

saipem



Corporate Governance Report and Shareholding Structure 2010

Pursuant to Article 123-*bis* of Law 58/1998, approved by the Board of Directors on March 8, 2011

saipem



Corporate Governance and Shareholding Structure Report 2010

The Corporate Governance Report is published on Saipem's website www.saipem.com,
in the 'Corporate Governance' section

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Corporate Governance Report and Shareholding Structure 2010

This Report is designed to provide a general and complete overview of Saipem SpA's ('Saipem') corporate governance system. In order to comply with applicable laws and stock market listing standards, in keeping with the recommendations of Borsa Italiana SpA and of the relevant business associations, the Report also furnishes information regarding Saipem's shareholding, its compliance with the corporate governance codes established by institutional bodies and the relevant commitments to observe them, as well as the choices that the Company has made in implementing its governance. This Report is available at Saipem's headquarters, published on Saipem's website, and sent to Borsa Italiana SpA in accordance with set rules and deadlines.

The information contained in this Report relates to the financial year 2010 and has been updated, with respect to certain matters, as of March 8, 2011, the date of the Board of Directors' meeting that approved it, together with the Annual Financial Report 2010.

Issuer profile

The Saipem Group is a world leader in the provision of engineering, procurement, project management and construction services with distinctive capabilities in the design and execution of large-scale offshore and onshore projects, and technological competences such as gas monetisation and heavy oil exploitation, with a strong international bias towards operations in remote areas, ultra-deep waters and challenging environmental conditions.

Amongst its major global competitors offering turnkey solution in the Oil&Gas industry, Saipem represents one of the most balanced groups in terms of core businesses (Onshore and Offshore, in addition to Drilling), the markets in which it operates (strong geographical diversification) and client base (major national and international oil companies).

In the Offshore and Onshore sectors Saipem enjoys a competitive position of excellence in the provision of EPIC ('Engineering, Procurement, Installation and Construction') and EPC ('Engineering, Procurement and Construction') services to the oil industry. In the Drilling sector, Saipem performs in some of the most complex areas in the oil industry (North Sea and ultra-deepwater) often creating positive synergies with Onshore and Offshore operations.

In 2010 Saipem was organised into three business units: Offshore, Onshore and Drilling. On February 10, 2011, the Board of Directors approved the reorganisation of the business units. The Onshore and Offshore Business Units have been unified with the aim of facilitating enhanced integration of the Engineering & Project Management competencies with those deriving from our strong Asset Base. The resulting single Business Unit, named

'Engineering & Construction', will be headed by Chief Operating Officer Pietro Varone. The Drilling Business Unit, headed by Chief Operating Officer Giuseppe Caselli, already comprises both Onshore and Offshore segments.

From a geographical standpoint, Saipem has a heavy international bias, with approximately 90% of revenues generated outwith Italy and approximately 80% outwith Europe. The global spread of its reference markets, its growth in size and the complexity of its core businesses have created the need, on the one hand, to pursue a delocalization policy of its operational hubs towards the relevant geographical areas, namely Northern Europe, West and North Africa, the Middle East, the Caspian region, South-East Asia and the Americas, and on the other, to develop, in specific areas of competence, specialised know-how at certain Group companies involved in specific operations.

Alongside the major European hubs (Milan, Paris, Fano and London), the majority of Saipem's 36,000-strong workforce is comprised of more than 100 nationalities. The fleet vessels, the logistical bases, the construction and fabrication yards and the engineering centres in host countries are staffed by a significant number of expatriate resources from developing countries (mainly India and South-East Asia) alongside the strong local content.

Principles

Saipem undertakes to maintain and strengthen a governance system in line with international best practice and 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 those having a legitimate interest in the corporate business ('Stakeholders'), increase the importance of clearly defining the values and responsibilities that Saipem recognises.

Compliance with the law, regulations, statutory provisions, self-regulatory codes, ethical integrity and fairness, is a constant commitment and duty for all Saipem personnel, and characterises the conduct of Saipem's entire organisation.

All personnel working for Saipem, without distinction and/or exceptions, are committed to observing and enforcing the aforementioned principles, within their own function and responsibilities, in addition to the values and principles in matters of transparency, energy efficiency and sustainable development, as stated by Institutions and International Conventions. The belief of acting in Saipem's interests cannot in any way justify the adoption of practices contravening these principles.

Business ethics

Saipem's business and corporate activities must be carried out in a transparent, honest and fair way, in good faith, and in full

compliance with competition protection rules.

Specifically, Saipem applies the OECD (Organisation for Economic Co-operation and Development) guidelines for multinational companies.

Stakeholders

Saipem is committed to respecting all stakeholders with whom it interacts in business, as it believes that they are an important asset to the Company.

Labour protection and equal opportunities

Saipem respects the universally recognised core labour standards contained in the Fundamental Conventions of ILO (International Labour Organisation); it 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 the energy and creativity of an individual can realise their full potential.

Diversity

Saipem's business conduct is inspired by the respect it affords to cultures, religions, traditions, ethnic diversity and the communities in which it operates, and strives to preserve their biological, environmental, social, cultural and economic identities.

Cooperation

Saipem is committed to promoting the quality of life and the social and economic development of the communities in which the Group operates.

Policies

To rationalise and improve the efficiency of the body of documents that define general principles and conduct rules that must inspire all actions carried out by Saipem and its subsidiaries, and to ensure the achievement of corporate objectives, the Board of Directors has so far approved the following Policies:

- Our people
- Our Partners in the value chain
- Global Compliance
- Corporate Governance
- Operational Excellence
- Our Institutional Partners
- Information Management

Specifically, the first Policy deals with the importance of the human factor, the culture of plurality, the valourisation of people, the knowledge and training systems, remuneration, communication and organisational well-being; the second Policy, the promotion of long-term relations, client satisfaction, the

selection process (control chain) and the competition; the third Policy, compliance, effectiveness of compliance regulations and continuous improvement; the fourth Policy, integrity and transparency, the practice of excellence, the system of control, direction and co-ordination; the fifth Policy, the culture and achievement of operational excellence; the sixth Policy, the promotion of long-term relations; the seventh Policy, information, IT systems and communication.

Health and Safety

Saipem ensures the highest health and safety standards for its employees and those of its subcontractors in all geographical areas of operations, and faces all challenges by applying a new safety vision: 'to be winners through passion for Health and Safety'. The rationale behind this health and safety vision is that being safe equates to being more efficient in terms of business performance. In 2007, Saipem began implementing an innovative and interactive safety programme called Leadership in Health and Safety - LiHS, aimed at creating a strong safety culture throughout the Company by turning its leaders into safety leaders. A series of LiHS workshops were held involving the Company's management, and tools were created for self-development, namely questionnaires posted on the Company website, safety guidelines for structured communication, films, publications and documents endorsed by members of the Board of Directors. In September 2010, the 'LiHS' (Leadership in Health and Safety) Foundation was set up to further strengthen health and safety initiatives. The Foundation is currently awaiting juridical recognition. With the aim of becoming a global knowledge centre, the Foundation promotes studies, research, training, information and propagation of health and safety material, contributing to the growth in 'culture and awareness of health and safety at work', which could also extend into the social milieu, and in particular into both the Italian and international Oil&Gas industrial worlds. Saipem's Health and Safety system complies with both international standards and the strictest legislations. This ensures the structured management of health and safety issues for Saipem's employees through health protocols, training and audits.

Environmental protection

Saipem is committed to protecting the environment and ecosystems interested by its business operations, through the implementation of a management system which complies with best international safety standards. Saipem has also adopted procedures to ensure compliance in terms of environmental legislation, with specific reference to waste disposal, discharges, atmospheric emissions and reinstatement.

The Code of Ethics

At the meeting of July 14, 2008, the Board of Directors of Saipem SpA approved the new organisational, management and control Model pursuant to Legislative Decree No. 231 of 2001 (Model 231)¹ and the document 'Sensitive activities and specific control standards', which forms part of Model 231.

(1) Model 231, comprising the Code of Ethics, is published on Saipem's website www.saipem.com in the 'Corporate Governance' section.

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

Saipem sent Model 231 (updated through a Board of Directors' resolution on October 27, 2010) together with an accompanying letter, to all Italian and foreign companies in which it has a holding, underlining the fundamental importance that they adopt their own Code of Ethics and organisational, management and control model defining, in compliance with local legislation, the values recognised, accepted and shared by Saipem, as well as the responsibility it assumes towards stakeholders in both in Italy and worldwide.

In compliance with Confindustria (Italian Manufacturing Companies Association) guidelines and the latest court decisions, the Board of Directors, at the Audit Committee's proposal, resolved, at their meeting of July 14, 2008, to appoint two external members to the Compliance Committee, to further guarantee its independence. These additional members were selected from among academics and professionals with proven expertise, one of whom took on the role of Chairman of the Committee.

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

To promote the dissemination of the Code and facilitate its implementation, a specific 'Code of Ethics Promotion Team' was created on July 14, 2008, under the remit of the Compliance Committee. The Team consists of 8 members from several internal departments (Legal, Investor Relations, Italian Industrial Relations and Social Activities, Human Resources, Secretary's Office, Personnel Development, Training and Compensation Organisation, Communication and Sustainability Departments). In 2010 the Team met on three occasions and resolved to have the Code of Ethics translated into 12 languages for publication on the Company's intranet and website, and promoted its dissemination at Saipem Group's overseas companies.

With these initiatives, the Board of Directors further strengthened the internal control system, with the firm conviction that the Company's business activities, whose aim is the creation of value

for its Shareholders, must be founded on the principle of fair conduct towards all stakeholders (comprising, besides the Shareholders, employees, suppliers, clients, commercial and financial partners, in addition to the communities the Group comes into contact with in the countries where it is present) and that this including the promotion of important social initiatives, in a continuous effort to foster amongst stakeholders an awareness that only a business approach that seizes the opportunities and manages the risks resulting from economic, environmental and social development generates long-term value for all parties involved.

Sustainability Report²

The Code of Ethics includes the general principles underpinning Saipem's sustainability policy, as detailed in the Saipem Sustainability Report which has been produced annually since 2000, and is used to promote the sustainability culture and monitor initiatives and performance. The report is proof of the growing commitment 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. Saipem's approach to Quality, Health & Safety, Environment and Sustainability is based on principles, policies and processes that are governed by certified management systems and a decentralised organisation best suited to Saipem's business as a global contractor to the energy industry. Sustainability is a consistent and responsible way to ensure the creation of value for stakeholders in this industry, for which every challenge requires safe, reliable and innovative solutions. For Saipem, the Sustainability Report represents the most important tool for reporting on activities and results as well as for informing and engaging with stakeholders.

