

# CORPORATE GOVERNANCE REPORT

## Fair Practice

Saipem believes that the creation of value for its shareholders, especially in the medium to long term, should be attained through fair practice 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.

The Board of Directors deems it important to clearly define the values that Saipem recognises and accepts, to identify the responsibilities the company assumes both internally and externally to ensure that all Group activities are carried out in compliance with the law, in fairness, honesty, integrity, correctness and in good faith, respecting the legitimate interests of shareholders, employees, suppliers, clients, commercial and financial partners as well as the communities of those countries in which Saipem operates.

These values are stated in the Code of Practice, which all employees are required to adhere to and whose violations are examined by the Board of Directors, upon notification from the annual Report by the Guarantor of the Code of Practice.

### Principles

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.

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

#### *Business ethics*

Saipem's activities, anywhere in the world, are carried out in fairness, honesty and in compliance with the law. Specifically, Saipem applies the OECD guidelines for multinational companies.

#### *Stakeholders*

Saipem is committed to respecting all the 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 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.

## **Corporate Governance**

The Board of Directors of Saipem S.p.A., at their meeting of 9<sup>th</sup> November 2000, resolved to adopt the “Corporate Governance Code of Listed Companies” (hereafter Code) and has updated its Corporate Governance to include the amendments made to the Code in July 2002. The company is effectively in line with the provisions of the Corporate Governance Code of Listed Companies issued by the Corporate Governance Committee of Listed Companies of Borsa Italiana S.p.A., revision dated 14<sup>th</sup> March 2006. The Board of Directors, at their meeting of 14<sup>th</sup> December 2006, resolved to adopt the recommendations contained in the Code and to promptly undertake the necessary actions to comply with those new provisions yet to be implemented by the Company.

In compliance with the guidelines and recent recommendations issued by the Italian Stock Exchange, specifically the “annual Corporate Governance Report Guidelines” of 12<sup>th</sup> February 2003, information on Saipem’s Corporate Governance system is provided hereafter.

## **Saipem’s structure**

Saipem’s structure is based on the traditional model where the Board of Directors is solely responsible for the company’s management, the Board of Statutory Auditors carry out supervisory and control duties and the External Auditors are responsible for auditing the accounts.

The Board of Directors has vested the Managing Director and the Chairman with the power to represent the company, pursuant to art. 21 of the company’s articles of association.

In compliance with the most widely internationally adopted Governance principles, the Board of Directors has set up internal corporate bodies, with consultative and advisory functions.

## **The Board of Directors: responsibilities, powers, composition, operation and compensation**

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.

In addition to the powers granted by art. 2381 of the Italian Civil Code, the Board of Directors is responsible for reviewing and approving the company’s long-term strategic plans; it resolves on the most significant economic and financial company operations, and reviews the most relevant Group industrial and financial operations, specifically, it approves all operations relating to the incorporation of holding companies and branches, the purchase, transfer and

sale/financial lease of land and buildings worth in excess of 2,500,000 euros. The Board of Directors is also exclusively responsible for approving contracts for the purchase or sale of goods and services exceeding 1 billion euros and those whose duration is over 20 years; it defines, based on indications provided by the relevant Committee, guidelines for the internal control system and ascertains their adequacy, ensuring that main business risks are identified and properly managed; it reviews and approves the guidelines supporting the company and Group structure ensuring they suit the administrative and accounting model of the Company and strategic subsidiaries; it evaluates the general management and performance of the company, paying particular attention to situations of potential conflict of interests; it is promptly informed by Directors with executive powers regarding: activities within their responsibilities carried out during the year; major operations (having previously set down criteria for their identification); atypical and/or unusual operations or operations with related parties. The Board of Directors approves all motions put forward for approval to the Shareholders' Meetings; vests Board Directors with particular powers; appoints General Managers and grants them powers; appoints the members of the Audit Committee, the Compensation Committee and the Compliance Committee; approves Corporate Governance procedures; approves the company's management incentive schemes; approves the remuneration of Directors vested with executive powers; approves the preliminary Financial Statements, the budget, the Quarterly and Six-Monthly Reports, preliminary results; approves and enters into agency agreements; approves all donations. (Main subsidiaries and subsidiaries of strategic importance as identified by the Board of Directors are Saipem s.a. and Snamprogetti S.p.A.). Pursuant to art. 2391 of the Italian Civil Code, Directors shall inform the other Directors and the Statutory Auditors of the interests they may have, on their own behalf and on behalf of third parties, in any specific company operation.

