

Corporate governance report

The Company is incorporated in Jersey, where there is no formal Code relating to corporate governance. However, the Board recognises that it has a responsibility to ensure good governance of the Company in order to help it fulfil its obligations to all its stakeholders, not just shareholders. It is therefore strongly committed to the highest standards of corporate governance and has decided to adhere, wherever possible, to the provisions of The Combined Code on Corporate Governance published in 2006 (the Combined Code), in the same way as if the Company was incorporated in the United Kingdom. The Company has prepared an additional report on its Corporate Social Responsibility (pages 48 to 55), which sets out its engagement with society in general. This Report, however, together with the Nominations Committee Report, Audit Committee Report and Remuneration Committee Report, is the Company's formal report on its corporate governance framework and has been prepared by reference to the Combined Code. The Directors consider that throughout 2008 and up to the date hereof, the Company has fully complied with the provisions of the Combined Code.

The Combined Code has identified four subject areas, which underpin good corporate governance and these are:

- directors
- directors' remuneration
- accountability and audit
- relations with shareholders

Directors The Board

The Board is responsible to shareholders for the control and leadership of the group and for safeguarding the Company's reputation. The Board currently has nine members and details of the individuals' skills and experience are contained in the Directors' biographies on page 57.

The Board has a formal schedule of matters reserved to itself for decision, including, but not limited to: matters of a strategic nature; approval of the annual budget; approval of major acquisitions, investments and disposals; major changes to the group's capital structure; the preparation of financial statements; the recommendation or declaration of dividends; the entry into contracts which are deemed to be material strategically or by reason of size; succession planning and appointments to the Board; senior executive remuneration; ensuring the maintenance of a sound system of internal controls; reviewing its own and its committees' performance and reviewing the group's overall corporate governance arrangements.

The Board met regularly during the year. The Board met in person at six meetings, which had been scheduled well in advance. In 2008, the Board held three such meetings in Continental Europe; one meeting in Sharjah, the United Arab Emirates, where the group has its largest office; one meeting in Jersey where the Company is incorporated; and one meeting in Tunisia where the group has significant business operations. In addition, the Board held a number of telephone conference Board meetings at relatively short notice, which arose as a result of specific business, usually in relation to a particular commercial project, between scheduled Board meetings. The agenda for each scheduled Board meeting allows the Chairman and Non-executive Directors to meet without the executive Directors present. In addition, the Board attended a strategy and business planning day with members of senior management.

Attendance by the Directors at the scheduled meetings of the Board was as follows:

| | |
|---|----------|
| Number of meetings | 6 |
| Rodney Chase Non-executive Chairman | 6 |
| Michael Press Senior Independent Director | 6 |
| Bernard de Combret Non-executive Director | 6 |
| Kjell Almskog Non-executive Director | 6 |
| Rijnhard van Tets¹ Non-executive Director | 5 |
| Ayman Asfari Group Chief Executive | 6 |
| Maroun Semaan Group Chief Operating Officer (formerly Chief Executive, Engineering & Construction) | 6 |
| Keith Roberts Chief Financial Officer | 6 |
| Anjad Bseisu Chief Executive, Energy Developments | 6 |

¹ Rijnhard van Tets missed one meeting due to a long standing prior commitment arranged before his appointment to the Board in 2007.

Chairman and Group Chief Executive

The roles of Chairman and Group Chief Executive are clearly separated and set out in writing. The Chairman is responsible for the leadership of the Board, ensuring its effectiveness and setting its agenda and for ensuring that there is effective communication with all shareholders. The Chairman also facilitates the effective contribution of all Directors and ensures that there is a constructive relationship between the executive and Non-executive Directors. The role of the Group Chief Executive is to implement strategy by developing manageable goals and priorities; provide leadership and motivation to the management teams running the group's businesses; and develop proposals for the Board to consider in all areas reserved for its judgement.