Saipem's organisational structure

Saipem's organisational structure is based on the traditional administration and control model whereby 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 the legal auditing of accounts.

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

The Shareholders' Meeting appoints the Board of Directors for a maximum term of three years.

The Board of Directors has appointed the Chairman, a Deputy Chairman - CEO (Chief Executive Officer), to whom report the COOs (Chief Operating Officers) who head the various Business Units, and a Managing Director for Business Support and Transversal Activities - Deputy CEO.

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

(2) The Sustainability Report is published on Saipem's website www.saipem.com in the 'Sustainability' section under 'Sustainability Report'.

with those Directors vested with executive powers (pursuant to Article 26 of Articles of Association).

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

The Board of Directors, having received the opinion of the Board of Statutory Auditors and at the Chairman's proposal, appointed the Company's CFO as the Senior Manager responsible for the preparation of financial reports, in compliance with Article 21 of the Articles of Association.

Shareholding structure

(pursuant to Article 123-bis of Law Decree No. 58 of February 24, 1998 - TUF at December 31, 2010)

Share capital distribution

- At December 31, 2010, the share capital of Saipem SpA amounted to € 441,410,900, fully paid up and comprising No. 441,270,452 ordinary shares, equal to 99.97% of the share capital, with a nominal value of € 1 each, and No. 140,448 savings shares, equal to 0.03% of the share capital, with a

nominal value of € 1 each, both of which are listed on the Computerised Share Trading Market (Mercato Telematico Azionario) managed by Borsa Italiana SpA. Shares cannot be divided and each share carries the entitlement of one vote. Saipem's Shareholders enjoy, and are limited by, all relevant rights afforded by law. Savings shares are convertible at par with ordinary shares, without charges or time restrictions; they enjoy a higher dividend than ordinary shares equal to 3% of the nominal share value. On January 14, 2010, the Savings Shareholders' Meeting confirmed Mr. Roberto Ramorini as their collective representative for the following three years (see Table 1).

No other financial instruments have been issued by the Company that allocate the right to subscribe newly-issued shares.

Restrictions on the transfer of shares

- No restrictions exist on the transfer of shares.

Relevant shareholdings

- Based on information available and notifications received pursuant to Article 120 of Law 58/1998, Shareholders owning a stake in Saipem SpA in excess of 2% at December 31, 2010, are (see Table 1):

Shareholders	Shares held	% of capital
Eni SpA	189,423,307	42.91
Capital Research and Management Co	21,656,293	4.908
FMR Llc	15,223,856	3.450
Blackrock Inc	12,421,763	2.815
FIL Ltd	8,898,844	2.016

Shareholders by area based on 2009 dividend payments

Shareholders	Number of shareholders	Shares held	% of capital
Italy	29,394	277,137,238 (*)	62.78
Other EU Member States	940	52,599,480	11.91
Americas	734	63,677,953	14.43
UK and Ireland	310	24,491,073	5.55
Other European States	102	4,310,762	0.98
Rest of the World	232	19,194,394	4.35
Total	31,712	441,410,900	100.00

(*) Includes treasury shares with no dividend entitlement.

Shareholders by amount of shares held based on 2009 dividend payments

Shareholders	Number of shareholders	Shares held	% of capital
> 10%	1	189,423,307	42.91
> 2%	4	58,200,756	13.18
1% - 2%	9	59,200,110	13.41
0.5% - 1%	6	18,874,657	4.28
0.3% - 0.5%	14	25,244,128	5.72
0.1% - 0.3%	49	34,208,488	7.75
≤ 0.1%	31,629	56,259,454	12.75
Total	31,712	441,410,900	100.00

Shareholders rights restrictions

- All Shareholders enjoy the same rights.

Shareholding of employees: exercise of voting rights

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

Voting rights restrictions

- No restrictions exist on voting rights.

Agreements as per Article 122 of Law 58/1998

- No known agreements exist amongst Shareholders, as per Article 122 of Law 58/1998.

Change of control clauses

- Saipem and its subsidiaries are not parties to any significant agreements that would become effective, be modified or be extinguished in the event of a change in the identity of the shareholders who currently control Saipem, except from the following:
 - financing currently held with third-party credit institutions or with Eni, which, at December 31, 2010, amounted to a total of € 3,887 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 estimated at approximately € 27 million;
 - bank guarantees amounting to a total of € 5,688 million.
Should there be a change of control, Saipem may be requested to release all Eni lines of credit currently utilised against bank guarantees.
Replacing existing lines of credit on the market, taking into account the adjustment in the risk profile of the Company, would result in an increased annual financial outlay estimated at approximately € 3.4 million.

Indemnification for Directors in case of dismissal (without just cause), 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.

Current Stock Option Plans provide that, in cases of consensual employment termination, or termination of the Assignee by the company for reasons relating to the company's operations, for 'objective just cause', the Assignee retains the right to exercise the options within the constraints set forth in Stock Option Regulations and for reduced quantities.

In the event of employment being terminated unilaterally by the Assignee or dismissal by the company for 'subjective just cause' or for 'just cause' before the end of the vesting period, the Options become null and void.

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 and has all powers granted by Article 2365 of the Italian Civil Code, and Article 20 of Articles of Association (please refer to paragraph 'Responsibilities and powers of the Board of Directors', page 13).

With regard to the information required by Consob Notification dated February 24, 2011 relating to succession plans for Executive Directors, Saipem informs that, in consideration of the nature of the Company's shareholding structure, no provisions have been made for a succession plan of Saipem's Executive Directors.

Share capital increases and buy-back of treasury shares

- The Board of Directors does not have the power to increase the share capital, pursuant to Article 2343 of the Italian Civil Code.

The number of treasury shares held by the Company at December 31, 2010 was 3,710,372, equal to 0.84% of the share capital. The Shareholders' Meeting had resolved to buy-back shares for allocation to the Stock Option Plans from 2002 to 2008. This resolution is no longer valid.

Direction and coordination (pursuant to Article 2497 of the Italian Civil Code)

- The Company is subject to the direction and coordination of Eni SpA, pursuant to Article 2497 (and subsequent amendments) of the Italian Civil Code.

Corporate Governance Code

The corporate governance of Saipem SpA is based on international best practice standards and, in particular, on the principles of the Corporate Governance Code (hereafter Code) of listed companies approved in 2006 by the Corporate Governance Committee and promoted by Borsa Italiana SpA (available at www.borsaitaliana.it), in addition to all relevant provisions of regulations issued by Consob (Italy's Securities and Exchange Commission).

At their meeting of November 9, 2000, the Board of Directors of Saipem SpA resolved to adopt the Code and has aligned its Corporate Governance to amendments made to the Code in 2002. At their meeting of December 14, 2006, the Board of Directors moved to adopt the recommendations and principles of the Code in its current version, and to monitor its application.

The Board of Directors also approved a number of resolutions implementing and specifying the provisions it contains. In particular: (i) the functions of the Board of Directors have been redefined. The Board maintains an absolutely central position with respect to the corporate governance system of the Company and retains wide-ranging responsibilities, particularly in terms of Company and Group organisation and the internal control system; (ii) the most significant transactions of the Company and the Group have been defined and presented for approval by the Board, which is required to pay particular attention to situations in which Directors have personal or third party interests, as well as to transactions with related parties; (iii) the Board of Directors also has a key role in defining sustainability policies and approving the Sustainability Report, which are also submitted to the Shareholders' Meeting; (iv) the guidelines on the maximum number of offices held by Directors in other companies have been defined.

This annual corporate governance report was prepared, as in previous years, utilising the format of Borsa Italiana SpA (2nd Edition - February 2010). The Company strived to provide correct, exhaustive and effective information consistent with the characteristics of its business activities and corporate objectives, and in line with market requirements.

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

Risk management systems and internal control over financial reporting

Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability³, accuracy, fairness and timeliness of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

The guidelines on internal controls over financial reporting approved by the Board of Directors on October 29, 2007 are aimed

at achieving healthy and fair business management; they define rules and methodologies on the design, implementation and maintenance of the internal control system over Saipem's financial reporting, as well as on the evaluation of the system's effectiveness.

These guidelines have been designed in accordance with the provisions of the aforementioned Article 154-bis of Law 58/1998 and of the U.S. law Sarbanes-Oxley Act of 2002 (SOA) which Saipem is required to comply with as a subsidiary of Eni whose securities are listed on the New York Stock Exchange (NYSE), and based on the COSO Report ('Internal Control - Integrated Framework' published by the Committee of Sponsoring Organisations of the Treadway Commission).

In accordance with international accounting principles, these guidelines are applicable to Saipem SpA and its direct and indirect subsidiaries, in consideration of their relevance for the preparation of financial reporting. All controlled companies, regardless of their relevance with respect to Saipem's internal control system, use these guidelines as a reference for the design and implementation of their own internal control system in order to ensure its adequacy in relation to the size of the company and the nature of its business.

Main features of the risk assessment and internal control systems for the purposes of financial reporting

The internal control system was designed in accordance with two fundamental principles: to extend control to all levels of the organisational structure, consistent with operating responsibilities; and the sustainability of controls in the long-term, so as to ensure that the performance of controls is increasingly integrated and compatible with operational requirements.

The design, implementation and maintenance of the internal control system are ensured through: risk assessment, control identification, evaluation and reporting.

The risk assessment process has a top-down approach aimed at identifying those organisational departments, processes and specific activities that bear the risk of unintentional errors and/or fraud, which could have a material impact on the financial statements.

The identification of companies that fall within the scope of the internal controls system is based both on their contribution to the consolidated financial statements (turnover, net revenues, profits before taxation) and their relevance in terms of processes and specific risks⁴. Among the companies identified as relevant for the purposes of internal controls, significant processes are then identified based on an analysis of quantitative factors (processes involved in the preparation of financial statements items greater than a certain percentage of profits before taxation) as well as qualitative factors (for instance: complexity of the accounting treatment used for an item; new items or significant changes in business conditions).

