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CORPORATE STANDARD

REPORTS (INCLUDING ANONYMOUS ONE) RECEIVED BY SAIPEM AND ITS SUBSIDIARIES

STD-COR-ORGA-006-E

01/12/2006	01	Issued for approval	C. Chessa ORGA	R. Giannini DRO	P. F. Tali PRE
Date	Revised	Description of Revision	Prepared	Checked	Approved

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Saipem

CORPORATE STANDARD
REPORTS OF MISDEMEANOURS RECEIVED BY
SAIPEM AND SUBSIDIARIES

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Rev. 01

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Summary of Revisions

Code	Date	Rev.	Description of Revision	Prepared	Checked	Approved
ORGA-006-E	01/12/2006	01	Issued for approval	C. Chessa ORGA	R. Giannini DRO	P.F. Tali PRE

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1 AIMS AND OBJECTIVES

The aim of this Corporate Standard is to set up channels of information enabling the reception, analysis and processing of reports disclosing irregularities concerning the internal control system (hereinafter "ICS"), corporate reporting, company administrative liability, frauds, or other issues (violation of the Code of Practice, mobbing practices, thefts, security issues, etc.), submitted by employees (including top managers), members of company Boards or third parties, including reports received confidentially or anonymously.



Moreover, to provide the necessary information channels with Eni S.p.A. ensuring prompt management of all reports received.

This Standard shall apply to Saipem S.p.A. and to its subsidiaries, who shall adopt this Standard by formal resolution.

Subsidiaries shall adopt the procedure, or a similar one (including revised versions of previous regulations) by formal resolution, according to the specific characteristics of their company and the legal rights of their own Boards of Auditors, provided that: (i) the relevant functions of the subsidiaries immediately notify the Internal Audit function of Saipem S.p.A. of any report received, and (ii) the Internal Audit function, upon receipt of such notification, transmits it promptly to the Internal Audit function of ENI S.p.A. and proceeds with the investigations and checks provided under this procedure, informing the Eni Internal Audit function about the results.

2 REFERENCE DOCUMENTS

- *Art. 2408 of Civil Code*, regarding reports of alleged irregularities submitted to the Board of Auditors by shareholders
- *Art. 149 of Legislative Decree, No. 58, 24 February 1998 ("Draghi decree") – for the Board of Auditors' duty to oversee the "Internal control system" and the "Administrative-accounting system"*.
- *Art. 231, 6.2.d) of Legislative Decree No. 231, 8 June 2001, with regard to the duty to inform the Compliance Committee of reports concerning the "Organisational, management and control model, under Legislative Decree no. 231/2001"*. .
- *Self-discipline Code of the Italian Stock Exchange*, for the responsibility, assigned to the Board of Directors assisted by the Internal Control Committee, to set guidelines and periodically assess the adequacy and effectiveness of the Internal Control System (ICS), and for the competence of the CEO to apply the Board's guidelines by drawing up, implementing and managing the ICS, verifying its overall adequacy, efficiency and effectiveness.
- *Consob Communication No. DAC/RM/97001574, 20.02.1997*, for the extension of the Board Of Auditors' duties to receive reports from persons other than shareholders, including employees (only for listed companies).
- *Section 301 of the "Sarbanes Oxley Act of 2002" and SEC Rules "Standards relating to listed company audit committees"*, for standards concerning "Audit Committees" of listed companies quoted on the U.S. stock markets.
- *Coso Report - Internal control system: An integrated reference model for management of company risks*, for assignment of final responsibility for the Internal Control System and its monitoring by the company Top Management, which uphold and approves it.
- *Code of practice*, approved by resolution of the Board of Directors, 19 May 1999 (version updated with addenda, 31 July 2003), for the principles of reference concerning transparency and accuracy of company information and the duty of all employees (including top management), to report any omissions, falsifications or negligence in accounts or the documentation on which the accounts are based.
- *Organization, management and control model, ex Legislative Decree no. 231, 2001*, approved at the meeting of the Board of Directors of Saipem S.p.A., 22 March 2004 and subsequent updates.

