

Corporate Governance Report

Principles

Saipem is an internationally oriented industrial group which, because of its size and 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.

In conducting both its activities as an international company and those with its partners, Saipem stands up for the protection and promotion of human rights – inalienable and fundamental prerogatives of human beings and basis for the establishment of societies founded on principles of equality, solidarity, repudiation of war, and for the protection of civil and political rights, of social, economic and cultural rights and the so-called third generation rights (right to self determination, to peace, to the development and protection of the environment).

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”), strengthen the importance to clearly define the values that Saipem accepts, acknowledges and shares as well as the responsibilities it assumes, 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 characterizes the conduct of Saipem’s entire organization.

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 have to 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 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.

Human rights

Worldwide, Saipem is committed to supporting and respecting the principles contained in the UN Universal Declaration of Human Rights.

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.

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 Corporate Governance Report is posted on the Company's website www.saipem.it under the section "Investor Relations" item "Shareholders' Meeting"

THE CODE OF ETHICS

At the meeting of July 14, 2008, the Board of Directors of Saipem S.p.A. approved for the new organizational, management and control Model pursuant to Legislative Decree no. 231 of 2001 (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 Compliance Committee of Saipem S.p.A. and

which, pursuant to art. 6 paragraph 1 of Law Decree 231 of 2001 has been granted “independent powers of initiatives and control”.

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 the Compliance Committee, to further guarantee its independence. These additional members shall be selected from among academics and professionals with proven expertise, one of whom is to take 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 recipients of the Committee’s decisions and monitor their implementation.

These initiatives have further strengthened the internal control system; the Board of Directors believes that business activities aiming at the creation of value for Shareholders must be founded on the principle of fair conduct towards all its 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. Saipem is committed to promoting important social initiatives in order to spread a business culture amongst its stakeholders that will seize opportunities and manage the risks resulting from the economic, environmental and social development and will generate long-term value for all the parties involved.

The Code of Ethics includes the general principles underpinning Saipem’s sustainability policy, detailed in *Saipem Sustainability Report* which has been produced annually from 2000, and is used to spread the sustainability culture and monitor its initiative and performance. The report is proof of the growing commitment by 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.

Model 231, inclusive of the Code of Ethics, and the Saipem Sustainability Report are posted on Saipem’s website www.saipem.it under the sections “Corporate Governance” and “QHSE and Sustainability” respectively.

SELF-REGULATORY CODE

The corporate governance of Saipem S.p.A. is based on international best practice standards and, in particular, on the principles of the Self-Regulatory Code (hereafter Code) of listed companies approved in 2006 by the Corporate Governance Committee and promoted by Borsa Italian S.p.A., in addition to all relevant provisions of regulations issued by Consob (Italy’s Securities and Exchange Commission).

The Board of Directors of Saipem S.p.A., 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.

This annual corporate governance report was prepared, as in previous years, in compliance with the “*Annual corporate governance guidelines*” of Borsa Italian S.p.A. of 2003, and tables and suggestions provided under the “*Guide for the preparation of corporate governance reports*” issued by Assonime and Emittenti Titoli S.p.A. in, and utilising the format of Borsa Italiana S.p.A. The Company strived, consistently with the business peculiarities and corporate objectives, to provide correct, exhaustive and effective information, in line with market requirements.

CORPORATE GOVERNANCE SYSTEM

Saipem's organizational 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 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 – COO.

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

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

The Company is a subsidiary of Eni S.p.A. and is therefore subject to the direction and coordination of the parent company, pursuant to art. 2497 of the Italian Civil Code.

SAIPEM'S SHAREHOLDERS AT DECEMBER 31, 2008 / INFORMATION REQUIRED BY ART. 123-BIS OF LAW 58/98

Share capital distribution

- At December 31, 2008, the share capital of Saipem S.p.A. amounted to Euro 441,410,900; it is fully paid up and comprises no. 441,262,713 ordinary shares, equal to 99.97% of the share capital, of the nominal value of Euro 1 each, and no. 148,187 savings shares, equal to 0.03% of the share capital, of the nominal value of Euro 1 each, both of which are listed on the Milan Stock Exchange. Shares cannot be divided and each share carries the entitlement to 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. The Savings Shareholders' meeting appointed Mr Roberto Ramorini as their collective representative on October 31, 2006.
- 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 art. 120 of Law 58/98, Shareholders owning a stake in Saipem S.p.A. in excess of 2% are:

