



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

Compagnie Générale de Géophysique - Veritas
A French Public Limited Company with registered capital of € 60,458,637
Registered Office: Tour Montparnasse, 33, avenue du Maine, 75015 Paris, France
969 202 241 RCS PARIS

In accordance with section 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 general management as well as the internal control and risks management procedures put in place within Compagnie Générale de Géophysique – Veritas (hereinafter referred to as "the Company") and its consolidated subsidiaries (hereinafter collectively referred to as the "Group"). The Board of Directors reviewed this report in its session of February 24, 2010.

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.

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 of the authority of General Management (II),
- procedures of internal control and risks management implemented by the Company (III).

I. Board of Directors' composition and preparation and organization of the Board of Directors' work

I.1 Code of corporate governance which the Company complies with:

In accordance with the Board of Directors' resolution of December 19, 2008, 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).

- The Company complies with the provisions of the AFEP-MEDEF Code excepted with respect to the current supplementary pension plan. This exception is described in paragraph I.6.

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

Name	Age	Positions	Initially appointed	Term expires
Robert BRUNCK ⁽²⁾⁽⁴⁾ Nationality : French	60	Chairman and Chief Executive Officer	May 20, 1999 (director since September 9, 1998)	2012 General Meeting
Yves LESAGE ⁽¹⁾⁽⁴⁾ Nationality : French	72	Honorary Chairman and Director	September 29, 1988	2013 General Meeting
Olivier APPERT ⁽²⁾⁽³⁾ Nationality : French	60	Director	May 15, 2003	2012 General Meeting
Loren CARROLL ⁽¹⁾ (independent director) Nationality: American	66	Director	January 12, 2007	2013 General Meeting
Rémi DORVAL ^{(1)(3)(*)} (independent director) Nationality : French	58	Director	March 8, 2005	2010 General Meeting
Jean Dunand ⁽¹⁾ (independent director) Nationality : French	70	Director	September 8, 1999	2013 General Meeting
Anders FARESTVEIT ⁽⁴⁾ Nationality : Norwegian	71	Director	April 29, 2009	2013 General Meeting
Christian Marbach ⁽²⁾ Nationality : French	72	Director	June 21, 1995	2013 General Meeting
Thierry PILENKO ⁽⁴⁾ Nationality : French	52	Director	January 12, 2007	2013 General Meeting
Robert F. Semmens ⁽²⁾⁽³⁾ (independent director) Nationality: American	52	Director	December 13, 1999	2011 General Meeting
Daniel Valot ⁽¹⁾ (independent director) Nationality : French	65	Director	March 14, 2001	2012 General Meeting
David WORK ⁽³⁾ (independent director) Nationality: American	64	Director	January 12, 2007	2013 General Meeting
Terence YOUNG ⁽⁴⁾ (independent director) Nationality: American	63	Director	January 12, 2007	2013 General Meeting

⁽¹⁾ member of the Audit Committee

⁽²⁾ member of the Strategic Committee

⁽³⁾ member of the Appointment & Remuneration Committee

⁽⁴⁾ member of the Technology Committee

^(*) the renewal of this office will be submitted to the approval of general meeting of shareholders of May 5, 2010

The positions held by the members of the Board of Directors in other companies are provided in paragraph 13.1.2. of the management report.

Independent directors:

In 2009, out of the thirteen members of the Board of Directors, seven qualified as independent directors, which accounts for more than half the members of the Board of Directors as recommended by the AFEP-MEDEF Code¹. The Board reviews the qualification of the directors as independent on an annual basis before release of the "*Document de Référence*". Thus, in its meeting held on February 25, 2009, the Board resolved that seven out of twelve² directors qualified as independent. Those directors are Messrs. Loren Caroll, Rémi Dorval, Jean Dunand, Robert F. Semmens, Daniel Valot, David Work and Terence Young.

In accordance with the criteria established by the AFEP-MEDEF Code³, those directors do not maintain any relationship with the Company, its Group or management which could impair their freedom of judgment.

Nevertheless, and as an exception to the AFEP-MEDEF Code, the Board of Directors estimates that :

- (i) the fact that Mr. Robert F. Semmens is also a member of the supervisory board of Sercel Holding, as well as the fact that MM. Loren Caroll, Rémi Dorval and Daniel Valot are members of the Supervisory Board of CGGVeritas Services Holding B.V, a wholly-owned subsidiary of the Company, do not impair their independence; and
- (ii) the fact that MM. Loren Caroll, David Work and Terence Young were directors of CGGVeritas Services Holding (US) Inc. (previously named Veritas DGC Inc.), one of the consolidated subsidiaries of the Company, over the past 5 years, does not impair their qualification as independent since they were already qualified as such in this entity.

¹ 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.

² At this date the Board of Directors was composed of twelve directors.

³ It is reminded that the criteria set by the AFEP-MEDEF Code so as to establish the independence of directors 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, on 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.
- As regards directors representing major shareholders of the corporation or its parent, these may be considered as being independent, provided that they are not involved in the control of the corporation. In excess of a 10% holding of stock or votes, the Board, upon a report from the appointments committee, should systematically review the qualification of a director as an independent director, having regard to the make-up of the corporation's capital and the existence of a potential conflict of interest.

