



**COMBINED GENERAL MEETING
APRIL 28, 2011**

REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS TO THE SHAREHOLDERS' MEETING ON THE COMPOSITION OF THE BOARD OF DIRECTORS; THE CONDITIONS OF PREPARATION AND ORGANISATION OF ITS WORK AND INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES IMPLEMENTED BY THE COMPANY (Article L.225-37 of the French Commercial Code)

This report was prepared pursuant to Article L. 225-37 of the French Commercial Code, as amended by French Act no 2008-649 of July 3, 2008 and French Act no 2011-103 of January 27, 2011 on the fair representation of women and men within Board of Director's meetings and professional equality. Its purpose is to describe the composition and the application of the principle of fair representation of women and men within the Board, the conditions of preparation and organization of the Board of Directors' work, to describe the rules and principles determined by the Board of Directors for the compensation and benefits awarded to the directors and officers (*mandataires sociaux*), as well as internal control and risk management procedures implemented by the Group. In particular this includes a description of the procedures for the preparation and processing of accounting and financial information for the annual and consolidated accounts.

This report aims to provide a description of the phases of work conducted, performed or programmed by the Company. It does not in any case intend to demonstrate that the Company has control over all of the risks it may face.

This report refers to the Management Report which is contained in the Company's Reference Document for the financial year ended December 31, 2010, regarding the publication of information prescribed under Article L. 225-100-3 of the French Commercial Code on the structure of the Company's capital and on data which may have an impact in the event of a tender offer.

This report has been prepared by the Group Internal Control Department together with the Corporate Secretary's Office. Its outline has been presented to the Group Internal Control Steering Committee and reviewed by the various departments of the Group Finance and Control Division. The report has been reviewed by the Audit Committee on February 14, 2011, and approved by the Board of Directors of the Group during a meeting held on February 15, 2011.

When used in this report, the terms "Technip" and "Group" refer collectively to Technip, the Group's parent company, and to all its directly and indirectly consolidated subsidiaries located in France and outside France.

The term "Company" refers exclusively to Technip, the Group's parent company.

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1. Composition and conditions of the preparation and organization of the Board of Directors' work

Code of reference

The Company voluntarily refers to the AFEP-MEDEF corporate governance code on listed companies of December 2008 (the "AFEP-MEDEF Code"), in accordance with Article 26 of French Act No. 2008-649 dated July 3, 2008 on the implementation of certain EU rules to French company law. The AFEP-MEDEF Code was created following the consolidation of the AFEP-MEDEF report of October 2003 and the AFEP-MEDEF recommendations of January 2007 and October 2008, concerning the compensation of executive directors of listed companies. The Company complies with the AFEP-MEDEF code with the exception of the temporary non-compliance period as described in Section 1.1 (Audit Committee) of this report. The AFEP-MEDEF Code is available on the MEDEF internet site (www.medef.fr).

At the Company's request, the report of the Chairman of the Board of Directors was reviewed by an independent corporate governance firm, which confirmed that the Company complies with the AFEP-MEDEF Code's provisions.

1.1. Composition of the Board of Directors and its specialized Committees

As of December 31, 2010, the Board of Directors consisted of 10 members. This figure does not include any directors who represent employees or employee shareholders. Two directors are not French nationals. As of the date of this Reference Document, the Board includes one woman. However, a proposal will be made to the Shareholders' Meeting to be held on April 28, 2011, to appoint Leticia Costa and C. Maury Devine as directors for a four-year term. Once their appointments are effective, Technip will already comply with the first step to reach following the Shareholders Meeting held to approve the financial statements for the year ending December 31, 2013, in accordance with the French Act of January 27, 2011.

Pursuant to Article 14-4 of the Company's Articles of Association, the appointment of Board members is set at a four-year term. This period respects the recommendations of the AFEP-MEDEF Code (Article 12).

Further to a resolution adopted at the Company's Combined Shareholders' Meeting on April 27, 2007, the Board of Directors, at its meeting held on the same day, introduced a rolling renewal system, pursuant to which the appointments for half of its members' should be renewed every two years. This also follows guidance prescribed in the AFEP-MEDEF Code, which seeks to promote a smooth renewal of Board members and to prevent "*renewal en masse*" (Article 12). Under this system, the terms of office of Thierry Pilenko, Olivier Appert, Pascal Colombani and John O'Leary will expire at the end of the Shareholders' Meeting held to approve the financial statements for the financial year ended December 31, 2010, which will be held on April 28, 2011.

In accordance with the recommendations of the AFEP-MEDEF Code, classification as "independent director" of Board members of the Company is discussed and reviewed annually by the Board of Directors upon the recommendations of the Nominations and Remunerations

Committee (Article 8.3 of the AFEP-MEDEF Code).

At its meeting of February 28, 2010, the Nominations and Remunerations Committee reviewed the classification of the Company's Board members which were in office at the date of this Committee as an "independent director", based on the definition and criteria used in the AFEP-MEDEF Code.

Therefore a director is independent when he or she has no relationship of any kind whatsoever with the corporation, its group or the management of either that is such as to color his or her judgment. This means besides:

- not to be an employee or executive director of the corporation, or an employee or director of its parent or a company that it consolidates, and not having been in such a position for the previous five years;
- not to be an executive director of a company in which the corporation holds a directorship, directly or indirectly, or in which an employee appointed as such or an executive director of the corporation (currently in office or having held such office going back five years) is a director;
- not to be a customer, supplier, investment banker or commercial banker that is material for the corporation or its group, or for a significant part of whose business the corporation or its group accounts;
- not to be related by close family ties to an executive director;
- not to have been an auditor of the corporation within the previous five years;
- not to have been a director of the corporation for more than 12 years. As a practical guideline, loss of the status of independent director on the basis of this criterion should occur only upon expiry of the term of office during which the 12-year limit is reached.

The Committee presented its conclusions to the Board of Directors, which adopted them at its meeting on February 16, 2010.

As of December 31, 2010, the Board of Directors consisted of six independent members. It therefore exceeds the recommendations made in the AFEP-MEDEF Code, which stipulates that half of the Board members in companies that are widely held with no controlling shareholders should be independent officers.



