prior to its submission to the Board of Directors, (vi) the paragraphs in the annual reports' (including the management report,

³ The description of the stock-option and performance unit plans implemented in 2014 are set forth in item 9.2. of the "2014 Additional Document" available on our website.

Document de Référence and our annual report on Form 20-F) regarding the compensation of the *mandataires sociaux*, (vii) the 2014 bonus plans, (viii) the succession planning of E-Com and M-Com members, (ix) the implementation of the evaluation process for the Board, the Chairman and the Chief Executive Officer, (ix) the composition of Board Committees.

Principles and rules to determine the remuneration of the executive officers:

Pursuant to article L. 225-37 of the French commercial code, it is specified that the compensation of the Chief Executive Officer and the Corporate Officers are determined by the Board of Directors upon proposal of the Appointment-Remuneration Committee in accordance with the principles and rules set out below.

The positioning of the compensation of the Chief Executive Officer and the Corporate Officers of the company is regularly reviewed against the company sector and comparable compensation markets on the basis of studies carried out by specialized external firms.

The Board of Directors and the Appointment-Remuneration Committee pay particular attention to ensure that the compensation policy applied is linked to the performance of the company and focuses on creating long-term value as well as achievement of individual objectives. Consequently, an important weight of the structure of their compensation is focused on the variable part of the compensation package, both short term and long term, whereas a lower weight is assigned to the fixed part compared to market practices.

Such aggregate compensation includes a fixed element and a bonus and benefits in kind (company car). The bonus for a given fiscal year is determined and paid during the first semester of the following fiscal year. The target amount of the short term variable incentive (the target being paid when 100 % of the financial and individual objectives are achieved) applied to the Chief Executive Officer and the Corporate Officers is expressed as a percentage of the fixed part of the compensation. It is equal to 100% of the fixed salary for the Chief Executive Officer and to 75% of the fixed salary for both Corporate Officers.

Finally, in case of financial overachievement, the allocation of short term variable incentive may involve:

- the financial criteria for a maximum of 133.3 % of the fixed salary for the Chief Executive Officer and of 100 % of the fixed salary for the Corporate Officers, and
- the individual criteria for a maximum of 66.6 % of the fixed salary for the Chief Executive Officer and of 50 % of the fixed salary for the Corporate Officers.

For fiscal year 2014, this variable part of the remuneration of:

- Jean-Georges Malcor, Chief Executive Officer, is based on the achievement of individual objectives (representing one third of the variable compensation) and financial objectives (representing two-thirds of the variable compensation). His individual objectives relate to Group governance, the implementation of the Group restructuring plan, shareholders and financial market our promotion and development in the industry, operational performance and human resources. The financial objectives are related to net earnings per share (25% weighting), Group free cash flow (15% weighting), Group external revenues (20% weighting), Group EBIT (20% weighting) and EBITDAS minus tangible and intangible investments made in the course of the fiscal year (20% weighting). His target amount was set as 100% of his fixed compensation.

- Stéphane-Paul Frydman, Corporate Officer, is based on the achievement of individual objectives (representing one third of the variable compensation) and financial objectives (representing two-thirds of the variable compensation). His individual objectives relate to Group governance, internal control, management of our financial resources, relations with investors and the financial market as a whole, strategy and management of our capital employed and human resources. The financial objectives are related to net earnings per share (25% weighting), Group free cash flow (15% weighting), EBITDAS minus tangible and intangible investments made in the course of the fiscal year (20% weighting), Group external revenues (20% weighting) and Group EBIT (20% weighting). His target amount was set as 75% of his fixed compensation.
- Pascal Rouiller, Corporate Officer, is based on the achievement of individual objectives (representing one third of the variable compensation) and financial objectives (representing two-thirds of the variable compensation). His individual objectives relate to HSE, our Group performance plan, technology, strategic development of the Equipment Division and human resources. The financial objectives are related to net earnings per share (25% weighting), Group free cash flow (15% weighting), Group EBITA minus tangible and intangible investments made during the fiscal year (10% weighting), Equipment EBITDAS minus tangible and intangible investments made during the fiscal year (10% weighting), Equipment Division production (20% weighting), Group EBIT (10% weighting) and Equipment Division EBIT (10% weighting). His target amount was set as 75% of his fixed compensation.

A detailed description of the compensations paid in 2014 to the senior executive officers are set forth in the management report (item 6 – Compensation – of our annual report on form 20-F). Information relating to deferred severance indemnity and supplementary retirement plan are also included.

1.4.2. Technology/Strategy Committee:

Until July 31, 2014, the Board had a Strategic Planning committee and a Technology committee.

The responsibilities of the Strategic Planning committee included the study of the business plans and budgets, the strategic options for the Company, the organic development, and projects related to financial transactions. During 2014, the Strategic Planning committee met four times. The average attendance rate of committee members was 100 %. During its meetings, the committee was mainly consulted on the preparation and implementation of the 2014-2016 strategic plan of the Group, and on the associated cost reduction plan.

The Technology committee was responsible for assisting the Board in reviewing the technology offer from competitors and other oil service companies, the Group's development strategy in reservoir imaging including seismic and opportunities in other oilfield services and products, the main development programs in services and equipment, research and development budgets, and the protection of intellectual property. During 2014, the Technology committee met once. The attendance rate of committee members was 100 %. During its meeting, the committee reviewed the latest technological developments of the Group divisions, and certain specific technological projects.

Since July 31, 2014, the Technology and Strategy committees have been combined in a single Committee called Technology/Strategy committee. This committee will meet twice a year at least and its responsibilities will relate to :

- The company's strategic options and orientations in relation to technology, markets and business,

- The technologic development strategy in the various business of the Group,
- The broad lines of the Group's budget,
- The intellectual property protection policy,
- The main R&D programs,
- The strategic M&A transactions,
- The company's organic development,
- The projects related to financial transactions,
- The major investment transactions or disposal of assets.

As of the date of this report, the members of the Committee are as follows:

Rémi Dorval^(*) (Chairman)
 Olivier Appert
 Jean-Yves Gilet
 Robert Semmens
 Terence Young^(*)

^(*) independent director

During 2014, this committee met once. The attendance rate of Committee members in this meeting was 100 %. During this meeting, the Committee was presented an update on the current technological projects within the Acquisition division and reviewed the various businesses and portfolio of services currently existing within the GGR division.

1.4.3. HSE/Sustainable Development Committee:

a) Responsibilities:

The Committee's assignments are the following:

- Support General Management in developing a strategic approach to Health, Safety, Security and Environment ("HSE") & Sustainable Development ("SD"). Determine the main axes for the improvement of HSE performance on an ongoing basis. Encourage, assist and counsel General Management in maintaining and improving HSE & SD performance.
- Monitor the performance of CGG's HSE & SD systems and programs, and at the Committee's discretion, recommend any changes to the Board.
- Review CGG HSE & SD performance at each regularly scheduled meeting. Benchmark CGG performance against its peers in the industry.
- Review the Group's high rated HSE & SD operational risks and the controls put in place to manage these risks. Review high impact incidents and near misses such as fatalities and HPIs.
- Review the Group's SD programs (principally environmental, social and ethical matters) and provide support and direction concerning the mid-term and long-term direction of CGG efforts in this area.
- Monitor the Group's compliance with applicable laws related to HSE & SD.
- Review the Group's crisis management preparedness. Monitor any major crisis and support the Board and General Management team as necessary in the event of such a crisis.
- Recommend to the Board and to General Management desirable policies and actions from its review and monitoring activity.

