

saipem



Corporate Governance

Corporate Governance Report and Shareholding Structure,

pursuant to Article 123-bis of Law 58/1998¹, approved by the Board of Directors on March 10, 2010

Issuer profile

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 ownership, its compliance with the corporate governance codes 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 www.saipem.it, and sent to Borsa Italiana SpA in accordance with set rules and deadlines.

Principles

Saipem is an internationally-oriented industrial group which, because of its size and the importance of its activities, plays a significant role in the marketplace and in the economic development and welfare of the individuals who work or collaborate with Saipem and of the communities in which it operates.

Saipem undertakes to maintain and strengthen a governance system in line with international best practice 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 people having a legitimate interest in the corporate business ('Stakeholders'), increase the importance of clearly defining the values and responsibilities that Saipem recognises, accepts, acknowledges and shares, contributing to a better future for everybody.

Compliance with the law, regulations, statutory provisions, self-regulatory codes, ethical integrity and fairness, is a constant commitment and duty of all Saipem's people, 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 following 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.

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 (Organisation 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

(1) The Report on Corporate Governance is published on Saipem's website www.saipem.it, in the 'Investor relations' section under 'Corporate Governance'.

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 energy and creativity of the individual can realise its 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.

Health and Safety

Saipem ensures ever-increasing health and safety standards for its employees and the communities in all areas of the world where it operates, and faces all challenges by applying a new safety vision: 'to be winners through passion for safety'. The rationale underlying this safety vision is that being safe is to be more efficient in terms of business performance. In 2007, Saipem started implementing an innovative and interactive safety training programme called Leadership

in Safety - LiS, aimed at creating a strong safety culture throughout the Company by turning its leaders into safety leaders. A series of LiS workshops were held, and tools were created for personal development, namely questionnaires posted on the Company website, safety guides for structured communication, films, publications and documents endorsed by members of the Board of Directors.

Environmental protection

Saipem is committed to protecting the environment and ecosystems involved in its business operations and strives to achieve the sustainability goals set by the international conventions Italy endorses.

The Code of Ethics

At the meeting of July 14, 2008, the Board of Directors of Saipem SpA approved the new organisational, management and control Model pursuant to Legislative Decree No. 231 of 2001 (Model 231)² and the document 'Sensitive activities and specific control standards', which forms part of Model 231.

Model 231 includes the new Code of Ethics which replaces the Code of Practice and is a compulsory general principle of Model 231 itself.

The Code of Ethics 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 in operations, conduct, working practices and relations both internal and external to the Group; the Board of Directors ensures adherence to the Code through the annual report of the Guarantor of the Code of Ethics, whose responsibilities have been delegated to the

(2) Model 231, inclusive of the Code of Ethics, is published on Saipem's website www.saipem.it in the 'Investor relations' section under 'Corporate Governance'.

Compliance Committee of Saipem SpA and which, pursuant to Article 6, paragraph 1 of Law Decree 231 of 2001 has been granted 'independent powers of initiative and control'.

Saipem sent Model 231, together with an accompanying letter, to all Italian and foreign companies in which it has a holding, underlining the fundamental importance that they adopting their own Code of Ethics and organisational model defining, in compliance with local legislation, the values recognised, accepted and shared by Saipem, as well as the responsibility it assumes towards stakeholders in Italy and throughout the world.

In compliance with Confindustria (Italian Manufacturing Companies Association) guidelines and the most recent courts decisions, the Board of Directors, at the Audit Committee's proposal, resolved, at their meeting of July 14, 2008, to appoint two external members to 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.

In 2008, the Technical Secretariat of the Compliance Committee was established to monitor the evolution of the relevant laws and courts decisions, to draw up proposals for the continuous update of Model 231, to collate and review information and documents received from Saipem offices, and to inform the 'addressees' of the Model of the Committee's decisions and monitor their implementation.

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

Sustainability Report³

The Code of Ethics includes the general principles underpinning Saipem's sustainability policy, detailed in the Saipem Sustainability Report which has been produced annually since 2000, and is used to promote the sustainability culture and monitor initiatives and performance. The report is proof of the growing commitment of Group companies to share values and safeguard Quality, Health and Safety and the Environment, key factors for the success of the business and to improve the social, cultural and economic context in which Saipem operates.

Saipem's approach to Quality, Health & Safety, Environment and Sustainability is based on principles, policies and processes that are governed by certified management systems and a decentralised organisation best suited to Saipem's business as a global contractor for the energy industry. Sustainability is a consistent and responsible way to ensure the creation of value for stakeholders in this industry, for which every challenge requires safe, reliable and innovative solutions. For Saipem, the Sustainability Report represents the most important tool for reporting on activities and results as well as for informing and engaging with stakeholders.

Saipem's organisational structure

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

Supervisory and control duties are the responsibility of the Board of Statutory Auditors whereas the External Auditors, appointed by the Shareholders' Meeting, are responsible for auditing the accounts.

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

The Shareholders' Meeting has appointed the Board of Directors for three years.

The Board of Directors has appointed the Chairman, a Deputy Chairman - CEO, and a Managing Director for Business Support and Transversal Activities - Deputy CEO.

The Chairman has the power to represent the Company, pursuant to Article 21 of the Company's Articles of Association.

(3) The Sustainability Report is published on Saipem's website www.saipem.it in the 'QHSE and Sustainability' section under 'Sustainability Report'.

The Board of Directors has also set up two internal corporate committees, with consultative and advisory functions: the Audit Committee, composed of non-executive independent Directors, and the Compensation Committee, composed of a majority of independent Directors, all of whom are non-executive Directors.

The Company is a subsidiary of Eni SpA and is therefore subject to the direction and coordination of the Parent Company, pursuant to Article 2497 of the Italian Civil Code.

Saipem's shareholdings

at December 31, 2009, disclosure required by Article 123-bis of Law 58/1998

Share capital distribution

- At December 31, 2009, the share capital of Saipem SpA amounted to €441,410,900; it is fully paid up and comprises No. 441,265,604 ordinary shares, equal to 99.97% of the share capital, of the nominal value of €1 each, and No. 145,296 savings shares, equal to 0.03% of the share capital, of the nominal

value of €1 each, both of which are listed on the Milan Stock Exchange. Shares cannot be divided 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; they enjoy a higher dividend than ordinary shares equal to 3% of the share nominal value. On January 14, 2010, the Savings Shareholders' Meeting confirmed Mr Roberto Ramorini as their collective representative for the following three years.