Evaluation of the Board's activities:

In December 2005, the Board of Directors decided to follow the recommendation of the "*Institut Français des Administrateurs*" and to organize an annual evaluation of its activities. It is a self-evaluation analyzed by an outside consultant and completed every three year by a more in-depth evaluation which includes individual interviews with the outside consultant. Due to the appointment of new directors, the frequency of the evaluations with interview has been higher than expected and carried out every two year in average. In 2009 an in-depth evaluation was thus carried out. The results of such evaluation are analyzed once a year, reported on by the external consultant and result in action plans that are followed up annually, in particular by the Appointment and Remuneration Committee.

I.3 Preparation of meetings and information to be provided to directors:

Since December 10, 2003, 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.cggveritas.com). Their main provisions are summarized below.

In preparation of every Board meeting, the Secretary of the Board sends directors a file which includes all useful information concerning the items of business on the meeting agenda. This file is sent to directors within one week before the meeting to enable them to study its content before this meeting.

Furthermore, directors are kept informed and consulted by the Chairman 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 Chairman. Besides, other press releases are systematically sent to them at the same time they are published by the Company.

In general, the Chairman ensures that directors are able to fulfill their duties. For this purpose, he provides each of them with the documents and information they require to perform their functions.

I.4 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. An information file is provided to each director.

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 in light of a review of the financial planning.

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 Strategic Planning Committee has issued its recommendation. The Board is regularly informed on the progress of the transaction in question.

When due to a situation of urgency, it is not possible to call a Board of Directors' meeting, the Chairman contacts by mean of a conference call all directors.

The Board of Directors meets at least four times per year in the presence of the statutory auditors.

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 to identify the participants and allow them to effectively participate to the meeting in the conditions set forth in article L.235-37 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.

I.5 Report of the activities of the Board of Directors during fiscal year 2009:

It is reminded that, in conformity with article L.225-35 of the French commercial code, the Board of Directors determines the broad lines of the Company's business and sees to their implementation. Subject to the powers expressly granted to shareholders' meetings, and within the limits of the corporate purpose, it reviews any question relating to the conduct of the company's business and decides all pertinent issues through its deliberations.

The Board of Directors carries out any controls and checks it deems appropriate.

In 2009, the Board of Directors of the Company met eight times. The average attendance rate of directors at these meetings amounted to 90%.

During these meetings, the Board approved the Company's annual financial statements and the 2008 consolidated annual financial statements and reviewed the quarterly and half-year results for fiscal year 2009. The 2010 budget and the 2011-2012 perspectives were also reviewed by the Board.

The Board also convened the general meeting of shareholders held on April 2009 and the reports and resolutions to be submitted to such meeting approval, including the draft resolutions presented by the works council.

With respect to the Senior Executive Officers ("*mandataires sociaux*"), the Board approved their fixed and variable compensation and reviewed their protection letters in order for these letters of protection to be compliant with the AFEP-MEDEF Code. These letters of protection were submitted to the shareholders' general meeting held on April 29, 2009. The shareholders' general meeting only approved the letter of protection for Mr. Thierry Le ROUX.

The Board adopted a stock-options plan for some employees of the Group and a specific plan for the executive officers subject to performance conditions in conformity with the AFEP-MEDEF Code. In addition, the Board of Directors also implemented a performance shares plan for some employees and executive officers. Finally, the board acknowledged fulfillment of the performance conditions set forth in the performance share plan of March 23, 2007 and consequently allocated on a final basis the 2007 performance shares.

With respect to external growth and financial operations:

- (i) in January 2009, the Board resolved to launch a squeeze-out on the remaining shares of Wavefield Inseis which CGGVeritas did not own further to the voluntary offer and the mandatory offer to acquire all the shares in this company during the fourth quarter of 2008.
- (ii) in May 2009, the Board also approved the execution of an amendment to the “credit agreement” dated January 12, 2007 and to the French revolver dated February 7, 2007 which were entered into for the purpose of financing the Veritas’ group acquisition.
- (iii) the Board approved the issuance of 2016 Senior Notes for an amount of US\$ 350 million. This issuance was completed on June 9, 2009 through a private offering in the United States made to qualified institutional buyers. The Senior Notes are guaranteed by certain of the Group’s subsidiaries.

Finally, the Board approved the changes made to the Audit Committee charter in order to take into account the new provisions of the *ordonnance* of December 8, 2008. This charter is appended to the internal rules and regulations of the Board of Directors.

I.6 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 Strategic Planning and Technology 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.cggveritas.com).

The Appointment-Remuneration Committee:

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 equity-based plans.

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

1. examining the compensation of the Executive Committee members and its evolution;
2. carrying out the performance evaluation of the Board and its committees;
3. carrying out the performance evaluation of the Chief Executive Officer;
4. reviewing the succession planning process of Executive Committee 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 verification and reimbursements of expenses.

