

Corporate governance in Prosafe



Prosafe's system of corporate governance is based on its vision and strategy. The group's business is organised on the basis of a simple, clear and efficient model, with a clear segregation of responsibilities.

In combination with a broadly-based board of directors, a constructive mode of working in relation to the company's administration, and precise reporting, the basis has been laid for efficient management, equal treatment of all shareholder interests, and a strategic and profitable development of the company.

NORWEGIAN CODE OF PRACTICE

Headquartered in Cyprus, Prosafe is subject to Cypriot legislation.

Prosafe is listed on the Oslo Stock Exchange and observes the Norwegian Code of Practice for Corporate Governance of 4 December 2007.

Description of corporate governance

By describing its corporate governance as per the Norwegian Code of Practice for Corporate Governance, Prosafe wishes to clarify the division of roles between shareholders, the board of directors and executive management.

Prosafe will display good corporate governance in order to strengthen confidence in the company among shareholders, the capital market and other interested parties, and to help ensure maximum value creation over time in the best interest of shareholders, employees and other stakeholders.

The business

Prosafe's articles of association and its declared vision, goals and strategies provide the information needed to help ensuring that shareholders may anticipate the scope of its activities.

The object of Prosafe's activity is described in article 3 of the company's articles of association. The articles are found on the group's website at www.prosafe.com in the section Investor information / Shareholder information.

Prosafe's strategy is described on page 14 of this report.

Equity and dividends

Prosafe's book equity ratio at 31 December 2008 was 9.5 per cent (2007: 39.6 per cent). The change from 2007 reflects the split of the company in May 2008, when the Floating Production division was dividdened out and listed as a separate entity on the Oslo Stock Exchange. The book equity ratio after the split reflects the low book value of the company's accommodation/service rigs. The company has a sound financial position which supports its expressed strategy and capital return policy.

Prosafe aims to give its shareholders a competitive return on their shares through a combination of share price appreciation and direct return in the form of dividend.

The annual general meeting of 14 May 2008 authorised the board of directors to implement the acquisition of up to 10 per cent of the allotted shares of the company, such authorisation to be valid for 12 months from 14 May 2008.

Equal treatment of shareholders

Prosafe has one class of shares. All shares have equal rights, and the company shall treat all shareholders in a non-discriminatory manner.

The board's right to acquire company shares is conditional on such purchases being made in the market.

Transactions with close associates

The chairman is a former chief executive officer of Prosafe and receives a pension from the company, see note 8 to the consolidated accounts.

No other transactions took place in 2008 between the company and its shareholders, directors, senior officers or the close associates of any of these.

Prosafe has rules to ensure that directors and senior officers report to the board if they have a significant interest, directly or indirectly, in any agreement concluded by the company.

Freely negotiable shares

All Prosafe's shares are freely negotiable. Its articles of association place no restrictions on negotiability other than the exemption for transfers resulting in adverse tax impacts for shareholders as described in article 16.

General meeting

The general meeting secures the participation of shareholders in the company's highest decision-making body. The company's articles of association are adopted by the general meeting. All shareholders are entitled to submit matters for inclusion on the agenda of a general meeting, as well as to attend, speak and vote at the meeting.

The AGM must be held by 30 June every year. In 2009 it is scheduled for 14 May. Written notice of an AGM and a meeting calling for adoption of a special resolution must be sent out twenty-one days before the meeting at the latest. Written notice of a meeting other than an AGM or a meeting calling for adoption of a special resolution, must be sent out fourteen days before the meeting at the latest. Weight is given to including all requisite information in the supporting documents, enabling shareholders to take a position on all matters to be discussed.

Shareholders wishing to attend the general meeting must notify the company of this intention before the deadline stipulated in the notice. As the board wishes to facilitate the attendance of as many shareholders as possible, it aims at setting the deadline for

notification of attendance as close as possible to the meeting date. Shareholders who are unable to attend, are encouraged to appoint a proxy.

Traditionally, the chairman, auditor and at least one member of the election committee are present at general meetings. Of senior officers, the chief executive officer and the chief financial officer attend as a minimum. Prosafe wishes to facilitate a dialogue with shareholders at the general meeting, and therefore encourages directors to attend.

The agenda is determined by the board. The chairman of the board opens the meeting, after which a chairman for the meeting is elected. The minutes of the general meeting will be published as a stock exchange announcement and posted to the company's website.