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- *Eni S.p.A. Circular no. 221, 26 June 2006: "Reports (anonymous and not), received by Eni and its subsidiaries, controlled directly and indirectly"*
- *Eni System for control of company information - Regulations and methodology*

3 DEFINITIONS

Reports

"Reports", for the purposes of this procedure, include any notifications concerning possible violations, behaviours, practices which are not in accordance with the Code of Practice and/or which might entail damage or prejudice to, even if only in terms of public image, Saipem S.p.A. or any of its subsidiaries. Such reports may concern employees (including top managers), members of the Board of Directors and Board of Auditors, independent auditors of Saipem S.p.A. and its subsidiaries and third parties (partners, clients, suppliers, consultants, collaborators) in business relations with these companies, concerning one or more of the following areas:

- internal controls system;
- accounting, internal accounting controls, auditing of accounts, fraud;
- company administrative responsibility, under Legislative Decree 231/2001;
- other areas (such as, for example: violations of the Code of Practice, mobbing practices, theft, security, etc..)

With the exception of cases of fraud, this regulation does not apply to operational anomalies which should be identified by company structures as part of internal controls implemented/issued to comply with the Sarbanes-Oxley Act. These anomalies are managed within the periodic reporting structures.

Anonymous Reports



"Anonymous reports" refer to any report originating from an individual whose contact details are available, nor traceable.

"Bad faith" reports

To "Report in bad faith" means ungrounded reports, aimed at damaging, or otherwise prejudicing, employees (including top managers), members of the Board of Directors or Board of Auditors, independent auditors of Saipem S.p.A. and its subsidiaries, third parties (partners, clients, suppliers, consultants, collaborators) in business relations with Saipem S.p.A. and/or its subsidiaries.

Reports with a potentially serious impact

"Reports with a potential serious impact" refer to notifications concerning operational discrepancies and/or frauds whose economic impact on Saipem and/or its subsidiaries is equivalent to or greater than 1.4% of consolidated profit before tax, based on the balance sheet for the previous financial year and/or which concern members of the Board of Directors and Board of Auditors, top management, managers/executives of Saipem S.p.A. or its subsidiaries.

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4 RESPONSIBILITIES

4.1 CORPORATE RESPONSIBILITIES

The Saipem Internal Audit Corporate function has the following responsibilities:

- ensuring provision and maintenance of channels of communications for reports;
- ensuring receipt, registration, provision of details and checking of reports advanced;
- depending on the outcome of preliminary verifications, launching of process of assess, auditing and reporting;
- where requested by the Eni Internal Audit function, co-operating with the latter in execution of auditing activities, as described in Eni Circular 221, issued 26-6-2006.
- ensuring updating, maintenance and distribution of procedures concerning notifications received by Saipem and its subsidiaries.

The Board of Auditors, the Board of Directors, Compliance Committee and the various cognizant functions are responsible for ensuring their input to the activities requested of them by the Internal Audit Corporate Function.

5 OPERATIONAL PROCEDURES

5.1 REFERENCE PRINCIPLES

Section 3.2 of the Eni Code of Practice states: *"It is Eni's policy to disseminate, at every level of its organization, a culture characterized by an awareness of the existence of controls and a control oriented mentality. A positive attitude toward control is to be achieved in order to increase its efficiency. Internal controls are all those necessary or useful tools for addressing, managing and checking activities in the company; they aim at ensuring respect of corporate laws and procedures, protecting corporate assets, efficiently managing operations and providing precise and complete accounting information."*



The responsibility for building an efficient internal control system rests on all levels of the organization; therefore all Eni employees, in their respective functions, are responsible for the definition and proper functioning of internal controls".

5.1.1 Guarantee of anonymity

All organizational functions/positions within Saipem S.p.A. and its subsidiaries, which receive and deal with reports, must ensure complete confidentiality and anonymity concerning the reporting parties.

5.1.2 Protection against reports in "bad faith"

"Eni expects all its employees, at every level, to cooperate in maintaining a climate of reciprocal respect for a person's dignity, honor and reputation. Eni shall do its best to prevent the emergence of attitudes that can be considered offensive" (Code of practice, par. 4.1). Consequently, Saipem S.p.A. and its subsidiaries guarantee adequate protection against reports in bad faith, penalizing such conduct and informing companies/those concerned of proven cases of bad faith reports.