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

The Committee is also consulted with respect to the evolution of the compensation of the other members of the executive committee.

As of December 31, 2009, the members of the Committee were the following:

Robert Semmens (President)^(*),
Olivier Appert,
Rémi Dorval^(*), and
David Work^(*).

^(*) independent director

This Committee is composed of a majority of independent directors in conformity with the AFEP-MEDEF Code.

The work of the Committee is recorded in minutes. Besides, the Chairman of the Committee shall submit to the Board of Directors a report whenever the Board of Directors has to make a decision related to an appointment and remuneration issue.

Finally, the Board of Directors reviews, inter alia, the operating procedures of the Appointment-Remuneration Committee in the course of the annual review of its own performance as well as every three years when performing a more thorough review with the assistance of an external consultant.

In 2009, this Committee met eight times to decide, inter alia, on (i) the remuneration of the Chairman and Chief Executive Officer and of the Chief Operating Officer, (ii) the implementation of the Chairman and Chief Executive Officer's and Chief Operating Officer's protection letters in conformity with the provisions of the AFEP-MEDEF Code, (iii) the amount of the directors' fees and their allocation rules, (iv) the policy governing allocation of performance shares and stock-options within the Group, (v) the review of the qualification of directors as independent prior to its submission to the Board of Directors, (vi) the drafting of the annual reports' (management report, *Document de Référence*, Report 20-F) paragraphs regarding the compensation of the Senior Executive Officers ("*mandataires sociaux*"), (vii) the 2009 bonus plans (viii) the succession planning and in particular the selection process of the successor of Mr. R. Brunck (ix) the remuneration of the successor of Mr. R. Brunck, (x) the implementation of the evaluation process of the Board and of the Chairman, (xi) the organisation of a seminar for the members of the

Board of Directors, (xii) the appointment of a new director, and (xiii) the terms of the renewal of the directors and officers insurance policy.

The average meeting attendance rate amounted to 94%.

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 Chairman and Chief Executive Officer and the Chief Operating Officer is determined by the Board of Directors upon proposal of the appointment-remuneration committee. Such aggregate compensation includes a fixed element and a bonus. The bonus for a given fiscal year is determined and paid during the first semester of the following fiscal year.

For fiscal year 2009, this variable part is based on the achievement of personal objectives (representing one-third of the bonus) and financial objectives (representing two-thirds of the bonus). The financial objectives relate to the net earnings per share (weighted 20%), Group EBIT (weighted 35%), and EBITDA less CAPEX (weighted 35%).

In addition, it is to be noted that, with respect to the supplementary pension plan, the Company complies with the AFEP-MEDEF Code with the following exception: in some particular circumstances (in case 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, although he is no longer an employee of the Group, may still benefit from the supplementary pension plan in force. Taking into consideration the circular no. 105/2004 issued by the French Social Security Department on the 8th March 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.
- given the seniority of the senior executive officers benefiting from this plan (23 years for Robert BRUNCK and 33 years for Thierry LE ROUX) and in light of their successful service throughout these years, the Remuneration Committee considered it would be unjustified to have them lose the benefit of the pension commitments made by the Company toward them 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).

A detailed description of the compensation paid in 2009 to the Chairman and CEO, the Chief Operating Officer is set forth in paragraph 14 of the management report.

The strategic planning committee:

The Strategic Planning Committee's assignment is to study:

- business plans and budgets,
- strategic options for the Group,
- organic development,
- projects related to financial transactions.

As of December 31, 2009, the members of the Committee were the following:

Robert Brunck (President),
Olivier Appert,
Christian Marbach, and
Robert Semmens^(*).

^(*) independent director

This Committee customarily meets before each Board meeting and more often if necessary. During 2009, the Strategic Planning Committee met seven times. The average attendance rate of committee members amounted to 87.5%.

In 2009, the Committee was consulted regarding, inter alia, (i) the 2009-2010 forecasts, (ii) the integration of Wavefield Inseis ASA after its acquisition, (iii) the Marine organization and fleet management, (iv) the 2010 budget, (v) the 2011-2012 perspectives and, (vi) the financing and debt management policy.

The Audit Committee:

As of December 31, 2009, the members of the Committee were the following:

Jean Dunand (President) ^{(*)(1)(2)},
Loren Carroll^(*),
Rémi Dorval^(*),
Yves Lesage^(*), and
Daniel Valot^(*).

^(*) independent director

⁽¹⁾ appointed as Financial Expert by the Board of Directors pursuant to section 407 of Sarbanes Oxley Act.

⁽²⁾ independent member of the Committee with specific competences in financial and accounting matters pursuant to article L.823-19 of the French Commercial Code.

In conformity with the provisions of the AFEP-MEDEF Code, the Committee is composed of two-thirds of independent directors.

In 2009, the Audit Committee met eight times with an average attendance rate of committee members of 87.5 %.

Minutes of each meeting are taken. Besides, the Chairman of the Committee reports on its work at every Board of Directors' meeting as the audit committee meets systematically before each Board of Directors' meeting. This report is recorded in the minutes of the Board of Directors' meeting.