Risks are assessed for relevant processes and activities, i.e. potential events whose occurrence could compromise the

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

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

achievement of the control objectives for financial reporting (for instance financial statements assertions). These risks are prioritised in terms of their potential impact and likelihood of occurrence, based on quantitative and qualitative parameters and assuming no controls. Saipem carries out a specific assessment on risks of fraud⁵, using a methodology based on the 'Anti-fraud Programmes and Controls' included in the guidelines on internal controls over financial reporting.

Controls are defined for the individual company, processes and associated risks deemed relevant. The control system comprises of entity level controls, which operate across the relevant entity (Group/individual company) and process level controls.

A checklist based on the model adopted in the COSO Report divides entity level controls into five components (control environment, risk assessment, control activities, IT systems and information flows and monitoring activities). The 'control environment' component includes all activities relating to the definition of time-frames for the preparation and publication of financial results (interim and annual financial statements and associated financial calendars); the 'control activities' component covers organisational and regulatory structures that guarantee the achievement of financial reporting objectives (for instance the review and updating by specific departments of Group rules for preparing financial statements and charts of accounts); the component 'IT systems and information flows' includes management controls over the consolidation process (Mastro). Process level controls are divided into specific controls, which are all activities, both manual and automated, aimed at preventing, identifying and correcting errors and irregularities occurring during operating activities; and pervasive controls, which are structural elements of the internal control system aimed at establishing a general environment which promotes the correct execution and control of operational activities (for instance segregation of incompatible duties and general IT controls). Specific controls are detailed in ad-hoc procedures which define company processes and the 'key controls', whose absence or non-implementation entails the risk of significant error/fraud in the financial statements which cannot be detected by other controls.

Entity level controls and Process Level Controls are constantly monitored to evaluate their design and operating effectiveness; this is done by means of ongoing monitoring activities carried out by the managers in charge of the relevant processes/activities, and through separate evaluations carried out by the Internal Audit Department in accordance with an audit plan provided by the Chief Financial Officer/Manager responsible for preparing financial reports⁶ which defines the audit scope and objectives to be implemented through agreed-upon audit procedures.

Monitoring activities highlight possible deficiencies in the control system; these are evaluated in terms of probability of occurrence and impact on Saipem's financial reporting and, based on their significance, are classed as 'deficiencies', 'significant weaknesses' and 'material weaknesses'.

The findings of monitoring activities regarding the state of the

internal control system are periodically reported using IT tools that ensure the traceability of information relating to the adequacy of design and the operating effectiveness of controls. The work of the CFO/Manager responsible for preparing financial reports is supported by various departments within Saipem, whose responsibilities and tasks are set forth in the aforementioned guidelines. Specifically, internal controls involve all levels of Saipem's organisation, from operations and business managers to function and administrative managers. In this organisational context, a very important figure of the internal control system is the risk owner, who carries out line monitoring activities, evaluating the design and operating effectiveness of specific and pervasive controls and producing reports on monitoring activities.

The Board of Directors

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

Finally, the Board of Directors, with the support of the Audit Committee, assesses annually the adequacy, effectiveness and efficiency of the internal control system as a whole in relation to Saipem's characteristics. At their meeting of March 8, 2011, the Board examined the 2010 Report of the Officer in charge of the internal control system (as at March 8, 2011) and its findings on Saipem's internal control system. Following their examination, and taking into consideration initiatives currently underway, the Board deemed Saipem's internal control system adequate, effective and efficient.

Executive Director responsible for the internal control system

At their meeting of April 22, 2009, the Board of Directors appointed the Deputy Chairman - CEO the executive director responsible for supervising the functionality of the internal control system, always ensuring its adequacy and operating effectiveness, supported by the Audit Committee, the Internal Audit Senior Vice President and the Officer in charge of the internal control system.

The Deputy Chairman - CEO identified the Company's main business risks, taking into account the characteristics of the activities carried out by the Issuer and its subsidiaries and periodically reporting his findings for review by the Board of Directors; implemented the guidelines for the internal control system approved by the Board; and was responsible for amending this system to suit the dynamics of the operating conditions and legislative and regulatory framework.

(5) Fraud: for the purposes of the Internal Control System, this refers to any intentional act or omission that may result in false representation or misleading reporting.

(6) Additional information on the Chief Financial Officer/Manager responsible for preparing financial reports are provided under its dedicated section.

Board of Statutory Auditors

The Board of Statutory Auditors oversees the following:

- compliance with the law and Articles of Association;
- adherence to fair management principles;
- the adequacy of the Company's organisational structure within each area of competence, the suitability of the internal control system and the administrative/accounting system, as well as the keeping of accurate accounting records of the company's operations;
- the implementation of corporate governance regulations contained in the Codes of Borsa Italiana to which the Company adheres;
- the adequacy of directions given by the Company to its subsidiaries to ensure full compliance with legal reporting requirements;
- the process of financial reporting;
- the efficiency of the internal control, internal audit and risk management systems;
- the legal audit of annual statutory and consolidated accounts;
- the independence of the external auditors, specifically for the provision of non-audit services to the audited company.

Audit Committee

The Audit Committee assists the Board of Directors in fulfilling its responsibilities vis-à-vis the internal control system. Specifically, it assists in setting guidelines for the internal control system and periodically checks that it is adequate and operates effectively. The Audit Committee oversees Internal Audit activities and reviews any problems emerging from the internal control system, with the support of the functions, departments and bodies involved in managing and/or ensuring compliance with the system itself.

Officer in charge of the internal control system and the Internal Audit department

Officer in charge of the internal control system

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

The Deputy Chairman - CEO granted Alessandro Riva the powers to enter into contracts for consultancy and professional services for the purposes and in support of his responsibilities as the Officer in charge of the internal control system, having access to funds (up to € 750,000 per transaction for contracts with juridical persons and up to € 500,000 per transaction for contracts with physical persons – with no budget restrictions).

On March 8, 2011, the Officer released the annual report on the internal control system (covering the period January 1-December

31, 2010, containing information up to the date of issue) and expressed his opinion on its adequacy based on the monitoring activities carried out during the reference period by the Internal Audit department of Saipem SpA.

Internal Audit department

One of the main players operating in the complex internal control system are the Internal Audit department, whose manager is not responsible for any operating activity and reports to the Deputy Chairman - CEO; other players are the Board of Statutory Auditors and the Audit Committee.

In line with the 'Standards for the Professional Practice of Internal Audit' issued by the 'Institute of Internal Auditors', the Internal Audit department is responsible for providing independent and objective activities aimed at promoting efficiency and effectiveness improving measures in the internal control system and the Company's organisation.

The Internal Audit Department assists the Board of Directors, the Audit Committee and the Company's management in pursuing the objectives of the organisation through a systematic professional approach, aimed at reviewing and improving processes of control, risk management and corporate governance.

Main responsibilities of the Internal Audit Department are:

(i) ensuring compliance with national and international regulations vis-à-vis: Law Decree 231/2001, independent monitoring of SAO, operational, financial, IT and fraud audit for the entire Saipem Group; (ii) updating the system for the assessment, classification and evaluation of risk areas (integrated risk assessment) in order to plan control measures; (iii) implementing planned and unplanned control audits, identifying gaps in existing models, proposing corrective measures and ensuring that follow-up activities are properly monitored; (iv) maintaining relations with the external audit company; (v) maintaining relations and ensuring proper information flows with the Compliance Committee, the Audit Committee and the Board of Statutory Auditors; (vi) managing employee notifications, including anonymous ones, in compliance with current corporate procedures, and providing support in their evaluation by the relevant corporate bodies.

During the year, the Internal Audit department carried out the Audit Plan approved by the Board of Directors and reported its progress to the Audit Committee and the Board of Statutory Auditors on a quarterly basis.

The Officer in charge of the internal control system and the Internal Audit department have full access to data, documents and information required to carry out their duties.

Organisational model, pursuant to Law Decree 231/2001

On March 22, 2004, the Board of Directors approved the Organisational, managerial and control model, pursuant to Law 231/2001 and established a Compliance Committee. The Model comprises a comprehensive set of procedures and control processes aimed at preventing the offenses detailed in the aforementioned law decree, and subsequent amendments. The current scope of application of the Saipem Model, compliant with Legislative Decree No. 231 of 2001, provides for the following:

(i) offenses against public authorities and public faith; (ii) corporate crimes; (iii) crimes associated with the subversion of public order and financing of terrorism; (iv) offenses against the person; (v) market abuse ('abuse of confidential information' and 'market manipulation'); (vi) offenses against individuals, Law No. 7 of 2006; (vii) transnational crimes; (viii) manslaughter and serious or very serious personal injury committed in violation of industrial accident laws and of the protection of industrial hygiene and health; (ix) crimes related to receiving stolen goods, recycling and unlawful usage of money and properties of illegal origins; (x) computer crimes and unlawful data processing.

The Chairman is responsible for devising and implementing initial activities, updating and upgrading the Model.

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

In 2010, Saipem SpA and the Compliance Committee completed 'Project 231' aimed at updating all documentation supporting the Model and associated control procedures in terms of health and safety in the workplace, pursuant to the provisions of Law Decree 81/2008.

On October 27, 2010, pursuant to Article 7, paragraph 4 of Law Decree 231/2001, the Board of Directors of Saipem SpA updated the Model in order to be compliant with the new legal provisions introduced by Article 24-bis relating to computer crimes.

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

In 2010, the Boards of Directors of all subsidiaries adopted their own models, containing the Code of Ethics.

The Compliance Committee comprises two external members, one of whom is appointed by the Chairman of the Committee, and three internal members, namely the Legal, Human Resources and Internal Audit Managers of the Company. The members of the current Compliance Committee are: Marco Elefanti, Chairman (external member), Pietro Galizzi (Legal), Luigi Rinaldi (external member), Alessandro Riva (Internal Audit) and Sebastiano Massimo Rocuzzo (Human Resources).

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

In 2010, the Compliance Committee convened on fourteen occasions and: promoted and monitored all initiatives aimed at Saipem SpA employees to ensure adequate knowledge of the Model; it defined the Compliance Programme for the year and ensured that it was implemented alongside the scheduled and ad-hoc control activities; contributed to updating the new Model; coordinated and maintained communication channels with the Compliance Committee.

Anti-corruption procedures

In line with the values that underpin Saipem's activities, namely its ability to conduct business ethically, with loyalty, fairness, transparency, honesty and integrity and its respect for, and compliance with the laws, the Board of Directors on February 10, 2010 approved the adoption of procedures aimed at preventing the corruption of both Italian and foreign public officials, by improving the current compliance system. Specifically, the Board of Directors approved the 'Anti Corruption Compliance Guideline' and associated procedure entitled 'Intermediary Agreements' and 'Joint Venture Agreements - Prevention of Illegal Activity'. These documents are in line with international Best Practices.