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5.2 DESCRIPTION OF THE PROCESS

5.2.1 Communications methodologies

In order to facilitate the reporting concerning issues described as "Report", Saipem makes available all possible channels of communication, including, for example, ordinary post¹, fax numbers², voice mail³ and e-mail⁴, as well as communications channels on the intranet⁵/internet⁶ sites of Saipem S.p.A. and its subsidiaries.

Provision and maintenance of such communication channels is the responsibility of the Internal Audit function, which must also ensure the flow of information to and from the Eni Internal Audit function.

5.2.2 Whistleblowers

Reports may originate from any source: employees (including top management), members of the Board of Directors and Board of Auditors, shareholders, partners, clients and suppliers of Saipem S.p.A., its subsidiaries, or other third parties.

5.2.3 Parties named by reports

Reports may concern employees (including top management), members of the Board of Directors and Board of Auditors, independent auditors of Saipem S.p.A. and its subsidiaries, and others (partners, clients and suppliers, collaborators) in business relations with Saipem S.p.A. and/or its subsidiaries.

5.2.4 Reports Recipients

Where reports are not forwarded directly to the Internal Audit function, the recipient of the reports (employees, including top management, members of the Board of Directors and Board of Auditors, Compliance Committee, guarantors of the Code of Practice, independent auditors) must promptly submit the original report to the Internal Audit function, applying appropriate criteria of confidentiality to ensure effectiveness of the investigation and to protect the reputation of persons involved.

Any additional documentation related to the reported event must also be forwarded to the Internal Audit function for evaluation.

5.3 PRELIMINARY INVESTIGATIONS

The Saipem internal Audit function:

1. Enters each report received in the "Register of reports".
2. Records the information for each report in a "*Report Register*", which is then filed in the "*Management, monitoring and presentation system of reports*" (see point 5.6 below "*Filing of documentation*").
3. Forwards all Reports received to the Eni Internal Audit function.
4. Forwards the reports concerning "other matters" (mobbing practices, theft, etc.) to the relative authorities/functions. Subsequent investigations in relation to the reports are handled directly by the competent bodies, who transmit a copy of the final report to the Internal Audit function, which then updates the "Report Register".
5. Promptly informs:

¹ Address: Saipem S.p.A., Internal Audit, Via Martiri di Cefalonia 67, 20097 S. Donato Mil. (MI), Italy



² Fax number: +39 02520 54088

³ Voice mail number: +39 02520 54752

⁴ Email address: Segnalazioni@saipem.eni.it

⁵ Saipem Portal: <http://bacheca/vortal/italian.asp>

⁶ Address: www.saipem.it

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- a. the Eni S.p.A. Board of Auditors, for reports concerning "potentially serious matters"; the latter then assesses the expediency of convening an extraordinary meeting to consider the question;
- b. the Saipem S.p.A. Compliance Committee for "matters concerning company administrative responsibility under legislative decree 231/2001" in relation to Saipem S.p.A..

5.3.1 Work Teams

Throughout the preliminary investigation the competent Internal Audit function ensures that only expert, qualified and impartial investigators are involved.

5.3.2 Preliminary verifications

All reports concerning matters defined under the heading "*Report*", are subject to preliminary verification.

The aim of the preliminary verification is to assess the legal and practical implications of the report, and to decide whether or not to proceed with the verification. The activity is carried out by the Internal Audit function in collaboration with the Human Resources, Organization and Systems function, Legal Affairs function and, for matters concerning accounts, internal controls on accounts, audits and frauds, with the co-operation of the Chief Financial Officer of Saipem S.p.A.. Where the recipient of the report is the Guarantor of the Code of Conduct, he too collaborates during the preliminary verification.

For "*matters concerning accounting, internal accounting controls, auditing and frauds, with reports regarding employees holding positions as "cadre", executive/manager, top manager, members of the Board of Directors and Board of Auditors and commercial auditors employed by Saipem S.p.A. and its subsidiaries*", the decision whether or not to proceed with further verifications or with the subsequent phase of investigation rests the Board of Auditors of Saipem S.p.A.⁷. Where the report concerns a subsidiary company, the above is without prejudice to the legal prerogatives of the subsidiary's Board of Auditors.