Assignments of the Audit Committee and description of its works in 2009 are detailed in paragraph III.b).

The Technology Committee:

The Committee's assignment is to assist the Board in reviewing:

- the technology offer from competitors and other oil service companies,
- the Group's development strategy in reservoir imaging: seismic and opportunities in other oilfield services and products,
- the main development programmes in services and equipment,
- R&D budgets.

As of December 31, 2009, the members of the Committee were the following:

Robert Brunck (President),
Anders Farestveit,
Yves Lesage, and
Terence Young^(*).

^(*)independent director

The Technology Committee usually meets twice a year. In 2009, the Committee met twice with an attendance rate of 100%.

During these meetings, the Committee reviewed the latest technological developments of the Services and Equipment divisions, the Group R&D plan. Certain specific technological projects were also presented to the Committee.

I.7 Shareholders' attendance conditions at the shareholders' general meeting:

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.8 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 paragraph 19 of the management report.

II. Limitations of the authority of General Management

II.1. Structure of General Management:

Pursuant to the harmonization of the Company's articles of association with the provisions of the law of May 15, 2001 (*Loi sur les Nouvelles Régulations Économiques*) by the combined shareholders' meeting of May 15, 2002, the Board of Directors' meeting held on the same day

chose the general management option whereby the functions of Chairman of the Board of Directors and Chief Executive Officer are combined. Such decision was confirmed by the Board of Directors in its meeting held on April 29, 2008 during which Robert Brunck was renewed in his position as Chairman of the Board and Chief Executive Officer, after his term had been renewed by the general meeting of shareholders held the same day.

The Chairman and Chief Executive Officer was assisted by a Chief Operating Officer until November 1, 2009.

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 Chairman-CEO (*Président Directeur Général*) is vested with the broadest powers to act in all circumstances in the name of the Company.

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

The purpose of the internal control procedures of the Company is to offer reasonable assurance as to meeting objectives with respect to the following:

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

All persons belonging to the Company are covered by the system of internal controls. The Board of Directors, the Audit Committee, senior executives, internal auditors, management and other personnel contribute significantly to the effectiveness of internal control procedures. Naturally, the responsibilities of supervisory personnel in the area of internal control vary in accordance with their level in the organizational hierarchy.

Because the Company is listed both in France and the US, it is also 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 has decided to apply the COSO internal control integrated framework, established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Pursuant to the Sarbanes-Oxley Act, the Company must include in its 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 2009. A translation of this item 15 into French will be included in the "*Document de référence*" for fiscal year 2009.

The Chairman and Chief Executive Officer is responsible for the internal control system of the Company.

a) Company organization:

The CGGVeritas Company consists of a mother company, Compagnie Générale de Géophysique-Veritas SA, a public company listed in New-York and Paris, administrative and operational entities. Apart from determining CGGVeritas strategy and policies, the scope of activity of the

mother company is limited to operational and financial organization at the corporate level, holding the administrative and operational entities and controlling them (a pure holding company role). Corporate bodies (Board of Directors and shareholders' meeting), production of the Company's consolidated statements and other various US and French regulatory documents, CGGVeritas commitments pursuant to its credit agreements, relations with the Company's investors, shareholders and lenders are managed by the mother company.

CGGVeritas operations are organized into two main divisions: Services (Geophysical Services) and Equipment (Seismic Acquisition Equipment).

Since the merger with Veritas, the Services division has been organized under a matrix organization articulated around four regions: North America, Latin America, EAME (Europe, Africa and Middle-East) and Asia-Pacific. Such regions manage business and operations around three product lines (Land, Marine and Processing & Imaging) that ensure worldwide consistency of the activities notably with respect to asset management, development of technologies, industrial investments and human resources in their respective scope of business. Moreover the non-French Services subsidiaries will be grouped together under a holding company incorporated in 2008 in the Netherlands. This holding company is in charge of the operational organization and the management of the Services segment.

The Equipment division operates through Sercel, which also has a matrix organization by function (Research and Development, Marketing and Sales, Manufacturing/Quality and Finance) and by regions (Western Hemisphere and Eastern Hemisphere).

For each division, transverse staff functions, particularly in finance, human resources and legal affairs, report to the President of Services for the Geophysical Services and the CEO of Sercel respectively. In addition to these support functions, investor relations, internal audit and risk management can be found at the corporate level.

As of end 2009, the Company's legal organization chart comprised 170 subsidiaries and JV/partnerships after the merger with Veritas in 2007 and other recent external growth operations, especially Wavefield at the end of 2008. A continuous effort is made to reduce the number of legal entities and an ad hoc rationalization plan for the Services legal structure (including branches) was established in early 2008. The aim of this rationalization plan is to reduce the number of legal entities to below 150 by the end of 2010.

At end 2009, CGGVeritas' management is organized as follows:

The Executive Committee comprises the following members:

- the Chairman and Chief Executive Officer,
- the Advisor to the Chief Executive Officer and in charge of the Group's Business Development and Technology,
- the Chief Financial Officer,
- the Senior Executive Vice-President,
- the Chief Executive Officer of Sercel,
- the President of Geophysical Services,
- the President in charge of Geophysical Services for the Americas.