Shareholders	Number of shares	% of capital
Eni S.p.A.	189,423,307	42.91
Capital Research and Management Co	23,172,485	5.25

Shareholders breakdown by geographical area based on 2007 dividend payments			
Shareholders	Number of Shareholders	Number of shares	% of capital
Italy	19,445	259,455,709 (*)	58.78
Other EU Member States	907	48,505,831	10.99
Americas	724	86,107,995	19.51
UK and Ireland	293	33,055,686	7.49
Other European States	103	4,206,271	0.95
Rest of the World	248	10,079,408	2.28
Total	21,720	441,410,900	100.00

(*) Includes treasury shares with no dividend entitlement.

Shareholders breakdown by size of holding			
Shareholders	Number of Shareholders	Number of shares	% of capital
> 10%	1	189,423,307	42.91
> 2%	1	23,172,485	5.25
1% - 2%	5	34,182,335	7.74
0.5% - 1%	10	31,208,802	7.07
0.3% - 0.5%	14	25,076,953	5.68
0.1% - 0.3%	63	50,802,038	11.51
≤ 0.1%	21,626	87,544,980	19.84
Total	21,720	441,410,900	100.00

Voting rights restrictions

- No restrictions exist on voting rights.

Shareholders right restrictions

- All Shareholders enjoy the same rights.

Agreements as per art. 122 of Law 58/98

- No known agreements exist amongst Shareholders, as per art. 122 of Law 58/98.

Exercise of voting rights

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

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 art. 2343 of the Italian Civil Code.

The Shareholders' meeting of April 28, 2008 approved the buy-back of a maximum of 1,700,000 treasury shares, pursuant to art. 2357 of the Italian Civil Code, for allocation to the 2008 Stock Option Scheme.

Shares must be bought back within an 18-month period, at a price not higher than 5% of the reference price on the day preceding each purchase, and for a maximum amount not exceeding Euro 58 million.

The Board of Directors, at their meeting of July 29, 2008, set the number of shares required to implement the Stock Option Scheme at 1,339,000.

The number of treasury shares held by the Company at the end of 2008 was 6,349,500, equal to 1.43% of the share capital.

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.

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 S.p.A. and its subsidiaries are subject to significant agreements that become effective, are amended or terminated whenever there is a change of control in terms of the current main Shareholder Eni S.p.A. (change of control clauses).

Specifically, these clauses relate to:

- **financing** currently held with third-party credit institutions or with Eni, which, at December 31, 2008, amounted to a total of Euro 2,719 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 Euro 26.9 million.

- **bank guarantees** amounting to a total of Euro 5,294 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 Company, would result in an increased annual financial outlay that is estimated at approximately Euro 5.6 million.

THE BOARD OF DIRECTORS

Responsibilities and powers of the Board of Directors

The Board of Directors is the central body within the Corporate Governance system of Saipem S.p.A. and the Saipem Group. Art. 20 of Articles of Association states that the management of the Company is exclusively the responsibility of the Board of Directors.

Art. 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 art. 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 art. 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 art. 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 art. 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;
- 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 Euro 5,000,000;
 - b) capital expenditure in technical assets different from previous ones exceeding Euro 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 Euro 1 billion and those whose duration is over 20 years;
 - d) acquisition or transfer of company holdings or branches exceeding Euro 25,000,000;
 - e) acquisition, sale or financial leasing of land and/or buildings exceeding Euro 2,500,000;
 - f) financial of entities other than subsidiary companies: i) for amounts exceeding Euro 50 million; or ii) or 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 Euro 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 General Managers, granting them the relevant powers;
 - appointing and revoking, 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, having consulted the opinion of the Audit Committee, 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.

Pursuant to art. 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 art. 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 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.

This year's review, carried out with the support of Egon Zehnder International, has confirmed that the Board of Directors functions at an excellent level and it has further improved in some operational points.

The new Board composition brought diverse and broader competencies with the potential for richer contribution to Board discussions. The learning curve of new (and also confirmed) Members towards Saipem activities can be accelerated by systematic exposure to the business.

The new governance (Chairman and CEO as separate functions) ensure positive external representation while maintaining effective Board functioning, thanks to the smooth integration between Saipem's Chairman and its CEO.

The Board of Directors of Saipem S.p.A. enjoys a positive, constructive climate that encourages independent members to give their appreciated contributions.

