

# **Report of the Chairman of the Board of Directors to the Shareholders' Meeting on the composition, conditions of the preparation and organization of the Board of Directors' work, the internal control procedures and risk management procedures put in place by the Company**

(Article L. 225-37 of the French Commercial Code)

This report was prepared pursuant to the provisions of Article L. 225-37 of the French Commercial Code. Its purpose is to describe the composition and the application of the principle of fair representation of women and men within the Board of Directors, the conditions of the preparation and the organization of the Board of Directors' work, to present the rules and principles determined by the Board of Directors for the compensation and benefits of any nature awarded to the corporate representatives, as well as internal control and risk management procedures implemented by the Group, in particular procedures relating to the preparation and processing of accounting and financial information for the annual and consolidated accounts.

This report aims to provide a description of the work completed, undertaken or scheduled by the Company. It does not in any case intend to demonstrate that the Company has control of all risks it is facing.

This report refers to the Management Report which is included in the Reference Document of the Company for the

financial year ended December 31, 2012, regarding the disclosure of information referred to in Article L. 225-100-3 of the French Commercial Code on the structure of the Company's capital and on facts that may have an impact in the event of a tender offer.

This report has been prepared by the Chairman and Chief Executive Officer of the Company together with the Group Internal Control Department and the Corporate Secretary's Office. The outline was presented for comments to the Internal Control Steering Committee and reviewed by the various departments of the Group Finance and Control Division. The report was reviewed by the Audit Committee on February 18, 2013, and approved by the Board of Directors of the Company on February 19, 2013.

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

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

## Code of reference

In accordance with Article L. 225-37 of the French Commercial Code, the Company declares that it voluntarily refers to and enforces the AFEP-MEDEF corporate governance code on listed companies of December 2008 resulting from 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 and the recommendation of April 2010 concerning increasing women's presence on Boards of Directors (hereinafter the "AFEP-MEDEF Code"). The AFEP-MEDEF Code is available on the MEDEF's internet site ([www.medef.fr](http://www.medef.fr)).

At the Company's request, Labrador Conseil, an independent corporate governance consultancy firm, has reviewed this Report and has confirmed that the Company complies with the provisions of the AFEP-MEDEF Code.

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

### 1.1. COMPOSITION OF THE BOARD OF DIRECTORS AND ITS COMMITTEES

As of December 31, 2012, the Board of Directors was made up of 11 members. It does not include any directors representing employees or employee shareholders. Five directors are of a nationality other than French. As of the date of this Reference Document, it comprises four women following the appointment of Alexandra Bech Gjørnv as member of the Board at the meeting of the Board held on October 23, 2012, for a four-year term. Thus, Technip meets the first step of the regulation's requirement in terms of balanced representation of women and men on the Board of Directors to be reached following the Shareholders' Meeting held to approve the financial statements for the financial year ended December 31, 2013.

Pursuant to Article 14-4 of the Company's Articles of Association, the term of Board members is set at four years. This duration respects the recommendations of Article 12 of the AFEP-MEDEF Code.

In accordance with the recommendations of Article 12 of the AFEP-MEDEF Code, in order to facilitate a smooth renewal of the Board and to prevent "renewal en masse", and resulting from the resolution adopted at the Company's Combined Shareholders' Meeting on April 27, 2007, the Board of Directors, at its meeting on the same day, introduced a rolling renewal system, pursuant to which one-half of its members' terms of office should be renewed every two years.

In accordance with the recommendations of the AFEP-MEDEF Code, the characterization of "independent director" of Board members of the Company is discussed and reviewed every year by the Board of Directors upon the Nominations and Remunerations Committee's proposal (Article 8.3 of the AFEP-MEDEF Code).

At its meetings on February 13 and October 23, 2012, the Nominations and Remunerations Committee reviewed the characterization of "independent director" of the Company's Board members which were in office at the date of this Committee with regard to the definition and criteria used in the AFEP-MEDEF Code. This review was also made on February 18, 2013.

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 influence his or her judgment. This means that the independent director is:

- 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 has not 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; and
- 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 14, 2012.

As of December 31, 2012, the Board of Directors was composed of eight independent members. It therefore exceeds the recommendations of the AFEP-MEDEF Code, which stipulates that one-half of the Board members must be independent in companies where the share capital is widely held and with no controlling shareholders (Article 8.2).