Furthermore, an Anti-corruption Legal Support Unit was created to provide Saipem employees with legal support in matters of Anti-corruption.

External auditing company

In compliance with the law, legal 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 Reconta Ernst & Young SpA.

On April 26, 2010, the Shareholders' meeting approved the proposal for the revocation for 'objective' cause of the audit assignment of PricewaterhouseCoopers SpA, in order to guarantee an efficient and effective audit performance for the Company and avoid the inefficiencies that may have arisen as a result of the misalignment of Saipem's audit appointment with that of Eni SpA, and confer a new mandate for the years 2010-2018 on the company Ernst & Young SpA.

The financial statements of subsidiary companies are also subject to audit; these are carried out mostly by Ernst & Young.

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

The external audit company has full access to data, documents and information required to carry out their duties.

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

Pursuant to Article 21 of Articles of Association and Article 154-bis of Law 58/1998, the Board of Directors, having heard the opinion of the Board of Statutory Auditors and at the Chairman's proposal, appoints a Senior Manager in charge of preparing the Company's financial reports, selected from individuals who have carried out the following for at least three years:

- administrative and control activities in a managerial capacity at listed companies with a share capital exceeding €1 million, in Italy, in other European Union or OCSE member states; or
- legal audits at the companies, under letter a); or
- having had a professional position in the field of or a university professor teaching finances or accounting; or
- a management position at public or private companies with financial, accounting or control responsibilities.

The Board of Directors ensures that the Senior Manager in charge of 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. The Senior Manager in charge of preparing the Company's financial reports has the power to sign contracts, should he deem it necessary, for the provision of intellectual work and professional services up to the sum of € 750,000 per contract, without budget restrictions. Saipem's CFO Mr. Giulio Bozzini is the Senior Manager in charge of preparing the Company's financial reports, pursuant to Article 154-bis of Law 58/1998. He was appointed by the Board of Directors on July 29, 2008, having first ascertained that he met the professional criteria required by the Articles of Association.

The Shareholders' Meeting

The Shareholders' Meeting represents the institutional meeting point of the Company's management and its Shareholders. At these meetings, Shareholders may ask questions pertaining to items on the agenda or the Company's management at large. The information provided shall comply with the provisions applicable to inside information.

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

A notice of Shareholders' Meeting is also published on the Company's website to promote Shareholder attendance. The Shareholders' Meeting of January 30, 2001 approved the Shareholders' Meetings regulations (posted on Saipem's website www.saipem.com) to ensure smooth and effective meetings proceedings and, specifically, to safeguard every Shareholder's right to intervene on items under discussion.

The Extraordinary Shareholders' Meeting of April 30, 2007 had approved the amendments to the Company's Articles of Association in order to comply with the provisions of Law 262/2005 on protection of investors and had granted the Board of Directors the power to approve amendments to the Articles of Association if required by law.

On December 13, 2010, the Board of Directors approved amendments to the Articles of Association in compliance with the new provisions of law in terms of Shareholders' rights (Law Decree 27 of January 27, 2010).

Specifically, they provide that the Annual General Meeting be called through publication on the Company's website in addition to all other methods set forth in Consob Regulations and in compliance with the Law and current legislation.

The legitimate attendance at Shareholders' meetings and the exercise of voting rights is confirmed by a statement to the Company from the accredited intermediary in compliance with his/her accounting records, on behalf of the Shareholder entitled to vote.

This statement is based on the intermediary accounting records registered at the end of the seventh trading day prior to the date of the Shareholders' Meeting on first call. Credit and debit records

after this deadline shall not be considered for the purpose of legitimising the exercise of voting rights at the Shareholders' Meeting. Statements issued by the intermediaries must reach the Company by the end of the third trading day prior to the Shareholders' Meeting on first call.

Shareholders who, solely or jointly, represent at least one fortieth of the share capital may request, within ten days from publication of the calling of the Shareholders' Meeting, detailing items they wish to be added to the meeting agenda.

Shareholders entitled to vote may delegate others to represent them at the Shareholders' Meeting pursuant to the law; to do so, they must present a request either in writing or electronically. The electronic proxy can be filled in on Saipem's website and sent via certified e-mail, under the terms advised in the notice of Shareholders' Meeting and in compliance with current legislation and regulations.

Pursuant to Article 135-undecies of Law 58/1998, the Company shall appoint a representative for the next Shareholders' Meeting, upon whom Shareholders may confer a proxy, with voting instructions on all or a number of items on the agenda, by the second trading day prior to the date established on first call of the Shareholders' Meeting. The proxy is conferred by signing a proxy form, the content of which is governed by Consob regulation.

At the Shareholders' Meeting called to approve the financial statements, the Board of Directors reports on activities that occurred during the year, both through reports in the financial statements, which have been released prior to the meeting, through methods as provided by the law and current regulations and by answering questions and requests for clarification posed by the Shareholders.

At the Shareholders' Meeting, votes are cast using remote controls, which facilitate the Shareholders in exercising their rights and ensure that the voting results are immediately available.

The Board of Directors' Meeting held on March 8, 2011, resolved to submit to the Shareholders' Meeting amendments of a non normative nature to the Articles of Association, i.e. those which, based on Law Decree 27 of January 27, 2010, empower the Company to make choices.

Specifically, amendments concern the opportunity to hold Ordinary and Extraordinary Shareholders' Meetings in single call (Article 19 of Articles of Association), the opportunity to provide in the notice of meeting the option to participate in the Shareholders' Meeting remotely and cast votes electronically (Article 13 of Articles of Association), and the power to appoint a Shareholders' representative (Article 13 of Articles of Association).

Management and Control Bodies and Committees

The Board of Directors⁷

Responsibilities and powers of the Board of Directors

The Board of Directors is the central body within the Corporate Governance system of Saipem SpA and the Saipem Group. Article

(7) The Directors' professional résumés are published on Saipem's website www.saipem.com under the section 'Corporate Governance'.

20 of the Articles of Association states that the management of the Company is exclusively the responsibility of the Board of Directors.

Article 2365 of the Italian Civil Code and Article 20 of the Articles of Association grant the Board the power, normally the responsibility of the Extraordinary Shareholders' Meeting, to resolve on motions concerning:

- mergers by incorporation of companies whose shares or stakes are owned entirely by the Company, pursuant to Article 2505 of the Italian Civil Code;
- merger by incorporation of companies whose shares or stakes are at least 90% (ninety per cent) owned by the Company, pursuant to Article 2505-bis of the Italian Civil Code;
- the proportional de-merger of companies whose shares or stakes are entirely or at least 90% (ninety per cent) owned by the Company, pursuant to Article 2506-ter of the Italian Civil Code;
- transfer of the Company's headquarters within Italy;
- incorporation, transfer and closure of secondary offices;
- share capital reductions in case of Shareholder's withdrawals;
- the issue of corporate bonds and other debentures, barring the issue of bonds convertible into Company's shares;
- the adoption of modifications to the Articles of Association to comply with the provisions of law.

In addition to the powers granted by Article 2381 of the Italian Civil Code, the Board of Directors is responsible for:

- setting a corporate governance system and regulations for the Company and the Group. Specifically, subject to the approval of the Internal Audit Committee, it implements procedures to ensure that the following operations are carried out in a transparent and correct manner, both in terms of procedure and substance: operations with related parties and operations where a Director has an interest, either 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 powers to 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 issue 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;
- annual evaluation of the adequacy of the organisational, administrative and accounting model, placing particular emphasis on the internal control system and the management of conflicts of interests, based on the reports/information received by the CFO, the Officer in charge of the internal control system, the Audit Committee and the Internal Audit department;
- 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: activities within their responsibility, Group activities and major operations carried out by the Company or its subsidiaries;
 - approving, having received a reasoned opinion from the Audit Committee, transactions of greater importance with related parties, in compliance with the procedure 'Transactions involving interests held by Board Directors and Statutory Auditors and transactions with related parties'; it receives at least quarterly from the Deputy Chairman - CEO a report detailing transactions of greater and lesser importance, in line with the provisions of the aforementioned procedure;
 - reviewing and granting preliminary approval to transactions that involve interests held by Board Directors and Statutory Auditors, pursuant to Article 2391 of the Italian Civil Code and the provisions of the aforementioned procedure 'Transactions involving interests held by Board Directors and Statutory Auditors and transactions with related parties';
 - approving possible joint venture agreements, following the due diligence report on potential partners having been obtained by the Anti-corruption Legal Support Unit;
 - 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, comparing 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.
- The following are considered to be significant operations:
- a) acquisition, disposal or transfer of holdings exceeding € 25,000,000;
 - b) capital expenditure on technical assets differing from previous ones exceeding € 300 million, or of a lower amount but of strategic importance or posing a particular risk;
 - c) purchase or sale of goods and services other than investments, exceeding € 1 billion and those whose duration is greater than 20 years;
 - d) acquisition or transfer of company holdings or branches exceeding € 25,000,000;
 - e) acquisition, sale or financial leasing of land and/or buildings exceeding € 2,500,000;

- f) financing of entities other than subsidiary companies: (i) for amounts exceeding € 50 million; or (ii) of any amount, to companies where the share held is not a controlling stake and the loan is not proportional to the share of the holding;
- g) issue of personal or other guarantees to entities other than subsidiary companies: (i) for amounts exceeding € 200 million in favour of subsidiary companies; or (ii) of any amount, to companies where the share held is not a controlling stake and the loan is not proportional to the share of the holding;
- h) incorporation of subsidiaries or company branches;
- appointment and dismissal of General Managers, granting them the relevant powers;
- appointment and dismissal, 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;
- appointment and dismissal, having consulted the opinion of the Audit Committee, of a manager in charge of the internal control system;
- appointing the Compliance Committee, pursuant to Law 231/2001;
- ensuring the appointment of managers in charge of the departments responsible for dealing with Shareholders and investors;
- setting the remuneration of Directors with executive powers, having reviewed the proposals put forward by the relevant Committee and having heard the opinion of the Board of Statutory Auditors;
- having heard the proposals of the Compensation Committee, setting the criteria for the remuneration of the management of the Company and the Group; implementing incentive plans based on stock or other financial instruments approved by the Shareholders' Meeting;
- approving the proposals to be submitted for approval to the Shareholders' Meetings;
- reviewing and resolving on all other matters that Directors with executive powers deem appropriate for the Board to assess, due to their sensitivity and/or importance;
- approving and entering into agency agreements; approving all donations.