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 by Egon Zehnder International, has highlighted that, in general terms, Saipem's Board of Directors is ranked at the top of the market with regard to:

- high levels of motivation by Directors in terms of a sense of belonging;
- positive and constructive climate at meetings;
- operational efficiency;
- Board leadership by the Chairman and complementarity with the Managing Director;
- size and composition are deemed adequate.

The Board vested the Chairman 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. The Board of Directors, comprising nine Directors, was appointed by the Shareholders' Meeting on 29<sup>th</sup> April 2005 for three years, its mandate expiring at the Shareholders' Meeting called to approve the Financial Statements at 31<sup>st</sup> December 2007. The appointment of Directors occurs pursuant to art. 19 of Articles of Association, through voting from a list, so as to allow the appointment of minority interest representatives. Lists are filed at the company's registered headquarters at least 20 days prior to the Shareholders' meeting (first summons) and are published in three national newspapers. It is a matter of procedure for the voting lists to enclose a professional résumé for all candidates. Lists can be presented by Shareholders, who, individually or with others, hold voting shares representing at least 2% of the share capital. Two thirds of Directors are appointed from the list that has obtained the majority of votes. 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 offices. Pursuant to art. 1.c2 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".

Pursuant to items 1.C.2 and 1.C.3 of the Corporate Governance Code, to ensure that Directors can devote enough time to their office, the Chairman proposes the adoption of the following guideline on the number of offices Directors may hold:

- an executive Director shall not hold: i) the office of executive Director in other listed companies, either in Italy or abroad, in financial companies, banks, insurance companies or companies with net equity in excess of 1 billion euros; and ii) the office of non-executive Director or Statutory Auditor (or member of other control body) in more than three aforementioned companies;
- b) 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, it is customary for lists to enclose a professional résumé for all candidates.

The Board comprises the Chairman, Pietro Franco Tali, the Managing Director, Hugh James O'Donnell, and the Directors Francesco Gatti, Angelo Caridi (replacing Roberto Jaquinto from 29<sup>th</sup> April 2006), Jacques Yves Léost, Marco Mangiagalli, Pierantonio Nebuloni, Gesualdo Pianciamore and Ian Wybrew-Bond.

Francesco Gatti, Pierantonio Nebuloni and Gesualdo Pianciamore have been nominated from the list put forward by institutional investors coordinated by ARCA SGR SpA.

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

The following are executive Directors: Pietro Franco Tali, Hugh James O'Donnell, Angelo Caridi (Managing Director of Snamprogetti SpA) and Jacques Yves Léost (Chairman of Saipem s.a.).

The Board of Directors, pursuant to the provisions of the Code and the provisions of Law 262/2005, ascertained that the Directors comply with the independence and honourability requirements. Specifically it confirmed as independent four non-executive Directors (Francesco Gatti, Pierantonio Nebuloni, Gesualdo Pianciamore and Ian Wybrew-Bond), based on information provided by the interested parties. 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.

Directors who do not comply with the independence requirement are executive Directors Pietro Franco Tali, Hugh James O'Donnell, Angelo Caridi, Jacques Yves Léost and the non-executive Director Marco Mangiagalli, CFO of Eni S.p.A.

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.

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 2006, the Board of Directors met on ten occasions; three meetings have been scheduled to take place in the first half of 2007. The general public is informed of 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 notice 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 2006, on average 85% of Board Directors and 75% of independent Directors attended Board Meetings.

Director's remuneration is approved by the Shareholders' Meeting; the remuneration of the Chairman and the Managing Director is set 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, General Managers and senior managers with strategic responsibilities; (ii) number of stock grants and stock options allocated to the Chairman and the Managing Director, General Managers and senior managers with strategic responsibilities; (iii) number of shares held by the Directors, Statutory Auditors, General Managers and senior managers with strategic responsibilities of Saipem and its controlled companies.

The Shareholders' Meeting of 29<sup>th</sup> April 2005 set at 25,000 euros the remuneration for each Director for every year of office. Directors are also entitled to 1,000 euro for attending each meeting of Statutory Boards, in addition to reimbursement of expenses incurred. The Directors do not receive additional compensation for serving on the committees.

