

# CORPORATE GOVERNANCE AND SHAREHOLDING STRUCTURE REPORT 2018

Pursuant to Article 123-*bis* of Legislative Decree No. 58/1998,  
approved by the Board of Directors on March 11, 2019  
(Traditional Management and Control Model)



## **Mission**

Our mission is to implement challenging, safe and innovative projects, leveraging on the competence of our people and on the solidity, multiculturalism and integrity of our organisational model. With the ability to face and overcome the challenges posed by the evolution of the global scenarios, we must seize the opportunities to create economic and social value for all our stakeholders.

## **Our values**

Innovation; health, safety and environment; multiculturalism; passion; integrity.

## **Countries in which Saipem operates**

### **EUROPE**

Albania, Austria, Bulgaria, Croatia, Cyprus, Denmark, France, Germany, Greece, Italy, Luxembourg, Netherlands, Malta, Norway, Poland, Portugal, Romania, Serbia, Spain, Sweden, Switzerland, Turkey, United Kingdom

### **AMERICAS**

Argentina, Bolivia, Brazil, Canada, Chile, Colombia, Ecuador, Guyana, Mexico, Peru, United States, Venezuela

### **CIS**

Azerbaijan, Georgia, Kazakhstan, Russia, Turkmenistan

### **AFRICA**

Algeria, Angola, Congo, Egypt, Gabon, Ghana, Libya, Morocco, Mozambique, Namibia, Nigeria, South Africa, Tunisia, Uganda

### **MIDDLE EAST**

Iraq, Kuwait, Oman, Qatar, Saudi Arabia, United Arab Emirates

### **FAR EAST AND OCEANIA**

Australia, China, India, Indonesia, Japan, Malaysia, Pakistan, Singapore, South Korea, Taiwan, Thailand, Vietnam

# CORPORATE GOVERNANCE AND SHAREHOLDING STRUCTURE REPORT 2018

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The Corporate Governance Report is published on Saipem's website [www.saipem.com](http://www.saipem.com), under the 'Governance' section.

# GLOSSARY

**Corporate Governance Code/Code:** the Corporate Governance Code for listed Companies approved in July 2018 by the Corporate Governance Committee and endorsed by Borsa Italiana SpA, ABI, Ania, Assogestioni, Assonime and Confindustria.

**Board of Directors:** the Board of Directors of the Issuer.

**CoSO Report:** internal control system model issued by the Committee of Sponsoring Organizations of the Treadway Commission - 1992.

**Issuer:** issuer of stocks and shares referred to in this Report.

**Year:** financial year 2018, subject of this Report.

**Consob Issuers' Regulations:** regulations issued by Consob through Resolution No. 11971 of 1999 (and subsequent amendments).

**Consob Market Regulations:** regulations issued by Consob through Resolution No. 16191 of March 12, 2007 (and subsequent amendments).

**Consob Related Parties' Regulations:** regulations issued by Consob through Resolution No. 17221 of March 12, 2010 (and subsequent amendments).

**Report:** Corporate Governance and Shareholding Structure Report, which companies are required to issue in compliance with Article 123-*bis*, TUF.

**TUF:** Legislative Decree No. 58 (TUF - Testo Unico della Finanza), issued on February 24, 1998.

# CORPORATE GOVERNANCE AND SHAREHOLDING STRUCTURE REPORT

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<sup>1</sup> 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 and the authorised storage mechanism 'eMarket Storage' ([www.emarketstorage.com](http://www.emarketstorage.com)), under the terms and methods provided by current legislation.

The information contained in this Report relates to the financial year 2018 and has been updated, with respect to specific matters, as of March 11, 2019, the date of the Board of Directors' Meeting that approved it, together with the draft 2018 Annual Report, to be submitted at the Shareholders' meeting called to convene on April 30, 2019.

The final part of the letter accompanying the '*Annual Report 2018 on the evolution of the Corporate Governance of listed companies - Sixth Annual Report on the Application of the Corporate Governance Code*', sent to all Chairmen of Italian listed companies (and for information to their Managing Directors-CEOs and Chairmen of the Board of Statutory Auditors) draws attention to the recommendations made therein, reiterating '*the hope [...], that the considerations of the issuer [...] concerning the Committee's four recommendations and the possible planned or undertaken initiatives are reported in the corporate governance report in order to emphasise its constant attention to the quality of the issuer's governance*'.

The Chairman has therefore shared with the Board of Directors and the Board of Statutory Auditors the contents of the '*Annual Report 2018 on the evolution of the Corporate Governance of listed companies - Sixth Annual Report on the Application of the Corporate Governance Code*', drawing their attention to the four recommendations made in pages 79 to 83 of the document.

Before drafting this Report, at the proposal of the Chairman of the Board of Directors, the Board Committee Sustainability, Scenarios and Governance Committee, at their meeting of February 26, 2019 attended by the Chairman of the Board of Statutory Auditors, reviewed the '*Annual Report 2018 on the evolution of the Corporate Governance of listed companies - Sixth Annual Report on the Application of the Corporate Governance Code*'.

This review focused on the recommendations made in the Annual Report 2018, which were brought to the attention of the Board of Directors and the Board of Statutory Auditors.

At their meetings of October 11, 2018 and February 26, 2019, the Sustainability, Scenarios and Governance Committee examined this Corporate Governance and Shareholding Structure Report for compliance with the aforementioned recommendations and, more generally, assessed the Company's compliance to the Corporate Governance Code. The conclusions reached by the Sustainability, Scenarios and Governance Committee were shared with the Board of Directors at the meetings held on October 23, 2018 and February 27, 2019.

These conclusions were also confirmed during the Board review: in fact, the consultant appointed by the Board of Directors ascertained that the Board Review found a '*strict adherence of the overall functioning of Saipem's Board of Directors and its Committees with the indications and provisions contained: (a) in legislative and regulatory provisions applicable to issuers; (b) in the Corporate Governance Code for listed companies; (c) in the internal regulatory framework adopted by the Company (Articles of Association, Code of Ethics, internal regulations and procedures)*'.

## Issuer profile

Saipem is a leading global contractor with a significant local presence in strategic emerging areas such as Africa, Central Asia, America, the Middle East and South East Asia. Saipem enjoys a competitive edge for providing EPCI (Engineering, Procurement, Construction and Installation) and EPC (Engineering, Procurement and Construction) services to the Oil & Gas industry, both onshore and offshore, with a special focus on complex and technologically-advanced projects, including activities in remote areas, in deep waters and on projects involving the exploitation of

(1) Reference is made to the Corporate Governance Code 2006 of Borsa Italiana SpA, as amended in July 2018, which is posted on <http://www.borsaitaliana.it/borsaitaliana/regolamenti/corporategovernance/codice2018clean.pdf>

gas or crude oil supplies in challenging environments. The drilling services offered by the Company stand out in many of the most critical areas of the oil industry, often thanks to synergies between onshore and offshore activities. Saipem's ability to develop projects in critical and remote areas is ensured by the efficient coordination between Corporate, the Divisions and local activities, guaranteed logistical support worldwide and the consolidated capacity to manage locally any difficulties that arise. This is borne out by Saipem's more than 60-year presence in this sector. Saipem has been listed on the Milan Stock Exchange since 1984.

The Company operates in 62 countries, employing local personnel and a large number of resources from developing countries, totalling approximately 31,000 employees of 120 different nationalities.

## Principles and values

Saipem undertakes to maintain and strengthen a governance system in line with international best practice standards, able to deal with the complex situations in which Saipem operates, and with the challenges to face for sustainable development. Sustainability for Saipem means conducting its business while remaining mindful of our responsibility towards all the stakeholders. Ensuring fair and cooperative relationships is vital for the success of our projects. Saipem's sustainability model permeates all company processes. It is orientated towards excellence and the pursuit of long-term objectives, to prevent, mitigate and manage possible risks.

Saipem operates within the reference framework of the United Nations Universal Declaration of Human Rights, the Fundamental Conventions of the ILO – International Labour Organisation – and the OECD Guidelines on Multinational Enterprises.

Any form of discrimination, corruption, forced or child labour is rejected. Saipem constantly strives to acknowledge and safeguard the dignity, freedom and equality of human beings, the protection of labour and of the freedom of trade union association, health, safety, the environment and biodiversity, as well as the set of values and principles concerning transparency, energy efficiency and sustainable development, in accordance with international institutions and conventions.

Respect for human rights is the foundation of inclusive growth of societies and geographical areas and, consequently, of the companies that work within them. Saipem contributes to the creation of the socio-economic conditions required for the effective enjoyment of fundamental rights and promotes the professional growth and well-being of its own human resources wherever they are located. Saipem's commitment to promoting human and labour rights in its operations is reiterated in the Company's Policy on human rights approved in 2017.

## Management and control system

Saipem's organisational structure is based on the traditional administration and control model, whereby the Board of Directors is the central body, responsible for the Company's management. Supervisory and control duties are the responsibility of the Board of Statutory Auditors.

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 Shareholders' Meeting appointed the Chairman and the Board of Directors, and the latter vested the CEO with executive powers.

The Chairman has the power to represent the Company, pursuant to Article 21 of the Company's Articles of Association, together with those Directors vested with executive powers (pursuant to Article 26 of Articles of Association).

On May 16, 2018, the Board of Directors resolved to set up three Board Committees: the Audit and Risk Committee, the Compensation and Nomination Committee and the Sustainability, Scenarios and Governance Committee.

With regard to the provisions of the applicable legislation on transactions with related parties, the Audit and Risk Committee comprises, in addition to the independent and non-related members of the Committee, of another non-related and independent Director chosen on the basis of seniority.

The Director responsible for Internal Audit reports to the Board of Directors and, on its behalf, to the Chairman of the Board; he also reports to the Audit and Risk Committee and the CEO in his capacity as the Officer responsible for the Internal Control and Risk Management System.

During the mandate of the previous Board, at the proposal of the Chairman, and in agreement with the CEO, having consulted with the Compensation and Nomination Committee, and received the opinion in favour of the Board of Statutory Auditors, the Board of Directors had appointed, on June 7, 2016, the Company's Director responsible for Planning Administration and Control as the

Officer responsible for the Company's Financial Reporting pursuant to Article 154-*bis* of Legislative Decree No. 58/1998. He is currently holding this office.

## Regulatory System

The Regulatory System is part of Saipem's Corporate Governance and is one of the tools used by Saipem's Corporate structure and its Divisions to exercise direction, coordination and control over its subsidiaries, both in Italy and abroad.

Saipem's Regulatory System is a dynamic system that is continuously improved as the internal and external context evolves. The System is organised, developed and distributed in such a way as to facilitate usability and understanding by its users.

The Regulatory System is process-based, regardless of the positioning of the respective duties within the corporate and organisational structure of Saipem SpA and its subsidiaries. All of Saipem's activities have been grouped into a map of processes involving more than one area, identifying a Process Owner for each process, responsible for defining policies, guidelines and methodologies that are common to the whole Group with regard to the process under their responsibility or for defining the rules regarding compliance and governance issues, guaranteeing suitability over time.

Regarding Saipem's divisional organisational structure, where applicable on the basis of the organisational responsibilities assigned to the different company functions, the Regulatory System provides for the identification of 'sector representatives' who, for processes carried out within individual divisions/lead companies, are responsible for defining sector work processes, in line with policies, guidelines and methodologies defined by the Process Owner, guaranteeing suitability over time.

Saipem uses the Regulatory System to promote the integration of principles of compliance into company processes, with a view to disseminating the rules and standards of control established by the various compliance models, and introducing them into the operational context at the various entities. The regulatory documents contain the minimum control principles that the persons involved in the regulated process are required to adhere to in order to operate in accordance with the applicable regulations, legal requirements and other Saipem management tools, including the organisational structure, the system of powers and the strategic plan.

Furthermore, Saipem's regulatory system is based on, and is consistent with, the general framework, which comprises: legal provisions, the Articles of Association, the Corporate Governance Code, the CoSO Report, the Organisation, Management and Control Model (which includes the Code of Ethics), the Internal Control and Risk Management System and the Internal Control System over Financial Reporting.

Each company in the Group has a Regulatory System that is divided into two macro categories of regulatory documents:

- regulatory documents for steering, coordination and control issued by Saipem SpA, which, subject to their formal adoption, apply also to subsidiary companies;
- regulatory documents for company operations issued by Saipem SpA and its subsidiaries, which apply to the individual companies responsible for their issue.

The first category comprises: documents that define the fundamental principles and general rules of conduct that must inspire all activities carried out by Saipem (Policies); documents that define guidelines for company processes, as well as compliance and governance issues, identifying objectives and main activities, actors, limits, and internal and external regulatory controls, rules of conduct, authorisation levels and reporting flows (Management System Guidelines); documents that discipline work processes or specific issues of compliance or governance (Procedures); documents that define and explain criteria, methods, techniques, tools, methodologies, reporting flows, standard parameters/classifications to use for specific activities. The second category comprises documents that define policies, principles and operating methods for a specific company context to ensure compliance with local and international legislation and/or ensure detailed regulation of sub-processes in line with the specific nature of the company.

Regulatory documents are published on the Company's intranet and are sent to all employees of Saipem SpA and the relevant subsidiaries. Certain regulatory documents are also published on the Company's website [www.saipem.com](http://www.saipem.com).

Following the establishment, with effect from May 1, 2017, of 5 Divisions (Offshore E&C, Onshore E&C, Offshore Drilling, Onshore Drilling and XSIGHT) and the decision in July 2018 to give them greater autonomy, the process of alignment of the Regulatory System launched in 2017 progressed throughout 2018, with the aim of:

- aligning the regulatory document body with the new division-based organisation adopted by Saipem and with the steering and control role taken by Corporate and the worldwide operative coordinatory role required by the Divisions;

- formalise the changes introduced by the re-engineering of processes in the Corporate structure and in the Divisions, also incorporating the innovations introduced by the programme aimed at granting the Divisions greater independence, launched in the second half of 2018, with particular focus on the processes related to commercial, supply chain, risk management, investment and strategic planning activities.

Furthermore, in 2018, periodic monitoring activities were carried out to ensure the implementation of regulatory documents by the subsidiaries and certification of the adequacy of the regulatory documents for steering, coordination and control was requested from the relevant Process Owners and Sector Process Representative.

## Sustainability

In a scenario increasingly oriented towards integrating sustainability issues into business management and company policies, the Saipem Sustainability Model ('Sustainability Model') has been strengthened and developed with a view to providing ever increased responsibility and functionality to meet the expectations of the stakeholders. The pillars of the Sustainability Model are: (a) the protection of the health and safety of the persons working with and for Saipem; (b) the protection of the environment and ecosystems; (c) ensuring respect of human rights and labour rights in the supply chain; (d) respect for diversity at all levels both in host communities and among the human resources involved in Saipem's activities; (e) the social and economic growth of the territories in which Saipem operates; and (f) the integrity and transparency in running the business.

The Sustainability Model is therefore based on:

- corporate values and principles set forth in Saipem's Code of Ethics and the Sustainability Policies, whose general principles underpin corporate life vis-à-vis its internal and external stakeholders;
  - an organisation that assigns roles and responsibilities (from defining a vision and subsequent strategy to setting objectives for executives and management); and
  - the definition of processes and tools that guide the Company towards sustainable business.
- Since 2017, Saipem has also decided to make its Human Rights commitment more explicit with a specific Policy, followed by the disclosure (mentioned in the 'Non-Financial Statement' and in the document 'Sustainable Saipem 2018') to combat all types of modern slavery under the UK Modern Slavery Act.

Concerning the Governance of Sustainability, the 'Sustainability, Scenarios and Governance Committee' was set up on the occasion of the Board renewal at the Shareholders' Meeting of May 3, 2018, in order to ensure the ever greater alignment with the recommendations of the Corporate Governance Code. This replaced the previous 'Corporate Governance Committee and Scenarios', and has been granted far more responsibilities than in the past, in terms of sustainability.

This Committee, chaired by Saipem's Chairman, is responsible for assisting the Board of Directors by fulfilling a preparatory, consultative and advisory role in assessments and decision-making processes with regard to Saipem's business Sustainability issues and its engagement with all stakeholders, the Corporate Governance of the Company and the Group, Saipem's Corporate Social Responsibility and the review of scenarios envisaged in the preparation of the Strategic Plan.

In 2018, the Committee (in its previous and current composition) held several meetings on sustainability issues. In particular, during the year it monitored the full compliance with the provisions of Legislative Decree No. 254/2016, concerning the obligation to publish a 'Non-Financial Statement'.

The Sustainability, Scenarios and Governance Committee and the CEO promote the issues of sustainability within the Board of Directors, discussing relevant issues in this regard during the year, such as Saipem's disclosure concerning its approach to 'Climate Change', its implications on business strategies and the initiatives undertaken by the Company in this area.

The Sustainability Management Committee, a body made up of the Corporate and Divisions top management, is chaired by the CEO. Its technical secretariat is entrusted to the Corporate Sustainability Manager, Marco Stampa.

It is responsible for elaborating the guidelines for sustainability policies and strategies to be submitted to the subsequent review of the Sustainability Scenarios and Governance Committee, and is also responsible for providing directives for the sustainability planning and reporting process.

In 2018, the Sustainability Management Committee met on June 12 and November 27 to:

- discuss the targets achieved in 2017;
- approve Sustainability targets for 2018; and
- approve a series of initiatives, derived from a structured process of materiality analysis that



Saipem has been conducting for seven years on both external and internal stakeholders (management and employees), aimed at identifying the issues that are a priority to Saipem. Given the transversal nature of this topic, the sustainability objectives are defined for sharing within the Company, in line with the different operating contexts and with the requests emerging from stakeholder consultations and other context findings.

From a technical and organisational standpoint, ongoing activities and the achievement of Saipem's sustainability objectives are monitored by the Corporate function responsible for Sustainability which, since May 2017, reports directly to the Director for 'Sustainability, Identity & Corporate Communication'.

From October 2016, Saipem has participated in the United Nations Global Compact and is also active nationally in the Global Compact Network Italy Foundation and the CSR Manager network. The Global Compact initiative directs the commitment of the private sector through the participation (subject to the preliminary assessment and continuous verification by the Secretariat of New York) of the major international companies committing to upholding ten principles centred on human and labour rights, environmental protection and fighting corruption. In addition to the awards recently received from various international institutions and bodies, in September 2018, Saipem has been included once more in the Dow Jones Sustainability Index, with the accolade of leader in the O&G Equipment Services sector, and for the ninth consecutive year has been listed in the Sustainability FTSE4Good Index of the London Stock Exchange, in addition to having achieved strong positions in other sustainability ratings.

Furthermore, Saipem is among the top 10 Italian listed companies of the Integrated Governance Index 2018, ranking ninth in the IGI ranking, an index that measures the integration of sustainability into corporate strategies.

In particular, Integrated Governance represents the recent evolution of governance practices, processes and culture with the aim of taking into account all ESG factors (environmental, social, governance) and all forms of value creation in the development of long-term strategies. Saipem participated with other 'best case' companies at the presentation of the Integrated Governance Index results, 2018 edition.

## Code of Ethics

The Code of Ethics – chapter 8 of Model 231 – represents a compulsory general principle and 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 of operations, conduct, working practices and relations, both internal and external to the Group.

Compliance with the Code by Saipem's Directors, Statutory Auditors, management and employees, as well as by all those who, within their own remits and responsibilities, operate in Italy and abroad to achieve Saipem's objectives (hereinafter 'Saipem's people'), is of paramount importance, not only to guarantee compliance with legal and contractual provisions governing a party's relationship with Saipem, but also to ensure Saipem's efficiency, reliability and reputation, all of which are crucial factors in the Company's success and in improving the social circumstances in which it operates.

The Board of Directors of Saipem approved the Code of Conduct on May 19, 1999. This document was later revised through a resolution by the Board of Directors dated December 13, 2005.

At their meeting of March 22, 2004, Saipem's Board of Directors approved for the first time the 'Organisation, Management and Control Model pursuant to Legislative Decree No. 231 of 2001'. In May 2008, due to the modifications that had been made to the general structure of the Company, the CEO launched a review of the Model, and at their meeting of July 14, 2008, the Board of Directors approved the document 'Model 231 (includes the Code of Ethics)' specific to Saipem SpA.

The latest revision of the Code of Ethics was approved by the Board of Directors on January 15, 2018.

The Code of Ethics provides for the appointment of a Guarantor of the Code of Ethics, whose responsibilities have been delegated to the Compliance Committee and who has been granted 'independent powers of initiative and control' pursuant to Article 6, paragraph 1, letter b), of Legislative Decree No. 231/2001 on the administrative liability of legal entities deriving from offences. The duties of the Guarantor include the promotion of information and training initiatives towards Saipem's employees, who are required to observe the principles contained in the Code of Ethics.

The Compliance Committee's mandate coincides with that of the Board of Directors which appointed it. Its autonomy and independence is safeguarded by its composition, pursuant to Article 6, paragraph 1, lett. b), of Legislative Decree No. 231/2001. The Compliance Committee

is a Collegial Body composed, up to January 15, 2019, of five members. Three internal members, identified in the Managers of the functions Corporate: General Counsel, Contract Management, Corporate Affairs and Governance, Risk Management, Supply Chain and Business Integrity, Internal Audit; two external members, one of whom is appointed Chairman of the Compliance Committee: they are chosen among academics and professionals of proven expertise and experience in legal, economic and/or company organisation issues.