As of December 31, 2012, the members of the Board of Directors were as follows:

<b>Name</b> <b>Main position</b> <b>Professional address</b> <b>Age – Nationality</b>	<b>Position within the Board of Directors</b>	<b>Term</b>
<b>Thierry Pilenko</b> Technip's Chairman and Chief Executive Officer 89, avenue de la Grande Armée – 75116 Paris 55 – French	Technip's Chairman and Chief Executive Officer	Date of first appointment: April 27, 2007. Date of last appointment: April 28, 2011. Expiry of the current term of office: Ordinary Shareholders' Meeting convened to approve the financial statements for the year ending December 31, 2014.
<b>Olivier Appert</b> Chairman of IFP Énergies nouvelles Institut Français du Pétrole 1 et 4, avenue de Bois-Préau – 92852 Rueil-Malmaison Cedex 63 – French	Director	Date of first appointment: May 21, 2003. Date of last appointment: April 28, 2011. Expiry of the current term of office: Ordinary Shareholders' Meeting convened to approve the financial statements for the year ending December 31, 2014.
<b>Pascal Colombani</b> Chairman of the Board of Directors of Valeo 44, rue de Lisbonne – 75008 Paris 67 – French	Independent Director	Date of first appointment: April 27, 2007. Date of last appointment: April 28, 2011. Expiry of the current term of office: Ordinary Shareholders' Meeting convened to approve the financial statements for the year ending December 31, 2014.
<b>Leticia Costa</b> Partner in Prada Assessoria Av. Brigadeiro Faria Lima, 1744, 1 andar 01451-021 – São Paulo – SP – Brazil 52 – Brazilian	Independent Director	Date of first appointment: April 28, 2011. Expiry of the current term of office: Ordinary Shareholders' Meeting convened to approve the financial statements for the year ending December 31, 2014.
<b>Marie-Ange Debon</b> Corporate Secretary of Suez Environnement Tour CB21 – 16, place de l'Iris – 92040 Paris La Défense Cedex 47 – 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 year ending December 31, 2012 to be held on April 25, 2013.
<b>C. Maury Devine</b> 1219 35 <sup>th</sup> Street NW Washington – DC 20007 – USA 61 – American	Independent Director	Date of first appointment: April 28, 2011. Expiry of the current term of office: Ordinary Shareholders' Meeting convened to approve the financial statements for the year ending December 31,

<b>Name</b> <b>Main position</b> <b>Professional address</b> <b>Age – Nationality</b>	<b>Position within the Board of Directors</b>	<b>Term</b>
		2014.
<b>Alexandra Bech Gjørv</b> Partner in Advokatfirmaet Hjort Akersgaten 51 – N-0150 – Oslo – Norway 47 – Norwegian	Independent Director	Date of first appointment: October 23, 2012. Expiry of the current term of office: Ordinary Shareholders' Meeting convened to approve the financial statements for the year ending December 31, 2012 to be held on April 25, 2013.
<b>G�rard Hauser</b> 89, avenue de la Grande Arm�e – 75116 Paris 71 – French	<i>Senior Independent Director</i>	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 year ending December 31, 2012 to be held on April 25, 2013.
<b>Marwan Lahoud</b> Chief Strategy & Marketing Officer of EADS 37, bd de Montmorency – 75781 Paris Cedex 16 46 – 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 year ending December 31, 2012 to be held on April 25, 2013.
<b>John O'Leary</b> Chairman and Chief Executive Officer of Strand Energy Strand Energy – PO Box 28717 – Dubai Industrial Park – Dubai – United Arab Emirates 57 – Irish	Independent Director	Date of first appointment: April 27, 2007. Date of last appointment: April 28, 2011. Expiry of the current term of office: Ordinary Shareholders' Meeting convened to approve the financial statements for the year ending December 31, 2014.
<b>Joseph Rinaldi</b> Partner in Davis Polk & Wardwell Davis Polk & Wardwell – 450 Lexington Avenue – New York NY 10017 – USA 55 – 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 year ending December 31, 2012 to be held on April 25, 2013.
The other offices held by the members of the Board of Directors are indicated in Annex A of this Reference Document.		

The other offices held by Board members are indicated in Annex A to the Reference Document of the Company for the year ended December 31, 2012.

In order to assist it in fulfilling its duties and responsibilities, the Board of Directors has established four Committees: an Audit Committee and a Nominations and Remunerations Committee, thereby complying with the recommendations made in the AFEP-MEDEF Code (Article 13); a Strategic Committee and an Ethics and Governance Committee in order to meet specific concerns as permitted by the AFEP-MEDEF Code.

On December 31, 2012, the four Committees members were as follows:

### **Audit Committee**

<b>Member</b>	<b>Title</b>	<b>Date of first appointment</b>
Pascal Colombani	Chairman	October 23, 2012
Marie-Ange Debon	Member	October 26, 2010

C. Maury Devine	Member	April 28, 2011
Alexandra Bech Gjørsv	Member	October 23, 2012
Gérard Hauser	Member	April 30, 2009
John O'Leary	Member	April 27, 2007

In accordance with the AFEP-MEDEF Code, as from their appointment, the members of the Audit Committee receive information on the Company's specific accounting, financial and operational features (Article 14.3.1).

All of the Audit Committee members have, due to their education and professional experience, qualifications in financial and accounting matters which goes beyond the requirements of Article L. 823-19 of the French Commercial Code which directs that at least one member of the Audit Committee shall have such experience and qualifications. All of the Audit Committee members are independent directors, *i.e.*, more than two-thirds of its members as required by the recommendations of the AFEP-MEDEF Code (Article 14.1) and by Article L. 823-19 of the French Commercial Code which directs that at least one member of the Audit Committee shall be independent. In accordance with AFEP-MEDEF Code, the Chairman and Chief Executive Officer, the only executive officer, is not a member of the Audit Committee (Article 14.1).

