

saipem



## Corporate Governance and Shareholding Structure Report 2013

Pursuant to Article 123-*bis* of Law No. 58/1998, approved by the Board of Directors on March 14, 2014

(Traditional Management and Control Model)

## Mission

Pursuing satisfaction of our Clients in the energy industry, we tackle each challenge with safe, reliable and innovative solutions.

Our competent, multi-local teams provide sustainable development for our Company and for the communities in which we operate.

## Our core values

Commitment to health and safety, openness, flexibility, integration, innovation, quality, competitiveness, teamwork, humility, internationalisation, responsibility and integrity.

### Countries in which Saipem operates

#### EUROPE

Austria, Belgium, Croatia, Cyprus, Denmark, France, Greece, Italy, Luxembourg, Malta, Netherlands, Norway, Poland, Portugal, Romania, Spain, Sweden, Switzerland, Turkey, United Kingdom

#### AMERICAS

Bolivia, Brazil, Canada, Chile, Colombia, Dominican Republic, Ecuador, Mexico, Peru, Suriname, United States, Venezuela

#### CIS

Azerbaijan, Kazakhstan, Russia, Turkmenistan, Ukraine

#### AFRICA

Algeria, Angola, Cameroon, Congo, Egypt, Gabon, Ghana, Libya, Mauritania, Morocco, Mozambique, Nigeria, South Africa, Togo, Uganda

#### MIDDLE EAST

Iraq, Kuwait, Oman, Qatar, Saudi Arabia, United Arab Emirates, Yemen

#### FAR EAST AND OCEANIA

Australia, China, India, Indonesia, Japan, Malaysia, Myanmar, Pakistan, Papua New Guinea, Singapore, Thailand, Vietnam

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## Corporate Governance and Shareholding Structure Report 2013

The Corporate Governance Report is published  
on Saipem's website [www.saipem.com](http://www.saipem.com), in the 'Corporate Governance' section

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## Glossary

**Corporate Governance Code/Code:** the Corporate Governance Code for listed Companies approved in December 2011 by the Corporate Governance Committee and endorsed by Borsa Italiana SpA, ABI, Ania, Assogestioni, Assonime and Confindustria.

**Board of Directors:** the Board of Directors of the Issuer.

**CoSO Report:** internal control system model issued by the Committee of Sponsoring Organizations of the Treadway Commission - 1992.

**Issuer:** issuer of stocks and shares referred to in this Report.

**Year:** financial year 2013, subject of this Report.

**Consob Issuers' Regulations:** regulations issued by Consob through Resolution No. 11971 of 1999 (and subsequent amendments).

**Consob Market Regulations:** regulations issued by Consob through Resolution No. 16191 of March 12, 2007 (and subsequent amendments).

**Consob Related Parties' Regulations:** regulations issued by Consob through Resolution No. 17221 of March 12, 2010 (and subsequent amendments).

**Report:** Corporate Governance and Shareholding Structure Report, which companies are required to issue in compliance with Article 123-bis TUF.

**TUF:** Legislative Decree No. 58 (TUF - Testo Unico della Finanza), issued on February 24, 1998.



## Corporate Governance and Shareholding Structure Report

This Report is designed to provide a general and complete overview of Saipem SpA's ('Saipem') corporate governance system. In order to comply with applicable laws and stock market listing standards, in keeping with the recommendations of Borsa Italiana SpA and of the relevant business associations, the Report also furnishes information regarding Saipem's shareholding, its compliance with the corporate governance codes<sup>1</sup> established by institutional bodies and the relevant commitments to observe them, as well as the choices that the Company has made in implementing its governance. This Report is available at Saipem's headquarters, published on Saipem's website, and sent to Borsa Italiana SpA in accordance with set rules and deadlines.

The information contained in this Report relates to the financial year 2013 and has been updated, with respect to certain matters, as of March 14, 2014, the date of the Board of Directors' Meeting that approved it, together with the Annual Financial Report 2013.

### Issuer profile

The Saipem Group is a world leader in the provision of engineering, procurement, project management and construction services with distinctive capabilities in the design and execution of large-scale offshore and onshore projects, and technological competences such as gas monetisation and heavy oil exploitation, with a strong international bias towards operations in remote areas, ultra-deepwaters and challenging environmental conditions.

Compared to its major global competitors offering turnkey solutions in the Oil & Gas industry, Saipem represents one of the most balanced groups in terms of core businesses (Onshore and Offshore Engineering & Construction in addition to Drilling), the markets in which it operates (strong geographical diversification) and client base (mainly major national and international oil companies).

Saipem enjoys a competitive position of excellence in the provision of EPIC ('Engineering, Procurement, Installation and Construction') and EPC ('Engineering, Procurement and Construction') services to the oil industry both Onshore and Offshore. In the Drilling sector, Saipem is active in some of the most complex areas in the oil industry (North Sea and ultra-deepwater) often creating positive synergies with Onshore and Offshore operations.

Saipem is organised into two business units: Engineering & Construction and Drilling, integrated into a single centre of responsibility headed by the Chief Operating Officer.

From a geographical standpoint, Saipem has a heavy international bias, with approximately 94% of revenues generated outwith Italy and approximately 87% outwith Europe. The global spread of its reference markets, its growth in size and the complexity of its core businesses have created the need, on the one hand, to pursue a delocalisation policy of its operational hubs towards the relevant geographical areas, namely Northern Europe, West and North Africa, the Middle East, the Caspian region, South East Asia, Australia, Canada, the Gulf of Mexico and South America, and on the other, to develop, in specific areas of competence, specialised know-how at certain Group companies involved in specific operations.

Alongside the major European hubs (Milan, Paris, Fano and London), the majority of Saipem's 50,000-strong workforce is comprised of more than 110 nationalities. The fleet of vessels, logistical bases, construction and fabrication yards and engineering centres in host countries are staffed by a significant number of expatriate resources from developing countries (mainly India and South East Asia) alongside strong local content. Furthermore, Saipem has important service hubs in India, Croatia, Romania and Indonesia. Saipem's activities are focused on clients and resources, with particular importance being placed on their health and safety. Saipem's QHSE systems, namely the 'Health & Safety Environment Management System' and the 'Quality Management System' have obtained Lloyd's Register International Standard certification ISO 9001:2000.

### Principles

Saipem undertakes to maintain and strengthen a governance system in line with international best practice and standards. The complexity of the situations in which Saipem operates, the challenges of sustainable development and the need to take into consideration the interests of all those having a legitimate stake in the corporate business ('Stakeholders'), increase the importance of clearly defining the values and responsibilities that Saipem recognises.

Compliance with the law, regulations, statutory provisions, self-regulatory codes, ethical integrity and fairness, is a constant commitment and duty for all Saipem personnel, and characterises the conduct of Saipem's entire organisation.

All personnel working for Saipem, without distinction and/or exceptions, are committed to observing and enforcing the aforementioned principles, within their own function and responsibilities, in addition to the values and principles in matters of transparency, energy efficiency and sustainable development, as stated by Institutions and International Conventions.

The belief of acting in Saipem's interests cannot in any way justify the adoption of practices contravening these principles.

[1] Reference is made to the Corporate Governance Code 2006 of Borsa Italiana SpA, as amended in December 2011, which is posted on [http://www.borsaitaliana.it/borsaitaliana/regolamenti/corporategovernance/corporategovdec2011\\_en.pdf.htm](http://www.borsaitaliana.it/borsaitaliana/regolamenti/corporategovernance/corporategovdec2011_en.pdf.htm).

## Business ethics

Saipem's business and corporate activities must be carried out in a transparent, honest and fair way, in good faith, and in full compliance with competition protection rules.

Specifically, Saipem applies the OECD (Organization for Economic Co-operation and Development) guidelines for multinational companies.

## Stakeholders

Saipem is committed to respecting all stakeholders with whom it interacts in business, as it believes that they are an important asset to the Company.

## Labour protection and equal opportunities

Saipem respects the universally recognised core labour standards contained in the Fundamental Conventions of ILO (International Labour Organisation); it guarantees the freedom to form a union and the right of collective bargaining; it repudiates any form of forced or juvenile labour and/or discrimination. In addition, Saipem is an equal opportunity employer and guarantees its employees equal treatment, based on merit.

## Development of professional skills

Saipem values and promotes the development of skills and competencies of each employee in addition to team work, so that the energy and creativity of an individual can realise their full potential.

## Diversity

Saipem's business conduct is inspired by the respect it affords to cultures, religions, traditions, ethnic diversity and the communities in which it operates, and strives to preserve their biological, environmental, social, cultural and economic identities.

## Cooperation

Saipem is committed to promoting the quality of life and the social and economic development of the communities in which the Group operates.

## Regulatory System

The Regulatory System is part of Saipem's Corporate Governance and is one of the tools that Saipem S.p.A uses to exercise direction, coordination and control over its subsidiaries, both in Italy and abroad.

Saipem's Regulatory System is a dynamic system that is continuously improved as the internal and external context evolves. The System is organised, developed and distributed in such a way as to facilitate usability and understanding by its users.

The Regulatory System is process-based, regardless of the positioning of the respective duties within the corporate and organisational structure of Saipem SpA and its subsidiaries. All of Saipem's activities have been grouped into a map of processes involving more than one area, identifying a Process Owner for each process. The Process Owner is responsible for the adequacy of the design of the Management System Guideline (MSG) relating to the process/rules of compliance or governance within his/her own sphere of competence, and for promoting full compliance with them and their correct application at Saipem SpA and its subsidiaries. Process Owners of compliance MSGs or governance MSGs are also responsible for monitoring the evolution of reference laws, case law and best practices in order to ensure the proper adjustment of the entire Regulatory System.

Saipem uses the Regulatory System to promote the integration of principles of compliance into company processes, with a view to disseminating the rules and standards of control established by the various compliance models, and introducing them into the operational context in which such processes are performed. The regulatory instruments describe the minimum control principles that the persons involved in the regulated process are required to adhere to in order to operate in accordance with the applicable regulations, legal requirements and other Saipem management tools, including the organisational structure, the system of powers and internal proxies and the strategic plan.

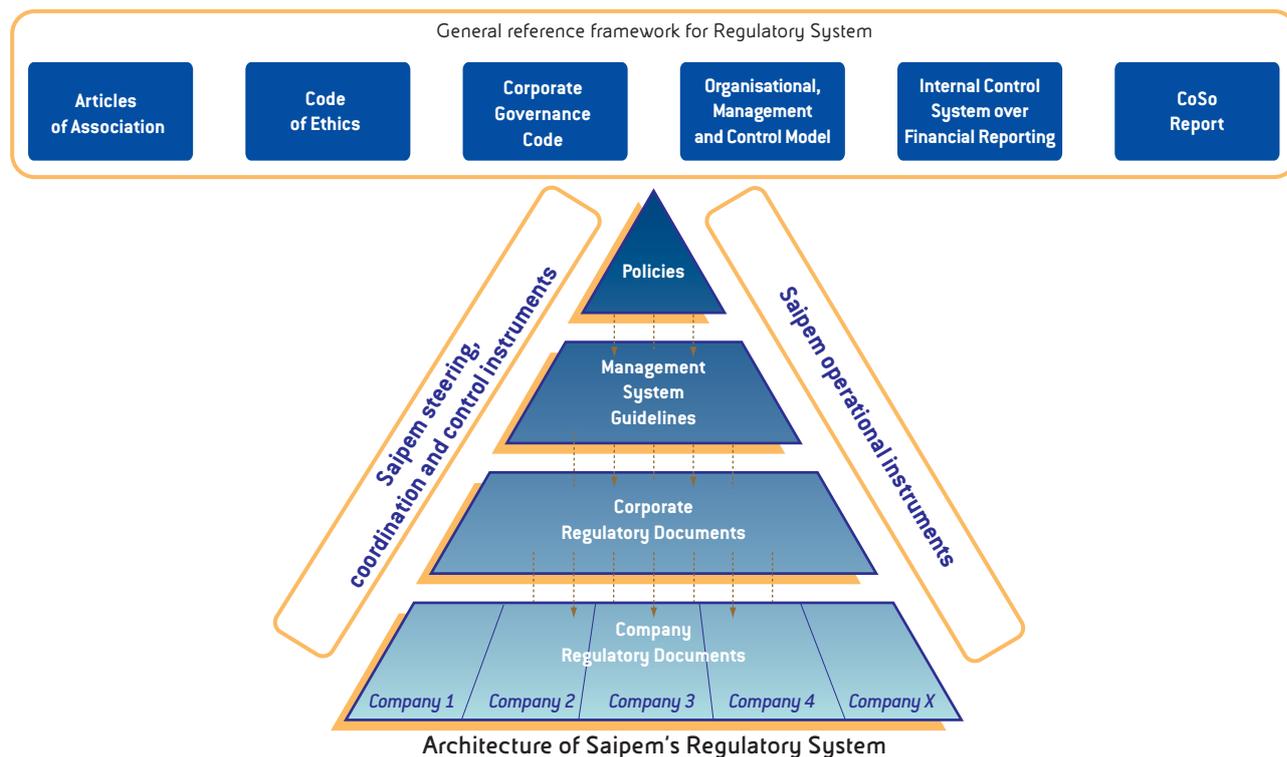
Furthermore, Saipem's regulatory system is based on and is consistent with the general framework, which comprises: legal provisions, the Articles of Association, the Corporate Governance Code, the CoSo Report, the Organisation, Management and Control Model 231, which includes the Code of Ethics and the internal control system over financial reporting.

The Regulatory System is divided into four levels, each comprising a type of regulatory instrument:

- first level: Policies;
- second level: Management System Guidelines;
- third level: corporate regulatory documents;
- fourth level: company regulatory documents.

The Policies, MSGs and corporate regulatory documents are issued by Saipem SpA, are some of the instruments used by Saipem SpA in its role of steering, coordination and control over its subsidiaries.

The Company regulatory documents are issued by Saipem SpA and its various entities; they are regulatory instruments specific to the individual companies (Saipem SpA and subsidiaries) that define, where necessary, the principles, operational rules and controls set forth in Policies and MSGs and by the other reference corporate regulatory documents.



*Policies*

They define the fundamental principles and mandatory rules of conduct that must inspire all activities carried out by Saipem in order to guarantee the achievement of business objectives, considering all relative risks and opportunities. They apply to Saipem SpA and its subsidiaries.

*Management System Guidelines*

These are common to all Saipem entities and comprise of:

- process MSGs: for each business process, these define the imperative principles for effective management of the process, and identify roles, conduct, information flows and control principles;
- compliance MSGs and governance MSGs: these define, for each matter of compliance and governance, reference rules that aim to ensure compliance with laws, regulations or self-discipline rules, identifying roles, behaviour, information flows and control principles and/or standards.

They apply to Saipem SpA and its subsidiaries.

*Corporate regulatory documents*

These are the documents that discipline processes and specific issues/areas of interest to the Company at Saipem level, supplementing the content of the MSGs or defining them in greater detail. They guide the work carried out by Saipem with the aim of guaranteeing standards of conduct and pursuing compliance objectives, by describing the tasks and responsibilities of the Company structures/positions involved in the relevant processes, the management and control methods and the communication flows. These include:

- Standard Procedures, which set down indispensable principles, controls, tasks, responsibilities and actions for the regulation of a given work process, or establish specific rules of compliance/governance which are common to all Saipem entities;
- Operating Procedures, which define methods for carrying out specific tasks, or detailed operating methods and the respective responsibilities for performing a given work process.

Standard Procedures apply to Saipem SpA and its subsidiaries, following implementation by the Board of Directors of each subsidiary. The Operating Procedures apply to Saipem SpA, and constitute corporate best practice for its subsidiaries.

*Company regulatory documents*

These define the principles and operating procedures for each specific Company area in order to ensure compliance with local and international legislation, they standardise in detail the sub-processes or the activities linked with the macro-processes already defined in a corporate regulatory document and/or describe a process in detail and in line with the specific company characteristics.

They apply to the individual companies responsible for their issue.

To rationalise and improve the efficiency of the body of documents that define general principles and conduct rules that must inspire all actions carried out by Saipem and its subsidiaries, and to ensure the achievement of corporate objectives, Saipem between 2010 and 2012 issued ten specific Policies entitled:

- Our people;
- Our Partners in the value chain;
- Global Compliance;
- Corporate Governance;
- Operational Excellence;
- Our Institutional Partners;
- Information Management;
- Our Tangible and Intangible Assets;
- Sustainability;
- The Integrity in our Operations.

Furthermore, sixteen MSGs were issued, eleven of which were Process MSGs and five Compliance/Governance MSGs.

The development of the Regulatory System progressed in 2013 with the issue of two new Process MSGs and two new Compliance/Governance MSGs.

This development is due to continue in 2014 to cover all Saipem mapped processes (approximately 40).

All Policies and MSGs are posted on Saipem's intranet and distributed to all subsidiaries. Some of these are published at [www.saipem.com](http://www.saipem.com).

## Health and safety

Saipem ensures the highest health and safety standards for its employees and those of its subcontractors in all geographical areas of operations, and faces all challenges by applying the safety vision: 'To be winners through passion for Health and Safety'. Saipem's vision stresses how being safe and healthy equates to being more efficient in terms of business performance. In 2007, Saipem began implementing the programme 'Leadership in Health and Safety - LiHS', aimed at creating a strong safety culture throughout the Company by turning its leaders into safety leaders. Specifically, the 'Leading Behaviours' campaign launched in 2011 has continued over the years and has been implemented at dozens of Saipem sites worldwide. Leading behaviours are five simple non-negotiable rules, which, when adopted by personnel, shall enable Saipem to achieve excellent Health and Safety standards.

At the end of 2013, Saipem's Leadership in Health and Safety programme began its seventh year, having reached over 70,000 employees. Saipem is also committed to prevention and health promotion: many were among the initiatives and campaigns launched by Saipem in 2013. The first few months of the year saw the completion of preparations for the new phase of LiHS, which focuses on health. The new initiative, called 'Choose Life' is designed to raise awareness of health risks and disease prevention in general. The first workshops have already been held at Group offices in Italy, Nigeria, Romania and Kazakhstan.

An integral part of this campaign is the film also named 'Choose Life', featuring three different health issues that are relevant to people working globally in the oil and gas industry: Cardiovascular health, Malaria and STDs.

Again in 2013, the H-Factor campaign was launched and is expected to be rolled out to all Operating Companies and Branches of the Group by 2016.

Also in 2013 activities of the 'LiHS' (Leadership in Health and Safety) Foundation continued. The Foundation was set up in September 2010 with the ambitious aim of revolutionising training, enhancing health and safety prevention and protection, by streamlining the principles of communication and promoting interaction. Work focused on the promotion of various initiatives both within Saipem and outside the Group. With the aim of becoming a global knowledge centre, the Foundation promotes studies, research, training, information and propagation of health and safety material, contributing to the growth in 'culture and awareness of health and safety at work', which could also extend into the social and industrial milieu.

Saipem places particular emphasis on Health and Safety training as it deems it one of the main tools for accident prevention.

In 2013, training progressed on employee health and safety, with the launch of specific courses aimed at ensuring compliance with the relevant regulations. At Italian sites a specifically tailored HSE training protocol was rolled out, which conforms to the requisites set forth in the State-Region Agreement. This protocol, issued in July 2013 (rev.2), sets the general criteria for training in terms of Health, Safety and the Environment within Saipem, identifying methods for managing training and the knowledge to be imparted to employees.

Also worthy of note is the programme aimed at preventing falls from heights: the 'Working at Height Campaign'. This includes preliminary evaluations of the site/project, identification of preventative and necessary protective measures, theoretical and hands-on training of all personnel involved, in addition to tutoring activities.

This campaign aims at curbing the number of accidents involving falls from heights. It was launched in 2012, and, by the end of 2013, it has been rolled out at approximately twenty sites/projects.

## Environmental protection

Saipem is aware that all its activities – from planning to design through to local operations – have the potential to affect the environment and local communities. For this reason Saipem strives to continuously improve its environmental performance and minimise the impact of its operations.

To this end Saipem adopts an HSE management system which has been developed in compliance with best international safety standards, it undertakes research and development studies, rolls-out implementation and awareness best practices also through the collation and quarterly publication, on the eNEWS magazine, of main environmental initiatives involving various projects and sites.