The Committee reports to the Board on its proceedings after each meeting, on all matters within its duties and responsibilities.

b) Composition:

As of the date of this report, the members of the Committee are as follows:

Kathleen Sendall ^(*) (Chairman)
Gilberte Lombard ^(*)
Daniel Valot
Terence Young ^(*)

^(*) independent director

c) Activity:

In 2014, the Committee met three times. The attendance rate of Committee members was 83.30 %.

During these meetings, the Committee reviewed the following items: (i) the high potential incidents that occurred in the Land and Marine acquisition divisions as well the Group HSE indicators, (ii) the review of specific risks (helicopter transportation, airborne aviation, risks on flora & fauna), (iii) the HSE good practices implemented within the Group and the actions implemented in terms of sustainable development.

1.4.4. Audit Committee:

a) Responsibilities:

Pursuant to its Charter, the Audit Committee is responsible for assisting the Board of Directors and, as such for preparing its assignments.

In the scope of the duties of the Audit Committee as defined by law, the Audit Committee shall, inter alia:

- a. monitor the financial reporting process;
- b. monitor the effectiveness of the Company's internal control and risk management systems;
- c. monitor the statutory audit of the annual and consolidated accounts;
- d. review and monitor the independence of the statutory auditors.

In this scope, the Committee is specifically in charge of:

- Assignments relating to accounts and financial information:
 - Reviewing and discussing with General Management and the statutory auditors the following items:
 - the consistency and appropriateness of the accounting methods adopted for establishment of the corporate and consolidated financial statements,
 - the consolidation perimeter,
 - the draft annual and consolidated accounts, semi-annual and quarterly consolidated financial statements along with their notes, and especially off-balance sheet arrangements,

- the quality, comprehensiveness, accuracy and sincerity of the financial statements of the Group,
- Hearing the statutory auditors report on their review, including any comments and suggestions they may have made in the scope of their audit.
- Examining the draft press releases related to the Group financial results and proposing any modifications deemed necessary,
- Reviewing the "*Document de Référence*" and the annual report on Form 20-F,
- Raising any financial and accounting question that appears important to it,
- Assignments relating to risk management and internal control:
 - Reviewing with the General Management (i) the Company's policy on risk management, (ii) the analysis made by the Company of its major risks (risk mapping) and (iii) the programs put in place to monitor them,
 - Reviewing with the General Management (i) the role and responsibilities with respect to internal control; (ii) the principles and rules of internal control defined by the Company on its general internal control environment (governance, ethics, delegation of authority, information systems...) and on the key processes (treasury, purchase, closing of the accounts, fixed assets...), (iii) the internal control quality as perceived by the Company and (iv) significant deficiencies, if any, identified by the Company or reported by the external auditors (article L.823-16 of the French commercial code) as well as the corrective actions put into place,
 - Reviewing (i) the Report of the Chairman on Board of Directors' Composition, Preparation and Organization of the Board of Directors' Work, and Internal Control and Risk Management and (ii) the conclusions of the external auditors on this report,
- Assignments relating to internal audit:
 - Reviewing with General Management and the SVP in charge of Internal Audit:
 - the organization and operation of the internal audit,
 - the activities and in particular the missions proposed in the scope of the internal audit plan approved by management and presented to the Committee,
 - results of internal audit reviews,
- Assignments relating to external audit:
 - Reviewing with the statutory auditors their annual audit plan,
 - Hearing, if necessary, the statutory auditors without General Management being present,
 - Monitoring the procedure for selection of the auditors and issuing a recommendation to the Board of Directors on the statutory auditors whose appointment is to be submitted to the shareholders' meeting,
 - Monitoring the independence of the statutory auditors on annual basis,

- Discussing, possibly individually the audit work with the statutory auditors and General Management and reviewing regularly with management the auditors' fees. Within the framework of a procedure that it determines annually, the Committee has sole authority to authorize performance by the auditors and/or by the members of their network of services not directly relating to their auditing mission,
- Other assignments:
 - Reviewing with management and, when appropriate, the external auditors the transactions binding directly or indirectly the Company and its executive officers,
 - Handling, anonymously, any feedback concerning a possible internal control problem or any problem of an accounting and financial nature.

Finally, the General Management of the Company must report to the Committee any suspected fraud of a significant amount so that the Committee may proceed with any verification that it deems appropriate.

The following persons attend the Committee meetings: the Chairman of the Board of Directors, the Chief Executive Officer, the Corporate Officers, the relevant members of the E-Com, the Chief Executive Officer, the Senior Vice President Group Chief Accounting Officer, the auditors, the Senior Vice-President Internal Audit who presents an update on significant missions at least twice a year.

The Audit committee usually meets before each session of the Board of Directors. For practical reasons that are linked to the presence of two directors residing abroad, meetings of the audit committee are held in general on the eve of the Board of Directors. In order that this constraint does not prevent the proper functioning of the Committee, the Chairman of the Board and the Chief Executive Officer ensure that the members of the Committee receive the necessary documents and information sufficiently in advance in order to have sufficient time to be able to review the accounts.

Minutes of each meeting are taken. Furthermore, the Chairman of the Committee reports on its work at every Board of Directors' meeting. This report is recorded in the minutes of the Board of Directors' meeting.

b) Composition:

As of the date of the present report, the members of the Committee are as follows:

Gilberte Lombard (Chairman)^(*)
 Loren Carroll^(*)
 Olivier Appert
 Agnès Lemarchand^(*)
 Hilde Myrberg^(*)

^(*) independent director

Gilberte Lombard was appointed as Financial Expert by the Board of Directors in 2013 pursuant to section 407 of Sarbanes Oxley Act.

Both Ms. Gilberte Lombard and Mr. Loren Carroll qualify as independent members of the Committee with specific competences in financial and accounting matters pursuant to article L.823-19 of the French Commercial Code.

Ms. Gilberte Lombard developed an extensive financial and accounting expertise through the various financial responsibilities she has held within the HSBC Group (previously *Crédit Commercial de France*), where she spent her career. After the privatization of *Credit Commercial de France* (1987), she was the Investor relations officer, in charge of the relation with financial analysts and institutional investors, and coordinated the information policy vis a vis the shareholders of the bank: major shareholders as well as individual shareholders. After *Credit Commercial de France* had been taken over by HSBC (2000), she was appointed as head of the financial transactions (*Directeur des Opérations Financières*) in charge of structuring and implementing sales, acquisitions, mergers for HSBC and managing HSBC industrial and financial portfolio. As part of her assignments, she was appointed as member of the board and the audit committee of several companies of the HSBC group in France. In 1990, she was also appointed secretary of the board and was in charge, in particular, of the relations with the main shareholders of the bank.

Mr. Loren Carroll, through the positions he held over 15 years within Arthur Andersen, developed an extensive accounting and auditing practice, especially for public companies. He then became Chief Financial Officer of Smith International, a supplier of products and services to the oil and gas, petrochemical, and other industrial markets. Within Smith International, he was in charge of investor relations, supervision of financial activities of Public Corporation (NYSE) and merger, acquisitions and strategic development.

Both Ms. Gilberte Lombard and Mr. Loren Carroll are therefore very familiar with the financial and accounting specificities of our industrial sector and those linked to our international activities.

In compliance with the provisions of the AFEP-MEDEF Code, two thirds of the Committee is composed of independent Directors. The Committee has relied upon the report issued by the French *Autorité des Marchés Financiers* on audit committees.

c) Activity:

In 2014, the Committee met nine times with an average attendance rate of committee members of 86.70 %.