The composition of the Compliance Committee, modifications and additions, are approved through a resolution of the Board of Directors, having heard the opinions of the Audit and Risk Committee, of the Compensation and Nomination Committee and of the Board of Statutory Auditors, at the proposal of the CEO, and in agreement with the Chairman.

On January 15, 2019, the Board of Directors, at the CEO's proposal, and in agreement with the Chairman, having heard the opinion of the Audit and Risk Committee, of the Board of Statutory Auditors and of the Compensation and Nomination Committee, resolved to update the composition of the Compliance Committee, with effect from February 1, 2019, as follows: 3 external members, Renato Rordorf (Chairman), Angelo Casò and Francesca Pedrazzi and 2 internal members identified in the heads of the Business Integrity function (Simona Rasini) and Internal Audit (Luigi Siri). The newly selected Compliance Committee held its first meeting on February 20, 2019, appointing as secretary Mario Colombo, General Counsel, Contract Management, Corporate Affairs and Governance.

Following in-depth studies carried out on the organisational structure adopted by the Company in July 2018 and the legislative changes that occurred after January 15, 2018 (the date of the previous Board approval of the 231 Model), the Board of Directors of the Company, on March 11, 2019, approved the latest update of Model 231 (which includes the Code of Ethics).

On January 27, 2017, as part of the continuous improvement of the internal control system, the Board of Directors resolved to set up the Risk Management and Business Integrity function (renamed in 2018 Risk Management, Supply Chain and Business Integrity), with the responsibilities described in the ad-hoc section on page 51.

The Risk Management, Supply Chain and Business Integrity function is invited to attend Board of Directors' meetings to periodically report on activities within its remit.

Each subsidiary, directly or indirectly, both in Italy and overseas, issues its own Organisational, Management and Control Model ('OMC Model') containing the Code of Ethics, which formally nominates a Guarantor of the Code of Ethics.

Saipem is committed to ensuring the widest dissemination of the principles and contents of the Code of Ethics among Saipem's personnel and other Stakeholders. All Saipem personnel are required to be conversant with the principles that make up Saipem's Code of Ethics and the relevant procedures regulating their functions and responsibilities.

To promote the knowledge and facilitate the implementation of the Code of Ethics, the Code itself provides for the implementation of a 'Code Promotion Team' reporting to the Guarantor of Saipem SpA.

The composition of the team is defined by the CEO of Saipem SpA at the proposal of the Guarantor of Code of Ethics. The Team is currently made up of 11 members from several departments (Business Integrity, Investor Relations, Italian Industrial Relations, Human Resources, Secretary's Office and Governance, Organisation, Sustainability, Procurement, and representatives of the Divisions).

The Team facilitates access throughout Saipem to every possible knowledge and clarification tool that can aid the interpretation and implementation of the Code of Ethics.

The Code of Ethics is posted on Saipem's noticeboards and on the Company's intranet and website, both in Italian and English. Furthermore, particularly well-organised is the training of personnel both at head office and in foreign subsidiaries, through class courses or e-learning.

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). Furthermore, extremely important are social initiatives promoted by Group companies striving to foster among stakeholders the awareness that only a business approach that seizes the opportunities and manages the risks resulting from economic, environmental and social development can generate long-term value for all parties involved.

In view of improving the dissemination of the principles detailed in the Code of Ethics and Model 231, in 2016 Saipem also published on its intranet site, the 'Saipem Business Integrity Guide', whose objective is to provide Saipem employees with an additional instrument that is both easy to read and consult and that will also help everyone understand and share Saipem's ethical values. This guide provides an overview of the principles and reference policies, as well as clarification and some practical cases described in the 'What to do if' section. This guide is not meant to replace the Code of Ethics, Model 231 or the procedures; it is intended to aid their comprehension.

## Shareholding structure

(pursuant to Article 123-bis, paragraph 1, of Legislative Decree No. 58/1998) as at December 31, 2018

### Share capital distribution

At December 31, 2018, the share capital of Saipem SpA amounted to €2,191,384,693, fully paid-up and comprising No. 1,010,966,841 ordinary shares, equal to 99.999% of the share capital, and No. 10,598 savings shares, equal to 0.001% of the share capital, all without par value and listed on the Computerised Share Trading Market (Mercato Telematico Azionario) managed by Borsa Italiana SpA (see Table 1). Shares cannot be split 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; and they enjoy a higher dividend than ordinary shares. Specifically, following the Shareholders' Meeting held on December 2, 2015, (i) savings shares are allotted dividends on net income reported in the regularly approved financial statements, after a deduction posted to the legal reserve of up to €0.05 for each savings share; (ii) after allotment of the privileged dividend to savings shares as per point (i), residual income, as resolved by the Shareholders' Meeting, is apportioned amongst all shares, so that savings shares receive a higher overall dividend than ordinary shares, of up to €0.03 for each savings share; (iii) if savings shares are allocated a lower dividend than that indicated under (i) or (ii) during a certain fiscal year, the difference will be added to the privileged dividend over the following two fiscal years.

On April 29, 2016, the Savings Shareholders' Meeting appointed Augusto Clerici Bagozzi as their collective representative for the following three years.

The Shareholders' Meeting of December 2, 2015, had approved the proposed share capital increase for cash, in one or more tranches, for a maximum overall amount (including share premium, if any) of €3,500 million, through the issue, by March 31, 2016, of ordinary shares with the same characteristics and entitlement as ordinary shares of Saipem SpA currently in circulation, with no par value, to be offered in option to current holders of Saipem ordinary or savings shares pro-rata to the number of shares they already own, pursuant to Article 2441, paragraph 1, of the Italian Civil Code.

On February 23, 2016, Saipem's new share capital amounted to €2,191,384,693 represented by No. 10,109,665,070 ordinary shares and No. 106,126 savings shares, with no par value.

An Extraordinary Shareholders' Meeting held on April 28, 2017 at the proposal of the Board of Directors, approved a reverse stock split of Saipem shares.

In virtue of the resolution passed at the aforementioned Extraordinary Shareholders' Meeting, registered at the Companies' Register of Milan on May 10, 2017, the reverse stock split was carried out in the ratio of: one new ordinary share, with no indication of nominal value, each 10 (ten) existing ordinary shares, and one new savings share, with no indication of nominal value, each 10 (ten) existing savings shares, with prior cancellation of No. 6 (six) savings shares for the sole purpose of numerically balancing the transaction and without reducing the total amount of the share capital. The text of the Articles of Association, updated in accordance with the outcome of the reverse stock split, was filed with the Companies' Register and published on Saipem's website at [www.saipem.com](http://www.saipem.com), as well as on Borsa Italiana SpA's website ([www.borsaitaliana.it](http://www.borsaitaliana.it)) and on the authorised storage facility 'eMarket Storage' ([www.emarketstorage.com](http://www.emarketstorage.com)).

No share-based incentive plans have been issued that may give way to (free or otherwise) share capital increases.

As at December 31, 2018, Saipem holds No. 14,756,335, treasury shares, equal to 1.46% of the ordinary share capital.

### Restrictions on the transfer of shares

No restrictions exist on the transfer of shares.

### Relevant shareholdings

Based on information contained in the Shareholders' Register and notification received pursuant to Article 120 of Legislative Decree No. 58/1998, hereafter are all significant direct and/or indirect shareholdings in Saipem's share capital at December 31, 2018.

From notifications received pursuant to current legislation, the following shareholders own a stake in Saipem SpA in excess of 3%, and are not exempt from disclosure under Article 119-bis of Consob Regulation No. 11971/1999 (see also Table 1):

Shareholders	Shares held	% of capital
Eni SpA	308,767,968	30.54
CDP Equity SpA	126,905,637	12.55

### Shareholders by geographical area, following the 2017 reverse stock split

Shareholders	Number of shareholders	Shares held	% of capital
Italy	69,273	657,591,992 (*)	65.05
Other EU States	435	46,425,378	4.59
Americas	287	162,925,985	16.11
UK and Ireland	176	61,280,249	6.06
Other European States	128	24,331,285	2.41
Rest of the world	147	58,422,550	5.78
<b>Total</b>	<b>70,446</b>	<b>1,010,977,439</b>	<b>100.00</b>

(\*) Includes No. 14,756,335 treasury shares.

### Shareholders by number of shares held, following the 2017 reverse stock split

Shareholders	Number of shareholders	Shares held	% of capital
> 10%	2	435,673,605	43.09
> 3%	-	-	-
1% - 3%	2	35,205,744	3.48
0.5% - 1%	8	51,373,748	5.08
0.1% - 0.5%	40	77,860,852	7.70
< 0.1%	70,393	396,107,155	39.19
Treasury shares	1	14,756,335	1.46
<b>Total</b>	<b>70,446</b>	<b>1,090,977,439</b>	<b>100.00</b>

## 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.

## Shareholders agreements as per Article 122 of Legislative Decree No. 58/1998

The Shareholders' Agreement between Eni SpA and Fondo Strategico Italiano - FSI SpA (now CDP Equity SpA), signed on October 27, 2015 with effect from January 22, 2016, was updated on July 24, 2018. The essential information regarding the updated Agreement published in Italian on the same day is provided hereafter:

### 1. Companies whose financial instruments are the subject of this Agreement

The Agreement concerns ordinary shares of Saipem SpA, with registered office in San Donato Milanese (Italy), Via Martiri di Cefalonia, 67, fiscal code, VAT number and Milan Companies' Register number: 00825790157.

Saipem's share capital amounts to €2,191,384,693 and is comprised of No. 1,010,977,439 shares, all without par value, of which No. 1,010,966,841 are ordinary shares and No. 10,598 are savings shares.

## **2. Syndicated and non-syndicated shares for the purposes of the Agreement**

As indicated, the Agreement contains provisions that concern Saipem ordinary shares ('Shares'). Both parties agreed that the number of Shares assigned to the Agreement by each party will be, at any time, the same for the whole duration of the Agreement.

Specifically, following the conclusion of Saipem's share capital increase and the consequent reverse stock split subsequent to the Agreement having come into force, the latter concerns the following shares assigned to the Agreement by the two Parties ('Syndicated Shares'):

- (i) as for CDP Equity, No. 126,401,182 shares, equivalent to approximately 12.503% of Saipem ordinary share capital (or other percentage that might result from any conversion of convertible savings shares of the Company); and
- (ii) as for Eni, an equal holding, consisting of No. 126,401,182 shares, equivalent to approximately 12.503% of Saipem ordinary share capital (or other percentage that might result from any conversion of convertible savings shares of the Company).

The two parties have assigned to the Agreement, in total, an interest of approximately 25.006% of the ordinary share capital of the Company (or other percentage that might result following any conversion of convertible savings shares of Saipem) which, unless otherwise agreed, will also be the maximum holding assigned to the Agreement by Eni and CDP Equity for the entire duration of said Agreement.

Under the Agreement are 'Non-Syndicated Shares' shares held from time to time by Eni and/or CDP Equity, other than Syndicated Shares. The Shareholders' Agreement provides for certain obligations to consult and, insofar as it is permitted, voting obligations that also bind Non-Syndicated Shares and impose certain transfer restrictions on Syndicated Shares.

## **3. Subjects which entered into the Agreement**

These are:

- (a) Eni SpA with registered office in Rome, Piazzale Enrico Mattei, 1, fiscal code and Rome Companies' Register number: 00484960588;
- (b) CDP Equity SpA (formerly Fondo Strategico Italiano SpA), with registered office in Milan, Via San Marco, 21A, fiscal code and Milan Companies' Register number: 07532930968.

Neither of these parties exercises sole control over Saipem pursuant to Article 93 of Legislative Decree No. 58/1998.

Both Eni and CDP Equity are subject to the indirect joint control of the Italian Ministry of Economy and Finance ('MEF'). Specifically:

- (i) MEF, directly and indirectly, holds a 30.1% stake in Eni's share capital (a 4.34% stake is held directly and a 25.76% stake is held through Cassa Depositi e Prestiti SpA ('CDP'), a company also controlled by MEF, which holds an 82.77% stake in it;
- (ii) CDP holds a 97.13% stake in the share capital of CDP Equity, while a further 2.87% stake of the share capital of CDP Equity is held by Fintecna SpA (which is 100% owned by CDP).

## **4. Content of the Agreement**

The main provisions of the Agreement are summed up as follows.

### **4.1 SAIPEM CORPORATE GOVERNANCE**

#### **4.1.1 Saipem Board of Directors**

The parties agreed that Saipem's Board of Directors shall be composed of nine members, three of which shall be taken from the list submitted by the Saipem minority shareholders in accordance with the latter's articles of association.

Eni and CDP Equity also undertake to jointly submit a list of nine Directors and vote for them at the Shareholders' Meeting:

- candidates for the office of Chairman and Chief Executive appointed jointly by Eni and CDP Equity, and more specifically two candidates nominated by Eni and two candidates appointed by CDP Equity;
- candidates numbered 1, 5 and 7 - appointed by Eni;
- candidates numbered 2, 6 and 8 - appointed by CDP Equity.

Candidates numbered 7, 8 and 9 will be designated and possibly appointed only if it is not possible to draw three Directors from the minority list pursuant to the applicable laws and regulations.

Unless otherwise agreed, Eni and CDP Equity shall appoint the same number of Directors to sit on the Saipem Board, who shall (a) satisfy requirements of independence and (b) belong to the less represented gender (in both cases in accordance with the Saipem Articles of Association and/or the applicable law). Should it not be possible to apply the aforementioned 50/50 principle, and taking into account any independent Directors appointed by minorities, the Parties agree that the appointment of independent Directors will be based on a criterion of alternation such that the Board of Directors of the Company will be composed of by a number of independent Directors appointed predominantly by one of the two Parties. In the subsequent re-appointment, the Company's Board of Directors will be composed of a number of independent Directors appointed

mainly by the other Party (the 'Alternation Criterion'). The Alternation Criterion will be applied, *mutatis mutandis*, with reference to the designation of Directors belonging to the less represented gender.

Following the renewal of Saipem's Board of Directors on May 3, 2018, the six Directors featured on the list submitted jointly by Eni and CDP Equity have been elected and are currently serving on the Board. Specifically the following have been elected: the Chairman and the CEO, nominated jointly by the parties, and four Directors, nominated in equal number by Eni and CDP Equity, also in consideration of the independence and less represented gender requirements, without recourse to the alternation criterion. The presentation of a minority list for the renewal of Saipem's Board of Directors has not required the presentation of candidates at number 7, 8 and 9. The current Board of Directors shall expire on the day of the approval of the Financial Statements at December 31, 2020.

In the event of the resignation or termination for another reason of one or more of the Directors appointed on the recommendation of one of the parties, Eni and CDP Equity shall make reasonable endeavours to ensure that the Board of Directors co-opts new Directors so that the party who has designated such Director may indicate another Director to replace him or her.

#### 4.1.2 Saipem Board Committees

The parties shall ensure that the members of each of Saipem's internal Board Committees (those committees appointed from time to time by Saipem's Board of Directors) are appointed in accordance with the aforementioned procedure for nominating candidates for the office of Director, so as to ensure that the parties are at all times equally represented on the committees. More specifically, Eni and CDP Equity shall ensure that at least 1 (one) Director designated by Eni and at least 1 (one) Director designated by CDP Equity is part of each of the aforementioned committees. If, for any reason, in relation to a given Committee it is not possible to comply with the aforementioned 50/50 criterion, the Parties agree that the composition of this Committee is based on the Alternation Criterion.

In the event of the resignation, or termination for other reasons, of one or more of the Committee members appointed on the recommendation of one of the parties, each party shall make reasonable endeavours to ensure that Saipem's Board of Directors replaces that member so that the party who has designated such member may indicate another Director to replace him or her.

#### 4.1.3 Saipem Board of Statutory Auditors

Eni and CDP Equity shall jointly submit and vote at the Shareholder's Meeting a list of candidates for Statutory Auditor from which at least 2 (two) Standing Statutory Auditors and one (1) Alternate Statutory Auditor will be chosen, subject to the minority shareholders' rights.

The candidates will be indicated according to the following progressive order:

- (i) a candidate Statutory Auditor nominated by Eni;
- (ii) a candidate Statutory Auditor nominated by CDP Equity;
- (iii) a candidate Statutory Auditor nominated by one of the Parties according to the Alternation Criterion;
- (iv) a candidate Alternate Auditor designated jointly by the Parties;
- (v) a candidate Alternate Auditor designated by one of the Parties according to the Alternation Criterion.

Candidates under (iii) and (v) will be appointed (one as Chairman of the Board of Statutory Auditors) in case of non-presentation of minority lists.

Following the renewal of Saipem's Board of Statutory Auditors on April 28, 2017, the two Statutory Auditors have been elected by Eni and CDP Equity respectively and an Alternate Auditor elected jointly by the Parties; they are currently serving on the Board. The presentation of a minority list for the renewal of the Board of Statutory Auditors of Saipem did not require the presentation of the candidates under (iii) and (v) and, therefore, the application of the Alternation Criterion. The current Board of Statutory Auditors shall expire on the day of the approval of the Financial Statements at December 31, 2019.

In the event of the resignation or early termination on other grounds of one or more statutory auditors appointed upon one of the parties so recommending, each party shall make reasonable efforts to ensure that the replacement statutory auditor is appointed by the party that originally designated the statutory auditor who has resigned or has been removed from office.

#### 4.1.4 Common provisions

The Parties' mutual commitments and obligations relating to the corporate governance of Saipem, provided in the Agreement, will be applied if allowed by law, regulations and Saipem's articles of association.

In case of disagreement vis-à-vis the joint designation of candidates to the office of Board Director or Statutory Auditor, the presence of one or more Board Committee of Directors appointed by the parties, or to any other possible matter related to equal representation of Eni and CDP Equity on the Board, its Committees and the Board of Statutory Auditors of Saipem, the

Parties shall consult in good faith in order to resolve their disagreement in the most effective and satisfactory manner for both parties.

#### 4.1.5 Obligations of prior consultation

Eni and CDP Equity have agreed to consult with each other prior to each Saipem Shareholder's Meetings and before any Saipem Board meeting is to be convened, with a view to deliberating on the following significant matters: (i) the approval or amendment to the strategic plan of Saipem and/or the Saipem Group, which shall be reviewed on an annual basis; (ii) the approval of any acquisition or sale by Saipem of companies, businesses or going concerns that have, on their own or as part of other acquisitions or sales relating to the same business unit, an enterprise value in excess of €250,000,000, to the extent that they are not inserted as one the transactions indicated in the strategic plan; and (iii) transactions involving a significant change in the perimeter of the Saipem Group's activities (only where the strategic plan that is in force on the date for which the Board of Directors has been convened therefore has been approved and/or modified and/or updated for more than 12 months).

Eni and CDP Equity have also undertaken to cast their vote in Saipem Shareholders' Meeting (with regard both to the Syndicated Shares and Non-Syndicated Shares), and, to the extent permitted under the laws and regulations that may be from time to time in force, within the limits of their powers as Saipem shareholders, making every reasonable effort to ensure that – whilst safeguarding the independence of Saipem's Directors – the Directors that have been respectively designated by the parties, cast their vote at the Board Meeting, in accordance with the joint decision taken by Eni and CDP Equity, when they consulted each other previously.

In the absence of a prior agreement on a joint course of action to be taken and on the vote to be cast, Eni and CDP Equity undertake respectively not to vote in favour thereof (with regard to the Syndicated Shares and the Non-Syndicated Shares) and, to the extent permitted under the laws and regulations that may be from time to time in force and within the limits of their powers as members of the Company, to ensure that, whilst safeguarding the independence of Saipem's Directors, the Saipem Directors thus respectively designated shall not vote in favour of adopting any Board resolution dealing with the matters identified above.

## 4.2 CIRCULATION OF SHARES

### 4.2.1 Limitations for Syndicated Shares and infra-group transfers

For the entire duration of the Shareholders' Agreement, Eni and CDP Equity may not transfer their respective Syndicated Shares, except for the transfer, in whole or in part, of shareholdings in parent companies or subsidiaries, provided that: (i) the selling party has previously undertaken to repurchase from the transferee company – which has to undertake to retransfer them in turn – the assigned Syndicated Shares before the controlling relationship between the transferor and the transferee ceases; and (ii) the transferee adheres to the Shareholders' Agreement, by signing it by way of acceptance of all the provisions contained therein, taking over all of the transferor's rights and the obligations provided for under the Shareholders' Agreement, without prejudice, in any event, to the transferor's joint and several liability, who will continue to be bound, along with the transferee, to discharge all of the obligations arising from the said Shareholders' Agreement (in case of the partial sale of Syndicated Shares, the transferor and transferee shall become a single contractor for the purpose of exercising the rights provided under the said Shareholders' Agreement).

### 4.2.2 Limitations for Non-Syndicated Shares

Non-Syndicated Shares may be freely transferred in whole or in part in any manner whatsoever, without prejudice to the fact that any direct or indirect transfer, by Eni, of Syndicated Shares exceeding 5% of the Saipem Share capital to the same party will be subject to CDP Equity prior approval, without prejudice to share transfers to institutional financial investors (including banks, authorised intermediaries, insurance companies, investment funds and sovereign wealth funds), in relation to which the aforementioned 5% limit shall not apply.

