

Corporate Governance

Introduction

The Board remains committed to high standards of corporate governance and supports The Combined Code on Corporate Governance published by the Financial Reporting Council in June 2006 (the 'Code').

Board Meetings and Responsibilities

Corporate governance is the responsibility of all Directors. The Board generally meets at least six times a year. Amongst the matters reserved for decision by the full Board are strategic policy, acquisitions and disposals, capital projects over a defined limit, annual budgets, new Group borrowing facilities and significant changes to employee benefit schemes.

There is a distinct and defined division of responsibilities between the Non-executive Chairman and the Group Chief Executive. The Chairman is primarily responsible for the effective working of the Board and the Group Chief Executive is responsible for the operational management of the business and for the implementation of the strategy agreed by the Board. The Chairman holds meetings with the Non-executive Directors without the Executive Directors present. Led by the Senior Independent Director, the Non-executive Directors meet without the Chairman present on such other occasions as are deemed appropriate.

The attendance of Directors at meetings in 2008 is set out in the table below:

| | Notes | Board Meetings | Audit Committee | Remuneration Committee | Nomination Committee |
|----------------------------|-------|----------------|-----------------|------------------------|----------------------|
| Number of Meetings in 2008 | | 7 | 3 | 6 | 5 |
| W F Caplan | 1 | 1(1) | – | – | – |
| A G Cockburn | | 7 | – | – | – |
| D C M Hamill | | 7 | 3 | 6 | 5 |
| R J MacLeod | | 7 | 3 | 6 | 5 |
| R V McGlone | 2 | 5(5) | 2(2) | 3(4) | 1(3) |
| N H Northridge | | 7 | 3 | 6 | 5 |
| K Pandya | | 7 | – | – | – |
| P G Rogerson | | 7 | – | – | 5 |
| A C Salvesen | | 7 | – | – | 5 |
| F A B Shepherd | | 7 | – | – | – |
| R C Soames | | 7 | – | – | 5 |
| G P Walker | | 7 | – | – | – |

Note 1: Joined the Board on 17 November 2008 – maximum possible number of meetings to be attended shown in brackets.

Note 2: Resigned on 1 September 2008 – maximum possible number of meetings to be attended shown in brackets.

All new Directors receive a full, formal and tailored induction on joining the Board. During the year the Board visits operational locations; Directors are briefed on a wide range of topics and are given the opportunity to discuss aspects of the business with employees. Directors have access to independent professional advice at the Company's expense where they judge this to be necessary to discharge their responsibilities as Directors. All Directors have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that Board procedures are complied with.

Directors

The Board currently comprises a Chairman, Group Chief Executive, five other Executive Directors and five Non-executive Directors; their details are set out on pages 46 and 47. The Non-executive Directors bring a wide range of experience to the Company and Nigel Northridge, David Hamill, Robert MacLeod and Russell King are considered by the Board to be independent as defined in the Code. Andrew Salvesen, who has served as a Director of the Company for more than nine years, is not considered to be independent by the Board for the purposes of the Code. The Board has satisfied itself that none of the Non-executive Directors represents any other Shareholder or group of Shareholders.

Nigel Northridge is the Senior Independent Director and is available to meet Shareholders if they have concerns which contact through the normal channels of Chairman, Chief Executive or Finance Director has failed to resolve or for which such contact is inappropriate.

The Code states that at least half of the Board, excluding the Chairman, should be comprised of independent Non-executive Directors. However, the Directors believe that it is in the interests of good governance to have all three of the Regional Directors on the Board as well as the Chief Executive and Finance Director. To achieve the balance recommended by the Code would require the appointment of additional Non-executive Directors, which, in the view of the Directors, would make the Board unwieldy and less effective.

Election of Directors

Any Director appointed by the Board is subject to election by Shareholders at the first opportunity after his appointment. Each Director must retire from office at the third Annual General Meeting at which he was last elected. Non-executive Directors who have served longer than nine years (e.g. three three-year terms) are subject to annual re-election.

Bill Caplan and Russell King were appointed to the Board on 17 November 2008 and 2 February 2009 respectively, and are obliged to seek election at the forthcoming Annual General Meeting.

Angus Cockburn and Kash Pandya retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election. Derek Shepherd and Andrew Salvesen have each announced their intention to retire at the conclusion of the Annual General Meeting.

All of the Directors have service agreements or letters of appointment and the details of their terms are set out in the Remuneration Report on page 57. No other contract with the Company, or any subsidiary undertaking of the Company, in which any Director was materially interested subsisted during or at the end of the financial year.