As of December 31, 2010, the members of the Board of Directors were as follows:

Name	Main position	Positions within the Board of Directors	Term
Thierry Pilenko	Technip's Chairman and Chief Executive Officer 89 avenue de la Grande Armée - 75116 Paris 53 - French	Technip's Chairman and Chief Executive Officer	Date of first appointment: April 27, 2007. Expiry of the current term of office: ordinary shareholders' meeting convened to approve the financial statements for the Financial year 2010, to be held on April 28, 2011.
Olivier Appert	Chairman of IFP Energies nouvelles 1 et 4 avenue de Bois-Préau - 92852 Rueil Malmaison Cedex 61 - French	Director	Date of first appointment: May 21, 2003. Date of last appointment: April 27, 2007. Expiry of the current term of office: ordinary shareholders' meeting convened to approve the financial statements for the Financial year 2010, to be held on April 28, 2011.
Pascal Colombani	Chairman of the Board of Directors of Valeo 44 rue de Lisbonne - 75008 Paris 65 - French	Senior Independent Director Independent Director	Date of first appointment: April 27, 2007. Expiry of the current term of office: ordinary shareholders' meeting convened to approve the financial statements for the financial year 2010, to be held on April 28, 2011.
Marie-Ange Debon	Corporate Secretary of Suez Environnement Tour CB21 - 16, place de l'Iris - 92040 Paris La Défense Cedex 45 - French	Director	Date of first appointment: July 20, 2010. Expiry of the current term of office: ordinary shareholders' meeting convened to approve the financial statements for the financial year 2012.
Gérard Hauser	89 avenue de la Grande Armée - 75116 Paris 69 - French	Independent Director	Date of first appointment: April 30, 2009. Expiry of the current term of office: ordinary shareholders' meeting convened to approve the financial statements for the financial year 2012.
Marwan Lahoud	Chief Strategy & Marketing Officer of EADS 37 bd de Montmorency - 75781 Paris Cedex 16 44 - French	Independent Director	Date of first appointment: April 30, 2009. Expiry of the current term of office: ordinary shareholders' meeting convened to approve the financial statements for the financial year 2012.
Daniel Lebègue	Chairman of the Institut Français des Administrateurs 7 rue Balzac - 75008 Paris 67 - French	Independent Director	Date of first appointment: April 11, 2003. Date of last appointment: April 30, 2009. Expiry of the current term of office: ordinary shareholders' meeting convened to approve the financial statements for the financial year 2012.
John O'Leary	Chairman and Chief Executive Officer of Strand Energy (Dubai) PO Box 28717 - Dubai Investment Park - Dubai - UAE 55 - Irish	Independent Director	Date of first appointment: April 27, 2007. Expiry of the current term of office: ordinary shareholders' meeting convened to approve the financial statements for the financial year 2010, to be held on April 28, 2011.
Joseph Rinaldi	Partner in Davis Polk & Wardwell 450 Lexington Avenue - New York NY 10017 - USA 53 - Australian and Italian	Independent Director	Date of first appointment: April 30, 2009. Expiry of the current term of office: ordinary shareholders' meeting convened to approve the financial statements for the financial year 2012.
Bruno Weymüller	12 rue Christophe Colomb - 75008 Paris 62- French	Director	Date of first appointment: February 10, 1995. Date of last appointment: April 30, 2009. Expiry of the current term of office: ordinary shareholders' meeting convened to approve the financial statements for the financial year 2012.

Other offices held by the members of the Board of Directors are listed in Annex A of the Company's Reference Document for the financial year ended December 31, 2010.

The Board of Directors has established four specialized Committees to assist in the performance of its duties. An Audit Committee and a Nominations and Remunerations Committee have been created, thereby complying with the recommendations of the AFEP-MEDEF Code. A Strategic Committee and an Ethics and Governance Committee have also been formed in order to address specific matters authorized by the AFEP-MEDEF Code.

As of December 31, 2010, the members of the four Committees were, as follows:

Audit Committee

Member	Title	Date of 1st appointment
Daniel LEBEGUE	Chairman	May 21, 2003
Marie-Ange DEBON	Member	October 26, 2010
Gérard HAUSER	Member	April 30, 2009
John O'LEARY	Member	April 27, 2007
Bruno WEYMULLER	Member	April 30, 2009

All of the Audit Committee members surpassed, due to their education and professional experience, qualifications in financial and accounting matters, the requirements of Article L823-19 of the French Commercial Code which provides that at least one member of the Audit Committee shall be independent. Transitionally (until the renewal of half of the Board members and redistribution of the Committees that should follow and remedy this situation at the meeting of the Board of Directors to be held immediately after the Shareholders' Meeting of April 28, 2011), the Audit Committee is comprised of 60% of independent directors, i.e., slightly less than what is required by the recommendations of the AFEP-MEDEF Code, i.e., a proportion of independent directors should be of at least two-thirds (Article 14.1). However, when the Senior Independent Director, who can participate to every Committees' meeting, is present at the Audit Committee, the proportion of independent directors is greater than the AFEP-MEDEF Code recommendation (Article 14.1).

Nominations and Remunerations Committee

Member	Title	Date of 1st appointment
Gérard HAUSER	Chairman	June 23, 2010
Pascal COLOMBANI	Member	April 27, 2007
Bruno WEYMULLER	Member	May 21, 2003

The majority of the members of the Nominations and Remunerations Committee are independent directors, in accordance with the recommendations made in the AFEP-MEDEF Code (Articles 15.1 and 16.1)

Strategic Committee

Member	Title	Date of 1st appointment
Pascal COLOMBANI	Chairman	April 27, 2004
Joseph RINALDI	Vice-President	June 23, 2010
Olivier APPERT	Member	May 21, 2003
Gérard HAUSER	Member	April 30, 2009
Marwan LAHOUD	Member	April 30, 2009

The majority of the members of the Strategic Committee are independent directors.



Ethics and Governance Committee

Member	Title	Date of 1st appointment
Joseph RINALDI	President	April 30, 2009
Olivier APPERT	Member	December 9, 2008
Pascal COLOMBANI	Member	December 9, 2008

Two thirds of the Ethics and Governance Committee members are independent directors.

General management of the Company

The Combined Shareholders' Meeting of April 27, 2007 appointed Thierry Pilenko to the Board of Directors for a four-year term expiring after the Shareholders' Meeting convened to approve the financial statements for the year ended December 31, 2010, which will be held on April 28, 2011.

At its meeting on April 27, 2007, the Board of Directors appointed Thierry Pilenko as Chairman of the Board of Directors. During this same meeting, the Board of Directors, in accordance with Article 18 of the Company's Articles of Association, resolved to combine the offices of Chairman and Chief Executive Officer of the Company, after having resolved that this management form is best suited to the Company. Consequently, Thierry Pilenko was appointed as Chairman and Chief Executive Officer for the duration of his term of office as a director (*i.e.*, until the end of the Ordinary Shareholders' Meeting to be held to approve the financial statements for the financial year ended December 31, 2010, to be held on April 28, 2011).

The Board of Directors, upon the recommendation of the Nominations and Remunerations Committee, decided in July 2010 to create a position of Senior Independent Director whose function is detailed in Section 16.1.1 of the Company's Reference Document for the financial year ended December 31, 2010. On October 26, 2010, the Board of Directors appointed Pascal Colombani to serve in this position.

As of December 31, 2010, the Board of Directors had not appointed an Executive Vice President.

1.2. Company's shares held by the directors

Pursuant to the provisions of Article 14 of the Company's Articles of Association as of December 31, 2010, each director is required to hold at least 400 Company shares in registered form.