In October 2009, an incoming CEO was announced effective July 2010. He is a member of the Executive Committee since January 2010.

CGGVeritas has established a Corporate Finance Committee, which meets on a monthly basis to review the Company's financial situation especially on the basis on the information provided by the respective financial committees of the Divisions.

In 2009, the Executive Committee appointed a Chief technology Officer at the corporate level. He reports to the Advisor to the Chief Executive Officer in charge of the Group's Technology and regularly presents R&D activities to the Technology Committee.

CGGVeritas has a Corporate Internal Audit organization which reports directly to the Executive Committee of the Company and the Audit Committee. The Corporate Internal Audit function is staffed with four personnel and functions independently and objectively based on its charter. The Equipment division (Sercel) and the Services division also have their own Internal Audit organization with respectively two persons and six persons reporting functionally to the Senior Vice-President Corporate Internal Audit.

Internal Audit evaluates internal controls on the basis of the COSO framework and tools and in compliance with the code of conduct of the Institute of Internal Auditors. Internal Audit planning is based on a three-year cycle to ensure a timely review of the Company's significant entities. 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 Executive Committee and presented to the Audit Committee. Internal audit conducts financial and accounting audits as well as operational audits. Recommendations issued as a result of the audits are approved by the Executive Committee and the associated action plans are 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 CGGVeritas. In 2009, the internal audit activities, excluding those linked to Sarbanes-Oxley, were mostly dedicated to the major scope of activities of CGGVeritas (i.e., the sites where efforts to integrate the teams and the systems were the most significant, entities considered as being a priority based on the assessments of risks exposure carried out after the merger and partnerships, particularly in Marine activity. The annual budget of Internal Audit is close to 0.1% of CGGVeritas revenues which is in compliance with the standards existing for companies in the same industrial sector.

b) Control environment

Control environment is an important part of the Company's internal control system.

Integrity and ethics

- Code of ethics ¹

On December 10, 2003, the Board of Directors implemented a code of ethics which is applicable to the Chairman and CEO and the members of the Executive Committee 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.

¹ implemented in conformity with section 406 of the Sarbanes-Oxley Act.

- Chart of ethics applicable to all employees of CGGVeritas Group

In January 2007, following the merger with Veritas, the chart of ethics adopted in 2004 was extended to all of the new CGGVeritas Company. The integration achievements have made it possible to extend and reinforce the four key values of the Group, i.e. focus on performance, passion for innovation, power by people and integrity.

In the first quarter of 2007, the chart of ethics and the fundamental values were commented by management and dispatched to all employees of CGGVeritas during presentation and exchange meetings organized worldwide in all CGGVeritas units.

During 2009, the code of business conduct continued to be deployed. A report line was implemented, available 24 hours a days seven days a week and accessible by employees from all countries. This report line is in compliance with SOX and CNIL recommendations.

Finally, within its Financial Security policy, the Company undertakes to conduct its business in a responsible manner, producing timely, reliable, accurate and fairly presented financial information. The Financial Security Policy ensures that all transactions are accurately and honestly reported in the Company's financial statements in accordance with the procedures in place. Transactions are then audited. Such commitment is realized through realization of annual objectives which aim to develop continuous improvement.

Corporate governance

The role and operating procedures of the Board of Directors, Strategic Planning Committee, the Appointment-Remuneration Committee and Technology Committee are dealt with in the first part of this report.

Pursuant to its charter, the Audit Committee is responsible for assisting the Board of Directors and for undertaking preparatory work for the Board.

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 management and the statutory auditors the consolidation perimeter and receive, when necessary, all appropriate explanations:
 - Reviewing and discussing with management and the statutory auditors the draft annual and consolidated accounts, semi-annual and quarterly consolidated financial statements along with their notes, and especially off-balance sheet arrangements,
 - Reviewing and discussing with management and the statutory auditors the quality, comprehensiveness, accurateness and sincerity of the financial statements,

- Hearing the statutory auditors reporting on their review, including any comments and suggestions they may have made in the scope of their audit.
- Review the report on form 20-F and the "document de reference",
- Raising any financial and accounting question that appears important to it.
- Assignments relating to risk management and internal control:
 - Review with the General Management (i) the Company's policy on risk management, (ii) the analyse made by the Company of its major risks (risk cartography) and (iii) the programs put in place to monitor them,
 - Review with the General Management (i) the role and responsibilities with respect to internal control ; (ii) the principles / 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) the significant deficiencies, if any, identified by the Company or reported by the external auditors (section L.823-16 of the French code of commerce) as well as the corrective actions put into place,
 - Review (i) the report of the chairman on board of directors' composition, preparation and organization of the board of directors' work, on internal control and risks management and (ii) the conclusions of the external auditors on such report.
- Assignments relating to internal audit:
 - Reviewing and discussing with General Management more specifically:
 - the organization and operation of internal audit,
 - Its activities and notably the missions proposed in the scope of the internal audit plan approved by the general 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 the management being present,
 - Monitoring the procedure for selection of the auditors and issue 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 the management and reviewing regularly with the management the amount of 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 Group and its executive officers,
 - Seeing to the handling, anonymously, of any feedback concerning a possible internal control problem or any problem of an accounting and financial nature,
 - Finally, the 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.