Board Committees

The Board has standing Audit, Nomination and Remuneration Committees, the memberships, roles and activities of which are detailed in separate reports: Audit Committee on pages 51 and 52, Nomination Committee on page 53 and Remuneration Committee on pages 54 to 63. Each Committee reports to, and has its terms of reference approved by, the Board and the minutes of the Committee meetings are circulated to, and reviewed by, the Board. The terms of reference of the Committees are available on our website at http://ir.aggreko.com/agk_ir/cg/.

Board Performance Evaluation

The Board conducts an annual evaluation of its own performance. This involves the completion of assessment questionnaires by all Directors covering the performance of the Board and its Committees. Other aspects that are reviewed include the effectiveness of the Chairman, Executive and Non-executive Directors, the monitoring of operational performance, and corporate governance, as well as leadership and culture. The Board considered a summary of the conclusions from this year's evaluation and appropriate actions were taken.

Conflicts of Interest

At the Company's 2008 AGM Shareholders approved amendments to the Company's articles of association to permit the Board to authorise any interest which Directors have which could conflict with those of the Company, in accordance with new provisions introduced by the Companies Act 2006. The Board has carefully considered interests declared by individual Directors which could conflict with those of the Company and authorised them where appropriate; these authorisations will be reviewed annually.

Shareholders

A summary of the items to be covered at this year's Annual General Meeting is set out on page 67. The Board supports the use of this meeting as a means of communicating with private investors and encourages their participation. The Company is ready, where practicable, to enter into a dialogue with Shareholders, through analyst briefings and investor presentations. Senior executives seek to meet regularly with institutional and major Shareholders to improve their understanding of the Company and its objectives. The Senior Independent Director is available to meet Shareholders if they have concerns. In addition to attending meetings with Shareholders, the Board seeks the views of investors better by commissioning regular feedback reports from the Company's stockbrokers and other advisers.

Internal Control

The Board has applied Principle C.2 of the Code by establishing a continuous process for identifying, evaluating and managing the risks that are considered significant by the Group. This process is designed to manage rather than eliminate risk, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board's monitoring framework covers a wide range of controls, including financial, operational and compliance controls together with risk management. It is based principally on reviewing reports from management and considering whether significant risks are identified, evaluated, managed and controlled and ensuring that any significant weakness identified is promptly remedied. The Board continues to enhance and strengthen the procedures for identifying and monitoring key areas of risk.

The Board also considers financing and investment decisions concerning the Group and monitors the policy and control mechanisms for managing treasury risk. The Group insurance programme is reviewed by the Board, which also approves self-insured exposures.

During each financial year the Audit Committee reviews the external and internal audit work programmes and considers reports from internal and external auditors on the system of internal control and any material control weaknesses. It also receives responses from management regarding the actions taken on issues identified in audit reports.

Review of Effectiveness of Internal Control

In compliance with Provision C.2.1 of the Code, the Board reviews the effectiveness of the Group's system of internal control.

On an annual basis the Audit Committee receives a formal review that is designed to assess the application of the principal financial and operational controls operated by the Group. The review, which is based on self-assessment by senior operational management, is carried out using a risk review and control questionnaire and is intended to complement the internal and external audit procedures. There is also a comprehensive procedure for monitoring all significant risks and key risks have been identified on a risk register. The Board has considered the probability of those risks occurring and their impact, as well as the actions that would be taken in response to them if they did occur.

The Board has undertaken a specific assessment of internal control for the purpose of this Annual Report. This assessment considered all significant aspects of internal control during the year ended 31 December 2008. Accordingly, the Board is satisfied that the Group continues to have an effective system of internal control.

Corporate Social Responsibility

The Board has set policies for the Group to ensure that it operates worldwide in a safe, ethical and responsible manner, which protects the environment as well as safeguarding the health and safety of its employees, its customers and the communities in which it operates. These policies are intended to recognise, evaluate and manage responsibly environmental, health and safety risks through implementation of a comprehensive Global Environmental, Health and Safety Management System that standardises best operating practices, objectives, data collection, reporting, audits, performance indicators and goals. These policies are set out in more detail on pages 40 to 45.

Pensions

The assets of the UK defined benefit pension fund are controlled by the directors of Aggreko Pension Scheme Trustee Limited; they are held separately from the assets of the Company and invested by independent fund managers. These segregated funds cannot be invested directly in the Company. Four trustee directors have been appointed by the Company and, in addition, two member-nominated trustee directors have been appointed. This fund was closed to new employees joining the Group after 1 April 2002; new UK employees are now offered membership of a Group Personal Pension Plan.

Compliance with the Code

The Directors consider that the Group complies and has complied throughout the year ended 31 December 2008 with all of the Provisions of the Code with the exception that the Code states that at least half of the Board, excluding the Chairman, should be comprised of independent Non-executive Directors; the reasons for this are explained in the paragraph above entitled 'Directors'. A copy of the Code is publicly available at www.frc.org.uk.