With regard to the management of the most critical environmental impacts, Saipem's focus over recent years has been on accidental spill prevention strategies. Developing adequate spill management procedures at all sites and for all projects, together with the training of all personnel involved in operations and periodic drills proved to be the most effective preventative measure.

Again in 2013, Saipem also focused on improving the energy efficiency of selected assets. Appropriate Energy Assessments were planned and carried out on office buildings in Italy and part of the offshore fleet, starting with Saipem 7000, in order to identify technical solutions to increase energy efficiency. These were partially implemented during 2013, while other solutions are scheduled to be implemented in 2014 and 2015.

In 2012 and 2013, environment monitoring activities were also undertaken to ensure compliance with current legislation specifically with regard to waste disposal, water discharges, atmospheric emissions and environmental restoration.

Pursuant to Law No. 121/2011 environmental offences can now be included in the crimes for which a legal entity can be held liable. Therefore, in 2012 and 2013, Shareholders launched an Implementation Programme to align Model 231 to the environmental offences introduced into Legislative Decree No. 231, with the support of a multi-functional team (Team 231). To this end in April 2013 an updated version of the document 'Sensitive activities and specific control standards' was approved. A review of Saipem's HSE document system was also launched in order to set up a protocol that could prevent the aforementioned environmental offences.

In June 2013 Saipem celebrated World Environment Day (WED), motivating the entire workforce around the world to renew our commitment towards the environment through appropriate actions and initiatives.

For this occasion Saipem coined the slogan 'Reduce your Foodprint', in close cooperation with the Corporate Environment and Health departments, launching an ad-hoc campaign aimed at reducing food wastage on projects and sites.

### **HSE Management System**

Saipem's HSE integrated management system complies with both international standards and the strictest legislation. Many Saipem Group companies have attained ISO 14001 and BS OHSAS 18001 Certification. This ensures the structured management of HSE issues through: organisational procedures, operating instructions, health protocols and training, to ensure continuous improvement of the HSE performance.

At Saipem SpA, the process for the extension of ISO 14001 and BS OHSAS 18001 Certification to the Drilling Business Unit was successfully completed in March 2013. In December 2013, the independent certification body DNV confirmed the certificates obtained by Saipem during periodic inspections. This important achievement confirms Saipem management's unwavering commitment to HSE themes.

Certification comprises all Saipem's activities and processes:

- corporate activities;
- operations carried out by the Engineering & Construction Business Unit;
- operations carried out by the Drilling Business Unit;
- operations carried out by the Integrated Projects division;
- management of the Head Office in San Donato Milanese and all other offices in Italy.

In 2014, the three-year renewal audits are due to be carried out for ISO 14001 and BS OHSAS 18001 certification.

### **The Code of Ethics**

At the meeting of July 14, 2008, the Board of Directors of Saipem SpA approved a new version of the organisational, management and control Model pursuant to Legislative Decree No. 231 of 2001 (approved for the first time in 2004), entitled 'Model 231 (inclusive of the Code of Ethics)' – hereafter Model 231<sup>2</sup>, accompanied by the document 'Sensitive activities and specific control standards of Model 231'.

The Code of Ethics – chapter 1 of Model 231 – represents a compulsory general principle and clearly defines, in compliance with the provisions of law, the values that Saipem recognises and accepts, as well as the responsibilities the Company assumes both internally and externally. It imposes fairness, honesty, integrity and transparency on operations, conduct, working practices and relations both internal and external to the Group.

The Code of Ethics provides for the appointment of a Guarantor of the Code of Ethics, whose responsibilities have been delegated to the Compliance Committee (Chapter 3 of Model 231) and which has been granted 'independent powers of initiative and control' pursuant to Article 6, paragraph 1, letter *b*) of Law Decree No. 231/2001 on administrative liability of legal entities deriving from offences. The duties of the Guarantor include the promotion of information and training initiatives towards Saipem's employees, who are required to observe the principles contained in the Code of Ethics.

In compliance with Confindustria (Italian Manufacturing Companies Association) guidelines and the latest court decisions, the Board of Directors, at the Audit Committee's proposal, resolved, at their meeting of July 14, 2008, to appoint two non-Saipem personnel as members

(2) Model 231, comprising the Code of Ethics, is published on Saipem's website [www.saipem.com](http://www.saipem.com) in the 'Corporate Governance' section.

of the Compliance Committee, to further guarantee its independence. These additional members were selected from among academics and professionals with proven expertise, one of whom took on the role of Chairman of the Committee.

The Compliance Committee, whose mandate lasts a maximum of three years, is renewed by the Board of Directors at the proposal of the Audit and Risk Committee. The Board of Directors, at their meeting of July 30, 2013, resolved the following appointments to the Committee: Vincenzo Salafia - Chairman (external member), Marco Elefanti (external member), Mario Colombo (internal member - Senior Vice President General Counsel, Corporate Affairs and Governance), Dario Gallinari (internal member - Executive Vice President Human Resources and Organisation) and Gabriel Almandoz (internal member - Senior Vice President Internal Audit). The Compliance Committee's independence is safeguarded by the position afforded to the aforementioned functions within the Company's organisation and their reporting lines, pursuant to Article 6, paragraph 1, letter *b*), of Law No. 231/2001.

The Compliance Committee is supported by its Technical Secretariat, a team responsible for processing information and documents sent by Saipem offices to the Compliance Committee, ensuring their proper collation and review. The Technical Secretariat is also responsible for delivering the decisions taken by the Committee to the relevant parties and monitoring their implementation.

Each subsidiary, directly or indirectly, both in Italy and overseas, issues its own Organisational, Management and Control Model, which assigns the functions of Guarantor to its own Compliance Committee.

One of the duties contained in Model 231 of Saipem SpA is the promotion and dissemination of the principles that make up Saipem's Code of Ethics. This is carried out by a specific multifunctional team reporting to Guarantor of the Code of Ethics (Compliance Committee), the 'Code Promotion Team', set up on October 6, 2008, and last re-appointed in October 2013. The Team is made up of 11 members sourced from several internal departments (Investor Relations, Italian Industrial Relations and Social Activities, Human Resources, Secretary's Office, Personnel Recruitment, Training and Local Content, Organisation, Internal Communication Procurement Coordination, E&C Tendering and Drilling Operations Coordination).

As of today, the Code of Ethics has been translated into 16 languages for publication on the Company's intranet and website. Another example is the training of new recruits through the 'Welcome to Saipem' course and that of employees through attendance of specific courses held at Saipem Group's overseas companies.

With these initiatives, the Board of Directors further strengthened the internal control system, with the firm conviction that the Company's business activities, whose aim is the creation of value for its Shareholders, must be founded on the principle of fair conduct towards all stakeholders (comprising, besides the Shareholders, employees, suppliers, clients, commercial and financial partners, in addition to the communities the Group comes into contact with in the countries where it is present) and that this, through the promotion of important social initiatives in a continuous effort to foster amongst stakeholders the awareness that only a business approach that seizes the opportunities and manages the risks resulting from economic, environmental and social development can generate long-term value for all parties involved.

## Sustainability

Saipem's Sustainability Model is designed to support and integrate into the business so as to ensure the creation of stakeholder value through safe, reliable and innovative behaviour and solutions applicable in the management of human resources and assets and the cooperation with local communities, based on the contribution to the territorial development through policies and strategies based on local content.

The Sustainability Model is based primarily on the codification of corporate values and principles: Saipem's Code of Ethics includes the general principles underpinning corporate life vis-à-vis its internal and external stakeholders. The sustainability policy, updated in 2012, defines the vision, objectives, processes and tools that guide its path towards sustainable business. Strategic direction and approval of sustainability programmes are the responsibility of the Sustainability Committee, a body chaired by the CEO and comprising main representatives of the Company's Top Management (Corporate Functions and Business Lines).

The Sustainability Committee convened three times in 2013 to discuss results achieved in 2012, approve the Sustainability Report 2012 and the Sustainability Plan 2014. The Plan represents the Company's commitment towards its stakeholders in the various contexts of operations, the requests of major stakeholders and describes how this commitment shall materialise in the coming year. The implementation of the annual Plan is closely monitored by the Corporate function and is supported by a network of resources located in the most strategic areas. A study published by the rating company Vigeo<sup>3</sup> found that Saipem has been included among the 46 leading companies in terms of integration of Sustainability issues in the Corporate Governance system. The sample Vigeo selected comprised more than 1,200 listed companies which were analysed for: (a) the supervision of corporate responsibility issues by the Board of Directors; (b) the identification of environmental and social risk factors through the internal control system; (c) the role of the audit committee in reviewing environmental and social risk factors; (d) the integration of sustainability performance indicators into executive remuneration practices.

## Saipem's organisational structure

Saipem's organisational structure is based on the traditional administration and control model, whereby the Board of Directors is the central body, solely responsible for the Company's management.

[3] Cfr. [http://www.vigeo.com/csr-rating-agency/images/stories/Summary\\_final\\_EN.pdf](http://www.vigeo.com/csr-rating-agency/images/stories/Summary_final_EN.pdf).

Supervisory and control duties are the responsibility of the Board of Statutory Auditors, whereas the External Auditors are responsible for the legal auditing of accounts.

The Shareholders' Meeting manifests the will of the Shareholders, through resolutions adopted in compliance with the law and the Company's Articles of Association.

The Shareholders' Meeting appoints the Board of Directors for a maximum term of three years.

The Board of Directors has appointed the Chairman, the Deputy Chairman and CEO (Chief Executive Officer), whom the following positions report to:

- the Chief Operating Officer (COO), responsible for the Company business operations;
- the Chief Financial and Compliance Officer (CFCO), responsible for the following functions 'Administration, Finance and Control', 'General Counsel, Corporate Affairs and Governance' and 'Information and Communication Technology';
- staff and business support units ('Human Resources and Organisation', 'Procurement, Contract and Industrial Risk Management', 'Quality', 'Health, Safety, Environment and Sustainability', 'Institutional Relations and Communication', 'Integrated Risk Management', 'Business and Technology Development');
- the Audit and Risk Committee of Saipem SpA which oversees the Internal Audit function.

The Chairman has the power to represent the Company, pursuant to Article 21 of the Company's Articles of Association, together with those Directors vested with executive powers (pursuant to Article 26 of Articles of Association).

The Board of Directors, at their meeting of February 13, 2012, resolved to set up:

- the Compensation and Nomination Committee;
- the Audit and Risk Committee.

The Board of Directors, having received the opinion of the Board of Statutory Auditors and at the proposal of the Compensation and Nomination Committee, appointed the Company's Chief Financial and Compliance Officer as the Officer responsible for the preparation of the Company's financial reporting, pursuant to Article 21 of the Articles of Association.

## Shareholding structure

[pursuant to Article 123-bis, paragraph 1, of Law No. 58/1998] as at December 31, 2013

### Share capital distribution

- At December 31, 2013, the share capital of Saipem SpA amounted to €441,410,900, fully paid-up and comprising No. 441,297,615 ordinary shares, equal to 99.97% of the share capital, with a nominal value of €1 each, and No. 113,285 savings shares, equal to 0.03% of the share capital, with a nominal value of €1 each, both of which are listed on the Computerised Share Trading Market (Mercato Telematico Azionario) managed by Borsa Italiana SpA. Shares cannot be split and each share carries the entitlement of one vote. Saipem's Shareholders enjoy, and are limited by, all relevant rights afforded by law. Savings shares are convertible at par with ordinary shares, without charges or time restrictions; they enjoy a higher dividend than ordinary shares, equal to 3% of the nominal share value. On April 30, 2013, the Savings Shareholders' Meeting appointed Mr Roberto Ramorini as their collective representative for the following three years [see Table 1].

No other financial instruments have been issued by the Company that allocate the right to subscribe newly-issued shares.

### Restrictions on the transfer of shares

- No restrictions exist on the transfer of shares.

## Relevant shareholdings

- Based on information available and notifications received pursuant to Article 120 of Law No. 58/1998, Shareholders owning a stake in Saipem SpA in excess of 2% at December 31, 2013\*, are as follows (see also Table 1):

| Shareholders                        | Shares held | % of capital |
|-------------------------------------|-------------|--------------|
| Eni SpA                             | 189,423,307 | 42.913       |
| Massachusetts Financial Services Co | 8,899,109   | 2.016        |

[\*] On February 10, 2014, Dodge & Cox, a stock fund based in San Francisco (California - USA) notified Saipem SpA and Consob that on February 4, 2014, they had bought 22,262,143 ordinary shares, equal to 5.05% of the share capital.

## Shareholders by geographical area based on 2012 dividend payments

| Shareholders           | Number of Shareholders | Shares held                | % of capital  |
|------------------------|------------------------|----------------------------|---------------|
| Italy                  | 50,985                 | 247,712,308 <sup>[*]</sup> | 56.11         |
| Other EU Member States | 897                    | 67,229,108                 | 15.23         |
| Americas               | 628                    | 54,167,189                 | 12.27         |
| UK and Ireland         | 272                    | 33,178,317                 | 7.52          |
| Other European States  | 122                    | 12,562,295                 | 2.85          |
| Rest of the world      | 257                    | 26,561,683                 | 6.02          |
| <b>Total</b>           | <b>53,161</b>          | <b>441,410,900</b>         | <b>100.00</b> |

[\*] Includes No. 1,939,832 treasury shares with no dividend entitlement.

## Shareholders by amount of shares held based on 2012 dividend payments

| Shareholders | Number of Shareholders | Shares held        | % of capital  |
|--------------|------------------------|--------------------|---------------|
| > 10%        | 1                      | 189,423,307        | 42.91         |
| > 2%         | 1                      | 8,899,109          | 2.02          |
| 1% - 2%      | 3                      | 26,940,557         | 6.10          |
| 0.5% - 1%    | 13                     | 38,880,849         | 8.81          |
| 0.3% - 0.5%  | 14                     | 25,386,600         | 5.75          |
| 0.1% - 0.3%  | 50                     | 37,724,818         | 8.55          |
| ≤ 0.1%       | 53,079                 | 114,155,660        | 25.86         |
| <b>Total</b> | <b>53,161</b>          | <b>441,410,900</b> | <b>100.00</b> |

## Special Shareholders rights

- All Shareholders enjoy the same rights.

## Shareholding of employees: exercise of voting rights

- Employees holding Saipem's shares enjoy the same voting rights as ordinary Shareholders.

## Voting rights restrictions

- No restrictions exist on voting rights.

## Shareholders agreements as per Article 122 of Law No. 58/1998

- No known agreements exist amongst Shareholders, as per Article 122 of Law No. 58/1998.

### **Change of control clauses (pursuant to Article 123-bis, paragraph 1, letter h), of Law No. 58/1998) and statutory provisions for takeover bids (Article 104, paragraph 1-ter and Article 104-bis, paragraph 1)**

- Saipem and its subsidiaries are not party to any significant agreements<sup>4</sup> that would become effective, be modified or be terminated in the event of a change in the identity of the Shareholders who currently control Saipem.

However we point out the following:

- financing currently held with third-party credit institutions or with the Eni Group, which, at December 31, 2013, amounted to a total of €4,767 million.

Should there be a change of control, Saipem may be requested to repay the loaned capital and related interests in advance of the contractual terms and conditions.

Replacing the aforementioned financing on the market and taking into account the adjustment in the risk profile of the Company, would result in an increased annual financial outlay assumed to be approximately €22.82 million;

- bank guarantees amounting to a total of €5,339 million.

Should there be a change of control, Saipem may be requested to release all Eni lines of credit currently utilised against bank guarantees.

Replacing existing lines of credit on the market, taking into account the adjustment in the risk profile of the Company, would result in an increased annual financial outlay assumed to be approximately €22.05 million.

- In terms of takeover bids, Saipem's Articles of Association complies with the provisions of Passivity Rule set forth in Article 104, paragraphs 1 and 1-bis of Law No. 58/1998, and does not provide for the application of the breakthrough provisions set forth in Article 104-bis, paragraphs 2 and 3 of Law No. 58/1998.

### **Indemnification for Directors in case of dismissal (without just cause), resignation or termination following a public purchase offer**

There are no agreements indemnifying Directors in case of dismissal/revocation of their appointment without just cause, resignation or termination following a public purchase offer.

Current Stock Option Plans provide that, in cases of consensual employment termination, or termination of the Assignee by the Company for reasons relating to the Company's operations, for 'objective just cause', the Assignee retains the right to exercise the options within the constraints set forth in Stock Option Regulations and for reduced quantities.

In the event of employment being terminated unilaterally by the Assignee or dismissal by the Company for 'subjective just cause' during the exercise period, Options may be exercised within three months of the occurrence. In the event of dismissal for 'just cause' during the exercise period, Options become null and void. Additional information is provided in the Remuneration Report, issued pursuant to Article 123-ter of Law No. 58/1998.

### **Directors' appointment or replacement, and modifications to the Articles of Association**

- Procedures regulating the appointment of Board Directors are illustrated under the item 'Board of Directors' (see paragraph 'Composition, appointment and replacement of Board of Directors' on page 17). The Board of Directors has the power to amend the Articles of Association in order to comply with the provisions of law and has all powers granted by Article 2365 of the Italian Civil Code, and Article 20 of Articles of Association (see paragraph 'Responsibilities, functions and powers of the Board of Directors' on page 14).

### **Succession Plans**

As of March 14, 2014, the date of the approval of this report, in consideration of the nature of the Company's shareholding structure, the Compensation and Nomination Committee has not put forward a succession plan of Saipem's Executive Directors.

### **Share capital increases and buy-back of treasury shares**

- The Board of Directors does not have the power to increase the share capital, pursuant to Article 2343 of the Italian Civil Code.

The number of treasury shares held by the Company at December 31, 2013 was 1,939,832, equal to 0.44% of the share capital. The Shareholders' Meeting had resolved to buy back shares for allocation to the Stock Option Plans from 2002 to 2008. This resolution is no longer in force.

### **Direction and coordination (pursuant to Article 2497 of the Italian Civil Code)**

- The Company is subject to the direction and coordination of Eni SpA, pursuant to Article 2497 (and subsequent amendments) of the Italian Civil Code.

[4] Significant agreements are considered those that have been reviewed and approved by the Board of Directors, as they fall within its specific remit.

## Corporate Governance Code

The corporate governance of Saipem SpA is based on international best practice standards and, in particular, on the principles of the Corporate Governance Code (hereafter Code) of listed companies approved by the Corporate Governance Committee, in addition to all relevant provisions of regulations issued by Italy's Securities and Exchange Commission (Consob).

At their meeting of December 14, 2006, the Board of Directors moved to adopt the recommendations and principles of the current Code, in compliance with a similar resolution taken on November 9, 2000, and to monitor its actual implementation.

At their meeting of December 13, 2011, the Board of Directors resolved on the implementation of Article 6 of the Corporate Governance Code, as modified in March 2010, and following the publication of a new version of the Corporate Governance Code of Listed Companies in December 2011.

Having adopted the Code, the Board of Directors approved a number of resolutions implementing and specifying the provisions contained therein. Specifically: (i) the functions of the Board of Directors have been redefined. The Board maintains an absolutely central position with respect to the corporate governance system of the Company and retains wide-ranging responsibilities, particularly in terms of Company and Group organisation and the internal control and risk management system; (ii) the most significant transactions by the Company and the Group have been defined and presented for approval by the Board; (iii) the Board of Directors has a key role in defining sustainability policies and approving the Sustainability Report, which are also submitted to the Shareholders' Meeting; (iv) the Board of Directors is responsible for transactions with related parties of greater importance, pursuant to the relevant Consob Regulation, granting independent Directors a pivotal role and providing that the Board be informed of transactions with related parties, even if of lesser importance; (v) a threshold has been identified for the cumulation of offices that Directors are allowed to hold in other companies, so as to ensure that they have the necessary time required to fulfil their roles; (vi) pursuant to the new Corporate Governance Code of December 2011 adopted by Saipem, the following Committees were set up on February 13, 2012: the Compensation and Nomination Committee, and the Audit and Risk Committee; comprised entirely of independent and non-executive Directors, these Committees are in full compliance with the requirements of Article 4 of the Corporate Governance Code.

At their meeting of February 13, 2012, the Board of Directors resolved to take responsibility for guiding, coordinating and evaluating the adequacy of the Internal Control and Risk Management System. It also entrusted the CEO of the Company with ensuring the continuous effectiveness of this system, with the support of the Audit and Risk Committee, pursuant to Article 7 of the new Code.

