Acergy™

Legal & Risk Management

Audit Committee
Terms of Reference

GR-LGL-006

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A new section 1.6 - Definition of Materiality for Financial Reporting - has been added to the policy in order to define the financial amounts above which specific transactions require management review. This is to ensure that time is not wasted on insignificant transactions.

INTRODUCTION

1.1 MEMBERSHIP

The Committee shall be appointed by the Board from amongst the Non-Executive Directors of the Company and shall consist of not less than three members. Each member of the Committee shall qualify as an “independent director” under applicable law and rules of the Securities Exchange Act of 1934, as amended, and the Nasdaq Marketplace listing requirements applicable to foreign private issuers. At least one of the members shall be a “financial expert” as determined by the Board of Directors in its business judgement in accordance with applicable laws and regulations of the Securities and Exchange Commission. A quorum shall be two members although the Committee may delegate its authority to one designated member. Any decisions taken by the member to whom authority is delegated shall be presented to the full Committee at the scheduled meetings.

The Chairman of the Audit Committee shall be appointed by the Board.

1.2 ATTENDANCE AT MEETINGS

The Chief Financial Officer. and a representative of the external auditor shall normally attend meetings. However, at least once a year, the Committee shall meet the external auditors without any Company executives being present. The Head of Operational Review shall be the Secretary of the Committee.

1.3 FREQUENCY OF MEETINGS

Meeting shall normally be held at least four times a year. The Company’s external auditor, or any member of the Committee may request a meeting as and when they consider that one is necessary.

1.4 AUTHORITY

The Committee is authorised by the Board to investigate any activity within its Terms of Reference and to seek any information it requires from any employee. All employees are directed to co-operate with any request made by the Committee.

The Committee is authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary to carry out its duties. The Board shall provide the necessary funds, as approved by the Committee, for payment of fees to any advisor(s) employed by the Committee, as well as ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

1.5 REPORTING PROCEDURES

The Audit Committee reports to the Acergy Board.

The Secretary shall circulate the minutes of Audit Committee meetings to all members of the Board.

1.6 DEFINITION OF MATERIALITY FOR FINANCIAL REPORTING

In order to ensure that the Audit Committee's and Company Management's time is spent efficiently, the Audit Committee has authorised the following materiality levels for specific review:

a) Related party Transactions

Material related party transactions require the prior approval of the Acergy Audit Committee. Material for this purpose is defined as:

- Transactions between corporate entities. USD 1 million for income statement transactions and USD 5 million for balance sheet transactions.
- Transactions involving individuals. All transactions in excess of USD 60,000 (other than those forming part of an employee's remuneration under normal terms and conditions of employment).

b) Deviations from Cost to Cost Project Accounting methodology

The cost-to-cost method is appropriate for most fixed price contracts undertaken by the Company. For projects that are primarily fixed price in nature, with estimated revenues in excess of USD 5M, progress measurement on a basis other than cost-to-cost requires prior approval of the relevant Region Controller.

c) Definition of "Significant" Costs for Project Accounting

Company policy requires that significant costs that do not relate to progress toward completion should be excluded from the POC calculation (Refer to GR-FIN-015 section 8.5). There is no requirement to make such exclusions where their combined effect would be to misstate revenue by less than +/- USD 2M or to misstate gross profit by less than +/- USD 0.5M.

d) Definition of a "Material" Change in Project Estimates

With respect to approved Project Monthly Status Reports ("PMSR") issued between a fiscal quarter Balance Sheet date and related public disclosure date(s), Project Financial Controllers must report to the Group Management Reporting Manager material changes in estimates pertaining to conditions that a) existed at the Balance Sheet date, and b) are within the normal exposure and risk aspects of the project. For this purpose "material" is defined as in excess of +/- USD 5M to Revenue, or +/- USD 1M to Gross Profit.

DUTIES

The Committee shall have the overall responsibility for overseeing the accounting and financial processes of the Company and be directly responsible for the appointment, compensation, retention and oversight of the work of the Company's external auditor. In particular, the main duties of the Committee shall be as follows:

- To approve the appointment of the external auditor, the fee to the external auditor engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for Company and any questions of resignation or dismissal of the external auditor.
- To oversee the work of the Company's external auditor and approve the scope of the audit and ensure co-ordination if more than one audit firm is involved.
- To oversee the resolution of any disagreements between management and the Company's external auditor.
- To approve, in advance, all non-audit services provided by the Company's external auditor that are not prohibited by law and to enforce the ban on the prohibited non-audit services.
- To review the quarterly and annual financial statements before their approval by the Board, or the Chairman of the Board, acting on its behalf. The review will focus particularly on:
- all critical accounting policies and practices;
- all alternative treatments of financial information within generally accepted accounting principles, ramifications of the use of alternative treatments, and the treatment preferred by the external auditors;
- other written communications between management and the external auditors, such as any management letter or schedule of unadjusted differences;
- any changes in accounting policies and practices;
- major judgement areas;
- significant adjustment resulting from the annual audit;
- compliance with all disclosure requirements and duties;
- compliance with accounting standards;
- compliance with SEC and legal requirements,
- approval of transactions involving related parties

- To oversee all aspects of the work of the Company's Internal Audit Function (i.e. Group Operational Review). This will include the review and approval of the audit programme, discussion of the major findings of audit reviews together with management's responses, and ensuring co-ordination between the internal and external auditors.

- To continually review the effectiveness of internal control systems and the controls and procedures relating to necessary disclosures, and to ensure that Management takes appropriate action with regard to any significant controls deficiencies and fraud incidents.

- To establish and maintain procedures for receiving, obtaining and investigating complaints received directly or via management, including information received confidentially and anonymously, in relation to accounting, financial reporting, internal controls and external audit issues.

- To obtain and review, at least annually, with the independent accountants a written statement as required by Independence Standards Board (ISB) Standard No. 1, as may be modified or supplemented, discuss with the external auditors any disclosed relationships or services that may impact their objectivity and independence, and recommend any appropriate actions to be taken.

- To discuss with management the timing and process for implementing the rotation of the lead audit partner and the reviewing partner as required by applicable law and rules of the Securities and Exchange Commission, and shall consider whether there should be a regular rotation of the independent accounting firm itself.

To consider other topics, if it deems such consideration to be necessary.