Election committee

Pursuant to article 54 of its articles of association, Prosafe has an election committee comprising three members and one alternate, with one member appointed by the board of directors and the other two members plus the alternate elected by the general meeting, all serving for a period of two years.

When directors are to be elected, the election committee will meet and submit its recommendations to the general meeting. As far as possible, the election committee's recommendations will be sent to shareholders together with the notice of general meeting.

The election committee will ensure a proper rotation of members and alternate.

The election committee elected by the AGM of 3 May 2007 comprises:

- Hans Thrane Nielsen, head of Norwegian equities, Storebrand Kapitalforvaltning
- Jørgen Lund, Attorney at Law
- Christian Brinch, deputy chairman of the board of Prosafe SE
- Alternate: Nils H Bastiansen, director, Norwegian Pension Fund

The presentation of the board on page 34 indicates which directors are up for election at the AGM in May 2009.

The election committee also recommends the fees to be paid to directors and members of the election committee.

The annual general meeting is responsible for electing the chairman of the election committee and for approving the committee's remuneration. Remuneration paid to the members of the election committee is specified in note x to the consolidated accounts.



Composition and independence of the board

The board of Prosafe comprises six shareholder elected directors. Continuity on the board is ensured by staggering the election of directors and by providing newly-elected directors with a thorough briefing on the company's history, business, status and challenges. The board attaches weight to avoiding conflicts of interest between directors, senior officers, their close associates and external players with whom the company collaborates.

The board also seeks to ensure that directors and senior officers possess expertise, both broad-based and in-depth, relevant to the business pursued and the different market segments served internationally. Directors are elected for two-year terms.

The chairman of the board was until 1999 president of Prosafe and receives a pension from the company. Directors are otherwise independent of the company and its management.

Work of the board

The board of Prosafe has overall responsibility for company management and for supervising its day-to-day administration and operations.

The company's operations and strategic direction are regularly reviewed through periodic board meetings and annual strategy and budgetary processes, supplemented by ongoing strategic discussions and monthly reporting of all significant management parameters and other factors. In parallel, a constructive ongoing dialogue is pursued between board and management. The board is also responsible for reaching decisions which form the basis for improving and executing investments and structural measures.

Scheduled board meetings are as a minimum held six to eight times a year, but the work schedule is flexible and otherwise adaptable to the need for considering relevant operational and strategic circumstances. The board has adopted rules of procedure for itself and management, with particular emphasis on a clear internal segregation of responsibilities and duties.

The board has drawn up separate instructions for management. A job description for the president and chief executive officer specifies his duties, authority and responsibilities in relation to the rules governing the business. The president and chief executive officer has a particular responsibility for ensuring that the board receives precise, relevant and timely information enabling it to discharge its duties.

Prosafe does not have a separate internal audit function. Proper internal control is ensured through various forms of segregation of duties, guidelines and approval procedures. The company's internal financial transactions are subject to special control systems and routines. Financial risk is managed by the group's corporate finance function. The board receives a monthly financial report.

The company has clear rules on in-house communication, and has clearly defined which persons are authorised to speak to the external market on its behalf.

The chairman has a particular responsibility for ensuring that the board's work is well organised and efficiently conducted. The chairman of the board encourages an open and constructive debate within

the board. The board has elected a deputy chairman who will act when the chairman is unable to lead its work.

The board has assessed the use of board committees. An election committee is specified in the group's articles of association. Further, in 2006, a compensation committee was established to prepare proposals related to the remuneration of senior officers. The compensation committee is headed by the chairman of the board. The board has not otherwise found it appropriate to appoint committees. This is primarily because all directors are regarded as independent, and the chief executive officer is not a director. The board is accordingly unaffected by problems relating to independence, which are often used as an argument for appointing board committees.

The board has traditionally undertaken an annual self-evaluation of its working methods, composition and the way directors function, both individually and collectively, in relation to the goals set for their work. In this context, the board also assesses itself in relation to corporate governance. The assessment is made available to the election committee as a tool for continuous improvement.