To implement other recommendations of the Code, the Board of Directors, at their meeting of January 8, 2013, approved adherence to the following basic principles: (i) taking into account the Board review evaluating the function, size and composition of the Board and its Committees, it will recommend to the Shareholders' Meeting, before the appointment of the new Board of Directors, the professional profiles that are deemed appropriate in the Board; (ii) from the next appointment of the Board of Directors, the CEO shall not hold another directorship at any listed company outwith the Group whose CEO is a Saipem Director; (iii) having evaluated the opinions of the Board of Statutory Auditors and the Audit and Risk Committee, the Board of Directors shall review the results expressed by the Audit Company in their recommendation letter and in their audit report.

Furthermore, the Audit and Risk Committee drafted the document entitled 'Saipem SpA Board of Directors' Guidelines on Internal Audit' detailing guidelines for the CEO in matters of Internal Audit and complementing the guidelines on the Internal Control and Risk Management System which are also within the remit of the Board of Directors. This document, approved by the Board of Directors on January 8, 2013, updates the previous guidelines approved by the Board on April 22, 2009 and implements the Code's recommendations in terms of roles, responsibilities, goals and reporting of the Internal Audit function.

This annual Corporate Governance Report was prepared, as in previous years, utilising the format of Borsa Italiana SpA (4<sup>th</sup> Edition - January 2013)<sup>5</sup>. The Company strived to provide correct, exhaustive and effective information consistent with the characteristics of its business activities and corporate objectives, and in line with market requirements.

Saipem SpA and its subsidiaries are not subject to any non-Italian legal requirement that may influence the Corporate Governance of the Issuer.

### Saipem corporate governance additional practices

In the context of the management and organisational changes which occurred in 2013, Saipem launched a programme of measures aimed at strengthening its internal control and risk management systems.

Specifically, these measures represented a wide ranging effort to ensure the systems' continuous alignment with national and international best practices through the adoption of internal regulations.

Main objectives were:

- strengthening risk management practices and involvement of the Company's top management;
- strengthening independent monitoring;
- increasing control over Group companies;
- support and coordination of governance improvement initiatives;
- balanced allocation of powers and proxies, and clarity of roles and responsibilities.

(5) The Corporate Governance Report format of Borsa Italiana SpA, 4<sup>th</sup> Edition (January 2013), is available at [www.borsaitaliana.it](http://www.borsaitaliana.it).

The most important initiatives put in place can be summed up as follows:

- creation of the 'Governance Improvement' team, whose responsibility is to monitor Saipem's governance system in connection with specific intervention areas previously identified by the top management;
- setting up an Executive Committee responsible for informing and supporting the CEO in business decisions, as well as economic, financial, compliance and risk management issues;
- setting up a Compliance Committee responsible to ensure that all compliance and governance issues are identified and addressed;
- setting up a Technical Committee responsible for ensuring that, within Saipem's regulatory system, all compliance and governance issues are properly addressed;
- setting up the Risk Committee, advising the CEO on management of main risks;
- definition and implementation of the process and the new Integrated Risk Management structure, aimed at ensuring maximum effectiveness and efficiency in risk management and at having an overview of corporate risks;
- review and reorganisation of the Internal Audit function;
- review of the organisational model of the E&C Business Unit through the implementation of business lines with profit & loss as well as regional accountability, that should ensure cross-product local integration;
- definition and implementation of the new External Communication & Industrial Relations department;
- rotation of several senior managers;
- mapping business processes, support, compliance and corporate governance processes, identification of the Process Owner figure, responsible for developing an adequate body of rules relating to the specific process;
- review of the main guidelines of Saipem's regulatory system with the issue of the Management System Guideline 'Regulatory System' based on the Process Owners' responsibilities, promoting the integration of compliance principles for processes, and the autonomy of subsidiary companies;
- review of the process for the allocation of powers and proxies, issuing ad-hoc Corporate Standards based on task segregation and balance of powers;
- issuing of the authorisation matrix for Saipem SpA, Saipem Branches, Subsidiaries and their Branches, identifying processes and activities deemed to be highly sensitive;
- review of the process for the appointment of Directors at Subsidiary Companies, aimed at optimising the composition and balance of competencies and expertise; review of regulations and criteria used to determine the composition of Compliance bodies/officers at foreign subsidiaries, proposing a new dedicated governance model;
- review of the continuous alignment of the internal anti-bribery regulations to best practices and ongoing training of personnel;
- review of procedures for the appointment of sub-contractors and vetting of suppliers; complete review of standard contractual clauses in matters of procurement.

## Management and Control Bodies, and Committees

### The Board of Directors

#### Responsibilities, functions and powers of the Board of Directors

The Board of Directors is the central body within the Corporate Governance system of Saipem SpA and the Saipem Group. Article 20 of the Articles of Association states that the management of the Company is the exclusive responsibility of the Board of Directors.

Article 2365 of the Italian Civil Code and Article 20 of the Articles of Association grant the Board the power, normally the responsibility of the Extraordinary Shareholders' Meeting, to resolve on motions concerning:

- mergers by incorporation of companies whose shares or stakes are owned entirely by the Company, pursuant to Article 2505 of the Italian Civil Code;
- merger by incorporation of companies whose shares or stakes are at least 90% (ninety per cent) owned by the Company, pursuant to Article 2505-bis of the Italian Civil Code;
- the proportional de-merger of companies whose shares or stakes are entirely or at least 90% (ninety per cent) owned by the Company, pursuant to Article 2506-ter of the Italian Civil Code;
- transfer of the Company's headquarters within Italy;
- incorporation, transfer and closure of secondary offices;
- share capital reductions in the case of Shareholder's withdrawals;
- the issue of corporate bonds and other debentures, barring the issue of bonds convertible into Company's shares;
- the adoption of modifications to the Articles of Association to comply with the provisions of law.

In addition to the powers granted by Article 2381 of the Italian Civil Code and taking into account the instructions of the Corporate Governance Code of listed companies, the Board of Directors is responsible for:

- setting a corporate governance system and regulations for the Company and the Group. Specifically, having sought the opinion of the Audit and Risk Committee, it implements procedures to ensure that the following operations are carried out in a correct and transparent

manner, both in terms of procedures and substance: operations with related parties and operations where a Director has an interest, either directly or through a third party. The Board also adopts, at the proposal of the CEO, procedures for the management and release of Company information in general, and sensitive information in particular;

- establishing internal Board Committees with consultative and advisory functions, appointing their members, defining their responsibilities, approving their regulations and setting their remuneration;
- granting and revoking powers to Board Directors, setting their limitations and methods of exercise; having reviewed the proposals put forward by the Compensation Committee and following consultation with the Board of Statutory Auditors, setting the compensation commensurate with the powers granted. The Board has the power to issue directives to delegated bodies and carry out operations within its remit;
- setting the guidelines for the organisational, administrative and accounting structure of the Company and main Group subsidiaries<sup>6</sup>;
- annual evaluation of the adequacy of the organisational, administrative and accounting model, placing particular emphasis on the internal control system and the management of risks, based on the reports/information received from the CFO, the Audit and Risk Committee and the Internal Audit department;
- defining, based on indications provided by the Audit and Risk Committee, guidelines for the internal control and risk management system, defining the nature and level of risk consistent with the Company's strategic objectives, ensuring that main business risks associated with the Company and its subsidiaries are identified, measured, monitored and properly managed. It ascertains on an annual basis the adequacy, effectiveness and operation of the internal audit and risk management system;
- defining strategies and objectives for the Company and the Group, including sustainability policies. The Board reviews and approves industrial and financial strategic plans for the Company and the Group, in addition to all the Company's strategic agreements and monitors their implementation;
- reviewing and approving the preliminary financial statements, the budget, interim and six-monthly reports, and preliminary results for the Company and the Group. The Board reviews and approves the Sustainability Report;
- receiving information from Directors with executive powers at Board Meetings, at least quarterly, regarding: activities under their responsibility, Group activities and major operations carried out by the Company or its subsidiaries;
- approving, having received a reasoned opinion from the Audit and Risk Committee, transactions of greater importance with related parties, in compliance with the procedure 'Transactions involving interests held by Board Directors and Statutory Auditors and transactions with related parties'; it receives at least quarterly from the CEO a report detailing transactions of greater and lesser importance, in line with the provisions of the aforementioned procedure;
- reviewing and granting preliminary approval to transactions that involve interests held by Board Directors and Statutory Auditors, pursuant to Article 2391 of the Italian Civil Code and the provisions of the aforementioned procedure 'Transactions involving interests held by Board Directors and Statutory Auditors and transactions with related parties';
- approving possible joint-venture agreements, following the due diligence report on potential partners having been obtained by the Anti-corruption Legal Support Unit;
- receiving information from internal corporate Committees every six months;
- evaluating the general management and performance of the Company and the Group, based on the information received from Directors with executive powers, comparing actual interim and yearly results against budget forecasts;
- resolving on the most significant and strategic economic and/or financial Company operations, reviewing the most relevant Group industrial and financial operations, focusing specifically on those transactions in which one or more Directors may have a vested interest, on their own or a third party's behalf, and transactions with related parties.

The following are considered to be significant operations:

- a) purchase or sale of goods and services other than investments, exceeding €1 billion and those whose duration is greater than 20 years;
  - b) acquisition, disposal or transfer of holdings exceeding €25 million;
  - c) acquisition, sale or financial leasing of land and/or buildings exceeding €2.5 million;
  - d) capital expenditure on technical assets differing from previous ones exceeding €300 million, or of a lower amount but of strategic importance or posing a particular risk;
  - e) issue of financing to companies where the share held is not a controlling stake for amounts exceeding €200 million if the loan is proportional to the share of the holding, or of any amount if the loan is not proportional to the share of the holding;
  - f) issue of personal or other guarantees for amounts exceeding €200 million, or of any amount if in favour of companies where the share held is not a controlling stake and the loan is not proportional to the share of the holding;
  - g) incorporation of subsidiaries or Company branches;
- appointment and dismissal of General Managers, granting them the relevant powers;
  - appointment and dismissal, having consulted the opinion of the Board of Statutory Auditors, of the Officer responsible for preparing the Company's financial reports, granting him adequate powers;

[6] Based on the criteria 'exceeding the 5% threshold in terms of contribution to the various Consolidated Financial Statements items for the following drivers: (i) revenues, (ii) purchases, services and other costs'. The following are considered 'Most strategic companies': Saipem SA, Saipem (Portugal) Comércio Marítimo, Sociedade Unipessoal Lda, Saipem Canada Inc, and Snamprogetti Saudi Arabia Ltd.

- appointment and dismissal, having consulted the opinion of the Audit and Risk Committee, of the Head of the Internal Audit department;
- appointing the Compliance Committee, pursuant to Legislative Decree No. 231/2001;
- ensuring the appointment of managers in charge of the departments responsible for dealing with Shareholders and investors;
- having heard the proposals of the relevant Committee, setting the criteria for the remuneration of the management of the Company and the Group; implementing incentive plans based on stock or other financial instruments approved by the Shareholders' Meeting;
- approving the proposals to be submitted for approval to the Shareholders' meetings;
- reviewing and resolving on all other matters that Directors with executive powers deem appropriate for the Board to assess, due to their sensitivity and/or importance;
- approving and entering into agency agreements; approving all donations.

The Shareholders' Meeting endorsed the competition ban provided for in Article 2390 of the Italian Civil Code.

Pursuant to Article 2391 of the Italian Civil Code, Directors shall inform the other Directors and the Statutory Auditors of interests they may have, on their own behalf and on behalf of third parties, in any specific Company operation.

At Board Meetings, the Chairman reminds the Board of Directors that, pursuant to Article 2391 of the Italian Civil Code, Board Directors must voice any interests they may have, directly or through a third party, related to any items on the Agenda before they are discussed. Directors have to state the nature, origin and relevance of these interests, if any.

The Chairman organises the activities of the Board of Directors and ensures that the Directors and Statutory Auditors are provided with all necessary documentation and information in a timely manner to enable them to make decisions. Meeting documents are sent preferably no later than the notice of meeting (at least five days before the meeting). To this end, in 2013 a new IT platform named 'BoardVantage' was launched to enable the sharing and exchange of documents, notes and messages amongst the company departments and the Board of Directors, or amongst members of the Board. The system ensures the highest confidentiality through appropriate access credentials. The Secretary of the Board of Directors ensures the timely and accurate delivery of pre-meeting information and can be contacted by Board Directors and Statutory Auditors to provide clarifications and additional information. To improve the Board's knowledge of the Company's operations and dynamics, the COOs of the Business Units are periodically invited to Board meetings to illustrate the most significant projects, strategies and market conditions in their respective areas.

### **Board review/Professional Figures**

In 2013, the Board of Directors of Saipem SpA decided to have a consulting company carry out the third annual Board review of this mandate and the eighth since the adoption of the Board self-review process.

The Board review was carried out in compliance with the guidelines recommended by criteria 1.C.1, lett. *g)* and *h)* of the new Corporate Governance Code issued by Borsa Italiana for listed companies, and also to international best practices. Again in 2013, Saipem's Board of Directors had the review carried out by a consulting company specialised in Corporate Governance practices and also independent both in terms of professional focus on the sole Board of Directors and because in the last two years it had no relations with Saipem or its subsidiaries, except for its dealings with the Board itself. Saipem's Board of Directors, with the support of the Compensation and Nomination Committee, entrusted the task of performing the Board review to the company Crisci & Partners - Shareholders and Board Consulting.

The review of the Board and its Committees was carried out using a tailor-made questionnaire together with individual interviews with each Board member held in January and February 2014. Before the interviews, the external Consultant, studied the minutes and documentation of the Board and Committee meetings held in 2013.

Both the questionnaire and individual interviews focused on: (i) the operations and improvement of the Board in 2013; (ii) documentation, information flow and meetings of the Board of Directors; (iii) strategic role and monitoring of the Board; (iv) relations between the Board and the management; (v) adequacy of size and composition of the current Board; (vi) role, competencies and operations of Board Committees; (vii) considerations and suggestions of outgoing Board Directors advising Shareholders in choosing the composition of Saipem's new Board of Directors.

The review expressed an overall positive opinion of the Directors in 2013 on the adequacy, structure and operation of the Board and its Committees.

Also considered adequate were the information flow, Board meetings and monitoring of the overall management and strategies over the previous year. The Board judged positively the improved compliance to best practices it achieved in terms of Board operations and Corporate Governance functioning; the latter was further strengthened by additional governance competencies added mid-year to the Board and the Secretary's Office.

The dialogue between the CEO and the Board was considered to be transparent and always constructive. Activities performed by the Committees were deemed adequate, as was their interaction with the Board.

During the review process, the Board highlighted areas for improvement. Only some of these will be addressed by the current Board, in view of the forthcoming expiry of their mandate; indications for further improvement measures will be left for the new Board to address. Amongst these is the recommendation to expand the current monitoring role of the Board to play a larger part in shaping the business plans and strategies of the Company, over and above its current monitoring function. This, it was suggested, could be facilitated by organising an annual off-site Board meeting to address plans and strategies.

In view of its renewal, Saipem's current Board, in compliance with the recent provision of the Corporate Governance Code of Borsa Italiana, deemed it expedient to advise Shareholders on the composition and mix of competencies that should be considered when choosing the

professional figures to be appointed to the new Board of Directors. In this respect, it reviewed: (i) what 'Industry' expertise could be of particular use; (ii) what type of experience and professional skill should be preferred; (iii) what competencies are absolutely necessary in the new Board of Directors. Profiles and professional figures identified from these discussions were passed on to the Compensation and Nomination Committee, which, having added their own considerations, produced the document 'Saipem's Board of Directors advice for Shareholders on the size and composition of the new Board of Directors'. This document was discussed, approved by the Board and made available to Shareholders.

The experience and perceptions gained by the consultant responsible for carrying out Saipem's Board review, Crisci & Partners during the review process, led him to concur with the evaluation and considerations expressed by Board members on the workings of the Board itself and its strict compliance, as of today, with the Corporate Governance Code of Listed Companies and with the national and international best practices currently in place at companies comparable to Saipem.

### **Composition, appointment and replacement of Board of Directors**

The Board of Directors, comprising nine members, was appointed by the Shareholders' Meeting on May 4, 2011 for a three-year period, its mandate expiring at the Shareholders' Meeting called to approve the Financial Statements at December 31, 2013. At their meeting of May 9, 2011, the Board of Directors had appointed Alberto Meomartini as Chairman, Pietro Franco Tali as Deputy Chairman - CEO, and Hugh James O'Donnell as Managing Director for Business Support and Transversal Activities (Deputy CEO). Following the resignation of Pietro Franco Tali from all offices on December 5, 2012, the Board of Directors appointed Umberto Vergine as CEO, resolving against co-opting a new Director. All current Board members served on the Board since May 4, 2011, with the exception of the Deputy CEO Hugh O'Donnell, who was first appointed Board Director on December 21, 2000 and Umberto Vergine, who has been a Board member since October 27, 2010.

On April 30, 2013, the Shareholders' Meeting completed the number of Board of Directors by appointing Fabrizio Barbieri. On July 30, 2013, Hugh O'Donnell resigned the office of Managing Director for Business Support and Transversal Activities (Deputy CEO) and from the Board of Directors; on the same day, the Board of Directors co-opted Piergaetano Marchetti to the office of Board Director and appointed him Deputy Chairman responsible for coordinating the review and improvement of the corporate governance and control systems.

The appointment of Directors occurs pursuant to Article 19 of Articles of Association, through voting from lists, so as to allow the appointment of minority interest representatives and to ensure gender balance. Lists are filed at the Company's registered headquarters at least twenty-five days prior to the Shareholders' Meeting (first call) and are published in compliance with current legislation and Consob regulations. Voting lists include professional résumés for all candidates, their declarations accepting the nomination, stating that there are no grounds for ineligibility and/or incompatibility, and that they meet the integrity and/or independence requirements. Lists can be presented by Shareholders, who, individually or with others, hold voting shares representing at least 1% of the share capital, as per Consob Resolution No. 18452 of January 30, 2013. Lists that feature three or more than three candidates must include both genders, in compliance with current legislation on gender balance<sup>7</sup>. When the number of the least represented gender must, by law, be at least three, the lists from which most Board members are selected must include at least two candidates from the least represented gender.

Seven tenths of Directors are appointed from the list that has obtained the majority of votes (rounded down if necessary). The remaining Directors shall be selected from the other lists, provided they are not in any way, not even indirectly, linked with the Shareholders who have presented or voted for the list that has obtained the majority of votes. Therefore, votes obtained for each list will be successively divided by one, two, three and so on, until the remaining number of Directors to be appointed has been reached. The ratios obtained will be progressively attributed to candidates from each list, in the order attributed to each candidate within that list. Candidates will be classified in decreasing order according to their respective ratios, and those who have received the higher ratios will be appointed. In the event that more than one candidate obtains the same ratio, the candidate on the list with no Director yet appointed or on the list with the lowest number of Directors appointed will be elected. If these lists have yet to elect a Director, or if they have already appointed an equal number of Directors, the candidate on the list with the highest number of votes shall be appointed. In the event that the vote is still tied, the Shareholders' Meeting will vote again, but only amongst the candidates under ballot, and the candidate who receives the majority of votes will be elected.

Should this procedure fail to appoint the minimum number of independent Directors required by the Articles of Association, the ratio of votes is calculated for each candidate from said lists by dividing the votes received by each list by the order number of each candidate. Candidates who do not meet independence requirements with lowest ratios from all lists are replaced, starting from the last one, by independent candidates from the same list (in the order they appear on the list), or by persons who meet the independence requirements appointed by the Shareholders' Meeting through a majority vote as required by law. In the event that candidates from different lists obtain the same ratio, the candidate on the list with the highest number of Directors already appointed will be replaced, or the candidate from the list that received the fewest votes, or should the number of votes be the same, the candidate who obtains the fewest votes by the Shareholders' Meeting in an ad-hoc ballot. Should this procedure fail to meet the requirements of regulations on gender balance, the ratio of votes is to be calculated for each candidate taken from the lists by dividing the votes received by each list by the order number of each candidate. The candidate of the most represented gender with the lowest ratio amongst candidates from all lists is replaced, provided the minimum number of independent Directors is met, by the candidate from the fewest represented gender with the higher order number in the same list of the replaced candidate, or by a person appointed by the Shareholders' Meeting through a majority vote as required by law. If candidates from

[7] Reference Law No. 120 of July 12, 2011.

different lists obtain the same minimum ratio, the candidate from the list which has appointed the greater number of Director is replaced, or the candidate from the list that obtained the fewest votes, or, if votes are equal, the candidate who obtains the fewest votes by the Shareholders' Meeting in an ad-hoc ballot.