Board balance and independence

The Board believes that it is of sufficient size to contain an appropriate balance of skills and experience but not so large as to be unwieldy. The Board considers all four Non-executive Directors (which expression excludes the Chairman) to be independent in character and judgement and is not aware of any relationships or circumstances which are likely to affect, or could appear to affect the judgement of any of them. The extensive knowledge and experience of the Non-executive Directors combined with the focus and experience of the Chairman and executive Directors enable the Board to lead and give direction to the group without any imbalance that may allow any individual or group of individuals to dominate its decision making. Any Director having a concern in this or any other regard may raise it with the Chairman or the Senior Independent Director. Directors have access to the advice and services of the Secretary to the Board, who is responsible for ensuring that Board procedures and applicable rules and regulations are observed and for advising the Board, through the Chairman, on governance matters. The Directors are entitled to take independent professional advice, at the Company's expense, if required.

Corporate governance report continued

The Board is assisted by various committees, principally the Nominations, Audit, and Remuneration Committees. Reports for 2008 from each of these committees are provided from pages 64 to 74. The Board keeps the membership of the committees under review.

Appointments to the Board

The Nominations Committee ensures a formal, rigorous and transparent procedure for the appointment of new Directors. In the case of candidates for Non-executive Directorships, care is taken to ascertain whether they will have sufficient time to fulfil their Board, and if applicable, committee responsibilities. As part of this process, candidates disclose all other time commitments and, on appointment, undertake to inform the Chairman of any proposed changes. The terms and conditions of appointment of Non-executive Directors are available from the Secretary to the Board on request.

Information and professional development

To enable the Board to discharge its duties, all Directors are given appropriate documentation in advance of Board meetings. The agenda and supporting Board papers are generally distributed by the Secretary to the Board at least a week in advance of each scheduled Board meeting and 24 hours in advance of an unscheduled meeting. In addition, all Directors are encouraged to make further enquiries as they feel appropriate of the executive Directors or management team.

The Company has a formal programme of training for its Directors, which is designed both to increase familiarity with the group's business operations as well as to develop technical skills and knowledge. The Company is committed to providing continuing education to Directors in relation to its business and as such ensures that members of senior management give regular presentations to the Board on significant areas of business operations. In 2008, presentations were made at three of the scheduled board meetings on the following aspects of the group's activities: its Brownfield business; its activities in the Commonwealth of Independent States; and its Tunisian business, which included a visit to a gas processing/LPG and condensate plant in Hasdrubal where the Engineering & Construction division was nearing completion of a significant engineering, procurement, construction and commissioning contract for BG Tunisia Limited. For 2009, the Chairman and Group Chief Executive will agree further business presentations and at least one site visit, having due regard not only to previous presentations but also the group's evolving strategy. As well as assisting Directors in their understanding of the group's business, the Company is committed to ensuring that its Directors' technical knowledge, particularly in relation to the governance requirements for a UK listed company, remains up to date. The Secretary to the Board provides regular technical updates to the Board and its formal committees. Once a year, the Chairman formally requests each Director to consider whether or not he requires any specific training on any aspect of the Company's activities. Further, any Director may request the Secretary to the Board to arrange any individual training or professional development if he feels that this would be helpful to him in discharging his responsibilities. In 2008, the Secretary to the Board arranged for the Company's legal advisers to provide Directors with a refresher session on the legislative and regulatory framework for share dealing by Directors and senior employees.

In the event that the Board appoints a new Director, the Chairman works with the individual and the Secretary to the Board to develop a tailored induction programme to take account of the individual's specific needs.

Performance evaluation

Having used an external facilitator to help evaluate the Board, its Committees and Directors in 2006, the Board decided that it would undertake internal reviews in 2007 and 2008. During the year, the Chairman and Secretary to the Board periodically followed up on action points identified during the 2007 evaluation process. Most action points were discharged during the year but a small number remained either partially or wholly unresolved at the year end. In the last quarter of 2008, each Director completed an extensive questionnaire prepared by reference to the Combined Code and the Secretary to the Board collated the results. The Chairman subsequently led a formal discussion of all Directors as a consequence of which a list of actions, including those that remained undischarged from 2007, were agreed for the forthcoming year. The Chairman will review the Board evaluation process in 2009. Michael Press, the Senior Independent Director, led a separate evaluation of the Chairman through a series of questionnaire led interviews with other members of the Board and senior management before providing feedback to the Chairman in a one-to-one appraisal. Board evaluation will continue on an annual basis.