As of December 31, 2010, to the Company's knowledge, each Board member holds the following number of shares in registered form:

Members of the Board of Directors	Number of Technip shares held at 02/28/2011
Thierry PILENKO	3,400
Olivier APPERT	762
Pascal COLOMBANI	400
Marie-Ange DEBON	400
G�rard HAUSER	1,400
Marwan LAHOUD	400
Daniel LEBEGUE	400
John O'LEARY	800
Joseph RINALDI	400
Bruno WEYMULLER	400
TOTAL	8,762

1.3. Policies and Practices of the Board of Directors

1.3.1. Policies and powers of the Board of Directors

The Board of Directors determines the direction of the Company's operations and oversees its implementation. Subject to powers expressly granted to the Shareholders' Meetings, and within the scope of the Company's corporate purpose, it shall take up any and decide upon all issues affecting the Company's proper operation in its meetings.

The operation of the Board of Directors is governed by internal charter, which was adopted by the Board of Directors on May 21, 2003 and is periodically updated.

In accordance with Article 17-3 of the Company's Articles of Association, the Board of Directors conducts suitable controls and verifications.

With assistance from the Audit Committee it ensures the proper operation of internal control entities. It also ensures that Statutory Auditors are undertaking their work in a satisfactory manner and that the specialized committees it has created are functioning effectively.

The Board has authority to create specialized committees and determine their composition and the scope of their responsibilities. These committees operate under the responsibility of the Board of Directors. As of December 31, 2010, the Board was assisted by four Committees: the Audit Committee, the Nominations and Remunerations Committee, the Strategic Committee and the Ethics and Governance Committee.

The internal charter of the Board provides that it formally evaluates its operating policies at regular intervals of no more than three years. In addition, it organizes a discussion regarding its operations once a year.

1.3.2. Practices of the Board of Directors

1.3.2.1. Meetings and reports of the Board of Directors

The Chairman of the Board of Directors organizes and runs the Board's activities and reports on them at the Shareholders' Meetings.

The Board of Directors convenes four times per year (as a minimum), or more frequently as may be required. During the financial year 2010, the Board met seven times. The attendance rate for all directors was 88%.

The average duration of a Board meeting is approximately three and a half hours.

After reviewing the reports prepared by the Audit Committee, the Strategic Committee, the Nominations and Remunerations Committee and the Ethics and Governance Committee relating to the issues within the scope of each committee's mandate, the matters considered by the Board of Directors in 2010 included the following items in particular:

- Financial and accounting matters:
 - review and closing of the annual accounts and consolidated financial statements for the financial year 2009, the half-year consolidated financial statements and quarterly information for 2010, upon the Audit Committee's recommendation and the Statutory Auditors' observations;
 - review of the press release on the financial results for the period reviewed;
 - approval procedure for the assignments performed by the Statutory Auditors;
 - review of the half-year financial report and interim financial information;
 - assessment of the provisional management accounts.
- Preparation for the Annual Shareholders' Meeting:

- Review of the meeting notice, agenda and draft resolutions;
- Review of the Reference Document, including the Management Report of the Board of Directors and Annual Financial Report.
- Decisions taken, in particular, regarding:
 - the list of independent directors;
 - the distribution of directors' fees;
 - the implementation of the AFEP-MEDEF Code;
 - update of the internal charters of the Audit Committee, the Strategic Committee and the Nominations and Remunerations Committee;
 - the 2011 budget;
 - the approval of a share subscription plan and the grant of the first tranche of this plan; the approval of a performance share plan and the grant of two tranches of this plan; the grant of a third tranche of the 2008 performance share Plan;
 - record of the share capital increase resulting from the exercise of stock subscription options.
- Review of the following matters in particular:
 - the Group's strategic policy in the context of a two-day seminar;
 - information on the Group's operations;
 - financial forecasts;
 - the compensation of the Chairman of the Board and the Chief Executive Officer and of his objectives for 2010.

1.3.2.2. Assessment of the Board of Directors

During the financial year 2010, the Board of Directors and each of the Committees undertook an assessment of their respective operations and concluded that a positive outcome had been achieved in each respective domain.

1.3.2.3. Right to information and communication for directors

The Chairman of the Board monitors the proper operation of the Company's departments and ensures, in particular, that directors are in a position to perform their duties. The Chairman of the Board of Directors must send to each director all documents which are necessary to perform his or her duties.

Directors receive all the information that is relevant to the exercise of their duties, in accordance with the agenda prior to each Board meeting. For these purposes, the Company applies its own rules, which require that any documents to be reviewed in a Board meeting must be circulated a week prior to the meeting.

The Directors' Charter, adopted on May 21, 2003 and amended on December 9, 2008, provides that each director must carefully prepare for Board meetings and Committee meetings where he or she is a member, by studying documents circulated. He can ask the Chairman of the Company, the Chief Executive Officer and the executive vice presidents for any additional information that he or she deems necessary or useful. If he or she believes this is necessary, a director can ask for training on the specifics of the Company, its work and its business sector.

1.3.2.4. Limitation of the powers of the Chief Executive Officer

In accordance with Article 19-1 of the Articles of Association of the Company, the Board of Directors has delegated all its powers to the Chairman and Chief Executive Officer, where such powers can validly be delegated under French legislation.

1.4. Specific provisions regarding the participation in general shareholders' meeting



Shareholders' Meetings

Convening and holding of Shareholders' Meetings – Deliberations (Article 23 of the Articles of Association)

Shareholders' Meetings shall be convened in accordance with applicable laws and regulations. Shareholders' Meetings shall meet at the registered office or at any other place specified in the notice.

Shareholders' Meetings shall be chaired by the Chairman of the Board of Directors or, in his absence, by a director so appointed by the Board of Directors, or failing which, the Shareholders' Meeting shall appoint a Chairman.

The vote tellers' functions are performed by two shareholders who are present and who agree to perform these duties, and who have by themselves or by proxy the largest number of votes.

The presiding committee appoints a secretary, who needs not to be chosen from the members of the Meeting.

Participation (Article 23 of the Articles of Association)

As provided by law, every shareholder has the right, after proof of identity, to participate in a Shareholders' Meeting, either personally, *via* an absentee vote, or by proxy given to another shareholder or to his or her spouse, or by a proxy given to a natural or legal person of his/her choice, provided the shares are registered in the books in the shareholder's name or in the name of the agent registered on the shareholder's behalf pursuant to Article L. 228-1 of the French Commercial Code as of midnight of the third business day preceding the Shareholders' Meeting in accordance with applicable regulations.

Shareholders that are legal entities are represented at Shareholders' Meetings by their legal representatives or by any person appointed for this purpose by the latter.

Shareholders may, in accordance with applicable laws and regulations, send their proxy and voting forms for any Shareholders' Meeting either on paper or by electronic means.

Any shareholder may also, provided the Board has so decided at the same time notification of the meeting is given, take part in the Shareholders' Meeting by videoconference or by telephone, in accordance with applicable regulations. Any shareholder participating through one of the aforementioned means will be deemed to be present for purposes of calculating quorum and majority.

Double voting rights (Article 12 of the Articles of Association)

Since November 24, 1995, double voting rights, taking into account the fraction of the share capital that they represent, have been attributed to all fully paid-up shares which can be proven to have been registered in the name of the same shareholder for at least two years.

