

saipem



Rules and Regulations of the Audit and Risk Committee

Rules and Regulations of the Audit and Risk Committee of Saipem SpA¹

These Rules and Regulations cover membership, appointment, working procedures, duties, powers and resources of the Audit and Risk Committee of Saipem SpA (hereinafter “Committee”), and were approved and updated by the Board of Directors on 13 March 2012 and 29 May 2013 respectively.

Membership and appointment

The Committee was set up on 13 February 2012 by means of a resolution of the Board of Directors pursuant to Art. 19, last subsection, of the Articles of Association, consistent with the provisions of the “New Corporate Governance Code for Listed Companies” of the Italian Stock Exchange, issued in December 2011.

The Committee is made up of three non-executive, independent directors. The number of members must always be less than the majority of the members of the Board of Directors. The competences of Committee members must be commensurate with the tasks that have been entrusted to them. At least one Committee member shall have adequate accounting and financial experience which shall be assessed by the Board of Directors upon appointment.

The Board of Directors appoints and revokes the members and Chairman of the Committee.

Working procedures

The Committee meets periodically (normally on the dates scheduled on the yearly calendar of meetings approved by the Committee itself, and at any rate as often as necessary to perform its duties) at the registered office or at one of the Company’s secondary offices. Meetings are convened by the Chairman of the Committee or when requested by at least two Committee members to discuss a specific topic considered particularly important.

The Senior Vice President of Internal Audit acts as Secretary and assists the Committee with its duties.

The convening notice is sent by the Secretary, at the request of the Chairman of the Committee, by email or fax to the address given by each addressee, normally at least three days prior to the date of the meeting. In the event of necessity or urgency, the notice can be sent at least twelve hours prior to the time fixed for the meeting. A copy of the notice is sent to the Chairman of the Board of Directors, the CEO and the Chairman of the Board of Statutory Auditors.

¹ The Internal Control Committee was formed for the first time from within the Board of Directors on 9 November 2000.

The notice contains the place, date and time of the meeting, as well as an agenda of the issues to be discussed. The Committee can meet by teleconference or videoconference, usually from Company offices. A teleconference is normally permitted only for extraordinary meetings not scheduled on the yearly calendar, and on condition that anyone taking part can be identified, can follow the proceedings and can speak in real time on the topics being discussed. The meeting is considered held in the place where the Chairman of the Committee is present.

Any documentation related to the issues on the agenda is normally anticipated to the members by the Secretary via an email sent to the addresses given by Committee members.

The Committee is quorate when the majority of its members in office are present and decides with the absolute majority of those in attendance. The Chairman of the Committee presides over the meetings. If he is absent or unable to attend, the meeting is chaired by the eldest Committee member present at the meeting.

The Chairman of the Board of Statutory Auditors, or a statutory auditor designated by the latter, is invited to take part in Committee meetings. The Chairman of the Board of Directors and the CEO can also take part, and, when invited by the Committee, other persons can also participate to provide information and make assessments within their fields of competence in relation to individual items on the agenda.

Minutes of meetings are taken by the Secretary who, to fulfil this task, may request the assistance of personnel from the Internal Audit Department. In the event that the Secretary is unable to attend, his/her duties are performed by a Senior Manager of the Internal Audit Department appointed for this purpose by the Chairman of the Committee. The draft of the minutes is distributed to the Chairman of the Committee and to other members for their remarks. Normally the minutes are recorded when 15 calendar days have elapsed after the draft has been sent and no observations have been received. The minutes are signed by the Chairman of the meeting and the Secretary (or the person designated) and distributed to Committee members, the Chairman of the Board of Directors, the CEO, the CFO, the Chairman of the Board of Statutory Auditors, his/her substitute, if any, and the Secretary of the Board of Statutory Auditors.

In order to guarantee the timely exchange of information for the performance of their respective duties and to facilitate coordination of business in common areas of concern, the Committee ensures that a two-way flow of information is established between it and the Board of Statutory Auditors, thereby ensuring that the Company's transactions are conducted in an orderly fashion.

Duties

The Board of Directors assigns consulting and advisory functions to the Committee so that the latter can assist it in the carrying out of its duties in relation to the internal control and risk management system. These duties consist primarily of:

- 1) defining guidelines for the internal control and risk management system so that the principal risks pertaining to the Company and its subsidiaries are properly identified,

- measured, managed and monitored by establishing criteria of compatibility of such risks with sound and proper business management;
- 2) assessing, with the frequency set out in the Corporate Governance Code, the adequacy, efficacy and effective workings of the internal control and risk management system with respect to the characteristics of the business, with reference to Saipem SpA, to subsidiary companies of strategic relevance, and to the Saipem Group;
 - 3) providing a description of essential elements of the internal control and risk management system and assessing its overall adequacy in the annual Corporate Governance Report;
 - 4) adopting rules that ensure observance of the principles of transparency and of substantial and procedural correctness of transactions with other parties by Saipem SpA and its subsidiaries, and of those transactions in which a Director has a direct or indirect conflict of interest;
 - 5) verifying the adequacy of powers and resources assigned to the Senior Manager in charge of preparing corporate accounting documents.

