



IG Seismic Services PLC

## **IG SEISMIC SERVICES CORPORATE GOVERNANCE STATEMENT FOR 2014**

Since IG Seismic Services PLC (hereinafter – “IGSS”, “IG Seismic Services”, the “Company”) is incorporated in the Republic of Cyprus with global depository receipts representing shares listed on the London Stock Exchange, it is not subject to the U.K. Corporate Governance Code issued by the Financial Reporting Council. Also as our shares are not listed on the Cyprus Stock Exchange, we are not required to comply with the corporate governance regime relating to companies listed on the Cyprus Stock Exchange. Nevertheless we understand the increasing importance of principles of corporate governance and transparency in organization of Company’s business and comply with U.K. Corporate Governance Code wherever reasonably possible. In addition, in order to ensure that the Company’s corporate governance mechanisms and procedures are efficient and adhere to leading market practice, the Company implemented corporate governance code based on the U.K. Corporate Governance Code but adapted therefrom to ensure that the requirements and obligations imposed on the Company are appropriate given its status as a public limited company in Cyprus.

### **Board of Directors**

The Board of Directors of the Company acknowledges that to continue to be successful in the long term the Group must be led by an effective board with the appropriate skills, experience, independence and knowledge of the Group’s activities. The Board adopted the Terms of Reference of the Board on September 21, 2012 with the technical amendments as of April 12, 2014 which clearly define its, among other things, roles and responsibilities, composition, rights and duties, activities and organization, and cover matters including performance review, evaluation and remuneration of the Members of the Board.

The Board remains committed to guiding strategic objectives and ensuring that management, financial and human resources are sufficient to meet these objectives. The Board has fundamental responsibilities for the stewardship, transparency and accountability; risk management and internal controls; corporate culture; board operations and nomination of candidates by the Board to the Shareholders; monitoring management and evaluating its activities; and corporate social responsibility.

The Board ensures that it contains an appropriate combination of Independent, Executive and Non-Executive Directors to ensure that power and information is not confined to a limited number of individuals and thus no individual or group of individuals can dominate the Board’s decision making processes. In 2014 year the Board of Directors was composed of eight members: the Non-Executive Chairman (Sergey Generalov), one Executive Director (Nikolay Levitskiy), six Non-executive Directors (Boris Aleshin, Peter O’Brien, Dmitry Lipyavko, Maurice Dijols, Gerald Rohan and Denis Cherednichenko). Four out of eight directors were determined by the Board as independent directors (Gerald Rohan, Boris Aleshin, Peter O’Brien and Dmitry Lipyavko). On March 28, 2014 Felix Lubashevsky voluntary resigned from the Board of Directors of IGSS, his resignation was approved by the Annual General Meeting held on June 4, 2014 (the AGM 2014). Gerald Rohan joined IGSS in the reporting year, his election as a Director of the Company was approved by the AGM 2014.

The Board ensures that key financial areas, specialization, expertise and technical skills are represented by the Board. The Directors have a range of business and financial expertise that is important and relevant for the performance of their functions.

## The Board of Directors in 2014 year

Name	Year of Birth	Position	Year of First Appointment
Sergey V. Generalov <sup>(3)</sup> .....	1963	Non-executive director, Chairman of the Board of Directors	2012
Boris S. Aleshin.....	1955	Independent non-executive director	2011
Peter Lloyd O'Brien <sup>(1)</sup> .....	1969	Independent non-executive director, Chairman of the Audit Committee	2012
Dmitry Y. Lipyavko <sup>(2) (5)</sup> .....	1965	Independent non-executive director, Chairman of the Nominations and Remuneration Committee	2012
Denis V. Cherednichenko <sup>(1) (3) (5)</sup> .....	1977	Non-executive director	2011
Maurice Geroire Rene Dijols <sup>(1) (2)</sup> .....	1951	Non-executive director	2011
Nikolay V. Levitskiy <sup>(2) (3)</sup> .....	1972	Executive (managing) director, Chief Executive Officer	2011
Felix V. Lubashevsky <sup>(4)</sup> .....	1974	Non-executive director	2012
Gerald Rohan <sup>(1) (3) (6)</sup> .....	1942	Independent non-executive director, Chairman of the Strategy Committee	2014

(1) Member of the Audit Committee.