### Nominations and Remunerations Committee

Member	Title	Date of first appointment
Gérard Hauser	Chairman	June 23, 2010
Pascal Colombani	Member	April 27, 2007
C. Maury Devine	Member	April 28, 2011

All of the Nominations and Remunerations Committee members are independent directors, which goes beyond the AFEP-MEDEF's recommendations that provide that the Committee should be comprised of a majority of independent directors (Articles 15.1 and 16.1).

### Strategic Committee

Member	Title	Date of first appointment
Pascal Colombani	Chairman	April 27, 2007
Joseph Rinaldi	Vice Chairman	June 23, 2010
Olivier Appert	Member	May 21, 2003
Leticia Costa	Member	April 28, 2011
Gérard Hauser	Member	April 30, 2009
Marwan Lahoud	Member	April 30, 2009

More than 80% of the members of the Strategic Committee were independent directors.

### Ethics and Governance Committee

Member	Title	Date of first appointment
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Joseph Rinaldi	Chairman	April 30, 2009
Olivier Appert	Member	December 9, 2008
Pascal Colombani	Member	December 9, 2008
Leticia Costa	Member	April 28, 2011

75% of the Ethics and Governance Committee members were independent directors.

## General Management of the Company

The Ordinary Shareholders' Meeting of April 28, 2011 renewed Thierry Pilenko as a director for a four-year term expiring after the Shareholders' Meeting convened to approve the financial statements for the year ended December 31, 2014.

At its meeting of April 28, 2011, the Board of Directors renewed Thierry Pilenko as Chairman of the Board of Directors. At this meeting, in accordance with Article 18 of the Company's Articles of Association, the Board of Directors elected to combine the offices of Chairman and Chief Executive Officer of the Company into one office, after having determined that this form of organization was the most appropriate to the Company, and renewed Thierry Pilenko as Chairman and Chief Executive Officer for the duration of his term of office with the Board of Directors.

At its meeting on February 18, 2013, the Ethics and Governance Committee re-stated its approval to combine the offices of Chairman and Chief Executive Officer, considering that this remained the management method most adapted to the Company.

As of December 31, 2012, the Board of Directors had appointed no Executive Vice President (*Directeur Général Délégué*).

However, in July 2010, the Board of Directors decided to create a function of Senior Independent Director whose missions are detailed in Section 16.1.1 of the Reference Document of the Company for the year ended December 31, 2012. On October 23, 2012, the Board of Directors entrusted this position to Gérard Hauser for a period of two years, subject to the renewal of his term as director at the 2013 Shareholders' Meeting and extended in exceptional circumstances until the date of the Shareholders' Meeting approving the financial statements for the year ended December 31, 2014.

## 1.2. COMPANY SHARES HELD BY THE DIRECTORS

Pursuant to Article 14 of the Articles of Association effective as of December 31, 2012, each director is required to hold at least 400 Company shares in registered form.

As of December 31, 2012, to the Company's knowledge, each of the Board members holds the following number of shares in registered form:

Members of the Board of Directors	Number of Technip shares held as of 12/31/2012
Thierry Pilenko	73,500
Olivier Appert	904
Pascal Colombani	400
Leticia Costa	400
Marie-Ange Debon	400

C. Maury Devine	400
Alexandra Bech Gjørsv	0*
Gérard Hauser	1,700
Marwan Lahoud	400
John O'Leary	800
Joseph Rinaldi	400
<b>TOTAL</b>	<b>79,304</b>
* 400 shares were acquired on January 21, 2013, in accordance with the Articles of Association, within three months of appointment.	

## 1.3. ROLE AND PRACTICES OF THE BOARD OF DIRECTORS

### 1.3.1. Role 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 the powers expressly assigned to the Shareholders' Meetings, and within the scope of the corporate purpose, it shall take up any and all issues affecting the Company's proper operation and shall decide on any issues concerning it in its meetings.

The Board of Directors' functioning is ruled by an Internal Charter, which was approved by the Board of Directors on May 21, 2003, and is periodically updated (last updated December 12, 2012).

In accordance with Article 17-3 of the Company's Articles of Association, the Board of Directors performs controls and verifications it deems appropriate.

It ensures, with the assistance of the Audit Committee in particular, that internal control entities function properly, that the Statutory Auditors are carrying out their work in a satisfactory manner and that the Board Committees it has created function properly.

The Board may establish special Committees and determine their composition and responsibilities. These Committees perform their activities under the Board of Directors' responsibility. As of December 31, 2012, 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 Board's Internal Charter provides that it formally assesses 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. Practice 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 administers the work of the Board of Directors, on which he gives a report at the Shareholders' Meeting.