This voting procedure is applicable only when the entire Board of Directors is to be renewed. Should the need arise for one or more Directors to be replaced during their mandate, the procedure as per Article 2386 of the Italian Civil Code is applied. Should the majority of Directors become unavailable, the entire Board of Directors shall be considered void. A Shareholders' Meeting shall be called by the outgoing Board to elect a new one. In any case, current legislation must be complied with vis-à-vis the minimum number of independent Directors and gender balance quotas.

When this Board was elected in 2011, two lists of candidates were put forward, one by Eni SpA and the other by Institutional Investors.

Candidates declared that they met the integrity requirements prescribed by regulations, and possessed the professional expertise, competence and experience to carry out their mandate efficiently and effectively and that they were able to dedicate sufficient time and resources to their office. Pursuant to Criteria 1.C.2 of the Code, information regarding offices of Directors or Auditors held by members of the Board of listed companies, financial or insurance companies or companies of considerable size is provided below under 'Cumulation of offices'.

The Board comprises the Chairman Alberto Meomartini (non-executive and not-independent Director), the Deputy Chairman Piergaetano Marchetti (non-executive and independent Director), the CEO Umberto Vergine (executive and non-independent Director), and the Directors Gabriele Galateri di Genola (non-executive and independent Director), Nicola Greco (non-executive and independent Director), Maurizio Montagnese (non-executive and independent Director), Mauro Sacchetto (non-executive and independent Director) and Michele Volpi (non-executive and independent Director).

Alberto Meomartini, Gabriele Galateri di Genola, Nicola Greco and Umberto Vergine were proposed as candidates by Eni, whose list obtained 49.05% of voting shares.

Maurizio Montagnese, Mauro Sacchetto and Michele Volpi were proposed as candidates by Institutional Investors – Allianz Global Investors Italia Sgr SpA and others – obtaining 28.30% of voting shares.

The professional résumés of all Directors are posted on the Company's website [www.saipem.com](http://www.saipem.com) under the section 'Corporate Governance'. Article 19 of Articles of Association has been adjusted to comply with new Article 37, paragraph 1, letter *d*) of Market Regulations, whereby the Board of Directors of a listed subsidiary subject to management and coordination by another listed company shall be comprised of a majority of independent Directors, identified as such in compliance with the law and current regulations. This amendment took effect from the appointments made at the Shareholders' Meeting of May 4, 2011. Following the introduction of Law No. 120 of July 12, 2011 (effective from August 12, 2011) and Consob Regulation No. 18098 of February 8, 2012, this article has been further amended to ensure gender balance in management and control bodies of listed companies.

Board Directors, following their appointment and annually thereafter, shall state that they fulfil both the independence and integrity requirements pursuant to current legislation, and the Board of Directors verifies that these subsist.

At their meeting of March 14, 2014, the Board of Directors, based on the declarations provided and on information at the Company's disposal, ascertained that Board Directors meet both the independence and integrity requirements, and that no reasons for ineligibility or incompatibility subsist. The Board of Statutory Auditors verified that the Board correctly applied all the relevant criteria and procedures to assess the independence of its members.

### **Induction of the Board of Directors**

Immediately after the appointment of the current Board on May 4, 2011, Saipem set up a board induction programme to enable new Directors to acquire in-depth knowledge of the Company's activities and organisation, its market and relevant sectors. The programme, which also involved new members of the Board of Statutory Auditors, comprised of a series of meetings, in which the Company's top management presented Saipem's organisation, its various Business Units and main subsidiaries, providing a thorough analysis of the issues of major interest to the Directors and Statutory Auditors.

In recent years, several Board meetings were held at venues other than the Company's offices and on-board Saipem's vessels, namely 'Castoro Sei'.

### **Cumulation of offices**

Pursuant to items 1.c.2 and 1.c.3 of the Corporate Governance Code, to ensure that Directors can devote enough time to their office, the Board of Directors on March 28, 2007 expressed the following guidelines on the number of offices a Director may hold:

- an executive Director shall not hold: (i) the office of executive Director at other listed companies, either in Italy or abroad, in financial companies, banks, insurance companies or companies with net equity in excess of €1 billion; and (ii) the office of non-executive Director or Statutory Auditor (or member of other control body) in more than three of the aforementioned companies;
- besides the appointment at this Company, a non-executive Director shall not hold: (i) the office of executive Director in more than one of the aforementioned companies and the office of non-executive Director or Statutory Auditor (or member of other control body) in more than three of the aforementioned companies; and/or (ii) the office of non-executive Director or Statutory Auditor in more than six of the aforementioned companies.

Offices held at companies of the same Group are excluded from the limit of cumulation.

Should the aforementioned limits be exceeded, Directors shall immediately inform the Board of Directors, who, after assessing the position and, in light of the Company's interests, shall invite the Director to take the relevant decisions.

Based on the information received, listed hereunder are additional directorships or auditor posts held by Saipem's Board Directors in other companies.

#### *Alberto Meomartini*

Chairman of the University Commission of the Confederation of Italian Industry 'Confindustria', of 'Istituto di Economia e Politica dell'Energia e dell'Ambiente' (IEFE) of 'Bocconi University', of 'Consorzio Speed Mi Up' (Bocconi University, the Milan Chamber of Commerce and Municipality); Deputy Chairman of the Milan Chamber of Commerce, the Milan 'Polytechnic Business School' (MIP); Board Member of 'Bocconi University' in Milan, the 'LUISS Carli University' in Rome, the Management Board of 'Giunta di Confindustria'; Member of the Executive Board of 'Fondazione Sodalitas', of the Board of Directors and the Executive Board of 'Fondazione Fiera di Milano', of the Technical Committee 'Progetto Speciale EXPO 2015'.

#### *Piergaetano Marchetti*

Chairman of the 'Corriere della Sera' Foundation; Member of the Board of Directors of 'RCS Media Group', of 'Artemide SpA'; Member of the Technical Committee for the Corporate Governance Code of Listed Companies, of the Board of 'Rivista delle Società' and 'Concorrenza e Mercato', of the Executive Board of 'Centro di Documentazione Ebraica' (CDEC), of 'Istituto per la Storia del Movimento di Liberazione in Italia' (IMSLI), of the Foundation 'Scienze Religiose Giovanni XXIII'.

#### *Gabriele Galateri di Genola*

Chairman of 'Assicurazioni Generali SpA' (listed company), of 'Istituto Italiano di Tecnologia', of 'Fondazione Marcianum' in Venice, of the Corporate Governance Committee of Borsa Italiana; Board Director of 'Telecom Italia SpA' (listed company), of 'Italmobiliare' (listed company), of 'Azimut-Benetti SpA', of 'Lavazza SpA', of 'Edenred SA' (listed company); Member of the International Advisory Board of 'Columbia Business School'.

#### *Nicola Greco*

Managing Director of 'Permasteelisa Group'; Member of the Board of Directors of 'Salini-Impregilo SpA' (listed company); Member of the Supervisory Committee of 'Josef Gartner GmbH'.

#### *Maurizio Montagnese*

Chairman of the Board of Directors of 'Sagat SpA - Aeroporto di Torino', of 'Sagat Handling SpA', of 'Intesa Sanpaolo Group Services ScpA'; Chairman of the Managing Board of 'Turismo Torino e Provincia'; Deputy Chairman of the Executive Board of 'GTA - Gruppo Turistico Alberghiero aderente all'Unione Industriale di Torino'.

#### *Michele Volpi*

Managing Director of 'Betafence NV'; Member of the Board of Directors of 'Piper Jaffray' (listed company).

### **Board of Directors' Meetings**

The Company's Articles of Association do not specify how often the Board should meet, although Article 21 states it has to occur at least quarterly as follows: 'The Directors inform the Board of Directors and the Board of Statutory Auditors promptly or at least every quarter on Company activities, major economic and financial transactions involving the Company or its subsidiaries; in particular they report those operations in which they have an interest, on behalf of themselves or third parties, or those operations that are subject to the influence of the controlling party'.

In 2013, the Board of Directors met on sixteen occasions, their meetings lasting 3.45 hours on average; four meetings had been scheduled to take place in the first half of 2014; as of March 14, 2014, the Board has held three meetings. The general public is informed of the dates of Board Meetings when periodical statements and reports, required by current legislation, are to be approved.

The Board of Directors sets down the formalities pertaining to the calling of Board Meetings; in particular, meetings are convened by the Chairman, who also prepares the agenda for the meeting, through notices sent by post, fax or e-mail at least five days prior to the date of the meeting; in exceptional circumstances, notice is sent at least 24 hours prior to the time of the meeting. The Articles of Association allow for meetings to be held via video-conference link. Directors and Statutory Auditors are provided in advance with documents pertaining to items to be discussed and/or resolved on at the meeting.

In 2013, an average of 90.6% of Board Directors and 84.4% of independent Directors attended Board Meetings. The COO is invited to attend Board of Directors' meetings on a regular basis to report on the status of operations and the strategic prospects, and occasionally other senior managers involved in specific matters. Generally Board of Directors' meetings are also attended by the Company's CFO.

The Secretary to the Board of Directors is present at every Board Meeting (this office is held by the Saipem's Senior Vice President General Counsel, Company Affairs and Corporate Governance).

## Executive Directors

Consistent with international best practices, which recommend avoiding the concentration of duties in one person, the Board of Directors resolved, at their meeting of July 29, 2008, to separate the roles of Chairman and Chief Executive Officer (CEO), the latter being the administrator who, by virtue of powers granted and their actual exercise, is the principal person responsible for the management of the Company.

The Corporate Governance Committee of Borsa Italiana believes that the separation of the aforementioned roles can strengthen the characteristics of impartiality and balance required of a Chairman of the Board, to whom the law and procedure entrust the tasks of organising the work of the Board, as well as acting as a link between executive and non-executive Directors.

The separation of the roles of Chairman and Chief Executive Officer (CEO) makes the appointment of a lead independent Director unnecessary.

Umberto Vergine (CEO) is the only executive Director.

The Board vested the CEO, the person ultimately responsible for the Company's management, with all ordinary and extraordinary powers to manage the Company, except for the undelegable powers and those of the Board itself. The Chairman is a non-executive Director and is vested with all powers granted to him by law and the Company's Articles of Association.

To the CEO report the COO (Chief Operating Officer), the CFO (Chief Financial and Compliance Officer), the Senior Managers responsible for the following departments: Institutional Relations, Communication, Integrated Risk Management, Procurement Contract and Industrial Risk Management, Business and Technology Development, QHSE and Human Resources.

The Chairman chairs the Shareholders' Meeting, convenes and chairs Board of Directors' meetings and ensures the implementation of resolutions carried by the Board itself.

## Independent Directors

Consob Resolution No. 17221 of March 12, 2010 (adoption of 'Related Parties' Regulations) amended through Resolution No. 17389 of June 23, 2010, had amended Article 37, paragraph 1, letter *d*) of Market Regulations, providing that the shares of a subsidiary subject to management and coordination by another company may only be admitted to trading if its committees are composed of independent Directors. For companies subject to management and coordination by another listed company, as in Saipem's case, the Board of Directors shall also be composed of a majority of independent members.

On December 13, 2010, the Board of Directors amended Article 19 of the Articles of Association, providing that the majority of Directors shall meet the independence requirements set by Consob for Directors of companies subject to management and coordination by another listed company. Hence, the Shareholders' Meeting of May 4, 2011 elected the new Board of Directors for the period 2011-2013, and, in compliance with Article 37, paragraph 1, letter *d*) of Market Regulations, five out of nine members appointed were independent Directors. The current number of independent Directors is six, following the appointment by co-optation of Piergaetano Marchetti at the Board Meeting of July 30, 2013.

Upon his appointment, the Board of Directors also ascertained that Mr. Marchetti met the relevant independence requirements.

The Directors who do not comply with the independence requirement are the executive Director Umberto Vergine, and non-executive Directors Alberto Meomartini and Fabrizio Barbieri (appointed at the Shareholders' Meeting of April 30, 2013).

Following their appointment, the Board of Directors ascertains annually that Board Directors still comply with the independence requirements. At the Board Meeting of March 14, 2014, it was ascertained that all Board Directors comply with the independence requirements. The Board of Statutory Auditors has assessed the application of criteria and procedures adopted by the Board of Directors to ascertain the independence of its members and found them to be compliant. This evaluation is carried out in accordance with the criteria set forth in Article 148, paragraph 3 of Law No. 58/1998 and Criteria 3.c.1 of the Corporate Governance Code.

Independent Directors have not deemed it necessary to meet without the other Directors in view of the fact that they take an active part in Committee meetings.

## Directors' remuneration

Article 123-ter of Law No. 58/1998 has made it compulsory for listed companies to publish a 'Remuneration Report', whose contents and methods of publication are governed by Consob, through Article 84-*quater* of Issuers Regulations issued on December 23, 2011.

This Consob resolution took effect on December 31, 2011, making it compulsory to issue this new Remuneration Report from 2012.

For all issues relating to the remuneration of Directors, Statutory Auditors and senior managers with strategic responsibilities please refer to the 'Remuneration Report', which is available to the public at Saipem's registered office or on the Company's website [www.saipem.com](http://www.saipem.com) under the section 'Corporate Governance - Documents' at least 21 days prior to the General Shareholders' Meeting called to approve the Financial Statements for the year 2013. At the General Shareholders' Meeting, Shareholders will be required to cast a non-binding vote on the first section of the Remuneration Report, pursuant to current legislation.

## Board Committees

In order to carry out its responsibilities more efficiently, the Board, on May 9, 2011, set up two committees: the Audit Committee and the Compensation Committee, which, at the Board Meeting of February 13, 2012 were changed to the Audit and Risk Committee and the Compensation and Nomination Committee. Both are comprised entirely of non-executive independent Board Directors, all of whom are accounts and finance experts.

The Board of Directors, at their meeting of May 9, 2011, had made the following appointments:

- Audit and Risk Committee: Mauro Sacchetto (Chairman), Maurizio Montagnese, and Michele Volpi;
- Compensation and Nomination Committee: Gabriele Galateri di Genola (Chairman), Nicola Greco, and Maurizio Montagnese.

The Audit and Risk Committee has the duty to consult and support the Board of Directors in matters relating to the internal control and risk management systems, and the approval of the periodic financial reports. The current composition of the Audit and Risk Committee complies with the requirements of the latest Corporate Governance Code, being comprised entirely of non-executive independent Directors.

The responsibilities of the Compensation and Nomination Committee, in addition to those provided for in the Corporate Governance Code, include propositive and consultative activities towards the Board in relation to: senior managerial appointments within the competence of the Board of Directors; annual review of the Board of Directors and its committees; direction on the cumulation of offices held by Directors; assessment of their meeting legal requirements. The current composition of the Compensation and Nomination Committee is already compliant with the requirements of the Corporate Governance Code, being made up entirely of non-executive independent Directors. Following the introduction of the procedure 'Transactions involving interests held by Board Directors and Statutory Auditors and transactions with related parties', the Audit and Risk Committee and the Compensation and Nomination Committee provide the Board of Directors with opinions, as per the procedure (please refer to the section 'Directors' interests and transactions with related parties', page 36).

### Audit and Risk Committee

In compliance with the Board resolution of November 9, 2000, the Audit and Risk Committee fulfils a preparatory, consultative and propositive role regarding the general management of the Company. On February 13, 2012, the Board of Directors implemented the Audit and Risk Committee, in accordance with the Corporate Governance Code for Listed Companies issued by Borsa Italiana SpA in December 2011. On May 29, 2013, the Board also approved an updated version of the Regulations of the Audit and Risk Committee. In accordance with the current Regulations, the Chairman of the Board of Statutory Auditors, or an Auditor appointed by the Chairman, and the Chief Financial Officer (now CFO) takes part in the Committee's activities; meetings can be attended by Saipem's CEO. The Senior Vice President of Internal Audit is the Committee's Secretary and assists the Audit and Risk Committee in its duties. The Internal Audit department is responsible for ensuring the implementation and updating of the risk assessment, mapping and classification systems for auditing purposes.

The Audit and Risk Committee's responsibilities are: (i) assisting the Board of Directors in the following areas: (a) setting guidelines for the internal control and risk management system; (b) periodically checking that it is adequate and operates effectively and efficiently; (c) ensuring that major risks facing the Company are adequately measured, properly monitored and managed; (ii) evaluates together with the Officer responsible for the Company's financial reporting and the external auditors, the adequacy of accounting principles adopted, and their consistency throughout the Annual and Interim Reports, subject to the preliminary approval by the Board of Directors; (iii) evaluates the work programme prepared by the Internal Audit Manager and receives from the latter periodic reports on work performed; (iv) evaluates issues raised through communications received from the Board of Auditors or individual Auditors, reports and the management letter issued by the external auditors, the periodic reports issued by the Compliance Committee in its capacity as the Guarantor of the Internal Code of Practice, information documents on the internal control and risk management systems relating to other company departments; from inquiries and studies by third parties; (v) assesses audit plans put forward and works carried out by the external auditors, also in terms of their independent opinions; (vi) in the annual Corporate Governance Report, it describes the fundamentals of the internal control and risk management system, ascertaining its overall adequacy; (vii) reviews and produces an opinion on regulations governing transparency and substantial and procedural correctness of transactions with related parties and those in which a Board Director holds an interest, on his own or a third party's behalf; (viii) ensures the adequacy of powers and means entrusted to the Officer responsible for the Company's financial reporting.

The Audit and Risk Committee has access to information and Company departments as required to carry out its duties. The Audit and Risk Committee can draw on the necessary financial resources, approved by the Board of Directors, to carry out its responsibilities.

The Audit and Risk Committee convened 17 times in 2013, with meetings lasting on average 2 hours and average attendance of 86% of members. Main activities consisted of:

- reviewing the Integrated Risk Assessment system aimed at setting up the integrated audit programme of the Internal Audit department;
- approving the annual audit plan;
- reviewing and evaluating internal audit activities;
- reviewing and evaluating whistle-blowing notifications received within the Saipem Group;
- meeting with the CEO and the CFO, the Chairman of the Board of Statutory Auditors and the partner from the Independent Auditors to examine the main issues pertaining to the 2012 and 2013 Financial Statements;

- monitoring and evaluating the proposal for a re-organisation of the Internal Audit department, performance targets and the positive results of the External Quality Review carried out by KPMG on the department's responsibilities;
- acknowledging Company activities relating to Law Decree No. 231/2001 particularly those activities relating to compliance, training and the analysis of sensitive processes;
- carrying out an in-depth study of the risk analysis and risk management model of the Saipem Group;
- acknowledging the Company's organisational structure and the powers of attorney and proxy systems at the basis of the Saipem Group decision making mechanism;
- monitoring Company activities related to the implementation of the accounting processes necessary to adopt the new International Financial Reporting Standards (IFRS);
- checking that the Head of Internal Audit continues to meet the integrity, professionalism, competence and independence requirements;
- evaluating the performance and adequacy of the fixed and variable remuneration structure of the Head of Internal Audit;
- drafting plan of activities for the coming year;
- reviewing the Company's anti-corruption procedures;
- reviewing the Company's procedure regulating related parties' transactions.

All meetings were minuted.

As of the date of the approval of this Report (March 14, 2014), the Committee has already met on four occasions.

The Audit and Risk Committee reports to the Board of Directors at least every six months, providing a detailed account of work carried out, and the adequacy of the internal control and risk management system. The Committee also ensures the information flow towards the Board of Statutory Auditors to enable the prompt exchange of information necessary for the fulfilment of their respective responsibilities within the common remit and to ensure the orderly performance of business functions.

### **Compensation and Nomination Committee**

The Compensation Committee, renamed 'Compensation and Nomination Committee' on February 13, 2012, was set up by the Board of Directors in 1999. The composition, appointment, responsibilities and method of operations of the Committee are governed by its Regulations approved by the Board of Directors on February 13, 2012 and available at [www.saipem.com](http://www.saipem.com) under the section 'Corporate Governance'.