Risk management and internal control

Prosafe's conduct and development of its business are subject to several categories of risk. The strategic, operational, financial, insurance and project related risk and sensitivities of the business, and the associated internal control measures, are described in more detail in the chapter on Risk management and sensitivities on page 36 in this annual report. Prosafe has established a corporate ethics committee which will maintain and further develop Prosafe's Code of Conduct. Concerns about possible breaches of the code can be reported to the committee by ordinary mail or e-mail (conduct@prosafe.com) on a confidential basis. The committee will ensure that alleged breaches are investigated thoroughly and fairly and reported to the board of directors.

Remuneration of the board

The AGM determines directors' fees. Remuneration

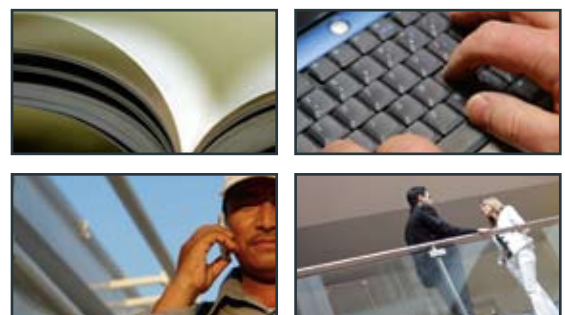
of the board reflects its responsibilities, expertise, commitment of time, and the complexity of Prosafe's activities. Directors' fees are not related to the company's performance, and no share options are given to directors.

Remuneration to the board for 2008 totalled USD 607 000. For further details, please see note 8 to the consolidated accounts.

Remuneration of senior officers

The terms of employment of the president and chief executive officer are determined by the board of directors, based on a detailed annual assessment of his salary and other remuneration.

Prosafe aims at providing a competitive total package for senior officers. The basis for comparison is the practice followed by other companies involved in the oil and gas sector in the geographic areas where Prosafe pursues its operations. The total remuneration package for the corporate management team and other senior officers comprises three principal elements – base pay, variable pay and other benefits, including company car, pension and insurance schemes. Further, corporate management and certain senior officers of Prosafe are granted synthetic share options. For further details of this scheme, and for a specification of remuneration paid to corporate management, see note 8 to the consolidated accounts.



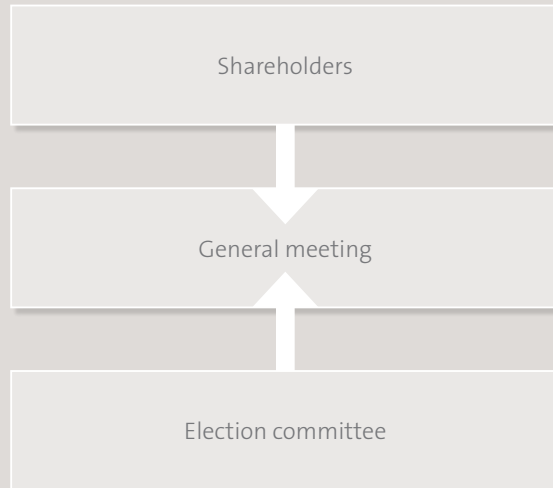
Information and communication

Prosafe presents preliminary annual accounts early February. Complete accounts, the directors' report and annual report are sent to shareholders and



PROSAFE'S MODEL FOR CORPORATE GOVERNANCE

OWNERS



The general meeting elects directors based on nominations from the election committee. Two years term of office.

other stakeholders in April. Beyond this, Prosafe presents interim accounts on a quarterly basis. Its financial calendar is published on the company's website at www.prosafe.com in the section Investor information/ Financial calendar and on page 80 of this report.

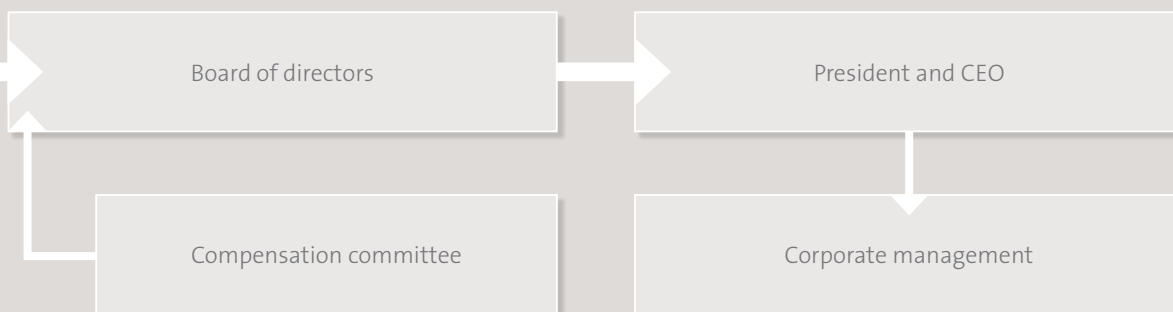
Open investor presentations are held in connection with the reporting of annual and interim results. These presentations are also broadcasted as webcasts, and can be followed on the Internet. The president and chief executive officer and the executive vice president and chief financial officer

use these occasions to review the results and comment on operations, markets and prospects. The presentation material is available on Prosafe's website.