Within the scope of the missions established by the law, the Audit Committee is in charge of following-up :

- (a) the process of preparation of the financial information,
- (b) the efficiency of the internal control and risk management systems,
- (c) the legal control of the annual and consolidated financial statements by the auditors,
- (d) the independence of the auditors.

In 2009, the Audit Committee reviewed draft versions of the annual consolidated financial statements for 2008, the consolidated financial statements for the first quarter, the first semester and the third quarter of 2009. It also reviewed the 2009 forecasts. The Audit Committee also provided to the Board its recommendations concerning these financial statements. The audit committee reviewed the 20-F Report and the "*Document de Référence*".

Further to the acquisition of Wavefield Inseis, the Audit Committee also reviewed the allocation of the purchase price to the different balance sheet items.

It examined the work to be performed by the statutory auditors in the scope of their audit on the 2009 financial statements and approved their fee estimates for this work. In compliance with the Audit Committee's procedures providing for its prior approval of non-audit services provided by the members of our auditors' network, the Audit Committee reviewed the services so performed in 2009 and approved them as necessary.

The Audit Committee reviewed the activities of the internal audit team, which acts on the basis of a plan established by the Executive Committee and presented to the Audit Committee. This plan is established in light of perceived operational and financial risks and with the goal of systematically reviewing the major entities of each business division every three years.

The Audit Committee was also kept regularly informed on the development of 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 Audit Committee also follows the evolution of the Group's legal perimeter and, in particular the rationalization program of the Services legal structures. Besides, it carried out at year end a detailed review of the multi-client library and was regularly kept informed of the Group's situation with respect to cash, debt, cash flow forecasts and Group's hedge policy.

Finally, further to the publication of the *ordonnance* dated December 8, 2008 related to the role and organization of the Audit Committee, the Committee reviewed its charter in order to comply with the applicable rules.

Disclosure

Within the framework of the implementation of the Sarbanes-Oxley Act, the Chairman-CEO and Chief Financial Officer 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 Chairman and CEO 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.

On the date of this report, the Committee is chaired by the Group Senior Executive Vice-President. The other members of the Committee are:

- the President, Geophysical Services,
- the Chief Executive Officer of Sercel,
- the Chief Financial Officer, Equipment
- the Advisor to the General Management of Sercel,
- the Geophysical Services Controller,
- the Geophysical Services Finance Manager,
- the Senior Vice-President corporate internal audit,
- the Chief Accounting Officer,
- the Investor Relations Officer,
- the Corporate General Counsel.

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

General instructions which are widely distributed set forth rules for the delegation of powers, the approval of offers and contracts, investment authorizations and expenses authorizations. Such

delegations are granted with the aim to permit and facilitate management of the Group's day-to-day business.

The process for preparing offers, and controlling and approving contracts signed between the Company's legal entities on the one hand, and its customers, partners and subcontractors on the other hand, was defined by an ad hoc internal instruction. The process includes authorization rules to be applied with respect to contractual commitments and in particular the limits where a prior authorization by the Executive Committee is required.

Approval levels for investments, leases, sale-and-lease back transactions and expenses are also defined.

Human resources policy

CGGVeritas human resources policy, set forth in a charter, is based on external recruitment, internal development of expertise through regular training and career management.

CGGVeritas seeks to identify and effectively match the knowledge and expertise of personnel with the needs of the Company. Development and training plans are put in place for employees based on regular assessments of expertise.

CGGVeritas devotes a considerable portion of its training budget to improving technical and trade expertise. An increasing share of training is devoted to management of personnel and projects, risks and performance. CGGVeritas personnel have access to a dedicated training structure through CGGVeritas University which includes an exhaustive array of training courses taught within the University and through well-known partners.

In 2009, much of the Human Resources efforts focused on succession planning and related training and recruitment plans. Regarding the compensation scheme, CGGVeritas is compliant with AFEP-MEDEF Code related to the Company's Senior Executive Officers ("*mandataires sociaux*") and continues to ensure a good rationalization between the current economic context and individual employee performance.

Financial security policy

CGGVeritas is committed to operate in compliance with its Chart of Ethics and in accordance with its Business Code of Conduct. Therefore CGGVeritas is engaged to provide, within the required time limits, complete, impartial, exact and understandable financial information in all its public communications and in the documents it files with the French Financial Market Authority (AMF) and with the American Securities and Exchange Commission (SEC).

Consequently, the entities of CGGVeritas are committed to ensure that all transactions are checked, are precisely and accurately recorded in the Company's accounts, in accordance with the procedures in force, and subject to audit.