Specifically, the Committee has the following duties:

- a) to supervise the operations of the Internal Audit Department and those of the Internal Control Manager so that these are carried out under conditions of independence, due objectivity, competence and professional diligence in accordance with the Code of Ethics of Saipem SpA. Specifically, the Committee:
 1. examines the Guidelines of the Board of Directors as regards Internal Audit and makes proposals to the Board regarding any updates thereto;
 2. examines and gives its opinion on the proposed appointment and revocation of the Internal Audit Manager, as submitted to the Board of Directors for approval, and assesses, on a yearly basis, whether the requirements met upon appointment have been retained;
 3. examines and gives its opinion on the fixed and variable remuneration structure of the Internal Audit Manager as submitted to the Board of Directors for approval;
 4. examines, makes remarks on and supplements the proposed Audit Plan and the Internal Audit budget, as well as any changes made during the financial year, and gives its opinion to the Board of Directors;
 5. examines the results, periodic reports and indicators of Internal Audit activities;
 6. examines the periodic reports of the Internal Audit Manager, specifically as regards the way in which risk management is conducted and as regards compliance with plans designed to limit risks, and inspects the evaluation made by the Internal Audit Manager on the adequacy of the internal control and risk management system in such a way as to obtain an acceptable overall risk profile;
 7. examines information received from the Internal Audit Manager and makes prompt assessments falling within its competence to the Board of Directors in the event of:
 - i. serious shortcomings in the irregular and fraudulent act prevention system, or irregular or fraudulent acts committed by management or employees holding

positions in the design or workings of the internal control and risk management system;

ii. circumstances that can compromise the independence of Internal Audit and auditing operations.

b) to examine and assess:

1. messages and information received from the Board of Statutory Auditors and its members regarding the internal control and risk management system, including with reference to the outcome of investigations conducted by Internal Audit following complaints received, even when these are anonymous;
2. reports and management letters sent by the independent auditing company;
3. periodic reports issued by the Supervisory Board, including in its capacity as guarantor of the Code of Ethics;
4. information on the internal control and risk management system related to corporate structures, including during periodic meetings with management;
5. investigations and examinations conducted by third parties regarding the internal control and risk management system.

c) to fulfil the duties assigned in relation to the *Model for the System of Internal Control over Financial Reporting*, including:

1. examining the report on the Company's control over financial reporting system prepared by the Senior Manager in charge of drafting corporate accounting documents, contemporaneously with the approval of the draft version of the yearly and half-yearly consolidated financial statements;
2. examining and assessing the adequacy of powers and resources assigned to the Senior Manager in charge of drafting corporate accounting documents.

d) together with the Senior Manager in charge of drafting corporate accounting documents, with the independent auditing company and having asked the opinion of the Board of Statutory Auditors, to examine and evaluate whether accounting standards are utilised properly and whether they are sufficiently homogeneous for the purposes of drafting the yearly and half-yearly financial reports prior to their approval by the Board of Directors;

e) to examine and give its opinion on rules for transparency and substantial and procedural correctness of transactions with other parties and those in which a Director has a direct or indirect conflict of interest, and to fulfil any additional duties assigned to it by the Board of Directors, including examining and giving its opinion on certain types of transaction;

f) to report to the Board of Directors, at Board meetings indicated by the Chairman thereof, at least twice yearly, and at any rate no later than the term for approval of the financial statements and the half-yearly report, on work carried out, as well as on the adequacy of the internal control and risk management system;

- g) to carry out other assignments the final aim of which is to conduct analyses and give its opinion on matters falling within its field of competence in response to requests for further examination put forward by at least three members of the Board of Directors at a Board meeting or in writing;
- h) when requested by the CEO, to give its opinion on specific aspects of the process for identifying major company risks as well as on the planning, implementation and management of the internal control and risk management system.

Powers and resources

To fulfil its duties, the Committee has the right to access the necessary Company information and departments and to avail of external advisors. On a yearly basis the Committee drafts a budget that it submits to the Board of Directors simultaneously with the Annual Report. The Company provides the Committee with the financial resources as per the budget approved by the Board of Directors. The Board of Directors is duly informed when the duties referred to in the foregoing letter e) can only be fulfilled with recourse to resources that exceed the budget.

Information and reports required by the Committee to fulfil its preliminary investigatory activities, which are reported directly to the Board of Directors, are guaranteed by:

- periodic meetings (at least every six months) with Saipem's CEO, the COO and the Executive Committee; the CEO promptly informs the Committee of problems or critical issues highlighted by the internal control and risk management system.
- the CFO attending all meetings.
- meetings with the COO and the Management, including the CFO, at which: i) a presentation is given on main measures taken as a result of the monitoring activities (by the Management or the Internal Audit function), the implementation status and/or other planned initiatives to improve the internal control and risk management system; ii) information and/or in-depth studies are illustrated on specific items of the internal control and risk management system.

The Committee is also informed of reports adopted pursuant to the Compliance and/or Governance Models in connection with the introduction of new laws; reporting of risks, certificates on the adequacy of the regulatory system by the various process owners, review of the HSE model, other information required by corporate procedures; and the overall evaluation of the internal control and risk management system by the Internal Audit Director.