Eni and CDP Equity have also committed, insofar as necessary, to make every reasonable effort to ensure that the Non-Syndicated Shares are transferred according to the 'orderly market disposal' principle.

Non-Syndicated Shares may be freely transferred by the parties to companies or subsidiaries that are subject to the conditions described in paragraphs (i) and (ii) of the previous paragraph, on the understanding that the undertaking referred to in (ii) shall be applied only with reference to the provisions of the Shareholders' Agreement dealing with the Syndicated Shares.

## 4.3 PROVISIONS REGULATING TAKEOVER BIDS

Eni and CDP Equity have committed, for the duration of the Shareholders' Agreement, not to enter into or participate, directly and/or indirectly, through its subsidiaries, or related parties, to any agreement or transaction, or in any case not to engage in any action (including the purchase of Shares), which might result in the Party being required to enter into, in accordance with

*applicable regulations (and also in consideration of the Shares that may be held by Saipem), a mandatory takeover bid. Should one of the parties violate this prohibition, the Agreement shall automatically be terminated and the defaulting party shall: (i) indemnify and hold harmless the other party from any damages, losses, costs and expenses arising from such a breach; (ii) assume full responsibility of the mandatory takeover bid, if necessary, and/or sale of the excess stake; and (iii) pay all costs associated with the mandatory takeover bid and all other costs (including consulting fees) incurred by the other party.*

#### 4.4 DISPUTES

*Under the Agreement, disputes arising from the same or otherwise related to it will be settled in accordance with the Arbitration Rules of the Milan Chamber of Arbitration by three arbitrators appointed in accordance with said Rules. The arbitration will take place in Milan. For all measures outwith the jurisdiction of the arbitration panel, the jurisdiction will be exclusively the Court of Milan.*

#### 5. Duration of the Agreement

*The Agreement has been effective for three years from the Closing Date and has expired on January 22, 2019.*

*The parties had provided that the Agreement would be automatically be renewed on expiry for a further period of three years, unless terminated with notice of at least six months.*

*As neither party has given notice of termination in the six-month period preceding expiry of the Agreement, the latter has been automatically renewed for a further three years until January 22, 2022.*

*The Agreement shall become null and void, should the parties cease to be subject, directly or indirectly, to the joint control of MEF.*

### **Change of control clauses (pursuant to Article 123-bis, paragraph 1, letter h), of Legislative Decree No. 58/1998)**

We point out the following two types:

- 1) current financing subject to change of control clauses, which, at December 31, 2018, amounted to a total of -€2,857 million.

In 2018, Saipem signed the contract for the extension and modification of the 'Revolving Credit Facility' originally signed on December 10, 2015. The new contract provides for the extension of the line upon expiry, from December 2020 to July 2023 and a reduction of the credit from the original €1.5 billion to €1 billion. At December 31, 2018, the aforementioned 'Revolving Credit Facility' has not been drawn down.

At December 31, 2018, approximately €217 million has been drawn down on the €554 million export credit line taken out in 2016 with the guarantee of the Norwegian agency Garantiinstituttet for Eksportkreditt (GIEK). In 2018, the credit line was extended until December 2019.

At December 31, 2018, approximately €240 million has been drawn down on the €260 million export credit line taken out in 2017 with the guarantee of the Dutch agency Atradius. The credit line expires 24 months after signing.

At December 31, 2018, bank loans were also drawn down for a total of €400 million, of which: €150 million on a line taken out in 2018, €150 million on a line taken out in 2017 and €100 million on a line taken out in 2016.

With regard to the foregoing credit facilities, should Saipem cease to be controlled by the Ministry of Economy and Finance (MEF), and/or Eni SpA, and/or CDP Equity and/or Cassa Depositi e Prestiti SpA, the financing banks shall have the right to renegotiate in good faith, within 30 to 45 days, any changes to the terms of the agreement; banks which do not wish to pursue the financing will have the right to request the early reimbursement of their quota within 30 to 45 days from the expiry of the previous term.

In 2017, Saipem placed two fixed-rate bond issues maturing respectively after 5 and 7 years, for a total nominal value of €500 million, as part of the EMTN programme (Euro Medium Term Note), in addition to the two-tranche bond issues placed in 2016, again for a total nominal value of €500 million and maturing respectively after 4.5 and 7 years.

Should Saipem cease to be controlled by the Ministry of Economy and Finance, and/or Eni SpA, and/or CDP Equity and/or Cassa Depositi e Prestiti SpA, and, should this change of control cause the rating agencies to downgrade Saipem-issued bonds to below certain levels<sup>2</sup>, the owners of Saipem-issued bonds have the right to request the early repayment of bonds.

- 2) Bank or insurance guarantees subject to change of control clauses, which, at December 31, 2018, amounted to a total of €804 million.

(2) Refer to rating reduction to 'non-investment grade' if rating was 'investment grade' at the time of the change of control, or any rating reduction if rating was 'non-investment grade' at the time of the change of control.



At December 31, 2018, bank and insurance guarantees in the interests of the Saipem Group subject to change of control clauses amounted to approximately €804 million. For these guarantees, it is generally provided that, should a change of control occur, third-party credit institutions may discuss in good faith new commercial terms to be applied to existing guarantees or request that within 30 days: (a) replacement of existing guarantees with new ones issued by a different credit institution, (b) receipt of a suitable indemnification from a different credit institution or (c) a deposit for the same amount.

## **Statutory provisions for takeover bids (Article 104, paragraph 1-ter and Article 104-bis, paragraph 1)**

In terms of takeover bids, Saipem's Articles of Association comply with the provisions of the Passivity Rule set forth in Article 104, paragraphs 1 and 1-bis of Legislative Decree No. 58/1998, and do not provide for the application of the breakthrough provisions set forth in Article 104-bis, paragraphs 2 and 3 of Legislative Decree No. 58/1998.

## **Indemnification for Directors in case of dismissal (without just cause), resignation or termination following a public purchase offer**

In compliance with the incentive policy guidelines for 2018, approved by the Board of Directors on March 5, 2018 and over which the Shareholders' Meeting expressed in favour on May 3, 2018, the Company entered into an agreement with the CEO appointed after the aforementioned Shareholders' meeting. This agreement provides:

- the payment of an all-inclusive indemnity in case of early termination of the 2018-2021 mandate, or in the case of resignation due to a reduction in executive power, as a result of the sale, transfer for consideration or free of charge and any other deed of sale of shares and debt securities, which involves Saipem's change of control pursuant to Article 2359 of the Civil Code, if this change implies an actual reduction of the powers granted. This indemnity is set in compliance with the recommendations of the Corporate Governance Code, and in line with the provisions of the previous mandate;
- a non-competition clause to protect the Company, due to the CEO's high international managerial position in the Oil & Gas Service sector and his institutional and business relations held at global level. This non-competition clause, which can be activated upon expiry of the mandate if not renewed, or upon cessation independently from the cause of cessation, provides the payment of a consideration against the commitment by the CEO to forego, for 18 months from the expiry of his mandate, any role in competition with Saipem's business in the main reference markets at international level. The non-competition clause, whose duration is 18 months from cessation from the office of Director, also provides that the CEO may, after the first 12 months, back out of the non-competition clause, waiving the right to receive the consideration for the remaining six months.

## **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' (see paragraph 'Composition, appointment and replacement of Board of Directors' on page 17).

The Board of Directors has the power to amend the Articles of Association in order 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 (see paragraph 'Responsibilities, functions and powers of the Board of Directors' on page 23).

## **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<sup>3</sup>.

On April 29, 2016 the Shareholders' Meeting approved the buyback of up to 85,000,000 treasury shares for allocation to a single management incentive plan. On July 28, 2016, the Company launched a buy-back programme for Saipem ordinary shares approved by the Shareholders'

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(3) Refer to paragraph 'Share capital distribution'.

Meeting on April 29, 2016. This Programme regarded the acquisition of Saipem treasury shares to cover the 2016 allocation of the 2016-2018 Long Term Incentive Plan, as approved by the Shareholders' Meeting, pursuant to Article 84-bis, paragraph 2 of the Issuers' Regulation and Article 114-bis of Italian Legislative Decree No. 58/1998. The Programme concluded on August 4, 2016 with the total purchase of No. 69,121,512 treasury shares (equal to 0.684% of ordinary shares issued), at an average price of €0.3816 per share for a total value of €26,376,482.

On July 26, 2017, the Company launched a buy-back programme for Saipem ordinary shares approved by the Shareholders' Meeting on April 28, 2017. This Programme regarded the acquisition of Saipem treasury shares to cover the 2017 allocation of the 2016-2018 Long Term Incentive Plan, as approved by the Shareholders' Meeting on April 29, 2016. The Programme concluded on August 2, 2017 with the total purchase of No. 7,841,200 treasury shares (equal to 0.776% of ordinary shares issued), at an average price of €3.448 per share for a total value of €27,070,546.

On May 3, 2018, the Shareholders' Meeting approved the proposal to authorise the buy-back of treasury shares, up to a maximum of 8,800,000 ordinary shares and, at any rate, not exceeding the maximum sum of €38,500,000, destined for the 2018 award of the 2016-2018 Long-Term Incentive Plan ('Plan') already approved by the Shareholders' Meeting held on April 29, 2016, which encompassed the free award of ordinary Saipem SpA shares ('Performance Shares'), beginning from July 2016 with three annual awards, each subject to a three-year vesting period. The programme for the buy-back of treasury shares had not been launched in 2018.

The number of treasury shares held by the Company at December 31, 2018 was 14,756,335, equal to 1.46% of ordinary shares.

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

The new shareholding structure, resulting from the Shareholders' Agreement between Eni and FSI '*aimed at creating a joint control of Saipem by Eni and FSI*', meant that from January 22, 2016 Saipem is no longer subject to the direction and control of Eni SpA pursuant to Article 2497 of the Italian Civil Code.

The Shareholder Agreement had a three-year duration from the closing date and expired on January 22, 2019. The parties had provided that the Shareholder Agreement would be automatically be renewed on expiry for a further period of three years, unless terminated with notice of at least six months.

As neither party has given notice of termination in the six-month period preceding expiry of the Agreement, the latter has been automatically renewed for a further three years until January 22, 2022.

## 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 by the Corporate Governance Committee of Borsa Italiana, in addition to all relevant provisions of regulations issued by Italy's Securities and Exchange Commission (Consob).

Since adopting the Corporate Governance Code, the Board of Directors has taken the necessary resolutions to implement and specify the provisions of the Code itself. A compliance assessment with the Italian Corporate Governance Code was carried out in October 2018, when the Sustainability, Scenarios and Corporate Governance Committee the Board of Directors reviewed the latest updates of the Code in July 2018.

The Board, having consulted the Sustainability, Scenarios and Governance Committee, noted that changes require that one third of the '*least represented gender*' be present in the Board of Directors and the Board of Statutory Auditors, thus promoting the voluntary upkeep of the provisions of Law No. 120 dated July 12, 2011. The Board also established that these changes do not require amendments to be made to Saipem's governance in 2018 to be approved by the Shareholders' Meeting in 2019, since the Company's corporate bodies are not due to expire in 2019. The Board also established that a review of actions to amend Saipem's governance, which may be required to implement the recent amendments to the Corporate Governance Code, will be carried out in 2019.

At their meetings of October 11, 2018 and February 26, 2019, the Sustainability, Scenarios and Governance Committee examined this Corporate Governance and Shareholding Structure Report for compliance with the aforementioned recommendations and, more generally, assessed the Company's compliance to the Corporate Governance Code. The conclusions reached by the Sustainability, Scenarios and Governance Committee were shared with the Board

of Directors at the meetings held on October 23, 2018 and February 27, 2019.

These conclusions were also confirmed during the Board Review: in fact, the consultant appointed by the Board of Directors ascertained that the Board Review found a *'strict adherence of the overall functioning of Saipem's Board of Directors and its Committees with the indications and provisions contained: (a) in legislative and regulatory provisions applicable to issuers; (b) in the Corporate Governance Code for listed companies; (c) in the internal regulatory framework adopted by the Company (Articles of Association, Code of Ethics, internal regulations and procedures)'*.

This annual Corporate Governance and Shareholding Structure Report was prepared, as in previous years, utilising the format of Borsa Italiana SpA for (8<sup>th</sup> Edition - January 2019)<sup>4</sup>. 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.

## The Board of Directors

### Composition, appointment and replacement of Board of Directors

The current Board of Directors, comprising nine members, was appointed by the Shareholders' Meeting on May 3, 2018 for a three-year period, its mandate expiring at the Shareholders' Meeting called to approve the Financial Statements at December 31, 2020. At the same meeting, the Shareholders appointed the Chairman of the Board of Directors. At the meeting of May 3, 2018, the Board of Directors granted the CEO adequate powers to manage the Company, except for the undelegable powers of the Board itself.

The appointment of Directors occurs pursuant to Article 19 of the Articles of Association, through voting from lists, so as to allow the appointment of minority interest representatives and to ensure gender balance. 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 declarations 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. 13 of January 24, 2019. Lists that feature three, or more than three, candidates must include both genders, in compliance with current legislation on gender balance<sup>5</sup>. When the number of the least-represented gender must, by law, be at least three, the lists from which most Board members are selected must include at least two candidates from the least represented gender.

Seven tenths of Directors are appointed from the list that has obtained the majority of votes (rounded down if necessary). The remaining Directors shall be selected from the other lists, provided they are not in any way, 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 forth, until the remaining number of Directors to be appointed has been reached. The ratios obtained will be progressively attributed to candidates from 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 shall be appointed. In the event that the vote is still tied, the Shareholders' Meeting will vote again, but only between 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 by dividing the votes received by each list by the order number of each candidate. Candidates who do not meet independence requirements with lowest ratios from all lists are replaced, starting from the last one, by independent candidates from the same list (in the order they appear on the list), or by persons who meet the independence requirements appointed by the Shareholders'

(4) The Corporate Governance and Shareholding Structure Report format of Borsa Italiana SpA, 8<sup>th</sup> Edition (January 2019), is available at [www.borsaitaliana.it](http://www.borsaitaliana.it).

(5) Refer to Law No. 120 of July 12, 2011.

Meeting through a majority vote as required by law. In the event that candidates from different lists obtain the same ratio, the candidate on the list with the highest number of Directors already appointed will be replaced, or the candidate from the list that received the fewest votes, or should the number of votes be the same, the candidate who obtains the fewest votes by the Shareholders' Meeting in an ad-hoc ballot. Should this procedure fail to meet the requirements of regulations on gender balance, the ratio of votes is to be calculated for each candidate taken from the lists by dividing the votes received by each list by the order number of each candidate. The candidate of the most represented gender with the lowest ratio amongst candidates from all lists is replaced, provided the minimum number of independent Directors is met, by the candidate from the least represented gender with the higher order number in the same list of the replaced candidate, or by a person appointed by the Shareholders' Meeting through a majority vote, as required by law. If candidates from different lists obtain the same minimum ratio, the candidate from the list which has appointed the greater number of Directors is replaced, or the candidate from the list that obtained the fewest votes, or, if votes are equal, the candidate who obtains the fewest votes by the Shareholders' Meeting in an ad-hoc ballot.

This voting procedure is applicable only when the entire Board of Directors is to be renewed. Should the need arise for one or more Directors to be replaced during their mandate, the procedure as per Article 2386 of the Italian Civil Code shall be applied. Should the majority of Directors become unavailable, the entire Board of Directors shall be considered void. A Shareholders' Meeting shall be called by the outgoing Board to elect a new one. In any case, current legislation must be complied with vis-à-vis the minimum number of independent Directors and gender balance quotas.

When the current Board was elected in 2018, two lists of candidates were put forward, one by Eni SpA (also on behalf of CDP Equity SpA pursuant to the Shareholders' Agreement in force between the two companies) and the other by Institutional Investors.

Pursuant to Article 19 of the Articles of Association, the Directors must meet the independence and integrity requirements prescribed by regulations, and possess the professional expertise, competence and experience to carry out their mandate efficiently and effectively and they are able to dedicate sufficient time and resources to their office. Pursuant to Criteria 1.C.2 of the Code, information regarding offices of Directors or Auditors held by members of the Board of listed companies, financial or insurance companies or companies of considerable size is provided below under 'Cumulation of offices'.

The Board, until May 3, 2018 comprised the Chairman Paolo Andrea Colombo (non-independent and non-executive Director), the CEO Stefano Cao (non-independent and executive Director), and the Directors Maria Elena Cappello (independent and non-executive Director), Francesco Antonio Ferrucci (independent and non-executive Director), Flavia Mazzarella (independent and non-executive Director), Guido Guzzetti (independent and non-executive Director), Nicla Picchi (independent and non-executive Director) and Federico Ferro-Luzzi (independent and non-executive Director); Leone Pattofatto (non-independent and non-executive Director), co-opted by the Board of Directors on January 26, 2016, replacing Stefano Siragusa (non-independent and non-executive Director) who had resigned. The Shareholders' meeting confirmed the appointment of Leone Pattofatto on April 29, 2016. The Chairman, the CEO and the Directors Maria Elena Cappello, Francesco Antonio Ferrucci and Flavia Mazzarella had been Board members since April 30, 2015. The Directors Federico Ferro-Luzzi, Guido Guzzetti and Nicla Picchi had been members of the Board since May 6, 2014 – they were elected with a one-year mandate and were confirmed on April 30, 2015. The Director Leone Pattofatto had been a member of the Board since January 21, 2016.

Paolo Andrea Colombo, Stefano Cao, Maria Elena Cappello, Stefano Siragusa, Flavia Mazzarella and Francesco Antonio Ferrucci were proposed as candidates by Eni SpA, whose list obtained 43.13% of the voting shares. Federico Ferro-Luzzi, Guido Guzzetti and Nicla Picchi were proposed as candidates by Institutional Investors – AcomeA SGR SpA and others – obtaining 21.22% of voting shares. The candidacy of Leone Pattofatto was notified by the shareholder Eni SpA at the recommendation of Fondo Strategico Italiano SpA (now CDP Equity SpA) in accordance with the provisions of the Shareholders' Agreement between Eni SpA and FSI signed on October 27, 2015.

In compliance with the recommendations of Article 1.C.1, letter h) of the Corporate Governance Code of listed companies and taking into account that the mandate of the Board of Directors expired with the approval of the 2017 Financial Statements, Saipem's Board of Directors, having consulted the Board Committee 'Corporate Governance and Scenarios', taken into account the outcome of the Board Review for the year 2017, in view of the renewal of the Board, provided the following advice to Shareholders in terms of:

- the size of the new Board of Directors;
- the composition, i.e. the managerial and professional profiles whose presence on the new Board is deemed expedient.

The document '*Saipem's Board of Directors' recommendations to the Shareholders on the size and composition of the new Board of Directors*' is published at [www.saipem.com](http://www.saipem.com) under the section 'Governance'.

The Board of Directors appointed by the Shareholders' Meeting on May 3, 2018 is comprised of: the Chairman Francesco Caio (non-independent, non-executive Director), the CEO Stefano Cao (non-independent, non-executive Director), and the Directors Maria Elena Cappello (independent, non-executive Director), Paolo Fumagalli (independent, non-executive Director), Claudia Carloni (non-independent, non-executive Director), Paul Schapira (independent, non-executive Director), Ines Mazzilli (independent, non-executive Director), Federico Ferro-Luzzi (independent, non-executive Director), Leone Pattofatto (non-independent, non-executive Director).

Francesco Caio, Stefano Cao, Maria Elena Cappello, Paolo Fumagalli, Claudia Carloni and Leone Pattofatto were proposed as candidates by Eni (also in name and on behalf of CDP Equity SpA in accordance with the Shareholders' Agreement in force between the two companies), whose list obtained 43.934% of the voting shares. Federico Ferro-Luzzi, Ines Mazzilli and Paul Schapira were proposed as candidates by institutional investors<sup>6</sup>, whose list obtained 16.377% of voting shares. The Chairman, the CEO and the Directors Paolo Fumagalli, Claudia Carloni, Ines Mazzilli and Paul Schapira have been members of the Board since May 3, 2018. The Director Federico Ferro-Luzzi has been a member of the Board since May 6, 2014 – he had been elected with a one-year mandate, and had been confirmed, on April 30, 2015, for a further three years. The Director Leone Pattofatto had been appointed on January 21, 2016. He resigned on October 4, 2018. On December 5, 2018, the Board of Directors co-opted Pierfrancesco Latini (non-independent, non-executive Director). The invitation to consider the candidacy of Pierfrancesco Latini for appropriate and independent assessment by the Board of Directors of Saipem SpA in accordance with their mutual roles and any applicable regulatory regulations was communicated by the shareholder CDP Equity SpA to Saipem SpA (and for information to the shareholder Eni SpA) by letter received on November 30, 2018, also pursuant to the provisions of the Shareholders' Agreement signed by Eni SpA and FSI (now CDP Equity SpA) on October 27, 2015.

The professional résumés of all Directors are posted on the Company's website [www.saipem.com](http://www.saipem.com) under the section 'Governance'.

On May 3, 2018, the Board of Directors confirmed as Secretary of the Board of Directors Mario Colombo, General Counsel, Contract Management, Company Affairs and Governance.