During these meetings, the Committee reviewed draft versions of the annual consolidated financial statements for 2013 (and in particular the impairment tests), and the consolidated financial statements for the first quarter, the first semester and the third quarter of 2014. It also reviewed the 2014 forecasts. The Committee also provided to the Board its recommendations concerning these financial statements. The Committee reviewed the Chairman's report on Board of Directors' Composition, Preparation and Organization of the Board of Directors' Work and on Internal Control and Risk Management, the 2013 annual report on Form 20-F and the *Document de Référence*.

The Committee also met with the external auditors without General Management being present. During this meeting, the auditors and the Committee had an overview of the audit work performed for the closing of the 2013 financial statements.

The 2014/2013 risk mapping, before and after mitigation has been presented to the Audit committee. In this scope, the Committee also approved and implemented the annual review plan of the main risks of the Group and of certain specific risks that it determined. In this scope, in particular,

the Committee reviewed the financial information systems and the information security, the Group policy with respect to ethics and the role and missions of the Ethics committee and the progress of the trade compliance action plan.

The Committee also examined the work to be performed by the statutory auditors in the scope of their audit on the 2014 financial statements and approved their fee estimates for this work. The audit reviews are mostly focused on significant risks which may impact the financial statements. In compliance with the Committee's procedures for its prior approval of non-audit services provided by the members of our auditors' network, the Committee reviewed such services performed in 2014 and approved them as necessary.

The Committee reviewed the activities of the internal audit team, which acts according to a plan established by the E-Com and submitted to the Committee. This plan is established in light of perceived operational and financial risks with the goal of systematically reviewing the major entities of each business division on a five-year basis. It includes a review of the risks identified in the risk mapping presented to the Committee by the Enterprise risk management department.

The Committee was also kept regularly informed on the assessment of internal control procedures pursuant to section 404 of the Sarbanes-Oxley Act and of the results thereof. The external auditors and the internal audit presented their respective conclusions.

The Committee also followed the evolution of the Group's legal perimeter and, in particular the rationalization program for the Group's legal structures.

In addition, the Committee was regularly kept informed of the Group's situation with respect to cash, debt, mid-term refinancing, cash flow forecasts and the Group's hedging policy. The Committee reviewed the multi client activity including an in-depth review of its accounting principles.

Finally, the Committee examined the accounting consequences of the acquisition of Fugro Geoscience Division and renewed the preliminary assessment made with respect to risks' management and control within the Fugro entities recently integrated into the Group.

I.5. Shareholders' attendance conditions at the shareholders' general meeting:

Subject to the provisions of articles L.225-104 and seq. of the French commercial code, the shareholders' attendance conditions at the shareholders' general meeting are set forth in articles 14, 15, and 16 of the Company's by-laws.

I.6. Information likely to have an influence in case of take-over bid:

Information set forth in article L.225-100-3 of the French commercial code related to the information likely to have an influence in case of take-over bid are described in item 16 of the "2013 Additional Document" available on our website.

II. Limitations imposed on the powers of the Chief Executive Officer

II.1. General management organization:

II.1.1. Split of the Chairman and Chief Executive Officer positions:

Since June 30, 2010, the positions of Chairman of the Board and Chief Executive Officer have been split. The Board decided to keep the split of the functions when Mr. Remi Dorval was appointed Chairman of the Board, effective June 4, 2014. Since then, Mr. Jean-Georges Malcor has been Chief Executive Officer of the Company and since June 4, 2014, Mr. Remi Dorval has been Chairman of the Board. On this occasion, the Board of Directors also re-elected Mr. Malcor to his position as Chief Executive Officer for a three-year period as from June 4, 2014.

The Chief Executive Officer is assisted by two Corporate Officers ("*Directeurs Généraux Délégués*") who are appointed for a three-year period. They are respectively in charge of Strategy, General Secretary and Investor Relations and Risk Management, HSE and Sustainable Development.

II.1.2. Role of the Chairman of the Board of Directors:

The Chairman represents the Board of Directors and, except in exceptional circumstances, is the only one with the capacity to act and speak on behalf of the Board. He organizes and oversees the activities of the Board of directors and ensures that the corporate bodies operate in an efficient manner, in compliance with good governance principles. He ensures, in particular, that directors are in a position to fulfill their duties and are provided with sufficient information in this respect. He reports on annual basis to the shareholders' meeting on the board of directors' composition, preparation and organization of the board of directors' work, on internal control and risk management procedures implemented by the Company. The Chairman is regularly kept informed by the Chief Executive Officer of the significant events relating to the Group business and may request from him any information that may be necessary for the Board and its committees. He may meet with the external auditors of the Company in order to prepare the meetings of the Board. Upon request of the general management, he may represent the Company vis à vis top level representatives of governmental authorities and major partners of the group, whether in France or abroad.

II.1.3. Role of the Chief Executive Officer:

The Chief Executive Officer is in charge of the general management of the Company. He is granted the broadest powers to act on behalf of the Company in any circumstances in compliance with the corporate governance principles applied by the Company and except for those powers vested in the Company's general meeting or Board of Directors by applicable laws. He represents the Company vis-à-vis third parties. He is responsible for the financial information released by the Company and presents, on a regular basis, the Group's results and prospects to the shareholders and the financial market. He reports on significant events for the Group business to the Board and its Chairman.

II.2. Limitations of authority of the Chief Executive Officer:

The Board of Directors imposed no restrictions on the powers of the Chief Executive Officer (*Directeur Général*). In consequence, in accordance with the law and article 10 of the Company's

articles of association, the Chief Executive Officer is vested with the broadest powers to act in all circumstances in the name of the Company.

III. Internal control and risk management procedures implemented by the Company

The Company's internal control and risk management, effected by the Board of Directors, the management and by other personnel is designed to provide reasonable assurance regarding the achievement of objectives in the following areas:

- completion and optimization of operations, including the safeguarding of resources,
- the reliability and sincerity of financial information, and
- compliance with applicable laws and regulations.

The principal objective of our internal control and risk management systems and processes is to identify and control risks related to the activities of the Company, as well as the risks related to errors in accounting and financial reporting.

The Company is listed both in France and in the US and is therefore subject to both the Sarbanes-Oxley Act and the French "*Loi de Sécurité Financière*". In the scope of implementation of the recommendations and provisions of the Sarbanes-Oxley Act relating to internal control, the Company decided to apply the 2013 COSO internal control integrated framework, established by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO 2013"). The *Autorité des Marchés Financiers (AMF)* has subsequently integrated the principle elements of COSO in its frame of reference.

Pursuant to the Sarbanes-Oxley Act, the Company must include in its annual report on Form 20-F (the "20-F Report") filed with the Securities Exchange Commission, a management report on internal control over financial reporting. This report along with the opinion of the auditors on the Company's internal control will be included in item 15 of the 20-F Report for fiscal year 2014. A translation of this item 15 into French will be included in the "*Document de Référence*" for fiscal year 2014.

III.1. Control Environment:

The control environment is the foundation of all the components of internal control and risk management of the Group, providing discipline and structure. The discussion below describes the Group's Charters and Codes setting its expectations in integrity and ethics, it describes how the Group is organized and structured to assure internal control and risk management, and it describes how authority and responsibilities are delegated in the Group.

III.1.1. Integrity and Ethics:

Integrity and Ethics are essential values for the group internal control.

The Company's standards and expectations in integrity and ethics are codified in its Chart of Ethics, in its Statement of Values and in its Code of Business Conduct that apply to all employees of our Group. These documents are widely distributed globally in the Group and they are also available to all staff on the Group's employee internet portal, *InSite*.