All entities therefore commit to continuously improve our financial security, in particular by:

- Complying with current laws and regulations (e.g. Sarbanes-Oxley, Loi de Sécurité Financière),
- Promoting a conviction that all failures in the field of financial security can be avoided,
- Reporting and communicating in a clear manner, especially by reporting all issues that could affect the Company's public communications and disclosures,
- Establishing an efficient control environment.

Based on these commitments, CGGVeritas shall:

- Demonstrate active involvement across line management and functional lines,
- Define clear objectives and monitor their achievement,
- Define employee responsibilities in the area of financial security, and provide the appropriate training,
- Supply adequate resources,
- Evaluate sensitive issues, assess related risks, and implement the necessary controls and other measures,
- Implement and strictly enforce rules and procedures, report difficulties and failures, and undertake corrective actions designed to ensure continuous improvement of Financial Security,
- Regularly assess the effectiveness and progress of Financial Security using key indicators, audits and executive reviews, and take any necessary corrective measures.

The personal involvement of each employee in the application of these principles is fundamental for CGGVeritas to operate in a proper financial security environment, which is suitable to building sustainable and reliable relationships with its customers, shareholders, employees and partners.

The President and CEO sets annually the financial security objectives.

c) Assessment of risks

Risks related to the situation of financial markets:

- Loan agreements may limit the Company's ability to react to market trends or finance ongoing operations. If the Company is not able to comply with the restrictions and provisions imposed under its loan agreements, an event of default vis-à-vis its contractual obligations may exist. This could accelerate the maturity of loan repayments.
- Earnings from operations may be materially impacted by foreign exchange fluctuations.
- Financial needs and, in particular, working capital requirements may vary significantly vary within a short time period, resulting in a need for additional financing. Such financing may be difficult to obtain or contain unfavorable terms based on the current market conditions.
- The significant debt of the Company could adversely affect its financial situation and prevent it from meeting these obligations.

Indexed floating-rate debt of the Company results in global interest charges subject to changes in the conditions of the credit markets.

Environmental risks: frequent changes in environmental laws and regulations, which the Company undertakes to comply with in all of its activity zones, could make it difficult for the Company to accurately forecast the cost and impact of such changes in future operations.

Insurance risks: the Company may be required to carry risks resulting from its operations which may have an adverse impact on activity and operating results.

The Company subscribed insurance coverage is presented in the "*Document de Référence*" and the 20-F Report.

The Company has implemented mechanisms for identifying both external and internal risks. The principal risks to the Company are analyzed in the "*Document de Référence*" and the 20-F Report.

The Company has mechanisms in place to identify changes in current conditions which could adversely affect the Company's ability to meet its objectives. Management can respond and intervene quickly.

d) Risk Management

In 2009, a synthesis of risk management activities across the Company was presented to the Audit Committee which will now be in charge of their follow-up regularly.

The Executive Committee conducts a quarterly review with senior officers in charge of the risk management related to:

- Industry and operations
- Technology
- Finance
- Human resources
- Internal and external communications

It may also be noted that:

- Every legal entity of the Company is positioned in a matrix in terms of risk exposure and volume of financial transactions. Approximately fifteen risks have been listed for this classification and include risks related to the internal structure of the entity (i.e., the size of the entity, the turn over of key personnel, employee skill sets, information systems, etc.) and risks related to the environment of the entity (i.e., context of the country, the complexity of laws, etc.).
- The sales process for geophysical services includes a phase devoted to identifying and evaluating risks related to operations, customers, countries, environment, etc. The results of the evaluation are reviewed at different hierarchical levels up to and including the Executive Committee, if necessary.
- A risk assessment is performed for each major project in terms of health, security, safety and environment. These risks are classified according to their impact and likelihood and, based on the classification within a risk matrix position, mitigating actions to be implemented are defined.

The Group has finally established tools and procedures internally to manage risks as they are identified.

The Group provides employees with access to all charters, objectives, general instructions, procedures and other guidelines through its intranet. The requirement to make legal, tax and accounting decisions in accordance with applicable laws and regulations is clearly established.

In 2009, within CGGVeritas University, the Group launched a governance awareness training program for the senior managers, with a focus on the risks and liabilities of directors and officers and best practices in the field of Finance, Tax and Human Resources. This program is complementary to the financial security training already in place for several years.

Commercial Risks

- Solvency risks and risks of non-payment by clients are reviewed at the offer stage through solvency surveys and, if necessary, payment guarantees may be required.

In addition, receivables are followed by the finance departments of the Company and payment delays are reviewed by the financial committees of the divisions for analysis of the delays' reasons and decision regarding the appropriate measures.