The Shareholders' Meeting endorsed the competition ban provided for in Article 2390 of the Italian Civil Code.

Pursuant to Article 2391 of the Italian Civil Code, Directors shall inform the other Directors and the Statutory Auditors of interests they may have, on their own behalf and on behalf of third parties, in any specific Company operation.

At Board Meetings, the Chairman reminds the Board of Directors that, pursuant to Article 2391 of the Italian Civil Code, Board Directors must voice any interests they may have, directly or through a third party, related to any items on the Agenda before they are discussed. Directors have to state the nature, origin and relevance of these interests, if any.

The Chairman organises the activities of the Board of Directors and ensures that the Directors and Statutory Auditors are provided with the necessary documentation and information in a timely manner to enable them to make decisions. To improve the

Board's knowledge of the Company's operations and dynamics, the Board of Directors' meetings where financial reports are approved are attended by the managers of the various Business Units, who illustrate the most significant projects, strategies and market conditions in their respective areas.

Board review

The Board of Directors, in compliance with the provisions of the Corporate Governance Code, carried out, as in previous years, its annual review of its size, composition, level of operation and efficiency of the Board itself and its Committees.

The Board utilised a qualified external consultant, Egon Zehnder International, to ensure maximum objectivity in the proceedings. The review was based on a questionnaire prepared by the consultant and individual interviews with all Directors. Results of the review were presented to the Board and discussed at their meeting of March 8, 2011.

This year's questionnaire favoured an empirical approach, centred on the analysis of specific topics encountered by the Board of Directors.

The review confirmed that Saipem's Board of Directors had received adequate and timely supporting information to carry out in-depth discussions on the various topics.

Generally, the review found that the Board operates in full compliance with the recommendation of the Corporate Governance Code.

The following have been identified as specific areas of excellence:

- the clear separation of roles between Saipem's Chairman and CEO, which integrate harmoniously;
- positive internal climate that allows all Directors to participate constructively in discussions and share in the Company's strategy;
- increased knowledge by the Directors of the Company's operations, gained from presentations given by the COOs of the BUs at Board meetings and visits to operational sites;
- in-depth and transparent documentation provided in advance of Board meetings;
- particular attention paid to 'safety' and 'risk management' issues.

Moreover, the benchmark of Saipem's Board effectiveness with other international Boards reported very positive results.

The work carried out by the Committees was deemed to be both fruitful and accurate.

Composition

The Board of Directors, comprising nine members, was appointed by the Shareholders' Meeting on April 28, 2008 for a three-year period, its mandate expiring at the Shareholders' Meeting called to approve the Financial Statements at December 31, 2010. The appointment of Directors occurs pursuant to Article 19 of Articles of Association, through voting from lists, so as to allow the appointment of minority interest representatives. Lists are filed at the Company's registered headquarters at least twenty-five days prior to the Shareholders' Meeting (first call) and are published in compliance with current legislation and Consob regulations. Voting lists include professional résumés 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. 17633 of January 26, 2011. Seven tenths of Directors are appointed from the list that has obtained the majority of votes (rounded down if necessary). The remaining Directors will be selected from the other lists, provided they are not in any way, not even indirectly, linked with the shareholders who have presented or voted for the list that has obtained the majority of votes; therefore, votes obtained for each list will be successively divided by one, two, three and so on, until the number of remaining Directors to be appointed has been reached. The ratios obtained will be progressively attributed to candidates of each list, in the order attributed to each candidate within that list. Candidates will be classified in decreasing order according to their respective ratios, and those who have received the higher ratios will be appointed. In the event that more than one candidate obtains the same ratio, the candidate on the list with no Director yet appointed or on the list with the lowest number of Directors appointed will be elected. If these lists have yet to elect a Director, or if they have already appointed an equal number of Directors, the candidate on the list with the highest number of votes will be appointed. In case the vote is still tied, the Shareholders' Meeting will vote again, but only amongst the candidates under ballot, and the candidate who receives the majority of votes will be elected. Should this procedure fail to appoint the minimum number of independent Directors required by the Articles of Association, the ratio of votes is calculated for each candidate from said lists, in compliance with the aforementioned system; candidates who meet the independence requirement and who have obtained the highest ratios will be selected; their number will depend on the regulations set forth in the Articles of Association. These take the place of non-independent Directors who have obtained the lowest ratios. Should the minimum number of independent Directors not be reached, the Shareholders' Meeting resolves through majority vote, as per legal requirements, the replacement of candidates who do not fulfil the independence requirement and have obtained the lowest ratios.

Directors shall meet the integrity requirements prescribed by regulations, possess the professional expertise and experience to carry out their mandate efficiently and effectively and be able to dedicate sufficient time and resources to their office. Pursuant to Article 1, paragraph 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 'Cumulation of offices'. The Board comprises the Chairman Marco Mangiagalli, the Deputy Chairman - CEO Pietro Franco Tali, the Managing Director Hugh James O'Donnell and the Directors Luca Anderlini, Anna Maria Artoni, Pierantonio Nebuloni, Salvatore Sardo, Umberto Vergine and Ian Wybrew-Bond. The list put forward by Eni at the Shareholders' meeting of April 28, 2008 had obtained 52.74% of voting shares.

Luca Anderlini, Anna Maria Artoni and Pierantonio Nebuloni have been nominated from the list put forward by institutional investors coordinated by ARCA SGR SpA, and had obtained 16.75% of voting shares.

Umberto Vergine was co-opted at the Board of Directors' meeting of October 27, 2010, at the proposal of the shareholder Eni, replacing Jacques Yves Léost, who had resigned on August 18, 2010.

Marco Mangiagalli, Pietro Franco Tali, Hugh James O'Donnell, Salvatore Sardo, Umberto Vergine and Ian Wybrew-Bond have been put forward by Eni.

Article 27 of Articles of Association has been adjusted to comply with new Article 37, paragraph 1 of Regulations on Market, whereby the Board of Directors of a listed subsidiary subject to management and coordination by another listed company shall comprise of a majority of independent Directors, identified as such in compliance with the law and current regulations. This amendment will take effect from the appointments made by the next Shareholders' Meeting.

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 Board of Directors on March 28, 2007 expressed the following guideline on the number of offices Directors may hold:

- an executive Director shall not hold: (i) the office of executive Director in other listed companies, either in Italy or abroad, in financial companies, banks, insurance companies or companies with net equity in excess of € 1 billion; and (ii) the office of non-executive Director or Statutory Auditor (or member of other control body) in more than three aforementioned companies;
- besides the appointment at this Company, a non-executive Director shall not hold: (i) the office of executive Director in more than one of the aforementioned companies and the office of non-executive Director or Statutory Auditor (or member of other control body) in more than three aforementioned companies; and/or (ii) the office of non-executive Director or Statutory Auditor in more than six of the aforementioned companies.

Offices held at companies of the same Group are excluded from the limit of cumulation.

Should the aforementioned limits be exceeded, Directors shall immediately inform the Board of Directors, who, after assessing the position and, in light of the Company's interests, shall invite the Director to take the relevant decisions.

The Code recommends that public companies set up a Committee for appointment proposals comprising a majority of non-executive Directors, 'specifically when the Board of Directors notices that Shareholders are finding it difficult to put forward appointment proposals'. This Committee has never been implemented in view of the nature of the Company's shareholding structure and the fact that the Articles of Association provide that Directors be appointed by the Shareholders' Meeting from lists put forward by the Shareholders.

Based on the information received, we list hereunder additional directorships or auditor posts held by Saipem's Board Directors in other companies.

Marco Mangiagalli

Board Director of Luxottica Group SpA (listed company); Member of the Watch Board of Intesa San Paolo SpA (listed company).

Anna Maria Artoni

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

Pierantonio Nebuloni

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

Salvatore Sardo

Chairman of Eni Corporate University; Chairman of Snam Rete Gas SpA (listed company).

Board of Directors' Meetings

The Company's Articles of Association do not specify how often the Board should meet, although Article 21 states it has to occur at least quarterly as follows: 'The Directors inform the Board of Directors and the Board of Statutory Auditors promptly or at least every quarter on Company activities, major economic and financial transactions involving the Company or its subsidiaries; in particular they report those operations in which they have an interest, on behalf of themselves or third parties, or those operations that are subject to the influence of the controlling party'.

In 2010, the Board of Directors met on eight occasions, their meetings lasting three hours on average; three meetings have been scheduled to take place in the first half of 2011, two of which have already been held as of March 8, 2011. 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 2010, an average of 90% of Board Directors and 88% of independent Directors attended Board Meetings. Saipem's COOs also attended Board of Directors' meetings on a regular basis to report on the status of operations and the strategic prospects for the various business units, in addition to other senior managers involved in specific matters.

Executive Directors

Consistent 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 principal person responsible for the management of the Company.

The Corporate Governance Committee of Borsa Italiana believes that the separation of the aforementioned roles can strengthen the characteristics of impartiality and balance required of a Chairman of the Board, to whom the law and procedure entrust the tasks of organising the work of the Board as well as acting as a link between executive and non-executive Directors.

The separation of the roles of Chairman and Chief Executive Officer (CEO) makes the appointment of a lead independent Director unnecessary.

The Board of Directors resolved to appoint Marco Mangiagalli Chairman and Pietro Franco Tali Deputy Chairman - CEO.

On May 25, 2009, the Board of Directors appointed Hugh James O'Donnell Deputy CEO and Managing Director for Business Support and Transversal Activities, and granted him the powers commensurate with his position.

Pietro Franco Tali and Hugh James O'Donnell are executive Directors.

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

The Deputy Chairman - CEO, whom the COOs (Chief Operating Officers) of the Business Units report to, in addition to the CFO, the Internal Audit, Human Resources and Legal Affairs managers, is ultimately responsible for the management of the Company, with all the relevant powers barring those of the Board itself. The Chairman chairs the Shareholders' Meeting, convenes and chairs Board of Directors' meetings and 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.

Consob Resolution No. 17221 of March 12, 2010 (adoption of 'Related Parties' Regulations) amended through Resolution No. 17389 of June 23, 2010, had amended Article 37, paragraph 1, letter d), of Market Regulations, providing that the shares of a subsidiary subject to management and coordination by another company may only be admitted to trading if its committees are

composed of independent directors. For companies subject to management and coordination by another listed company, the Board of Directors shall also be composed of a majority of independent members.