In addition, pursuant to section 406 of the Sarbanes Oxley Act, the Board of Directors implemented a code of ethics which is applicable to the Chairman, the Chief Executive Officer, the members of the E-

Com and the Disclosure Committee. This code defines rules of conduct and integrity which the persons must follow in the performance of their function and obligations relating to disclosure.

Values and Chart of Ethics

The Group has developed and communicated widely to all its employees a statement of its Values – *Our Values*. This statement of values centers around the Group and its employees' commitment: *operate safely and with integrity, have a passion for innovation, be socially responsible*.

The Group's chart of ethics represents a commitment by the Group to its clients, its shareholders, its employees and its partners to comply with local laws and regulations and to respect the principles of its Code of Business Conduct.

Ethics and Business Conduct

The Group's Code of Business Conduct is a guide to appropriate conduct. In conjunction with the Group's statement of Mission, Vision and values it provides a framework for all employees to perform their jobs with integrity. The Business Code of Conduct addresses compliance with laws and regulations, prevention of conflicts of interest, respect for persons and the environment, protection of the Group's assets, financial security and transparency, internal verification and the role of Internal Audit. The Code is translated into eight languages. In addition, certain recommendations have been issued to the employees of the Group in order to draw their attention to unlawful behaviors and actions relating to payments, facilitations, gifts and invitations, contribution to political parties and donations to non-profit organizations. Besides, in June 2013, a business integrity booklet was released in order to help the employees to understand the concept of corruption and the associated rules, risks and red flags and to apply the Code of Business Conduct and determine the appropriate ethical behavior to adopt in every circumstance. Finally, the selection of the group commercial consultants and the management of their network is strictly monitored through a procedure defining precise and identical rules applicable within all entities of the Group in order to ensure, in particular, that the commercial consultants comply with our Chart of Ethics and Business Code of Conduct and the applicable international conventions and national regulations against corruption (such as but not limited to the conventions of the United Nations, the OECD, the US Foreign Corrupt Practices Act (FCPA) or the UK Bribery Act). This procedure is available on the Group's employee internet portal, *InSite*.

To support the Business code of conduct, the Group has established an Ethics Committee which can be contacted anonymously by employees concerning issues related to conduct. The Group has also established a global ethics alert phone line, *Ethics Alert*, which is operational 24 hours, 7 days a week. This reporting line is in compliance with SOX and with CNIL (*Commission Nationale de l'Informatique et des Libertés*) recommendations. Finally, the training program on ethics has been reinforced by the implementation of an e-learning for all the employees of the group. We have also put in place a training program on the prevention of corruption. This training session has been delivered in our main sites worldwide.

Finally, in May 2014, we received a moderate assurance report on CGG anti-corruption program issued by MAZARS, one of our statutory auditor and ADIT, an independent third party. The MAZARS-ADIT anti-corruption framework® is based on national and international laws and regulations (French Law, FCPA, UK Bribery Act 2010, OECD Convention, and UN Global Compact 10th Principle) and industry best practice. It covers five areas (Control environment, risk assessment, control activities, monitoring, information and communication) which are broken down into more than 200 control points. The framework has been validated by an International Advisory Board and by the French

Central Corruption Prevention Department (“Service Central de Prévention de la Corruption “), an inter-ministerial department attached to the French Ministry of Justice. The purpose of this audit is to review the adequacy of our Program based on the MAZARS-ADIT anti-corruption framework®, and the implementation of such Program. This audit is carried out in two phases.

As a result of the first phase of this audit, MAZARS-ADIT confirmed that there were no major discrepancies have been noted between CGG Program and MAZARS-ADIT anti-corruption framework®. MAZARS-ADIT also made some recommendations regarding the implementation of certain aspects of existing procedures. In particular, the report recommends supplementing the anticorruption measures already in place within the Group by setting-up a cross-cutting committee independent from operational management to reinforce homogeneity, consistency and follow-up of anti-corruption processes and organization and their evolutions. This committee, called Compliance Committee, has been effective since July 2014. The Committee is chaired by the EVP General Secretary and is attended by the Chairman of the Ethics Committee and by the SVP ERM, HSE and SD.

The second phase of this audit has been launched and includes the entities acquired from Fugro in 2013. It should be completed during 2015 first semester.

III.1.2. Organization of the Group:

The Group’s organizational structure provides the framework within which its activities for achieving its entity-wide objectives are planned, executed, controlled and monitored. Within this framework, key areas of authority and responsibility, as well as appropriate lines of reporting, are established. The organizational structure relative to internal control and risk management is described below.

The Group is organized around three Divisions including eight Business Lines and with six Corporate Functions and five Group Departments.

The three Divisions cover better the exploration to production value chain which offers the Group many new opportunities to create value for its shareholders, clients, employees and partners.

The Divisions and Business Lines are the following:

- Equipment Division: this Division includes all the Sercel business entities, such as Metrolog, GRC and De Regt.
- Acquisition Division : this Division brings together the activities of the following Business Lines :
 - o Marine Acquisition (including Marine Gravity Magnetic Services),
 - o Land Acquisition (including Land EM and General Geophysics),
 - o Airborne Geophysics.
- Geology, Geophysics and Reservoir Division (“GGR”) : this Division brings together the activities of the following existing Business Lines :
 - o Multi-Client and New ventures,
 - o Processing and Imaging,
 - o the GeoSoftware business line including the software sales and development of Jason and Hampson Russell;
 - o the GeoConsulting business line including the consulting activities of Jason and Hampson Russell combined with the consulting and geologic library business of Robertson.
 - o Data Management Services.

Corporate Functions:

These six Corporate functions, at the Group level, ensure a global transverse approach and provide support across all activities, i.e. : (i) the Finance Function, (ii) the Human Resources Function, (iii) the Global Operational Excellence Function, (iv) the General Secretary, (v) the Sales and Marketing and Geomarkets Function and (vi) the Technology Function.

Group Departments:

These five Group Departments are, respectively, in charge of (i) Internal Audit, (ii) Communication, (iii) Investor Relations, (iv) Strategy, Integration, Partnerships, and (v) Risk Management, Health, Safety and Environment & Sustainable Development.

III.1.3 Group Governance:

The Chief Executive Officer:

The Chief Executive Officer is given wide authority by the Board of Directors⁴ of the Company to manage the Company.

The Chief Executive Officer has ultimate ownership and responsibility for the internal control and risk management system. He ensures the existence of a positive control environment, and he is responsible for seeing that all components of internal control and risk management are in place. The Chief Executive Officer provides leadership and direction to the Executive Committee.

The Chief Executive Officer is assisted by two Corporate Officers ("*Directeurs Généraux Délégués*") who are appointed for a three-year period. They are in charge of Strategy, General Secretary and Investor Relations and Risk Management, HSE and Sustainable Development, respectively.

The Chief Executive Officer and the Corporate Officers' responsibilities are cascaded to the Senior Executive Vice Presidents of each Division and Executive Vice Presidents of each Function and to the heads of the Group Departments. Thus they have responsibility for internal control and risk management related to their unit's objectives. They guide the development and implementation of internal control rules and procedures that address their unit's objectives and ensure that these are consistent with the Group's objectives.

To achieve the goals set by the Board of Directors, the Chief Executive Officer manages the organization through senior executives and through three main committees that he chairs:

Corporate Committee (C-Com)

The C-Com is chaired by the Chief Executive Officer and brings together the two corporate officers of the Group and the Senior Executive Vice Presidents of the Divisions. It is a decision body which meets every month, and more often if necessary, for the review and general conduct of the business of the

⁴ The structure and responsibility of the Board of Directors having been described in Section I, it will not be described further in this section.