Composition of the Board of Directors

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 art. 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 tenth 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 art. 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 S.p.A.

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 Euro 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;

- beside 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 (art. 1.c.2 of the Code).

- 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 S.p.A. and Artoni Trasporti S.p.A., Chairman of Artleasing S.p.A., Frigomar S.p.A and Network Extensions S.r.l., Board Director of RCS Quotidiani and the bank "Cassa di Risparmio di Parma e Piacenza".

- Pierantonio Nebuloni

Managing Director of IT Holding S.p.A. (listed company)

Board Director of Polynt S.p.A., Mid Industry Capital S.p.A., Sole Director of Farelli S.r.l.

The Directors' professional résumés are posted on Saipem's website. www.saipem.it under the section "Investor Relations - Corporate Governance".

Board of Directors' Meetings

The Company's Articles of Association do not specify how often the Board should meet, although art. 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 2008, the Board of Directors met on ten occasions, their meeting lasting three hours on average; three meetings have been scheduled to take place in the first half of 2009. 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 2008, an average of 85% of Board Directors and 80% of independent Directors attended Board Meetings.

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

The Board vested the Chairman 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, and granted the Managing Director the powers to manage the Company's commercial and operational activities in the following areas:

- procurement and assets
- onshore business unit
- offshore business unit
- drilling business unit
- integrated projects.

The Deputy Chairman and CEO is ultimately responsible for the management of the Company. 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 art. 147-ter and art. 148, paragraph 3, of Law 58/98, 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 art. 3 of the Corporate Governance Code and art. 148, paragraph 3, of Law 58/98.

Directors who do not comply with the independence requirement are executive Directors Pietro Franco Tali, Hugh James O'Donnell, Jacques Yves Léost, 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.

PROCESSING OF INSIDE INFORMATION / INTERNAL DEALING

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 art. 115-bis of Law 58/98, 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 third parties, involving shares of Saipem S.p.A. 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 art. 114 (Information to be provided to the public), paragraph 7 of Law 58/98, 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 per cent 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 “Internal Dealing” procedure is posted on Saipem’s website www.saipem.it under the section “Investor Relations - Corporate Governance”.

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.

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 the Guarantor of the Internal Code of Practice, inquiries and studies by third parties; (vi) assesses offers received from external auditing firms for the award of the auditing contract, the work programmes put forward and works carried out by said auditing firms, also in terms of their independence; (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 ten times during 2008 and three times in the period from January 1 to March 12, 2009. It examined the Integrated Risk Assessment system aimed at setting up the integrated audit programme of the Internal Audit Department, approving their audit plan for the year; it examined and evaluated internal audit activities; met with the Chief Financial Officer, the Chairman of the Board of Statutory Auditors, the partners of the External Auditing firm to examine the main issues pertaining to the 2007 and 2008 Financial Statements; it monitored the development of the operating model of the Internal Audit Department; acknowledged Company activities relating to Law Decree 231/2001 particularly those activities relating to compliance, training and the analysis of sensitive processes; studied in-depth the model for the risk analysis and risk management of the Saipem Group; acknowledged the Company's organisational structure and the powers of attorney and proxy systems at the basis of the Saipem Group decision making mechanism; monitored 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.

The Board of Directors has appointed the Internal Audit Manager as the senior manager in charge of the internal control system, with the responsibilities provided by the new Corporate Governance Code.

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) stock based incentive schemes; (ii) criteria for setting the Group's top management remuneration; (iii) setting targets and assessing achievements of performance and incentive schemes.

In 2008, the Compensation Committee convened on three occasions (with 100% member attendance) and carried out the following:

- it reviewed the 2008 Group performance and incentive schemes as well as results of the 2007 schemes, in view of the allocation of annual and deferred monetary incentives to Group senior managers;
- it proposed the fixed and variable remuneration of the Chairman, the Deputy Chairman and CEO and the Managing Director, based on 2007 results;
- it proposed the 2008 management incentive scheme allocations (stock options, annual and deferred monetary incentives).

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.

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 is set, pursuant to art. 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, the General Manager 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, the General Manager and senior managers with strategic responsibilities; (iii) number of shares held by the Directors, Statutory Auditors, the General Manager and senior managers with strategic responsibilities of Saipem and its controlled companies.