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 58/1998, Shareholders owning a stake in Saipem SpA in excess of 2% at December 31, 2009, are:

Shareholders	Number of shares	% of capital
Eni SpA	189,423,307	42.910
Capital Research and Management Co	21,656,293	4.908
Blackrock Investment Management (UK) Ltd	11,363,254	2.575
Alliancebernstein LP	8,981,488	2.035
FIL Ltd	8,898,844	2.016

Shareholders breakdown by geographical area based on 2008 dividend payments

Shareholders	Number of Shareholders	Number of shares	% of capital
Italy	28,083	282,129,570 (*)	63.93
Other EU Member States	890	49,330,026	11.19
Americas	617	67,377,204	15.27
UK and Ireland	246	25,532,916	5.78
Other European States	108	4,084,053	0.93
Rest of the world	205	12,957,131	2.90
Total	30,149	441,410,900	100.00

(*) Includes treasury shares with no dividend entitlement.

Shareholders breakdown by size of holding based on 2008 dividend payments

Shareholders	Number of Shareholders	Number of shares	% of capital
> 10%	1	189,423,307	42.91
> 2%	4	50,899,879	11.53
1% - 2%	8	49,473,309	11.21
0.5% - 1%	10	33,169,695	7.51
0.3% - 0.5%	6	10,491,616	2.38
0.1% - 0.3%	61	46,268,998	10.48
≤ 0.1%	30,059	61,684,096	13.98
Total	30,149	441,410,900	100.00

Shareholders rights restrictions

- All Shareholders enjoy the same rights.

Company, would result in an increased annual financial outlay that is estimated at approximately €2.9 million.

Exercise of voting rights

- Employees who hold Saipem's shares enjoy the same voting rights as ordinary shareholders.

Indemnification for Directors in case of dismissal, 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.

Voting rights restrictions

- No restrictions exist on voting rights.

Agreements as per Article 122 of Law 58/1998

- No known agreements exist amongst Shareholders, as per Article 122 of Law 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'. The Board of Directors has the power to amend the Articles of Association to comply with the provisions of law.

Change of control clauses

- Saipem SpA and its subsidiaries are party to significant agreements that become effective, are amended or terminated if there is a change in the control of Company by the current main Shareholder Eni SpA (change of control clauses).

Specifically, these clauses relate to:

- **financing** currently held with third-party credit institutions or with Eni, which, at December 31, 2009, amounted to a total of €3,524 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 that is estimated at approximately €32.8 million;

- **bank guarantees** amounting to a total of €4,854 million.

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

Replacing existing lines on the market, taking into account the adjustment in the risk profile of the

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, 2009 was 5,651,047, equal to 1.28% of the share capital.

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 in 2006 by the Corporate Governance Committee and promoted by Borsa Italiana SpA (available at www.borsaitaliana.it), in addition to all relevant provisions of regulations issued by Consob (Italy's Securities and Exchange Commission).

The Board of Directors of Saipem SpA, at their meeting of November 9, 2000, resolved to adopt the Code and has aligned its Corporate Governance to amendments made to the Code in 2002.

At their meeting of December 14, 2006, the Board of Directors moved to adopt the recommendations and principles of the Code in its current version, and to monitor its application.

This annual corporate governance report was prepared, as in previous years, in compliance with the 'Annual corporate governance guidelines' of Borsa Italiana SpA of 2003, and tables and suggestions provided under the 'Guide for the preparation of corporate governance reports' issued by Assonime and Emittenti Titoli SpA in 2004, and utilising the format of Borsa Italiana SpA (2nd Edition - February 2010). The Company strived, consistently with the characteristics of its business activities and corporate objectives, to provide correct, exhaustive and effective information, in line with market requirements.

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

Risk management systems and internal control over financial reporting

Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability⁴ of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

The guidelines on internal controls over financial reporting approved by the Board of Directors on October 29, 2007, 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 guidelines have been designed in accordance with the provisions of the aforementioned Article 154-bis of Law 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).

In accordance with international accounting principles, these guidelines are 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 for Saipem's internal control system, use the guidelines as a reference for the design and implementation of their own internal control system in order to ensure it is adequate 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, consistently 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 a 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 system of internal controls is based both on their contribution to the consolidated financial statements (turnover, net revenues, profits before taxation) and their relevance in terms of processes and specific risks⁵. 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 preparation of financial statements items in excess of 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).

(4) Reliability (of reporting): ensuring that reporting is correct, in accordance with generally accepted accounting principles and in compliance with current laws and regulations.

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

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 probability of occurrence, based on quantitative and qualitative parameters and assuming no controls. Saipem carries out a specific assessment on risks of fraud⁶, using a methodology based on the 'Anti-fraud Programmes and Controls' included in the guidelines on 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, 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 Group rules for preparing 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, 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.

Entity level controls and Process Level Controls are constantly monitored to evaluate their design and operating effectiveness; this is done through 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 Officer/Manager responsible for preparing financial reports⁷ which defines the audit scope and objectives to be implemented through agreed upon audit procedures.

Monitoring activities flag-up 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 reported on periodically using IT tools that ensure the traceability of information relating to the adequacy of design and the operating 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 forth in the aforementioned guidelines. 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.

The Board of Directors

The Board of Directors fulfils a pivotal role for the internal control system, as it defines the guidelines of the organisational, administrative and financial structure of the Company and main Group subsidiaries. It also defines, having reviewed the proposals put forward by the Audit Committee, the guidelines of the internal control system, to ensure that main risks for the Company and its subsidiaries are identified, measured, properly managed and monitored. When defining these guidelines, the Board applies sector

(6) 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.

(7) Additional information on the Chief Financial Officer/Senior Manager in charge of financial reporting are provided under its dedicated section.

regulations and takes into account both national and international reference models and best practices. Finally, the Board of Directors, with the support of the Audit Committee, assesses annually the adequacy, effectiveness and efficiency of the internal control system as a whole in relation to Saipem's characteristics. At their meeting of March 10, 2010, the Board examined the 2009 Report of the Senior Manager in charge of the internal control system (as at March 10, 2010) and its findings on Saipem's internal control system. Following their examination, and taking into consideration initiatives currently underway, the Board deemed Saipem's internal control system adequate, effective and efficient.

Executive Director responsible for the internal control system

The Board of Directors, at their meeting of April 22, 2009, appointed the Deputy Chairman and CEO the executive director responsible for supervising the functionality of the internal control system, constantly ensuring its adequacy and operating effectiveness with the support of the Audit Committee and the Internal Audit Senior Vice President, in his capacity as Senior Manager in charge of the internal control system. The Deputy Chairman and CEO identified the main business risks for the company, taking into account the characteristics of the activities carried out by the Issuer and its subsidiaries and reporting his findings to the review of the Board of Directors; implemented the guidelines for the internal control system approved by the Board; and was responsible for adjusting this system to the dynamics of the operating conditions and legislative and regulatory framework.