Following the introduction of Law No. 120 of July 12, 2011 on gender quotas (effective from August 12, 2011) and Consob Regulation No. 18098 of February 8, 2012, Article 19 of the Articles of Association has been amended to ensure gender balance in management and control bodies of listed companies.

Board Directors, following their appointment and annually thereafter, shall state that they fulfil both the independence and integrity requirements pursuant to current legislation, and the Board of Directors verifies that these subsist.

At their meeting of March 5, 2018, the Board of Directors, based on the declarations provided and on information at the Company's disposal, ascertained that Board Directors meet both the independence and integrity requirements, and that no reasons for ineligibility or incompatibility exist for Directors in office until May 3, 2018. The Board of Statutory Auditors verified that the Board correctly applied all the relevant criteria and procedures to assess the independence of its members.

At their meeting of May 3, 2018, the Board of Directors, based on the declarations provided and on information at the Company's disposal, ascertained that Board Directors meet both the independence and integrity requirements, and that no reasons for ineligibility or incompatibility exist for Directors in office from May 3, 2018, based on the statements they made upon submission of their candidacy. The Board of Statutory Auditors verified that the Board correctly applied all the relevant criteria and procedures to assess the independence of its members.

At their meeting of December 5, 2018, the Board of Directors acknowledged, based on the his own declaration, that the new Board Director Pierfrancesco Latini did not meet the independence requirement.

At their meeting of March 11, 2019, the Board of Directors, based on the declarations provided and on information at the Company's disposal, ascertained that the following Board Directors meet the independence requirements: Maria Elena Cappello, Federico Ferro-Luzzi, Paolo Fumagalli, Ines Mazzilli and Paul Schapira. The Board of Statutory Auditors verified that the Board correctly applied all the relevant criteria and procedures to assess the independence of its members.

(6) Amundi SGR SpA manager of fund Amundi Dividendo Italia; Anima SGR SpA manager of funds: Anima Italia, Anima Crescita Italia, Anima Iniziativa Italia and Anima Geo Italia; Arca Fondi SGR SpA manager of fund Arca Azioni Italia; Eurizon Capital SGR SpA manager of funds: Eurizon Progetto Italia 70, Eurizon Azioni Italia, Eurizon PIR Italia Azioni and Eurizon Progetto Italia 40; Eurizon Capital SA manager of fund Eurizon Fund - Equity Italy; Eurizon Investment SICAV - PB Equity EUR; Fidelity Funds Sicav; Fidelity European Opportunities Fund; Fideuram Asset Management (Ireland) manager of funds: Fideuram Fund Equity Italy and Fonditalia Equity Italy; Fideuram Investimenti SGR SpA manager of funds: Fideuram Italia, Piano Azioni Italia, Piano Bilanciato Italia 50 and Piano Bilanciato Italia 30; Interfund Sicav - Interfund Equity Italy; Mediolanum Gestione Fondi manager of fund Mediolanum Flessibile Futuro Italia; Mediolanum International Funds - Challenge Funds - Challenge Italian Equity; UBI Sicav (comparto Italian Equity, Euro Equity), Planetarium Fund Anthilia Silver and Ubi Pramerica SGR SpA manager of fund Ubi Pramerica Multiasset Italia, holding cumulatively 19,209,486 shares representing 1.90% of the ordinary share capital of Saipem SpA.

## Policy on diversity (Article 123-bis, paragraph 2, letter d-bis, of Legislative Decree No. 58/1998)

The appointment of Saipem's management and control bodies occurs, pursuant to Article 19 of the Articles of Association, through voting from lists (please refer to the paragraphs 'Composition, appointment and replacement of Board of Directors' on page 17 and 'Composition, appointment and functions of the Board of Statutory Auditors' on page 53). It is therefore the shareholders' responsibility to evaluate and define the policies concerning the age, nationality, experience and professional development of the candidates, as well as their objectives, methods of implementation and results.

Following the introduction of Law No. 120 of July 12, 2011 on gender quotas (effective from August 12, 2011) and Consob Regulation No. 18098 of February 8, 2012, Article 19 of the Articles of Association has been amended to ensure gender balance in management and control bodies of listed companies. The aforementioned law, currently being applied for three consecutive terms, has already been implemented for the appointment of Saipem's Board of Directors in the last three mandates.

The Corporate Governance Code, which Saipem adheres to, was integrated in July 2018 to safeguard the effects of Law No. 120/2011 on gender balance in the composition of the corporate bodies of listed companies, even after its ceasing to be effective from 2020.

Issuers are also invited to apply the new recommendations of the Corporate Governance Code upon the first renewal of corporate offices following the cessation of the effects of Law No. 120/2011; these effects will be produced, in Saipem's case, from 2021 upon the renewal of the Board of Directors' mandate and from 2023 upon the renewal of the Board of Statutory Auditors' mandate.

The current composition of Saipem's corporate bodies complies with current legislation.

## Succession plans

In view of the current shareholding structure and the Shareholders' Agreement between Eni SpA and CDP Equity SpA, which provides for the joint appointment by the two Shareholders of the CEO and the Chairman, Saipem's Board of Directors has not provided for any succession plans for executive Directors. At their meeting of December 14, 2016, the Board in office until May 3, 2018, had acknowledged the benchmarks for succession and contingency plans of Italian listed companies prepared by the Compensation and Nomination Committee in office until May 3, 2018.

With regard to a possible contingency plan to cover sudden and unforeseen events which may prevent the CEO or the Chairman from carrying out their duties, the Board of Directors in office until May 3, 2018 had resolved, at the same meeting, that the then Corporate Governance Committee and Scenarios review this topic and invited the Chairman of the Compensation and Nomination Committee in office until May 3, 2018 to produce a shared proposal to be submitted to the Board once the new organisation was in place.

The then Corporate Governance Committee and Scenarios, together with the then Chairman of the Compensation and Nomination Committee, had gathered and evaluated in-depth information on a possible contingency plan and drafted the following proposals to the Board of Directors in office until May 3, 2018:

- a) Contingency Plan for the CEO: should sudden and unforeseen events occur which may prevent the CEO from carrying out his duties, the Board of Directors, following an analysis of the powers granted by the CEO to his direct reports, is aware that:
  - the existence of the powers granted by the CEO to his direct reports would ensure continuity of the company management; and that
  - the Board of Directors (which, should such sudden events occur, would take over the direct management of the powers that the CEO had not delegated to his reports) could – depending on the foreseeable duration of the Contingency Plan – decide to temporarily reassign all or some of those powers;
- b) Contingency Plan for the Chairman: should sudden and unforeseen events occur which may prevent the Chairman from carrying out his duties, the Board of Directors, following their analysis, found that the provisions set forth in the Company's Articles of Association detail solutions aimed at overcoming impediments and/or continued absence of the Chairman (for the purposes of calling and running Board of Directors' and Shareholders' meetings) or the legal representation of the Company, and that these appear to be adequate to manage the consequences of such sudden and unforeseen events.

The then Corporate Governance Committee and Scenarios had also observed that:

- (i) as it is impossible to estimate a time frame for the application of the Contingency Plan and in the absence of a succession plan, the above recommendations will need to be verified upon

the occurrence of sudden events which may prevent the CEO from carrying out his responsibilities, also with regard to the duration of the possible application of a Contingency Plan;

- (ii) should a Contingency Plan be in force, the powers granted by the CEO to his reports must be assessed by the Board of Directors, which will verify these by examining the periodic reporting of activities produced by the management;
- (iii) the flow of information from the management to the Board of Directors will be evaluated taking into account the foreseeable application of the Contingency Plan and the decisions that the Board of Directors may take on any temporary assignment of part of the CEO's powers; and that
- (iv) these assessments and their conclusions do not affect the prerogatives of the shareholders, as stated in the shareholders' agreements they signed; therefore the shareholders do not need to be involved in this regard.

The Board of Directors in office until May 3, 2018, at their meeting of July 24, 2017, approved the aforementioned proposals.

Furthermore, Saipem defined a procedure to identify successors for strategic managerial positions or those that are within the remit of the Compensation and Nomination Committee, i.e. senior managers appointed by Saipem's Board of Directors (Officer responsible for Financial Reporting, Director responsible for the Internal Audit function and members of the Compliance Committee).

This succession plan for the aforementioned positions is a procedure that has been in force at Saipem since 2012. It provides the following phases:

- an analytical job description for each position detailing responsibilities, role evolution in the near future, managerial experience and competencies required to cover the role;
- assessment of the role holder and potential candidates for their succession;
- definition of succession tables listing names of potential successors and development indications;
- assessment of the overall risk linked to the possible successions.

Succession plans for positions of strategic interest in Saipem represent a reference point when making decisions concerning managerial development and enhancement.

## Maximum number of offices

Pursuant to application criteria 1.c.2 and 1.c.3 of the Corporate Governance Code to ensure that Directors can devote enough time to their office, taking into account their own professional commitments and their participation in Board Committees, the Board of Directors on February 26, 2018, at the proposal of the then Corporate Governance Committee and Scenarios, expressed the following guidelines on the maximum number of offices a Director may hold in other companies:

With regard to Saipem's Directors, pursuant to the maximum number of administrative and control positions as defined by Article 144-*duodecies* of the Issuers' Regulations – the same rules apply as established by the Issuers' Regulations for members of the control bodies (Articles 144-*duodecies* and 144-*terdecies*), with the indication that:

- 1) an executive Director should not hold the office of: (i) executive Director in any other listed company, whether Italian or foreign, or in any financial, banking or insurance company or in a company with shareholders' equity exceeding €1 billion; (ii) non-executive Director of another issuer, whether Italian or foreign, in the event that the executive Director of the same issuer is a Director of Saipem;
- 2) Saipem's Chairman should not hold the office of Board Director in more than four listed companies, whether Italian or foreign;
- 3) an executive Director should not hold the office of executive Director of another issuer, whether Italian or foreign, in the event that a non-executive Director of the same issuer is an executive Director of Saipem;
- 4) in accordance with the provisions introduced in 2015 by the Corporate Governance Code for listed companies, which requires that the Board of Directors take into consideration, in expressing the Board's recommendations on the maximum number of Directors' offices, the participation of Directors in Board Committees, the calculation model to be applied contained in Annex 5-*bis*, Table 1 of Article 144-*terdecies* of the Issuers' Regulation, attributes a weight of 0.10 for the office of Chairman of a Board Committee (other than the Executive Committee) and 0.05 for the office of member in a Board Committee (other than the Executive Committee);
- 5) a candidate for the position of non-executive Director of Saipem is allocated a fixed weight of 0.85 to take into account his/her future participation in Board committees. The weight attributed to the office of commissioner/administrator of a large company under special administration is the same as the weight attributed to the office of executive Director;
- 6) the limit on multiple offices excludes offices held in Saipem Group companies.

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 make the relevant decisions.

Based on the information received, listed hereunder are additional Directorships or auditor posts held by Saipem's Board Directors in other companies.

**FRANCESCO CAIO jointly nominated as a candidate by the Shareholders Eni SpA and CDP Equity SpA**

Board Director of Fondazione Eni Enrico Mattei (FEEM), Guala Closures SpA (listed company<sup>7</sup>), BNL-BNP Paribas Group (listed company<sup>8</sup>); Member of the Advisory Board of Confindustria, Politecnico di Milano.

**MARIA ELENA CAPPELLO jointly nominated as a candidate by the Shareholders Eni SpA and CDP Equity SpA**

Board Director of Tim SpA (listed company<sup>9</sup>), Monte dei Paschi di Siena SpA (listed company<sup>9</sup>), Prysmian SpA (listed company<sup>9</sup>).

**CLAUDIA CARLONI jointly nominated as a candidate by the Shareholders Eni SpA and CDP Equity SpA**

Board Director of Eni Gas e Luce SpA.

**FEDERICO FERRO-LUZZI appointed from the list put forward by Institutional Investors**

Board Director of Banca Sistema SpA (listed company<sup>10</sup>).

**PAOLO FUMAGALLI jointly nominated as a candidate by the Shareholders Eni SpA and CDP Equity SpA**

Chairman of the Board of Directors of BFS Partner SpA, Capfin SpA; Board Director of ICAM SpA, Fondenergia; Vice Chairman of the Board of Directors of Fopdire (Fondo Pensione Dirigenti Gruppo Eni); Chairman of the Board of Statutory Auditors of UnipolSai SpA (listed company<sup>9</sup>), Autostrade Lombarde SpA; Statutory Auditor of Arriva Italia Srl (Deutsche Bahn Group), Alternate Auditor of Servizio Elettrico Nazionale SpA; Partner of Capfin SpA.

**PIERFRANCESCO LATINI co-opted by the Board of Directors on December 5, 2018**

Chief Risk Officer of the Cassa Depositi e Prestiti SpA Group; Board Director of Ansaldo Energia SpA and Aifirm.

**INES MAZZILLI appointed from the list put forward by Institutional Investors**

Board Director of Safilo Group SpA (listed company<sup>10</sup>); Chairman and Member of the Audit and Risk and Sustainability Committee and Member of the Related Parties' Committee of Safilo Group SpA; Member of the Compliance Committee of Safilo Group SpA; Senior Advisor and Member of the Advisory Council of Genpact (listed company<sup>11</sup>).

## Board of Directors' induction

Shortly after the appointment of the new Board by the Shareholders' Meeting on May 3, 2018, Saipem set up and rolled-out a board induction programme to enable the Directors to progressively acquire in-depth knowledge of the Company both in terms of its industrial, operational and commercial profile, and its financial, governance and compliance profile.

The programme, which also involved the Board of Statutory Auditors, was structured in three modules:

- Module 1: Operational highlights - May 2018;
- Module 2: Financial topics/AFC - July 2018;
- Module 3: Governance & Compliance - September 2018.

This programme was preceded by an Induction on the proceedings that Consob has initiated against the Company.

In a series of meetings, the top management also illustrated the activities and the organisation of the individual business areas and of the main subsidiaries, studying in depth the issues of greatest interest to the corporate bodies.

On September 24, 2018, a meeting of the Board of Directors was held at an operating site: a visit to the 'Saipem 7000' vessel was held in Rotterdam (the Netherlands), to offer the Directors and the Statutory Auditors an opportunity to increase their knowledge of the company's operating activities and assets.

(7) Company listed on the FTSE Italia STAR.

(8) Company listed on the Global Equity Market.

(9) Company listed on the FTSE Mib.

(10) Company listed on the FTSE Italia Small Cap.

(11) Company listed on the NYSE.



## Responsibilities, functions 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 20 of the Articles of Association states that the management of the Company is the exclusive 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 the case of Shareholder's withdrawals;
- the issue of corporate bonds and other debentures, barring the issue of bonds convertible into Company 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, taking into account the instructions of the Corporate Governance Code of listed companies and based on a Board resolution dated May 3, 2018, Saipem's Board of Directors is responsible for:

1. setting a corporate governance system and regulations for the Company and the Group, and approving the Corporate Governance and Shareholding Structure Report, subject to the prior approval of the Corporate Governance Committee and Scenarios, if present. It approves the guidelines of the internal regulatory system, the compliance and governance Policies and Management System Guidelines. Subject to the approval of the Audit and Risk Committee, when carrying out its responsibilities in terms of transactions with related parties, it implements procedures to ensure that the following transactions are carried out in a correct and transparent manner, both in terms of procedure and substance, assessing on an annual basis the requirement for their review: transactions with related parties and transactions where a Director or a Statutory Auditor may have an interest, either directly or through a third party. At the proposal of the CEO, the Board also adopts a procedure for the internal management and external disclosure of documents and information regarding the Company, and specifically of sensitive information;
2. establishing internal corporate Committees with consultative and advisory functions, appointing their chairmen and members, defining their responsibilities, setting their remuneration, and approving their regulations and budgets;
3. at the proposal of the Corporate Governance and Scenarios Committee (if present), expressing a guideline on the maximum number of Directorships and/or Auditor posts that can be held at listed companies in regulated markets (both in Italy and abroad), at financial companies, banks, insurance companies or companies of a relevant size, which is deemed compatible with the efficient performance of their office of Board Director of Saipem, also in view of their serving on Board Committees;
4. granting and revoking powers to Board Directors, setting their limitations and methods of exercise; having reviewed the proposals put forward by the Compensation and Nomination 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;
5. setting the guidelines for the organisational, administrative and accounting structure of the Company, including the Internal Control and Risk Management System, of main Group subsidiaries and the Group;
6. assessing the adequacy of the organisational, administrative and accounting structure of the Company, of the strategically relevant subsidiaries and the Group. At the proposal of the CEO, subject to the approval of the Compensation and Nomination Committee and the Audit and Risk Committee, and having consulted with the Board of Statutory Auditors, it appoints the members to the Audit and Compliance Committee to be submitted for approval at the Shareholders' Meeting of major subsidiaries, so that they can be appointed to the Board of Directors of the same companies. Major subsidiaries are so-called 'Cluster A' companies;
7. having received the opinion of the Audit and Risk Committee, assessing the aggregate risk position that the Company is prepared to take during the commercial phase in order to achieve its strategic objectives (so-called 'Industrial Risk Appetite - Commercial Phase');
8. selecting among its members one or more Directors responsible for the Internal Control and Risk Management System, pursuant to the Corporate Governance Code of listed companies.

Having reviewed the proposals from the Officer responsible for the Internal Control and Risk Management System and the opinion of the Audit and Risk Committee, it sets guidelines for the Internal Control and Risk Management System, to ensure that main risks facing the Company and its subsidiaries are adequately identified, measured, monitored and properly managed. It also ascertains that these risks are compatible with the business model required to achieve its strategic objectives. Subject to the opinion of the Audit and Risk Committee, it (i) examines main business risks, in consideration of the peculiarities of the operations carried out by Saipem and its subsidiaries, submitted to the Officer responsible for the Internal Control and Risk Management System at least every six months and (ii) evaluates every six months the adequacy and effectiveness of the Internal Control and Risk Management System against the characteristics and the risk profile of the business;

9. subject to the opinion of the Audit and Risk Committee and having consulted the Board of Statutory Auditors and the Officer responsible for the Internal Control and Risk Management System, it approves, at least annually, the audit programme prepared by the Director responsible for the Internal Audit function. The Board also reviews, subject to the opinion of the Audit and Risk Committee and having consulted the Board of Statutory Auditors and the CEO, the findings of the Legal Auditor in their letter of suggestions and their report on the main issues that emerged during the legal audit;
10. at the CEO's proposal, defining strategies and objectives for the Company and the Group, including sustainability policies. The Board reviews and approves budgets, industrial and financial strategic plans for the Company and the Group and periodically monitors their implementation, as well as all of the Company's strategic agreements. It reviews and approves the plan of no-profit initiatives of the Company and approves the no-profit initiatives not included in the plan;
11. reviewing and approving the Annual Financial Report which includes the preliminary consolidated and statutory financial statements, the interim and six-monthly reports, as per current legislation. The Board reviews and approves the sustainability reporting not included in the Annual Financial Report;
12. receiving information from Directors with executive powers at Board of Directors' Meetings, at least quarterly, regarding: activities within their responsibility and major transactions carried out by the Company or the Group;
13. receiving timely information on current activities and periodic six-monthly information from the internal Board Committees;
14. 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;
15. approving, having received a reasoned opinion from the Audit and Risk 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 CEO, a report detailing transactions of greater and lesser importance, in line with the provisions of the aforementioned procedure. The Board reviews and grants 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';
16. approving possible joint-venture agreements, having obtained due diligence reports on potential partners from the Anti-Corruption Legal Support Unit;
17. resolving on the most significant and strategic economic and/or financial Company transactions, reviewing the most relevant Group industrial and financial transactions, placing particular emphasis on situations where one or more Directors hold an interest, either directly or through a third party, and on transactions with related parties. The following are considered significant operations:
  - a) contracts for the realisation of works and/or the provision of services with a risk profile exceeding that set in compliance with the Industrial Risk Appetite - Commercial Phase method approved by the Board of Directors; or contracts for the realisation of works and/or the provision of services whose value exceeds €1.5 billion; or contracts for the purchase of goods and/or services, or sub-contract work, other than investments, whose value exceeds €500 million;
  - b) capital expenditure, barring the following: (i) investments as approved in the annual budget; (ii) operational maintenance of company assets; (iii) mandatory class reinstatement upgrades of vessels; iv) investments fully included in the bidding price of commercial initiatives; and (v) investments whose value is below €25 million or equivalent;
  - c) acquisition, disposal or transfer of holdings and/or branches exceeding €25 million in enterprise value per single act, mergers and/or splits involving companies outwith the Saipem Group;

- d) acquisition, sale or financial leasing of land and/or buildings exceeding €2.5 million;
  - e) issue of financing in favour of companies where no stake is held or where the stake held is not a controlling stake for amounts exceeding €200 million, if the amount is proportional to the value of the stake owned; or of any amount to companies if the loan is not proportional to the share of the holding;
  - f) to sign, modify, and terminate contracts with qualified financial institutions for the issuing of surety bonds and other personal guarantees to third parties in the interest of the Company or companies in which a shareholding is held, for amounts exceeding €200 million per single act; or of any amount for the issuing of guarantee bonds in favour of companies where no share is held or where the share held is not a controlling stake if the amount is not proportional to the value of the stake owned;
  - g) to issue surety bonds and other personal guarantees to third parties in the interest of the Company or companies in which a shareholding is held (Parent Company Guarantees) for amounts exceeding €5 billion per single act; or of any amount for the issuing of guarantee bonds in favour of companies where no share is held or where the share held is not a controlling stake if the amount is not proportional to the value of the stake owned;
  - h) incorporation of subsidiaries or company branches;
  - i) to approve the signing of agency agreements;
  - j) issue of convertible and non-convertible bonds by the Company or its subsidiaries;
  - k) to sign, modify, and terminate contracts relating to short, medium and long-term financing, for amounts exceeding €300 million per single act or exceeding €1 billion cumulatively over one year, and for a period exceeding 10 years;
  - l) to authorise mortgages, privileges, pledges, and other collateral securities; specifically to authorise subrogations, reductions, cancellations, deferments, and any other mortgage annotations on the properties of the Company, for amounts exceeding €300 million per single act or exceeding €1 billion cumulatively over one year, and for a period exceeding 10 years; to register mortgages, to accept privileges, pledges, and other real charges; to authorise subrogations, reductions, cancellations, deferments, and any other mortgage annotations on the properties of third parties in general, for amounts exceeding €300 million per single act or exceeding €1 billion cumulatively over one year, and for a period exceeding 10 years;
18. at the Chairman's proposal and in agreement with the CEO and having consulted the Compensation and Nomination Committee, appointing and dismissing General Managers, granting them the relevant powers;
  19. at the Chairman's proposal and in agreement with the CEO, having consulted the Compensation and Nomination Committee and received the opinion of Board of Statutory Auditors, appointing and dismissing the Officer responsible for the Company's Financial Reporting, ensuring that the Officer is granted adequate powers and resources to carry out the duties he is vested with by law, and to ensure that the administrative and accounting procedures he put in place are actually adhered to;
  20. at the Chairman's proposal and in agreement with the Officer responsible for the Internal Control and Risk Management System, having received the opinion of the Compensation and Nomination Committee, and consulted the Board of Statutory Auditors, appointing and dismissing the Director responsible for the Internal Audit function ensuring that the latter is granted adequate resources to carry out his responsibilities, setting the remuneration structure in line with the Company's compensation policies; and approving Internal Audit guidelines;
  21. appointing the Compliance Committee, pursuant to Legislative Decree No. 231/2001, having received the opinions of the Audit and Risk Committee, the Board of Statutory Auditors and the Compensation and Nomination Committee, at the proposal of the CEO in agreement with the Chairman;
  22. through the relevant CEO functions, ensuring the appointment of managers in charge of the departments responsible for dealing with shareholders and investors;
  23. at the proposal of the Compensation and Nomination Committee, reviewing and approving the Remuneration Report and, specifically, the policy for the remuneration of Directors and Senior Managers with strategic responsibilities, which are submitted for approval to the Shareholders' Meeting called to approve the financial statements. Pursuant to this policy, at the proposal of the Compensation and Nomination Committee and having received the opinion of the Board of Statutory Auditors, it sets the remuneration of the CEO and Directors with particular powers. The Board, having reviewed the proposals put forward by the Compensation and Nomination Committee, also sets the criteria for the remuneration of the top management of the Company and the Group, implementing incentive plans based on stock or other financial instruments approved by the Shareholders' Meeting;
  24. formulating the proposals to be submitted for approval to the Shareholders' Meeting;
  25. 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.