The remuneration of the Chairman 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 Chairman and the Managing Director is set based on 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 Chairman's and the Managing Director's remuneration is linked to the achievement of company objectives. The variable remuneration paid in 2006 was based on Saipem's targets for the year 2005, approved by the Board of Directors at the proposal of the Compensation Committee.

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 improve the 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 28<sup>th</sup> April 2006. 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 financial-operational performance with that of the stock. The deferred monetary incentive granted in 2006 will be paid after three years based on the achievement of annual EBITDA targets (actual vs budget results) set for the years 2006-2008. Stock options allocated in 2006 will be eligible for exercise after three years based on the Total Shareholders' Return achieved by Saipem's share versus its competitors, calculated on an annual basis over the years 2006-2008. After every three-year period, the results of long-term incentive schemes will be reviewed by the Compensation Committee and approved by the Board of Directors.

### **Offices held by Board Directors**

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).

Marco Mangiagalli

Board Director of Snam Rete Gas S.p.A. and Polimeri Europa S.p.A.

Gesualdo Pianciamore

Board Director of Sirefid S.p.A., Finanziaria Fiduciaria Milano, ESG Compagnia di Riassicurazione Dublino, Assicurazioni Generali Amsterdam, Società Assicurativa La Estrella s.a. Madrid, Intesa Private Banking S.p.A.

Pierantonio Nebuloni

Management Board Vice-chairman of Management & Capitali S.p.A.

The Directors' professional résumés are posted on Saipem's website.

### **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 Francesco Gatti; Pierantonio Nebuloni and Gesualdo Pianciamore; the Compensation Committee comprises Marco Mangiagalli, Pierantonio Nebuloni and Francesco Gatti.

### **Audit Committee**

The Audit Committee, in compliance with the Board resolution of 9<sup>th</sup> November 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 25<sup>th</sup> February 2003. In accordance with the Regulations, the Chairman of the Board of 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 person 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 Chairman, 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 eight times during 2006 and once in the period from 1<sup>st</sup> January to 22<sup>nd</sup> March 2007. It examined the audit programmes issued by the Internal Auditors; it examined and evaluated internal audit activities; met with the Director of the company Administrative Department, the Chairman of the Board of Statutory Auditors, the partners of the External Auditing firm to examine the main issues pertaining to the 2005 and 2006 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 person in charge of the internal control system, with the responsibilities provided by the new Corporate Governance Code.

### **Compensation Committee**

The Compensation Committee is responsible for proposing to the Board of Directors incentive schemes for the company's top management, the annual remuneration of the Chairman and the Managing Director and reviewing the remuneration policy of the Group top management.

In 2006, the Compensation Committee convened on four occasions and carried out the following: it reviewed the 2006 Group performance and incentive schemes as well as results of the 2005 schemes, in view of the allocation of the annual and deferred monetary incentives to Group senior managers; it proposed the remuneration of the Chairman and the Managing Director; it proposed the 2006 stock option, annual and long-term monetary incentive allocations.

## **The 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 Board comprises three Statutory Auditors and two alternate Auditors, appointed by the Shareholders on 29<sup>th</sup> April 2005. The term of office for Statutory Auditors is three years and will expire at the Shareholders' Meeting called to approve the Financial Statements at 31<sup>st</sup> December 2007. The appointment of Statutory Auditors occurs pursuant to art. 27 of Articles of Association, through voting from a list, so as to allow the appointment of minority interest representatives. The Auditors operate autonomously and independently of the shareholders who appointed them. It is procedural for voting lists to include a professional résumé for all candidates. Lists are filed at the company's registered headquarters at least 20 days prior to the Shareholders' meeting (first summons) and are published in three national newspapers.

The Board of Auditors comprises the Chairman Paolo Andrea Colombo, the Statutory Auditors Fabrizio Gardi and Fabio Venegoni and the alternate auditors Giulio Gamba and Luca Giovanni Caretta.

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.

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

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

The Shareholders' Meeting of 29<sup>th</sup> April 2005 set at 37,500 euros the annual remuneration of the Chairman of Statutory Auditors and at 25,000 euros that of the Auditors. They are also entitled to 1,000 euros for attending each meeting of Statutory bodies, in addition to reimbursement of expenses incurred.

