

INTERNATIONAL POWER PLC

Audit Committee Constitution and Terms of Reference

1. The Audit Committee, which is a Committee of the International Power plc Board of Directors, shall be composed of three of the Independent Non-Executive Directors of the Board, one of whom shall be appointed Chairman, and one of the GDF SUEZ appointed Directors. At least one member of the Audit Committee shall have recent and relevant financial experience. All the Non-Executive Directors of the Board shall be entitled to attend meetings of the Audit Committee. The Chief Executive, the Chief Operations Officer, the Chief Financial Officer and officers of the Company may attend meetings by invitation. The internal and external auditors may attend meetings of the Audit Committee. The Company Secretary will be secretary of the Audit Committee. These arrangements shall be without prejudice to (a) Internal Audit's right of direct access to the Chairman of the Company and to the Chairman of the Audit Committee; or (b) the external auditors' right of direct access to the Audit Committee.
2. The Audit Committee shall meet as appropriate at least three times a year and a quorum shall be any two of its members. The Chairman of the Audit Committee shall report to the Board after each Audit Committee Meeting. The role and scope of the Audit Committee shall be explained in the Annual Report and Accounts.
3. The Audit Committee shall, after having considered the views of all directors, have the following responsibilities, which it shall carry out for the Company major subsidiary undertakings and the Group as a whole, as appropriate:
4. The Financial Statements

The Audit Committee is required to:

- (a) monitor the financial reporting process;
- (b) examine the draft annual and interim financial statements and give its opinion on them before they are submitted to the Board of Directors;
- (c) examine the relevance and consistency of the accounting principles and rules used to draw up the statutory and consolidated financial statements and prevent any breach thereof;
- (d) be provided with information regarding changes in the scope of consolidation and any necessary explanations;
- (e) interview the Company's statutory auditors (the "**Statutory Auditors**"), Executive Management, the Finance department, Internal Audit department and any other member of management, whenever it considers it necessary; such interviews may take place, where applicable, without Executive Management being present;

- (f) examine before their publication or issue (as applicable), the draft annual and interim financial statements, management reports, results and all financial statements (including forecast financial statements) prepared for the purpose of significant specific operations (the "**Financial Reports**") and important financial press releases.

As part of this process, or at any appropriate time during the year, the Audit Committee shall consider:

- (i) the Group's accounting policies and recommend changes thereof if considered appropriate;
 - (ii) major judgemental areas, significant audit issues and adjustments and any departures from accounting standards and best practice;
 - (iii) the statement made by the Directors relating to their responsibility for preparing the annual accounts, the Director's report on the effectiveness of the Group's system of internal control and their report that the business is a going concern;
 - (iv) the external auditors evaluation of the fairness of the presentation in the annual accounts of the financial position and operating results, including the quality and adequacy of the record keeping, and accounting and financial policies and procedures; and
 - (v) any other matter arising from the audit or review brought to their attention by the external auditors;
- (g) ensure the quality of procedures for compliance with stock market regulations; and
 - (h) be kept informed each year of financial strategy and the terms of the Group's main financial transactions.

It is recognised that the ultimate responsibility for approval of Financial Reports, and for overseeing that management discharge their responsibilities relating to the control over the financial and operational activities of the Group, rests with the entire Board.

5. External Control

The Audit Committee is required to:

- (a) monitor the statutory audit of the annual and consolidated accounts by the Statutory Auditors;
- (b) examine matters concerning the appointment, reappointment and dismissal of the Company's Statutory Auditors and the terms of engagement and fees to be set for the performance of statutory audit engagements and make recommendations to the Board on such matters to be put to the shareholders for their approval in a general meeting;

- (c) supervise the rules on using the services of the Statutory Auditors for work other than auditing the accounts and, more generally, ensure compliance with the principles relating to the independence and objectivity of the Statutory Auditors;
- (d) approve in advance any assignment other than an audit assignment entrusted to the Statutory Auditors;
- (e) each year, with the Statutory Auditors, examine the audit fees paid by the Company and Group to the networks to which the Statutory Auditors belong, their work plans, the conclusions thereof, their recommendations and how they are followed up; and
- (f) settle any disagreements, where applicable between the Statutory Auditors and Executive Management that may arise in the course of this work.

6. Internal Control

The Audit Committee is required to:

- (a) assess the effectiveness and quality of the Group's internal control systems and procedures;
- (b) examine with the internal audit managers, the internal audit plans and action, the conclusions thereof, their recommendations and how they are followed up, without Executive Management being present, where applicable;
- (c) institute special projects, as considered appropriate. Additionally, to consider from time to time whether any special remit should be referred to the Company's external auditors or to any other external body.
- (d) obtain information from Executive Management, or via any other channel, on any third-party complaints and internal data revealing criticisms of the Company's accounting documents or internal control procedures, the procedures put in place for this purpose and the remedies for these complaints and criticisms;
- (e) assign any task that it may consider necessary to the internal audit department; and
- (f) approve the appointment or removal of the Company's Head of Internal Audit.

7. Risks

The Audit Committee is required to:

- (a) obtain regular information on the Group's financial position, cash position, significant commitments and risks; and
- (b) examine risk management policy and the procedures used to assess and manage the above risks.

8. Compliance

The Audit Committee is required to:

- (a) ensure there are proper procedures to review ethical compliance activities (in relation to the ethics policies that are adopted by the Board of the Company from time to time) and legislative and regulatory compliance activities, in each case including the development of appropriate procedures;
 - (b) review the Company's framework policies and procedures for combat of corruption and fraud, review the systems and controls for the prevention of corruption and fraud, to ensure that these are adequate and effective and receive reports on the implementation of anti-corruption and anti-fraud measures; and
 - (c) review the adequacy and security of "whistle blowing" procedures for receipt and treatment of concerns and complaints regarding possible wrongdoing in financial reporting or other matters
9. The Audit Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Audit Committee.
10. The Audit 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 considered necessary.