In the event of an increase in share capital by capitalization of reserves, profits or premiums, double voting rights shall also be granted as from the time of their issue to registered shares granted free of charge to a shareholder in respect of the existing shares entitling such shareholder to the benefit of such right.

Registered shares benefiting from double voting rights that are converted into bearer form for any reason whatsoever shall lose such double voting rights.



2. Rules and principles determined by the Board of Directors for the compensation and benefits awarded to the corporate officers

2.1. Compensation of the Chairman and Chief Executive Officer

Compensation of the Company's Chairman and Chief Executive Officer's compensation is determined by the Board of Directors, on the recommendation of the Nominations and Remunerations Committee. It is composed of both a fixed and variable portion.

The fixed portion is composed of the annual base compensation on 12 months, and of a fixed amount for travelling equal to 20% of the annual base compensation.

The variable portion of compensation is based on the fixed compensation for the previous year. For 2010 the target variable portion was equal to 100% of the annual base compensation. 50% of the target variable portion is linked to the financial performance of the Group based on 2010 operating income, 25% is linked to the achievement of individual objectives and 25% to the implementation of Group values and participation in the implementation of measures regarding Technip's economic environment and HSE. The share of the variable portion linked to Group financial performance is (i) nil if real performance is below 75% of the budgeted amount (performance floor), (ii) between 50% and 100% for a performance equal to 75% to 100% of the budgeted amount and (iii) between 100% and 200% for a performance equal to 100% to 115% of the budgeted amount (outperformance). If achieved financial results are superior to the budgeted objective, a multiplier rate is calculated, up to a maximum of 2. The multiplier is calculated based on the financial portion of the objectives, representing 50% of the variable portion criteria. It is then applied to the other variable portion criteria in order to calculate the final variable portion, which is capped at 200% of the target variable portion.

The Chairman and Chief Executive Officer does not receive any directors' fees for the positions he holds in the Group's companies or as a Company director.

There is no specific retirement plan for the Chairman and Chief Executive Officer. The Chairman and Chief Executive Officer is a beneficiary of the supplementary retirement plan for Group executives, with fixed contributions of 8% of gross annual compensation paid up to income bracket 3, *i.e.*, eight times the annual French Social Security limit.

The Chairman and Chief Executive Officer also benefits from the Company's existing supplementary retirement plan for Executive Committee members: a retirement income guarantee of 1.8% per year of service, up to a limit of 15 years, on income bracket 4 of gross annual compensation paid, *i.e.*, exceeding eight times the French Social Security limit. The amount of gross compensation to which this retirement income guarantee applies corresponds to the average of the gross base compensation (including variable compensation within the limit of the target variable portion of 100%), received over the five complete financial years prior to the date of departure from the Company.

At the time of his appointment, Thierry Pilenko signed a worldwide non-compete agreement. In order to take into account the AFEP-MEDEF recommendations of October 6, 2008, the Board of Directors, in its meeting of February 18, 2009, decided to limit the indemnity amounting to a compensation of 24 months calculated from the fixed compensation plus the target variable portion of the last 12 months, amounting to a non-compete provision of two years.

At the same meeting, the Board decided there will be no severance indemnity for the executive director in the event his mandate is revoked or is not renewed by the Company.

The Chairman and Chief Executive Officer has a company car amounting to a benefit-in-kind.

2.2. Directors' fees payable to members of the Board of Directors

The Combined Shareholders' Meeting on April 29, 2010 calculated an amount of €600,000 to be allocated to Board members as directors' fees for the financial year 2010. This Shareholders' Meeting calculated the same amount for the financial years 2010, 2011 and 2012.

The Board of Directors determines the terms of payment of directors' fees (*jetons de présence*). On the proposal of the Nominations and Remunerations Committee, the Board of Directors finalized the distribution of directors' fees for the financial year 2010 as follows:

- both a fixed portion and a variable portion paid according to the rate of attendance at Board and Committees meetings; and
- an additional fixed amount was awarded to directors living outside France, the Senior Independent Director as well as Chairmen of the Committees.

Directors (other than the Chairman and Chief Executive Officer) do not receive any other form of compensation from the Company or companies of the Group.

3. Information pursuant to Article L225-100-3 of the French Commercial Code

Information pursuant to Article L. 225-100-3 of the French Commercial Code are reported in the following sections of the Reference Document of the Company for the year ended December 31, 2010: Sections 4, 7.2, 14.1.1, 15, 18, 21.1.3, 21.2.2, 21.2.3, 21.2.6, and Note 7 of the Statutory Financial Statements as of December 31, 2010 included in Section 20.2 of the abovementioned Reference Document.

4. Internal control procedures and risk management procedures put in place by the Company

In order to manage inherent risks in its business, the Group has always been equipped with an internal control structure and a variety of tools that have gradually developed and which are founded on the fundamental concept of a Project.

The Chairman and Chief Executive Officer, assisted by the Chief Financial Officer (CFO), ensures that effective control measures are deployed within the Group and that possible malfunctions related to internal controls are subject to appropriate corrective measures. The Audit Committee of the Company monitors the assessment of internal control procedures, as well as all measures adopted to correct any significant issues encountered.

4.1. Internal control objectives

4.1.1. Definition and objectives of the internal control

The Group defines internal control as a process implemented by the Executive Committee, the different departments/divisions of the Group and each employee that aims to give reasonable assurance that:

- the Group's corporate objectives, as defined by corporate bodies, applicable laws and regulations and the Group's Values, standards and internal Charters, are followed;
- the financial information is reliable;
- Operations are effective and resources are used in an efficient manner.

In this respect, the internal control framework that the Group has implemented contributes to managing the operation of the Group's business. However, it cannot provide an absolute guarantee that risks are completely eliminated or entirely covered.

4.1.2. Scope of this Report

This report refers to the Company and all of its consolidated entities (the "Group").

4.1.3. Internal control framework

The internal control system, as defined by the Group, is based on the framework of the Committee of Sponsoring Organizations of Treadway Commission ("COSO"), and is accordingly compliant with the internal control framework recommended by the *Autorité des Marchés Financiers* (AMF) and its application guide updated in July 2010.

4.2. General organization of the Group's internal control procedures

This report addresses the five internal control components defined by the COSO, i.e., control environment, risk assessment procedure, control operations, information and communication and monitoring.

4.2.1. Control Environment

The Board of Directors

The Group's Board of Directors, assisted by its four specialized committees (i.e., the Audit Committee, Nominations and Remunerations Committee, Strategic Committee and Ethics and Governance Committee) approves the main direction of the Group's business operations and ensures its implementation. Within the scope of the Company's corporate purpose, as stated in its Articles of Association, it deals with all matters relating to the conduct of the Group's business, other than those expressly provided for by law under the powers of the shareholders' meeting.

The Directors are required to comply with the Directors' Charter and to subscribe to the Group values contained in the Group Values Charter. They must also follow the Rules of Good Conduct relating to the communication and use of privileged information by corporate officers, executives and employees of the Group.