Senior Manager in charge of the internal control system and the Internal Audit department

On December 14, 2006, the Senior Manager in charge of the internal control system, Mr Alessandro Riva, was appointed by the Board of Directors at the Deputy Chairman and CEO's proposal, having heard the opinion of the Audit Committee. The Senior Manager is responsible for ensuring that the internal control system is adequate, fully operational and effective at all times. He is not responsible for any operative area and reports to the Deputy Chairman and CEO, the Audit Committee and the Board of Statutory Auditors on the adequacy of the internal control system to achieve an acceptable overall risk profile.

The Deputy Chairman and CEO granted Alessandro Riva the powers to enter into contracts for consultancy and professional services for the purposes and in support of

his responsibilities as the Senior Manager in charge of the internal control system, having access to a commensurate financial budget.

On February 8, 2010, the Senior Manager released its annual report on the internal control system (covering the period January 1-December 31, 2009, with 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 by the Internal Audit department of Saipem SpA.

One of the actors operating in the complex internal control system is the Internal Audit department, which reports to the Deputy Chairman and CEO and the Board of Statutory Auditors.

The Internal Audit department provides independent and objective activities aimed at promoting efficiency and effectiveness improving measures in the internal control system and the Company's organisation. The Internal Audit department of Saipem SpA carries out the following monitoring activities of the internal control system: (i) an annual Integrated Audit Plan with a top down-risk based approach, which is first submitted to the Audit Committee and the Board of Statutory Auditors of Saipem SpA and then for the approval of the Board of Directors and, pursuant to Law Decree 231/2001, to Saipem's Compliance Committee; (ii) ad-hoc checks upon specific requests by the Company's top management, the Audit Committee, the Board of Statutory Auditors and/or the Compliance Committee, in addition to notification and anonymous requests, in compliance with current corporate procedures; (iii) independent monitoring aimed at producing periodic reports, described here below. The Internal Audit department reports periodically to the Company's control bodies and the top management on its audit activities and monitoring of corrective measures taken. The Senior Manager in charge of the internal control system, the Internal Audit department and the external auditors have access to data, documents and information required to carry out their duties.

Organisational Model, pursuant to Law Decree 231/2001

On March 22, 2004, the Board of Directors approved the Organisational, managerial and control model, pursuant to Law 231/2001 and established a Compliance Committee. The Model comprises a comprehensive set of procedures and control processes aimed at preventing the offenses detailed in the aforementioned law decree, and subsequent amendments. The Chairman is responsible for devising

and implementing initial activities, updating and upgrading the Model.

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

As stated at the beginning of this report, Model 231 includes the new Code of Ethics which replaces the Code of Practice and is a compulsory general principle of Model 231 itself.

The Compliance Committee, which now is also the Guarantor of the Code of Ethics, is responsible for implementing their plan of actions and informs the Deputy Chairman and CEO on activities carried out. The Compliance Committee's independence is safeguarded by its position within the Company's organisation and reporting lines, pursuant to Article 6, paragraph 1, letter b), of Law 231/2001.

In 2009, the Compliance Committee convened on twelve occasions and: promoted and monitored all initiatives aimed at Saipem SpA employees to ensure adequate knowledge of the Model; it defined the Compliance Programme for the year and ensured that it was implemented alongside the scheduled and ad-hoc control activities; contributed to updating the new Model; coordinated and maintained communication channels to and from the Compliance Committee. In 2009, Saipem SpA and the Compliance Committee started and completed 'Project 231' aimed at updating all documentation supporting the Model and associated control procedures in terms of health and safety in the workplace, pursuant to the provisions of Law Decree 81/2008.

External auditing company

In compliance with the Law, audits of accounts are entrusted to an external auditing company registered in Consob's Roll of Auditors, appointed by the Shareholders' Meeting. The current auditing company is PricewaterhouseCoopers SpA, appointed by the Shareholders' Meeting of April 30, 2007, for a period of six years.

The financial statements of subsidiary companies are subject to audit; these are mostly carried out by PricewaterhouseCoopers.

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

Senior Manager in charge of preparing the Company's financial reports

Pursuant to Article 21 of Articles of Association and Article 154-bis of Law 58/1998, the Board of Directors, having heard the opinion of the Board of Statutory Auditors, appoints a Senior Manager in charge of 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 €2 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 Senior Manager charged with 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.

Saipem's CFO Mr Giulio Bozzini is the Senior Manager in charge of preparing the Company's financial reports, pursuant to Article 154-bis of Law 58/1998.

He was appointed by the Board of Directors on July 29, 2008, having first ascertained that he met the professional criteria required by the Articles of Association.

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.

Ordinary Shareholders' Meetings are regulated by Article 2364 of the Italian Civil Code, Extraordinary Shareholders' Meetings by Article 2365.

Notices of Shareholders' Meeting are published in various national Italian newspapers, in order to promote Shareholder attendance. The Shareholders' Meeting of January 30, 2001 approved the Shareholders' Meetings regulations (posted on

Saipem's website www.saipem.it) to ensure smooth and effective meetings proceedings and, specifically, to safeguard every Shareholders' right to intervene on items under discussion.

The Extraordinary Shareholders' Meeting of April 30, 2007 approved the amendments to the Company's Articles of Association in compliance with the provisions of Law 262/2005.

The right of all Shareholders to attend the General Shareholders' Meeting is regulated by the provisions of Article 2370 of the Italian Civil Code.

Shareholders wishing to attend are required to contact an authorised broker and obtain the appropriate certification, pursuant to Article 2370, paragraph 2 of the Italian Civil Code, at least two working days prior to the Meeting's first summons.

Shares are not restricted until after the Shareholders' Meeting has taken place.