An ongoing dialogue is otherwise maintained with analysts and investors, who are also invited to attend presentations. In order to ensure equal treatment of shareholders, one of Prosafe's aims is to make sure at all times that the stock market is in possession of correct, clear and timely information about the company's operations and condition. The company attaches great weight to treating all analysts

BOARD

MANAGEMENT



Responsibility for strategy and management of the company. Advice regarding and oversight of daily management.

Executive management

equally. Since 2004, Prosafe has had the Oslo Stock Exchange's Information Symbol and English Symbol. These symbols are awarded companies that satisfy specific requirements regarding the provision and distribution of information.

Take-overs

Prosafe's articles of association do not contain any defence mechanisms against take-over bids, nor has the company implemented other measures limiting the opportunity to acquire shares in the company. If an offer is made for the company's shares, Prosafe's board of directors will issue a statement evaluating

the offer, making a recommendation as to whether shareholders should or should not accept the offer.

Auditor

Ernst & Young has been the company's auditor since 1997. The auditor always attends board meetings where the annual accounts are considered. Auditors' fees expensed in 2008 total USD 251 000. Consultancy fees paid to the company's elected auditor in 2008 were expensed at USD 526 000 on a consolidated basis. These fees relate to accounting and tax-related issues.



BUSINESS MODEL AND MANAGEMENT

Prosafe has a clear management model, which lays the foundation for a controlled and profitable development of the company. The main elements in this management model are:

- a clear and consistent vision and mission
- a clearly defined strategic direction and objective, verified and tested through annual strategy and budgetary processes
- a corporate culture based on common core values that provide the basis for behavioural norms and collaboration
- a clear organisational and decision-making model with effective systems based on dialogue, monthly reporting and reviews of the division once a quarter
- clear corporate requirements, expressed in corporate procedures, which provide guidelines for management systems, operation, development and internal control in the division
- organisational development on divisional level with focus on recruiting and developing expertise as well as plans for in-house management development and continuity
- clear goals for equal employment and development opportunities, regardless of gender, age, culture and religion

Corporate procedures

The parent company has established clear corporate management and governance procedures. Among other duties, management of the subsidiary is responsible for ensuring that these procedures are observed. Annual strategy plans are prepared and approved, and incorporated in the group's overall strategy document.

Management of the subsidiary is responsible for ensuring that the business is pursued in accordance with approved strategies, targets and financial requirements. Parent company employees ensure that economies of scale are achieved within financing and insurance, and that best practice is applied across companies in these areas. The following corporate procedures include, but are not limited to, requirements related to:

- insider trading
- financing and liquidity
- insurance
- design manual
- risk management
- business ethics
- emergency preparedness

Core values

Prosafe's core values guide the conduct of its overall business and the behaviour of all employees at all times. They will thereby fortify and protect the company's reputation which, in addition to performance related to health, safety and the environment (HSE), ethics and high standards of operation, is a fundamental value driver for Prosafe's future development opportunities and success.

Prosafe does not allow any of its employees to compromise on the core values. The values are a fundamental part of the company's foundation and existence, and are not subject to annual negotiation and revision.

Prosafe's business activities must be conducted in a professional manner, to assure customers, shareholders and other stakeholders that company core values underpin all actions and operations.

Prosafe's website provides more information for understanding the core values in a broad perspective.

Business ethics

The corporate Code of Conduct covers the following main elements:

- respect for human rights
- conflicts of interest
- confidentiality and protection of assets
- insider trading
- bribery, corruption and breaches of anti-trust law
- use of IT systems

Compliance with the standards of business ethics is essential, and every individual employee is responsible for acting in accordance with these principles. They are readily accessible, including on the company's website. Managers have a special responsibility for communicating and ensuring implementation of the Code of Conduct.