(2) Member of the Nominations and Remuneration Committee.

(3) Member of the Strategy Committee.

(4) In March 2014 Felix Lubashevsky voluntary resigned from the Board of Directors of IGSS.

(5) Re-elected on the Annual General Meeting in 2014.

(6) Elected in June 2014.

## Information on Board Meeting Attendance

During 2014 the Company's Board of Directors held eight meetings in accordance with the schedule approved by the Board: four in absentia and four in person.

## Board Performance Review and Evaluation

The Board of Directors undertakes a formal and rigorous annual evaluation of its own performance and that of its committees and Directors.

Among the issues considered by the Board in the reporting year:

- Annual evaluation of the Board of Directors performance and assessment of the independence of the Independent Directors; recommendations to the Shareholders at the AGM on the re-election of the retiring Directors of the Company; approval of changes to the Charter of the Company;
- Reporting of Chairman of the Committees on progress, results of 2014 year and work plans for 2015 year;
- The development strategy of the Group, risk management and risk map, tender campaign, overview of international projects of the Company;
- Targeting organizational structure of the Group, appointment of personnel to the senior positions, approval of major corporate transactions;
- Budget of the Group, investment plan, optimization of financial and economic situation;
- Reporting of operational and financial results during 2014 year;
- Approval of the auditors and consolidated financial statements (on the recommendation of the Audit Committee);

- Approval of the remuneration to top management (on the recommendation of the Nominations and Remuneration Committee); power of attorney for new period; discussion of motivation programs for top management;
- Calling the AGM of Shareholders in 2014 year, investor relations practice;
- Creation of the Strategy Committee; Approval of the changes to the composition of the Committees; Approval of the Terms of Reference of the Strategy Committee;
- 2014 year Board of Directors results and plans for 2015 year.

### **Share Capital and Major Shareholders**

The issued share capital of IGSS consists of 20,833,400 shares with a nominal value of US\$0.01 per share. Global Depository Receipts (GDRs) of IG Seismic Services representing two ordinary shares each are listed and traded on the Main Market of the London Stock Exchange under the ticker IGSS. The JP Morgan Chase Bank is the depository bank for the GDR programme of IGSS.

### **Shareholder structure as of 31 December 2014**

Mr. Nikolay Levitskiy	55.82%
Industrial Investors Group	7.78%
Schlumberger	12.00%
Other institutional and private shareholders	24.4%

### **Changes in the shareholder structure during the year 2014**

During the reporting year one significant event in respect of the major shareholding occurred: there was an offer regarding the shares of the Company announced.

On November 15, 2013 it was announced that U.C.E. Synttech Holdings Limited (ultimately owned by Nikolay Levitskiy, the major shareholder of IGSS) considered a possibility of announcing the offer in relation to IGSS shares and such offer was duly published on December 30, 2013.

The offer to acquire the IGSS shares at the price of \$15.00 in cash for each share which is equivalent to \$30.00 in cash for each GDR was open until February 26, 2014. As a result of the offer the Company U.C.E. Synttech Holdings Limited acquired 5,423,147 shares in IG Seismic Services PLC representing approximately 26.03% of the current issued capital of IGSS and Nikolay Levitskiy through its affiliated entities became the ultimate beneficial owner of 55.82% of the issued share capital of IGSS.

### **Company Codes and Policies**

The Company continues to monitor developments in corporate governance with a view to update its policies and practices, as appropriate.

The Directors have adopted several codes and policies applicable to the Directors, officers and employees of the Company including:

### **Corporate Governance Code**

A copy of a Corporate Governance Code is available on the Company's web site. The Corporate Governance Code set out principles of corporate governance and transparency in the conduct of the Company's business, ensuring that the Company's corporate governance mechanisms and procedures are efficient and adhere to the expectations of Company's stakeholders in respect to leadership, Board effectiveness, accountability, remuneration and other areas.