The Board of Directors meets at least four times per year, or more frequently as may be required by the circumstances. During the 2012 financial year, the Board met 9 times. The attendance rate for all directors was 90%.

The average duration of a Board of Directors' meeting was approximately four hours.

After reviewing the reports of each of the Audit Committee, the Strategic Committee, the Nominations and Remunerations Committee and the Ethics and Governance Committee on issues within the scope of their respective mission, the Board of Directors worked in 2012, among others, on the following matters:

- Financial and accounting matters:



- review of the annual accounts and Consolidated Financial Statements for the financial year 2011, the first half-year Consolidated Financial Statements and quarterly information for financial year 2012, upon the Audit Committee's recommendation and the Statutory Auditors' observations,
- review of draft press releases announcing the financial results under the period reviewed,
- review of the half-year financial report and 2012 interim financial information,
- review of the 2013 budget and the investment plan,
- review of the cash flow forecasts, and
- assessment of the provisional management accounts;
- Preparation of the Annual Shareholders' Meeting:
  - the notice of the meeting, determination of the agenda and draft resolutions, and
  - review of the Reference Document including the Board of Directors Report and the Financial Report and the Chairman's Report on Internal Control;
- Decisions, in particular regarding:
  - the determination of the Chairman and Chief Executive Officer's compensation and of its objectives for 2012,
  - the list of the members of the special Committees of the Board of Directors,
  - the list of directors qualified as "independent directors",
  - the distribution of directors' fees,
  - the nomination of Gérard Hauser as Senior Independent Director,
  - the update of the Board of Directors' internal rules and the Rules of Good Conduct on the distribution and use of privileged information,
  - the implementation of a share capital increase in favor of employees,
  - bond issuances through private placement,
  - the submission of bids for several acquisition Projects, the final approval for the acquisition of the Energy & Chemicals division of the Shaw group and associated financings,
  - the approval of a share subscription option plan and the grant of three tranches of options, the approval of a performance share plan and the grant of three tranches of performance shares, the recording of the share capital increase resulting from the exercise of the share subscription options, and
  - the authorization to issue parent company guarantees;
- Review, in particular, of:
  - the Human Resources Handbook, and
  - information on the Group's operations.

### **1.3.2.2. Assessment of the Board of Directors**

On February 14, 2012, in accordance with the recommendations of the AFEP-MEDEF code, the Board of Directors conducted a global review of its own operation policies as well as those of its Committees and concluded that they were all functioning properly.

In addition, the Board of Directors has followed, during the financial year 2012, the implementation of the recommendations for the improvement of its operations contained in the conclusions of the in-depth evaluation report prepared by an external consultant at the end of 2011.

The main effective measures, as such, have included:

- the implementation of the objective of diversity regarding the composition of the Board (appointment of Ms. Alexandra Bech Gjørnv); and
- electronic tool for the dispatch of Committees and Boards packs to the directors (via a secure website).

### **1.3.2.3. Right to information and communication for directors**

The Chairman of the Board of Directors monitors the proper functioning of the Company's bodies 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 their duties.

Directors receive all the information which is useful to the exercise of their duties in accordance with the agenda prior to each Board meeting. To this end, the Company complies with its internal rules that provide that documents to be reviewed in a Board meeting are circulated the week before the meeting.

The Directors' Charter adopted on May 21, 2003, as amended on February 19, 2013, provides that each director must be carefully prepared for Board meetings and Committees' meetings, that he or she is a member of, and has an obligation to review the documentation made available to he or her. He or she can request the Chairman of the

Company, the Chief Executive Officer and the Executive Vice Presidents, for any and all 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. As such, in 2012, Alexandra Bech Gjørsv received a training session to familiarize herself with the activities and practices of the Group, following her appointment as Directors of the Board.

#### **1.3.2.4. Limitation of the powers of the Chief Executive Officer**

In accordance with Article 19-1 of the Company's Articles of Association, the Board of Directors delegated to the Chairman and Chief Executive Officer all authority granted by French law with the ability to delegate such authority in specific areas.

### **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 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 must be chosen from outside the members of the Meeting.

##### **Participation (Article 23 of the Articles of Association)**

All shareholders may, in accordance with the conditions set forth under applicable laws and regulations, either personally attend the Shareholders' Meetings, cast an absentee vote, or be represented by another shareholder or by their spouse or civil partner. Moreover, they may be represented by any other natural or legal person of his or her choice.

The right to participate in Shareholders' Meetings arises through the registration of the shares in the name of the shareholder, or his or her intermediary registered on his or her behalf pursuant to Article L. 228-1 of the French Commercial Code, as of 00:00 am (Paris time) on the third business day preceding the Shareholders' Meeting, in accordance with applicable regulations.

Any legal entity that is a shareholder may participate in the Shareholders' General Meetings through its legal representatives or by any other person appointed by it for this purpose.

The shareholders may, subject to the conditions set forth under applicable laws and regulations, send their proxy and mail voting form for any Shareholders' Meeting, either in paper form, or, subject to the decision of the Board of Directors at the time at which the Shareholders' Meeting is convened, by electronic means.