Management and Control Bodies, and Committees

The Board of Directors⁸

Responsibilities 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 Articles of Association states that the management of the Company is exclusively the responsibility of the Board of Directors. Article 2365 of the Italian Civil Code grants the Board the power, normally the responsibility of the Extraordinary Shareholders' Meeting, to resolve on motions concerning:

- merger 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 decreases in 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, the Board of Directors is responsible for:
- setting a corporate government system and regulations for the Company and the Group. Specifically, following consultation with the Internal Audit Committee, it implements procedures to ensure that the following operations are carried out in a transparent and correct way, both in terms of procedure and substance: operations with related parties and operations where a Director has an interest, both directly or through a third party. The Board also adopts procedures for the management and release of Company information in general, and sensitive information in particular;
 - establishing internal corporate Committees with consultative and advisory functions, appointing their members, defining their responsibilities and approving their regulations;
 - granting and revoking the powers of 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 give 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. The Board evaluates the adequacy of the organisational, administrative and accounting model, placing particular emphasis on the management of conflicts of interests;
 - defining, based on indications provided by the Internal Audit Committee, guidelines for the internal control system, ensuring that main business risks for the Company and its subsidiaries are identified, measured, monitored and properly managed. It ascertains annually the adequacy, effectiveness and operation of the internal control system;

(8) The Directors' professional résumés are published on Saipem's website www.saipem.it under the section 'Investor Relations - Corporate Governance'.

- 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, as well as all the Company's strategic agreements;
- 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: Group activities within their responsibility; major operations; atypical and/or unusual operations or operations with related parties, which have not required approval by the Board of Directors;
- 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, paying particular attention to situations of potential conflict of interests and checking 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, paying particular attention to situations where one or more Directors may have an interest, both directly or through a third party, as well as operations with related parties.

The following are considered to be significant operations:

- a) acquisition, disposal or transfer of holding exceeding €25,000,000;
- b) capital expenditure in technical assets differing from previous ones exceeding €300 million, or of a lower amount but of strategic importance or posing a particular risk;
- c) purchase or sale of goods and services other than investments, exceeding €1 billion and those whose duration is over 20 years;
- d) acquisition or transfer of company holdings or branches exceeding €25,000,000;
- e) acquisition, sale or financial leasing of land and/or buildings exceeding €2,500,000;
- f) financial of entities other than subsidiary companies: (i) for amounts exceeding €50 million; or (ii) of any amount, to companies where the share held is not a controlling stake and the loan is not proportional to the share of the holding;

- g) issue of personal or other guarantees to entities other than subsidiary companies: (i) for amounts exceeding €200 million in favour of subsidiary companies; or (ii) of any amount to companies where the share held is not a controlling stake and the loan is not proportional to the share of the holding;
 - h) incorporations of subsidiaries or company branches;
- appointing and revoking the appointment of General Managers, granting them the relevant powers;
 - appointing and revoking the appointment, having consulted the opinion of the Board of Statutory Auditors, of the Senior Manager charged with preparing the company's financial reports, granting him adequate powers;
 - appointing and revoking the appointment, having consulted the opinion of the Audit Committee, of a manager in charge of the internal control system;
 - appointing the Compliance Committee, pursuant to Law 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 Compensation 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 2370 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.

Board Review

The Board of Directors, in compliance with the recommendation contained in the new Corporate Governance Code, utilises a qualified external consultant to carry out an annual review of its size, composition and operation of the Board itself and its Committees.

The review, carried out by Egon Zehnder International, confirmed that Saipem's Board of Directors functions at optimum level and it had further improved in some points.

Specifically, the review confirmed that the Board operates in full compliance with the recommendation of the Corporate Governance Code. Furthermore, the following have been identified as specific areas of excellence:

- constructive discussions and exposure to senior line management;
- positive internal climate and smooth functioning between Saipem's Chairman and CEO;
- clear, comprehensive and timely distribution of information for Board meetings.

A benchmark of Saipem's Board effectiveness with other international Boards also reported very positive results.

Composition

The Board of Directors, comprising nine Directors, was appointed by the Shareholders' Meeting on April 28, 2008 for three years, its mandate expiring at the Shareholders' Meeting called to approve the Financial Statements at December 31, 2010. 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. Lists are filed at the Company's registered headquarters at least fifteen days prior to the Shareholders' Meeting (first summons) and are published in compliance with current legislation and Consob regulations. Voting lists enclose a professional résumé for all candidates, their declaration 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. 16319 of January 29, 2008. Seven tenths of Directors are appointed from the list that has obtained the majority of votes (rounded down if necessary). Directors shall meet the honourability requirements prescribed by regulations, possess the professional expertise and experience to

carry out their mandate efficiently and effectively and be able to dedicate sufficient time and resources to their office. Pursuant to Article 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 'Offices held by Board Directors'.

The Board comprises the Chairman Marco Mangiagalli, the Deputy Chairman and CEO Pietro Franco Tali, the Managing Director Hugh James O'Donnell, and the Directors Luca Anderlini, Anna Maria Artoni, Jacques Yves Léost, Pierantonio Nebuloni, Salvatore Sardo and Ian Wybrew-Bond.

Luca Anderlini, Anna Maria Artoni and Pierantonio Nebuloni have been nominated from the list put forward by institutional investors coordinated by ARCA SGR SpA.

Marco Mangiagalli, Pietro Franco Tali, Hugh James O'Donnell, Jacques Yves Léost, Salvatore Sardo and Ian Wybrew-Bond have been nominated from the list put forward by Eni.

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 Chairman proposes the adoption of the following guideline on the number of offices Directors may hold:

- an executive Director shall not hold: (i) the office of executive Director in 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 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 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.

The Code recommends that public companies set up a Committee for appointment proposals comprising a majority of non-executive Directors, 'specifically when the Board of Directors notices that Shareholders are finding it difficult to put forward appointment proposals'. This Committee has not been implemented since, as previously stated, lists enclose a professional résumé for all candidates.

Based on the information received, we list hereunder additional directorships or auditor posts held by Saipem's Board Directors in other listed companies, either in Italy or abroad, in financial companies, banks, insurance companies or companies of relevance (Article 1.c.2 of the Code).

MARCO MANGIAGALLI

Board Director of Luxottica Group SpA (listed company).

PIETRO FRANCO TALI

Board Director of Dockwise Ltd (company listed on the Oslo Stock Exchange).

ANNA MARIA ARTONI

Vice President and Managing Director of Artoni Group SpA; Vice President of Artoni Trasporti SpA and Artoni Logistica SpA; Chairman of Artleasing SpA and A.B. Logistica Srl; Board Director of Carraro SpA (listed company), RCS Quotidiani, Cassa di Risparmio di Parma e Piacenza (Crédit Agricole Group) and Alemea Technology Srl.

PIERANTONIO NEBULONI

Board Director of Polynt SpA; Vice President of In Business Consulting SA.

SALVATORE SARDO

Chairman of Eni Corporate University.