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.

## Timely provision of Board of Directors' documentation

The Chairman organises the activities of the Board of Directors and ensures that the Directors and Statutory Auditors are provided with all necessary documentation and information in a timely manner to enable them to make decisions. Meeting documents are sent generally no later than the notice of meeting (at least five days before the meeting). To this end, in 2013 a new IT platform named 'BoardVantage' was launched to enable the sharing and exchange of documents, notes and messages between the company departments and the Board of Directors, or amongst members of the Board. The system ensures the highest confidentiality through appropriate access credentials.

Should it not be possible to provide pre-meeting documentation well in advance, the Corporate Governance Code recommends that the Chairman ensure that the necessary analyses be carried out during Board meetings.

The 2018 Board Review showed that: *'The timely provision of the pre-meeting documentation had improved and as a rule the complete documentation reaches the Directors sufficiently in advance. At the request of the Board of Directors, the quality of the documentation provided to the Directors in preparation for the meetings has gradually improved and is currently considered by all the Directors to be presented in a clear manner, although it could be further improved through the provision of summary sheets which may help to focus on the most relevant aspects of the individual topics. Currently the Board of Directors receives flash reports containing the Group's main economic and financial indicators. It is expected that the documentation providing support in the Board's evaluations shall be able to regularly provide a complete picture and visibility over the Company's performance with respect to budget targets.'*

To improve the Board's knowledge of the Company's operations and dynamics, the Directors of the Divisions, as well as the heads of the Staff functions are periodically invited to Board meetings to illustrate the most significant projects, strategies and market conditions in their respective areas. Specifically in 2018, besides the Chief Financial Officer, who generally attends all Board meetings and the Officer responsible for Financial Reporting who attends all meetings where accounting issues are discussed, the following functions were asked to report several times at Board meetings: the Managers of Internal Audit, of the Divisions, the Heads of the following functions 'General Counsel, Contract Management, Company Affairs e Governance', 'Human Resources, Organisation and Services', 'Strategies and M&A', 'Risk Management, Supply Chain and Business Integrity' and the 'Business Integrity Manager', 'Health, Safety, and the Environment', 'Sustainability, Identity and Corporate Communication, Digital and Innovation, Systems' and Corporate Marketing', in addition to their first line reports as involved from time to time.

## Frequency of Board of Directors' meetings

The Company's Articles of Association do not specify how often the Board should meet, although Article 21 states it should occur at least quarterly.

In 2018, the Board of Directors met on 30 occasions, their meetings lasting 4 hours and 5 minutes on average. Specifically, the Board of Directors in force until May 3, 2018 held 16 meetings lasting an average of 4 hours; the Board of Directors in force from May 3, 2018 held 14 meetings, lasting on average 4 hours and 11 minutes.

Three meetings have been scheduled to take place in the first half of 2019; as of March 11, 2019, the Board has already held 6 meetings. The general public is informed of the dates of Board meetings when periodical statements and reports, required by current legislation, are to be approved.

In 2018, an average of 95.51% of Board Directors and 95.25% of independent Directors attended Board meetings. Specifically, up to May 3, 2018 Board meetings had been attended by an average of 95.83% of Directors and 94.79% of independent Directors; from May 3, 2018, Board meetings have been attended by an average of 95.14% of Directors and 95.71% of independent Directors from May 3, 2018.

## Board review

In compliance with the Corporate Governance Code, also in 2018 Saipem's Board of Directors carried out the annual self-assessment concerning the size, composition and functioning of the Board itself and its Committees.

Having been assisted by the Sustainability, Scenarios and Governance Committee which carried out the preliminary work, at their meeting of January 15, 2019, the Board of Directors granted the task of carrying out the 2018 Board Review process to the consulting firm Management Search Srl, an independent company that does not perform other services for Saipem and had already carried out the same review during the last Board mandate.

The objective of the Board Review concerned the verification of the overall operations and functioning of the Board of Directors and its Committees.

All the subjects covered by the Board Review were examined with the help of a questionnaire prepared by Management Search – filled in by the members of the Board of Directors (and for the parts within their remit by the Board of Statutory Auditors) – and mainly concerned: (a) the structure and composition of the Board of Directors; (b) the integration and training of the Directors; (c) the number, duration, management and functioning of Board of Directors' meetings; (d) the functioning of the Committees; (e) the relationships between the Board of Directors and the CEO and between the Board of Directors and senior management; (f) strategy and objectives; (g) risks and related controls; (h) knowledge of the organisational structure and of the people; (i) the issues and principles regarding Corporate Social Responsibility (CSR); (j) verification of progress achieved on any areas for improvement; (k) the overall opinion of the Directors.

Directors had to provide various levels of consensus for each question on the questionnaire. The answers provided in the Board Review were the starting point for closer examination during individual interviews with all members of the Board. The members of the Board of Statutory Auditors were also interviewed, as observers, to gather their perspective on the issues raised by the questionnaire.

An audit was also carried out on a significant sample of minutes of the Board of Directors and of the Board Committees meetings for the period under consideration to ascertain: (i) the consistency of the findings resulting from the questionnaires and interviews vis-à-vis the contents of the minutes of Board and Committee meetings; (ii) the adequacy of the decision-making processes to the internal regulatory framework and regulations applied to listed companies.

In particular we wanted to verify if the documents showed: (a) a clear distinction of roles and an adequate balance of responsibilities for the individual Directors, having regard, in particular, to the roles that each of them plays in the Board Committees; (b) evidence on the qualitative composition of the Board of Directors and the individual Committees; (c) the contribution of individual members to the discussions and resolutions of the Board of Directors and the committees; (d) the adequacy of information flows, with particular reference to the pre-meeting information; (e) the adherence of the overall functioning of the Board of Directors to the indications contained in the regulations applicable to issuers and, in particular, in the current Corporate Governance Code for listed companies; (f) the role of the Chairman in terms of coordination and management of board activities.

To support the considerations of the Board of Directors, Management Search has also prepared a benchmarking of other international listed companies in the same and other sectors, which concerned: (a) the composition of the Board of Directors; (b) the number of executive Directors; (c) the average age of the Directors; (d) their professional backgrounds; (e) the professional backgrounds of non-executive Directors; (f) the internationality of the Board of Directors; (g) the average number of meetings; (h) the disclosure level of Board Reviews findings.

Management Search has also issued a final report (including an executive summary) detailing the strengths and the areas for improvement in addition to indicating possible actions to be taken, which was illustrated during the Board of Directors' Meeting of February 27, 2019.

- (i) The Directors consider themselves to be generally satisfied with their work on Saipem's Board of Directors and with the work carried out by the Board itself. The Management Search consultant summarised the conclusions of the 2018 Board Review as follows: during its first period of activity, Saipem's Board of Directors approached with commitment and continuous effort its role of direction and control of Group activities and in a moment of important organisational change aimed at giving greater autonomy to the Divisions. The Board of Directors shared this reorganisation process and actively contributed to completing a significant amount of work over the year, also through the Committees. The organisational change was an important step that required a lot of attention and monitoring by the Board of Directors, including, among other things, an adjustment of the internal control systems, the impairment test method and the Company's Organisational Model.
- (ii) The Directors agree that the current number of Directors (9) – the maximum envisaged by the Company's Articles of Association – is appropriate in order to ensure an adequate balance of skills and experience required by the complexity of Saipem's business, in addition to enabling

a good management of interaction during meetings. The current relationship between executive (1), non-executive (8) and independent (5) Directors is well balanced and sufficiently adequate to ensure the effective functioning of the Board of Directors. Professional experiences and the balance of skills within the Board are suited to guaranteeing quality in Board debate.

- (iii) The commitment of the Board of Directors has provided for a formal induction phase dedicated also to the new members of the Board (6), aimed at providing them with improved knowledge of the Group. The induction activity was conducted in a structured manner through a training programme considered by all to be useful and effective and provided for 5 meetings with the management team, to investigate key issues such as: (i) the Company's business; (ii) the competitive context; (iii) strategic planning; (iv) organisation and processes; (v) governance and compliance. The programme ended with a visit to the Saipem 7000 vessel during a Board meeting held in Rotterdam (Netherlands), aimed at studying issues connected to international scenarios. The Directors consider the continuation of the induction activity in 2019 to be useful for examining, in addition to the themes of innovation, strategy and the business context also the operational and commercial issues of the Company, to improve their understanding of the competitive dynamics and have a clearer view of priorities in terms of resource allocation.
- (iv) All Directors are satisfied with the work carried out by the Board of Directors in the past year and the quality of the debate and believe that over the months the board meetings themselves have become more effective through the reorganisation of the agenda and a more in-depth study of business and strategy issues, not always at the centre of the debate at the beginning of the activities due to the prevalence of governance and compliance issues. The Directors hope, that in the future, the Board of Directors will dedicate more and more time to investigate, with the support of management, topics such as the performance of the reference market, the comparison with the competitors' business and the long-term strategy (including the possibility of growth by external lines). This requirement is borne out by the request that the Company's structures produce a deeper level of business complexity analysis to enable the Board of Directors to increase their contribution in defining the development strategy.
- (v) The timely provision of the pre-meeting documentation had improved and as a rule the complete documentation reaches the Directors sufficiently in advance. At the request of the Board of Directors, the quality of the documentation provided to the Directors in preparation for the meetings has gradually improved and is currently considered by all the Directors to be presented in a clear manner, although it could be further improved through the provision of summary sheets which may help to focus on the most relevant aspects of the individual topics. Currently the Board of Directors receives flash reports containing the Group's main economic and financial indicators. It is expected that the documentation providing support in the Board's evaluations shall be able to regularly provide a complete picture and visibility over the Company's performance with respect to budget targets. The number of items on the agenda – priorities properly – has not always been compatible with the time available for their discussion, requiring, in some cases, postponement to the next Board of Directors' meeting. The need to optimise the Board functioning is deeply felt within the Board of Directors and all its members believe that any further improvement in organisational terms contributes to an effective debate and strengthens the central role of the Board.
- (vi) In the performance of his duties, the Chairman helped introduce elements of efficiency and simplification in the functioning of the Board of Directors, responding to a need to improve efficiency in the Board of Directors that was felt by all. The Directors believe that they have easy access to the Chairman outside of board meetings and consider their relationship with the Chairman to be open and constructive.
- (vii) The climate at board meetings is positive and derives from the good relationships and the spirit of collaboration that has been created among all its members. Relations between the Board and the CEO are constructive. The CEO is always approachable and clear in representing strategies, situations and company performance.
- (viii) The interaction between Directors and the Company management takes place continuously. Management is given ample space in the work of the Board and the Committee and the top tier is constantly involved in board meetings. The Board of Directors has established a strong dialogue with the management so as to support the interpretation of the evolution of market scenarios and analyse new business opportunities. The participation and the presentations of the top management at the meetings contributed to the in-depth study of relevant issues and improving the knowledge of the Directors. They consider management presentations clear and comprehensive albeit, sometimes, excessively technical and worthy of a greater synthesis. These latter aspects are considered to be improving through the request to standardise the methods of presentations with the inclusion of executive summaries that may facilitate understanding and focus on the subject of resolutions.
- (ix) The Board of Directors believes that control and risk management are two essential aspects

and devotes a lot of time to analysing and investigating the main risk factors for the Group. The risk monitoring methods include information flows and periodic meetings with the relevant functions. The heads of the 'Enterprise Risk Management' and 'Risk Management, Supply Chain and Business Integrity' functions periodically illustrate the outcomes of the activities and progress reports to the Audit and Risk Committee, which meets in joint session with the Board of Statutory Auditors. The risk mapping was defined and also updated following the new Group organisational structure, which led to an adjustment of the internal control systems, as well as of the organisational model. Top Risk Indicators are monitored on a regular basis. The Board of Directors believes there are aspects concerning the risk analysis and associated control systems that merit further consideration, namely those related to information technology, cyber security, sustainability in its broadest sense in addition to geopolitical risks, given the global dimension of the Group's business.

- (x) In this year of structural reorganisation, the Board of Directors has worked well by providing the management with guidelines and also encouraging it to evaluate new development opportunities. The discussions of the Board of Directors focused not only on the aspects linked to the performance of the business, but also on methodological and governance issues, also within the Committees, which played an important role in analysing the issues within their respective remit. The Board of Directors has contributed to the implementation of organisational changes with the various corporate functions, with the aim of increasing the quality and the level of detail of the information available. The Directors believe that today Saipem is a benchmark Group at international level in terms of skills and technology, business innovation, corporate governance and sustainability and that it should increasingly be so in the general perception of the various stakeholders.
- (xi) Much of the overall activity of the Board of Directors was carried out within the Committees, which worked well operationally alongside the relevant corporate structures. Through the work of its Committees, the Board of Directors was able to contribute to the development of governance, risk control and remuneration systems within the Group. Each Committee in carrying out its tasks has contributed to some extent to the evolution of the reference corporate functions, supporting them in the study of these issues. The Committees have also worked to improve the efficiency of the entire resolution process, by improving the scheduling of meetings vis-à-vis those of the Board and improving the timing of reporting their conclusions to the Board.
- (xii) The Board of Directors shows great sensitivity for sustainability issues that are considered by the Chairman, the CEO and by all the Directors to be central to Saipem's business and pivotal for the implementation of its strategy of development and creation of long-term value, combining technology and innovation.

The Directors identified:

- (i) the following areas of excellence: (a) the composition of the Board of Directors in terms of mix of skills and experience; (b) the climate of sharing and team spirit; (c) participation in the debate by all the Directors and the ability of critical analysis of the Board of Directors; (d) the level of commitment of the Directors in terms of dedication and time; (e) the attention paid by the Board of Directors to the subject of risk management;
- (ii) the following areas for improvement: (a) greater focus on medium-long term strategy, business and market scenarios; (b) greater synthesis and better choice of priorities in the board debate; (c) greater focus on issues related to digital innovation; and (d) greater attention to the quality and timeliness of the board's documentation.

As part of the Board Review 2018, the Management Search consultant – as regards the analysis of the self-assessment process followed by the Company and its compliance with the governance best practices – noted that, as borne out by the benchmark assessment: *'The conclusions of the Board Review show that, vis-à-vis the attention paid to the Board Review process, the disclosure of the related findings and the outcome of the benchmarking activity relating to the aforementioned areas, Saipem is among the best companies in the reference sample, operating in a way that is in full compliance with the best domestic and international governance practices'*.

## Executive Directors

Consistent with international best practices, which recommend avoiding the concentration of duties in one person, in 2008 Saipem resolved 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 procedures 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.

Stefano Cao (CEO) has been executive Director since April 30, 2015; he does not hold other offices at any other Issuer.

The Board vested the CEO, the person ultimately responsible for the Company's management, with all ordinary powers to manage the Company, except for the undelegable powers and those of the Board itself.

The CEO reports promptly and at least quarterly to the Board of Directors and to the Board of Statutory Auditors on activities carried out and on the most significant economic, financial and equity transactions carried out by the Company or its subsidiaries.

There are no other executive Directors on the Board.

At their meeting of May 3, 2018, the Board of Directors confirmed vesting the Chairman, in addition to all responsibilities and powers granted to him by law and the Company's Articles of Association concerning the management of Corporate Bodies (Shareholders' Meeting and Board of Directors) and the legal representation of the Company, with the existing powers granted during the previously Board mandate. Specifically the Chairman:

- a) in agreement with the CEO and having consulted the Compensation and Nomination Committee, propose to the Board the appointment and dismissal of General Managers;
- b) propose in agreement with the CEO, having consulted the Compensation and Nomination Committee and received the opinion of Board of Statutory Auditors, the appointment and dismissal of the Officer responsible for Financial Reporting;
- c) in agreement with the Officer responsible for the Internal Control and Risk Management System, having received the opinion of the Compensation and Nomination Committee, and consulted the Board of Statutory Auditors, propose the appointment, dismissal and remuneration for the Director responsible for the Internal Audit function;
- d) in agreement and conjunction with the CEO, make proposals concerning extraordinary operations involving the Company's share capital and/or overall debt refinancing to be submitted for approval to the Board of Directors;
- e) manages the Company's institutional relations in Italy in addition to shareholder relations, together with the CEO, having recourse to Saipem's communication and institutional relations functions, if required.

The Chairman, besides the aforementioned powers, chairs the Shareholders' Meeting, convenes and chairs Board of Directors' meetings and ensures the implementation of resolutions taken by the Board itself.

Reporting to the CEO are:

- the Division Managers, responsible for the following business activities:
  - Onshore E&C;
  - Offshore E&C;
  - Onshore Drilling;
  - Offshore Drilling;
  - XSIGHT;
- the Chief Financial Officer (CFO), responsible for the following functions:
  - Planning, Administration and Control;
  - Finance;
  - Insurance and Risk Financing;
  - Investor Relations;
- the following managers responsible for staff and business support functions:
  - Human Resources, Organisation and Services;
  - Risk Management, Supply Chain and Business Integrity;
  - General Counsel, Contract Management, Company Affairs and Governance;
  - Strategies and M&A;
  - Digital and Innovation;
  - Health, Safety and Environment;
  - Sustainability, Identity and Corporate Communication.

In July 2018, a new phase of the reorganisation was approved and was made fully operational by the end of the year to ensure the full autonomy of the Divisions in pursuing their objectives and priorities, placing them in the best position to face the dynamics of the current market and exploit future opportunities with the necessary flexibility.

In pursuing the objectives of simplification, innovation, effectiveness and efficiency at the base of the corporate divisionalisation process, the Divisions and Corporate structures have updated their organisational – operational set up, in particular:

- Offshore Engineering & Construction Division: adoption of an organisational structure aimed both at strengthening its coordinating role of the worldwide network and at guaranteeing an integrated and coordinated management of the Offshore Engineering & Construction skills and resources in Italy;
- Onshore Engineering & Construction Division: adoption of a functional model with a matrix



- mechanism that guarantees a correct balance of responsibilities, greater accountability of project organisations, the enhancement of the Division's distinctive technical skills and an organic and integrated commercial network;
- Offshore Drilling Division: reorganisation of the Offshore Drilling Management structure to achieve an ever tighter supervision of the Division's assets;
  - Onshore Drilling Division: strengthening the management of business promotion and development activities through the establishment of the Business Development function and the allocation of the commercial activities to the Division Manager;
  - Corporate structure: reorganisation of the Digital and Innovation function to achieve ever greater alignment with the Group's strategy.