When using a proxy and mail voting form or casting an absentee vote electronically, the electronic signature may result from a procedure allowing for the reliable identification of the shareholder, evidencing the link between the signature and the form to which it is affixed.

The Board of Directors may decide, at the time that the Shareholders' Meeting is convened, that the shareholders may participate in the Shareholders' Meeting *via* videoconference or by other means of telecommunication, including the internet, subject to the regulations applicable at the time of their use.

All shareholders who participate in the Shareholders' Meeting by one of the aforementioned means shall be deemed present for the purposes of the quorum and for the calculation of a majority.

The Company will be able, in accordance with applicable regulations, to use electronic communication instead of communication by post in order to satisfy the formalities specified by the regulations.

## **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 hold, have been attributed to all fully paid-up shares which 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. They will be granted free of charge to a shareholder in respect of their existing shares, entitling such shareholder to the benefit of the double voting 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 of the corporate representatives**

### **2.1. COMPENSATION OF THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER**

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

For 2012, the aggregate amount of compensation paid by the Company to Thierry Pilenko amounted to €2,579,715 (see Section 15.1.1, Table 2, for further details).

The variable portion of compensation is based on the fixed compensation for the previous year. For 2012, the target variable portion is equal to 100% of the annual base compensation. 70% of the target variable portion is linked to the financial performance of the Group and 30% is linked to the achievement of individual objectives. These objectives are directly linked to Technip's strategy and cannot be disclosed for confidentiality reasons.

The share of the variable portion is linked with a financial target (70% of the total) and broken down into two objectives:

- Up to 50% on the Group operating income budgeted for 2012: the share of the variable portion is (i) nil if real performance is below 80% of the budgeted amount (minimum level), (ii) between 0% and 100% for a performance equal to 80% to 100% of the budgeted amount, (iii) between 100% and 140% for a performance equal to 100% to 110% of the budgeted amount, (iv) between 140% and 160% for a performance equal to 110% to 120% of the budgeted amount and (v) between 160% and 200% for a performance equal to 120% to 125% of the budgeted amount (maximum level).
- Up to 20% on the percentage of gross margin on order intake: the share will be: (i) nil if real performance is below 80% of the budgeted amount (minimum level), (ii) between 0% and 100% for a performance equal to 80% to 100% of the budgeted amount (maximum level).

If achieved Group current operating income is superior to the budgeted objective, a multiplier rate is calculated, up to a maximum of 2. It is then applied to the other variable portion criteria in order to calculate the 2012 final variable share, which is capped at 200% of the target variable portion.

The variable portion due to Thierry Pilenko for the financial year 2012 is €1,672,704 and will be paid in 2013.

Furthermore, on June 15, 2012, the Board of Directors resolved that Thierry Pilenko can benefit from a deferred compensation equal to, at a maximum, 20% of his gross annual fixed compensation, *i.e.* €180,000 gross. This deferred compensation can be paid to him in 2015 at the double condition (i) that he is still in the Group and (ii) that

performance conditions of the Group are achieved. The performance will be measured by the progression and achievement by Technip, over the period of financial years 2012, 2013 and 2014, of satisfactory performance in relation to Health/Security/Environment (HSE), Operating Income From Recurring Activities (OIFRA) and Order Intake.

Thierry Pilenko does not receive any directors' fees for the positions he holds as a Company director or in the Group's companies.

There is no specific retirement plan for Thierry Pilenko as 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 the 3<sup>rd</sup> tranche, *i.e.*, eight times the annual French Social Security ceiling. The contribution for 2012 amounted to €23,278.

The Chairman and Chief Executive Officer also benefits from the Company's existing supplementary retirement plan for Executive Committee (Excom) members: a retirement income guarantee of 1.8% per year of service, on the 4<sup>th</sup> tranche of gross annual compensation paid, *i.e.*, exceeding eight times the French Social Security ceiling. In order to be eligible for the retirement plan, the minimum seniority to be taken into account is five years as Excom members, up to a limit of 15 years. The amount of gross compensation to which this retirement income guarantee applies corresponds to the average of the gross compensation, paid over the five financial years preceding the date of departure from the Company. The retirement income guarantee will only be due in the following events: a departure from the Company after his 60<sup>th</sup> birthday; a departure from the Company as a result of a 2<sup>nd</sup> or 3<sup>rd</sup> category disability (as defined under French law); a departure from the Company after his 55<sup>th</sup> birthday provided that such departure is not the result of gross misconduct or negligence (*faute grave* or *faute lourde*) on his part and that no professional activity is resumed between leaving the Company and receiving a pension under the general French Social Security scheme.

In this last case, by exception, the Company did not take into account the requirement to remain in the Company considering that the requirement for no professional activity was restrictive enough.

55,000 share subscription options and 25,000 performance shares were granted to Thierry Pilenko over financial year 2012 (see Section 15.1.1, Tables 4 and 6, for further details). Thierry Pilenko exercised 151,500 share purchase options during financial year 2012 (Table 5). Thierry Pilenko is not a beneficiary of any share subscription warrants from the Company or any other company of the Group.