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 2009, the Board of Directors met on 8 occasions, their meetings lasting three hours on average; three meetings have been scheduled to take place in the first half of 2010. 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 mail, 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 2009, an average of 90% of Board Directors and 90% of independent Directors attended Board Meetings. Saipem's COOs also attended Board of Directors' meetings on a regular basis to report on the status of operations and the strategic prospects for the various business units.

Executive Directors

Consistently 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 main 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. The Board of Directors resolved to appoint Marco Mangiagalli Chairman, and Pietro Franco Tali, formerly Chairman and CEO, Deputy Chairman and CEO. The Board of Directors appointed Hugh James O'Donnell Deputy CEO and Managing Director for Business Support and Transversal Activities, and granted him powers commensurate to his new position.

The following are executive Directors: Pietro Franco Tali, Hugh James O'Donnell and Jacques Yves Léost (Chairman of Saipem sa).

The Board vested the Chairman, who is a non-executive Director, with all powers granted to him by law and the Company's Articles of Association, the Deputy Chairman and CEO (Chief Executive Officer) with all ordinary and extraordinary powers to manage the Company, except for the undelegable powers and those of the Board itself.

The Deputy Chairman and CEO (Chief Executive Officer), whom the COOs of the Onshore, Offshore and Drilling Business Units report to, is ultimately responsible for the management of the Company, with all the relevant powers barring those of the Board itself. The Chairman chairs the Shareholders' Meeting, convenes and chairs Board of Directors' meetings, ensures the implementation of resolutions carried by the Board itself.

Independent Directors

Law 58 of February 24, 1998 provides that a minimum of two Directors meet the independence criteria required from Statutory Auditors of listed companies, if the Board comprises more than seven members. Article 19 of Articles of Association provides that a minimum of three Directors meet the aforementioned independence requirements if the Board comprises more than five members, boosting the number of independent Directors on the Board. Should a Director declare that he fails to meet the independence and integrity requirements, or should the Board not reach the minimum number of independent Directors as set in the Articles of Association, the Board of Directors shall declare the appointment of said Director void and provide for their replacement.

The Board of Directors, pursuant to the provisions of the Code and the provisions of Article 147-ter and Article 148, paragraph 3, of Law 58/1998, ascertains annually that the Directors comply with the independence and integrity requirements. Specifically, declarations by the interested parties confirmed as independent four non-executive Directors (Luca Anderlini, Anna Maria Artoni, Pierantonio Nebuloni and Ian Wybrew-Bond). They are considered independent following the evaluation carried out by the Board based on the parameters contained in Article 3 of the Corporate Governance Code and Article 148, paragraph 3, of Law 58/1998.

Directors who do not comply with the independence requirement are executive Directors Pietro Franco Tali,

Hugh James O'Donnell and Jacques Yves Léost, in his capacity as Chairman of the strategic subsidiary Saipem sa, and non-executive Directors Marco Mangiagalli and Salvatore Sardo.

The Board of Statutory Auditors has checked the correct application of criteria and procedures adopted by the Board of Directors to ascertain the independence of its members. 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.

Remuneration of Board Directors

Directors' remuneration is approved by the Shareholders' Meeting; the remuneration of the Chairman, the Deputy Chairman and CEO, and the Managing Director for Business Support and Transversal Activities - Deputy CEO is set, pursuant to Article 2389, paragraph 3 of the Italian Civil Code, by the Board of Directors at the proposal of the Compensation Committee, having previously conferred with the Statutory Auditors. Pursuant to Consob regulations, the Directors' Report in the Financial Statements, i.e. the Notes to the Financial Statements, contain the following: (i) amounts paid to the Directors, Statutory Auditors and senior managers with strategic responsibilities; (ii) number of stock grants and stock options allocated to the Deputy Chairman and CEO, and the Managing Director for Business Support and Transversal Activities - Deputy CEO and senior managers with strategic responsibilities; (iii) number of shares held by the Directors, Statutory Auditors and senior managers with strategic responsibilities of Saipem and its controlled companies.

The Shareholders' Meeting of April 28, 2008 set at €40,000 the remuneration for each Director for every year of office, in addition to reimbursement of expenses incurred.

The remuneration of the Deputy Chairman and CEO, and the Managing Director for Business Support and Transversal Activities - Deputy CEO, as well as that of senior managers with strategic responsibilities comprises a fixed component, a variable component and a long-term incentive.

The fixed remuneration of the Deputy Chairman and CEO, and the Managing Director for Business Support and Transversal Activities - Deputy CEO is commensurate with the powers vested in them. The fixed remuneration of senior managers with strategic responsibilities is based on their position and strategic responsibilities, in line with comparable positions in the market of large national and international companies,

with annual adjustments based on merit (continuity of individual performance) or promotion (progression of position/responsibilities).

The variable remuneration is paid annually in cash and is linked to the achievement of specific economic, operational and/or strategic objectives and individual targets (for the single business units or departments) set the previous year.

The variable part of the Deputy Chairman and CEO's, and the Managing Director for Business Support and Transversal Activities - Deputy CEO's remuneration is linked to the achievement of Company objectives. The variable remuneration paid in 2009 was based on Saipem's targets for the year 2008 (new contracts, adjusted EBITDA, backlog risk management and LTI rate), approved by the Board of Directors at the proposal of the Compensation Committee.

The remuneration of non-executive Directors is not linked to the results achieved.

Non-executive Directors do not participate in the Company's incentive schemes.

The remuneration paid to Board Directors and senior managers with strategic responsibilities are detailed in the annual Financial Statements.

In 2009, the Board of Directors approved, at the proposal of the Compensation Committee: (i) to continue with the allocation to Saipem's senior managers of the long-term deferred monetary incentive, linked to the company's EBITDA performance, already adopted in the years 2006-2008 in order to promote the achievement of the Company's targets over the long-term; (ii) the cancellation of the Stock Option Plan in 2009, on account of the high instability and volatility of the Saipem share due to external factors; (iii) an 18% increase in the deferred monetary incentive granted to senior managers holding strategic positions or directly responsible for results.

The deferred monetary incentive granted in 2009 will be paid after a three-year vesting period depending on the achievement of annual EBITDA targets (actual vs. budget results) set for the years 2009-2011.

After every three-year vesting period, the results of long-term incentive schemes will be reviewed by the Compensation Committee and approved by the Board of Directors.

Board Committees

In order to carry out its responsibilities more efficiently, the Board has set up two committees: the Audit Committee, comprised exclusively of non-executive independent Board members, and the Compensation

Committee, comprising a majority of independent Board members, all of whom are non-executive Directors.

All Audit Committee members are accounts and finance experts.