### **Code of Business Conduct and Ethics**

A copy of Code of Business Conduct and Ethics is available on the Company's web site. The Code of Business Conduct and Ethics promotes ethical behavior and compliance with a wide range of requirements, critical to the conduct of effective operations within the Company, including requirements in the areas of health & safety, conflict of interests and confidentiality.

### **Regulations with respect to insider information**

The Company has developed and follows a systematic approach to deal with inside information by establishing effective arrangements to restrict access to inside information and having persons with access to inside information identified and recorded appropriately.

The arrangement also covers dealing by persons discharging managerial responsibilities and their connected persons in the Company's securities.

### **Annual General Meeting**

The Company held the Annual General Meeting of the Shareholders of the Company on June 4, 2014 in Cyprus. Details of the resolution proposed at the Annual General Meeting were given in the Notice of the Annual General Meeting, which was published and sent to the shareholders. Generally the shareholders voted in favor of all proposed resolutions and the Consolidated Financial Statements of the Company together with the Directors' and Auditors' Reports for the year ended 31 December 2013 were approved, the retiring auditors of the Company Ernst & Young LLC were re-appointed, two retiring directors were re-elected, Gerald Rohan was elected as a Director of the Company.

### **Auditors**

Ernst & Young LLC remained as the Company's independent auditor in 2014 and have expressed its willingness to continue in office. Accordingly, a resolution to reappoint Ernst & Young LLC as the Company's independent auditor will be proposed to the forthcoming Annual General Meeting.

### **Committees' Reports**

#### **Audit Committee**

##### **Summary of the role of the Audit Committee**

The Audit Committee of IG Seismic Services PLC is formed as a committee of the Company's Board of directors. The Audit Committee's Terms of Reference were established and approved in September 2012. In accordance with the Terms, the Committee shall comprise at least three members selected from the members of the Board, of which at least one shall be an independent non-executive director.

##### **Composition of the Audit Committee**

Most part of 2014 year Audit Committee included the following non-executive directors: Peter O'Brien, Maurice Dijols, Denis Cherednichenko and Gerald Rohan. Gerald Rohan joined the Audit Committee in accordance with the BoD Resolution dated June 10, 2014. The Chairman of the Audit Committee was Peter O'Brien.

The Board believes that during the reporting year the composition of the Audit Committee had the required level of experience to be sufficient to meet the standards imposed by the UK Corporate Governance Code. In the event that any issues should arise which would be deemed outside the area of expertise of the members, independent professional advice would be sought.

The Audit Committee is primarily responsible for monitoring:

- the integrity of our financial statements;

- the effectiveness of our internal control and risk management systems;
- the terms of appointment and remuneration of the auditor;
- the Group's financial information submissions.

The Audit Committee also supervises and advises the Board of Directors on risk management, internal control systems and the implementation of corporate codes.

During 2014 year the Audit Committee held six meetings in person.

**Among the issues considered by the Committee in the reporting year:**

**Financial Reporting**

- Discussion on preparation of consolidated financial statement (with participation of the auditors);
- Approval of financial statement for year 2013, six months 2014 (with participation of the auditors) and of quarterly operational and financial press releases.

**Internal Control and Risk Management**

- Regular discussion of issues of Internal control and risk management based on reports of Internal control department;
- Approval of documents, regulating the procedures of Internal control and risk management, approval of Internal Audit Policy;
- Discussion on report about internal control improvement, prepared by external auditor, based on audit of 2013 financial statements;
- Discussion on possible creation of Compliance Committee;
- Approval of work plans of Internal audit department, company's risk map analysis.

**Corporate Governance**

- Report about the work of the Committee in 2014 year and compliance with the ToR;
- Next year plan for the Committee.

**Auditor**

- The choice of potential candidates for the position of external auditor for IGSS, and main companies of the group in Russia and Kazakhstan;
- To recommend the company Ernst & Young LLC as external auditor for IGSS, the company «FinExpertiza» as external auditor for companies of the Group in Russia and «CENTERAUDIT Kazakhstan» for companies of the Group in Kazakhstan;
- The forming principles and volume of remuneration for audit services;
- Discussion on plan of works on audit of 2014 financial statements, report of external auditor, control of volumes of non-audit services provided to the Group by the auditor.