As of December 31, 2010, the four specialized Committees formed by the Board of Directors have their own charter describing their particular duties, responsibilities and practices.

Each of these committees is composed of at least three directors, appointed by the Board of Directors.

They present their work to the Board of Directors in a written report.

The Audit Committee

The function of the Audit Committee is to assist the Board of Directors in ensuring the quality of internal controls and the integrity of items disclosed to the Company's shareholders and the financial markets.

The Audit Committee ensures the follow-up of issues regarding the collection and control of accounting and financial information and, in this respect, is responsible for:

- recommending the appointment and compensation of Statutory Auditors to the Board of Directors, as well as ensuring their independence;

- analyzing the assumptions made in the preparation of accounts and reviewing the Company's financial statements, consolidated annual and interim financial statements or information prior to the Board of Directors' review, while continuing to remain informed of the Company's financial situation, liquidity and commitments;
- evaluating internal control procedures and any other measures adopted to solve any significant problems encountered in internal control;
- evaluating the relevance of the risk analysis procedures;
- examining the procedures required to be implemented in relation to the receipt, retention and treatment of complaints on accounting, internal accounting controls or auditing matters, as well as any documents which raise concerns on accounting or auditing matters submitted by employees on a confidential and anonymous basis.

The Audit Committee may interview the Chairman and Chief Executive Officer and interview or visit any operational or functional business head in the performance of its duties. In particular, the Committee may interview any person involved in the preparation of financial statements or control processes (Finance and Control Heads, Internal Control Head, General Counsel).

The Committee also interviews the Statutory Auditors. It may do so without the presence of the management of the Company.

The Committee meets at least four times per year. The Committee met six times during the financial year 2010 and had an attendance rate of 96% for all members.

The Nominations and Remunerations Committee

In accordance with the recommendations of the AFEP-MEDEF Code, the Chairman and Chief Executive Officer (the only executive officer) is not a member of the Committee.

The Nominations and Remunerations Committee conducts preparatory work on the appointment of Board members and corporate officers, compensation policy and the policy for granting share subscription or share purchase options.

The Committee is particularly responsible for the following:

- making recommendations to the Board of Directors for the appointment of directors, the Chairman, the Chief Executive Officer and other executive vice presidents (*directeurs généraux délégués*), as necessary;
- examining executive and senior management compensation policies implemented by the Group and proposing the compensation of the Chairman, the Chief Executive Officer and other executive vice presidents, as appropriate, and preparing a report on the foregoing.

The Committee proposes to the Board of Directors, on an annual basis, a list of directors classified as "independent" directors" pursuant to applicable rules and recommendations.

The Committee may seek proposals from the Company's Chairman and Chief Executive Officer.

The Chairman and Chief Executive Officer of the Company participates in all of the Committee's meetings but not the deliberations that relate to him.

Subject to confidentiality requirements in respect of its work, the Committee may request the Chairman and Chief Executive Officer for assistance from any executives with expertise relevant to the Committee's agenda.

The Committee meets at least twice a year. The Committee met six times during the financial



year 2010. Its attendance rate was 100% among members.

The Strategic Committee

The Strategic Committee assists the Board of Directors in examining and making decisions on major transactions related to the Group's key strategic objectives.

In particular, this Committee is responsible for the review of the Group's investment budget, the examination of any major asset acquisitions or dispositions, and the review of any transaction that may present a major risk to the Group.

The Committee may invite proposals from the Company's Chairman. The Chairman and Chief Executive Officer participates in the Committee's meetings.

The Committee may request the Chairman and Chief Executive Officer for assistance from any executive with expertise relevant to the Committee's agenda.

The Committee meets at least twice a year. The Committee met on two occasions in the financial year 2010. The attendance rate was 89% among members.

The Ethics and Governance Committee

The Committee assists the Board of Directors in promoting best practices relating to governance and ethics within the Group.

Directors who are not members of this Committee can freely participate in the Committee's meetings.

The Committee may request the Chairman and Chief Executive Officer for assistance from any executives with expertise relevant to the Committee's agenda.

The Committee meets at least twice a year. The Committee met twice during the financial year 2010. The attendance rate was 100% among members.

The executive management

The Chairman and Chief Executive Officer implements the objectives determined by the Board of Directors. The Chairman and Chief Executive Officer is at the head of the Group's corporate management and is assisted by the Executive Committee (EXCOM).

The Chairman and Chief Executive Officer and the EXCOM have a central coordination role that has a major influence on the control environment and provides the "tone at the top". Through their responsibilities, they ensure that the internal control system is in place and operative.

The EXCOM is assisted by two specialized committees:

- the Committee on Sustainable Development: responsible for driving and measuring the Group's progress under sustainable development strategy; and
- the Disclosure Committee: responsible for assisting the Chairman and Chief Executive Officer and the CFO in their duties to ensure compliance with the laws and regulations applicable to listed companies, in order to give a true and fair view of the financial statements.

All of the Group's activities are governed by the rules prescribed in the statement of the Golden



Book and the Group's Values Charter. The Values of the Group refer to integrity, professional excellence, protection of health, safety, and the environment, as well as civic and social responsibility. Furthermore, the Group is committed to supporting and promoting the principles of the United Nations Global Compact in relation to human rights, labor, environment and ethics within its sphere of influence. The Group's core Values are set out in six Charters: i.e., the Ethics Charter, Social Charter, Environmental Charter, Health and Safety Charter, Quality Charter and Security Charter.

The Group is committed to reflecting its Values and the Ethics Charter in staff operations and its relationship with stakeholders, such as contractors, suppliers and partners in all countries where the Group operates.

The Ethics and Compliance Committee reports directly to Technip's Chairman and CEO. It ensures proper adherence to the Group's Ethics Charter and all internal regulations derived therefrom. The Ethics and Compliance Committee makes proposals to the Chairman and Chief Executive Officer of the Group and the Board of Directors of the Company relating to ethics and compliance. The Ethics and Compliance Committee also organizes reports from regional managers on the application of the Charter. In addition, any employee can refer an issue to the Ethics and Compliance Committee on any subject relating to the principles provided in the Ethics Charter. A whistleblowing procedure provides a structure to report potential conflicts or incidents in the financial, accounting and anti-bribery areas. The Ethics and Compliance Committee is chaired by the Group Compliance Officer.

At executive level, directors and senior managers have signed the Code of Ethics applicable to the Group's Directors, Executive Management and Senior Financial Officers. Senior Management has circulated a "No Gift Instruction" note explaining the procedure for the acceptance of a gift in a professional environment to employees worldwide and communicates the "Rules of Good Conduct relating to the communication and the use of privileged information".

Annual employee appraisals refer to "analysis of skills and professional behavior" with individual commitment to ethical values.

Applying the Group's strategic objectives, its organizational structure is based on seven regions with full P&L accountability and a vertically integrated Subsea business unit. This layout was set out by the Chairman and Chief Executive Officer of the Company in an organization note defining the Company's strategic framework, organizational objectives and principles.