Group. The C-Com monitors and controls each business's performance as well as the implementation of the group strategy and the carrying-out of its projects through the Divisions, Functions and Group Departments. The members are interfacing regularly with the Board, the market and participate in the financial and business roadshows.

Executive Committee (E-Com)

The E-Com meets every month and supports and complement the C-Com. The E-Com brings together the members of the C-Com and the head of each Corporate Function. It is mainly a discussion and proposition body between the Divisions and Functions for the Group, but also a decision body to validate and follow-up all projects and decisions with transverse impacts. It will in particular:

- o Monitor and follow the execution of decisions taken at the C-Com level;
- o Insure Group transverse initiatives consistency through the three Divisions;
- o Monitor and follow the management of the support functions and shared services.

The E-Com shapes the values, principles and major operating policies that form the foundation of the Group's internal control system. The E-Com takes actions concerning the Group's organizational structure, content and communications of key policies and the planning and reporting systems the Group will use. The E-Com is directly responsible for internal control and risk management in the Group. It defines the orientations for internal control and it oversees its implementation. These obligations are cascaded through the organization in each Division and each Function.

Management Committee (M-Com)

The M-Com meets twice every quarter in order to exchange and discuss Group performance, business and budget information and discuss specific matters of Group interest as requested.

The M-Com brings together the members of the C-Com and E-Com as well as the Business Lines part of the Divisions and Group Departments heads.

In exercising their transverse roles, certain Functions and Group Departments play pivotal roles in internal control and risk management.

The Corporate Functions:

Corporate Functions report to the Chief Executive Officer, except the General Secretary which reports to the Corporate Officer in charge of Strategy, Integration & Partnerships, General Secretary and Investor relations.

Finance Function:

The Senior Executive Vice President Finance manages the Function and serves as the Group's Chief Financial Officer.

In the Finance Function, the following Departments play critical roles in internal control and risk management:

Group Financial Control: this department oversees the budgeting process as well as the monthly, quarterly and annual financial reporting. It prepares Group financial synthesis in close coordination with Divisions' financial controllers and is very closely involved in the preparation of the Board

Committee's meetings (Audit Committee, Strategic Committee, Appointment and Remuneration Committee). Along with the Divisions' financial controllers, it ensures, on a regular basis, oversight of the Group's operations and follow-up of the action plans initiated at the Group level. Finally, on a case by case basis, it also provides the Strategy, Integration & Partnerships.

Accounting and Consolidation: headed by the Chief Accounting Officer, this department is, from a general standpoint, in charge of producing and supervising financial accounts within the Group, on an individual basis for each group legal entities and on a consolidated basis and as part of the annual and quarterly reports. In this perspective, it elaborates and ensures that through the organization accounting procedures are in place and makes sure, on a continual basis, that they are in accordance with legal and regulatory reporting requirements applicable to financial information to be publicly released. This Department also has oversight of Internal Control of the Group. It oversees the implementation of process and good practice to assure the effectiveness of Internal Control across the Group. This oversight is carried out under the Group's Compliance Officer. Finally, in connection with Group Financial Control, it oversees the department in charge of the supervision of the financial information systems.

Treasury: this department ensures management of Group available funds and their investment as well as Group long-term financial resources (bonds..) and the relationships with the banking community. It oversees and manages risks associated with currency fluctuations, credit and counterparty risks and commercial political risks. Treasury also manages a financial committee which reviews, on a monthly basis, the Group financial condition at the C-Com level.

Tax: from a general standpoint, this department is in charge of managing the Group tax obligations and supervising the associated risks. In this perspective, it oversees that all tax returns are filed in a timely manner all across the organization. On a case by case basis, it is involved by the operation teams ahead of significant projects in order to analyze and determine the most appropriate tax schemes.

The Finance Function carries out its missions according to the directives established by the Executive Committee in the *Internal Control Guide* and the *Internal Control Objectives*.

Human Resources Function:

The Human Resources Function plays a key role in implementing Internal Control and Risk Management. As a driver and center of expertise in recruitment, development and the motivation of the Group's employees, it assists the Group's in meeting its objectives.

The Human Resources Function develops and assures a coherent global vision in each HR area and thereby contributes to the attractiveness of the Group through employees' development, commitment and recognition.

Human Resources supports the Group's change and progress efforts within the organization, anticipating the Group's needs and assuring that competent, talented employees are available to fill the Group's needs and development.

Recruitment – Global recruitment is managed by a cell of professionals dedicated to putting in place processes and tools to assure that the Group is well positioned to attract talent and to assure that open positions are communicated throughout the Group. Human Resources Department supports Divisions, Functions and Group Departments in their recruitment and assessment efforts for specific posts in their countries of operations.

Development – Four key processes are structured to support individual development, allow performance improvement and anticipate any career or organization change: position and competency mapping, employee performance reviews and assessments, talent reviews and career plan reviews.

- The Group's positions, and functions, are mapped in the *Magellan* system on 9 levels in order to clarify the assessment of the Group's needs and ensure coherence between Divisions, Functions, and Group Departments on one hand, regions and countries on the other hand. The system also structures and facilitates the identification of development and competency requirements for specific positions.
- Individual performance evaluations are conducted globally, throughout the Group, based on an intranet based toolset provided by Human Resources department. Evaluations of performance and competency are reviewed between managers or supervisors and their direct reports.
- The specific needs of employees identified to have a significant potential for managerial or technical development are further evaluated and reviewed by the Group's senior management in Talent Review meetings.

Training – CGG University organizes training programs to respond to the needs of the organization. The University acts either alone or in partnership with external consultants for training session in particular in the areas of leadership, safety and acquisition of technical expertise. Training is made available to all levels from new hires to experienced senior managers. Specific training modules are offered on *Internal Control* and on *Governance and Performance*.

Succession Planning – The future needs of the organization and the potential of the Group's employees are reconciled through a succession planning exercise carried out in each Function, each Division and Group Departments. These reviews are consolidated by Human Resources to provide a global view of the Group's needs in key areas and to identify development and training required to prepare its employees for future responsibilities.

Compliance – Human Resources professionals follow-up local laws and regulations in their domain and ensure with concerned parties that the Group remains in compliance.

Global Operational Excellence Function:

The Global Operational Excellence Function plays an important role with respect to the optimization of resources, participate in the reliability and security of information and ensure compliance with applicable laws and regulations in its area of expertise. The following departments play key roles in Internal Control and Risk management.

Trade Compliance - The Trade Compliance department is set up to ensure that all levels of the Group are aware of and take the necessary steps to comply with laws and regulations regarding the export, re-export, import and transit of controlled goods and technologies. It plays a consulting role to operations and assists operations with import & export licenses and documentation.

Information Security - The Group's Information Security department puts in place a global framework to protect information. It sets standards and implements process to assure the availability, integrity, security and reliability of information systems in the Group.

The Information Security Department carries out its mission according to the directives established by the E-Com in the *Information Security Policy*.

Global Sourcing and Supply Chain Department - The Global Sourcing and Supply Chain department oversees the purchasing of all equipment, parts, supplies and services of the Group. It oversees quality and delivery of equipment, supplies and services in close cooperation with the Divisions and Functions, it manages and develops the Group's relationships with suppliers to optimize their performance and the Group's total cost of ownership while maintaining standards of quality and delivery.

Global Sourcing and Supply Chain oversees key processes including the creation of a new supplier, approved supplier list, sourcing and validation of supplier bids and contracts.