At the time of the renewal of Thierry Pilenko as Chairman of the Board of Directors, during the meeting of the Board of Directors of April 28, 2011, it was decided to maintain the existing principles relating to a worldwide non-compete agreement for a 24-month period.

## **2.2. DIRECTORS' FEES GRANTED TO MEMBERS OF THE BOARD OF DIRECTORS**

The Shareholders' Meeting of April 29, 2010 set the amount of directors' fees allocated to members of the Board of Directors for each of the financial years 2010, 2011 and 2012 at €600,000.

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 2012 as follows:

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

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

A proposal will be submitted to the Shareholders' General Meeting of April 25, 2013 to raise the total amount of directors' fees to €800,000 for the financial years 2013, 2014 and 2015 (the proposed twelfth resolution is included in Annex G Section 3 of this Reference Document).

### **3. Information required pursuant Article L. 225-100-3 of the French Commercial Code**

Information required pursuant to Article L. 225-100-3 of the French Commercial Code is reported in the following sections of the Reference Document of the Company for the year ended December 31, 2012: 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, 2012 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 maintained internal control procedures and a variety of tools that have gradually developed and which are based 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 dysfunctions 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 for 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 and divisions of the Group and each employee in order 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; and
- operations are effective and resources are used in an efficient manner.

In this respect, the framework of internal control 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"). The new Technip Stone & Webster Process Technology (PT) Business Unit, coming from both Technip and the recently acquired Shaw E&C organization, is not part of this report. The Global Industries, Ltd. entities acquired by the end of December 2011 are now integrated within the Internal Control scope of Technip. Because Shaw is a publicly traded company reporting to the U.S. Securities Exchange Commission (SEC), the acquired organization complied with the provisions of Sarbanes-Oxley until its acquisition.

#### 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 the Treadway Commission ("COSO"), and is accordingly compliant with the internal control framework recommended by the French *Autorité des marchés financiers* (AMF) and its application guide, as updated in July 2010.

### 4.2. INTERNAL CONTROL PROCEDURES WITHIN THE GROUP

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

#### 4.2.1. Control environment

##### The Board of Directors

The Group's Board of Directors, assisted by its four 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 matters that are expressly reserved by law to shareholders' meetings.

The Directors are required to comply with the Directors' Charter and to abide by the Group values that are formulated in Technip's 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, 2012, the four Committees set up by the Board of Directors have their own Charter describing their particular duties, responsibilities and practices.

Each of these Committees is comprised of at least three directors appointed by the Board of Directors.

Their work is presented 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 procedures and the integrity of items disclosed to the Company's shareholders and the financial markets.

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

- recommending the appointment and compensation of Statutory Auditors to the Board of Directors, as well as ensuring their independence;
- analyzing the assumptions used in the closing of accounts and reviewing the Company's financial statements and the consolidated annual and interim condensed financial statements or information prior to the Board of Directors' review, including by remaining aware of the financial situation, liquidity and commitments of the Company;
- assessing internal control procedures as well as any other corrective measures for any significant problems encountered during the internal control process;
- evaluating the relevance of the risk analysis procedures; and
- reviewing the procedures to be implemented on the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters, as well as documents sent anonymously and confidentially by employees raising concerns regarding questionable accounting or auditing matters.

The Audit Committee may interview the Chairman and Chief Executive Officer and interview or visit any operational or functional business head to perform its duties. The Committee may in particular interview any person involved in the preparation of financial statements or audit processes (such as the Finance Directors, Audit Directors and General Counsel).

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

The Committee meets at least four times per year. The Committee met six times during the 2012 financial year and had an attendance rate of 97% 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 appointments of Board members and corporate officers, compensation policy and the policy for granting share subscription options or share purchase options.

This Committee is mainly responsible for the following:

- issuing 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;
- reviewing executive compensation policies implemented within the Group and the compensation of senior management, issuing proposals regarding the compensation of the Chairman, the Chief Executive Officer and other Executive Vice Presidents, as appropriate, and preparing a report on the foregoing.

This Committee submits to the Board of Directors, on an annual basis, a list of proposed directors qualified as "independent directors" under 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 meetings other than deliberations that relate to him.

Subject to confidentiality obligations, the Committee may request that the Chairman and Chief Executive Officer obtain assistance from any executives whose expertise may be relevant to the Committee's agenda.

The Committee meets at least twice a year. The Committee met four times during financial year 2012. Its attendance rate was 100%.



## **The Strategic Committee**

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

In this context, the functions of this Committee include the review of the Group's budget, the review of any major asset acquisitions or dispositions as well as the review of any transaction that could involve major risks for the Group.

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

The Committee may request that the Chairman and Chief Executive Officer obtain assistance from any executive whose expertise may be relevant to the Committee's agenda.

The Committee meets at least twice a year. The Committee met two times during financial year 2012. The attendance rate was 81% for all members.