The Shareholders' Meeting of April 28, 2008 set at Euro 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, as well as that of the General Manager and 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 is commensurate with the powers vested in them. The fixed remuneration of the General Manager and 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's remuneration is linked to the achievement of Company objectives. The variable remuneration paid in 2008 was based on Saipem's targets for the year 2007 (profitability, cash-flow, new contracts, backlog risk management and preparation of the Sustainability Report), 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, the General Manager and senior managers with strategic responsibilities are detailed in the annual Financial Statements.

In 2006, the Board of Directors approved, at the proposal of the Compensation Committee, a new long-term incentive system applicable to senior managers of Saipem, in order to increase management's motivation and loyalty and set a close correlation between achieved targets/Company results and incentives.

The new system, to be applied from 2006 to 2008, comprises a deferred monetary incentive focused on business growth and operational efficiency (replacing the stock grant scheme), and a stock option scheme focused on return on investment for the Shareholder, which had been approved by the Shareholders' Meeting of April 28, 2008. This policy is aimed at balancing the monetary and stock-based components of the remuneration package, as well as integrating over the long-term the Company's financial-operational performance with that of the stock. The deferred monetary incentive granted in 2008 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 2008-2010. Stock options allocated in 2008 will be eligible for exercise after three years based on the Total Shareholders' Return achieved by Saipem's share versus its competitors. 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.

INTERNAL CONTROL SYSTEM

The aim of the internal control system, which has been in place for several years, is safeguarding the risk areas of Saipem's corporate business. Regulations and structures that make up the internal

control system is integrated into the Code of Ethics, which details the Company's fundamental values: the formal and material legitimacy of employees' conduct at every level of the organisation, the transparency of accounts, the dissemination of a control oriented mentality, and the sustainability. Saipem is aware that investors rely on the Corporate bodies, the management and all employees to fully comply with the system of regulations that is the Company's internal control system.

The Board of Directors ensures that the internal control system is consistent with the Company's business requirements. On December 14, 2006 and subsequent amendments, the Board of Directors resolved to adopt the provisions of the Self-Regulatory Code of Listed Companies, taking upon itself to define – with the support of the Audit Committee – guidelines for the internal control system in order to ensure the correct identification, measure, management and monitoring of main risks for the Company and its subsidiaries. The Audit Committee reports to the Board at least every six months, upon approval of the annual Financial Statements and the Half-year Report, on activities carried out and the adequacy of the internal control system. In addition to supporting the Board in fulfilling its responsibilities vis-à-vis the internal control system, the Audit Committee: (i) assesses, together with the senior manager in charge of preparing the Company's financial reports and the External Auditors, the correct application of accounting principles and their consistency in the preparation of the consolidated Financial Statements; (ii) reviews the integrated audit plan, the periodic reports of the Internal Audit Manager on activities carried out and their outcome; (iii) evaluates comments raised in Internal Audit reports, enquiries carried out by the Internal Audit department following whistle-blowing actions, reports by the Board of Statutory Auditors, reports and the management letter of the External Auditors, the annual report of the Compliance Committee, the report of the senior manager in charge of the internal control system. All activities carried out in 2008 by the Audit Committee are detailed above in the relevant section of this report. The Deputy Chairman and CEO is responsible for implementing the guidelines set by the Board of Directors and ensuring the function of the internal control system, with the support of the senior manager in charge of the internal control system and the Internal Audit department.

Senior Manager in charge of the internal control system

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 Chairman'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 functional 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. 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 organization. The Internal Audit department of Saipem S.p.A. 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 S.p.A. and then to the approval of the Board of Directors and, pursuant to Law Decree 231/01, to Saipem's Compliance Committee; 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.

Periodic disclosure of information

The Internal control system on Company information was set up in compliance with:

- the US Sarbanes-Oxley Act of 2002 (SOA), which Saipem must adhere to as subsidiary of a New York Stock Exchange listed company (NYSE);
- Law Decree 58/1998, art. 154-bis applicable because Saipem is listed on the Italian Stock Exchange.

Two key principles were followed in the review of the internal control system:

- Disseminate controls to all levels of the organisation, in line with the respective operational responsibilities; this approach reflects the policy stated in the Code of Ethics: “the responsibility for building an efficient internal control system rests on all levels of Saipem’s organization; therefore all Saipem employees, in their respective functions, are responsible for the definition and proper functioning of internal controls”;
- sustainability of controls over time, so that they become integrated and are compatible with operational requirements; all controls were reviewed in detail to identify those that are critical in mitigating risks.