The Global Sourcing and Supply Chain Department carries out its mission under the *Purchasing Code of Conduct* and the *Selling to Sercel* directives. The *Purchasing Code of Conduct* is always included in the Group documentation for tender offers.

Quality Department - The Group's Quality Department focuses on a systematic approach to the management of key processes, thereby identifying and structuring the mitigation of process risk. It supports the Group's Divisions in this respect and helps reducing or eliminating the cost of non-quality, thus playing a critical role in the optimization of resources and operations.

The Quality Department carries out its mission according to the directives of the E-Com in the *Quality Policy* and in the *2014 Quality Objectives*.

General Secretary:

The General Secretary plays a key role in terms of Group Governance, compliance and risk management.

Group Governance:

The General Secretary assists General Management with the definition and implementation of corporate governance principles based on the best practices of the financial markets where the Company is listed. It represents the Group within organizations such as AFEP or IFA which are specialized in the field of governance.

The General Secretary ensures the legal management of the top holding Company of the Group, listed on Euronext and the New York Stock Exchange as well as the other Group legal entities. It acts as Corporate Secretary for the Board of Directors.

The General Secretary oversees all directorships within the Company and its subsidiaries. It drafts Group instructions relating to the management of legal entities and branches of the Group.

Finally, the General Secretary prepares the agenda of each meeting of the corporate committees and their minutes.

Compliance and risk management:

Through the legal department of each division and the Group legal department, the General Secretary provides legal support to the Corporate Functions the Group Departments and the Company's Divisions and Group legal entities.

The Group legal department has oversight of Group compliance with (i) securities laws and regulations and in particular on external reporting including filings and relations with market authorities, (ii) financial covenants and (iii) local laws and regulations in particular with respect to prevention of corruption. It also provides support for mergers and acquisitions, financing, and corporate law. It provides functional management of the trademark portfolio of the Group.

The Group Legal Department drafts the general instruction on delegation of authority and delegation of powers in the Company, oversees their implementation, assuring their adaptation in the event of changes in the organization.

The Legal department of each Division plays an active role in operations providing support to the Divisions and Sales & Marketing & Geomarkets in their day to day business to ensure:

- Timely delivery of business oriented solutions to operations;
- Prevention and management of legal risks;
- Compliance with laws and regulations and Company policies and instructions.

It drives the Company's bid and contract review process assuring that major risks related to bids and contracts, with both clients and sub-contractors, contain terms which protect the Company.

Sales & Marketing & Geomarkets Function:

The main responsibilities of the Sales & Marketing & Geomarkets Function are the following:

- Support the Division commercial strategies and share regional sales objectives;
- Represent and promote the full company portfolio of business to clients;
- Manage client relations at global and local levels such as they result in sales opportunities for Divisions through privileged client communications and customer intimacy;
- Collaborate with Divisions, Business Lines and group communication to ensure that a robust and consistent marketing plan is deployed;
- Manage the commercial consultant networks;
- Gather, manage and report to the Group Commercial Committee on regional targets, actions and results.

The Executive Vice-president in charge of this Function is assisted by:

- Geomarket Directors, in charge of a given country or group of countries, and their associated teams of Key Area managers overlooking sub-regions and local accounts;
- Key Account Managers, in charge of global clients with international footprint;
- The Technical Marketing Team, responsible for creating and delivering technology-oriented material in support of external engagements with clients;
- The commercial consultant manager, in charge of the supervision of the network of commercial consultants.

Technology Function:

The major objectives of the Technology Function are the following:

- Develop a culture of technical excellence,
- Deliver a technology plan aligned with the business strategy,
- Provide geoscience & engineering expertise,

- Develop R&D talent,
- Provide the environment for innovation in order to identify & develop breakthrough concepts,
- Incubate breakthrough concepts on behalf of the Divisions,
- Manage Intellectual Property and ensure that it is respected worldwide,
- Coordinate R&D between Divisions,
- Contribute to the promotion of our technology.

The Executive Vice-President in charge of the Technology Function relies on the following organization:

- The CTO Core Team and R&D Division VPs constitute the backbone of the Technology Function,
- An internal CTO R&D work force, incubating concepts on behalf of the Divisions,
- Dedicated experts supporting each Division,
- An IP management team with correspondents in Divisions,
- Teams deployed in the Corporate Technology Centers (Saudi Arabia, Brazil, Canada) ensuring,
- Proximity to key trusted customers/partners.

Group Departments:

Internal Audit:

The Group Internal Audit has direct access to the E-Com and to the Board's Audit Committee; it assists them in carrying out their oversight responsibilities on the effectiveness of the Group's risk management, internal control and enterprise governance. As of the date of this report, the Corporate Internal Audit function was staffed with ten auditors, reporting to the SVP Internal Audit.

Internal Audit evaluates internal controls on the basis of the COSO 2013 framework and tools and in compliance with the code of conduct of the Institute of Internal Auditors ("IIA"). Since May 2012, Internal Audit has a charter which governs its operating procedures. This charter has been approved by the audit committee. Finally, in June 2013, Internal Audit was certified by IFACI/IIA.

Internal Audit planning has been based on a five-year cycle since 2014. The Group's significant entities are reviewed every year. Priorities are established based on current operations and the supposed level of risk. The annual internal audit plan is defined by the Corporate Internal Audit department, approved by the E-Com and presented to the Audit Committee.

Internal Audit conducts financial and accounting audits as well as operational and compliance audits. Recommendations issued as a result of the audits are approved by the E-Com and the associated action plans are carried out by line management and monitored by Internal Audit until all open issues have been resolved. Also included in the scope of Internal Audit is the performance of conformity tests of internal controls as they relate to the Sarbanes-Oxley Act requirements.

Over the past three years, the units audited have accounted for approximately 90% of the average revenues of the Group. In 2014, the internal audit activities, excluding those linked to Sarbanes-Oxley, were mostly dedicated to the major scope of activities of the Group, in particular GGR and Acquisition Divisions entities and processes considered as being a priority based on the assessments of risks exposure especially for the Acquisition division and the support functions. The annual budget of Internal Audit is close to 0.1% of the Group revenues which is in compliance with the standards existing for companies in the same industrial sector.

This Department reports to the Chief Executive Officer.

Investor Relations:

This Department is mainly in charge of the relations and communication of the Group with the financial community, i.e. Group shareholders, Group lenders and generally speaking investors. Its missions include particularly the preparation of press releases related to the annual, semi-annual and quarterly financial results, the organization of roadshows and participation to investor conferences.

This Department reports to the Corporate Officer in charge of Strategy, Integration & Partnerships, General Secretary and Investor relations.

Risk Management, Health, Safety & Environment (“HSE”) and Sustainable Development:

The HSE management system provides governance, develops process and procedures in the areas of employee and stakeholder health, safety, environment and the security of our operations. The HSE organization provides oversight in these areas across all of the Group’s operations.

The HSE organization also addresses the Group’s reputation risk through its Sustainable Development (“SD”) programs.

The HSE & SD Group Department carries out its missions according to directives established by the E-Com in the *Quality, Health, Safety and Environment Policy, as well as* in specific policies addressing *Health and Wellness, Sustainable Development, Environment, and Security*. Its objectives are set over a three-year period and are cascaded within the Business Lines which adapt such objectives to their business needs and specify them so that each business line has clear and measurable objectives.

The missions of the Department in terms of Group risk management are described below under Risk Management.

The Department reports to the Corporate Officer in charge of Risk Management, HSE and Sustainable Development.