On December 13, 2010, the Board of Directors amended Article 19 of the Articles of Association, providing that the majority of Directors shall meet the independence requirements set by Consob for Directors of companies subject to management and coordination by another listed company.

The aforementioned Consob Resolution No. 17221 also provides that this provision be enforced within 30 days from the first Shareholders' Meeting called after October 1, 2010 to appoint a new Board.

The composition of the Board of Directors shall be adjusted following the Shareholders' Meeting called to approve the 2010 Financial Statements, which will also reappoint the management and control bodies.

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

Directors who do not comply with the independence requirement are executive Directors Pietro Franco Tali and Hugh James O'Donnell, and non-executive Directors Marco Mangiagalli, Salvatore Sardo and Umberto Vergine.

The Board of Statutory Auditors has assessed the application of criteria and procedures adopted by the Board of Directors to ascertain the independence of its members and found them to be correct. Independent Directors have not deemed it necessary to meet without the other Directors in view of the fact that they take an active part in Committee meetings.

Remuneration report

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

its controlled companies; (iv) long-term incentives granted to Board Directors and senior management with strategic responsibilities.

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

The remuneration of the Deputy Chairman - CEO, and the Managing Director for Business Support and Transversal Activities - Deputy CEO, as well as that of senior managers with strategic responsibilities comprises a fixed component and an annual variable component, in addition to two long-term incentives (a deferred monetary incentive and a long-term incentive plan). The fixed remuneration of the Deputy Chairman - CEO, and the Managing Director for Business Support and Transversal Activities - Deputy CEO is commensurate with the powers vested in them. The fixed remuneration of senior managers with strategic responsibilities is based on their position and strategic responsibilities, in line with comparable positions in the market of large national and international companies, with annual adjustments based on merit (continuity of individual performance) or promotion (progression of position/responsibilities).

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

The variable part of the Deputy Chairman - CEO's, and the Managing Director for Business Support and Transversal Activities - Deputy CEO's remuneration is linked to the achievement of Company objectives. The variable remuneration paid in 2010 was based on Saipem's targets for the year 2009, comprising new contracts, investments, backlog, adjusted EBITDA and sustainability (further subdivided into LTI rate and zero injury policy), approved by the Board of Directors at the proposal of the Compensation Committee.

The remuneration of non-executive Directors is not linked to the results achieved. Non-executive Directors do not participate in the Company's incentive schemes.

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

In 2010, the Board of Directors approved the 2010 allocation of the 2009-2011 long-term incentive plan (deferred monetary incentive) implemented by the Board of Directors in 2009 in order to continue promoting the achievement of the Company's targets over the long-term.

The deferred monetary incentive granted in 2010 will be paid after a three-year vesting period depending on the achievement of annual EBITDA targets (actual vs. budget results) in the years 2010-2012.

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

In 2010, the Board of Directors has also approved, at the proposal of the Compensation Committee, a new long-term monetary incentive plan for senior managers directly responsible for Saipem Group results. This new incentive, which has replaced the

Stock Option plan, aims at ensuring the long-term competitiveness of their global remuneration structure. The deferred monetary incentive granted in 2010 is payable after a three-year vesting period and the amount depends on the average position achieved by Saipem in terms of profitability (adjusted net profit + depreciation and amortisation) over the

vesting period versus 2009, against a panel of peer competitors identified by the Board of Directors.

In 2010 the remuneration structure of the Chairman, the Deputy Chairman - CEO, the Deputy CEO and senior management with strategic responsibilities was the following:

	Chairman	CEO	Deputy CEO	Senior managers with strategic responsibilities
Fixed remuneration	100%	36%	49%	50%
Variable remuneration (linked to targets)	-	26%	22%	21%
Long-term incentives (linked to results) (*)	-	38%	29%	29%
Total	100%	100%	100%	100%

(*) Value of long-term incentives (actualised) if target are achieved.

Board committees

In order to carry out its responsibilities more efficiently, the Board has set up two committees: the Audit Committee, comprised exclusively of non-executive independent Board members, and the Compensation Committee, comprising a majority of independent Board members, all of whom are non-executive Directors.

All Audit Committee members are accounts and finance experts. The Audit Committee comprises Luca Anderlini, Anna Maria Artoni and Pierantonio Nebuloni.

The Compensation Committee comprises Salvatore Sardo - Chairman, Anna Maria Artoni and Pierantonio Nebuloni. The Board of Directors has not deemed it necessary to set up a Directors' Nominations Committee in view of the Company's current shareholder structure, and the fact that, pursuant to the law and the Articles of Association, Directors are appointed by the Shareholders' Meeting from lists put forward by the Shareholders. Following the introduction of a new procedure 'Transactions involving interests held by Board Directors and Statutory Auditors and transactions with related parties', the Audit Committee provides the Board of Directors with opinions, as per the procedures. The Compensation Committee provides opinions in matters of remuneration (please refer to the section 'Directors' interests and transactions with related parties', page 22).

Audit Committee

In compliance with the Board resolution of November 9, 2000, the Audit Committee 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 Deputy Chairman - CEO. 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 - CEO, is responsible for the following: (i) assessing the conformity of accounting and non-accounting criteria and principles, the efficiency of administrative procedures and control systems; (ii) ensuring the implementation and updating of the risk assessment, mapping and classification systems for auditing purposes.

The Audit Committee's responsibilities are: (i) assisting the Board of Directors in the following areas: (a) setting guidelines for the internal control system; (b) periodically checking that it is adequate and operates effectively; (c) ensuring that major risks facing the Company are suitably identified and properly managed; (ii) evaluates together with the CFO and the external auditors, the adequacy of accounting principles adopted and their consistency throughout the consolidated financial statements; (iii) assesses together with the external auditors: (a) accounting principles considered 'critical' for the correct financial and economic representation of Saipem's position; (b) alternative accounting standards provided for by the accounting principles and reviewed with the management, the consequences of the application of said alternative standards and related information in addition to the methods considered preferential by the external auditors; (c) contents of every relevant written exchange between the external auditors and the Company's management; (d) issues relating to statutory and consolidated financial statements of major Group companies; (iv) evaluates the work programme prepared by the Internal Audit Manager and receives from the latter reports, at least quarterly, on work performed; (v) evaluates issues raised through Internal Audit reports, communications from the Board of Auditors or individual Auditors, reports and the management letter issued by the external auditors, the annual report issued by Compliance Committee in its capacity as the Guarantor of the Internal Code of Practice, inquiries and studies by third parties; (vi) assesses audit plans put forward and works carried out by the external auditing firms, also in terms of their independent opinions; (vii) verifies independence of the external auditors; (viii) evaluates requests advanced by departmental managers to utilise the auditing firm appointed to audit the financial statements for non-audit service and presents proposals to the Board of Directors.

The Audit Committee has access to information and Company departments as required to carry out its duties. Through the Officer in charge of the Internal Control System, the Audit Committee can draw on the necessary financial resources to carry out its responsibilities.

The Audit Committee convened eleven times in 2010, with meetings lasting on average two hours and fifteen minutes. All members attended all meetings, apart from one attended by two out of three members. Main activities consisted of:

- reviewing the Integrated Risk Assessment system aimed at setting up the integrated audit programme of the Internal Audit Department;
- approving the annual audit plan;
- reviewing and evaluating internal audit activities;
- meeting with the Chief Financial Officer, the Chairman of the Board of Statutory Auditors and the partner from the Independent Auditors to examine the main issues pertaining to the 2009 and 2010 financial statements;
- monitoring the development of the operating model of the Internal Audit Department;
- acknowledging Company activities relating to Law Decree 231/2001 particularly those activities relating to compliance, training and the analysis of sensitive processes;
- carrying out an in-depth study of the risk analysis and risk management model of the Saipem Group;
- acknowledging the Company's organisational structure and the powers of attorney and proxy systems at the basis of the Saipem Group decision making mechanism;
- monitoring Company activities related to the implementation of the accounting processes necessary to implement the new International Financial Reporting Standards (IFRS);
- checking that the Internal Audit Manager continues to meet the integrity, professionalism, competence and independence requirements;
- evaluating the performance and adequacy of the fixed and variable remuneration structure of the Internal Audit Manager;
- reviewing the Company's anti-corruption procedures;
- reviewing the Company's procedure regulating related parties' transactions.

All meetings were minuted.

Twelve meetings have been scheduled to take place in 2011, three of which have already been held as of March 8, 2011.

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

Compensation Committee

The Compensation Committee fulfils a propositive role for the Board of Directors vis-à-vis the Executive Directors remuneration as well as: (i) deferred incentive schemes; (ii) criteria for setting the Group's top management remuneration; (iii) setting targets and assessing performance achievements and incentive plans. In 2010, the Compensation Committee convened on six occasions,

with meetings lasting an average of one hour. They were attended on four occasions by all three members and on two occasions by two members.

Main activities of the Compensation Committee consisted of:

- reviewed results for the year 2009 for the purposes of the monetary incentive plan;
- verified Saipem's 2009 performance in terms of TSR versus its main competitors required for the calculation of the percentage of shares that can be exercised as part of the Stock Option plans allocated in the period 2006-2008 to senior managers who have a direct impact on Company results or of strategic interest to the Company;
- approved the introduction of a new monetary long-term incentive plan applicable to senior managers directly responsible for Saipem Group results;
- it proposed the fixed and variable remuneration of the Deputy Chairman - CEO and the Managing Director for Business Support and Transversal Activities - Deputy CEO, based on 2009 results.

The Compensation Committee oversees the implementation of resolutions taken by the Board of Directors.

Saipem's Executive Vice President Director for Human Resources, Organisation and Systems and the Senior Vice President for Development, Organisation, Communication and Compensation were invited and attended all Compensation Committee meetings. Compensation Committee meetings at which remuneration proposals are put forward were not attended by Directors with interests.

All meetings were minuted.

Four meetings have been scheduled to take place in 2011, one of which has already been held as of March 8, 2011.

The Audit Committee has access to information and company departments as required to carry out its duties. The Compensation Committee has access to the necessary financial resources to carry out its responsibilities.