In line with the latest recommendations of the Corporate Governance Code, the Committee is comprised of three non-executive independent Directors. The Committee's regulations provide that at least one member have adequate knowledge and experience in matters of finance and compensation, as assessed by the Board at the time of their appointment.

The current members of the Committees are the following Board Directors, who are non-executive and independent pursuant to the Law and the Corporate Governance Code: Gabriele Galateri di Genola, in his capacity as Chairman, Nicola Greco and Maurizio Montagnese.

Saipem's Executive Vice President for Human Resources and Organisation, or in his stead the Senior Vice President for Development, Organisation, Communication and Compensation acts as Secretary of the Committee.

The Committee fulfils a propositive and consultative role for the Board of Directors and specifically:

- submits for approval by the Board of Directors the Remuneration Report and the remuneration policy for executive Directors and senior managers with strategic responsibilities, which will be put forward to the approval of the Shareholders' Meeting called to review the financial statements, as provide by law;
- puts forward proposals for the remuneration of the Chairman and Executive Directors, taking into account the various forms and types of compensation;
- puts forward proposals for the remuneration of non-executive Directors, who are members of Board Committees;
- having first reviewed CEO directions, it proposes the general remuneration criteria applicable to senior managers with strategic responsibilities, annual and long-term incentive plans, and stock-based plans; it sets performance targets and reviews the Company's performance results in order to determine the variable remuneration of executive Directors and the implementation of incentive plans;
- periodically assesses the adequacy, consistency and actual operation of the Remuneration Policy, providing the Board with relevant proposals;
- provides opinions to the Board of Directors regarding its size and composition and expresses recommendations regarding professional profiles who are deemed appropriate in the Board;
- advises the Board of candidates to the office of Board Directors in the event of co-optation, when independent Directors need to be replaced;
- provides guidance to the Board, in accordance with the Corporate Governance Code, regarding the maximum number of offices a Director may hold;
- expresses opinions to the Board regarding the nomination of the Company's senior managers, whose appointment is the responsibility of the Board;
- oversees the annual Board Review and that of its Committees;
- provides an evaluation of the independence and integrity requirements required by Directors;
- monitors implementation of resolutions taken by the Board;
- provides the Board of Directors with an account of work carried out every six months.

In fulfilling its duties, the Committee provides opinions, as and when required by the current internal regulation in terms of transactions with related parties.

The Committee meets as often as is required to carry out its role, usually on the dates provided for in the annual meeting schedule approved by the Committee itself. A Committee Meeting is deemed valid when a majority of members is present, and resolutions are passed with the absolute majority of attending members. The Board of Directors provides the Committee with the necessary resources to carry out its responsibilities. The Committee can access information and the relevant Company departments in order to fulfil its duties, and it can also have recourse, through the latter, to external consultants, ensuring that no reasons exist that could compromise the independence of their judgement.

The Chairman of the Board of Statutory Auditors (or other Statutory Auditor designated by the latter) may attend Committee meetings; other Statutory Auditors may also attend when the Committee discusses matters for approval by the Board of Directors that are subject to the mandatory opinion of the Board of Statutory Auditors. At the request of the Chairman of the Committee, other persons can be invited to attend Committee meetings to provide information and evaluations within their area of expertise on single items on the meeting agenda.

The meetings of the Compensation and Nomination Committee are not attended by the Directors involved where remuneration proposals are discussed that are to be put forward to the Board.

The Committee carry out their responsibilities based on their annual programme, which comprises of the following phases:

- ascertaining the adequacy, overall consistency and proper implementation of the remuneration policy adopted the previous year, vis-à-vis results achieved and remuneration benchmarks from highly specialised providers;
- identification of remuneration proposals for the following year and performance targets proposals linked to short and long-term incentive schemes;
- proposals related to the implementation of existing short and long-term variable incentive schemes, subject to actual results achieved versus the relevant performance targets;
- preparation of the Remuneration Report to be submitted annually to the approval first of the Board of Directors and then of the Shareholders' Meeting;
- review of votes cast by the Shareholders at their General Meeting on the remuneration policy approved by the Board of Directors.

In 2013, the Committee convened on nine occasions, with meetings lasting an average of 1 hour and 43 minutes and average attendance of 96% of members. The Chairman of the Board of Statutory Auditors attended seven meetings and was substituted by a Statutory Auditor at one meeting.

During the first part of the year, the work of the Committee focused on the following: its periodic evaluation of the remuneration policy implemented in 2012, drawing up the new Remuneration guidelines for 2013 in light of recent events and Company results, reviewing the Company's actual results for 2012, identifying performance targets for 2013 vis-à-vis variable short-term incentive plans, finalising the proposals for the implementation of the Deferred Monetary Incentive Plan for executive Directors and senior managers and the Long-Term Incentive Plan applicable to top managers and critical resources, and reviewed Saipem's 2013 Remuneration Report. Finally, the Committee evaluated candidates to the offices of Head of the Internal Audit department and Chairman of the Compliance Committee. During the second part of the year the Committee reviewed the votes cast by the Shareholders' Meeting on the Remuneration Policy for 2013. They also evaluated candidates to positions on the Compliance Committee, the Head of the Integrated Risk Management function, and the Officer responsible for the Company's Financial Reporting. The Committee predisposed the proposal for the remuneration of the Internal Audit Manager and that of the Deputy Chairman. Also, the results of the risk analysis were reviewed for the process of the succession plans for positions with strategic responsibilities. It fulfilled the requirements related to the review of the Board of Directors and its Committees. It also reviewed possible evolutions of the management incentive system and the impact of Article 84-ter of Law 98 dated August 9, 2013.

The Committee scheduled at least 6 meetings to take place in 2014, three of which have already been held as of March 14, 2014. These focused on the impact of Article 84-ter of Law No. 98 dated August 9, 2013 and the review of the remuneration policies of 2013 and the definition of remuneration proposals for 2014.

The Committee reports, through the Chairman of the Committee, on the methods used to carry out its responsibilities to the Shareholders' Meeting called to approve the Financial Statements, pursuant to the provisions set forth in the Committee's Regulations and the Corporate Governance Code, with the aim of establishing a dialogue with Shareholders and Investors.

Further information on the Compensation and Nomination Committee is available, in compliance with Article 123-ter of Law No. 58/1998, in the Remuneration Report.

## Risk management system and internal control over financial reporting

Internal control over financial reporting is a system designed to provide reasonable assurances regarding the reliability, accuracy, fairness and timeliness of financial reporting and the preparation of financial statements for external purposes, in accordance with generally accepted accounting principles.

In accordance with the provisions of the law, the Officer responsible for the Company's financial reporting (AO) is responsible for the internal control system with regard to financial reporting and, to this aim, establishes the administrative and accounting procedures necessary for drafting the periodic accounting documentation and any other financial notification; moreover, he/she certifies, together with the CEO, their

adequacy and actual implementation during the period to which the aforementioned accounting documents refer, by means of an appropriate report on the annual financial statements, on the half-yearly financial statements and on the consolidated annual financial statements. Pursuant to the aforementioned Article 154-bis, the Board of Directors ascertains whether the AO has appropriate powers and means to perform the assigned duties, in addition to supervising the actual conformity to these procedures.

The 'Guidelines on internal controls over financial reporting' approved by the Board of Directors on October 29, 2007, and later amended by the Management System Guideline 'Internal Controls over Corporate Reporting - Rules and Procedures' approved by the Board of Directors on December 13, 2011, and the Management System Guideline 'Internal Controls over Financial Reporting' approved by the Board of Directors on July 30, 2012, are aimed at achieving healthy and fair business management; they define rules and methodologies on the design, implementation and maintenance of the internal control system over Saipem's financial reporting, as well as on the evaluation of the system's effectiveness.

These regulations and methodologies have been designed in accordance with the provisions of the aforementioned Article 154-bis of Law No. 58/1998 and of the US law Sarbanes-Oxley Act of 2002 (SOA) which Saipem is required to comply with as a subsidiary of Eni, whose securities are listed on the New York Stock Exchange (NYSE), and based on the CoSo Report ('Internal Control - Integrated Framework' published by the Committee of Sponsoring Organizations of the Treadway Commission - 1992).

In accordance with international accounting principles, the Management System Guideline 'Internal Controls over Corporate Reporting' is applicable to Saipem SpA and its direct and indirect subsidiaries, in consideration of their relevance for the preparation of financial reporting. All controlled companies, regardless of their relevance with respect to Saipem's internal control system, use this Management System Guideline as a reference for the design and implementation of their own internal control system, in order to ensure its adequacy in relation to the size of the company and the nature of its business.

### **Main features of the risk assessment and internal control systems for the purposes of financial reporting**

The internal control system was designed in accordance with two fundamental principles: to extend control to all levels of the organisational structure, consistent with operating responsibilities; and the sustainability of controls in the long term, so as to ensure that the performance of controls is increasingly integrated and compatible with operational requirements.

The design, implementation and maintenance of the internal control system are ensured through: risk assessment, control identification, evaluation and reporting.

The risk assessment process has a top-down approach aimed at identifying those organisational departments, processes and specific activities that bear the risk of unintentional errors and/or fraud, which could have a material impact on the financial statements.

The identification of companies that fall within the scope of the internal controls system is based both on their contribution to the consolidated financial statements (turnover, net debt, net revenues, profits before taxation) and their relevance in terms of processes and specific risks<sup>8</sup>. Among the companies identified as relevant for the purposes of internal controls, significant processes are then identified based on an analysis of quantitative factors (processes involved in the calculation of items featured in the financial statements which are greater than a certain percentage of profits before taxation), as well as qualitative factors (for instance: complexity of the accounting treatment used for an item; new items or significant changes in business conditions).

Risks are assessed for relevant processes and activities, i.e. potential events whose occurrence could compromise the achievement of the control objectives for financial reporting (for instance financial statements assertions). These risks are prioritised in terms of their potential impact and likelihood of occurrence, based on quantitative and qualitative parameters and assuming no controls. Saipem carries out a specific assessment on risks of fraud<sup>9</sup>, using a methodology based on the 'Anti-fraud Programmes and Controls' included in the Management System Guideline 'Internal Controls over Financial Reporting'.

Controls are defined for the individual company, processes and associated risks deemed relevant. The control system comprises of entity level controls, which operate across the relevant entity (Group/individual company) and process level controls.

A checklist based on the model adopted in the CoSo Report divides entity level controls into five components (control environment, risk assessment, control activities, IT systems and information flows, and monitoring activities). The 'control environment' component includes all activities relating to the definition of time-frames for the preparation and publication of financial results (interim and annual financial statements and associated financial calendars); the 'control activities' component covers organisational and regulatory structures that guarantee the achievement of financial reporting objectives (for instance the review and updating by specific departments of rules relating to the preparation of financial statements and charts of accounts); the component 'IT systems and information flows' includes management controls over the consolidation process (Mastro).

Process level controls are divided into specific controls, which are all activities, both manual and automated, aimed at preventing, identifying and correcting errors and irregularities occurring during operating activities; and pervasive controls, which are structural elements of the internal control system aimed at establishing a general environment which promotes the correct execution and control of operational activities (for instance segregation of incompatible duties and general IT controls).

Specific controls are detailed in ad-hoc procedures which define Company processes and the 'key controls', whose absence or non-implementation entails the risk of significant error/fraud in the financial statements which cannot be detected by other controls.

(8) Companies subject to internal controls include those incorporated under and regulated by non-EU member state legislations, for which the provision of Article 36 of Consob Market Regulations apply.

(9) Fraud: for the purposes of the Internal Control System, this refers to any intentional act or omission that may result in false representation or misleading reporting.

Entity Level Controls and Process Level Controls are constantly monitored to evaluate their design and operating effectiveness; this is done by means of ongoing monitoring activities carried out by the managers in charge of the relevant processes/activities, and through separate evaluations carried out by the Internal Audit department in accordance with an audit plan provided by the Chief Financial and Compliance Officer/Manager responsible for financial reporting<sup>10</sup> which defines the audit scope and objectives to be implemented through agreed-upon audit procedures.

Monitoring activities highlight possible deficiencies in the control system; these are evaluated in terms of probability of occurrence and impact on Saipem's financial reporting and, based on their significance, are classed as 'deficiencies', 'significant weaknesses' and 'material weaknesses'.

The findings of monitoring activities regarding the state of the internal control system are periodically reported using IT tools that ensure the traceability of information relating to the adequacy of design and the operational effectiveness of controls.

The work of the CFO/Manager responsible for preparing financial reports is supported by various departments within Saipem, whose responsibilities and tasks are set out in the aforementioned Management System Guideline. Specifically, internal controls involve all levels of Saipem's organisation, from operations and business managers to function and administrative managers. In this organisational context, a very important figure of the internal control system is the risk owner, who carries out line monitoring activities, evaluating the design and operating effectiveness of specific and pervasive controls and producing reports on monitoring activities.

## Bodies involved in the Internal Control and Risk Management System

Saipem is committed to promoting and maintaining an adequate internal control and risk management system consisting of a set of tools, organisational structures, Company rules and regulations aimed at safeguarding the Company's assets, the efficiency and effectiveness of Company operations, the reliability of financial reporting and compliance with the laws and regulations, of the Articles of Association and Company procedures. The structure of Saipem's internal control system constitutes an integral part of the Company's organisational and management model; it involves – with different roles – administrative bodies, supervisory bodies, control bodies, the management and all personnel, and complies with the principles contained in the Code of Ethics and the Corporate Governance Code, the applicable regulations, the relevant 'CoSO Report' framework and national and international best practices.

The main industrial risks that Saipem faces and is actively monitoring and managing are as follows:

- the HSE risk associated with the potential occurrence of accidents, malfunctions, or failures with injury to persons and damage to the environment and impacts on operating and financial results;
- the country risk;
- the project risk associated with the execution phase of engineering and construction contracts undertaken by the Onshore and Offshore E&C Business Units.

Additional information regarding these risks are illustrated in the Annual Report 2013, under the section 'Risk Management'.

The main responsibilities of the internal control and risk management system are entrusted to Saipem bodies and organs equipped with the necessary powers, tools and structures to pursue its objectives.

Saipem is aware that adequate processes for the identification, measurement, management and monitoring of main risks contributes towards ensuring sound and proper Company management in line with the strategic objectives set out by the Board of Directors. Saipem promotes a preventive approach to risk management whereby the management's decisions and activities aim to reduce the probability of negative events occurring and their associated impact. To this end, Saipem adopts risk management strategies according to the nature and type of risk, such as mainly financial and industrial risks in addition to certain strategic and operational risks associated with the specific nature of the Company's operations.

Saipem is committed to guaranteeing the integrity, transparency, fairness and efficiency of its processes through the adoption of adequate tools, rules and regulations in performing activities and exercising powers, and promotes rules of conduct inspired by the general principles of traceability and segregation of activities. Indeed, Saipem's management – also on the basis of the risks managed – established specific control activities and monitoring processes aimed at ensuring the internal control system's efficacy and efficiency over time. In line with this approach, Saipem has long been committed to favouring the development and diffusion of awareness towards internal control issues amongst all the Company's personnel. In this context, Saipem – through an appropriate internal regulation and in compliance with the provisions of the Sarbanes-Oxley Act – manages the receipt (through easily accessible information channels), analysis and processing of notifications it receives from its subsidiaries, even in confidential or anonymous form, relating to internal control issues, financial reporting, the Company's administrative responsibility, fraud or other matters (so-called whistleblowing)<sup>11</sup>.

The internal control system is regularly verified and updated, so as to constantly guarantee its ability to monitor the main risk areas of the Company's activities, in relation to the specific nature of the Company's operational Divisions and organisational structure, and in response to possible changes in the legal and regulatory framework.

[10] Additional information on the Chief Financial and Compliance Officer/Manager responsible for preparing financial reports are provided under its dedicated section.

[11] Saipem fully guarantees the protection of persons that report any issues in good faith, and submits the results of the preliminary investigation to the Company's management and to the relevant control and supervisory bodies.

## The Board of Directors

The Board of Directors plays a key role with regard to internal control matters, as it defines the guidelines of the organisational, management and accounting structure of the Company, its main subsidiaries and the Group as a whole; in this context, after analysing the proposals of the Audit and Risk Committee, the Board determines the nature and level of risk commensurate with the Company's strategic objectives and the guidelines for the internal control and risk management system, so as to guarantee that the major risks affecting the Company and its subsidiaries are identified, measured, managed and monitored. In defining these guidelines, the Board applies the sector regulations and takes into due consideration the reference models and national/international best practices. At their meeting of February 13, 2012, the Board of Directors confirmed its role in guiding and evaluating the adequacy of the internal control and risk management system.

Lastly, the Board assesses – on an annual basis and with the assistance of the Audit and Risk Committee – the adequacy, effectiveness and actual functioning of the internal control and risk management system as a whole, in relation to Saipem's characteristics. During the meeting held on March 14, 2014, the Board of Directors was presented with the following reports:

- Report by the Head of the Internal Audit function dated March 14, 2014 which closes by stating: 'no situation emerged such that caused the Internal Control and Management System to be deemed altogether inadequate on the date of this Report';
- Report by the Audit and Risk Committee dated March 14, 2014 which closes by stating: 'from the bodies and functions responsible for Saipem's internal control and the evidence reported..., no circumstance emerged such that caused the Internal Control and Management System to be deemed altogether unsuitable on the date of this Report';
- Report by the Officer responsible for the preparation of the Company's financial reporting on the evaluation at December 31, 2013 of the internal controls over financial reporting, which closes by stating: 'the internal control system over financial reporting is adequate'.

The Board of Directors has noted the opinions expressed in the aforementioned reports and considered that 'no circumstance emerged such that caused the Internal Control and Management System to be deemed altogether unsuitable'.

## Director responsible for the Internal Control System

At their meeting of April 22, 2009, the Board of Directors had appointed the Deputy Chairman - CEO as the officer responsible for implementing and maintaining a functional internal control system, constantly monitoring its adequacy and operating effectiveness, supported by the Audit Committee, the Internal Audit Senior Vice President and the Head of the Internal Audit department. At their meeting of February 13, 2012, the Board of Directors re-confirmed the Deputy Chairman - CEO as the officer responsible for implementing and maintaining a functional internal control and Risk Management System.

Following the appointment of the new CEO, Umberto Vergine, on December 5, 2012, the Board of Directors, at their next meeting on January 8, 2013, appointed him as the officer responsible for maintaining a functional internal control system, with the support of the Audit and Risk Committee and the Head of Internal Audit.

The CEO identifies the Company's main business risks, taking into account the characteristics of the activities carried out by the Issuer and its subsidiaries and periodically reporting his findings for review by the Board of Directors; implements the guidelines for the internal control and risk management system approved by the Board; and is responsible for amending this system to suit the dynamics of the operating conditions and legislative and regulatory frameworks; provides the Board of Directors with the necessary information to fulfil its responsibilities, explaining the system for the identification, monitoring and management of risks, the relevant procedures, standards and Company departments.

The CEO also has the power to request that the Internal Audit function carry out audits on specific operational areas and/or ascertain adherence to internal corporate procedures, reporting their findings to the Chairman of the Board of Directors, the Chairman of the Audit and Risk Committee and the Chairman of the Board of Statutory Auditors. The Internal Audit function also promptly informs the Board of Directors of problems and critical issues that may emerge while fulfilling its responsibilities or that it became aware of, so that the Board may take appropriate action.

## The Board of Statutory Auditors

The Board of Statutory Auditors, given its role of 'Committee for internal control and auditing' pursuant to Italian Legislative Decree No. 39/2010, supervises:

- compliance with the law and Articles of Association;
- adherence to fair management principles;
- the adequacy of the Company's organisational structure within each area of competence, the suitability of the internal control and risk management system, and the administrative/accounting system, as well as the keeping of accurate accounting records of the Company's operations;
- the implementation of corporate governance regulations contained in the Corporate Governance Code issued by Borsa Italiana to which the Company adheres;
- the adequacy of directions given by the Company to its subsidiaries pursuant to Article 114, paragraph 2 of Legislative Decree No. 58/1998;
- the process of financial reporting;
- the efficiency of the internal control, internal audit and risk management systems;

- the legal audit of annual statutory and consolidated accounts;
- the independence of the external auditors, specifically for the provision of non-audit services to the audited company.