Group Communication:

This Department oversees the Company’s communication processes and sponsorship. It develops mechanisms to strengthen two way internal communication. Group Communication is in charge of the Group internal communication, and in this scope manages the Group intranet. The Department regularly measures the quality of internal communications through a global survey of the Group’s staff. This Department also oversees the Group’s external communications, in particular commercial press releases, to assure their accurate and timely communication.

Group Communications carries out its mission according to the directives established by the E-Com in the *Media Release and Financial Communications Policy, the News Release Procedure* and the *Press Release Procedure*.

Group communication reports to the Chief Executive Officer.

III.2. Risk Management

The Group has put in place organization, process and procedure as well as working practices to manage risks across the organization. The management of risk is fully integrated in the decision making process in the Group. The Group identifies and evaluates the principal risks that can impact the Group's operational and financial objectives or compromise compliance with laws and regulations. The Group manages risk through robust management systems, departments focused on specific risk areas and through cross Group processes.

The Group Department Risk Management, Health, Safety, Environment and Sustainable Development has established a risk management framework for the Group; it animates the implementation of this framework. Through the framework it provides a risk management methodology and identifies high level risks in the Group and defines, with Divisions, Functions and Group Departments, control and mitigation measures to manage these risks. It works through the Functions, the Group Departments and the Divisions, as described above, on the implementation of risk controls. It monitors the implementation and effectiveness of controls and provides to the E-Com a view of the high level risks faced by the Group.

The Group has implemented risk management flows throughout the organization to identify, assess and control risks:

- The identification of events that can have an impact on the Group comprises a combination of techniques and supporting tools including event inventories, internal analyses, risk interviews, process flow analysis, leading event indicators and loss event data methodologies.
- Risk assessments are conducted to determine the extent to which potential events may have an impact on the Group. Risks are evaluated in terms of impact and probability. In assessing risks, managers consider impacts on people, environment, financial situation, accounts, strategic and other business objectives, compliance with laws and regulations and the Group's reputation. The Group's risk assessment methodology comprises a combination of qualitative and quantitative techniques.
- Risks are controlled through robust processes allowing their avoidance, reduction, sharing or acceptance. The Group employs comprehensive processes to reduce risk probability or risk severity or both. Control activities flow from policies and procedures established to manage risks. Control activities occur throughout the organization at all levels and in all functions. Group policies, objectives, management instructions and procedures are available to all personnel in the *Document Management System (DMS)* available on the intranet.

The Group's Insurance department reports to the Group Department Risk management, Health, Safety, Environment and Sustainable Development to assure an integrated approach to risk in the Group. A robust Insurance program has been implemented at the Group level to share or transfer risk. Each high level risk is evaluated to determine whether the risk can be transferred through insurance policies within a practical cost structure.

Risk Mapping

One of the products of the Group's risk management program is the Risk Map. The Risk Map is a management tool which provides a shared view in the Group of the risks that have the potential of

material impact on the Group. The risks in the Risk Map are organized by risk family: Operational risks, Technology risks, Accounting and Financial risks, HR risks and Communications risks.

The Risk Map is presented to both the E-Com and to the Audit Committee on an annual basis.

Risk Monitoring and Coordination Committee

The group has set up a Risk Monitoring and Coordination Committee in charge of following up the efficiency of the internal control and risk management systems. Its members are the SVP Internal Audit, the Chief Accounting Officer and the SVP Enterprise Risk Management. The Internal Controls & Compliance manager acts as secretary of the Committee. The Committee meets on a monthly basis. The main assignments of the Committee are the following:

- Information sharing on events and facts relating to the quality of risk control and internal control;
- Follow-up the reported risks and most particularly internal control incidents which are classified by the Committee;
- Recommendation and coordination of the mitigation or improvement actions taken in these fields;
- Ensure consistency between our risk assessment and the assessment made by the auditors.

III.3. Internal Control

The Group has an internal control department reporting to the Chief Accounting Officer whose role is to support the organization in implementing and maintaining effective processes, and to ensure that that controls effectively mitigate the risks identified. It also maintains our internal control framework and coordinates the evaluation system of internal control over financial reporting (section 404 of the Sarbanes-Oxley Act).

The Group has an Internal Control guide based on the COSO 2013 internal control framework which provides Group staff with a single source of internal control guidance. This guide was rolled-out across all sites, divisions and support functions and aims at improving the Group risks management.

III.4. Financial Security Management

Specific processes and controls have been put in place by the Group to assure that financial reporting is reliable and pertinent.

Financial information

- Key processes such as the preparation of consolidated financial statements, documents for the Board of Directors and the Audit Committee, preparation of budgets, etc., are formally described.
- Instructions of the E-Com with respect to Financial Security principles and objectives are regularly renewed to remind all financial and operational managers of each unit, the importance of internal control and the necessity to constantly see to its implementation, based on annual objectives and training at demand.
- The Group has an accounting manual which sets forth its accounting practices, instructions and reporting rules. The accounting manual applies to all Group entities and is designed to ensure that the accounting rules are applied across the Group in a reliable and homogeneous way. It details

procedures for closing the books, preparation of the income statement, balance sheet, cash flow statement as well as the consolidation process. Additionally, it outlines the principles for producing the notes to the consolidated financial statements.

- To limit risks of fraud, processes of segregation of duties are in place from approval of the orders to payment of the vendors and suppliers.
- All Group entities process consolidated accounts in the format chosen by the Group using a standardized package. All reclassifications from the corporate accounts to the consolidated accounts are documented using a specific standard format.
- Intercompany transactions are carried out in various areas (different services, geophysical equipment sales, software licenses). The corresponding fees vary according to the nature of the transaction and in compliance with market conditions and transfer pricing policy.
- Management software packages implemented within the Company in finance, logistics and procurement are critical organizational components of the internal control system as they define in detail the processes to be applied in each of these areas.

Information technology infrastructure and information systems security

- Access to the internal networks of the Group's companies and information systems are regulated.
- The networks are protected by firewalls and antivirus systems. External access is possible through secure and encrypted connections.
- Users are duly authenticated before being granted access to the system.
- Data backup, archiving and recovery systems have been put into place. Procedures are created, modified and updated by competent personnel and approved by the appropriate management. Once a year, an internal audit is carried out to test the effectiveness of such procedures, including some intrusion tests with assistance of external IT experts.

Control of the disclosure of information externally

- The Group has a procedure which outlines rules for preparing, validating and approving press releases.
- The Group follows a pre-determined process for the preparation and distribution of its regulatory documents.

Disclosure Committee

Within the framework of the implementation of the Sarbanes-Oxley Act, the Chief Executive Officer and Chief Financial Officer of the Group created a Disclosure Committee in February 2003 to assure they will be able to properly issue the certificate provided for by section 302 of the Sarbanes-Oxley Act which must accompany annual financial statements filed by the Company with the Securities and Exchange Commission.

The principle functions of this Committee are to:

- analyze the importance of information and determine the appropriateness of a disclosure, and if so according to what schedule, and to this purpose:
 - review all information to be published and their draft wording,
 - oversee disclosure procedures and coordinate disclosures to external parties (shareholders, market authorities, investors, the press etc.).
- provide guidelines for internal control procedures to ensure the reporting of material information to be disclosed within the framework of quarterly, semiannual or annual communications to market authorities or destined for financial markets,
- inform the Chief Executive Officer and the Group Chief Financial Officer of any changes, deficiencies or material weaknesses pointed out by the Committee in the process of the reporting of information.