The Board of Statutory Auditors⁸

The Board of Statutory Auditors, pursuant to Article 149 of Law Decree 58/1998, monitors: compliance to the law and the Articles of Association; that management principles are correctly adhered to; the adequacy of the Company organisational structure, the internal control system and the administrative/accounting system, and the reliability of the latter to clearly reflect the Company's 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 made a public declaration to adhere to; the adequacy of directions given by the Company to its subsidiaries. Pursuant to the Consolidated Law on Finance and Law Decree 39/2010, the Board of Statutory Auditors submits a documented proposal to the Shareholders' Meeting concerning the granting of auditing responsibilities as well as compensation

(8) The professional résumés of Statutory Auditors are published on Saipem's website www.saipem.com under the section 'Corporate Governance'.

for the audit firm, it is consulted in case of revocation of the audit firm mandate by the Shareholders' Meeting, and receives the audit report prepared in compliance with Article 14 of the aforementioned law decree.

The Board comprises three Statutory Auditors and two Alternate Auditors, appointed by the Shareholders on April 28, 2008. The term of office for Statutory Auditors is three years and will expire at the Shareholders' Meeting called to approve the Financial Statements at December 31, 2010.

Pursuant to Article 27 of the Articles of Association, Statutory Auditors are appointed from voting lists; the Chairman of the Board of Statutory Auditors and one Alternate Auditor are appointed from the list put forward by the minority Shareholders. Lists are structured in two sections: the first comprises candidates for the office of Statutory Auditor, the second candidates for the office of Alternate Auditor. Two statutory auditors and one alternate auditor are selected from the list which receives the majority of votes. The remaining statutory auditor and alternate auditor are selected by allocating each candidate a ratio, obtained by dividing the votes received by each list by the progressive number of Statutory Auditors still to be appointed. In the event that more than one candidate obtains the same ratio, the candidate on the list with no Auditors yet appointed or on the list with the lowest number of Auditors appointed will be elected. If these lists have yet to elect a Statutory Auditor, or if they have already appointed an equal number of Auditors, the candidate on the list with the highest number of votes will be appointed. In the case of another tie, the Shareholders' Meeting will vote again, but only amongst the candidates under ballot, and the candidate who receives the majority of votes will be elected.

The Shareholders' Meeting appoints the Chairman of the Board of Statutory Auditors from the list put forward by the minority Shareholders.

In the event of the replacement of an Auditor from the list that has received the majority of votes, the Alternate Auditor from the same list fills the vacant position; in the event of a replacement of an Auditor from other lists, the Alternate Auditor from those lists fills the vacant position.

This voting procedure from lists is only applicable whenever the entire Board of Statutory Auditors is replaced.

Lists are filed, presented and published in compliance with legal requirements and Consob Regulations.

Pursuant to Consob Resolution No. 17633 of January 26, 2011, lists may be presented by Shareholders who, individually or with others, hold shares amounting at least to 1% of the share capital. Pursuant to Article 27, as amended by the Shareholders' Meeting on April 30, 2007 to comply with Law 262 of December 28, 2005, the Shareholders' Meeting appointed the Chairman of the Board of Statutory Auditors from the minority list. Lists enclose declarations by each candidate stating that they meet the integrity and independence requirements (see Article 148, paragraph 3 of Law 58/1998) 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. The secretary of the Board of Statutory Auditors is the Head of the Internal Audit Department, Alessandro Riva.

Article 27 of the 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 of 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, through their own declarations, that all its members meet the independence requirements.

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

The Board of Statutory Auditors ensured the independence of the external audit company, ascertaining that it met all legal requirements and evaluating the nature and size of services other than accounting audits it provided to the Company and its subsidiaries directly, or through associated companies.

The Board of Statutory Auditors liaised closely with the Internal Audit department and the Audit Committee, attending Committee meetings and inviting the Internal Audit Manager to its own meetings.

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

The Board of Statutory Auditors of Saipem SpA convened fifteen times during 2010, with meetings lasting on average two hours and twenty minutes. Meetings were attended by an average of 93% of Statutory Auditors, while Board meetings were attended by an average of 83% of Statutory Auditors.

Main activities included:

- review of the Integrated Risk Assessment system organised by the Internal Audit function;
- approval of the annual audit plan;
- review and evaluation of results of Internal Audit activities;
- meeting with the Company's Chief Financial Officer, the partner of the Independent Auditors to review the main items of the 2009 and 2010 financial statements;
- monitoring the development of the Internal Audit operating module;
- acknowledging the measures implemented by the Company to comply with Law Decree 231/2001, paying particular attention to the compliance, training and analysis of sensitive processes;
- in-depth review of the risk assessment and management within the Saipem Group;
- acknowledging the organisational structure and power allocation at the basis of the decision-making process within the Saipem Group;
- monitoring the measures undertaken by the Company to adjust accounting processes in accordance with IFRS;
- checking that the Internal Audit Manager continues to meet the integrity, professionalism, competence and independence requirements;

- evaluating the performance and adequacy of the fixed and variable remuneration structure of the Internal Audit Manager;
- overseeing the progress of the tender process for the 2010-2018 audit assignment;
- preparation of the proposal for the revocation, for 'objective' cause of the PricewaterhouseCoopers SpA audit assignment and simultaneous conferment of a new audit assignment on Reconta Ernst & Young SpA;
- analysis, at least quarterly, of reports of issues, even in confidential or anonymous form (whistle blowing), that are received by Saipem, assessing their contents and proposed corrective measures;
- reviewing the Company's anti-corruption procedures;
- reviewing the Company's procedure on related parties' transactions.

Twelve meetings have been scheduled to take place in 2011, three of which have already been held as of March 8, 2011.

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

Pursuant to Article 27 of the Articles of Association, Statutory Auditors may hold positions as members of administrative and control bodies at other companies; however, these are limited by Consob's Issuers' Regulations, Article 144-terdecies. In any case, pursuant to the aforementioned regulation, candidates already holding the office of Statutory Auditor at five listed companies may not be appointed as Auditors, and if elected, shall forfeit their office.

Fabrizio Gardi, Adriano Propersi and Giulio Gamba have been nominated by Eni SpA, obtaining 59.66% of voting capital; Fabio Venegoni and Alberto De Nigro have been nominated by institutional investors coordinated by ARCA SGR SpA.

Based on information received, we list hereafter the other offices (as Board Directors or Statutory Auditor) held by Saipem's Statutory Auditors in other companies.

Fabio Venegoni (Chairman)

Board Director of Naar Tour Operator SpA, Ceccato SpA, Mediolanum Farmaceutici SpA, Zest Gaming SpA and 100% Capri Holding SpA; Chairman of the Board of Statutory Auditors of Coccinelle SpA, Infragruppo SpA, Pietro Fiorentini SpA, Quanta System SpA, Riquilificazione Grande Distribuzione Srl, New Mall Srl, Saipem Energy Services SpA; Statutory Auditor of Beni Stabili SpA (listed company), Boutique Vercelli Srl, Fiditalia SpA, Aura Holding SpA, La Casa Vhernier SpA, Radiall Elettronica Srl and SG Italian Holding SpA.

Fabrizio Gardi (Statutory Auditor)

Board Director of Bidachem SpA, Boehringer Ingelheim Italia SpA, V.P. Holding SpA, Valore Reale SGR SpA, Value Partners SpA, Value Team SpA; Statutory Auditor of Almaf SpA, Cititrust SpA - Istituto

Fiduciario, Cosmo Bioscience SpA, Cosmo Pharmaceuticals SpA, Econocom Locazione Italia SpA, Fimag SpA, Gewiss SpA, Gianni Versace SpA, Polimeri Europa SpA, Verim Srl and Voith Siemens Hydro Power Generation SpA.

Adriano Propersi (Statutory Auditor)

Chairman of the Board of Directors of IMI Fabi SpA; Board Director of Banca Popolare di Sondrio (listed company), Prisma Srl; Chairman of the Board of Statutory Auditors of Tecnocasa Holding SpA, Tecnocasa Franchising SpA, Tecnocasa Partecipazioni SpA, Kiron Partners SpA, Tecnomedia Srl, Trade & Partners SpA, Family Partner SpA, La Ducale SpA, Immobiliare Giulini SpA, BEA Ingranaggi SpA, Miba Srl, Raffineria di Gela SpA; Statutory Auditor of Unicredit Business Partner ScpA, Feem Servizi Srl, A.T. Kearney SpA, Eni Gas & Power Belgium SpA, Atlas Copco BLM Srl, Immobiliare Santa Caterina Sr, and Abac Aria Compressa SpA.

Giulio Gamba (Alternate Auditor)

Chairman of the Board of Statutory Auditors of IFM Scarl and Servizi Porto Marghera Scarl; Statutory Auditor of Servizi Energia Italia SpA, Venezia Tecnologie SpA, Priolo Servizi SCpA, Ravenna Servizi Industriali SCpA, and VEGA Parco Scientifico-Tecnologico di Venezia Scarl.

Alberto De Nigro (Alternate Auditor)

Chairman of the Board of Statutory Auditors of AIM Congress Srl, AIM Group SpA, AIM Group International SpA, AIM Travel Srl, Chiquita Italia Srl, Engineering.IT SpA, Nexta Srl, Telit Wireless Solutions Srl, Toyota Motor Leasing Italia SpA, 7Finance Holding di partecipazioni SpA; Statutory Auditor of Armosia TV Srl, Consorzio Sinergie per l'innovazione nella ricerca nell'industria e nelle organizzazioni, Dahlia TV SpA (in liquidation), Dahlia TV Broadcasting Srl, Engo SpA, Ergo Italia SpA, Ergo Previdenza SpA, Ergo Italia Business Solutions Scrl, Ergo Assicurazioni SpA, Ergo Italia Direct Network Srl, Olivetti SpA, Telecom Italia Media SpA; Board Director and member of the Control Committee of Ingegneria Informatica SpA (listed company); Liquidator of Ipse 2000 SpA currently (in liquidation).

Directors' interests and transactions with related parties

In order to implement Article 2391-bis of the Italian Civil Code, Consob approved a Regulation on March 12, 2010 which obliges listed companies to adopt procedures not later than December 1, 2010 aimed at guaranteeing full transparency as well as procedural and effective fairness for transactions with related parties.

Also in light of the recommendations of the Corporate Governance Code, on November 24, 2010, Saipem's Board of Directors unanimously approved the procedure 'Interests held by Board Directors and Statutory Auditors and transactions with related parties'⁹, effective from January 1, 2011. This procedure

(9) The procedure 'Transactions involving interests by Board Directors and Statutory Auditors and transactions with related parties' is published on Saipem's website www.saipem.com under the section 'Corporate Governance'.

supersedes the procedure 'Code of Practice Regulating Operations with Related Parties' approved by the Board of Directors on July 7, 2003.