## Independent Directors

Article 147-ter, paragraph 3, of Legislative Decree No. 58/1998 regulating the appointment and composition of the Board of Directors provides that 'at least one member shall be elected from the minority slate that obtained the largest number of votes and is not linked in any way, even indirectly, with the shareholders who presented or voted the list which resulted first by the number of votes'. Furthermore, Article 147-ter, paragraph 4, states that 'In addition to what is provided for in paragraph 3, at least one of the members of the Board of Directors, or two if the Board of Directors is composed of more than seven members, should satisfy the independence requirements established for members of the board of auditors in Article 148 and, if provided for in the Articles of Association, the additional requirements established in codes of conduct drawn up by regulated stock exchange companies or by trade associations.

The Shareholders' Meeting of May 3, 2018 elected this Board of Directors for three years, in compliance with current legislation and the then applicable Articles of Association; the Board is comprised of a majority (five out of nine) of independent Directors.

The Directors who do not comply with the independence requirement are the Chairman Francesco Caio, the CEO Stefano Cao, and the Directors Claudia Carloni and Pierfrancesco Latini.

Following their appointment, the Board of Directors ascertains annually that Board Directors still comply with the independence requirements. At the Board Meeting of May 3, 2018, it was ascertained (as they had stated upon their candidacy) that the following Board Directors still complied with the independence requirements: Maria Elena Cappello, Paolo Fumagalli, Federico Ferro-Luzzi, Paul Schapira and Ines Mazzilli. 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 compliant. Directors are committed to inform the Board of any changes that may ensue during their mandate. This evaluation is carried out in accordance with the criteria set forth in Article 148, paragraph 3, of Legislative Decree No. 58/1998 and Article 3 of the Corporate Governance Code.

On February 27, 2019, the independent Directors, appointed by the Shareholders' Meeting on May 3, 2018, met without the other Directors being present, as recommended by the Corporate Governance Code.

## Processing of inside information

At their meeting on March 13, 2013, the Board of Directors had approved the Management System Guideline 'Market Abuse', consolidating in the same document procedures previously in force in matters of Inside Information and relevant Register of personnel having access to them, and Internal Dealing.

On July 3, 2016, the following came into force: the new EU Regulation No. 596/2014 (so called 'Market Abuse Regulation' or 'MAR') and Directive No. 2014/57/UE regulating penal sanctions (so called 'Market Abuse Directive No. 2' or 'MAD2') in addition to the Implementation Regulation No. 2016/347 of the EU Commission.

These documents introduce substantial modifications to the definitions and the scope of application of market abuse regulation, providing for mandatory disclosures and procedure obligations, which have required the amendment of procedures to achieve compliance. The Board of Directors reviewed these new regulations in June 2016.

On this subject, Consob issued Communication No. 01/10353 dated December 14, 2016 relating to the implementation of ESMA guidelines vis-à-vis the delayed disclosure of inside information, pursuant to EU Regulation No. 596/2014 on Market Abuse.

Saipem had promptly issued specific directives to ensure immediate implementation of the regulatory changes in force since July 3, 2016. Furthermore, Saipem had immediately taken measures to make the Register of parties having access to sensitive information compliant to the new guidelines: these included the provision of additional personal data to facilitate the

identification of registered persons, a new layout where information is divided into separate sections of the register and the creation of a permanent section listing personnel who have uninterrupted access to all sensitive information.

In October 2017, Consob issued Guidelines on the 'Management of Inside Information' detailing the organisational process relating to the management of mandatory disclosures of inside information and the Insider List and their relevant implementation procedures.

The coming into force of the new regulations has required a review of the Management System Guideline Market Abuse, which has been finalised as the regulatory framework has been completed.

Saipem's Board of Directors, with the prior opinion of the Audit and Risk Committee, approved the new Management System Guideline Market Abuse<sup>12</sup> at the meeting of July 17, 2018.

This document establishes the principles and rules that Saipem SpA and the companies that it controls, directly and indirectly, in Italy and abroad must adhere to for the management within Saipem and external communication of company documents and information regarding Saipem, with particular reference to Inside Information.

To this end, this MSG also regulates the establishment, keeping and updating of Lists of persons with access to the aforementioned information, or to significant information as defined below; the identification of significant persons and the means of notifying transactions executed, including through third parties, on shares issued by Saipem SpA or on other financial instruments linked to these shares ('internal dealing').

To fulfil the obligation for timely publication of Inside Information, Saipem identifies and monitors flows of significant information (so called mapping). For the purposes of the significant information mapping, the types of significant information are identified, in accordance with a matrix that links the corresponding organisational functions to the significant information.

The rules of conduct in this MSG have been adopted to: (a) ensure compliance with the legal, regulatory and governance provisions on the subject; (b) protect shareholders and investors, in order to prevent transactions that would be harmful to their interests through the exploitation of asymmetric information or through the dissemination of false or misleading information; (c) protect the Company against any liability it might have for offences committed by parties related to it.

The MSG 'Market Abuse' regulates the measures and procedures relating to both the internal management and external disclosure of inside information and significant information regarding the Company and its subsidiaries.

On July 17, 2018, the Board of Directors, with the prior opinion of the Audit and Risk Committee, identified as 'significant persons', for the purposes of Internal Dealing and in compliance with the Market Abuse procedure, the following: (a) Members of the Company's Board of Directors, Board of Statutory Auditors and Compliance Committee; (b) persons with management responsibilities and managers with regular access to inside information and who have the power to make management decisions that can affect the development and future prospects of the Saipem Group, as identified from time to time by the Board of Directors and therefore, until otherwise agreed by the Board of Directors, managers required to take part in the Advisory Committee and, in any case, the Officer responsible for Financial Reporting, Division Managers and Direct Reports of the CEO or the Chairman or the Board of Directors; (c) anyone who, directly or indirectly, has a holding, calculated pursuant to Article 118 of the Issuer Regulation, of at least ten per cent (10%) of the Company's share capital, represented by shares with voting rights, and any other person that controls the Company ('significant shareholders').

Pursuant to the provisions of MAR Regulations which came into force on July 3, 2016, 'persons closely associated' with significant persons are also considered significant persons. Specifically: (a) a spouse, not legally separated, or a partner considered equivalent to a spouse under national law; (b) a dependent child, including the spouse's, under national law; (c) parents, relatives and the like who have shared the same house for at least one year on the date of the transaction in question; or (d) a legal person, trust or partnership, the managerial responsibilities of which are discharged by a significant person or a person referred to in letters (a), (b) or (c), which is directly or indirectly controlled by a significant person, which is set up for the benefit of such a person, or the economic interests of which are substantially equivalent to those of the significant person.

As and when provided by law, sale or purchase transactions involving Saipem shares are disclosed to Consob, Borsa Italiana and the public through the relevant section of the IT platform 'eMarket SDIR' and subsequently sent to the authorised storage mechanism 'eMarket Storage' ([www.emarketstorage.com](http://www.emarketstorage.com)) and published on the Company's website.

The new MSG 'Market Abuse' has also adopted the new provisions related to the so called 'black-out period', i.e. the specific periods during which significant persons and persons closely associated with them may not execute transactions (thirty calendar days before the public disclosure of approval of financial statements or other periodic financial reports), whose calendar is constantly updated and notified to relevant parties.

(12) The new Management System Guideline 'Market Abuse' is published on Saipem's website [www.saipem.com](http://www.saipem.com) under the section 'Governance'.

## Board Committees

In order to carry out its responsibilities more efficiently, the Board has set up the following committees: the Compensation and Nomination Committee (comprised exclusively of non-executive independent Directors) and the Audit and Risk Committee (comprised exclusively of non-executive Directors, the majority of whom are independent), whose members are experts in accounts, finance and risk management.

The Board resolution of May 16, 2018 approved the constitution of the Sustainability, Scenarios and Governance Committee comprising four non-executive Board Directors, two of whom are independent.

The Compensation and Nomination Committee fulfils a propositive and consultative role for the Board of Directors in terms of the remuneration of Directors and Senior Managers with strategic responsibilities, governed by the Corporate Governance Code. Specifically, the Committee: (i) submits for approval by the Board of Directors the Remuneration Report and the Remuneration Policy for executive Directors and Senior Managers with strategic responsibilities, which will be put forward for the approval of the Shareholders' Meeting called to review the financial statements, as provided by law; (ii) puts forward proposals for the remuneration of the Chairman and Executive Directors, taking into account the various forms and types of compensation; (iii) puts forward proposals for the remuneration of non-executive Directors, who are members of Board Committees. The composition of the Compensation and Nomination Committee complies with the provisions of the Corporate Governance Code, as it is comprised of non-executive Directors, all of whom are independent.

The Audit and Risk Committee assists the Board of Directors with consulting and advisory functions, as well as through appropriate preliminary activity, in carrying out its duties in relation to the Internal Control and Risk Management System, as well as those regarding the approval of the periodic financial reports.

The Committee supervises the activities of the internal audit function. The current composition of the Audit and Risk Committee complies with the requirements of the Corporate Governance Code, being comprised entirely of non-executive Directors majority of whom are independent.

In addition, the Committee – which has been detailed by the Board of Directors to perform a number of the functions provided for by the applicable legislation on transactions with related parties – is called upon to examine certain transactions and express an opinion on them, based on the relevant procedures in place.

In relation to the provisions of the applicable legislation on transactions with related parties, the Audit and Risk Committee is comprised of two independent and non-related Directors, already members of the Committee, plus another non-related and independent Director chosen on the basis of seniority.

The Sustainability, Scenarios and Governance Committee is responsible for assisting the Board of Directors by fulfilling a preparatory, consultative and advisory role in assessments and decision-making processes with regard to the Sustainability, Corporate Governance, Saipem's Corporate Social Responsibility and the review of scenarios envisaged in the preparation of the Strategic Plan.

Pursuant to the Corporate Governance Code and to improve the functional relationship between the individual committees and the work of the Board by providing a timely and regular flow of information, the Board of Directors, at their meeting of June 28, 2018, resolved that Committee meetings be attested to by minutes which, once signed by the Chair of the meeting and by the Secretary, are filed by the Secretary in chronological order. Copies thereof are forwarded to the members of the Committee, to the Chairman of the Board of Statutory Auditors, or a Statutory Auditor designated by him, attending the Committee meetings. The minutes of Committee meetings are available for viewing, upon request, to the Directors and the Statutory Auditors.

On the same day, the Board of Directors also resolved that the minutes of Committee meetings be made available, upon request, to the members of the Board of Directors and the Statutory Auditors, through a tool which guarantees their confidentiality (Boardvantage or similar).

### Compensation and Nomination Committee

The Compensation and Nomination Committee in office until the Shareholders' Meeting of May 3, 2018 was comprised of the following non-executive independent Board Directors: Maria Elena Cappello (Chairman), Francesco Antonio Ferrucci and Federico Ferro-Luzzi.

The Board of Directors, appointed by the Shareholders' Meeting of May 3, 2018, designated the following non-executive and independent Directors as members of the Compensation and Nomination Committee on May 16, 2018: Paolo Fumagalli (Chairman), Paul Schapira and Federico Ferro-Luzzi.

The Committee regulations, with the regulations of all the other Board Committees were approved by the Board of Directors on June 28, 2018.

The Corporate Director responsible for Human Resources, or on his behalf the Corporate Director responsible for People Development, Recruitment and Compensation acts as the Secretary of the Committee.

The Committee fulfils a propositive and consultative role to the Board of Directors, and specifically in matters of remuneration:

- submits for approval to the Board of Directors the Remuneration Report and, in particular, the Remuneration Policy for Directors and Senior Managers with strategic responsibilities, to be submitted for approval at the Shareholders' Meeting called to approve the annual Financial Statements, as provided for by the law;
- makes proposals regarding the various forms of compensation and pay of the Chairman and Executive Directors;
- makes proposals regarding the compensation of the Directors who sit on the Board Committees;
- examines the suggestions of the CEO and proposes the general criteria for the compensation of Senior Managers with strategic responsibilities, annual and long-term incentive plans, including stock-based plans, Company targets and reviews the results of performance plans connected to both the implementation of incentive plans and the calculation of the variable compensation of Directors with powers;
- monitors the implementation of resolutions taken by the Board;
- periodically evaluates the adequacy, overall consistency and actual implementation of the adopted policy, formulating proposals to the Board of Directors on the subject.

The Committee fulfils a propositive and consultative role to the Board of Directors, also in matters of nominations. Specifically:

- propose candidates for the role of Director to the Board if, during the course of the financial year one or more Directorships become vacant (Article 2386, paragraph 1 of the Italian Civil Code), ensuring compliance with the regulations on the minimum number of independent Directors and on the quotas reserved for the least represented gender;
- provides input to the Board regarding the appointment of senior managers and of the members of the company's bodies whose appointment is the responsibility of the Board of Directors;
- at the proposal of the CEO, examines and evaluates the criteria governing the succession plan for Senior Managers with strategic responsibility for the Company.

Furthermore, the Committee:

- reports to the Board on the tasks performed, at the board meetings indicated by the Chairman of the Board of Directors, at least twice yearly, and at any rate no later than the term for approval of the Financial Statements and the Six-monthly Report;
- through the Committee Chairman or another member designated by the same, reports on the working procedures of its functions to the Shareholders' Meeting convened to approve the annual financial statements.

In fulfilling its duties, the Committee provides opinions, as and when required, by the current internal regulation in terms of transactions with related parties.

The Board of Directors provides the Committee with the necessary resources to carry out its responsibilities. To fulfil its duties, the Committee has the right to access the required Company information and departments and to avail itself of external advisors who do not find themselves in situations that could compromise the impartiality of their opinion, within the limits of the budget approved by the Board of Directors with the Annual Report.

The Chairman of the Committee reports to the Board on the tasks performed and activities discussed at Committee meetings since the previous Board meeting.

The Chairman of the Board of Statutory Auditors (or other Statutory Auditor designated by the latter) attends Committee meetings; other Statutory Auditors may also attend when the Committee discusses matters for approval by the Board of Directors that are subject to the mandatory opinion of the Board of Statutory Auditors. At the request of the Chairman of the Committee, other persons can be invited to attend Committee meetings to provide information and evaluations within their area of expertise on individual items on the meeting agenda.

The meetings of the Compensation and Nomination Committee are not attended by the Directors involved where remuneration proposals are discussed that are to be put forward to the Board.

In 2018, the Committee convened on 13 occasions, with meetings lasting an average of 1 hour and 40 minutes and attended on average by 100% of members. The Chairman of the Board of Statutory Auditors or a Statutory Auditor attended all meetings.

The work of the Committee focused on the following:

- reviewing actual 2017 performance results and setting the targets for the 2018 long and short-term plans;
- periodic evaluation of the Remuneration Policy implemented in 2017, drawing up the new Remuneration guidelines for 2018 in light of recent events and Company results; evaluation of the Company's actual results for 2017, and setting performance targets for 2018 vis-à-vis variable incentive plans;

- definition of the proposal for the buy-back of treasury shares to service the 2018 allocation of the 2016-2018 Long-term Incentive Plan;
- implementation of the 2018 Annual Monetary Incentive Plan;
- definition of the proposal for the 2018 allocation of the Long-Term Incentive Plan and approval of the Regulations for the CEO;
- review the exercise of option rights vis-à-vis the non-competition agreement of the CEO;
- modification of the Compensation and Nomination Committee's Regulations;
- review of the benchmarks and definition of the remuneration of the CEO, the Chairman and Directors sitting on Board Committees during the 2018-2021 mandate;
- analysing the remunerative positioning and proposing the remuneration of the Director responsible for the Internal Audit function;
- definition of the proposal to update the 2018 Saipem performance indicators;
- proposal of the remuneration of the most senior independent Director to sit on the Audit and Risk Committee, also acting as the Related Parties Committee;
- finalising the proposal to review the 2018 allocation of the Long-Term Incentive Plan, approving its Regulations and setting the number of shares to be granted to the CEO and managerial resources;
- reviewing voting outcomes from the shareholders' meetings held in 2018;
- reviewing the succession plan methodology;
- analysis of the measures involved in the new Long-Term Management Incentive Plan 2019-2021;
- definition of the budget of the Compensation and Nomination Committee for the year 2019;
- evaluation of the proposal for the Saipem 2019 performance indicators;
- evaluation of the co-optation of a Board Director.

The Committee scheduled at least 8 meetings to take place during 2019, 5 of which have already been held as of March 11, 2019.

The Committee reports, through the Chairman of the Committee, on the methods used to carry out its responsibilities to the Shareholders' Meeting called to approve the Financial Statements, pursuant to the provisions set forth in the Committee's Regulations and the Corporate Governance Code, with the aim of establishing a dialogue with Shareholders and Investors.

Further information on the Compensation and Nomination Committee is available, in compliance with Article 123-ter of Legislative Decree No. 58/1998, in the Remuneration Report.

## Directors' compensation

Article 123-ter of Legislative Decree No. 58/1998 has made it compulsory for listed companies to publish a 'Remuneration Report'.

For all issues relating to the remuneration of Directors, Statutory Auditors and Senior Managers with strategic responsibilities, please refer to the 'Remuneration Report', which is available to the public at Saipem's registered office or on the Company's website [www.saipem.com](http://www.saipem.com) under the section 'Governance' at least 21 days prior to the General Shareholders' Meeting called to approve the Financial Statements for the year 2018. At the General Shareholders' Meeting, Shareholders will be required to cast a non-binding vote on the first section of the Remuneration Report, pursuant to current legislation.

## Audit and Risk Committee

The Board of Directors appointed by the Shareholders' meeting on April 30, 2015 selected, on May 15, 2015, as members to the Audit and Risk Committee the following non-executive independent Board Directors, pursuant to the law and the Corporate Governance Code: Nicla Picchi (Chairman), Guido Guzzetti and Flavia Mazzarella. This composition ended upon the expiry of the Board mandate (May 3, 2018).

The Board of Directors appointed by the Shareholders' Meeting on May 3, 2018 selected, on May 16, 2018, as members to the Audit and Risk Committee the following non-executive Board Directors, the majority of whom are independent, pursuant to the law and the Corporate Governance Code: Ines Mazzilli (Chairman), Paul Schapira and Leone Pattofatto.

Following the resignation, on October 4, 2018, of the non-executive and non-independent Director Leone Pattofatto, the Board of Directors unanimously appointed by co-optation, on December 5, 2018, Pierfrancesco Latini as non-executive and non-independent Director and member of the Audit and Risk Committee.

With regard to the provisions of the applicable legislation on transactions with related parties and in compliance with the Committee's Regulations, the Audit and Risk Committee shall comprise, in addition to two independent and non-related members of the Committee, of another non-related and independent Director, Paolo Fumagalli.

The Committee regulations, with the regulations of all the other Board Committees were approved by the Board of Directors on June 28, 2018.

The Director responsible for Internal Audit acts as the Committee's Secretary.

The Board of Directors assigns consulting and advisory functions to the Committee so that the latter, through appropriate preparatory activities, can assist it in carrying out its duties in relation to the Internal Control and Risk Management System, as well as those regarding the approval of the periodic financial reports.

The Audit and Risk Committee's responsibilities are:

- assisting the Board of Directors, by providing specific opinions even as negative assurances, on the following tasks of the Board of Directors: defining guidelines for the Internal Control and Risk Management System so that the principal risks pertaining to the Company and its subsidiaries are properly identified, measured, managed and monitored by establishing criteria of compatibility of such risks with sound and proper business management, in line with pre-set strategic targets;
- reporting to the Board, twice yearly, on work carried out, as well as on the adequacy of the Internal Control and Risk Management System;
- at the request of the Director responsible for the Internal Control and Risk Management System, the Committee gives its opinion on specific aspects of the process for identifying major company risks;
- supporting, with appropriate preliminary activities, the assessments and decisions of the Board of Directors regarding the management of risks deriving from negative issues that have come to the attention of the Board;
- supervising the operations of the Internal Audit Function and those of the Internal Audit Manager so that these are carried out under conditions of independence, due objectivity, competence and professional diligence in accordance with the Code of Ethics of Saipem SpA and examines the periodic reports concerning the evaluation of the Internal Control and Risk Management System and those of particular relevance prepared by the Internal Audit function;
- together with the Officer responsible for Financial Reporting and having asked the opinions of the independent Auditors and Board of Statutory Auditors, the Committee assesses, evaluates and provides an opinion on whether accounting standards are utilised properly and whether they are sufficiently homogeneous for the purposes of drafting the Annual and Six-Monthly Financial Statements, sent for the preliminary approval of the Board of Directors;
- the Committee examines and expresses an opinion on the Report concerning the control system over Financial Reporting prepared by the Officer Responsible for Financial Reporting; it also examines, evaluates and expresses its opinion on the adequacy of powers and means provided to the Officer Responsible for Financial Reporting;
- examines and gives an opinion on the adoption of rules for transparency and substantial and procedural correctness of transactions with related parties by Saipem SpA and its subsidiaries and of those in which a Director has a direct or indirect interest, in order to ensure the principles of transparency and substantial and procedural correctness<sup>13</sup>; the Committee fulfils any additional duties assigned to it by the Board of Directors, including examining and giving its opinion on certain transactions with reference to the relevant procedures;
- carry out specific additional activities aimed at producing analyses and expressing opinions on matters within their remit, based on the requests for further studies made by the Chairman of the Board of Directors, the Director in charge of the Internal Control and Risk Management System, or by at least two members of the Board of Directors made during a Board meeting, or submitted in writing.