Advisors and others who gain access to inside information on the company must sign a declaration of confidentiality and accept an insider position if the information is not known to the market. The company maintains lists of all employees, advisors and others with access to inside information in accordance with the requirements of the Oslo Stock Exchange.

Prosafe's obligations for ensuring sustainable development of the company are described in more detail in the chapter on Corporate social responsibility on page 52 of this annual report.

Share purchase programme for employees

Prosafe provides opportunities for all employees to become shareholders in the company. With this view, the group's share purchase programme for employees was implemented again in 2008. This was the ninth time that the workforce was given the opportunity to buy shares in their own company at a 20 per cent discount, for an amount up to NOK 7 500 each.

Board of directors



Reidar Lund, chairman (born 1941)

President of Transocean ASA from 1985-97 and chief executive officer of Prosafe from 1997-99. He has held a number of directorships in offshore-related enterprises.

Mr Lund has been chairman since 1999 and is due for re-election in 2009.

Shares in Prosafe (incl shares owned by related companies): 155 000



Christian Brinch, deputy chairman (born 1946)

Runs his own consultancy business. Previous appointments include chief executive officer of Helikopter Service and deputy CEO of ABB Norge. He holds various directorships in listed companies.

Mr Brinch has been a director since 1997 and is due for re-election in 2010.

Shares in Prosafe: 0



Ronny Johan Langeland (born 1962)

Runs his own investment and consultancy company. Previous appointments include vice president for investment at Storebrand and Avanse Forvaltning. He holds various directorships in listed companies.

Mr Langeland has been a director since 2002 and is due for re-election in 2010.

Shares in Prosafe (incl shares owned by related companies): 15 000



Elin Nicolaisen (born 1962)

Senior advisor at Aibel. Ms Nicolaisen has broad managerial experience from offshore projects within Vetco Aibel and ABB Offshore Systems, and has previously held the position as manager for the Structural Department in ABB Offshore Systems.

Ms Nicolaisen has been a director since 2006 and is due for re-election in 2010.

Shares in Prosafe: 0



Christakis Pavlou (born 1945)

Deputy chairman and CEO of TFI PCL, a Cyprus company that provides trade finance and foreign exchange services. Mr Pavlou has previously worked for the Cyprus Popular Bank, HSBC and Barclays Bank. He holds various directorships in financial enterprises.

Mr Pavlou has been a director since 2007 and is due for re-election in 2009.

Shares in Prosafe: 0



Michael Raymond Parker (born 1949)

A total of 37 years of experience from international project management in the oil and gas industry. Previous appointments include managerial positions in Total E & P, Aker Contracting and Norwegian Contractors.

Mr Parker has been a director since 2007 and is due for re-election in 2009.

Shares in Prosafe: 0

Corporate management

Prosafe SE

Arne Austreid, president and CEO

Mr Austreid (born 1956) has been president and CEO of Prosafe SE since 1999.

Educated as a petroleum engineer, he also holds an MBA from the University of Aberdeen. Mr Austreid joined Prosafe in 1998 as vice president marketing and business development. From 1982-98, he held a number of positions in Transocean, both on land and offshore, and was president at his departure.

Shares in Prosafe (incl shares owned by related companies): 116 100
Synthetic share options: 742 524



Prosafe SE

Karl Ronny Klungtvedt, executive vice president and CFO

Mr Klungtvedt (born 1973) has been executive vice president and CFO of Prosafe SE since May 2007.

He holds an MPhil in Economics from University of Cambridge and a BEng in Engineering from University of Newcastle upon Tyne. Mr Klungtvedt joined Prosafe in 2002 and has held several positions, last as vice president finance and treasury. Prior to joining Prosafe, he held various positions in Nordea and Accenture.

Shares in Prosafe (incl shares owned by related companies): 45 930
Synthetic share options: 577 519



Offshore Support Services

Robin Laird, president

Mr Laird (born 1963) has been president of Offshore Support Services since March 2005.

He holds a BCom from Edinburgh University and is a chartered public accountant in Scotland. Mr Laird was appointed vice president finance for Offshore Support Services in 1995. Before that, he held positions with Ben Line Group and KPMG in Edinburgh.

Shares in Prosafe (incl shares owned by related companies): 58 000
Synthetic share options: 618 771