The Audit Committee, comprised wholly of independent Directors pursuant to the Self-Regulatory Code and the aforementioned Regulation, have expressed a preliminary opinion in favour of the adoption of this procedure.

This largely reflects the definitions and provisions of Consob Regulation: transactions with related parties have been divided into transactions of greater importance, transactions of lesser importance, and exempted transactions, with different procedures to be followed based on the type and relevance of transactions.

Specifically, the Board of Directors reserves the right to approve transactions of greater importance, subject to the Audit Committee being in favour, having been involved in negotiations and having received complete and timely information.

With regard to transactions of lesser importance, the Audit Committee expresses a reasoned, albeit not binding opinion on the interest the Company may have in the transaction and its substantial fairness.

The Board of Directors, having consulted the Audit Committee, has also identified transactions of smaller amounts, which are excluded from the procedure, as well as other types of transactions, which, due to the nature of the revenue and/or cost, are deemed to be regular transactions as they were completed in market-equivalent or standard terms and therefore are excluded from the procedure even if they are not of lesser amounts.

This procedure attributes a major role to independent Directors, as members of the Audit Committee and the Compensation Committee, in matters of remuneration.

Also in terms of the duty of information to the public, Saipem's procedure reflects the provisions of Consob Regulation in full.

Board Directors, Statutory Auditors and senior managers with strategic responsibilities declare every six months all transactions they may have entered into involving Saipem SpA and/or its subsidiaries, either directly or through a third party, in compliance with IAS 24. They also declare potential significant relations for the purposes of the identification of related parties (for instance, close relatives).

Amounts of transactions of a commercial, financial or other nature with related parties, a description of the most relevant types of transaction, their incidence on the balance sheet, income statement and financial flows are detailed in the consolidated and statutory financial statements of Saipem SpA.

Finally, in compliance with paragraph 9 of the Self-Regulatory Code of Listed Companies and consistent with previous regulations, a specific code of conduct has been set up to regulate transactions whereby a Director or Statutory Auditor may have a vested interest, either directly or through a third party.

Specifically, the Company is obliged to evaluate, during the preparatory and approval stages, the reasons for the transactions with the interested party. An in-depth and documented review of the reasons behind the transaction is required during the preparatory stage, emphasising the interest held by the company and the expediency and fairness of its terms.

Board Directors and Statutory Auditors declare, every six months or sooner in the event of changes, any potential interests they may hold towards the Company and the Group.

Investor relations

Saipem has adopted a policy of information supporting 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 for investors, the market and the media is disseminated via press releases, and 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.com) or can be requested via e-mail from: investor.relations@saipem.com.

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 e-mail from: segreteria.societaria@saipem.com.

Every January Saipem discloses to the public and publishes on its website its financial calendar detailing the main financial events for the current 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.com, 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 December 13, 2010, the Board of Directors approved amendments to the Articles of Association to comply with new legislation relating to Shareholders' rights (Law Decree 27 of January 27, 2010) and legal audit of accounts (Law Decree 39 of January 27, 2010). Further amendments to the Articles of Association on which the Company must express a choice will be submitted to the next extraordinary Shareholders' Meeting. Please refer to the section 'The Shareholders' Meeting' on page 13.

Processing of inside information - Internal Dealing¹⁰

On March 23, 2006, the Board of Directors updated the 'Procedure regulating Market disclosure of inside information'¹¹, which was approved on December 12, 2002. This procedure which implements the provisions contained in the 'Guide on Information to the Market' issued by 'Forum Ref' in June 2002 and the provisions of the European Directive on Market Abuse defines the requirements to be applied to the disclosure of sensitive information to the market (materiality, clarity, homogeneity, symmetry, consistency and timeliness) and regulates the flow of information from controlled companies aimed at obtaining comprehensive and timely information for the Board of Directors and the market on events that may become inside 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.

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

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

(10) The procedure 'Internal Dealing' is published on Saipem's website www.saipem.com under the section 'Corporate Governance'.

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

Table 1. Shareholding structure

Shareholding structure				
	Number of shares	% of share capital	Listed market / not listed	Rights and obligations
Ordinary shares	441,270,452	99.97%	Computerised Share Trading Market (Mercato Telematico Azionario Italia - MTA)	Dividend / entitled to vote at the Shareholders' Meeting
Shares with limited vote entitlement (savings shares)	140,448	0.03%	Computerised Share Trading Market (Mercato Telematico Azionario Italia - MTA)	Convertible with ordinary share without time restriction / dividend 3% higher than ordinary shares / not entitled to vote at the Shareholders' Meeting
Shares without vote entitlement				

Relevant shareholdings			
Declarant	Direct shareholder	% of ordinary capital	% of voting capital
FMR Llc	FMR Llc	3.450	3.450
Blackrock Inc	Blackrock (Netherlands) BV	0.088	0.088
	Blackrock (Luxembourg) SA	0.264	0.264
	Blackrock Institutional Trust Co NA	0.734	0.734
	Blackrock Fund Managers Ltd	0.016	0.016
	Blackrock Advisor (UK) Ltd	0.590	0.590
	Blackrock Investment Management (Australia) Ltd	0.002	0.002
	Blackrock Investment Management Llc	0.147	0.147
	Blackrock Financial Management Inc	0.093	0.093
	Blackrock Asset Management Japan Ltd	0.188	0.188
	Blackrock Asset Management Australia Ltd	0.007	0.007
	Blackrock Asset Management Canada Ltd	0.14	0.14
	Blackrock Fund Advisors	0.30	0.30
	Blackrock Advisors Llc	0.037	0.037
	Blackrock Investment Management (UK) Ltd	0.057	0.057
	Blackrock International Ltd	0.278	0.278
	Total	2.815	2.815
FIL Ltd	FIL Ltd	2.016	2.016
Capital Research and Management Co (as manager of the Euro Pacific Growth Fund which holds 2.681%)	Capital Research and Management Co	4.908	4.908
Ministry of Economy and Finance	Eni SpA	42.91	42.91

Table 2. Structure of the Board of Directors and its Committees

Title														
Board of Directors											Audit Committee		Compensation Committee	
Office	Members	In office since	In office until	List (M/m) ⁽¹⁾	Exec.	Non-exec.	Indep. purs to CG Code	Indep. purs to Law 58/98	(%) ⁽²⁾	No. of other offices ⁽³⁾	(4)	(2)	(4)	(2)
Chairman	Mangiagalli Marco	April 28, 2008	Approval of Financial Statements 2010	M		X			100	2				
Deputy Chairman - CEO	Tali Pietro Franco	April 28, 2008	Approval of Financial Statements 2010	M	X				100	-				
Managing Director	O'Donnell Hugh James	April 28, 2008	Approval of Financial Statements 2010	M	X				100	-				
Director	Anderlini Luca	April 28, 2008	Approval of Financial Statements 2010	m		X	X	X	100	-	X	100		
Director	Artoni Anna Maria	April 28, 2008	Approval of Financial Statements 2010	m		X	X	X	75	1	X	100	X	100
Director	Nebuloni Pierantonio	April 28, 2008	Approval of Financial Statements 2010	m		X	X	X	88	-	X	90	X	85
Director	Sardo Salvatore	April 28, 2008	Approval of Financial Statements 2010	M		X			62	1			X	85
Director	Vergine Umberto	April 28, 2008	Approval of Financial Statements 2010	M		X			100	-				
Director	Wybrew-Bond Ian	April 28, 2008	Approval of Financial Statements 2010	M		X	X	X	100	-				
Directors terminated during the year														
Director	Léost Jacques Yves	April 28, 2008	August 18, 10	M	X				100					
Indicate minimum <i>quorum</i> required for the presentation of lists at the last appointment of the Board: 1%														
Number of meetings held during the year:						BoD: 8			AC: 11			CC: 6		

(1) In this column 'M' denotes a member appointed from the majority list while 'm' denotes a member appointed from the minority list.

(2) This column details the percentage of attendance of Directors to Board and Committee meetings (attendance/number of meetings held during the period of office).

(3) This column details the number of offices of Director or Statutory Auditor held in other companies listed either in Italy or abroad, and/or in financial, banking, insurance or large companies.

(4) In this column, the 'X' denotes membership of a Director to a Committee.

Table 3. Structure of the Board of Statutory Auditors

Board of Statutory Auditors							
Office	Members	In office since	In office until	List (M/m) ⁽¹⁾	Independent pursuant to the CG Code	(%) ⁽²⁾	No. of other offices ⁽³⁾
Chairman	Venegoni Fabio	April 28, 2008	Approval of Financial Statements 2010	m	X	100	1
Statutory Auditor	Gardi Fabrizio	April 28, 2008	Approval of Financial Statements 2010	M	X	100	-
Statutory Auditor	Propersi Adriano	April 28, 2008	Approval of Financial Statements 2010	M	X	80	1
Alternate Auditor	Gamba Giulio	April 28, 2008	Approval of Financial Statements 2010	M	X		-
Alternate Auditor	De Nigro Alberto	April 28, 2008	Approval of Financial Statements 2010	m	X		1
Statutory Auditors terminated during the year							
-	-	-	-	-	-	-	-
Indicate minimum <i>quorum</i> required for the presentation of lists at the last appointment: 1%							
Number of meetings held during the year: 15							

(1) In this column 'M' denotes a member appointed from the majority list while 'm' denotes a member appointed from the minority list

(2) This column details the percentage of attendance of Statutory Auditors to the Board of Statutory Auditors' meetings (attendance/number of meetings held during the period of office).

(3) This column details the number of offices of Director or Statutory Auditor held in other companies deemed relevant pursuant to Article 148-bis of Law 58/1998. A complete list of offices is detailed, pursuant to Article 144-*quinqüiesdecies* of Consob Issuers' Regulations, to the compliance report drawn up by the Statutory Auditors in compliance with Article 153, paragraph 1 of Law 58/1998.

Headquarters: San Donato Milanese (Milan) - Italy
Via Martiri di Cefalonia, 67
Branches:
Cortemaggiore (Piacenza) - Italy
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saipem

saipem Società per Azioni
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Publications
Bilancio al 31 dicembre (in Italian)
Annual Report (in English)

Interim Consolidated Report as of June 30
(in Italian and English)

Sustainability Report (in English)

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