Re-election of Directors

All Directors are required by the Company's Articles of Association to submit themselves to shareholders for re-election after their initial appointment by the Board and thereafter by rotation at least once every three years. Sufficient biographical information and other information (including, in the case of a Non-executive Director seeking re-election, a statement as to his continued effectiveness and commitment) is provided to enable shareholders to make an informed decision.

Directors' remuneration

While the Board is ultimately responsible for Directors' remuneration, the Remuneration Committee, consisting solely of independent Non-executive Directors, is responsible for determining the remuneration and conditions of employment of executive Directors and certain members of senior management. A Report on the Directors' remuneration, including a more detailed description of the role and activities of the Remuneration Committee is set out on pages 66 to 74.

Accountability and audit

Internal control

The Board is responsible for reviewing the effectiveness of the group's system of internal control, including financial, operational and compliance controls and systems for the identification and management of risk. The Audit Committee routinely meets with both the internal and external auditors and discusses matters of internal control. In addition, the Audit Committee, on behalf of the Board, conducted a specific review of the internal control environment following the year end. The Risk Committee, a committee of the Board, complements the Audit Committee by focussing in more detail on the group's operational controls and risk management framework. The group's system of internal control can only provide reasonable, and not absolute, assurance against material misstatement or loss, as it is designed to manage rather than eliminate the risk of failure to achieve business objectives. However, the focus on risks and controls by these two Committees of the Board ensures a strong oversight process for the full Board.

The group has an ongoing process for identifying, evaluating and managing significant risks faced by the group, which has been in place for the year under review and up to the date of this Annual Report and is in accordance with the Revised Turnbull guidance.

The key elements which make up a robust system of internal control in a business may be characterised by the business' control environment and its risk management and assurance process. A description of each of these elements for the group is given below.

Control environment

The Board ensures that the group has a clear organisational structure for the control and monitoring of its businesses, including defined lines of responsibility and delegation of authority. Each of the group's businesses operates and maintains its own business management system designed to ensure the application of sound processes of control to all projects and business activities; such systems encompass policies and procedures relating to all major areas of risk, including matters relating to contract execution; health and safety; security; and the environment. The Company has a Group Head of Health, Safety, Security, the Environment and Integrity Assurance (HSSEIA) who heads a team with responsibility for overseeing the development of appropriate HSSEIA management systems and ensuring compliance with them, across the group. The role of Group Head of HSSEIA was created in 2007, management having taken the decision to expand the remit of the Group Head of Health, Safety and Security to include responsibility for the group's environment and integrity assurance management systems. Prior to this, the Board had taken the decision to form an Environmental Committee, partly in response to the lack of any dedicated group resource with overall responsibility for managing environmental matters. Although the Committee's primary role was that of oversight in relation to the group's environmental policy, environmental management systems, environmental targets and key performance indicators, it often took the initiative in seeking to implement group environmental management systems and targets. The Committee was able to do this effectively as the majority of its members were executive Directors albeit Rodney Chase acted as chairman. However, following the appointment of the Group Head of HSSEIA, the Board agreed that the individual concerned would as part of his role, take on responsibility for a group approach to management of environmental matters and provide formal updates to the full Board twice a year; the full Board henceforth restricting itself to responsibility for the oversight of environmental matters. As a result, the Environmental Committee was viewed as redundant and it was therefore disbanded during the year. The Board considers that the Environmental Committee provided a vital, initial impetus for the consideration of group environmental matters but that the new environmental reporting structure taken in conjunction with the additional resourcing provided, is a more appropriate framework for the development of the group's environmental management.