In 4 the Committee was chaired by the Senior Vice President, Group Chief Accounting Officer and composed as follows:

- Senior Executive Vice President, Acquisition Division
- Senior Executive Vice President, GGR Division
- Senior Executive Vice President, Equipment Division
- Financial Controller, Equipment Division
- Financial Controller, Acquisition Division
- Financial Controller, GGR Division
- Senior Vice President, Group Internal Audit
- Senior Vice President, Investor Relations
- Senior Vice President, Group Tax Director
- Senior Vice President, Group Treasurer
- Senior Vice President, General Secretary and Group General Counsel
- Senior Vice President, Group Communication

The Committee meets quarterly before periodic disclosures of the Company are published. A self-evaluation is performed each year and is adjusted for ongoing improvement of the Committee functioning.

Delegation of powers and areas of responsibility

Delegations of Power are authorized by the Chief Executive Officer and the Senior Executive Vice Presidents and cascaded to successive levels of management through a formal, documented process that clarifies the responsibilities related to the delegation. The approval of offers and contracts as well as capital expenses and operating expenses are controlled through these delegations. Approval levels for investments, leases, sale-and-lease back transactions and other expenses are also defined.

Delegations of Authority are carried out according to directives established by the E-Com in the *General Instruction on Delegation of Authority and Delegation of Powers*.

The process for preparing offers, and controlling and approving contracts signed between the Group's legal entities on the one hand, and its customers, partners and subcontractors on the other hand, is managed through the bid and tender review process. The process includes authorization rules to be applied with respect to contractual commitments and in particular the limits where a

prior review and authorization by the C-Com is required. This review process cuts across all Functions that contribute to the control of risks in bid and contract review including the Legal Department of the concerned Division, the Tax department, Treasury, and the HSE Department.

III.4. Control activities

Processes implemented by the Group to identify necessary control procedures are based on risk assessments and on the necessary processes required to fulfill the Group's objectives.

Internal control procedures

Control procedures of the Group are implemented according to the hierarchical levels of personnel involved and the principles of materiality and the separation of functions. Control procedures are implemented in light of the identification of risks.

System of evaluation of Internal Control

Internal Control in the Group is evaluated through self-assessment tools and through internal audits.

Financial security annual objectives are set requiring self-assessments of all active Company entities using the *Internal Control Assessment Form (ICAF)*. This questionnaire includes approximately 40 prerequisites defined for operating Divisions and support Functions. On an annual basis, the results of these reviews are consolidated, assessed and distributed to relevant managers; through these assessments, Internal Control improvement areas are identified.

Internal Control is continuously evaluated through a program of internal audits. In 2014, almost 40 audits were conducted by the Group Internal Audit Department in addition to SOX testing, 3 were compliance audits, 8 were operational audits and 26 general audits (financial and operational and performance). Audit findings and recommendations are in each case reviewed with relevant managers and are presented to the executive management of the Division if necessary, and action plans are agreed to assure continuous improvement. Audit reports and action plans are submitted to the E-Com whose members receive on a monthly basis, the Internal Audit dashboard to monitor progress on improvement actions.

Areas of improvement from ICAF assessments and from internal audits form the base of annual strategic plans (organizational changes) and annual Financial Security objectives.

Furthermore, hub-level controllers were put in place to assure better control of far reaching geographies.

Financial and accounting controls

Internal control procedures in force in the Group are designed principally to ensure that accounting, financial and management information communicated to corporate bodies of the Group provide a fair presentation of the activity and situation of the Group.

- The financial statements of all the Group's subsidiaries are reviewed by the Finance Function. Physical inventories are carried out on a regular basis at each site, comparing the balance sheet values of inventories with those of the physical inventories. Variances noted are then corrected.

- Access to the accounting information systems is formally restricted in accordance with the function and responsibilities of each user.
- Current management information systems make it possible to record transactions in a complete and exact manner, to trace them and regularly back them up.
- All Intercompany transactions are documented and reconciled on given dates according to the transactions.
- The Company monitors its off-balance sheet commitments.
- Comparisons and reconciliations are performed at various levels, particularly between reporting and consolidation. The consolidated financial statements are reviewed by the Chief Financial Officer at corporate level and the Chief Financial Officers of the divisions.

In accordance with requirements of the Sarbanes-Oxley Act, the Group has a system to evaluate the effectiveness of internal controls over financial reporting.

The E-Com fully supports this project as a contribution to a proper business control, which is also in line with the implementation of values and the application of the financial security program with our personnel.

III.5. Information and Disclosure

The Group's ability to meet its objectives depends on effective dissemination of information at all levels of the Group.

Quality standards, security requirements or legal and professional obligations demand that the procedures be documented and accessible. The Group encourages the sharing of knowledge and best practices. An intranet site provides all personnel with access to charters, Group policies, annual objectives, general instructions, procedures, standards and other documents on which the Group's Management System is based. Generally, the internet site of the Group allows the achievement of a better communication and cooperation between the Group entities and the operating and support functions.

The Group organizes annual seminars, for the C-Com, E-Com and M-Com, for Senior Management and for key managers around the globe.

The Group has implemented a weekly, monthly and quarterly reporting system according to the hierarchical levels and relevance, to obtain and exchange information necessary to carry out, manage and control operations. The data distributed concerns operations, finance, or legal and regulatory compliance issues. It includes not only data produced by the Group but also data related to the external environment.

Senior management evaluates the performance of the Group on the basis of both internal and external information.

III.6. Monitoring and Management Review

The Group's business environment is by nature continuously changing and evolving. As a result, the internal control system is continuously adapted taking into account the environmental conditions and past experience.

Operations are managed and evaluated against performance criteria on a day to day basis and monitored by successive levels of management in the organization, finally being reviewed by the Executive Committee. Management carries out periodic evaluations, taking into account the nature and importance of any changes which may have occurred.

The Senior Vice President Internal Audit, the Chief Accounting Officer, the Compliance Officer and the Senior Vice President Risk Management, HSE and Sustainable Development meet every month for information and mutual coordination within the [Risk Monitoring and Coordination Committee](#).

The monitoring of risks is built into our business review processes at the project level, at the Division level and at the E-Com level. Key indicators have been identified to signal risk environment changes and adverse trends. These are reviewed in management meetings at each level. Transverse Functions and Group Departments assist the Divisions in monitoring these indicators and when necessary focus attention on specific Group risks.

The Group has implemented a global incident monitoring system for round the clock alerts; actual incidents and High Potential Incidents (HPIs) anywhere in our operations **must be** reported within 24 hours to the relevant management level through our internet based system PRISM.

The E-Com regularly reviews the Group's key risks and the measures put in place to control these risks. The E-Com reviews the Group's Risk Map annually as well as the Insurance policies put in place to transfer the Group's risks. The E-Com establishes a schedule of key risks which it reviews in more depth during the year.

The Board, through its Committees regularly reviews key risks faced by the Group. The Board receives annually a mapping of the key risks facing the Group and is informed on the organization of the Group's risk management program as well as on the key risk controls put in place. Through the Audit Committee, the HSE and sustainable development Committee, the Technology Committee, the Appointment and Remuneration Committee and the Strategic Committee, specific risks in the domain of each Committee are reviewed.

III.7. Reasonable Assurance

Every system of internal control, however well-designed and effective, has inherent limitations. Notably, there is an inherent risk that controls may be circumvented or bypassed. This means that the internal control system can offer only a reasonable assurance as to the reliability and sincerity of financial statements. Furthermore, the effectiveness of internal control procedures may vary over time, in response to new circumstances.

In order to evaluate the effectiveness of internal control procedures on a regular and formal basis and beyond the related actions undertaken by the internal audit management, the Group has put in place a tool for internal control self-evaluation for all units of the Group. At the Corporate level a compliance officer has been appointed thus showing the Group commitment to good corporate governance rules.