For "*matters concerning company administrative responsibility ex legislative decree 231/2001*", the decision to undertake further verifications or to instigate a subsequent phase of investigation rests with the Saipem S.p.A. Compliance Committee. The Saipem S.p.A. Compliance Committee informs the Saipem S.p.A. Board of Auditors of the decisions taken.

The two bodies decide separately whether to proceed with investigations. A decision in favour by one of the two is sufficient.

On conclusion of the preliminary verification phase, the Internal Audit function updates the "Report Register" and, in cases where it is decided not to proceed, archives the report.



5.3.3 Investigation

The Internal Audit function acquires the necessary data from the company/function in question.

On the basis of the data available, the Internal Audit function assesses, in collaboration with the Human Resources, Organization and Systems function, Legal Affairs function and, for "*matters concerning accounts, internal controls on accounts, audits and frauds*", with the co-operation of the Chief Financial Officer, whether there is sufficient evidence for undertaking an audit. Where the recipient of the report is the Guarantor of the Code of Conduct, he too collaborates during the preliminary verification.

For "*matters concerning accounting, internal accounting controls, auditing and frauds, with reports regarding employees holding positions as "cadre", executive/manager, top manager, members of the Board of Directors and Board of Auditors and independent auditors employed by Saipem S.p.A. and its subsidiaries*", the decision whether or not to proceed with further appraisals or with the subsequent phase of an audit is the

⁷ The Board of Auditors may engage, through the agency of company structures, if so wished, independent consultants or other experts, as it deems fit to pursue its tasks.

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prerogative of the Board of Auditors of Saipem S.p.A. Where the report concerns a subsidiary company, the above is without prejudice to the legal prerogatives of the subsidiary's Board of Auditors.

For "*matters concerning company administrative responsibility ex legislative decree 231/2001*", the decision to undertake further appraisals or to instigate a subsequent phase of audit is the prerogative of the Saipem S.p.A. Compliance Committee. The Saipem S.p.A. Compliance Committee inform the Saipem S.p.A. Board of Auditors of the decisions taken.

The two bodies decide separately whether to proceed with investigations. A decision in favour by one of the two is sufficient.

The Internal Audit function archives reports for which an audit has not been activated and updates the "Report Register".

The Internal Audit function ensures that the phases of preliminary verification and investigation are carried out as promptly as possible.

5.3.4 Audits

Audits arising from Reports are carried out directly by the Internal Audit function with priority over scheduled annual audits.

The work team conducting the audit uses the operational standards of the Internal Audit function in question, drawn up in accordance with the *international standards for the practice of professional internal auditing*, issued by the Institute of Internal Auditors (IIA), including all interviews required with the reporting party, the person against whom allegations are made and any witnesses there may be.

The audit is carried out promptly and the results are assessed by the Internal Audit function in collaboration with the Human Resources, Organization and Systems function, Legal Affairs function and, for matters concerning accounts, internal controls on accounts, audits and frauds, with the co-operation of the Chief Financial Officer of Saipem S.p.A..

The top management of the entity subject to the audit defines, in collaboration with the above mentioned functions, an "Action Plan" to solve any critical situations found. Each scenario defined must also include a deadline for corrective action and indicate the organizational position and name of the person responsible for its implementation.

On conclusion of the audit process, the Internal Audit function updates the "Report Register".

5.3.5 Bad faith



If the preliminary verification/investigation/audit provides objective evidence of the whistleblower's bad faith, the Internal Audit function, Human Resources, Organization and Systems function and Legal Affairs function decide in collaboration the action to be taken, ensure its implementation and promptly inform the party against whom the report was made.

5.3.6 Follow-up

The Internal Audit function directly ensures that the current status of action plans for each audit is monitored.

Managers responsible for implementation of the action plan for individual audit-finding may agree with the Internal Audit function any extension required to the deadlines set, providing detailed justifications.

The Internal Audit function may decide, during definition and implementation of the annual programme, on the basis of the results of monitoring, or on request of the Saipem S.p.A. Board of Auditors or Compliance Committee, to proceed with *in situ* operational follow-up activities in order to verify that critical points are resolved or monitor the development of action plans.