### **Audit and Risk Committee**

The Audit and Risk Committee assists the Board of Directors in fulfilling its responsibilities vis-à-vis the internal control and risk management system. Specifically, it assists in setting guidelines for the internal control and risk management system and periodically checks that it is adequate and operates effectively. The Committee oversees Internal Audit activities and reviews any problems emerging from the internal control and risk management system, with the support of the functions, departments and bodies involved in managing and/or ensuring compliance with the system itself. It also supervises activities related to the approval of periodic financial reports.

### **Senior Vice President responsible for the Internal Audit department**

The Senior Vice President of Internal Audit Gabriel Almandoz was appointed by the Board of Directors, at their meeting of May 29, 2013, at the proposal of the Audit and Risk Committee and based on the indication of the Chief Executive Officer and having consulted the Compensation and Nomination Committee and the Board of Statutory Auditors. The Board of Directors entrusted the CEO with the task of setting the remuneration of the Internal Audit Senior Vice President, in line with Company policy and at the recommendation of the Compensation and Nomination Committee. The Internal Audit Senior Vice President is responsible for overseeing that the Internal Control and Risk Management system is fully operational and effective; he is not responsible for any operative area. The Audit and Risk Committee oversees the functions of the Internal Audit department vis-à-vis the relevant Board of Directors' responsibilities, monitoring and ensuring that these are fulfilled while maintaining the necessary conditions of independence, autonomy, adequacy, effectiveness and efficiency. The Senior Vice President of Internal Audit reports to the Board of Statutory Auditors in its capacity as 'internal control and audit committee' pursuant to Article 19 of Legislative Decree No. 39/2010.

The Internal Audit Senior Vice President has the powers to enter into contracts for consultancy and professional services, having access to adequate funds (up to €750,000 per transaction for contracts with juridical persons and up to €500,000 per transaction for contracts with physical persons – with no budget restrictions).

On March 14, 2014, the Internal Audit Senior Vice President released the annual report on the Internal Control and Risk Management System (covering the period January 1-December 31, 2013, containing information up to the date of issue) and expressed his opinion on its adequacy based on the monitoring activities carried out during the reference period.

In line with the 'Standards for the Professional Practice of Internal Audit' issued by the 'Institute of Internal Auditors', the Internal Audit department is responsible for providing independent and objective activities aimed at promoting efficiency and effectiveness improving measures in the internal control and risk management system and the Company's organisation.

The Internal Audit department assists the Board of Directors, the Audit and Risk Committee and the Company's management in pursuing the objectives of the organisation through a systematic professional approach, aimed at reviewing and improving processes of control, risk management and corporate governance.

Main responsibilities of the Internal Audit department are: (i) ensuring independent monitoring activities provided for by the control system over financial reporting and compliance, as per Law Decree No. 231/2001; (ii) ensuring the assessment and updating of the risk map detailing main company risks in order to plan integrated measures of audits and compliance; (iii) implementing planned and unplanned integrated audits, identifying gaps in the control system and proposing corrective measures; (iv) drawing up an integrated audit report and ensuring that follow-up corrective measures are properly monitored; (v) maintaining relations with the external auditors also for the purposes of managing their contract; (vi) maintaining relations and ensuring proper information flows with the Compliance Committee, the Audit and Risk Committee and the Board of Statutory Auditors; (vii) managing employee notifications and providing support in their evaluation by the relevant corporate bodies.

During the year, the Internal Audit department carried out the Audit Plan approved by the Board of Directors and reported its progress to the Audit and Risk Committee and the Board of Statutory Auditors on a quarterly basis.

The Internal Audit Senior Vice President and the Internal Audit department have full access to data, documents and information required to carry out their duties.

### **Integrated Risk Management**

Board of Directors of Saipem SpA at their meeting of July 30, 2013 approved, with the prior opinion of the Audit and Risk Committee, the 'Integrated Risk Management Principles'. The Integrated Risk Management process (hereafter RMI) includes a systematic and structured risk prevention approach, which through the identification, assessment, management and monitoring process for major risks, contributes to supporting informed decision-making as well as, where possible, transforming the major risks into opportunities and competitive advantage for the Company. Saipem, on the basis of the principles approved by the Board of Directors, developed and implemented the Integrated Risk Management Model, which forms an integral part of the internal control and Risk Management System.

The Integrated Risk Management Model, developed in accordance with international principles and best practices<sup>12</sup>, is intended to provide both a comprehensive and summary vision of company risks, to ensure greater consistency in the methods and instruments supporting

[12] Refer to the CoSO Report.

risk management and to strengthen awareness at all levels that adequate assessment and management of risks of different nature can influence the achievement of Company objectives and affects its value.

The Model comprises of the following elements:

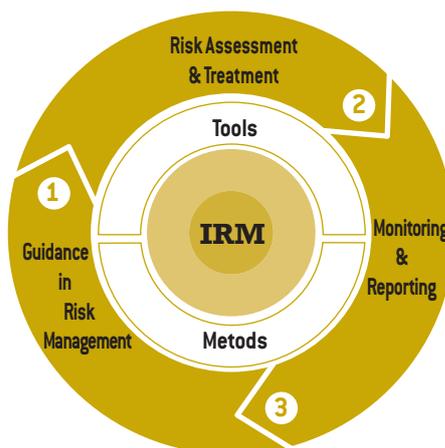
- (i) Risk Governance: the main framework of roles, responsibilities and information flows used in the management of main company risks; for these risks the reference model has roles and responsibilities over three levels of control<sup>13</sup>;
- (ii) Process: all activities through which the various actors identify, measure, represent and monitor main risks which could affect the achievement of Saipem's objectives;
- (iii) Reporting: gathers Risk Assessment findings highlighting main risks in terms of probability and potential impact, and associated treatment plans.

Within the Risk Governance, are the following bodies:

- the Risk Committee, chaired by the CEO and comprised of Saipem's top management, has a consultative role towards the CEO vis-à-vis main company risks;
- the Integrated Risk Management function, which reports directly to the CEO. Among other duties, it: (i) develops tools/methods for the Integrated Risk Management process to identify, measure, represent and monitor the main risks and the associated treatment plans; (ii) presents findings on the main risks and the associated risk treatment plans to the Audit and Risk Committee and, where requested, to other control and overseeing bodies; (iii) identifies, in cooperation with Saipem's business areas and functions, proposals for updating the risk management systems.

The RMI process consists of three sub-processes:

- 1) Guidance in Risk Management;
- 2) Risk Assessment & Treatment;
- 3) Monitoring & Reporting.



With reference to the 'guidance for risk management' sub-process, Saipem's Board of Directors, with the prior opinion of the Audit and Risk Committee, defines the Risk and Internal Control Management System policies so that major risks are correctly identified, as well as correctly measured, managed and monitored. Moreover, Saipem's Board of Directors, as part of its duties and management role, determines, with the prior opinion of the Audit and Risk Committee, the degree of compatibility of such risks with the strategic objectives of the Company. Accordingly, Saipem's Board of Directors examines Saipem's major risks at least every six months, as presented by the CEO, taking into account the characteristics of the Company and specific risk profile of each business area and single process, so as to implement an integrated risk governance policy.

The 'risk assessment & treatment' sub-process defines main risks and associated treatment actions. Depending on the strategic objectives/sub-objectives declined by the Business Area, functions/organisational units are identified that are expected to contribute significantly to their achievement of Saipem's strategic objectives/sub-objectives. Hence, using a top-down approach, the so-called 'Risk Owners' are held responsible for identifying and assessing, managing and monitoring the major risks under their responsibility, as well as any related treatment actions.

Specifically, the risk assessment activity aims at identifying and describing the main events that could affect the achievement of business objectives. It assesses risks that have been identified and provides information on which strategies and measures that need to be implemented to treat them.

[13] The first control level identifies, assesses, evaluates and manages risks within its remit, before identifying and implementing specific treatment measures; the second level monitors main risks to ensure their effective and efficient treatment, it also monitors the adequacy and operations of controls against main risks; the third level provides independent and objective assurance on the adequacy and effective operation of the first and second levels of control.

Finally, following the risk assessment process, the most appropriate strategies are defined on how to avoid, accept, reduce and share such risks. The sub-process 'monitoring & reporting' ensures the monitoring of major risks and the related treatment plans. It also ensures the availability of information regarding major risk management and monitoring at all Company levels.

Specifically, monitoring of risks allows the: (i) identification of the improvement areas and critical issues for the management of major risks; (ii) analysis of these risks trend and identification of any additional treatment, also considering the adjustment and development of risk management models; (iii) timely identification and communication of new risks. Performance of the monitoring activities is documented to ensure its traceability and checking the availability of information and data obtained, as well as their repeatability.

In order to support the Company's decision-making process, periodic risk assessment findings and monitoring data are submitted to the Risk Committee, chaired by the CEO. The latter brings them to the attention of the Board of Directors, so that they may evaluate, at least once a year, the suitability of the Internal Control and Risk Management System based on Saipem's characteristics, risk profile and compatibility with Company objectives, as well as its effectiveness. As part of the IRM process, the CEO, at the Board Meeting of December 23, 2013, presented in detail the main risks faced by Saipem, the outcome of the first risk assessment cycle, which allowed the finalisation of the workings of the new IRM system.

### **Organisational Model, pursuant to Law Decree No. 231/2001**

On March 22, 2004, the Board of Directors approved for the first time the 'Organisational, Management and Control model, pursuant to Law No. 231/2001' and established a Compliance Committee. The Model comprises a comprehensive set of procedures and control processes aimed at preventing the offences detailed in the aforementioned law decree, and subsequent amendments.

In May 2008, the Deputy Chairman - CEO started the process to align Model 231 to the new corporate organisation, which led to the Board of Directors approving the new Organisation, Management and Control Model 231/2001 on July 14, 2008.

The new Organisation, Management and Control Model denominated 'Model 231/2001 (includes the Code of Ethics)' – hereafter Model 231 – now encloses the Code of Ethics, which replaces the Code of Practice and is a mandatory general principle of Model 231 itself<sup>14</sup>.

Model 231 is continuously updated to implement new legislative provisions, as stated in Chapter 7 of the Model itself. Implementation programmes were launched by Team 231, specific multi-functional teams established by Saipem's CEO. These focused on:

- July 14, 2008 - inclusion of the following offences: 'manslaughter and serious or very serious injuries arising out of the breach of accident prevention laws and regulations as well as laws and regulations on health protection at work, pursuant to Article 25-septies of Legislative Decree No. 231/2001;
- October 27, 2010 - inclusion of the following offences: 'computer crimes and unlawful data processing' pursuant to Article 24-bis of Legislative Decree No. 231/2001;
- April 23, 2013 - inclusion of the following offences:
  - so-called 'offences 2009': 'organised crimes; forgery of money, credit cards, revenue stamps and tools or identifying marks; crimes against industry and commerce; infringements of copyright; induction not to make statements or to make false statements to judicial authorities';
  - 'crimes against the environment';
  - 'crimes of corruption, even between private individuals, and other crimes against Public Officials'
  - 'recruitment of illegally resident third-country nationals';
  - 'protection against child prostitution and child labour exploitation'.

Besides updating the application scope of Model 231<sup>15</sup>, other activities were carried out: a risk assessment and gap analysis were performed in order to adjust the Model to reflect the adoption of the document 'Sensitive Activities and Specific Control Standards of Model 231' issued by Eni SpA.

In March 2013, the risk assessment and gap analysis activities relating to 'crimes against the environment' were completed, whilst those relating to the so-called 'offences 2009' are nearing completion. Furthermore, the Team 231 appointed on March 1, 2013, began sourcing a consulting company that will carry out the implementation project.

The Boards of Directors of all subsidiaries have adopted their own Organisational, Managerial and Control Models, containing the Code of Ethics, and also setting up their own Compliance Committee.

The Compliance Committee is also the Guarantor of the Code of Ethics and reports on the implementation of Model 231 and/or critical issues that may have arisen and informs on the outcome of activities carried out as part of their remit. The Compliance Committee reports as follows: on an ongoing basis to the CEO, who informs the Board of Directors as part of the duty of disclosure of delegate powers; six-monthly to the Board of Directors, to the Audit and Risk Committee and to the Board of Statutory Auditors; in this case a Six-Monthly Report is produced detailing activities and audits carried out during the period as well as new legislative provisions in matters concerning the administrative liability of legal entities.

In 2013, the Compliance Committee convened on twenty occasions and: (i) received constant updates on developments of ongoing proceedings against Saipem SpA, and 231 proceedings in particular; (ii) promoted and monitored all initiatives aimed at Saipem SpA employees to ensure adequate knowledge of the Model; (iii) it defined the Compliance Programme for the year and ensured that it was

[14] The document 'Model 231/2001 (includes the Code of Ethics)' is published on Saipem's website [www.saipem.com](http://www.saipem.com) in the 'Corporate Governance' section.

[15] Please refer to note on page 4 of Model 231.

implemented alongside the scheduled and ad-hoc control activities; (iv) monitored the updating of Model 231; (v) co-ordinated and maintained communication channels with the Compliance Committee.

### Anti-corruption procedures

In line with the values that underpin Saipem's activities, namely its ability to conduct business ethically, with loyalty, fairness, transparency, honesty and integrity and its respect for, and compliance with the laws, the Board of Directors on February 10, 2010 approved the adoption of additional detailed internal procedures aimed at preventing the corruption of both Italian and foreign public officials, by improving the current compliance system. Specifically, the Board adopted the 'Anti-Corruption Compliance Guideline' and associated procedures entitled 'Intermediary Agreements' and 'Joint Venture Agreements - Prevention of Illegal Activity'. These documents refer to international conventions on anti-corruption and are also in line with international best practices. These procedures were approved by the Board of Directors of all Saipem subsidiaries; at associated companies, Saipem's representatives on the Boards of Directors informed that these anti-corruption procedures had been adopted at corporate level and formally requested that the principles contained therein be adopted through similar ad-hoc procedures.

Furthermore, Saipem set up an internal Anti-corruption Legal Support Unit to provide Saipem employees with legal support in matters of Anti-corruption.

On April 23, 2012, following a review of internal existing regulation and the issue of new anti-corruption legislation, Saipem's Board of Directors approved a new procedure, the Management System Guideline 'Anti-corruption', which annuls and replaces the aforementioned 'Anti-Corruption Compliance Guideline'. The Management System Guideline 'Anti-corruption' has been adopted by all Saipem subsidiaries through a Board of Directors' resolution.

As part of the updating process to achieve compliance vis-à-vis anti-corruption legislation, and following the adoption of the new Management System Guideline, the following Corporate Standards were also reviewed and updated 'Intermediary Agreements'<sup>16</sup> and 'Joint Venture Agreements - Prevention of illegal activity'<sup>17</sup>, which contained new detailed procedures relating to the follow-up and renewal of due diligence processes.

Saipem's compliance and corporate governance systems in terms of anti-corruption regulations also involves other procedures and regulatory tools (in addition to the ones mentioned above) relating to areas and subjects that are particularly prone to the risk of corruption. Specifically, the following procedures were issued and/or revisited:

- Management System Guideline - Legal;
- 'Standard contractual clauses concerning the administrative liability of legal entities for unlawful administrative acts deriving from offences';
- 'Authorisation and control of sales or acquisitions of participations, companies or company branches';
- 'Entertainment expenses';
- 'Charitable donations and sponsorships';
- 'Notifications received by Saipem and its subsidiaries';
- 'Third-party consultancy, supply and professional services';
- 'General Accounting';
- 'Management of Relations with Local Authorities on Tax Matters and of Foreign Tax Disputes';
- 'Procurement';
- 'Selection and appointment of Brokers and Insurance Companies';
- 'Human Resources';
- 'Labour Disputes in Italy: appointment of external legal representatives and management of disputes';
- 'Missions of management personnel';
- 'Missions of non-management personnel'.

Some of these procedures are currently being reviewed in light of the principles and updates contained in the aforementioned Anti-corruption Management System Guideline.

### External Auditors

The legal audit of Saipem's financial statements is entrusted – pursuant to the law – to an External Audit Company registered in the Consob special registry and appointed by the Shareholders' Meeting, upon a reasoned proposal by the Board of Statutory Auditors. The current external auditors are Reconta Ernst & Young SpA, whose mandate was approved by the Shareholders' Meeting of April 26, 2010, for the financial years 2010-2018.

The financial statements of subsidiary companies are also subject to audit; these are carried out mostly by Ernst & Young.

With regard to the opinion on the consolidated financial statements, Ernst & Young is responsible for the audits carried out at subsidiary companies by other external auditors, which are immaterial in terms of consolidated assets and turnover.

The external auditors have full access to data, documents and information required to carry out their duties.

[16] Revision 4 issued on September 5, 2012.

[17] Revision 2 issued on July 31, 2012.

### **Officer responsible for preparing the Company's financial reports**

Pursuant to Article 21 of Articles of Association and Article 154-*bis* of Law No. 58/1998, the Board of Directors, having heard the opinion of the Board of Statutory Auditors and at the Chairman's proposal, appoints an Officer responsible for preparing the Company's financial reports, selected from individuals who have carried out the following for at least three years:

- a) administrative and control activities in a managerial capacity at listed companies with a share capital exceeding €1 million, in Italy, in other European Union or OCSE member states; or
- b) legal audits at the companies, under letter a); or
- c) having had a professional position in the field of or a university professor teaching finances or accounting; or
- d) a management position at public or private companies with financial, accounting or control responsibilities.

The Board of Directors ensures that the Officer responsible for preparing the Company's financial reports is granted adequate powers and has sufficient means to carry out his/her duties; the Board also ascertains that the administrative and accounting procedures are adhered to. The Officer responsible for preparing the Company's financial reports has the power to sign contracts, should he deem it necessary, for the provision of intellectual work and professional services up to the sum of €750,000 per contract, without budget restrictions.

The Board of Directors at their meeting of December 6, 2013, having received the positive opinion of the Board of Statutory Auditors and positive assessment from the Compensation and Nomination Committee, appointed Alberto Chiarini, Saipem's Chief Financial and Compliance Officer (CFCO), as the Officer responsible for preparing the Company's financial reports, pursuant to Article 154-*bis* of Law No. 58/1998. He replaced Stefano Goberti. The Board of Directors ascertained that Mr. Chiarini met the criteria of professional competence and good repute required by the Articles of Association, which are reviewed annually.

### **Coordination of bodies involved in the Internal Control and Risk Management System**

The Board of Directors appointed the CEO as the person responsible to set up, maintain and co-ordinate an efficient internal control system, and ensure its constant adequacy and efficiency with the support of the 'Committee for internal control and auditing' and the Senior Vice President for Internal Audit. The CEO implements the guidelines approved by the Board of Directors on matters concerning the Internal Control and Risk Management System.

The CEO has the power to request that the Internal Audit department carry out audits on specific areas of operation, and ensure adherence to internal regulations and procedures involving Company transactions and operations; of this, he notifies the Chairman of the Board of Directors, the Chairman of the Audit and Risk Committee and the Chairman of the Board of Statutory Auditors and reports promptly to the Board of Directors any critical issues or problems that emerged during this activity or that he has become aware of, so that the Board of Directors may take appropriate action.

The Senior Vice President for Internal Audit and the Audit and Risk Committee, made up of three non-executive independent members of the Board of Directors, have a pivotal role in the coordination of bodies involved in the Internal Control and Risk Management System. Specifically, meetings of the Audit and Risk Committees are attended by the Chairman of the Board of Statutory Auditors, or other Statutory Auditor designated by the latter. The CEO may also attend these meetings. The Senior Vice President for Internal Audit acts as the Secretary and supports the Audit and Risk Committee in performing its duties.

To ensure that information is sent to the Committee and to allow it to carry out suitable preparatory activities and report directly to the Board of Directors:

- periodic meetings (at least half-yearly) are held with Saipem's CEO, COO and Executive Committee; the CEO promptly notifies the Committee of any critical issues or problems that he may become aware of during his supervision of the Internal Control and Risk Management System;
- the CFCO (Officer responsible for the Company's financial reporting) participates in all meetings;
- meetings are held with the COO and Saipem's management, including the CFCO, during which information is provided regarding:
  - (i) measures undertaken to address issues which have emerged from monitoring activities (carried out by the Management and the Internal Audit department), the status of progress for improvement measures, if any, implemented to the Internal Control and Risk Management System;
  - (ii) specific aspects of the Internal Control and Risk Management System for relevant areas.