The Audit Committee comprises Luca Anderlini, Anna Maria Artoni and Pierantonio Nebuloni.

The Compensation Committee comprises Salvatore Sardo - Chairman, Anna Maria Artoni and Pierantonio Nebuloni. The Board of Directors has not deemed it necessary to set up a Directors' Nominations Committee in view of the Company's current shareholder structure, and the fact that, pursuant to the law and the Articles of Association, Directors are appointed by the Shareholders' Meeting from lists put forward by the Shareholders.

Audit Committee

The Audit Committee, in compliance with the Board resolution of November 9, 2000, fulfils a preparatory, consultative and propositive role regarding the general management of the Company. In compliance with the amendments made to the Code in July 2002, the Committee approved the 'Audit Committee Regulations' on February 25, 2003. In accordance with the Regulations, the Chairman of the Board of Statutory Auditors, or an Auditor appointed by the Chairman takes part in the Committee's activities; meetings can be attended by Saipem's Chairman. The Internal Audit Manager (being the Senior Manager in charge of the internal control system) assists the Audit Committee and carries out duties assigned as part of his/her role. The Internal Audit department, reporting to the Deputy Chairman and CEO, is responsible for the following: (i) assessing the conformity of accounting and non-accounting criteria and principles, the efficiency of administrative procedures and control systems; (ii) ensuring the implementation and updating of the risk assessment, mapping and classification systems for auditing purposes.

The Audit Committee's responsibilities are: (i) assisting the Board of Directors in the following areas: (a) setting guidelines for the internal control system; (b) periodically checking that it is adequate and operates effectively; (c) ensuring that major risks facing the Company are suitably identified and properly managed; (ii) evaluates together with the CFO and the external auditors, the adequacy of accounting principles adopted and their consistency throughout the consolidated financial statements; (iii) assesses together with the external auditors: (a) accounting principles considered 'critical' for the correct financial

and economic representation of Saipem's position; (b) alternative accounting standards provided for by the accounting principles and reviewed with the management, the consequences of the application of said alternative standards and related information in addition to the methods considered preferential by the external auditors; (c) contents of every relevant written exchange between the external auditors and the Company's management; (d) issues relating to statutory and consolidated financial statements of major Group companies; (iv) evaluates the work programme prepared by the Internal Audit Manager and receives from the latter reports, at least quarterly, on work performed; (v) evaluates issues raised through Internal Audit reports, communications from the Board of Auditors or individual Auditors, reports and the management letter issued by the external auditors, the annual report issued by Compliance Committee in its capacity as the Guarantor of the Internal Code of Practice, inquiries and studies by third parties; (vi) assesses audit plans put forward and works carried out by the external auditing firms, also in terms of their independent opinions; (vii) verifies independence of the external auditors; (viii) evaluates requests advanced by departmental managers to utilise the auditing firm appointed to audit the financial statements for non-audit service and presents proposals to the Board of Directors.

The Audit Committee convened 12 times during 2009, with meetings lasting on average four hours. 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;
- meeting with the Chief Financial Officer, the Chairman of the Board of Statutory Auditors, the partner of the external auditing firm to examine the main issues pertaining to the 2008 and 2009 financial statements;
- monitoring the development of the operating model of the Internal Audit Department;
- acknowledging Company activities relating to Law Decree 231/2001 particularly those activities relating to compliance, training and the analysis of sensitive processes;
- studying in-depth the model for the risk analysis and risk management 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 accounting processes necessary to implement the new International Financial Reporting Standards (IFRS).

The Audit Committee reports to the Board of Directors every six months, providing a detailed account of work carried out and the adequacy of the internal control system.

Compensation Committee

The Compensation Committee fulfils a propositive role for the Board of Directors vis-à-vis the Executive Directors remuneration as well as: (i) deferred incentive schemes; (ii) criteria for setting the Group's top management remuneration; (iii) setting targets and assessing achievements of performance and incentive schemes.

In 2009, the Compensation Committee convened on 5 occasions (with average attendance of 2/3 members) and carried out the following:

- it examined proposals for review of the long-term management incentive plan for the years 2009-2011 and analysed provisional results of the 2008 incentive plans;
- it approved the long-term management incentive plan for the years 2009-2011 and audited 2008 results required for the allocation of the annual and deferred monetary incentive plans to senior managers of the Saipem Group. It also verified Saipem's performance in terms of TSR versus its main competitors required for the allocation of Stock Option plans adopted in the period 2006-2008 to senior managers who have a direct impact on Company results or of strategic interest to the Company;
- it proposed the fixed and variable remuneration of the Deputy Chairman and CEO and the Managing Director for Business Support and Transversal Activities - Deputy CEO, based on 2008 results.

Saipem's CFO and HR Director were invited to attend Compensation Committee meetings.

Compensation Committee meetings at which remuneration proposals are put forward were not attended by the interested Directors.

All meetings were minuted.

The Compensation Committee had full access to information and Company functions necessary to carry out its responsibilities.

Board of Statutory Auditors⁹

The Board of Statutory Auditors, pursuant to Article 149 of Law Decree 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 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 publicly declared to adhere to; the adequacy of directions given by the Company to its subsidiaries.

The Board comprises three Statutory Auditors and two Alternate Auditors, appointed by the Shareholders on April 28, 2008. 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, 2010.

Pursuant to Article 27 of Articles of Association, Statutory Auditors are appointed from voting lists; one Statutory Auditor and one Alternate Auditor are chosen from the list put forward by the minority Shareholders. Lists are filed, presented and published in compliance with legal requirements and Consob Regulations.

Pursuant to Consob Resolution No. 16319 of January 29, 2008, lists may be presented by Shareholders who, individually or with others, hold shares amounting at least to 1% of the share capital.

Pursuant to Article 27, as amended by the Shareholders' Meeting on April 30, 2007 to comply with Law 262 of December 28, 2005, the Shareholders' Meeting appointed the Chairman of the Board of Statutory Auditors from the minority list. Lists enclose declarations by each candidate stating that they meet the integrity and independence requirements provided by law alongside their professional résumé.

The Board of Auditors comprises the Chairman Fabio Venegoni, the Statutory Auditors Fabrizio Gardi and Adriano Propersi and the Alternate Auditors Giulio Gamba and Alberto De Nigro.

Article 27 of Articles of Association states that Statutory Auditors must be in possession of the requisites as per current legislation, in particular Decree 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 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 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.

The Board of Statutory Auditors ensured the independence of the external audit company, ascertaining that it met all legal requirements and evaluating the nature and size of services other than accounting audits it 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 Committee, attending Committee meetings and inviting the Internal Audit Manager to its own meetings.