To safeguard the accuracy and reliability of Company information, a number of control and procedures was set up, subdivided into two components:

- disclosure controls and procedures aimed at fulfilling all disclosures required for the consolidated and statutory financial statements, the half-year and interim reports as well as Form 20-F (Disclosure controls and procedures-DC&P);
- the internal control system which regulates the preparation of the financial statements and interim reports (Internal Control over Financial Reporting - ICFR).

Disclosure controls and procedures aim at ensuring that Company information divulged to the market is correctly gathered, processed, collated and disclosed, in compliance with current legislation. Controls and procedures include those that are specifically designed to insure that information is gained and communicated to the management of the Issuer, specifically the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO), so that they can take conscious and prompt decisions on information to be disclosed to the market and on its correctness/completeness in representing Company risks, management expectations and business developments. The Management is responsible for both procedures and internal controls with regard to duties of information in respect of the assessment of organisational efficiency and their effective operations.

The internal control system, which is at the basis of the collation of the financial and interim statements, aims at ensuring that all financial data are correct and safeguarding the collation process of the financial statements and interim statements in order to produce information that is in compliance with generally accepted accounting principles. Its scope is therefore limited when compared to the DC&P, although its reach within the organisation is greater, requiring controls within each operational and administrative department, which issues relevant financial information. Pursuant to SOA provisions, only the internal control system that is responsible for the collation of the financial statements at Eni level is audited by the management as well as the Accounting Auditors.

The structure of the internal control system is set by the model adopted in the COSO Report and comprises five components (control environment, risk assessment, control activities, IT systems and information flows, monitoring activities), which, in light of their own characteristics, operate at company and process level.

Specifically, controls at entity level comprise the following:

- Company Level Controls are control tools that are applied throughout the Group or a specific sector and allow the controlling entity (Saipem) to direct, define and monitor, albeit only at high level, the layout and operations of the internal control system of subsidiaries. Company level controls include the Code of Practice, Corporate Governance, Group guidelines, etc.;
- Entity Level Controls are control tools operating across individual companies.

Process Level Controls comprise:

- Specific controls: all activities, either manual or automated, aimed at preventing, identifying and correcting errors and misrepresentations occurring during business operations; in order to improve the system's efficiency and its sustainability over time, specific controls have been subdivided into standard and key controls, the latter being critical in preventing false representations in the financial statements, on which monitoring activities are based;
- Pervasive controls: structural elements of the internal control system aimed at setting the general environment that can promote the proper execution and control of operational activities.

Main categories of pervasive controls are:

- Segregation of duties, aimed at preventing that a large number of tasks and responsibilities is centred on the same person so as to enable them to commit and conceal fraud or errors; where activities are aided by IT systems, proper segregation is ensured through the allocation of correct profiles and users;
- General computer controls, comprise all checks to ensure the correct operations of IT systems (for instance access controls).

All the aforementioned controls are aimed at mitigating risks of unintentional errors, and/ or of fraud that may have repercussions on the Company finances. With regard to the risk of fraud, the internal control system provides a dedicated section "Anti-fraud Programmes and Controls" for which a specific fraud risk assessment was carried out as well as an assessment of mitigating controls both at entity and process level.

Controls are constantly monitored to ensure that their design is correct, that they are effective and to update them consistently with changes in the organisation, operational process and IT systems.

The model adopted for monitoring purposes comprises:

- Ongoing monitoring activities, carried out by the manager in charge of the relevant processes/activities on a continuous basis, to ensure prompt identification of shortcomings and subsequent implementation of corrective measures;
- Separate evaluations carried out by the Internal Audit Department in accordance to their own schedule, remit and targets, aimed at strengthening the assessment process carried out by the management.

Reports on all these activities on the internal control system are issued quarterly/annually; these involve all levels of the Group organisation: from department managers, who bear the main responsibility of maintaining an efficient control system, to CEOs and CFOs (Financial Managers) of individual subsidiaries; from the latter to the Divisions/main operational companies, to Saipem's CEO and CFO, who are ultimately responsible for the system's effectiveness – the CFO in his capacity as senior manager in charge of the Company's financial reporting, in compliance to art.154 bis of Law 58/98.

Similar reports are issued by the same persons, pursuant to Italian legislation, in the statutory and consolidated financial statements, the half-year report, interim reports and all other financial documents; the CFO has to declare that all information provided reflects documents, accounting books and entries.