The Committee also ensures that information is promptly shared with the Board of Statutory Auditors so that work within their respective remit can be attended to and common work can be coordinated properly.

The Committee is informed of the implementation of Reports issued pursuant to Compliance and/or Governance Models, adopted on the basis of applicable laws and regulations. It also receives: risk reports, certificates attesting to the adequacy of the Regulation System issued by the Process Owners, reviews of the HSE model, and other documents provided for by the Company's procedures, in addition to the overall evaluation of the Internal Control and Risk Management System from the Internal Audit department.

The Audit and Risk Committee reports to the Board of Directors, at least half-yearly, regarding the work performed and the adequacy of the Internal Control and Risk Management System.

The main duties of the Internal Audit department include maintaining relations with the external auditors and ensuring that information is shared with the Compliance Committee, the Audit and Risk Committee and the Board of Statutory Auditors. The Audit and Risk Committee oversees the Internal Audit department.

## The Shareholders' Meeting

The Shareholders' Meeting represents the institutional meeting point of the Company's management and its Shareholders. At these meetings, Shareholders may ask questions pertaining to items on the agenda or the Company's management at large. The information provided shall comply with the provisions applicable to inside information.

The functions of the ordinary Shareholders' Meeting are regulated by Article 2364 of the Italian Civil Code; these are: (i) approving the Annual Financial Report; (ii) appointing and dismissing Board Directors, and determining their number within the limits set forth in the Articles of Association; (iii) appointing the Statutory Auditors and the Chairman of the Board of Statutory Auditors; (iv) appointing the external auditors, at the reasoned proposal of the Board of Statutory Auditors; (v) setting the remuneration of Board Directors and Statutory Auditors according to the law; (vi) deliberating on the responsibility of Board Directors and Statutory Auditors; (vii) deliberating on any other issues ascribed to it by the law; (viii) approving the Shareholders' Meeting Regulations. The functions of the extraordinary Shareholders' Meeting are regulated by Article 2365, paragraph 2, of the Italian Civil Code; these are: deliberating on amendments to the Articles of Association and on extraordinary transactions such as, for example, capital increases, mergers and demergers, excluding the matters for which the Board of Directors is responsible in accordance with Article 20 of the Articles of Association.

To promote Shareholder attendance, a notice of Shareholders' Meeting is also published on the Company's website. The Shareholders' Meeting of January 30, 2001 approved the Shareholders' Meetings regulations (posted on Saipem's website [www.saipem.com](http://www.saipem.com)) to ensure smooth and effective meetings proceedings and, specifically, to safeguard every Shareholder's right to intervene on items under discussion. The Extraordinary Shareholders' Meeting of April 30, 2007 had approved the amendments to the Company's Articles of Association in order to comply with the provisions of Law No. 262/2005 on protection of investors and had granted the Board of Directors the power to approve amendments to the Articles of Association if required by law.

On December 13, 2010, the Board of Directors approved amendments to the Articles of Association in compliance with the new provisions of law in terms of Shareholders' rights (Law Decree No. 27 of January 27, 2010).

Specifically, they provide that the Annual General Meeting be called through publication on the Company's website in addition to all other methods set forth in Consob Regulations and in compliance with the law and current legislation.

The legitimate attendance at Shareholders' meetings and the exercise of voting rights is confirmed by a statement to the Company from the accredited intermediary in compliance with his/her accounting records, on behalf of the Shareholder entitled to vote.

This statement is based on the intermediary accounting records registered at the end of the seventh trading day prior to the date of the Shareholders' Meeting on first call. Credit and debit records after this deadline shall not be considered for the purpose of legitimising the exercise of voting rights at the Shareholders' Meeting. Statements issued by the intermediaries must reach the Company by the end of the third trading day prior to the Shareholders' Meeting on first call.

Shareholders who, solely or jointly, represent at least one fortieth of the share capital may request, within ten days from publication of the calling of the Shareholders' Meeting, detailing items they wish to be added to the meeting agenda.

Shareholders entitled to vote may delegate others to represent them at the Shareholders' Meeting pursuant to the law; to do so, they must present a request either in writing or electronically. The electronic proxy can be filled in on Saipem's website and sent via certified e-mail, under the terms advised in the notice of Shareholders' Meeting and in compliance with current legislation and regulations.

At the proposal of the Board of Directors put forward at their meeting of March 8, 2011, the Extraordinary Shareholders' Meeting on May 4, 2011 approved amendments to the Articles of Association relating to Shareholders' rights, i.e. amendments of a non-normative nature pursuant to Law Decree No. 27 of January 27, 2010, which assign the Company a right of choice.

Specifically, these amendments concern the opportunity to hold ordinary and extraordinary Shareholders' meetings in single call (Articles 12, 13 and 19 of Articles of Association), the opportunity to provide in the notice of meeting the option to participate in the Shareholders' Meeting remotely and cast votes electronically (Article 13 of Articles of Association), and the power to appoint a Shareholders' representative (Article 13 of Articles of Association), upon whom Shareholders may confer a proxy, with voting instructions on all or a number of items on the agenda, by the second trading day prior to the date established on first call of the Shareholders' Meeting. The proxy is conferred by signing a proxy form, the content of which is governed by Consob regulation. Pursuant to Article 135-*undecies* of Law No. 59/1998, for the 2013 General Shareholders' Meeting, the Company appointed Mr. Dario Trevisan as Shareholders' Representative, whom the Shareholders may confer a proxy free of charge with voting instructions on one or more proposal on the agenda.

At their meeting of March 13, 2013, the Board of Directors amended the Articles of Association, specifically Articles 11, 13 and 19, to reflect the new provisions of Law Decree dated June 18, 2012 (so-called 'Corrective Decree') which in turn amended Law Decree No. 27 of January 27, 2010 (implementing EU Directive on 'Shareholders' Rights'). Now Shareholders representing at least one fortieth of the share capital may submit resolution proposals on items already on the General Shareholders' Meeting agenda, under the same terms and deadlines currently used for presenting additions to the meeting agenda (Article 126-*bis* of Law No. 58/1998). These amendments are of a purely normative nature and can be approved by the Board of Directors pursuant to Article 20 of Articles of Association and Article 2365, paragraph 2, of the Italian Civil Code.

At the Shareholders' Meeting called to approve the financial statements, the Board of Directors reports on activities that occurred during the year, both through reports in the financial statements, made public prior to the meeting through methods as provided by the law and current regulations, and by answering questions and requests for clarification posed by the Shareholders.

At the Shareholders' Meeting, votes are cast using remote controls, which facilitate the Shareholders in exercising their rights and ensure that the voting results are immediately available.

At the proposal of the Board of Directors of March 13, 2012, the Extraordinary Shareholders' Meeting of April 27, 2012 approved amendments to the Company's Articles of Association required to comply with new regulations aimed at promoting gender balance in Boards of Directors and Control Bodies of listed companies (Law No. 120 of July 12, 2011, and Consob Regulation No. 18098 of February 8, 2012). Articles 19 and 27 were amended and new Article 31 added.

The General Shareholders' Meeting of April 30, 2013 was attended by the Chairman Alberto Meomartini, the CEO Umberto Vergine, the Deputy CEO Hugh James O'Donnell, and the Directors Nicola Greco and Mauro Sacchetto.

The Director Nicola Greco, in his capacity as member of the Compensation and Nomination Committee, illustrated to the Shareholders present the methods used by the Committee to exercise its functions.

## The Board of Statutory Auditors<sup>18</sup>

### Composition and functions of the Board of Statutory Auditors

The Board of Statutory Auditors, pursuant to Article 149 of Law Decree No. 58/1998, monitors: compliance to the law and the Articles of Association; that management principles are correctly adhered to; the adequacy of the Company organisational structure, the internal control system and the administrative/accounting system, and the reliability of the latter to clearly reflect the Company's position; the implementation of corporate governance regulations contained in the Codes of Practice issued by Stock Exchange management companies and/or professional associations, which the Company has made a public declaration to adhere to; the adequacy of directions given by the Company to its subsidiaries. The Board of Statutory Auditors, in its capacity as the Committee for Internal Audit and the Audit of accounts, carries out the duties provided in Article 19 of Legislative Decree No. 39/2010. Pursuant to the latter, the Board of Statutory Auditors submits a documented proposal to the Shareholders' Meeting concerning the granting of auditing responsibilities as well as remuneration for the external auditors, and, in case of revocation of the external auditors' mandate by the Shareholders' Meeting, must be consulted in advance. Whenever a Statutory Auditor has a vested interest, on his own or a third party's behalf, in a certain transaction entered into by the Issuer, they shall promptly inform the other Statutory Auditors and the Chairman of the Board of Directors detailing the nature, terms, origin and size of their interests. As part of their remit, Statutory Auditors may ask the Internal Audit department to audit specific areas of business and/or Company operations. The Board of Statutory Auditors and the Audit and Risk Committee exchange can rely on a timely and prompt exchange of information they deem relevant in the fulfilment of their duties.

The Board comprises three Statutory Auditors and two Alternate Auditors, appointed by the Shareholders on May 4, 2011. The term of office for Statutory Auditors is three years and will expire at the Shareholders' Meeting called to approve the Financial Statements at December 31, 2013.

Pursuant to Article 27 of the Articles of Association, Statutory Auditors are appointed from voting lists; one Statutory Auditor and one Alternate Auditor are appointed from the list put forward by the minority Shareholders. The filing, presentation and publication of lists are governed by Article 19 of Articles of Association and Consob regulations vis-à-vis appointments of management and control bodies, the same regulations governing the appointment of members of the Board of Directors.

Lists are structured in two sections: the first comprises candidates for the office of Statutory Auditor, the second candidates for the office of Alternate Auditor. Lists that, considering both sections, present three or more candidates for the appointment of the majority of members to the Board of Statutory Auditors, must include, in the list of Statutory Auditors, candidates of both genders in order to comply with current gender balance legislation. Should the Alternate Auditors' section feature two candidates, these will have to be of different genders.

Two Statutory Auditors and one Alternate Auditor are selected from the list which receives the majority of votes. The remaining Statutory Auditor and Alternate Auditor are selected by allocating each candidate a ratio, obtained by dividing the votes received by each list by the progressive number of Statutory Auditors still to be appointed. In the event that more than one candidate obtains the same ratio, the candidate on the list with no Auditors yet appointed or on the list with the lowest number of Auditors appointed will be elected. If these lists have yet to elect a Statutory Auditor, or if they have already appointed an equal number of Auditors, the candidate on the list with the highest number of votes will be appointed. In the case of another tie, the Shareholders' Meeting will vote again, but only amongst the candidates under ballot, and the candidate who receives the majority of votes will be elected.

The Shareholders' Meeting appoints the Chairman of the Board of Statutory Auditors from the list put forward by the minority Shareholders. Should the procedure for the appointment of Statutory Auditors fail to meet the requirements of regulations on gender balance, the ratio of votes is calculated for each candidate taken from the Statutory Auditors sections of the various lists, by dividing the votes received by each list by the order number of each candidate. The candidate of the most represented gender with the lowest ratio amongst candidates from all lists is replaced, by the candidate from the least represented gender with the higher order number in the same Statutory Auditors section of the list of the replaced candidate, or in the Alternate Auditors section of the same list of the replaced candidate (in this case, the latter replaces as Alternate Auditor who took his place). If by doing so the gender balance legislation is still not met, the candidate is replaced by a person appointed by the Shareholders' Meeting through a majority vote as required by law, so as to ensure that the composition of the

[18] The professional résumés of Statutory Auditors are published on Saipem's website [www.saipem.com](http://www.saipem.com) under the section 'Corporate Governance'.

Board of Statutory Auditors is compliant with the law and the Articles of Association. If candidates from different lists obtained the same ratio, the candidate from the list which has appointed the greater number of Statutory Auditors is replaced, or the candidate from the list that obtained the fewest votes, or, if votes are equal, the candidate who obtains the fewest votes by the Shareholders' Meeting in an ad-hoc ballot. If, for any reason, Statutory Auditors cannot be appointed by the aforementioned procedures, the Shareholders' Meeting shall see to the appointments through a majority vote as required by law, so as to ensure that the composition of the Board of Statutory Auditors is compliant with the law and the Articles of Association.

In the event of the replacement of an Auditor from the list that has received the majority of votes, the Alternate Auditor from the same list fills the vacant position; in the event of a replacement of an Auditor from other lists, the Alternate Auditor from those lists fills the vacant position. If the replacement fails to meet gender balance requirements, the Shareholders' Meeting must be called promptly to ensure compliance with this legislation.

This voting procedure from lists is only applicable whenever the entire Board of Statutory Auditors is replaced.

Pursuant to Article 144-*quater*, letter *b*) of Issuers' Regulations, lists may be presented by Shareholders who, individually or with others, hold shares amounting at least to 1% of the share capital.

Lists enclose declarations by each candidate stating that they meet the integrity and independence requirements (see Article 148, paragraph 3 of Law No. 58/1998) provided by law alongside their professional résumé.

The Shareholders' Meeting convened on May 4, 2011, appointed a new Board of Auditors comprising of the Chairman Mario Busso, the Statutory Auditors Fabrizio Gardi and Adriano Propersi and the Alternate Auditors Giulio Gamba and Paolo Sfameni. On December 6, 2011 the Alternate Auditor Giulio Gamba, following the death of Fabrizio Gardi, had taken over the office of Statutory Auditor. The General Shareholders' Meeting held on April 27, 2012, in compliance with regulations on gender balance in Boards of Directors and Control Bodies of listed companies (Law No. 120 of July 12, 2011, and Consob Regulation No. 18098 of February 8, 2012) effective from August 12, 2012, through amendments of Articles 19 and 27 of Articles of Association and the introduction of Article 31 (transitory clause), appointed Anna Gervasoni as Statutory Auditor and Giulio Gamba as Alternate Auditor.

Article 27 of the Articles of Association states that Statutory Auditors must be in possession of the requisites as per current legislation, in particular Decree No. 162/2000; in compliance with the decree, the Articles of Association provide that the following fields are pertinent to the Company's activities: commercial law, business administration and management, the engineering and geology sectors. All of Saipem's Statutory Auditors are members of the Register of Certified Auditors.

In compliance with the provision of the Corporate Governance Code aimed at ensuring that Statutory Auditors meet the independence requirements following their appointment (a similar provision applies also to Board Directors), the Board of Statutory Auditors assesses annually, through their own declarations, that all its members meet the independence requirements.

Statutory Auditors are provided in advance with documents pertaining to items to be discussed and/or resolved on at Board meetings.

For this purpose, amongst others, the Board of Statutory Auditors has a Secretary. This role was held by Alessandro Riva, who is currently responsible for Saipem Integrated Risk Management project. In 2013, he was replaced by Simone Negri, a Saipem employee.

The Board of Statutory Auditors ensured the independence of the external auditors, ascertaining that they met all legal requirements and evaluating the nature and size of services other than accounting audits they provided to the Company and its subsidiaries directly, or through associated companies.

The Board of Statutory Auditors liaised closely with the Internal Audit department and the Audit and Risk Committee, attending Committee meetings and inviting the Internal Audit Senior Vice President to its own meetings.

The Chairman of the Board of Statutory Auditors attends the meetings of the Compensation and Nomination Committee.

Meetings of the Board of Statutory Auditors may be held via video or tele-conference link.

The Board of Statutory Auditors of Saipem SpA convened 45 times during 2013, with meetings lasting on average 3 hours and 42 minutes. Meetings were attended by an average of 89% of Statutory Auditors, while Board meetings were attended by an average of 94% of Statutory Auditors.

In 2014, as of the date of this report, the Board of Statutory Auditors has already met on five occasions.

Main activities carried out by the Board of Statutory Auditors in 2013 included:

- review of the Integrated Risk Assessment System organised by the Internal Audit function;
- approval of the Annual Audit Plan;
- review and evaluation of results of Internal Audit activities;
- meetings with the Company's top financial managers, the partner of the external Auditors to review the main items of the 2012 and 2013 financial statements;
- periodic exchange of information with the external Auditors;
- periodic exchange of information and coordination with Eni's Audit department, since Saipem is subject to Eni's direction and control;
- monitoring the development of the Internal Audit operating module;
- acknowledging the measures implemented by the Company to comply with Law Decree No. 231/2001, paying particular attention to the compliance, training and analysis of sensitive processes;
- in-depth review of the risk assessment and management within the Saipem Group and monitoring the implementation of the Integrated Risk Management project;

- acknowledging the organisational structure and power allocation at the basis of the decision-making process within the Saipem Group;
- monitoring the measures undertaken by the Company to adjust accounting processes in accordance with IFRS;
- profile evaluation of the candidate for the role of Officer responsible for preparing the Company's financial reports and of Chief Financial and Compliance Officer of Saipem;
- checking that the Internal Audit Senior Vice President continues to meet the integrity, professionalism, competence and independence requirements;
- evaluating the performance and adequacy of the fixed and variable remuneration structure of the Internal Audit Senior Vice President;
- analysis, at least quarterly, of reports of issues, even in confidential or anonymous form (whistle blowing), that are received by Saipem, assessing their contents and proposed corrective measures;
- carrying out, with the support of an external consultant, a gap analysis of the internal audit and risk management system against the Corporate Governance Code, to find possible areas of action and improvement;
- reviewing a new Company procedures related to the management of judicial proceedings;
- monitoring the Company's review of the structure of some anti-corruption procedures;
- reviewing the Company's new procedure for whistleblowing notifications;
- monitoring the Company's procedure on related parties' transactions;
- driving and monitoring initiatives launched by the Company related to the corporate governance of non-Italian subsidiaries;
- constant monitoring of additional initiatives launched by the Company related to the corporate governance and internal control of the Saipem Group;
- implementing a continuous flow of information with Consob vis-à-vis the controls put in place by the Board of Statutory Auditors;
- constant monitoring of ongoing judicial proceedings and internal audits put in place by the Company, even with the support of external consultants where necessary<sup>19</sup>.

Pursuant to Article 27 of the Articles of Association, Statutory Auditors may hold positions as members of administrative and control bodies at other companies; however, these are limited by Consob's Issuers' Regulations, Article 144-*terdecies*. In any case, pursuant to the aforementioned regulation, candidates already holding the office of Statutory Auditor at five listed companies may not be appointed as Auditors, and if elected, shall forfeit their office.

Fabrizio Gardi (replaced by Anna Gervasoni), Adriano Propersi (Statutory Auditors) and Giulio Gamba (Alternate Auditor) had been nominated by Eni SpA, obtaining 49.08% of voting capital; Mario Busso (Chairman) and Paolo Sfameni (Alternate Auditor) had been nominated by institutional investors, obtaining 28.44% of voting capital.

Based on information received, we list hereafter the other offices (as Board Directors or Statutory Auditor) held by Saipem's Statutory Auditors in other companies.

#### *Mario Busso (Chairman)*

Chairman of the Board of Statutory Auditors of 'ERSEL Sim SpA', 'Tubiflex SpA', 'Quasar SpA', 'Fondazione PAIDEIA', 'Fondazione Renzo Giubergia'; Statutory Auditor of 'ERSEL Investimenti SpA', 'Permico SpA', 'Millbo SpA', 'Sporting Circolo della Stampa'; Alternate Auditor of 'Mediobanca SpA' (listed company), 'Sicme SpA', Chairman and Treasurer of ERotary Torino N.O.¹.

#### *Anna Gervasoni (Statutory Auditor)*

Board Director of 'Banca Generali SpA' (listed company); Independent Director of 'SOL SpA' (listed company), of 'Fondo Italiano d'Investimento'; General Manager of the Italian Private Equity and Venture Capital Association 'AIFI'; Member of the Advisory Board of 'Borsa Italiana SpA'; Member of the Board of Auditors of 'Eni Foundation'; Director of 'Centro di Ricerca sui Trasporti e le Infrastrutture (CRMT)'; Member of the result evaluation body of the Foundation at 'Museo della Scienza e della Tecnologia Leonardo Da Vinci', of the Scientific Committee for the Annual Report of the Italian Financial System of 'Fondazione Rosselli', of 'Consulta Politecnico di Torino - Sistema Socio-Economico'.