Health, safety and the environment (HSE)

- The Company has an integrated system for health (H), safety and security (S), environment protection and social responsibility (E), and quality (Q), included in the sustainable development program (PRISM), which is based on the management of line commitment, publication of best practices and continuous improvement. New computer and communication tools have been developed since the merger with Veritas that are available to all actors to improve follow-up and foster experience sharing.
- In 2009, a department dedicated to Quality was put in place within Services, following the organizational model in place within Sercel.
- As for HSE, action plans related to non-quality risks are under management's responsibility. Management is supported by a network of experts among the Product Lines and the Regions.
- Political and security risks (i.e., country risk, operations risk, etc.) are continuously monitored by HSE experts. As a result, prevention, protection and evacuation plans adapted are established and maintained relative to the risks.
- Integrated HSE and Quality systems and tools result from the policies put in place by the Company, including :
 - Health
 - Environment
 - Security
 - Sustainable development
- Each year the Company defines general objectives in the area of health, safety, environmental and quality and social responsibility. The objectives are developed and adapted to the various activities of the different divisions.
- The 24-hour notification system aims to report accidents and incidents in order to provide better protection for persons and Company assets. The system allows for implementation of support and improvement actions without delay.

All reported accidents and incidents, whether true or not, are systematically investigated to determine the cause and to propose corrective actions and improvement plans. The syntheses of those investigations are periodically reviewed by the Executive Committee and executive management of each Division.

Operational risks

- The company has procedures in place to survey prevailing conditions in the area prior to commencement of an acquisition campaign. The survey is performed in order to :
 - o Adjust its production resources deployed to the area;
 - o Ensure the protection of assets and employees;
 - o Allocate appropriate resources to monitor the area and inform third-parties about seismic equipment operations and to protect them;
 - o Prevent damage to third-parties.

- In addition to the existing preventive and control measures, business continuity plans were implemented for sedentary production sites (Sercel and data processing centers), in order to be able to resume or reduce production as soon as possible after any disruption in operations.

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 Executive Committee 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 Company has an accounting manual which sets forth Group 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.

- The procedures regarding Delegations of Authorities within the divisions are supervised by the division's legal departments to ensure risk management in terms of commitments through limitation of the powers granted.

- 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 CGGVeritas entities process consolidated accounts in the format chosen by the Company 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. A convergence project of the management software existing within CGG and Veritas was initiated in 2007 with the objective to have a unified system operational in 2010. Until then, the existing systems were brought together in order to ensure for the Group a consistent and global overview of all its operations.

Control of the disclosure of information externally

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

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.

e) Control activities

Processes implemented by the Company 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 Company 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

Approximately thirty prerequisites – “Must Have” – have been defined for Financial Security both for Group operations and support functional departments. These prerequisites must be entirely observed (100%) and regularly assessed by self assessment forms and by management visits. The CGGVeritas Financial Security objectives define the frequency of these evaluations.

Financial and accounting controls

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

- The financial statements of all the Company's subsidiaries are reviewed by the finance departments of each division (Services and Sercel). 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.
- The Company formally evaluates on specific dates the financial data which is correctly aggregated and presented in financial statements.
- 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, in 2005, the Group has put in place a system to evaluate the effectiveness of internal controls over financial reporting. The system was operational in 2006 and was subsequently integrated with the existing system of Veritas after the merger. The integrated system is fully functional as of the end of 2009.

Miscellaneous controls

- Management frequently visits the Company's hubs, wherever located. Onsite tests and reviews are conducted and reports are generated and distributed to concerned parties and the General Management on their return.
- Interviews for the evaluation of expertise and individual and collective performance and definition of objectives are carried out on an annual basis, based upon a common tool for appraisal the individual expertise and performance and defining the personal development plan.
- Health, safety, environmental and quality audits are conducted on a regular basis by auditors having expertise in those fields. The purpose of the audits is to ensure that Company standards are complied with and to recommend ways of improvement.

- Results of audits are presented to the concerned management teams and a summary is presented to the Executive Committee. Business divisions are responsible for monitoring actions to be implemented.

Based on objectives defined by the Executive Committee, key performance indicators have been implemented in the areas of quality, HSE, operations, financial and commercial. These indicators are monitored on a quarterly basis.

f) Information and Disclosure

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

Quality standards, security requirements or legal and professional obligations demand that the procedures be documented and accessible. The Company encourages the sharing of knowledge and best practices. Intranet site provides all personnel with access to charters, CGGVeritas policies, annual objectives, general instructions, procedures, standards and other documents on which the Company's Management System is based. Additionally, the Company publishes an internal newsletter, with the objective to achieve a better communication and cooperation between the Group entities and among the operating and support functions.

A perception survey is conducted across the Group on a yearly basis. This survey is sent to all permanent employees, the results of which are analyzed and followed by recommendations and action plans.

The Company organizes an annual seminar for the Board members, the Executive Committee, senior management and the main managers.

The Company 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 Company 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.

g) Monitoring

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.

Managing and supervising day-to-day operations, comparative analyses and the comparison of information and other day-to-day tasks of employees enable the Company to ensure the pertinence of internal controls. Management carries out periodic evaluations, taking into account the nature and importance of changes which may have occurred.

h) Conclusion

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 regularly 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 Company has put in place a tool for internal control self-evaluation for all units of the Company. This tool includes improving evidence of the controls implemented. At the Corporate level and within both divisions (Services and Sercel), a compliance officer has been appointed thus showing the Company's commitment to good corporate governance rules.

The Executive Committee 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.