The Audit and Risk Committee, in the performance of its responsibilities, has access to information and Company departments, as required, to carry out its duties. The Audit and Risk Committee can draw on the necessary financial resources, approved by the Board of Directors, to carry out its responsibilities.

The Chairman of the Committee provides reports to the Board of Directors on Committee activities and topics discussed since the latest Board of Directors meeting, at the earliest Board meeting possible.

The Committee also ensures the information flow towards the Board of Statutory Auditors to enable the prompt exchange of the information necessary for the fulfilment of their respective responsibilities within the common remit and to ensure the orderly performance of business functions.

The Audit and Risk Committee convened 17 times in 2018 (of which one meeting was devoted to its responsibilities concerning transactions with related parties), with meetings lasting on average 6 hours and average attendance of 98% of members. All meetings were attended by at least one member of the Board of Statutory Auditors.

(13) In relation to the provisions of the applicable legislation on transactions with related parties, if necessary, the Audit and Risk Committee is comprised of two independent and non-related Directors, already members of the Committee, plus another non-related and independent Director chosen on the basis of seniority.

During these meetings, the Audit and Risk Committee:

- approved the Integrated Audit Plan and the annual 2018 budget of the Internal Audit function;
- reviewed the outcome of audits and progress reports for activities carried out by this function, and expressed, for the portion within its remit, a negative assurance on the adequacy and efficiency of the Internal Control and Risk Management System during 2017 and 2018;
- evaluated and expressed an opinion on the adequacy of the fixed and variable remuneration of the Director responsible for the Internal Audit function;
- monitored the autonomy, adequacy, effectiveness and efficiency of the Internal Audit function;
- reviewed and evaluated information received from the Board of Statutory Auditors and its members vis-à-vis the Internal Control and Risk Management System, with regard to preliminary investigations carried out by the Internal Audit function following the receipt of notification by whistleblowers;
- acquired the information provided by the General Counsel, Contract Management, Company Affairs and Governance and/or the relevant functions, with particular reference to the information relating to the monitoring of legal risk and non-compliance;
- examined the communications and information received concerning the Project relating to the new organisational structure and the corporate reorganisation process aimed at granting greater autonomy to the Divisions, to identify those changes that may have significant impacts on the Internal Control and Risk Management System, the Internal Control System over Financial Reporting and Model 231;
- examined the results of Risk Assessment activities conducted on Saipem SpA and on strategically relevant subsidiaries and updates of the Group's main risk map;
- met with the Officer responsible for the Company's Financial Reporting, the Chairman of the Board of Statutory Auditors and the partner from the Independent Auditors to examine the main issues pertaining to the 2017 and 2018 Financial Statements, specifically reviewing the impairment test procedure.

As of the date of the approval of this Report (March 11, 2019), the Committee has already met on 4 occasions.

Furthermore, with regard to the responsibilities vis-à-vis the current regulations on transactions with related parties, the Committee met twice in 2018 and has met twice thus far in 2019.

## Sustainability, Scenarios and Governance Committee

The Corporate Governance Committee and Scenarios in office until May 3, 2018 was chaired by the Chairman of Saipem's Board of Directors, Paolo Andrea Colombo. The other members were Francesco Antonio Ferrucci, Guido Guzzetti and Leone Pattofatto.

The Sustainability, Scenarios and Governance Committee, set up after the appointment of the new Board of Directors, through a Board resolution dated May 16, 2018, is chaired by the Chairman of Saipem's Board of Directors, Francesco Caio. The other members are Maria Elena Cappello, Claudia Carloni and Federico Ferro-Luzzi (also member of the Compensation and Nomination Committee).

The Committee's Regulations provide that the Board of Statutory Auditors attend Committee meetings and, with the regulations of all the other Board Committees, were approved by the Board of Directors on June 28, 2018.

The General Counsel, Contract Management, Company Affairs and Governance acts as the Secretary of the Committee.

Specifically, the Committee has the following duties:

- (a) 1. examine the indications of sustainability policies and strategies developed by Saipem's Sustainability Committee. Express an opinion to the Board of Directors in this regard;
2. share with the Board of Directors, and other Board Committees, policies based on the principles of sustainable business, which take into account the evolution of the reference scenarios, identify opportunities and create value for stakeholders, such as (i) ethics; (ii) environmental protection, with particular reference to the issue of climate change; (iii) socioeconomic progress of the areas where the Company operates; (iv) protection of human rights; (v) enhancement of differences and equality of treatment for all persons;
3. review the general approach of the annual sustainability report and the articulation of its contents, as well as the completeness and transparency of the communication provided to stakeholders through the same report, expressing an opinion to the Board of Directors called to approve this document;
4. review the 'non-financial information' provided for by Legislative Decree No. 254, dated December 30, 2016, ascertaining: (i) the completeness of the areas covered; (ii) the complexity of the material analysis underlying it; (iii) the adequacy of the planning and reporting regulatory instruments, as well as the internal control system for managing non-financial information; (iv) completeness and transparency of the information released, as well as the use of reporting standards, through maximum integration in the Directors'

- Report, expressing an opinion to the Board of Directors called to approve this document;
5. monitor the implementation of the sustainability vision approved by the Board of Directors and propose the actions necessary to determine the stakeholder value generated by the Company, contributing to the definition and adoption of a measurement model;
  6. monitor the Company's positioning with respect to the financial markets vis-à-vis sustainability issues, with particular reference to: (i) sustainable finance (i.e. green bonds); (ii) the relationship with ESG rating agencies; (iii) participation and inclusion in sustainability indices;
  7. monitor initiatives aimed at local communities and evaluate their social and environmental impact, issuing a prior opinion on the Community Initiatives Plan to the Board of Directors called to approve that document;
- (b) monitoring the development of national and international laws and best practices in relation to corporate governance and updating the Board of Directors in the event of any significant changes thereto; activities concerning the monitoring of regulations and suitability assessment are supported by the General Counsel, Contract Management and Governance function of the Company, which provides the necessary information to the Committee;
  - (c) checking the compliance of the Company's and the Group's corporate governance system with the law, with the recommendations contained in the Corporate Governance Code and with national and international best practices; activities concerning the monitoring of regulations and suitability assessment are supported by the General Counsel, Contract Management and Governance function of the Company, which provides the necessary information to the Committee;
  - (d) formulating proposals to the Board of Directors for improvements to the aforementioned corporate governance system, where it deems these to be either necessary or appropriate;
  - (e) preparing a Board Review, submitting proposals to the Board of Directors regarding the appointment of a specialist company to carry it out, identifying the issues that should be the subject matter of the review and defining the methods and time frames for the procedure;
  - (f) examining in advance the annual report on corporate governance to be published contemporaneously with the financial statements;
  - (g) making recommendations to the Board of Directors regarding the maximum number of board memberships a Company Director may hold on the administration and control bodies of other companies listed on regulated markets, finance, banking and insurance companies or, at any rate, companies of significant dimensions, which can be considered compatible with the efficient performance of his/her duties as a Director of the Company;
  - (h) carrying out an analysis to ascertain whether Directors meet the requirements of independence and honourability;
  - (i) making recommendations to the Board of Directors vis-à-vis any problematic circumstances arising in relation to application of the Director's non-competition obligation pursuant to Article 2390 of the Italian Civil Code, in cases where, for reasons of an organisational nature, the shareholders have authorised a general, advance waiver of said obligation;
  - (j) formulating opinions to the Board of Directors regarding the size and composition of the Committee itself, and making recommendations on the professional profiles whose presence on the Board is deemed to be expedient;
  - (k) reviewing scenarios for the preparation of the Company's Strategic Plan, expressing an opinion to the Board of Directors.

In 2018 until May 3, 2018, the Corporate Governance Committee and Scenarios convened twice, with meetings lasting an average of 1 hour and 45 minutes and attended on average by 100% of members. Since May 3, 2018, the Sustainability, Scenarios and Governance Committee met on five occasions, with meetings lasting an average of 1 hour and 13 minutes and attended on average by 93.75% of members.

The Chairman of the Board of Statutory Auditors attended all meetings.

The Chairman of the Committee provides information to the Board of Directors on Committee activities and topics discussed after the latest Board of Directors meeting, at the earliest Board meeting possible.

The Regulations of the Sustainability, Scenarios and Governance Committee, approved by the Board of Directors at their meeting of June 28, 2018, are posted on the Company's website.

In 2018 until May 3, 2018, the Corporate Governance Committee and Scenarios dealt with the following main issues:

- review of the Annual Report 2017 by the Italian Corporate Governance Committee of Borsa Italiana (5<sup>th</sup> Report on the Compliance with the Italian Corporate Governance Code) and review of Saipem's situation;
- evaluation of the 2017 Board Review;
- opinion of the Board of Directors regarding the size and composition of the Board and recommendations on the professional profiles required in the Board is deemed to be expedient;



- benchmark review of cumulation of offices that can be held in administrative and control bodies and recommendations to the Board of Directors on the maximum number of Directorships and auditorships that can be held in the same bodies;
- sustainability vision;
- Board Review of Cluster 'A' companies;
- Non-financial statement: preliminary review of the organisational structure and the management and control system for the purposes of the non-financial statement;
- Review of the draft document 'Corporate Governance and Shareholding Structure Report 2017';
- Review of the draft document 'Sustainability Report 2017';
- Review of the draft Consolidated Non-Financial Statement.

In 2018 since May 3, 2018, the Sustainability, Scenarios and Governance Committee dealt with the following main issues:

- review of the 'Saipem Modern Slavery Statement 2017';
- analysis of Group companies and branches;
- board review of the Board of Directors: proposal to the Board of Directors to identify: (i) requisites for the selection of the consultant; (ii) companies to be invited to tender and (iii) methods of implementation of the board review;
- Saipem sustainability rating and monitoring of its Environmental, Social, Governance positioning towards financial stakeholders;
- internal control over non-financial reporting and sustainability;
- priority of the Sustainability function;
- new provisions of the Corporate Governance Code introduced in July 2018;
- analysis of strategic guidelines of Saipem Divisions;
- review of the document 'Tackling Climate Change';
- results of the materiality analysis 2018 in terms of sustainability.

In 2019, as of the date of this Report (March 11, 2019), the Committee has already met twice.

## Risk management system and internal control over financial reporting

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

In accordance with the provisions of the law, the Officer responsible for the Company's Financial Reporting is responsible for the internal control system over financial reporting and, to this aim, establishes the administrative and accounting procedures necessary for drafting the periodic accounting documentation and any other financial notification; moreover, he/she certifies, together with the CEO, their adequacy and actual implementation during the period to which the aforementioned accounting documents refer, by means of an appropriate report on the annual financial statements, on the half-yearly financial statements and on the consolidated annual financial statements. Pursuant to Article 154-*bis* of Legislative Decree No. 58/1998, the Board of Directors ascertains whether the Officer responsible for Financial Reporting has appropriate powers and means to perform the assigned duties, in addition to supervising the actual conformity to these procedures.

The 'Guidelines on internal controls over financial reporting' were approved by the Board of Directors on October 29, 2007, and later amended by the Management System Guideline 'Internal Controls over Corporate Reporting - Rules and Procedures' approved by the Board of Directors on December 13, 2011; on December 14, 2015, the Board of Directors approved the latest update of the Management System Guideline. These documents 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. On January 26, 2015, with the support of the Audit and Risk Committee, the Board of Directors approved an updated version of the Management System Guideline - Internal Control and Risk Management System focusing on four main topics:

- the creation of a model for the establishment and implementation of the Internal Control and Risk Management System;
- definition of the model detailing the relationship between Saipem SpA and its subsidiaries for the purposes of the Internal Control and Risk Management System;
- definition of the model detailing information flows that allow the Board of Directors of Saipem SpA to evaluate the Internal Control and Risk Management System;
- implementation of the first optimisation measures.

These regulations and methodologies have been designed in accordance with the provisions of the aforementioned Article 154-*bis* of Legislative Decree No. 58/1998 and based on the CoSO

Report ('Internal Control - Integrated Framework' published by the Committee of Sponsoring Organisations of the Treadway Commission - 1992, updated in May 2013).

In accordance with international accounting principles, the Management System Guideline 'Internal Controls over Corporate Reporting' applies to Saipem SpA and to all subsidiaries both in Italy and abroad, 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 this Management System Guideline 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 debt, net revenues, and profits before taxation) and their relevance in terms of processes and specific risks<sup>14</sup>. 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 calculation of items featured in the financial statements which are 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 achievement of the control objectives for financial reporting. 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 fraud<sup>15</sup>, using a methodology based on the 'Anti-fraud Programmes and Controls' included in the Management System Guideline '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.

In May 2013, the Committee of Sponsoring Organisations of the Treadway Commission (CoSO) updated the framework for the internal control system (so-called 'CoSO Framework') used as a reference by Saipem for its own Internal Control over Financial Reporting.

Main amendments made to the CoSO Framework were aimed at:

- implementing changes in business and associated risks (i.e. evolution of IT systems since the first publication of the CoSO Report in 1992);
- identifying criteria for the definition, implementation and evaluation of the control system;
- placing increased attention on targets for operations, compliance and non-financial reporting (sustainability, transparency, integrity).

In the new version of the CoSO Report, the five components of the Internal Control System framework (control environment, risk assessment, control activities, IT systems and information flows, and monitoring activities) are unchanged. However, the new version has detailed 17 principles whose existence and correct implementation are essential to ensure the effective operation of the single components of the internal control system.

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

(14) Companies subject to internal controls include those incorporated under and regulated by non-EU member state legislations, for which the provisions of Article 15 of Consob Market Regulations apply.

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

organisational and regulatory structures that guarantee the achievement of financial reporting objectives (for instance the review and updating by specific departments of rules relating to the preparation of financial statements and charts of accounts); the component 'Information and communication' includes management controls over the consolidation process.

Process level controls are divided into specific controls, which are identified as all activities, both manual and automated, aimed at preventing, identifying and correcting errors and irregularities occurring during operational 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 operational 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 function and by an external consultant, in accordance with an audit plan provided by the Officer responsible for the Company's Financial Reporting, 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/or '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 operational effectiveness of controls.

The work of the Officer responsible for the Company's Financial Reporting is supported by various departments within Saipem, whose responsibilities and tasks are set out in an ad-hoc regulatory document. 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.

## Bodies involved in the Internal Control and Risk Management System

Saipem is committed to promoting and maintaining an adequate Internal Control and Risk Management System<sup>16</sup> consisting of a set of tools, organisational structures, Company rules and regulations aimed at safeguarding the Company's assets, the efficiency and effectiveness of Company operations, the reliability of financial reporting and compliance with the laws and regulations of the Articles of Association and Company procedures. The structure of Saipem's internal control system constitutes an integral part of the Company's organisational and management model; it involves – with different roles – administrative bodies, supervisory bodies, control bodies, the management and all personnel, and complies with the principles contained in the Code of Ethics and the Corporate Governance Code, the applicable regulations, the relevant 'CoSO Report' framework and national and international best practices.

The main industrial risks that Saipem faces and is actively monitoring and managing are as follows:

- the HSE risk associated with the potential occurrence of accidents, malfunctions, or failures with injury to persons and damage to the environment and impacts on operating and financial results;
- the country risk during operations;
- project risks associated with the development of projects.

Additional information regarding these risks is illustrated in the Annual Report 2018, under the section 'Risk management'.

The main responsibilities of the Internal Control and Risk Management System are entrusted to Saipem bodies and organs equipped with the necessary powers, tools and structures to pursue its objectives.

Saipem is aware that adequate processes for the identification, measurement, management and monitoring of main risks contribute towards ensuring sound and proper Company management in line with the strategic objectives set out by the Board of Directors. Saipem promotes a

(16) The Board of Directors of Saipem SpA on January 26, 2015 updated the Guidelines of the Internal Control and Risk Management System.

preventive approach to risk management whereby the management's decisions and activities aim to reduce the probability of negative events occurring and their associated impact. To this end, Saipem adopts risk management strategies in accordance with the nature and type of risk, such as mainly financial and industrial risks in addition to certain strategic and operational risks associated with the specific nature of the Company's operations.

Saipem is committed to guaranteeing the integrity, transparency, fairness and efficiency of its processes through the adoption of adequate tools, rules and regulations in performing activities and exercising powers, and promotes rules of conduct inspired by the general principles of traceability and segregation of activities. Indeed, Saipem's management – also on the basis of the risks managed – established specific control activities and monitoring processes aimed at ensuring the internal control system's efficacy and efficiency over time. In line with this approach, Saipem has long been committed to favouring the development and diffusion of awareness towards internal control issues amongst all the Company's personnel. In this context, Saipem manages the receipt, through easily-accessible information channels, analysis and processing of notification it receives from its subsidiaries, even in confidential or anonymous form (so-called whistle-blowing), relating to internal control issues, financial reporting, the Company's administrative responsibility, fraud or other matters<sup>17</sup>.

The internal control system is regularly verified and updated, so as to consistently guarantee its ability to monitor the main risk areas of the Company's activities, in relation to the specific nature of the Company's operational Divisions and organisational structure, and in response to possible changes within the legal and regulatory framework.

## The Board of Directors

The Board of Directors plays a key role with regard to internal control matters, as it defines the guidelines of the organisational, management and accounting structure of the Company, its main subsidiaries and the Group as a whole; in this context, after analysing the proposals of the Audit and Risk Committee, the Board determines the nature and level of risk commensurate with the Company's strategic objectives and the guidelines for the Internal Control and Risk Management System, so as to guarantee that the major risks affecting the Company and its subsidiaries are identified, measured, managed and monitored. In defining these guidelines, the Board applies the sector regulations and takes into due consideration the reference models and national/international best practices. At their meeting of February 13, 2012, the Board of Directors confirmed its role in guiding and evaluating the adequacy of the Internal Control and Risk Management System.

Lastly, the Board assesses – on an annual basis and with the assistance of the Audit and Risk Committee – the adequacy, effectiveness and actual functionality of the Internal Control and Risk Management System as a whole, in relation to Saipem's characteristics. During the meeting held on March 11, 2019, the Board of Directors was presented with the following reports:

- report by the Officer responsible for the Company's Financial Reporting on the evaluation at December 31, 2018 of the internal controls over financial reporting, which closes by stating: *'In light of the outcome of monitoring activities, in line with indications of shortcomings, the internal control system over financial reporting in force as of December 31, 2018, is deemed to be adequate and does not present any relevant (material) shortcomings for the purposes of Article 154-bis of Legislative Decree No. 58/1998'. This statement also takes into consideration:*
  - *points of emphasis reported by the Officer responsible for Financial Reporting concerning the following issues: management override of controls; check and balance - PAC/BU for the Project Control function; ERSAI;*
  - *quantitative/qualitative impacts of shortcomings, both individually and on aggregate, that came to light from monitoring activities';*
- assessment by the Director of Internal Audit dated March 8, 2019 (included in the Report by the Audit and Risk Committee on activities carried out in 2018) which closes by stating: *'Based on:*
  - *the assessments expressed in the annual report by the Director of Internal Audit as at December 31, 2017 issued on March 2, 2018 and in the half-yearly report by the Director of Internal Audit as at June 30, 2018 issued on July 20, 2018;*
  - *activities carried out by Saipem Internal Audit Function during the reference period, compensating controls and improvement measures implemented and/or in progress due to observations of the Internal Control and Risk Management System highlighted by the Saipem's Internal Audit Function;*
  - *main developments of the Internal Control and Risk Management System, also with reference to the organisational structure of the Saipem Group for the year 2018, including the programme 'Towards a new organisational structure' (Empowerment of Divisions);*

(17) Saipem fully guarantees the protection of persons that report any issues in good faith, and submits the results of the preliminary investigation to the Company's management and to the relevant control and supervisory bodies.