#### *Adriano Propersi (Statutory Auditor)*

Chairman of the Board of Directors of 'IMI Fabi SpA'; Board Director of 'Banca Popolare di Sondrio' (listed company); Chairman of the Board of Statutory Auditors of 'Tecnocasa Franchising SpA', 'Tecnocasa Partecipazioni SpA', 'Kiron Partners SpA', 'Tecnimedia Srl', 'Trade & Partners SpA', 'La Ducale SpA', 'Immobiliare Giulini SpA', 'BEA Ingranaggi SpA', 'Accademia SpA', 'Sviluppo Chimica SpA', 'Miba Srl'; Statutory Auditor of 'Feem Servizi Srl', 'Atlas Copco BLM Srl', 'Roseto Srl', 'Abac Aria Compressa SpA', 'Fondazione San Carlo Onlus'.

#### *Giulio Gamba (Alternate Auditor)*

Chairman of the Board of Statutory Auditors of 'Pasubio Group SpA', 'IFM Ferrara SCpA' and 'Servizi Porto Marghera Scarl'; Statutory Auditor of 'Venezia Tecnologie SpA', 'VEGA Parco Scientifico-Tecnologico di Venezia Scarl'; Single Auditor of 'EZI Inspection Srl'; Alternate Auditor of 'Syndial SpA' and 'F.lli Mazzon SpA'.

[19] See the 'Directors' Report' in the Annual Report 2013.

*Paolo Sfameni (Alternate Auditor)*

Board Director of 'Investitori SGR SpA' - Allianz Group, of 'Allianz Bank Financial Advisors SpA' - Allianz Group, of 'Italmobiliare SpA' (listed company); Statutory Auditor of 'Pirelli & Tyre SpA', 'La Fenice Srl'; Member of the Editorial Committee of 'Rivista delle società', of 'Rivista di diritto pubblico comparato' and of 'Rivista di diritto societario'; Academic Member of the European Corporate Governance Institute.

## Directors' interests and transactions with related parties

In order to implement Article 2391-*bis* of the Italian Civil Code, Consob approved a Regulation on March 12, 2010 which obliged listed companies to adopt procedures not later than December 1, 2010 aimed at guaranteeing full transparency as well as procedural and effective fairness for transactions with related parties.

Also in light of the recommendations of the Corporate Governance Code issued by Borsa Italiana SpA, on November 24, 2010, Saipem's Board of Directors unanimously approved the procedure 'Interests held by Board Directors and Statutory Auditors and transactions with related parties', effective from January 1, 2011. This procedure supersedes the procedure 'Code of Practice Regulating Operations with Related Parties' approved by the Board of Directors on July 7, 2003.

The Audit and Risk Committee, comprised wholly of independent Directors pursuant to the Corporate Governance Code and the aforementioned Regulation, have expressed a preliminary opinion in favour of the adoption of this procedure.

This largely reflects the definitions and provisions of Consob Regulation: transactions with related parties have been divided into transactions of greater importance, transactions of lesser importance, and exempted transactions, with different procedures to be followed based on the type and relevance of transactions.

Specifically, the Board of Directors reserves the right to approve transactions of greater importance, subject to the Audit and Risk Committee being in favour, having been involved in negotiations and having received complete and timely information. The Audit and Risk Committee expresses a reasoned, albeit not binding opinion on the interest the Company may have in a transaction and the expedience and substantial fairness of its terms.

The Board of Directors, having consulted the Audit and Risk Committee, has also identified Transactions of smaller amounts, which are excluded from the procedure, as well as other types of transactions, which, due to the nature of the revenue and/or cost, are deemed to be Regular Transactions as they were completed in market-equivalent or standard terms and therefore are excluded from the procedure even if they are not of lesser amounts.

This procedure attributes a major role to independent Directors, as members of the Audit and Risk Committee and the Compensation and Nomination Committee, in matters of remuneration.

Also in terms of the duty of information to the public, Saipem's procedure reflects the provisions of Consob Regulation in full.

On March 13, 2012, the Board of Directors issued Revision 2<sup>20</sup> of the procedure by way of updating it after its first year of application and taking into account the ensuing operational requirements.

The new procedure defines timeframes, responsibilities and verification tools by the interested resources, in addition to the flows of information required for the correct application of the procedure.

A specific discipline was added for those transactions in which a Director or Statutory Auditor hold a vested interest, on their own or third party's behalf.

Specifically, it details the checks and evaluations required in the preparatory and approval stages, as well as the reasons for the transactions involving a vested interest by a Director or a Statutory Auditor, notwithstanding the requirement of a reasoned opinion issued by the Audit and Risk Committee, when a transaction requires approval by the Board of Directors.

Board Directors, Statutory Auditors, General Managers and senior managers with strategic responsibilities declare every six months all transactions they may have entered into involving Saipem SpA and/or its subsidiaries, either directly or through a third party, in compliance with IAS 24. They also declare potential significant relations for the purposes of the identification of related parties (for instance, close relatives).

Amounts of transactions of a commercial, financial or other nature with related parties, a description of the most relevant types of transaction, their incidence on the balance sheet, income statement and financial flows are detailed in the consolidated and statutory financial statements of Saipem SpA.

Board Directors and Statutory Auditors declare, every six months or sooner in the event of changes, any potential interests they may hold towards the Company and the Group.

In 2013, the Chairman provided periodical updates to the Board of Directors and the Board of Statutory Auditors of transactions entered into with related parties.

On December 11, 2013, the Board of Directors of Saipem SpA resolved to sell the division Firenze FPSO (Floating Production Storage and Offloading) to Eni SpA for €336 million. This agreement provides for the sale of the division Firenze FPSO to a newly-incorporated company, Floaters SpA, and the subsequent sale of its entire share capital to Eni.

[20] The procedure 'Transactions involving interests by Board Directors and Statutory Auditors and transactions with related parties' is published on Saipem's website [www.saipem.com](http://www.saipem.com) under the section 'Corporate Governance'.

In view of the size of this transaction and the fact that the counterparty is Eni, which exercises direction and control over Saipem, this agreement is considered a transaction of greater importance with a related party pursuant to the procedure as per Consob Regulations in terms of transactions with related parties. As such, this transaction was subject to approval by the Board of Directors, the Audit and Risk Committee having found in favour of this operation. Saipem had prepared and filed the information document for the transaction as per Article 5 of Consob Regulations.

## Investor relations

Saipem has adopted a policy of information supporting constant dialogue with institutional investors, the Shareholders and the market in order to guarantee the timely disclosure of comprehensive information on Company activities, and is limited only by the confidentiality requirements afforded to certain information. Information for investors, the market and the media is disseminated via press releases, and periodic meetings with institutional investors, the financial community and the press, in addition to the comprehensive information made available and constantly updated on the Company website.

Relations with investors and financial analysts are maintained by the Investor Relations Manager, Salvatore Colli. Information of interest is posted on Saipem's website ([www.saipem.com](http://www.saipem.com)) or can be requested via email from: [investor.relations@saipem.com](mailto:investor.relations@saipem.com).

Relations with Shareholders are maintained by the Head of the Secretary's Office. Information of interest to Shareholders is posted on Saipem's website or can be requested via email from: [segreteria.societaria@saipem.com](mailto:segreteria.societaria@saipem.com).

On October 1, 2013, a new function was created, reporting directly to the CEO: the Institutional Relations and Communication department, headed by Erika Mandraffino, responsible for defining strategies and guidelines for external communication, developing the Company's image and maintaining relations with institutional investors at both national and international level.

Every January Saipem discloses to the public and publishes on its website its financial calendar detailing the main financial events for the current year.

Information pertaining to periodic financial reports, relevant operations and newly-issued corporate governance procedures, is disclosed immediately to the public also via publication on the website [www.saipem.com](http://www.saipem.com), where all press releases and Shareholders' notices are also posted.

Saipem's commitment to providing investors and markets with financial information that is true, comprehensive, transparent, timely and non-selective is stated in the Code of Ethics, which identifies the values it applies in its business operations and the relations with third parties: namely, disclosure of complete and clear information, the formal and essential legitimacy of practices by its employees at all levels, clarity and veracity of its accounting practices in compliance with current legislation and internal procedures.

On December 13, 2010, the Board of Directors approved amendments to the Articles of Association to comply with new legislation relating to Shareholders' rights (Law Decree No. 27 of January 27, 2010) and legal audit of accounts (Law Decree No. 39 of January 27, 2010). Further amendments to the Articles of Association on which the Company must express a choice were approved by the Extraordinary Shareholders' Meeting convened on May 4, 2011. At their meeting of March 13, 2013, the Board of Directors amended the Articles of Association, specifically Articles 11, 13 and 19, to reflect the new provisions of Law Decree dated June 18, 2012 (so-called 'Corrective Decree') which in turn amended Law Decree No. 27 of January 27, 2010 (implementing EU Directive on 'Shareholders' Rights'). Please refer to the section 'The Shareholders' Meeting' on page 32.

The documentation relating to the General Shareholders' Meeting of April 30, 2013 was posted on the Company's website [www.saipem.com](http://www.saipem.com) as well as information on the share capital and the relevant directions on how to exercise the following Shareholders' rights: the right to submit questions prior to the meeting, adding items to the meeting agenda, voting by proxy utilising either the appropriate section of the Company's website or delegating the designated representative, methods for the presentation of lists for the appointment of the Management Bodies.

Questions received prior to the Shareholders' Meeting were answered during the meeting.

## Processing of inside information - Internal Dealing<sup>21</sup>

At their meeting of March 13, 2013, the Board of Directors approved the Management System Guideline 'Market Abuse', which improves the effectiveness of the internal discipline and aligns it to the ensuing legislative amendments and market abuse best practice. Furthermore, this new MSG consolidates in the same document the following procedures previously in force, which had been approved by the Board of Directors on March 23, 2006: 'Procedure regulating Market disclosure of inside information', 'Upkeep and update of the List of persons having access to inside information', 'Procedure regulating the identification of relevant parties and operations carried out by them, directly or through third parties, involving shares of Saipem SpA or other associated financial instruments (Internal Dealing Procedure)'.

This Management System Guideline ('MSG') sets forth the principles and the rules whereby Saipem SpA and its direct or indirect subsidiaries, in Italy or abroad should undertake the internal management and disclosure to third parties of company documents and information

<sup>(21)</sup> The procedure 'Internal Dealing' is published on Saipem's website [www.saipem.com](http://www.saipem.com) under the section 'Corporate Governance'.

concerning Saipem, with particular reference to Inside Information. To this end, this MSG also governs the creating, maintaining and updating of the Register of persons having access to the aforesaid information, as well as the identification of the relevant persons and disclosures relating to the transactions undertaken by them, including those handled by proxies, involving the shares issued by Saipem SpA or by listed Subsidiaries or other financial instruments linked to these shares ('Internal Dealing').

Specifically, striving for continuous improvement, the procedure:

- reinforces the principles of conduct for ensuring the confidentiality of business information in general, as required by the Corporate Governance Code;
- identifies the scope of application of the relevant legislation vis-à-vis Saipem subsidiaries. In particular: this Management System Guideline introduces the criteria for the identification of subsidiaries, which, due to the relevance of their operations, are obliged to create and maintain the Register of persons with access to Saipem inside information;
- reinforces the internal management of inside information, establishing assessment procedures, and the specific rules of conduct for those who have access to inside information. To this end, a non-exhaustive list of examples of inside information was prepared, based on national and international best practice, to aid Saipem functions in the possible identification of an item of information as Inside Information;
- it reviewed the discipline governing the creation, updating and maintenance of the Register of persons with access to inside information of Saipem SpA, transferring the responsibility of the Register from the Human Resources and Organisation department to the General Counsel, Governance and Company Affairs department. Furthermore, management may decide to add persons to the Register, who may have access to inside information on a regular basis. Relevant subsidiaries may also delegate the upkeep of their own Register to Saipem, if the relevant conditions are met;
- reinforces the discipline governing public disclosure of inside information, defining which inside information is subject to disclosure and, in particular, the process for issuing press releases;
- streamlines and clarifies the rules on internal dealing, maintaining the fundamental principles of the previous discipline, including the institution of blocking periods for transactions involving Saipem shares and financial instruments linked to such shares carried out by relevant parties. However, exclusion cases were reviewed in order for the Management System Guideline to be consistent with the relevant external regulations.

On October 28, 2013, the Board of Directors reviewed the scope for the identification of persons considered relevant for the purposes of the Internal Dealing procedure: these are the members of the recently-formed Executive Committee and all personnel reporting directly to the CEO.

With the implementation of the 'Market Abuse' MSG on May 9, 2013, new provisions have been put in place to make the Register of parties having access to sensitive information compliant to the new guidelines. All Group subsidiaries have implemented this MSG through a resolution of their own Board of Directors, whilst all subsidiaries considered relevant have delegated the task of maintaining their Registers to Saipem SpA.

Table 1. Shareholding structure

| Shareholding structure at December 31, 2013           |                  |                    |   |  |
|---|------------------|--------------------|---|--|
|   | Number of shares | % of share capital | Listed Market / not listed  | Rights and obligations   |
| Ordinary shares                                       | 441,297,615      | 99.97%             | Computerised Share Trading Market (Mercato Telematico Azionario Italia - MTA) | Dividend / entitled to vote at the Shareholders' Meeting   |
| Shares with limited vote entitlement (savings shares) | 113,285          | 0.03%              | Computerised Share Trading Market (Mercato Telematico Azionario Italia - MTA) | Convertible with ordinary share without time restriction / dividend 3% higher than ordinary shares / not entitled to vote at the Shareholders' Meeting |
| Shares without vote entitlement                       |                  |                    |   |  |

| Relevant shareholdings              |                                     |                       |                     |
|-------------------------------------|-------------------------------------|-----------------------|---------------------|
| Declarant                           | Direct Shareholder                  | % of ordinary capital | % of voting capital |
| Massachusetts Financial Services Co | Massachusetts Financial Services Co | 2.016                 | 2.016               |
| Ministry of Economy and Finance     | Eni SpA                             | 42.913                | 42.913              |

On February 10, 2014, Dodge & Cox, an American stock fund based in San Francisco (California - USA) notified Saipem SpA and Consob that on February 4, 2014, they had bought 22,262,143 ordinary shares, equal to 5.05% of the share capital.

Table 2. Structure of the Board of Directors and its Committees

| Board of Directors                   |                             |                 |                             |                           |       |           |                        |                          |                    | Audit and Risk Committee            |     | Compensation and Nomination Committee |     |      |
|--------------------------------------|-----------------------------|-----------------|-----------------------------|---------------------------|-------|-----------|------------------------|--------------------------|--------------------|-------------------------------------|-----|---------------------------------------|-----|------|
| Office                               | Members                     | In office since | In office until             | List (M/m) <sup>(1)</sup> | Exec. | Non-exec. | Indep. purs to CG Code | Indep. purs to Law 58/98 | [%] <sup>(2)</sup> | No. of other offices <sup>(3)</sup> | (4) | (2)                                   | (4) | (2)  |
| Chairman                             | Meomartini Alberto          | 05.04.2011      | Approval of Fin. Stat. 2013 | M                         |       | X         |                        |                          | 100                | -                                   |     |                                       |     |      |
| Deputy Chairman                      | Marchetti Piergaetano       | 07.30.2013      | Approval of Fin. Stat. 2013 | M                         |       | X         | X                      | X                        | 100                | -                                   |     |                                       |     |      |
| CEO                                  | Vergine Umberto             | 05.04.2011      | Approval of Fin. Stat. 2013 | M                         | X     |           |                        |                          | 100                | -                                   |     |                                       |     |      |
| Director                             | Barbieri Fabrizio           | 04.30.2013      | Approval of Fin. Stat. 2013 | M                         |       | X         |                        |                          | 100                | -                                   |     |                                       |     |      |
| Director                             | Galateri di Genola Gabriele | 05.04.2011      | Approval of Fin. Stat. 2013 | M                         |       | X         | X                      | X                        | 100                | 4                                   |     |                                       | X   | 88.9 |
| Director                             | Greco Nicola                | 05.04.2011      | Approval of Fin. Stat. 2013 | M                         |       | X         | X                      | X                        | 93.8               | 1                                   |     |                                       | X   | 100  |
| Director                             | Montagnese Maurizio         | 05.04.2011      | Approval of Fin. Stat. 2013 | m                         |       | X         | X                      | X                        | 81.3               | -                                   | X   | 100                                   | X   | 100  |
| Director                             | Sacchetto Mauro             | 05.04.2011      | Approval of Fin. Stat. 2013 | m                         |       | X         | X                      | X                        | 81.3               | -                                   | X   | 94                                    |     |      |
| Director                             | Volpi Michele               | 05.04.2011      | Approval of Fin. Stat. 2013 | m                         |       | X         | X                      | X                        | 50                 | 1                                   | X   | 65                                    |     |      |
| Directors terminated during the year |                             |                 |                             |                           |       |           |                        |                          |                    |                                     |     |                                       |     |      |
| Director                             | O'Donnell Hugh James        | 05.04.2011      | 07.30.2013                  | M                         | X     |           |                        |                          | 100                | -                                   |     |                                       |     |      |

Indicate minimum *quorum* required for the presentation of lists at the last appointment of the Board: 1%

Number of meetings held during the year: BoD: 16      ARC: 17      CNC: 9

(1) In this column 'M' denotes a member appointed from the majority list while 'm' denotes a member appointed from the minority list.

(2) This column details the percentage of attendance of Directors to Board and Committee meetings (attendance/number of meetings held during the period of office).

(3) This column details the number of offices of Director or Statutory Auditor held in other companies listed either in Italy or abroad, and/or in financial, banking, insurance or large companies.

(4) In this column, the 'X' denotes membership of a Director to a Committee.

**Table 3. Structure of the Board of Statutory Auditors**

| <b>Board of Statutory Auditors</b>  |                  |                        |                             |                                 |  |                          |   |
|---|------------------|------------------------|-----------------------------|---------------------------------|--|--------------------------|---|
| <b>Office</b>   | <b>Members</b>   | <b>In office since</b> | <b>In office until</b>      | <b>List (M/m)<sup>(1)</sup></b> | <b>Independent pursuant to the CG Code</b> | <b>(%)<sup>(2)</sup></b> | <b>No. of other offices<sup>(3)</sup></b> |
| Chairman  | Busso Mario      | 05.04.2011             | Approval of Fin. Stat. 2013 | m                               | X  | 98                       | 1   |
| Statutory Auditor   | Gervasoni Anna   | 04.27.2012             | Approval of Fin. Stat. 2013 | M                               | X  | 80                       | 2   |
| Statutory Auditor   | Propersi Adriano | 05.04.2011             | Approval of Fin. Stat. 2013 | M                               | X  | 89                       | 1   |
| Alternate Auditor   | Gamba Giulio     | 04.27.2012             | Approval of Fin. Stat. 2013 | M                               | X  | -                        | -   |
| Alternate Auditor   | Sfameni Paolo    | 05.04.2011             | Approval of Fin. Stat. 2013 | m                               | X  | -                        | 1   |
| Statutory Auditors terminated during the year   |                  |                        |                             |                                 |  |                          |   |
| Statutory Auditor   |                  |                        |                             |                                 |  |                          |   |
| Indicate minimum <i>quorum</i> required for the presentation of lists at the last appointment: 1% |                  |                        |                             |                                 |  |                          |   |
| Number of meetings held during the year: 45   |                  |                        |                             |                                 |  |                          |   |

(1) In this column 'M' denotes a member appointed from the majority list while 'm' denotes a member appointed from the minority list.

(2) This column details the percentage of attendance of Statutory Auditors to the Board of Statutory Auditors' meetings [attendance/number of meetings held during the period of office].

(3) This column details the number of offices of Director or Statutory Auditor held in other companies deemed relevant pursuant to Article 148-bis of Law No. 58/1998.

Headquarters: San Donato Milanese (Milan) - Italy  
Via Martiri di Cefalonia, 67  
Branches:  
Cortemaggiore (Piacenza) - Italy  
Via Enrico Mattei, 20



saipem

**saipem** Società per Azioni  
Share Capital €441,410,900 fully paid up  
Tax identification number and Milan Companies'  
Register No. 00825790157

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Publications  
Bilancio al 31 dicembre (in Italian)  
Annual Report (in English)

Interim Consolidated Report as of June 30  
(in Italian and English)

Saipem Sustainability (in English)

Also available on Saipem's website:  
[www.saipem.com](http://www.saipem.com)

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