## **The Ethics and Governance Committee**

The Committee assists the Board of Directors in promoting best practices regarding 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 assistance from any executives whose expertise may be relevant to the Committee's agenda.

The Committee meets at least twice a year. The Committee met twice during financial year 2012. The attendance rate was 88%.

## **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 sets the "tone at the top". Through their responsibilities, they ensure that internal control procedures are in place and operative.

The Chairman and Chief Executive Officer is assisted by two specialized Committees:

- the Committee on Sustainable Development: responsible for driving and measuring the Group's progress in its 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, to give a true and fair view of the financial statements. This Committee meets 4 times a year.

All of the Group's activities are governed by the rules prescribed in the Group's Values Charter. The Group's core values include integrity, professional excellence, protection of health, safety, security and the environment, as well as civic and social responsibility. Furthermore, the Group is committed to supporting and promoting the principles of the "Global Compact", a United Nations program regarding human rights, labor, environment and ethics within its sphere of influence. The Group's core Values are set out in six Charters covering ethics, social responsibility, environmental protection, health and safety, quality and security.

The Group is committed to reflecting its Values as well as 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 is composed of senior managers from across the Group and reports directly to Technip's Chairman and Chief Executive Officer. It ensures proper adherence to the Group's Ethics Charter and all internal regulations derived therefrom. It makes proposals to the Chairman and to the Board in respect of 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 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". This code is an addendum to the Ethics Charter setting forth specific rules applying to them in terms of conflict of interest, public reporting, compliance and personal responsibility. 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, a vertically integrated Subsea business unit and the new global Business Unit Technip Stone & Webster Process Technology (PT). This structure was established by the Chairman and Chief Executive Officer of the Company in an organizational memorandum 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 this Reference Document) are subject to risk assessment and risk management measures at different levels of the organization, from the Corporate Divisions to the relevant Regions, entities and Projects.

### Corporate Risk Management

The Group's Risk Management function is led by the Senior Vice President Group Audit and Risk Management reporting to the Group Chief Financial Officer, who is responsible for providing an integrated approach of risk assessment, risk management and audit as well as ensuring that the Risk Management organization is monitored at appropriate levels across the Group, which encompasses the monitoring of processes, tools and risk 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 the 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 is carried out 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.

The Group Internal Audit monitors the implementation of the remediation action plans defined in the audit reports.

### Group Divisions

Under the authority of the Company's Chairman and Chief Executive Officer (CEO), 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 Executive Vice Presidents (EVP) & Chief Operating Officer (COO) Onshore Offshore and Subsea are responsible for the entire operational organization covering the business and operations for respectively the Onshore Offshore and Subsea segments. This includes commercial operations, Business Development, key accounts, tendering coordination and all operational assets and related resources including technology development.
- 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. She makes regular reports and recommendations concerning compliance to the General Counsel, Chairman and Chief Executive Officer and the Technip Ethics and Governance Committee. She may raise certain issues to the Chairman of the Technip Ethics and Governance Committee. Finally, she is also responsible for ensuring the application of the Ethics Charter and the effective implementation and enforcement of applicable anti-corruption and compliance policies.
- 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.
- The Quality Health and Safety (QHSE) and Security department reports to the Chairman and CEO directly. Global Procurement reports to the EVP and COO Onshore Offshore.
- 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 statutory and consolidated financial statements as well as management accounts, is in charge of internal control, treasury management, tax management, audit and risk management, financial communications and investor relations. It also monitors the Strategy and Information Technology Divisions; and

- The Security Department, reporting to the Chairman and Chief Executive Officer (CEO), is among others in charge of carrying out Independent IT Security audits and more generally all necessary Security Audits within the Group, ensuring the implementation of relevant Master Security plans dedicated to Projects and insuring coherence and efficiency of the Business Continuity Plan for Regions, headquarters and Projects.

## Regional organization

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

As the Group’s core operational unit, each Region is defined by territory, its operational resources (commercial and execution) and its projects. Each Region is responsible for their Profit and loss which requires full entrepreneurial leeway for operational decision making in respect of project execution and client relations.

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

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

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 and loss account but must have a global vision of the operations and their profitability to establish benchmarks and propose mid to long term strategies.

The Subsea Division which reports directly to the EVP and Subsea COO is responsible for the strategic management of Research and Development, fleet and manufacturing plants including expansion plans. Project management is handled by the Regions.

The new Business Unit Technip Stone & Webster Process Technology which reports to the SVP Onshore is in charge of setting the proprietary technology strategy at the earliest stage of prospect proposal development, developing the technology strategy, managing the technology development and Intellectual property strategy across PT, and identifying global trends in technology.

## Risk management of Projects

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

Before bidding for a project, Technip conducts a cost evaluation 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.