For details about environmental progress, refer to page 50 of the Corporate Social Responsibility Report. The Company has a Code of Business Conduct (Code), which amongst other matters, includes policies for the Company and its employees on health and safety; security; the environment; and areas of legal compliance. Towards the end of 2008, the Board approved a revised Code which management had extensively re-drafted, not only to ensure compliance with current best practice and new legislation but also to make it easier for employees to understand. Management will focus on increasing employee awareness and understanding of the revised Code following its publication in 2009. The group has a procedure in place to ensure that employees may raise ethical concerns in confidence.

Risk management

Each of the group's individual businesses operates and maintains a business management system incorporating policies and procedures in relation to risk management. In addition, each business is required to produce a risk matrix which identifies key business risks, the probability of those risks occurring, their impact

if they do occur and the actions being taken in order to manage and mitigate those risks. The Head of Enterprise Risk Management has access to the risk matrices for the businesses and furthermore receives regular reports from the management team for each business. He provides regular and detailed formal updates to the full Board both on the most material of these individual business risks as well as any risks separately identified by the group's most senior management, which are judged to have the potential to affect the whole enterprise. Historically, there has been no dedicated management forum in which such enterprise risks have been identified and considered but management has decided to introduce such a forum in 2009.

The Board has a Risk Committee whose members are the following independent Non-executive Directors: Kjell Almskog (Chairman), Bernard de Combret, Michael Press and Rijnhard van Tets. The Committee met three times during the year and is supported by the Head of Enterprise Risk Management. It has formal terms of reference, which are reviewed annually by the Committee and are available on the Company's website. The Secretary to the Board acts as secretary to the Committee. Minutes for all meetings are circulated to all Directors and supplemented by an oral report from the Committee's Chairman at the next Board meeting. The Committee takes primary responsibility for:

- reviewing proposed group risk policy and procedures and recommending that they be adopted by the Board
- overseeing group operational risk management systems including insurance management
- reviewing any external disclosures made by the group in relation to its risk management

As well as considering existing risks, a rigorous process exists for the consideration of risks associated with undertaking new business via individual business and group risk review committees. Further, during the year management strengthened the process by which it reviews ongoing risks associated with ongoing major projects.

Details of the principal risks and uncertainties facing the business are disclosed on pages 28 and 29.

Assurances

The Board receives assurances from the following internal and external controls:

- historical financial performance and revised forecasts for the full year with significant variances are regularly reported by management to the Board
- reports from the Audit Committee and the Risk Committee
- the close involvement of the executive Directors in all aspects of the group's day-to-day operations, including regular meetings each month with the head of each business unit
- customer audits
- reports and presentations to the Board by senior management including the Group Director of Legal and Commercial Affairs; the Group Director of HSSEIA; the Head of Enterprise Risk Management; and the Group Head of Tax
- copies of minutes from group risk review committee meetings

Relations with shareholders

The Group Chief Executive, Chief Financial Officer and Head of Investor Relations have regular meetings with major shareholders and research analysts. The Chairman reminds major shareholders annually, in writing, of his availability (along with the Senior Independent Director) should there be issues which the shareholders wish to discuss.

Corporate governance report continued

The Board receives regular feedback from analysts and major shareholders, compiled by the Company's brokers and financial PR consultants, in particular following presentations and meetings after the publication of financial results.

The principal method of communicating with the majority of shareholders is via the Annual Report and financial statements and the Company's website which contains details of financial presentations to analysts and other information about the group. All shareholders have the opportunity to attend the Annual General Meeting. All Directors were present at the 2008 Annual General Meeting and all intend to be present at the 2009 Annual General Meeting to answer shareholders' questions. Details of the meeting are set out in the Notice of Meeting which is sent to shareholders, and which contains the text of resolutions to be proposed and explanatory notes, where necessary. Shareholders attending will be advised of the number of proxy votes lodged for each resolution, in the categories "for" and "against", together with the number of "votes withheld". All resolutions will be voted on by taking a poll, the results of which will be announced to the London Stock Exchange and published on the Company's website.