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

The Board of Statutory Auditors convened 23 times during 2009, with meetings lasting on average three hours.

The Shareholders' Meeting of April 28, 2008 set at €60,000 the annual remuneration of the Chairman of Statutory Auditors and at €40,000 that of the Auditors, in addition to the reimbursement of expenses incurred.

Pursuant to Article 27 of Articles of Association, Statutory Auditors may hold positions as members of administrative and control bodies in 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 Auditors at five listed companies may not be appointed as auditors, and if elected, shall forfeit their office.

Fabrizio Gardi, Adriano Propersi and Giulio Gamba have been nominated by Eni SpA; Fabio Venegoni and

(9) The professional résumés of Statutory Auditors are published on Saipem's website www.saipem.it under the section 'Investor Relations - Corporate Governance'.

Alberto De Nigro have been nominated by institutional investors coordinated by Arca SGR SpA.

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.

FABIO VENEGONI (Chairman)

Statutory Auditor of Beni Stabili SpA (listed company); Statutory Auditor of Boutique Vercelli Srl, Fidelity SpA, Aura Holding SpA, Radiall Elettronica Srl, Rotolito Lombarda SpA, SG Italian Holding SpA; Chairman of the Board of Statutory Auditors of Coccinelle SpA, Design & Licenses SpA, Francesco Biasia SpA, Infragruppo SpA, Pietro Fiorentini SpA, Quanta System SpA, Riqualficazione Grande Distribuzione Srl, Saipem Energy Services SpA, Segraf Srl; Board Director of Naar Tour Operator SpA, Ceccato SpA, Mediolanum Farmaceutici SpA and 100% Capri Holding SpA.

FABRIZIO GARDI (Statutory Auditor)

Board Director of Bidachem SpA, Boehringer Ingelheim Italia SpA, V.P. Holding SpA, Valore Reale SGR SpA, Value Partners SpA, Value Team SpA; Statutory Auditor of Almaf SpA, Cititrust SpA - Istituto Fiduciario, Cosmo Bioscience SpA, Cosmo Pharmaceuticals SpA, Econocom Locazione Italia SpA, Fidimo Fiduciaria SpA, Fimag SpA, Gianni Versace SpA, Milaninvest Real Estate SpA, Sodexo Italia SpA, Verim Srl, Voith Siemens Hydro Power Generation SpA.

ADRIANO PROPERSI (Statutory Auditor)

Chairman of the Board of Directors of IMI Fabi SpA; Board Director of Banca Popolare di Sondrio, Finamin SpA; Chairman of the Board of Statutory Auditors of Tecnocasa Holding SpA, Tecnocasa Franchising SpA, Tecnocasa Partecipazioni SpA, Kiron Partners SpA, Tecnomedia SpA, Trade & Partners SpA, La Ducale SpA, Immobiliare Giulini SpA, BEA SpA, Miba SpA, Consorzio C.D.A., Raffineria di Gela SpA, Seacom SpA; Statutory Auditor of Unicredit Business Partner ScpA, Feem Servizi Srl, A.T. Kearney SpA, Eni Gas & Power Belgium SpA, Atlas Copco BLM Srl, Immobiliare Santa Caterina Srl, Abac SpA.

GIULIO GAMBA (Alternate Auditor)

Chairman of the Board of Statutory Auditors of SIMA Srl, IFM Scarl and SPM Scarl; Statutory Auditor of Servizi

Energia Italia SpA, Venezia Tecnologie SpA, Priolo Servizi Scarl, Ravenna Servizi Industriali ScpA, Termica Milazzo Srl, VEGA Scarl.

ALBERTO DE NIGRO (Alternate Auditor)

Chairman of the Board of Statutory Auditors of Aicon SpA (listed company), 7Finance SpA, AIM Congress Srl, AIM Group SpA, AIM Travel Srl, Chiquita Italia Srl, Costa Real Estate SpA, Engineering Management Consulting SpA, Engineering.IT SpA, Eurolife Italcasse Distribuzione Srl, Kidco Services Srl, Nexta Media Srl, TESAUT SpA, Toyota Motor Leasing Italia SpA; Statutory Auditor of Alfa Gomma Industriale SpA, DAHLIA TV Srl, EngO SpA, McQuay Italia SpA, Nissan Italia SpA, Olivetti SpA, Setesi SpA, Consorzio Sinergie per l'innovazione nella ricerca nell'Industria e nelle Organizzazioni, Telit Communications SpA; Board Director and Member of the Control Committee of Engineering Ingegneria Informatica SpA (listed company); Sole Director of Ipse 2000 SpA; Board Director of Manesa Srl; Liquidator of Consorzio Informa currently being liquidated.

Directors' interests and operations with Related Parties

Saipem, with regard to Article 9 of the Corporate Governance Code, drafted a procedure named 'Code of Practice Regulating Operations with Related Parties'¹⁰, which was approved by the Board of Directors on July 7, 2003. This procedure identifies related parties and details all operations carried out amongst them; it lists criteria of application, operations that require prior consent by the Board of Directors and those that are to be notified to the Board of Statutory Auditors as well as the Board of Directors.

Board Directors, General Managers and Senior Manager with strategic responsibilities must declare, every six months, operations they may have carried out with Saipem SpA and/or its subsidiaries, directly or through a third party, in compliance with the provisions of IAS 24. The amounts of commercial, financial or other operations with related parties are provided in the notes to the consolidated and statutory financial statements of Saipem SpA, along with a description of the most relevant types of operations, their incidence, and those operations that had an impact on the Company's assets and financial results.

(10) The procedure 'Code of Practice Regulating Operations with Related Parties' is published on Saipem's website www.saipem.it under the section 'Investor Relations - Corporate Governance'.

Investor relations and disclosure of inside information

Saipem has adopted a policy of information supporting a 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 to investors, the market and the media takes place through press releases, 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. Information of interest is posted on Saipem's website (www.saipem.it) or can be requested via email from: investor.relations@saipem.eni.it.

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.eni.it.

In the month of December Saipem discloses to the public and publishes on its website its financial calendar detailing main financial events for the following 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.it, 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 March 23, 2006, the Board of Directors updated the 'Procedure regulating Market disclosure of inside information'¹¹, which was approved on December 12,

2002. This procedure – which implements the provisions contained in the 'Guide on Information to the Market' issued by 'Forum Ref' in June 2002 and the provisions of the European Directive on Market Abuse – defines the requirements to be applied to the disclosure of sensitive information to the market (materiality, clarity, homogeneity, symmetry, consistency and timeliness) and regulates the flow of information from controlled companies aimed at obtaining comprehensive and timely information for the Board of Directors and the market on events that may become sensitive information. This procedure also identifies measures to be taken in case of violation of its provisions, also in light of the penal and administrative sanctions introduced by Law 262/2005. The Code of Ethics also defines the duty of confidentiality that Group employees are required to adhere to, in compliance with data protection legislation.