In compliance with the law, Audits of accounts are entrusted to an external auditing company registered in the Roll of Auditors, appointed by the Shareholders' meeting. The current auditing company is PricewaterhouseCoopers S.p.A., appointed by the Shareholders' meeting of 29<sup>th</sup> April 2004 for three years.

Pursuant to art. 27 of Articles of Association, candidates already holding the office of statutory auditors at five listed companies may not be appointed as auditors.

Paolo Andrea Colombo, Fabrizio Gardi and Giulio Gamba have been nominated by Eni S.p.A.; Fabio Venegoni and Luca Giovanni Caretta have been nominated by institutional investors coordinated by Arca SGR S.p.A.

The Statutory Auditors' professional résumés are posted on Saipem's website.

## Saipem's Shareholders

At 31<sup>st</sup> December 2006, the share capital of Saipem S.p.A. amounted to 441,410,900 euros; it is fully paid up and comprises no. 441,251,799 ordinary shares of the nominal value of 1 euro each and no. 159,101 savings shares of the nominal value of 1 euro each. 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 31<sup>st</sup> October 2006. Based on information available and received, and pursuant to Consob resolution 11971/99, 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
G.E. Asset Management Inc.	13,938,753	3.16
Capital Research and Management Co.	8,950,998	2.03

Based on information received from the banks responsible for dividend payments in 2005, the Shareholders' breakdown by geographical area and size of holding is as follows:

Shareholders breakdown by geographical area based on 2005 dividend payments			
Shareholders	No. of Shareholders	No. of shares	% of capital
Italy	25,107	(*) 272,094,878	61.64
Other EU countries	538	70,978,911	16.09
Americas	380	59,165,806	13.4
UK & Ireland	248	29,530,078	6.69
Other European countries	80	2,884,396	0.65
Rest of the world	113	6,756,831	1.53
<b>Total</b>	<b>26,466</b>	<b>441,410,900</b>	<b>100.00</b>

(\*) Includes treasury shares with no dividend entitlement

Shareholders breakdown by size of holding			
Shareholders	No. of Shareholders	No. of shares	% of capital
> 10%	1	189,423,307	42.91
> 2%	1	12,412,820	2.81
1% – 2%	7	44,851,310	10.16
0.5% – 1%	7	22,642,232	5.09
0.3% – 0.5%	21	35,642,379	8.08
0.1% – 0.3%	63	46,921,645	10.63
≤0.1%	26,367	89,517,207	20.32
<b>Total</b>	<b>26,466</b>	<b>441,410,900</b>	<b>100.00</b>

## Shareholders' meetings

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 30<sup>th</sup> January 2001 approved the Shareholders' meetings regulations (available on Saipem's website) to ensure smooth and effective meetings proceedings and, specifically, to safeguard every shareholders' right to intervene on items under discussion.

On 28<sup>th</sup> March 2007, the Board of Directors called an extraordinary Shareholders' Meeting to align the company's Articles of Association to the provisions of Law 262/2005. Main amendments include the following provisions:

- Consob shall lay down by regulation the limits to the cumulation of management and control positions that members of the internal control bodies of listed companies may hold in public companies;
- the Chairman of the Board of Statutory Auditors shall be appointed by the Shareholders' Meeting from among the auditors elected by the minority shareholders;
- introduction of the appointment of a manager charged with preparing the company's financial reports, subject to the mandatory opinion of the internal control body and based on the procedures set by the Articles of Association.

### **Operations with Related Parties**

Saipem, with regard to Art. 11 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 7<sup>th</sup> July 2003. This procedure identifies the 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.

This procedure is posted on the company's website ([www.saipem.eni.it](http://www.saipem.eni.it)).

### **Investor relations and data protection**

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 Head of the Investor Relations Department. Information of interest to them is posted on Saipem's website or can be requested via email from: [investor.relations@saipem.eni.it](mailto: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](mailto:segreteria.societaria@saipem.eni.it).

Information pertaining to the periodic financial reports, relevant operations and newly-issued corporate governance procedures, are communicated immediately to the public also via publication on the website, 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 Practice, 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 23<sup>rd</sup> March 2006, the Board of Directors updated the "Procedure regulating Market notification of documents and information pertaining to activities of the company and its

controlled companies” (posted on Saipem’s website), which was approved on 12<sup>th</sup> December 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 Practice also defines the duty of confidentiality that Group employees are required to adhere to, in compliance with data protection legislation.