As a company incorporated in Jersey, shareholders are required under the UK Listing Authority to notify the Company in the event that they can exercise 5% or more of the Company's voting rights. If the Company were incorporated in the UK, shareholders would be required to notify the Company in the event that they could exercise 3% or more of the Company's voting rights. As a matter of principle, the Company has tried wherever possible to govern itself as if it were incorporated in the UK rather than Jersey and for this reason, adopted Articles of Association which currently require its shareholders to notify the Company in the event that a shareholder acquires voting rights in 3% or more in the Company's share capital. The Company currently has 345,434,858 shares in issue and each share has one vote. One shareholder has notified the Company as at 13 February 2009 that it has an interest in 3% or more of the Company and is as follows:

| | Number of ordinary shares | Percentage of allotted share capital |
|---------------------------|---------------------------------|--|
| Legal & General Group Plc | 13,900,929 | 4.02% |

In addition to the above, Ayman Asfari and Maroun Semaan together with their respective close families held major shareholdings, details of which are disclosed in the Remuneration Report on page 74.

This Report was approved by the Board on 6 March 2009.

Nominations Committee Report

Membership of the Nominations Committee during the year and to the date of this Report is as follows:

- Rodney Chase (Chairman)
- Ayman Asfari
- Kjell Almskog
- Michael Press
- Bernard de Combret

The Committee's powers are conferred on it under the Company's Articles of Association. It has formal terms of reference, which have been drafted in accordance with the Combined Code, are reviewed annually by the Committee and are available on the Company's website. The Secretary to the Board acts as secretary to the Committee. Minutes for all meetings are circulated to all Directors unless there is deemed to be a conflict of interest and supplemented by an oral report from the Committee's Chairman

at the next Board meeting. The Committee's principal roles and responsibilities include the following:

- consider and make recommendations to the Board on all new appointments of Directors taking into account the overall size, balance and composition of the Board
- consider succession planning
- make recommendations to the Board concerning the re-appointment of any Director following conclusion of his specified term in office

Meetings are held as deemed necessary by the Chairman and during the course of 2008, two meetings were held and all members attended. The Committee considered its terms of reference; the Board's size and composition; management's succession planning; training; and the proposed re-election of Kjell Almskog, Amjad Bseisu and Maroun Semaan at the 2009 Annual General Meeting. The Committee recommended to the Board that all three Directors offering themselves for re-election should be proposed for re-election by the Company's shareholders having taken into account their individual performances, which were considered as part of the annual Board evaluation exercise.

This Report was approved by the Board on 6 March 2009.

Rodney Chase
Chairman

Audit Committee Report

Membership of the Audit Committee during the year and to the date of this Report is as follows:

- Rijnhard van Tets
- Kjell Almskog
- Michael Press

Both Rijnhard van Tets and Kjell Almskog have recent and relevant financial experience and are deemed to have competence in accounting.

The Committee's powers are conferred to it under the Company's Articles of Association. It has formal terms of reference, which have been drafted in accordance with the Combined Code, are reviewed annually by the Committee and are available on the Company's website. The Committee's principal roles and responsibilities include:

- monitoring the integrity of the Company's financial statements and announcements relating to its financial performance and reviewing significant financial reporting judgements
- keeping under review the effectiveness of the Company's internal control and risk management systems
- monitoring the effectiveness of the internal audit function and reviewing its material findings
- overseeing the relationship with the external auditors, including agreeing their remuneration and terms of engagement, monitoring their independence, objectivity and effectiveness and ensuring that policy surrounding their engagement to provide non-audit services is appropriately applied

The Committee is authorised to investigate any matters within its terms of reference and may therefore seek any information it requires from any employee and obtain, at the Company's expense, such professional advice as it sees fit in order to fulfil its duties. However, the Committee has no executive function and its primary role is to review and challenge, rather than assume responsibility for any matters within its remit.

Attendance at the Committee meetings is at the invitation of the Chairman of the Committee. However, the Chief Financial Officer, Group Financial Controller, Group Head of Internal Audit and the external auditors generally attend some or all of the Committee meetings. The Group Head of Internal Audit and the external auditors have the right to speak directly to the Chairman of the Committee at any time and have the opportunity to meet the Committee without management present at least once a year. The Secretary to the Board acts as secretary to the Committee.