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On conclusion of the follow-up process, the Internal Audit function updates the "Report Register".

5.4 REPORTING

The Saipem internal Audit function is responsible for preparation of the following:

– **Periodic reporting**

- **Quarterly:** principal information contained in "Management, monitoring and reporting system", showing all reports received and the current status of all work in progress,
- **Half-Yearly:** statistics concerning reports.

The above are transmitted to:

- The Chairman, Board of Auditors, Internal Control Committee and independent auditors of Saipem S.p.A., and to the Internal Audit function of ENI S.p.A.,
 - for *matters concerning accounts, internal accounting controls, audits and fraud investigations*, also to the Chief Financial Officer of Saipem S.p.A.,
 - for *matters concerning company administrative responsibility ex legislative decree 231/2001, the Compliance Committee* of Saipem S.p.A.
- **Executive Summary** of the audit report, transmitted to the Chairman and top management of the audited entity, to the Board Of Auditors, the Internal Control Committee and the independent auditors of Saipem S.p.A. and, for "*matters concerning company administrative responsibility under legislative decree 231/2001*", also to the Compliance Committee of Saipem S.p.A.. Where the incident was reported by the Guarantor of the Code of Practice, a copy of the executive summary is also transmitted to him.
- **Audit Report**, transmitted by the Chairman to the top management of the audited entity, the CFO of Saipem S.p.A., as well as any other Directors/Managers of functions concerned. The Audit Report is also circulated to the Board of Auditors, Internal Control Committee, Independent Auditors and Compliance Committee of Saipem S.p.A., when requested. Where the incident was reported by the Guarantor of the Code of Conduct, a copy of the Audit Report is also circulated to him, if requested.
- **Informative Brief** of the results of the preliminary investigation (in cases of audits, transmission of executive summary and, when requested, the audit report) to Boards of Auditors, Internal Control Committee and Compliance Committee of subsidiaries (as is the case), for reports concerning such companies.
- **Feedback** to parties who submitted the report concerning the result of the preliminary investigation.



The system of reporting to and from the Compliance Committee provided by the Organization, Management and Control Model, under Legislative Decree no. 231 del 2001 shall not be affected by the above.

In cases of fraud, proven following reports covered by this regulation, the Internal Audit function provides the necessary reporting in accordance with the certification under point 5.B, section 302 of the Sarbanes Oxley Act.

The Internal Audit function furthermore ensures that all information concerning proven frauds is made available to the relative unit for "Fraud risk assessment".

5.5 RESPONSIBILITIES FOR UPDATES

On the basis of the data available, the Internal Audit function updates these Standard, in collaboration with the Human Resources, Organization and Systems function, Legal Affairs function and, for matters concerning accounts, internal accounting controls, audits and fraud investigations, in co-operation with the Chief Financial Officer.

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5.6 DOCUMENTATION FILING

It is the responsibility of those who receive the reports to file a copy of all relative documentation, together with any attachments.

In order to ensure management and traceability of reports and their ensuing preliminary investigations, the Internal Audit function provides and updates a "System for management, monitoring and presentation of reports", in which the standard "Report Registers" are recorded, ensuring that all relative support documentation is archived.

The Internal Audit function also ensures that original report documentation is archived in specially provided paper/electronic archives, with the highest security/confidentiality levels used by Saipem.

The processing of personal details of persons involved in and/or referred to in reports is protected in accordance with current legislation and company procedures on privacy.

5.7 DISTRIBUTION

This standard must be distributed to all those potentially concerned. It is circulated to:

- each member of the Board of Directors and Board of Auditors of Saipem S.p.A. and its subsidiaries;
- each member of the Compliance Committee of Saipem S.p.A. and its subsidiaries;
- the Guarantor of the Code of Practice and of subsidiaries;
- each employee of Saipem S.p.A. and its subsidiaries, directly or through the executive positions of the subsidiaries.

This regulation can also be consulted on the intranet site of Saipem S.p.A.: <http://sharepoint.saipem.pri/C2/Corporate/default.aspx> and its internet site: www.saipem.it.

The Internal Audit function supervises and monitors distribution of this regulation.

6. FLOW CHART

Not applicable.

7. ATTACHMENTS

Not applicable.