### **Law Decree 231/2001**

On 22<sup>nd</sup> March 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, as well as Law Decrees 61/2002 and 7/2003. The Chairman is responsible for devising and implementing initial activities, updating and upgrading the Model.

A plan was defined detailing activities aimed at improving the control system based on the results of the gap analysis and mapping all organisational requirements necessary to implement the Model. The introduction of this plan entails the following: (i) update/upgrade of company regulations; (ii) definition of organisational actions consistent with the findings of the gap analysis; (iii) alignment of power allocation in compliance with the model; (iv) planning training of personnel and promoting the knowledge of the model; (v) alignment of the company’s IT systems to guarantee flow of information towards the Public Administration.

In 2006 the Compliance Committee convened on eight occasions and has: monitored the dissemination of the document “Principles of the Model” to all 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; set up communication channels to and from the Compliance Committee.

### **Internal dealing**

On 23<sup>rd</sup> March 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, comma 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 1<sup>st</sup> April 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 12<sup>th</sup> December 2002.

This procedure complies with the provisions of art. 114 (Information to be provided to the public), comma 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 29 April 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. This procedure is effective from 1<sup>st</sup> April 2006 and is posted on Saipem’s website.

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.

### Structure of the Board of Directors and its Committees

	Board of Directors					Audit Committee		Compensation Committee	
	executive	non executive	independent	Attendance %	No. of other offices	member	Attendance %	member	Attendance %
Members									
Chairman									
Pietro Franco Tali	X			100					
Managing Director									
Hugh James O'Donnell	X			100					
Directors									
Angelo Caridi <sup>(2)</sup>	X			100					
Francesco Gatti <sup>(3)</sup>		X	X	60		X	100	X	100
Jacques Yves Léost	X			100					
Marco Mangiagalli		X		70				X	75
Pierantonio Nebuloni <sup>(2)</sup>		X	X	50		X	100	X	75
Gesualdo Pianciamore <sup>(2)</sup>		X	X	100		X	50		
Ian Wybrew-Bond		X	X	90					
No. of meetings held in 2006			10				8		4
<b>Board of Statutory Auditors</b>									

<sup>2</sup> The Shareholders' Meeting of 28th April 2006 appointed Mr. Angelo Caridi, current Managing Director of Snamprogetti, replacing Mr. Roberto Jaquinto who retired and had been appointed from the list presented by Eni at the Shareholders' Meeting of 29<sup>th</sup> April 2005.

<sup>3</sup> Appointed from the list of minority shareholders.

## Board of Statutory Auditors

Members	% attendance to meetings of Board of Statutory Auditors	% attendance to meetings of the Board of Directors	No. of other offices (*)
Chairman			
Colombo Paolo Andrea	100	100	5
Statutory Auditors			
Gardi Fabrizio	100	90	3
Venegoni Fabio (**)	100	90	2
Alternate Auditors			
Caretta Luca Giovanni (**)	-	-	1
Gamba Giulio	-	-	1
<b>No. of meetings held in 2006</b>	12	10	

(\*) Number of Directorships or Auditor's posts at other listed companies

(\*\*) Appointed from the list of minority shareholders.

## Other provisions of the Corporate Governance Code

	Yes	No
<b>Powers and operations with related parties</b>		
The BoD has allocated the following powers:		
a) Thresholds	X	
b) Exercise of powers	X	
c) Disclosure of information	X	
Has the BoD the power to review and approve the most significant economic and financial operations (including operations with related parties)?	X	
Has the BoD defined guidelines and criteria that identify operations as "significant"?	X	
Have the aforementioned guidelines and criteria been detailed in the report?	X	
Has the BoD 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	
<b>Procedures pertaining to the most recent appointment of Directors and Statutory Auditors</b>		
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	
<b>Shareholders' Meetings</b>		
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	
<b>Internal Audit</b>		
Has the company appointed internal auditors?	X	
Do these internal auditors not report to managers of operational areas?	X	
Internal Audit Department (pursuant to art. 9.3 of the Code)	Internal Audit	
<b>Investor relations</b>		
Has the company appointed an investor relations manager?	X	
Investor Relations Department: contact details (address/fax/email) of the Manager	Investor Relations (*)	

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