

CORPORATE GOVERNANCE STATEMENT

Policy statement

The Company is committed to applying high standards of corporate governance, integrity and business ethics to all activities. The Company is not required by the rules of the AIM market of the London Stock Exchange to comply with the Combined Code on Corporate Governance (June 2008) (the "Code"). However the Board is accountable to the Company's shareholders for good corporate governance and has therefore taken steps to aspire to comply with the Code in so far as is practicable as a smaller company.

Internal controls

The Board of Directors has responsibility for the Group's system of internal control and for reviewing its effectiveness. No risk management process or systems of internal control can eliminate the risk of material misstatement or loss. However, the Group's systems are designed to provide the Directors with reasonable assurance that problems are identified in a timely manner and dealt with appropriately. The Board considers that there have been no substantial weaknesses in financial controls resulting in material loss, contingencies or uncertainties and thus disclosable in the accounts. The Board has considered the need for an internal audit function and has concluded that there is no current need for such a function.

The board of directors

The Board of directors has a duty to promote the success of the Company for its shareholders. The Board comprising a non-executive chairman, four executive directors and two non-executive directors is responsible for the overall direction and management of the Company as well as approving major capital expenditure, potential acquisitions and financial matters. The Board meets regularly and has a schedule of matters specifically reserved to it including raising new capital, entering into financing facilities for projects, treasury policies and approval of annual operating budgets and monitoring of key risks. The Board met ten times during 2009. The Directors are free to seek external advice as they consider necessary.

The Chairman of the Board is Jimmy West, who is also a non-executive director of a number of other companies. The other non-executive directors are Sir Robin Christopher and Andrew Morris, who joined the board in

July 2009. All are regarded by the Board as independent in character and judgement.

The executive directors are Peter Earl, who is Managing Director, Elizabeth Shaw, who is Finance Director, Mike Eyre, who is Technical Director and Marcelo Blanco, who has special responsibility for regional financing in Latin America. All directors are involved in significant decisions.

Relations with shareholders

The Group values the views of its shareholders and recognises their interest in the Group's strategy and performance, Board membership and quality of management. It therefore holds regular meetings with and gives presentations to its institutional shareholders to discuss objectives.

The Annual General Meeting ("AGM") is used to communicate with private investors and their participation is encouraged. Separate resolutions are proposed on each issue so that they can be given proper consideration and there is a resolution to approve the annual report and accounts. The Company counts all proxy votes and will indicate the level of proxies lodged on each resolution, after it has been dealt with by a show of hands.

The Company website is also maintained to aid communication with investors, employees, customers, suppliers and the general public.

Accountability and audit

The Board seeks to present a balanced and understandable assessment of the Group's position and prospects in all interim and price-sensitive reports, reports to regulators and the information required to be presented by statute.

The Audit Committee comprises Andrew Morris (Chairman) and Jimmy West.

The Audit Committee has terms of reference which outline its objectives and responsibilities. These include keeping under review the scope and results of the external audit and its cost effectiveness. The Committee also reviews the independence and objectivity of the external auditors and reviews the nature and extent of non-audit services supplied by the external auditors to the Group, seeking to balance objectivity and value for money.

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(continued)

Assessment of business risk

The Company believes that the identification and management of risk is central to achieving the success of the Company for its shareholders. Each year, the Board reviews and considers the risk profile for the whole business. This risk profile covers both operational and strategic risks. A system of business risk identification, assessment, and evaluation is in place within the management process throughout the Group. Strategic risks are regularly reviewed by the Board. Risks relating to the key activities within the subsidiary operating units are assessed continuously by their respective boards of directors.

Control environment

The Group's operating procedures include a comprehensive system for reporting financial and non-financial information to the Board including:

- preparation and review of annual budgets
- review of the business at each Board meeting, focussing on any new risks arising (for example key changes in the market)

Control procedures

Detailed operational procedures have been developed to safeguard shareholders' investments and the Group's assets that embody key controls and these are reviewed annually by the Board. The implications of changes in law and regulations are taken into account within these procedures.

Health, safety and environmental protection policy

The Group is committed to compliance with all relevant laws and regulations and continues to assess its operations to ensure protection of the environment, the community and the health and safety of its employees. The Group maintains appropriate procedures to ensure that all activities are carried out in compliance with safety regulations, in a culture where the safety of personnel is paramount and which recognises environmental sustainability and respect for cultural and heritage issues.

Monitoring process

There are clear procedures for monitoring the system of key controls and for identifying and assessing risks and the effectiveness of controls.

The Board has considered the need for an internal audit function but has decided that is not justified at present. However, it will keep the decision under review on at least an annual basis.

Directors' remuneration

The Board recognises that directors' remuneration is of legitimate concern to the shareholders and it is committed to following current best practice. The particulars of the directors' interests in the share capital of the Company are set out in the Directors' report.

The Remuneration Committee comprises Sir Robin Christopher, who is chairman of this committee, Jimmy West and Andrew Morris. The Committee makes recommendations to the Board on the Company's framework of executive remuneration and determines specific remuneration packages for each of the executive directors.

Details of directors' remuneration are set out in note 8 of the notes to the financial statements. For the year to 31 December 2009, the total remuneration, excluding national insurance, paid to the directors of Rurelec was £310k (2008 – £203k).

Appointment of directors

The Nomination Committee presently comprises Jimmy West (Chairman) and Andrew Morris. The Committee is responsible for monitoring the composition of the Board and meets to make recommendations to the Board on all new Board appointments and succession planning. The Board does not use an external consultant in the appointment of directors.

Susan Laker
Company Secretary
2 June 2010