4.2.2. Risk Management

All risks faced by the Group (risks related to the Group, its operations and industry, as well as regulatory and legal risks, industrial and environmental risks, credit/counter-party risks, liquidity risks and market risks as detailed in Section 4 of the 2010 Reference Document of the Group) are subject to risk assessment and risk management measures at different levels of organization, from the Corporate Divisions to the Regions, entities and Projects.

Corporate Risk Management

The Senior Vice President Corporate Risk Management, reporting to the Chairman and Chief Executive Officer, is responsible for ensuring that the Risk Management organization is monitored at appropriate levels across the Group, which encompasses the monitoring of risk processes, tools and assessment.

His mission is to focus on Project risks with an aim to ensure that appropriate tools and



processes are defined, reviewed and implemented consistently across the Group and in all segments of activity. He is also responsible for monitoring Portfolio and Enterprise Risk Management processes which are being reviewed and implemented across the Group. He participates in the identification and assessment of major risks faced by the Group and ensures the follow up and the implementation of the risk management strategy.

Group Internal Audit

The Group Internal Audit assists the Chief Financial Officer (CFO) in assessing and improving the effectiveness of risk management, control and governance processes. It undertakes its duties within the framework defined by Technip in the Internal Audit Charter and in compliance with the Internal Audit Plan issued at the beginning of each year and validated by the Executive Committee. This plan considers the mapping of operations and risks, as well as the rotation of audits performed. It is also presented to and validated by the Audit Committee of the Board of Directors.

Moreover, the Group Internal Audit monitors the implementation of the corrective action plans prescribed by its audits.

Group Divisions

Under the authority of the Company's Chairman and Chief Executive Officer, the Group's structure is based on a number of Corporate Divisions. Each division helps to assess and mitigate the risks faced by the Group in its respective area of responsibility.

- In an effort to assess and manage risks with respect to the Group's operations, the COO is responsible for the entire operational structure, business and realization resources. This includes commercial operations, Business Development, Projects, engineering and construction resources, support and technology development resources.
- The General Counsel, to whom the Legal Division and the Group Corporate Secretary Office report, is responsible for all legal matters within the Group and for the definition of the Group's legal strategy and policy. He also prepares and oversees, among other things, the Group's contracting policies, assesses the terms and legal risks of contracts, manages any litigation proceedings arising from the performance of contracts and is in charge of the subscription and renewal of insurance policies in order to minimize the contractual risks faced by the Group. Finally, he follows up on real-estate issues within the Group.
- The Group Compliance Officer reports to the General Counsel and the Company's Board of Directors through the Ethics and Governance Committee. He is responsible for ensuring the application of the Ethics Charter and the effective implementation and enforcement of applicable anti-corruption and compliance policies. He may raise certain issues to the Chairman of the Technip Ethics and Governance Committee.
- The Human Resources Division is responsible for managing the Group's human resources (recruitment, training, career and skills management, and compensation) in order to ensure that the Group attracts and retains the necessary personnel, and participates in its professional development.
- The Communication Division, except for financial communications, reports to the Chairman and the CEO.
- HSE and Security report to the Chairman and CEO directly, while the Quality and Methods and Global Procurement reports to the COO.
- The Finance and Control Division, under the supervision of the Chief Financial Officer (CFO), monitors the financial market risks pertaining to the Group's finances and the financial engineering of Projects. It also prepares individual and consolidated financial statements as well

as management accounts, is in charge of internal control, treasury management, tax management, internal audit, financial communications and investor relations. It also supervises the Strategy Division and the Information Technology Division.

- The Department of New Technologies is responsible for identifying future technologies and proposing areas for further development, to produce exclusive know-how and technologies, while anticipating the developments necessary to meet future challenges in gas, heavy oil, ultra-deepwater subsea production and the growing scale of infrastructure.

Regional Organization

This organization is based on the “Principle of Regionality”, which is managerial responsibility to the appropriate level, while day to day operations are under the responsibility of the Regions.

As the Group’s core operational unit, the Region is defined by a territory, its operational resources (commercial and performance) and its projects. It is in charge of customer relations, the completion of its projects and their financial performance.

Seven Regions have been defined with their respective activities, headquarters and current operating centers:

Regions	Headquarters	Business Segments
Region A: Western Europe, Africa, India, Pakistan	Paris	Subsea Onshore Offshore
Region B: Italy, Greece, Eastern Europe/Russia/CIS, South America	Rome	Onshore
Asia-Pacific	Kuala Lumpur	Subsea Onshore Offshore
North Sea, Canada	Aberdeen	Subsea Offshore
North America	Houston	Subsea Onshore Offshore
Brazil	Rio de Janeiro	Subsea Offshore Onshore
Middle East: United Arab Emirates, Qatar, Oman, Yemen, Saudi Arabia, Jordan, Syria, Iraq, Bahrain and Kuwait	Abu Dhabi	Subsea Onshore Offshore

Deleted:

In addition, the Product Business Units (PBUs) are entities that work toward the development of technologies and expertise throughout the Group. They participate in the preparation of sales proposals and assist the Regions. They are not directly responsible for a specific profit account but must have a global vision of the operations and their profitability, in order to establish benchmarks and propose mid to long-term strategies.

The Subsea business segment, which is an integrated business (Research and Development, design/engineering, manufacturing and installation with its own assets), demands a unique structure. Strategic management of R&D operations, the fleet, the plants and their scheduled expansion has been entrusted to an integrated Business Unit that reports directly to the Chief



Operating Officer (COO). Project management is handled by the Regions.

Risk Management of Projects

Risk assessment is conducted by the Group Divisions across the Regions and the other components of the Group, down to the level of each individual Project.

Before bidding for a project, Technip values the estimated costs and analyzes the technical, commercial, financial and legal aspects of the project.

Furthermore, in each Project where the services of a local partner are needed, the Technip Compliance Policy requires an investigation into the background and reputation of its prospective partners, to give it a factual basis for concluding that the partner is capable of performing the services and will do so in a manner that fully complies with Technip's Anti-Corruption Policy.

Each bid must be authorized by the management through an Authorization To Tender ("ATT"). Once the bid is submitted, the previous cost evaluation and financial and legal analysis are updated. The contract cannot be entered into without an Authorization To Commit ("ATC").

Regional Bid Authorization procedures have been implemented to define applicable authority thresholds and approval levels within each Region's scope of responsibility.

In addition to the risk assessment process at tender stage, risks are regularly assessed during the Project execution phase, including through Project reviews.

4.2.3. Control Operations

Principles

In order to prevent and mitigate the risks related to financial reporting, operations and the Group's assets, control operations are at all levels, in Regions, projects and within all Corporate functions throughout the Group.