The CEO and CFO report their assessment on the internal control system to the Board of Directors

and the Board of Statutory Auditors, so that they can carry out their audit activities as per Italian and US legislation.

In order to standardise procedures within the Group, the aforementioned principles have been collated into one document “Saipem’s Internal Control System on Corporate Reporting”, which describes the current Group Model and details responsibilities allocated to the Management and the various levels of the organisation.

A series of operative guides have been issued in support of the group model (guide for the identification of key controls, criteria for the definition of test samples, guide for the management of spreadsheets, etc.) and training courses organised.

The model and operative guides were circulated at all Group companies and posted on Saipem’s intranet website (SOA/262). They have also been the subject of training and ad-hoc seminars at various offices.

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 offences 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 231/01 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 Chairman on activities carried out. The Compliance Committee’s independence is safeguarded by its position within the Company’s organisation and reporting lines, pursuant to art. 6, paragraph 1, letter b), of Law 231/2001.

In 2008 the Compliance Committee convened on nine occasions and: promoted and monitored all initiatives aimed at Saipem S.p.A. employees to ensure the adequate knowledge of the Model; it identified 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.

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 S.p.A., appointed by the Shareholders' meeting of April 30, 2007, whose six-year mandate expires with the approval of the 2012 Financial Statements. 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 art. 21 of Articles of Association and art. 154 bis of Law 58/98, 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. The latter is chosen amongst 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 two million euros, 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.

Mr Giulio Bozzini, who has taken over as Saipem's CFO from Alessandro Bernini, is the senior manager in charge of preparing the Company's financial reports, pursuant to art. 154-bis of Law 58/98.

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.

DIRECTORS' INTERESTS AND OPERATIONS WITH RELATED PARTIES

Saipem, with regard to Art. 9 of the Corporate Governance Code, drafted a procedure named "Code of Practice Regulating Operations with Related Parties", 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 S.p.A. 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 S.p.A., 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.

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

BOARD OF STATUTORY AUDITORS

The Board of Statutory Auditors, pursuant to art. 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 art. 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 art. 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.

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

Pursuant to art. 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, art. 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 S.p.A.; Fabio Venegoni and Alberto De Nigro have been nominated by institutional investors coordinated by Arca SGR S.p.A.

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 S.p.A. (listed company), Statutory Auditor of Saipem Energy Services S.p.A.(Eni Group), Fiditalia S.p.A. (Société Generale Group), Rotolito Lombarda S.p.A., Chairman of the Board of Statutory Auditors of Quanta System S.p.A. (El.En. Group) Francesco Biasia S.p.A. (Mariella Burani Group), Pietro Fiorentini S.p.A., Coccinelle S.p.A. (Mariella Burani Group), Infragruppo Sp.A., Board Director of Tecnomagnete S.p.A. and Ceccato S.p.A.
- Fabrizio Gardi (Statutory Auditor)
Board Director of: Bidachem S.p.A., Boehringer Ingelheim Italia S.p.A., V.P. Holding S.p.A., Valore Reale SGR S.p.A., Value Partners S.p.A., Value Team S.p.A.; Statutory Auditor of Almaf S.p.A., Berger Vogel S.r.l., Brioschi Sviluppo Immobiliare S.p.A., Cititrust S.p.A. – Istituto Fiduciario, Cosmo Bioscience S.p.A., Cosmo Pharmaceuticals S.p.A., Econocom Locazione Italia, Fidimo Fiduciaria S.p.A., Fimag S.p.A., Gianni Versace S.p.A., Milaninvest Real Estate S.p.A., Sodexo Pass S.p.A., Sodexo Italia S.p.A. , Verim S.r.l., Voith Siemens Hydro Power Generation S.p.A.
- Adriano Propersi (Statutory Auditor)
Chairman of the Board of Directors of IMI Fabi S.p.A.; Chairman of the Board of Statutory Auditors of Tecnocasa Holding S.p.A., Kiron Partners S.p.A., Tecnocasa Franchising S.p.A., Tecnocasa Partecipazioni S.p.A., La Ducale S.p.A., Immobiliare Giulini S.p.A., BEA Sp.A., Miba S.p.A., Consorzio C.D.A., Raffineria di Gela S.p.A.; Statutory Auditor of Feem Servizi S.r.l., AT Kearney S.p.A., Eni Gas & Power Belgium S.p.A., Atlas Copco BLM S.r.l, Immobiliare Santa Caterina S.r.l., Immobiliare Sede Dottori Commercialisti S.p.A.
- Giulio Gamba (Alternate Auditor)
Chairman of the Board of Statutory Auditors of IFM S.c.a.r.l. and SPM S.c.a.r.l., Statutory Auditor of Saipem Energy Italia S.p.A., Venezia Tecnologie S.p.A., Priolo Servizi S.c.a.r.l., Ravenna Servizi Industriali S.c.p.a., Termica Milazzo S.r.l., VEGA S.c.a.r.l..
- Alberto De Nigro (Alternate Auditor)
Chairman of the Board of Statutory Auditors of Aicon S.p.A., Aicon Yachts Europe S.r.l., AIM Congress S.r.l., AIM Travel S.r.l., Chiquita Italia S.r.l., Costa Real Estate S.p.A., Engineering Management Consulting S.p.A., Engineering.it S.p.A., Eurolife Italcasse Distribuzione S.r.l., Kidco Services S.r.l., Toyota Motor Leasing Italia S.p.A.; Statutory Auditor of AIR PT Development Italy S.r.l., Alfa Gomma Industriale S.p.A., Engisud S.r.l., McQuay Italia S.p.A., Nissan Italia S.p.A., Nuova Trend S.p.A., Setesi S.p.A., SIRIO, Telit Communications S.p.A., Tesaut S.p.A.; Board Director of Engineering Ingegneria Informatica S.p.A.; Sole Director of Ipse 2000 S.p.A.