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

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 the entity, regional or Group level, and client invoicing is monitored and approved.
- The segregation of incompatible tasks are 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 of physical assets are performed to ensure the corresponding accounts accurately reflect the reality.
- The Group Controlling Department prepared and distributed to the entire Group formal procedures for financial reporting in the form of quarterly statements and accounting rules, in accordance with accounting standards. Significant estimates and other significant accounting assessments are subject to a systematic review and comply with accounting standards and are consistent with current practices within the Group.
- 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 from the calculation of pay, to pay slip issuance up until 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 controls 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 gives 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 self-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 and procurement, payroll, capital expenditure, inventories, manufacturing and engineering, subcontracting, cost control, treasury, financial control, consolidation and tax;
- Information Technology (assessed on the basis of tests): security, operations and change management.

The results are consolidated and analyzed by the Group Internal Control. They are subject to a detailed presentation to the Audit Committee as part of the Group's annual closure of accounts.

The Auditors perform audits of internal controls if they deem it necessary in connection with their audit of the annual and consolidated accounts and, where appropriate, report their observations to the Audit Committee.





#### 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 documentation and related framework is coordinated by the Group Quality department. Permanent procedures and policies are categorized according to five different levels: the Golden Book, Group Operating Principles and Standards, Group Instructions, Group Business Guidelines and Regions' Management Principles and Responsibilities. These documents are available on the Group intranet.

- 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, and its Quality, Risk, Health Safety and Environmental Policies;
  - 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 to improve their operational performance.
- The requirements stated in the Golden Book, GOPS and Group Instructions are mandatory across the Group and provide the overriding framework with which the Regions conduct 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).

Each Corporate Function is responsible for performing a yearly review of its GOPS in order to verify that they still adequately match the business objectives and to implement modifications or even cancellation if needed. Group Quality & Methods (GQM), reporting to the Group QHSE Director, participates in these reviews and facilitates their formalisation. These reviews highlight topics and areas which audits should focus upon.

At Regional level, effective implementation of GOPS is raised as a standard agenda item in the planned Quality Management Reviews.

##### Communication

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

The Investor Relations Department focuses on financial communication and ensures that investors and the public receive accurate, precise and fairly presented information on the Group's financial and operating performance, in accordance with French law and the French Financial Market Authority's (AMF) General Regulation.

With respect to the Group's knowledge base and talent, Technip University strives to promote expertise and maximize 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 2012.

## **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 control testing defined in risk and control matrices for transactions and IT-related controls (Information Technologies).

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 by way of a letter of affirmation that, to their knowledge, the internal control system has operated effectively during the reporting period. Each deficiency is reported in that letter and must be followed by a remediation action plan. In addition, each signatory is required to confirm at the end of the third quarter that the action plans determined in the previous year's assessment have been implemented.

## **Group Internal Audit**

The Group Internal Audit has an independent and objective function and is in charge of evaluating the proper operation of the Group in all areas and provides its management 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 transverse topics at Group level. It contributes to the improvement of the Group's operations through its recommendations.

It is centralized at Group level and audit work is conducted by a team of 18 auditors (end of 2012). The Senior Vice President Group Audit and Risk Management reports to the Executive Committee on the work performed, 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 the Group level and at the Regions level.

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

The Internal Control Function's principal aim is to help Regions and Corporate Functions improve their control 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 Internal control documentation and 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 Regions and the Corporate Functions of internal controls throughout the Group based on a risk mapping 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 once in 2012.

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 using a 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 and 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 Business Finance and Group Consolidation Departments and relies on data provided by the different finance and control functions located in each entity.

#### **4.3.1. Accounting standards**

The consolidated financial statements of Technip are established according to the accounting standards of IFRS (International Financial Reporting Standards) issued by the IASB (International Accounting Standard Board) and adopted by the European Union. IFRS principles are reflected in the GOPS and guidelines. The Group Controlling Department drafts and distributes to the entire Group the formal procedures for the production of financial information, in the form of quarterly instructions and accounting rules, in compliance with the published accounting standards.

The principles for estimates and other accounting judgments are subject to a systematic review for conformity with the accounting rules and for consistency with the practices in force within the Group. The Group's positions about changes in Generally Accepted Accounting Principles (GAAP) are subject to discussions with the Statutory Auditors.

#### **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; and
- 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 by the finance directors of each entity while respecting the financial calendar prepared and circulated to Regions by the Group Controlling Department. 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 is implemented to ensure the Region CFOs are responsible for the quality of the financial information prepared relating to their perimeter scope 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 within 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 statement of financial position, the consolidated statement of income, the consolidated statement of changes in shareholders' equity and the consolidated statement of cash flows.

For the preparation of consolidated financial statements, the Group Controlling Department relies foremost on the input of the departments of Financial Control of the Subsea Division, Group Tax and Legal Entities and Treasury. The Group Controlling Department 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 with the Group Controlling Department.

The Statutory Auditors perform a review of the quarterly financial information with cut-off dates as 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 Statutory Auditors.

The quarterly financial statements, the half-year accounts and the financial statements for the year ended 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 controls through the analysis performed by the Group

Internal Control system on test results obtained through the self-assessment internal control testing.

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