In particular, these control operations aim to ensure that the following principles are followed:

- Organizational structures and responsibilities are defined and documented, business objectives are reviewed, key performance indicators are monitored, tenders and newly appointed partners are duly authorized, regular Project and asset reviews are conducted at entity/regional/Group level, and client invoicing is monitored and approved;
- Segregation of incompatible duties is monitored with respect to custody of assets, authorization of transactions, and recording and control procedures, with the aim of reducing the risk of error or fraud;
- Budgets and forecasts are reviewed according to Group objectives;
- Reconciliations are performed between physical assets with corresponding accounting records. Major discrepancies are investigated and appropriate adjustments performed;
- The principle of double signature on disbursements vis-à-vis third parties is observed;
- Reporting instructions and rules exist to minimize any bias that may have a major effect on accounting estimates and other judgments;
- Project cost control data is regularly reconciled with accounting records;
- Closing entries and reconciliation to Group accounting principles are duly checked, margin recognition calculations are approved and consolidation packages are reviewed.

- Competency and experience requirements for key personnel are defined and documented; standards and procedures are applied for the entire employment contract cycle. Training/orientation is provided to newly hired personnel and personnel turnover is monitored. Checks and reconciliations are performed in the payroll chain through timesheets over payroll preparation and pay slip issuance to payment.
- The delegation of authority for decision-making and the Group's commitments towards third parties are formalized, regularly reviewed and updated. Permanent procedures are managed, adjusted and reviewed.
- Prospective suppliers are identified and selected on the basis of comparison charts approved by authorized personnel according to delegation rights and powers. Commitments are duly authorized, invoices reconciled with work undertaken/goods delivered and approved. Payments are verified and accounting records are checked.
- In relation to IT security, controls exist to ensure that data is accessible to authorized persons, data is not changed by unauthorized actions, usage is logged, relevant users are identified and data is not accessed by unauthorized persons. Controls ensure that key users validate changes and are the only ones authorized to request the start of production.

Internal control evaluation processes

Detailed work related to documentation and testing of internal control are carried out annually in the Group's major organizations from the executive management to the Regions, entities and Projects.

A detailed description of the processes and controls considered as key under the Group's internal control standards give rise to three phases of tests dispersed throughout the year, which aim to ensure the controls are effectively and efficiently implemented. These tests are performed according to a self-assessment approach.

The assessment covers the following areas:

- the control Environment (assessed on the basis of questionnaires): Business & Organization, Finance, Human Resources, Permanent Procedures & Policies, Corporate Bodies, Ethics & Integrity, Internal Audit and Information Systems;
- the Business processes (assessed on the basis of tests): revenues, purchasing, procurement, payroll, capital expenditure, inventories, manufacturing, subcontracting, cost control, treasury, financial control, consolidation and tax;
- Information Technology (assessed on the basis of tests): safety, operations and change management.

The results are consolidated and analyzed by the Internal Control Group.

4.2.4. Information and Communication

Information and Communication is an integral part of the Group's internal control framework as the Group is committed to reflecting its Values and internal control practices in staff operations and its relationship with stakeholders, such as suppliers and partners in all countries where the Group operates.

Documentation

Management of the Group's reference framework and related documentation are coordinated under the Group Quality function. Permanent procedures and policies are categorized according



to five different levels: the Golden Book, Group Operating Principles and Standards and Group Instructions, Group Business Guidelines and Regions' Management Principles and Responsibilities.

■ The *Golden Book* is intended to give a comprehensive overview of the three themes which underpin the Group's management principles and responsibilities:

- the Group's Core Values, encompassing its Ethics, Social, Environmental, Health and Safety, Security and Quality Charters;
- the Core Management Principles and structure of the Group, including the role of the Regions; and
- the role of Corporate Functions.

The management principles in this *Golden Book* are valid for all entities controlled by the Group and are applied throughout the Group.

■ The Group Operating Principles and Standards (GOPS) and Group Instructions are a collection of all general instructions, rules and procedures which are applicable throughout the Group. The GOPS are classified into sections, each section being related to one corporate function. In addition to the GOPS, Group Instructions may be issued from time to time by the members of the Executive Committee or people acting on their behalf. Group Instructions are more detailed instructions for application of business matters on a day-to-day basis and are aimed at specialized areas.

■ To facilitate compliance with the GOPS, Corporate Functions issue and communicate Group Business Guidelines, that provide non-binding guidance to promote the use of "best practices" and support Operating Centers in order to improve their operational performance.

■ The requirements stated in the *Golden Book*, GOPS and Group Instructions are mandatory across the Group and provide the overarching framework under which the Regions exercise their operational autonomy. Regions also issue their own detailed Management Principles and Responsibilities as they see fit, as do their sub-divisions (Business Units/Projects).

Communication

The circulation of information within the Group (except for financial communication) and public relations are coordinated and monitored by the Communication Department.

The Investor Relations Department focuses on financial communication and ensures that investors and the public receive fair, complete and accurate information on the Group's financial and operating performance, in accordance with the French legislation and the French Financial Market Authority's (AMF) General Regulations.

With respect to the Group's knowledge base and talent, Technip University strives to promote expertise and maximise know-how, develop managerial skills, promote multicultural environment and facilitate integration.

The Information Technology (IT) Department (among others) has the responsibility for improving IT and communication tools ensuring the security of systems and data and the consistency of IT systems in all units.

4.2.5. Monitoring



Internal control is monitored at all levels within the Group. The roles of major stakeholders are described below.

Audit Committee

The Audit Committee has a central oversight role to ensure that the internal control system is in place and operative, as this enables the Board of Directors to ensure the quality of internal controls as well as the integrity of the information disclosed to shareholders and financial markets.

The annual Internal Control assessment report and the report of the Chairman of the Board of Directors to the shareholders meeting on internal control and risk management procedures implemented by the Company were presented to the Audit Committee in 2010.

Management

The Group's Management is responsible for the implementation and evaluation of internal control procedures. In this regard, management, at different levels of the decision-making process, maintains internal control documentation which relates to the operational realities of its activities. In addition, management is responsible for ensuring that controls operate effectively and monitoring their operation on a self-assessment basis. The self-assessment of internal controls is based on questionnaires relating to the control environment and on risk and control matrices for IT-related controls (Information Technologies) and transactions.

As part of the annual evaluation process, each Regions' Senior Vice President and CFO, as well as the managers of the Corporate Function, are required to represent in writing that, to their knowledge, the internal control system has operated effectively during the reporting period. In addition, each signatory is required to confirm at the end of each year's the third quarter that the action plans determined in the previous year's assessment have been implemented.

Group Internal Audit

The Group Internal Audit is an independent and objective role in charge of evaluating the proper operation of the Group in all areas and to provide it with an assurance on the level of control of its operations. In particular, it evaluates the relevance and effectiveness of internal control systems through audits of specific Projects, Regions, Processes and overlapping topics at Group level. It contributes to the improvement of the Group operations through its recommendations.

Its objectives are centralized at Group level and are undertaken by a team of 12 auditors (end of 2010). The Senior Vice President Audit reports to the Executive Committee on the work undertaken, particularly on the effectiveness of the internal controls of the domains reviewed. The implementation of recommendations made by the Group Internal Audit is closely followed up. The summary results of the internal audit reports and the status of implementation of the recommendations are also communicated to the Audit Committee of the Board of Directors.