The Statutory Auditors' professional résumés are posted 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 posts on its Internet site 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", 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.

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

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 art. 2364 of the Italian Civil Code, extraordinary Shareholders' meetings by art. 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 art. 2370 of the Italian Civil Code.

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

The following tables are taken from the document "Guidelines for the compilation of the Corporate Governance Report" issued by Assonime and Emittenti Titoli S.p.A. 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		80			X (until 28/4/08)	100
Deputy Chairman and CEO								
Pietro Franco Tali	X			100				
Managing Director								
Hugh James O'Donnell	X			100				
Directors								
Luca Anderlini ⁽²⁾⁽³⁾			X X	85	X	100		
Anna Maria Artoni ⁽²⁾⁽³⁾			X X	75	X	100	X	100
Jacques Léost	X			80				
Pierantonio Nebuloni ⁽³⁾		X	X	80	X	70	X	100
Salvatore Sardo ⁽²⁾		X		85			X	100
Ian Wybrew-Bond		X	X	70				
Angelo Caridi ⁽¹⁾		X		35				
Francesco Gatti ⁽¹⁾⁽³⁾		X	X	70	X	100	X	100
Gesualdo Pianciamore ⁽¹⁾⁽³⁾		X	X	100	X	100		
Number of meetings held in 2008	10				10		3	

(1) In office until 28/04/2008

(2) In office until 28/04/2008

(3) Appointed from the list of minority Shareholders.

**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 ⁽¹⁾ (Chairman from 28/04/2008, previously Statutory Auditor)	100	90	1
<i>Paolo Andrea Colombo (Chairman until 28/04/2008)</i>	100	100	
Statutory Auditors			
Fabrizio Gardi	90	80	
Adriano Propersi (from 28/04/2008)	100	75	
Alternate Auditors			
Alberto De Nigro ⁽²⁾ (from 28/04/2008)	-	-	
Giulio Gamba	-	-	
<i>Luca Giovanni Caretta (until 28/04/2008)</i>	-	-	
Number of meetings held in 2008	13	10	

(1) Number of Directorships or Auditor's posts at other Italian listed companies

(2) Appointed from the list of minority Shareholders.

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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
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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
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Internal Audit

Has the Company appointed the senior manager in charge of the internal control system?	X
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Do these senior managers not report to managers of operational areas?	X
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Internal Audit Department (pursuant to art. 9.3 of the Code)	Internal Audit
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Investor relations

Has the Company appointed an investor relations manager?	X
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Investor Relations Department: contact details (address/fax/email) of the Manager?	Investor Relations ^(*)
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(*) Saipem SpA - Via Martiri di Cefalonia, 67 - San Donato Milanese (Milan) 20097 Italy - Tel. +39 02 520 34653 - Fax +39 02 520 54295.