**Business issues**

- Implementation of ERP-system in the Company;
- Changes in financial block of the Company, training programs for employees of financial departments in the companies of the Group.

**Strategy Committee**

The Strategy Committee of IG Seismic Services PLC is formed as a committee of the Company's Board of directors. The Strategy Committee's Terms of Reference were established and approved on October 3, 2014. In accordance with the Terms, the Committee shall comprise at least three members selected from the members of the Board and the Chairman shall be an independent non-executive director.

### **Composition of the Strategy Committee**

In the year 2014 the Strategy Committee was composed of four members: Gerald Rohan, Sergey Generalov, Nikolay Levitskiy and Denis Cherednichenko. The Chairman of the Strategy Committee was Gerald Rohan.

During the year the Strategy Committee held two meetings in person.

The Strategy Committee is primarily responsible for monitoring the Group's:

- strategic objectives and risks related to strategic objectives;
- strategy realization and recommendations on adjustments of the current development strategy;
- dividend policy of the Company;
- financial model and business valuation model;
- changes to organizational structure and transformation of business processes;
- large investment projects with compliance with the overall strategic objectives.

### **Among the issues considered by the Committee in the reporting year:**

- General discussion of the strategy of the Company through the lens of Porter's Five Forces and PESTLE analysis (forces and factors that influence the strategy);
- Discussion of options and identification of challenges to options;
- Sources and uses of funds;
- Budget 2015 and beyond taking into consideration the strategic options.

### **Nominations and Remuneration Committee**

The Nominations and Remuneration Committee is formed as a committee of the Company's Board of directors. The Nominations and Remuneration Committee's Terms of Reference were established and approved on April 19, 2013. In accordance with the Terms, the Committee shall comprise at least three members selected from the members of the Board. The Chairman shall be an independent non-executive director.

The Committee is responsible for the following nomination activities:

- making recommendation to the Board for approval of the list of directors to be presented to the shareholders;
- review on a regular basis the structure, size and composition of the Board of Directors;
- making recommendations regarding the membership of the other committees of the Board of Directors;
- review the results of the Board performance evaluation process that relates to the composition of the Board of Directors.

The Committee took part in the process of determining and reviewing the Group's remuneration policies.

During 2014 year, the Nominations and Remuneration Committee held three meetings – two in person, and one in absentia.

### **Composition of the Nominations and Remuneration Committee**

The Nominations and Remuneration Committee was composed of three members: Dmitry Lipyavko, Nikolay Levitskiy and Maurice Dijols. In March 2014 Felix Lubashevsky voluntarily resigned from the Board of Directors of IGSS, in June 2014 his resignation was approved by the AGM 2014. The Chairman of the Nominations and Remuneration Committee was Dmitry Lipyavko.

### **Among the issues considered by the Committee in the reporting year:**

- Review and recommendation to the Board of Directors of candidates for re-election to the Board at the AGM;
- Recommendations concerning changes in the top management of the company;

- Annual assessment of the independence of the Independent Directors of the Company;
- Consideration of the structure, size and composition of the Board of Directors of the Company; recommendation of the Committees of the Board of Directors of the Company;
- Review of the performance by Company's management of stated KPIs based on results of the season, recommendations to the Board concerning remuneration;
- Power of attorney for new period;
- Results of work of the Committee in 2014 year and plans for 2015 year.

This document may contain "forward-looking statements" which include all statements other than statements of historical fact. Such forward-looking statements can often be identified by words such as "plans", "expects", "intends", "estimates", "will", "may", "continue", "should" and similar expressions. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond the IG Seismic Services PLC 'S (the "Company") control that could cause the actual results, performance or achievements of the Company to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Company's present and future business strategies and the environment in which the Company will operate in the future. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. These forward-looking statements speak only as at the date as of which they are made, and neither the Company, nor any of its respective agents, employees or advisors intends or has any duty or obligation to supplement, amend, update or revise any of the forward-looking statements contained herein to reflect any change in the Company's expectations with regard thereto or any change in events, conditions or circumstances on which any such statements are based. The information and opinions contained in this document are provided as at the date of this document or as otherwise specified herein and are subject to change without notice.