Internal Control Function

The Internal Control Function is organized at two levels: at Group level and at Regions level.

The Internal Control Function's objective is to ensure that processes designed to avoid potential misstatements in financial statements, errors and fraud are properly conducted in compliance with rules, procedures and instructions.

The Internal Control Function's principal target is to help Regions and Corporate Functions improve their controls mechanisms, including where possible the underlying processes, and ensuring that the Regions and Corporate Functions have appropriate and robust verification and



certification procedures.

Specific tasks undertaken by the Internal Control Function on the key processes affecting the accuracy of the Group's financial reporting are further described in Section 4.3.4 of this Report.

■ **Group Internal Control Department**

The Group's Internal Control Department, with a staff of five employees, determines the Group's internal control assessment framework. It assists Regions and Corporate Functions in reviewing their control assessments to ensure they are adapted to current management and operations which underpin these processes. It contributes to the implementation of Group procedures and guidelines to address structural/systemic internal control issues at Group level and contributes to the sharing of best practices among different organizations within the Group.

Furthermore the Group Internal Control Department oversees a comprehensive assessment conducted by the Region and the Corporate Functions of internal controls throughout the Group based on a risk map of the control environment, business processes and information technologies. It is also responsible for coordinating the implementation and follow-up of action plans with the support of the regional internal controllers and IT internal control correspondents for IT issues, as the case may be.

The progress and results of the internal control evaluation are regularly coordinated and consolidated by the Group Internal Control Department and presented to a dedicated Group Internal Control Steering Committee composed of members of the Group Divisions and Regional Management. It is chaired by the CFO. The Group Internal Control Steering Committee met twice in 2010.

The thoroughness and level of detail in the assessment is adapted to the size and importance of each entity. Entities with the most contribution and/or risk must provide more information and answer more questions in the self-assessment process than those with less contribution or risk.

Where the results of the self-assessment indicate that controls are not at the required level either in design, operation or documentation, corrective action plans are required to be put in place. Each action plan must have a detailed timetable to complete the action and update the required control. The progress of action plans is regularly followed.

The Group's long-term objective is two-fold: continuous analysis and improvement of internal control mechanisms.

Internal Control evaluations and monitoring are performed directly by the Group's tailored IT tool. The computerization of the process allows each organization within the Group to monitor its internal control processes, to assess them on a regular basis and to report them to the Internal Control Department.

■ **Regional Internal Control**

The Group Internal Control manages an existing network of seven Regional internal controllers designated among a network of approximately 40 Internal Control correspondents appointed by each entity within the scope of the assessment.

The Regional Internal Controller is in charge of coordinating and planning the internal control operations, of which the documentation update (in collaboration with the process owners), the self assessment of the internal control process, as well as the monitoring of the effective

implementation of remediation plans.

4.3. Internal Control procedures related to the preparation and processing of financial and accounting information

The objective of the internal control procedures regarding financial and accounting information is to ensure that the accounting, financial and management information submitted to the Group's corporate bodies by its affiliates as well as group financial reporting and consolidation, reflect the Group's position in a true and fair manner.

Under the responsibility of the CFO, production of financial information is organized and carried out by the Group Controlling Department and relies on data provided by the different finance and control functions located in every entity.

4.3.1 Accounting standards

The consolidated financial statements comply with IFRS. At the corporate level, all teams responsible for the preparation of financial information are informed of changes in IFRS and regulatory issues. Changes in accounting methods from comparison with the last closing period are highlighted at the beginning of the quarterly closing instructions sent to each entity.

4.3.2 Accounting procedures

The main applicable procedures for the preparation of the consolidated financial statements are based on three tools:

- the Group Chart of Accounts Manual updated every year and communicated to all participants in the consolidation process;
- the GOPS relating to IFRS updated regularly and available on the Group's intranet;
- the closing instructions sent out prior to each consolidation phase, which address the scope of consolidation, the timetable for submitting data, the specific issues requiring attention at year-end, and the main changes in accounting regulations and standards.

4.3.3 Accounts closing process

It is the responsibility of the local CFO to supervise the financial reporting process and the preparation of quarterly consolidation. The CFOs of the Regions monitor the financial reporting process for the entities within their scope of responsibility.

The accounts of the subsidiaries are prepared according to the Group accounting standards. An integrated IT application is used to consolidate the financial statements of the Group. When reporting packages are submitted for consolidation, each entity acknowledges the receipt of instructions, the package approval by the local CFO, the application of the Group Chart of Accounts Manual as well as of Group Accounting Principles.

An internal certification process to confirm the responsibility of the Region CFOs on the quality of the financial information prepared relating to their perimeter of responsibilities. Region CFOs are required to confirm by email that to the best of their knowledge the contribution to the Group's consolidated income from companies in their scope of consolidation as recorded in the consolidation software, as well as the management accounts as they appear in the internal reporting software system (Together), constitute a complete and accurate presentation of the operating results and order intake of the Region. This sign off procedure applies to annual and half-yearly closings.

On a quarterly basis, the Group Controlling Department establishes the consolidated financial statements, *i.e.* the consolidated balance sheet, the consolidated income statement, consolidated

statements of changes in equity and consolidated cash flow. For annual information, a full set of financial accounts, including notes is issued and published.

For the preparation of consolidated financial statements, the Group Controlling Department relies foremost on the input of the departments of Group Controlling, Corporate Business Finance, Financial Control of the Subsea Division, Group Tax and Legal Entities and Treasury. The Group Controlling and the Financial Control of the Subsea Division, ensures a full analysis of project results and their impact on the financial statements. The Treasury Department analyzes the Group's cash position and the Group Tax and Legal Entities Department calculates the recorded taxes, deferred tax assets and liabilities and monitors the tax proof process.

The external auditors perform a review of the quarterly financial information with cut-off dates of March 31, June 30 and September 30. The limited examination of the half-year condensed accounts as of June 30 is subject to a report of the external auditors with respect to the financial information of the first six months of the year.

The financial statements as of December 31 are subject to detailed audit procedures that are foremost formalized by the Report of the external auditors.

The quarterly financial statements, the half-year accounts and the financial statements at the year ending December 31 are presented to the Audit Committee and approved by the Board of Directors.

4.3.4 Annual assessment process of procedures for the production of the Group financial statements and other accounting and financial information

The assessment of the effectiveness of the internal controls and procedures for the preparation of accounting and financial information is part of the Group Internal Control's annual appraisal.

The tasks carried out consist of:

- selecting and identifying the entities and processes that make a significant contribution to the preparation of the Group's accounting and financial information;
- documenting processes considered important for the preparation of the financial statements;
- identifying the risks associated with these processes to help improve fraud prevention;
- defining and documenting the existence of key controls to cover these major risks;
- assessing the effectiveness and implementation of the controls through the analysis carried out by the Group Internal Control system on test results obtained through the self-assessment internal control testing.

These actions gave us the support process to conduct an in-depth assessment of our internal control system over financial reporting.