Minutes for all meetings of the Committee are circulated to all Directors and supplemented by an oral report from the Committee's Chairman at the next Board meeting, identifying any matters in respect of which action or improvement is required and making recommendations where appropriate.

The Committee met six times during the year and considered the following matters:

Financial reporting

The Committee reviewed the 2007 Annual Report and financial statements and the 2008 Interim Report issued in September 2008 before recommending their publication to the Board. As part of this overall review, the Committee considered the draft preliminary announcements in respect of the Company's 2007 final and 2008 interim results. The Committee discussed with the Chief Financial Officer and external auditors the significant accounting policies, estimates and judgements in preparing the Company's 2007 Annual Report and financial statements and 2008 Interim Report. In addition, the Committee reviewed drafts of trading statements and interim management statements before recommending their publication to the Board.

Internal controls and risk management systems

The Committee has responsibility for reviewing the Company's internal controls and it primarily discharges this responsibility through its engagement with the group's internal and external auditors. An annual internal audit plan, drawn up on a risk-based approach, is presented to the Committee for its review and approval at the start of the financial year. The Group Head of Internal Audit provides the Committee with an interim progress report part way through the year, as a result of which the audit plan may be revised, before returning to the Committee with his final report for the year at the start of the subsequent year. At the same time as the final report for the previous year is presented, an audit plan for the current year is proposed and so the ongoing process of internal control review is continued. In 2008, the internal audit department completed a total of 39 assignments across a broad cross-section of activities.

In addition, the Committee also received presentations or reports during the year in relation to the group's whistle blowing policy (known as the "speaking up" policy by employees) and its effectiveness; and the group's use of an aircraft owned by an offshore trust in which the Group Chief Executive has a beneficial interest.

Internal audit

The Committee evaluated the performance of internal audit from the quality of reports from the Group Head of Internal Audit; feedback from management; and, an assessment of work planned and undertaken. During the year, the Group Head of Internal Audit recruited two additional members of staff so that the department is currently staffed by six individuals including the Group Head of Internal Audit. The members of the department include accountants, IT specialists and an oil & gas engineer. The Committee will continue to keep the resourcing of the department under review but currently believes it is adequate both in terms of head count, experience and capability.

External Audit

The Committee recommended to the Board that the external auditors be re-appointed following an assessment of the quality of service provided, including the qualifications of the external auditors; the expertise and resources made available to the group; the auditors' independence and the effectiveness of the audit process. The decision was based on consideration of reports issued by external auditors and feedback from the Chief Financial Officer and Group Financial Controller.

The Committee satisfied itself that the external auditors remain independent having regard to the auditors' procedures for maintaining and monitoring independence; the auditors' policy for rotation of the lead partner and key audit personnel; and a policy which specifies areas of non-audit services that can be carried out by the external auditors and the financial thresholds above which non-audit services require the approval of the Chairman of the Committee. The non-audit services policy was reviewed by the Committee during the year and amended in line with best corporate governance practice. Any individual fees in relation to non-audit services in excess of US\$200,000 and/or any excess of the aggregate fees for non-audit services above 50% of the annual audit fee require approval from the Chairman of the Committee. Within these parameters, where it is considered reasonable that the external auditors undertake non-audit services for sound commercial and practical reasons without inhibiting objectivity, then engagement is permitted. Such services might include independent certification, reporting for Financial Services Authority or UK Listing Authority (UKLA) purposes and tax advice. The cost of services provided by the external auditors during the year is detailed in note 4g to the financial statements. Most of the cost of non-audit services was associated with tax and assurance services where involvement by the external auditors was considered appropriate and in the best commercial interests of the group.

Attendance at the meetings during the year was as follows:

| | |
|----------------------------------|----------|
| Number of meetings | 6 |
| Rijnhard van Tets | |
| Chairman | 6 |
| Kjell Almskog¹ | 5 |
| Michael Press | 6 |

1 Kjell Almskog was unable to attend one meeting due to a prior commitment.

This Report was approved by the Board on 6 March 2009.

Rijnhard van Tets
Committee Chairman