Processing of inside information - Internal Dealing¹²

On March 23, 2006, the Board of Directors approved the procedure for the 'Upkeep and update of the List of persons having access to inside information', in compliance with the provisions of Article 115-bis of Law 58/1998, which states that 'Listed issuers and persons in a control relationship with them and persons acting on their behalf or for their account shall draw up, and keep regularly updated, a list of the persons who, in the exercise of their employment, profession or duties, have access to information referred to in Article 114, paragraph 1 (editor's note: inside information)'. This procedure, which contains the provisions of Chapter 1 (Lists of insiders) of Title VII of Consob Regulation No. 11971/1999 implementing the provisions on issuers of Legislative Decree 58/1998, identifies: (i) methods and terms applicable to listing and/or cancellation of personal data relating to persons, who in the exercise of their employment, profession or duties, have regular or occasional access to inside information; (ii) notification to the interested party of their listing and/or cancellation from the List and reasons thereof. This procedure is effective from April 1, 2006.

The Board of Directors also approved the 'Procedure regulating the identification of relevant parties and operations carried out by them, directly or through

(11) The procedure 'Procedure regulating Market disclosure of inside information' is published on Saipem's website www.saipem.it under the section 'Investor Relations - Corporate Governance'.

(12) The procedure 'Internal Dealing' is published on Saipem's website www.saipem.it under the section 'Investor Relations - Corporate Governance'.

third parties, involving shares of Saipem SpA or other associated financial instruments (Internal Dealing Procedure)', which replaces the Internal Dealing Code approved by the Board on December 12, 2002. This procedure complies with the provisions of Article 114 (information to be provided to the public), paragraph 7 of Law 58/1998, according to which 'persons performing administrative, supervisory and management functions in a listed issuer and managers who have regular access to inside information referred to in paragraph 1 and the power to make managerial decisions affecting the future development and prospects of the issuer, persons who hold shares amounting to at least 10% of the share capital, and any other persons who control the issuer must inform Consob and the public of transactions involving the issuer's shares or other financial instruments linked to them that they have carried out directly or through nominees. Such disclosures must also be made by the spouse, unless legally separated, dependent children, including those of the spouse, cohabitant parents and relatives by blood or affinity of the persons referred to

above and in the other cases identified by Consob in a regulation implementing Commission Directive 2004/72/EC of April 29, 2004'. This procedure, which contains the provisions of Chapter II (Transactions concluded by relevant persons and persons closely associated with such persons) of Title VII of Consob Regulation No. 11971/1999 implementing the provisions on issuers of Legislative Decree 58/1998: (i) identifies relevant persons; (ii) identifies operations involving shares issued by Saipem or other associated financial instruments; (iii) sets methods and conditions of disclosure involving transactions and their notification to the public; (iv) states sanctions to be applied in case of non-compliance of the provisions stated in the procedure.

In addition to legal requirements, this procedure also lists blocking periods, i.e. periods during which relevant parties may not carry out operations.

The following tables are taken from the document 'Guidelines for the compilation of the Corporate Governance Report' issued by Assonime and Emittenti Titoli SpA in March 2004.

Members of the Board of Directors and Internal Committees

Members	Board of Directors				Internal Audit Committee		Compensation Committee	
	executive	non executive	independent	%attendance	member	%attendance	member	%attendance
Chairman								
Marco Mangiagalli		X		100				
Deputy Chairman and CEO								
Pietro Franco Tali	X			100				
Managing Director								
Hugh James O'Donnell	X			100				
Directors								
Luca Anderlini		X	X	100	X	100		
Anna Maria Artoni		X	X	100	X	85	X	100
Jacques Yves Léost	X			100				
Pierantonio Nebuloni		X	X	70	X	60	X	20
Salvatore Sardo		X		50			X	100
Ian Wybrew-Bond		X	X	90				
Number of meetings held in 2009		8			12		5	

Board of Statutory Auditors

Members	% attendance to meetings of the Board of Statutory Auditors	% attendance to meetings of the Board of Directors	Number of other offices ⁽¹⁾
Chairman			
Fabio Venegoni	90	100	1
Statutory Auditors			
Fabrizio Gardi	95	100	-
Adriano Propersi	95	100	-
Alternate Auditors			
Alberto De Nigro	-	-	2
Giulio Gamba	-	-	-
Number of meetings held in 2009		23	8

(1) Offices held at other listed companies.

Other provisions of the Corporate Governance Code

	Yes	No
Powers and operations with related parties		
The Board of Directors has allocated the following powers:		
a) thresholds	X	
b) exercise of powers	X	
c) disclosure of information	X	
Has the Board of Directors the power to review and approve the most significant economic and financial operations (including operations with related parties)?	X	
Has the Board of Directors defined guidelines and criteria that identify operations as 'significant'?	X	
Have the aforementioned guidelines and criteria been detailed in the report?	X	
Has the Board of Directors set appropriate procedures for the review and approval of operations with related parties?	X	
Have the aforementioned procedures for the approval of operations with related parties been detailed in the report?	X	
Procedures pertaining to the most recent appointment of Directors and Statutory Auditors		
Have candidacies to the offices of Directors been filed at least ten days prior to their appointment?	X	
Did the candidacies to the offices of Directors contain sufficient information?	X	
Did the candidacies to the offices of Directors enclose a statement indicating the requirement of independence?	X	
Have candidacies to the offices of Statutory Auditors been filed at least ten days prior to their appointment?	X	
Did the candidacies to the offices of Statutory Auditors contain sufficient information?	X	
Shareholders Meetings		
Has the Company approved Shareholders' Meeting's Regulations?	X	
Are these Regulations enclosed in the Report (or information as to where they can be obtained/downloaded)?	X	
Internal Audit		
Has the Company appointed the senior manager in charge of the internal control system?	X	
Do these senior managers not report to managers of operational areas?	X	
Internal Audit Department (pursuant to Article 9.3 of the Code)		Internal Audit
Investor relations		
Has the Company appointed an investor relations manager?	X	
Investor Relations Department: contact details (address/fax/email) of the Manager		Investor Relations (*)

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