- *fraud and potential fraud that have been ascertained during the year;*
  - *results of the assignment awarded to PricewaterhouseCoopers Advisory SpA with regard to the adequacy of the design of the Internal Control and Risk Management System, the Internal Control System over Financial Reporting and Model 231 in place as at December 1, 2018, with reference only to the processes impacted by the corporate reorganisation approved by the Board of Directors on July 6, 2018 and concerning measures aimed at giving greater autonomy to the Divisions (Empowerment of Divisions);*
  - *results of the assignment awarded to PricewaterhouseCoopers Advisory SpA with regard to the adequacy of the design of the Internal Control and Risk Management System, the Internal Control System over Financial Reporting and Model 231 in place as at December 1, 2018, with reference to guidance and control measures implemented by the Company to mitigate the risk of 'management override of controls' of top management positions (i.e. the Chief Executive Officer and persons reporting directly to him);*
  - *the conclusions expressed in the most recent Reports by the Compliance Committee of Saipem SpA, by the Audit and Compliance Committees of Cluster A and B companies and in the Report by the Officer responsible for the Company's Financial Reporting, available as of the date of this Report;*
  - *the six-monthly reports by the Process Owners and by the Sector Process Representatives, within their respective area of competence, regarding the adequacy and overall consistency of the current regulatory body for coordination and control, including the exact certification by the Process Owner regarding the adequacy of the design of their own MSG;*
  - *no circumstance emerged, as of the date of this Report, such that caused Saipem's Internal Control and Risk Management System to be deemed altogether inadequate;*
- report by the Audit and Risk Committee dated March 8, 2019 (which encloses the list of internal and external evaluations supporting the conclusions of the Committee) that closes by stating:
- *'... as of the date of this Report, taking into account our investigations and based on the information received, no circumstances emerged such that caused the Internal Control and Risk Management System (SCIGR) of Saipem SpA to be deemed altogether inadequate. This opinion is based: (i) on the information relating to the activity carried out by the previous Committee; (ii) on the activities performed and on information acquired by the management during the meetings held from May 16 to the date of this Report; (iii) on the evidence and assessments contained in the Reports issued, as far as their respective competence is concerned, by the Director of Internal Audit of Saipem SpA, by the Officer Responsible for the Company's Financial Reporting and by the Compliance Committee of Saipem SpA; and (iv) on the Opinions issued by the Consultants appointed by the management of the Company, the Committee and the Board of Directors on specific topics discussed with during the year';*
- report by the Compliance Committee dated January 28, 2019, which closes by stating *'Over the period of this Report and as far as the Committee is concerned at present and based on updates received relating to Teampeg communications as of the date of this Report, no elements have emerged which caused Model 231 of Saipem SpA to be deemed inadequate, nor its associated operating procedures'.*

The Board of Directors has noted the opinions expressed in the aforementioned reports and considered the organisational, administrative and accounting structure of the Company to be adequate.

## Director responsible for the Internal Control System

In compliance with the provisions contained in the document 'Management System Guidelines - Internal Control and Risk Management System', the Board of Directors appointed, in 2015 the CEO as the officer responsible for maintaining a functional Internal Control System.

The CEO identifies 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; implements the guidelines for the Internal Control and Risk Management System approved by the Board; and is responsible for amending this system to suit the dynamics of the operating conditions and legislative and regulatory frameworks; provides the Board of Directors with the necessary information to fulfil its responsibilities, explaining the system for the identification, monitoring and management of risks, the relevant procedures, standards and Company departments.

The CEO also has the power to request that the Internal Audit function carry out audits on specific operational areas and/or ascertain adherence to internal corporate procedures, reporting their findings to the Chairman of the Board of Directors, the Chairman of the Audit and Risk Committee and the Chairman of the Board of Statutory Auditors. The Internal Audit function also promptly informs the Board of Directors of problems and critical issues that may emerge while fulfilling its responsibilities or that it became aware of, so that the Board may take appropriate action.

## The Board of Statutory Auditors

The Board of Statutory Auditors, given its role of 'Committee for internal control and auditing' pursuant to Italian Legislative Decree No. 39/2010 (as amended by Legislative Decree No. 135/2016), supervises:

- 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, of the Internal Control and Risk Management System, and the administrative/accounting system, as well as the reliability of the latter to provide a fair reflection of business operations;
- the implementation of corporate governance regulations contained in the Corporate Governance Code issued by Borsa Italiana to which the Company adheres;
- the adequacy of directions given by the Company to its subsidiaries pursuant to Article 114, paragraph 2, of Legislative Decree No. 58/1998;
- 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;
- the procedure to be applied for the appointment of external audit firms.

## Audit and Risk Committee

The Audit and Risk Committee assists the Board of Directors in fulfilling its responsibilities vis-à-vis the Internal Control and Risk Management System. Specifically, it assists in setting guidelines for the Internal Control and Risk Management System and periodically checks that it is adequate and operates effectively. The Committee oversees Internal Audit activities.

The Committee assists the Board of Directors with consulting and advisory functions, as well as through appropriate preliminary activity, in carrying out its duties in relation to the Internal Control and Risk Management System, as well as those regarding the approval of the periodic financial reports.

In addition, the Committee – which has been detailed by the Board of Directors to perform a number of the functions provided for by the applicable legislation on transactions with related parties – is called upon to examine certain transactions and express an opinion on them, based on the relevant procedures in place.

## Director responsible for the Internal Audit function

The Director responsible for the Internal Audit function, Luigi Siri, has held this position since March 10, 2015. He reports hierarchically to the Board of Directors and, on its behalf, to the Chairman of the Board, except for those duties that fall under the remit of the Audit and Risk Committee and the CEO, in his capacity as Officer responsible for the Internal Control and Risk Management System. At the Chairman's proposal in agreement with the Director responsible for the Internal Control System, subject to the favourable opinion of the Compensation and Nomination and the Audit and Risk Committees, the Board of Directors set the remuneration of the Director responsible for Internal Audit function, based on the choice of compensation positioning as well as with the more general compensation strategy applicable to managerial resources in similar roles.

The Director responsible for the Internal Audit function is responsible for overseeing that the Internal Control and Risk Management system is fully operational and effective; he is not responsible for any operative area. The Audit and Risk Committee oversees the functions of the Internal Audit function vis-à-vis the relevant Board of Directors' responsibilities, monitoring and ensuring that these are fulfilled while maintaining the necessary conditions of independence, autonomy, adequacy, effectiveness and efficiency. The Director responsible for Internal Audit function reports to the Board of Statutory Auditors in its capacity as 'internal control and audit committee' pursuant to Article 19 of Legislative Decree No. 39/2010, as amended by Legislative Decree No. 135/2016.

The Director responsible for Internal Audit function has the powers to enter into contracts for consultancy and professional services, having access to adequate 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 11, 2019, the Head of Internal Audit function released the Annual Report on the most salient activities carried out by Saipem's Internal Audit function (covering the period January 1- December 31, 2018, containing information up to the date of issue) and expressed his opinion on

the suitability of the Control and Risk Management System based on the monitoring activities carried out during the reference period.

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

The Internal Audit function assists the Board of Directors, the Audit and Risk 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 function are: (i) supervise the verification of the Risk Management and Internal Control System operation and appropriateness in Saipem SpA and in its subsidiaries, also supporting the evaluations by relevant company control bodies, through the integrated planning of audit and Model 231 compliance interventions and the execution of interventions, including the unplanned ones, and the monitoring of implementation of corrective measures; (ii) ensure specialised support to the Management on risk management and internal control fields in order to facilitate the effectiveness, the efficiency and the integration of controls within company processes; (iii) ensure the independent monitoring actions in accordance with internal control models adopted by the Company; (iv) ensure the management of preliminary investigation activities in relation to submissions, also anonymous; (v) ensure the activities related to the assignment of tasks to Independent Auditors and the administrative management of relationships with them; (vi) ensure support to the Audit and Risk Committee of Saipem SpA, also in respect of its secretariat duties, and to the Board of Statutory Auditors in ensuring that they receive the information necessary to carry out their duties; (vii) maintaining relations and ensuring proper information flows with the Compliance Committee, the Audit and Risk Committee and the Board of Statutory Auditors.

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

The Director responsible for Internal Audit and the Internal Audit function have full access to all data, documents and information required to carry out their duties.

## Risk Management and Business Integrity

In order to strengthen the independence of the Company's business integrity system and to further focus on the work carried out in analysis and continuous improvement of Saipem's compliance system through the integrated management of a wider Risk Management system, on January 27, 2017, the Board of Directors approved the creation of a new Risk Management and Business Integrity function, reporting directly to the CEO and with the Business Integrity function directly under it.

The Directors of both the Risk Management and Business Integrity and Business Integrity functions are appointed by the CEO.

The Business Integrity function has the following responsibilities of compliance:

- provide legal advice and assistance to Saipem and its subsidiaries on administrative/social corporate responsibility and on Anti-Corruption laws/policies;
- exercise the functions of Anti-Corruption Legal Support Unit in accordance with the relevant corporate procedures;
- ensure, for issues in its remit, the monitoring of the overall system aimed at guaranteeing the compliance with applicable national and international laws on administrative/social corporate responsibility and on Anti-Corruption laws/policies;
- define, for what is in its remit, directions, operative standards and approaches in order to guarantee an homogeneous development of legal activities within Saipem and its subsidiaries, optimising the sharing and diffusion system;
- ensure the development and availability of appropriate professional skills and contribute in the definition and management of Saipem and its subsidiaries legal policies, with references to subjects in its remit;
- ensure the evaluation of results achieved by the control activities carried out by the relevant company functions/departments, contributing to address possible structural corrective measures;
- carry out the duties connected with the Technical Secretariat of the Compliance Committee of Saipem SpA and as the manager responsible for 231 Teams to update the Model.

Furthermore, the Risk Management and Business Integrity function was given the responsibility of ensuring the methodological direction and assistance to the Compliance Committees of Saipem Group companies.

The following are detailed hereafter: the Risk Management process, the organisational Model,

pursuant to Legislative Decree No. 231/2001 / Compliance Committee, and Anti-Corruption procedures.

### Risk Management

The Board of Directors of Saipem SpA, at their meeting of July 30, 2013, had approved, with the prior opinion of the Audit and Risk Committee, the 'Integrated Risk Management Principles'. The Risk Management process (hereafter RM) includes a systematic and structured risk prevention approach, which through the identification, assessment, management and monitoring process for major risks, contributes to supporting informed decision-making as well as, where possible, transforming the major risks into opportunities and competitive advantage for the Company. Saipem, on the basis of the principles approved by the Board of Directors, developed and implemented the Integrated Risk Management Model, which forms an integral part of the internal control and Risk Management System.

The Model, developed in accordance with international principles and best practices<sup>18</sup>, is intended to provide both a comprehensive and summary vision of company risks, to ensure greater consistency in the methods and instruments used to support risk management, and to strengthen the belief at all levels that adequate assessment and management of risks of different natures can influence the achievement of Company objectives and affects its value.

The Model comprises the following elements:

- (i) Risk Governance: the main framework of roles, responsibilities and information flows used in the management of main company risks; for these risks the reference model has roles and responsibilities over three levels of control<sup>19</sup>;
- (ii) Process: all activities, through which the various actors identify, measure, represent and monitor main risks which could affect the achievement of Saipem's objectives;
- (iii) Reporting: gathers Risk Assessment findings highlighting main risks in terms of probability and potential impact, and associated treatment plans.

Within the Risk Governance, are the following bodies:

- the Advisory Committee, chaired by the CEO and comprised of Saipem's top management, has a consultative role towards the CEO vis-à-vis main topics including the evaluation of main risks faced by the Group and the identification of guidelines for their management;
- the Risk Management and Business Integrity function (renamed in 2018 Risk Management, Supply Chain and Business Integrity), reporting directly to the CEO, is responsible for the development and maintenance of Saipem's risk management system, aimed at identifying, analysing, treating and monitoring company risks at enterprise and industrial level, consistent with the guidelines set forth by the Board of Directors in terms of Internal Control and Risk Management system. Since 2017, Risk Management activities have been organised in line with the current Saipem industrial and organisational structure launched as part of the 'Fit For the Future 2.0' programme. In particular, the new organisation comprises within the Corporate structure the functions 'Enterprise Risk Management' and 'Industrial Risk Monitoring and Reporting', reporting directly to the Director of the Risk Management and Business Integrity Function. These functions exercise direction and control at Group level on the processes under their remit that are implemented through divisional risk management functions, responsible for the Risk Management, Enterprise and Industrial activities for each Division. During 2018, the 'Risk Management and Business Integrity' Function was given the role of guiding and controlling Supply Chain activities, previously assigned to a Managerial Committee chaired by the CEO - and therefore the function was renamed 'Risk Management, Supply Chain and Business Integrity'. With particular reference to risk management activities, the organisation provides within the Corporate structure the 'Enterprise Risk Management' and the 'Industrial Risk and Supply Chain Monitoring and Reporting' functions, reporting directly to the Director of the Risk Management, Supply Chain and Business Integrity Function, which exercises direction and control at Group level on the processes under his/her remit, implemented through divisional risk management functions.

The Risk Management, Supply Chain and Business Integrity function ensures: (i) development and management of the Enterprise Risk Management System, which is aimed at identifying, analysing, treating and monitoring company risks that may hinder the achievement of company objectives; (ii) the enterprise risk assessment process aimed at identifying, evaluating and treating main risks, in conjunction with Saipem functions and business areas; (iii) the implementation of industrial risk management methodology and tools for projects, both during the commercial and the execution phase, and more in general for all Saipem initiatives; (iv) the presentation of results on main risks and the related processing plans to the Advisory Committee and to the Administration, Control and Compliance Bodies.

As part of the Risk Management, Supply Chain and Business Integrity function, the Enterprise Risk Management (ERM) process consists of four sub-processes:

(18) Refer to the CoSO Report.

(19) Includes the Risk Management functions.



- 1) Guidance in Risk Management;
- 2) Risk Assessment;
- 3) Top risks monitoring;
- 4) Reporting.

With reference to the 'guidance in risk management' sub-process, Saipem's Board of Directors, with the prior opinion of the Audit and Risk Committee, defines the Risk and Internal Control Management System policies so that major risks are correctly identified, as well as correctly measured, managed and monitored. Moreover, Saipem's Board of Directors, as part of its duties and management role, determines, with the prior opinion (even in the form of negative assurance) of the Audit and Risk Committee, the degree of compatibility of such risks with the strategic objectives of the Company. Accordingly, Saipem's Board of Directors examines the status of Saipem's major risks at least every six months, as presented by the CEO, taking into account the characteristics of the Company and specific risk profile of each business area and single process, so as to implement an integrated risk governance policy.

The 'risk assessment' sub-process defines main risks and associated remedial actions. Depending on the strategic objectives defined by the Business Area, functions/organisational units are identified that are expected to contribute significantly to their achievement. Hence, using a top-down approach, the so-called 'Risk Owners' are held responsible for identifying and assessing, managing and monitoring the major risks under their responsibility, as well as any related remedial actions.

Specifically, the risk assessment activity aims at identifying and describing the main events that could affect the achievement of business objectives. It assesses risks that have been identified and provides information on which strategies and measures need to be implemented to address them. Finally, following the risk assessment process, the most appropriate strategies are defined on how to avoid, accept, reduce and share such risks.

The 'top risks monitoring' sub-process ensures the monitoring of major risks and the related treatment plans.

Specifically, monitoring of top risks allows the: (i) identification of the improvement areas and critical issues for the management of major risks; (ii) analysis of these risks trend and identification of any additional treatment, also considering the adjustment and development of risk management models; (iii) timely identification and communication of new risks. Performance of the monitoring activities is documented to ensure its traceability and checking the availability of information and data obtained, as well as their repeatability.

Finally, the 'reporting' sub-process ensures the reporting of activities relating to the sub-processes 'risk assessment' and 'top risks monitoring' to the Advisory Committee and other management, control and compliance bodies. Specifically, in order to support the Company's decision-making process, periodic risk assessment findings and monitoring data are submitted to the Advisory Committee, chaired by the CEO. The latter brings them to the attention of the Board of Directors, so that they may evaluate, at least once a year, the suitability and effectiveness of the Internal Control and Risk Management System based on Saipem's characteristics, risk profile and compatibility with Company objectives. As part of the RM process, during the first half of 2018, an annual risk assessment cycle was launched. The evolution of the internal/external context and Saipem's strategy formed the basis for the identification, shared by the management, of strategic lines of action and mitigation/management measures for main risks identified by the assessment. The findings of this annual risk assessment cycle were presented to the Board of Directors on July 17, 2018. During the second half of 2018, an up-to-date analysis was carried out of Saipem's major risks and their identification, assessment and remedial criteria reviewed. The findings of this analysis were presented to the Board of Directors on December 13, 2018.

### **Organisational Model, pursuant to Legislative Decree No. 231/2001 / Compliance Committee**

On March 22, 2004, the Board of Directors approved for the first time the 'Organisational, Management and Control model, pursuant to Legislative Decree No. 231/2001' and established a Compliance Committee. The Model constitutes a tool for the prevention of administrative liability of entities pursuant to the aforementioned Legislative Decree No. 231/2001.

In May 2008, the Vice-Chairman and CEO began the process to align Model 231 with the new corporate organisation, which led to the Board of Directors approving, on July 14, 2008, the 'Model 231/2001 (which includes the Code of Ethics)' specific to Saipem SpA.

Subsequently, following the introduction of new legislative provisions affecting the implementation of Legislative Decree No. 231/2001 and the outcome of specific project, Model

## **THE ENTERPRISE RISK MANAGEMENT PROCESS**



231 was updated, taking into consideration the new legislative provisions, as well as all the internal organisational changes of Saipem SpA.

A further version of Model 231 of Saipem SpA (both the general and the special part) was approved by the Board of Directors on January 15, 2018, stemming from a general review of Model 231 and a risk assessment of all crimes contemplated under Legislative Decree No. 231/2001, which have been included as part of the Implementation Programme launched by the CEO of Saipem SpA on July 28, 2016, as per chapter 7 of Model 231.

Following the analyses carried out on the organisational structure adopted by the Company in July 2018 and the legislative changes that occurred after January 15, 2018 (date of the previous Board approval of Model 231), the Board of Directors of the Company, on March 11, 2019, approved the last update of Model 231 (which includes the Code of Ethics).

The Boards of Directors of all subsidiaries have adopted their own Organisational, Management and Control Models, containing the Code of Ethics, and also setting up their own Compliance Committees.

Furthermore, in order to improve corporate governance and increase efficiency in monitoring the compliance of Saipem Group subsidiaries, in 2014, a new risk-based classification system was introduced, dividing companies into the following four clusters:

- 'A' highly strategic subsidiaries;
- 'B' strategic subsidiaries and holdings;
- 'C' other operational subsidiaries;
- 'D' non-operational subsidiaries.

Therefore, new rules were introduced regulating Compliance Committees' composition in accordance with the aforementioned classification. It is noted that the Compliance Committee of Cluster 'A' companies also performs the function of the Board of Statutory Auditors.

In 2016, the then Corporate Governance Committee and Scenarios, having taken into account the opinions of the Audit and Risk Committee and of the Compensation and Nomination Committee, proposed to the Board of Directors the adoption of new criteria for the appointment of Directors at Cluster 'A' companies, i.e. the Board of Directors is to be comprised of 5 members, two of which are also members of the Audit and Compliance Committee.

The Compliance Committee reports on the implementation and adequacy of Model 231 and/or critical issues that may have arisen, and informs on the outcome of activities carried out as part of their remit. The Compliance Committee reports as follows: on an ongoing basis to the CEO, who informs the Board of Directors as part of the duty of disclosure of delegate powers; six-monthly to the Board of Directors, to the Audit and Risk Committee and to the Board of Statutory Auditors; in this case a Six-Monthly Report is produced detailing activities and audits carried out during the period, as well as new legislative provisions on matters concerning the administrative liability of legal entities.

In 2018, the Compliance Committee convened on 14 occasions to carry out its role of monitoring the effectiveness and adequacy, as well as the implementation and updating of Model 231, and its function as Guarantor of the Code of Ethics (paragraph 4.2.1 of the Code of Ethics). Its activities focused on:

- systematic and periodic monitoring of legal proceedings involving Saipem, requesting regular updates from the relevant Company functions tasked with following their evolution;
- co-ordination with the functions responsible for Internal Control, those supporting the activities of the Compliance Committee, and those responsible for critical or relevant processes;
- organisational changes implemented and/or desirable in view of legal changes (new offences) and changes in the Company's organisation;
- management of notification received, also in its capacity as Guarantor of the Code of Ethics;
- activities involving information, divulgation and training through tailored initiatives.

On January 27, 2017, the Board of Directors, at the CEO's proposal and in agreement with the Chairman, having consulted the Audit and Risk Committee and received the opinions of Board of Statutory Auditors and the Compensation and Nomination Committee, had resolved to update the composition of the Compliance Committee by appointing: Angelo Casò (Chairman, external member), Mario Casellato (external member), Alessandro Riva, Luigi Siri and Mario Colombo.

The Compliance Committee remains in office for the same period as the Board of Directors that appointed it.

On January 15, 2019, the Board of Directors, at the CEO's proposal and in agreement with the Chairman, having consulted the Audit and Risk Committee and received the opinions of Board of Statutory Auditors and the Compensation and Nomination Committee, resolved to update the composition of the Compliance Committee by appointing: Renato Rordorf (Chairman, external member), Angelo Caso' (external member), Francesca Pedrazzi (external member), Simona Livia Rasini (internal member, Head of the Business Integrity function) and Luigi Siri (internal member, Director for the Internal Audit function). Mario Colombo – General Counsel, Contract Management, Company affairs and Governance – acts as the Secretary of the 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 additional detailed internal procedures aimed at preventing the corruption of both Italian and foreign public officials, by improving the current compliance system. Specifically, the Board adopted the 'Anti-Corruption Compliance Guideline' and complementary procedures relating to due diligence activities on third parties. These documents refer to international conventions on anti-corruption and are also in line with international best practices. These procedures were approved by the Board of Directors of all Saipem subsidiaries; at associated companies, Saipem's representatives on the Boards of Directors informed that these anti-corruption procedures had been adopted at corporate level and formally requested that the principles contained therein be adopted through similar ad-hoc procedures.

Furthermore, several years ago Saipem set up an internal 'Anti-Corruption Unit Legal Support Unit' to provide Saipem employees with legal support in matters of anti-corruption.

On April 23, 2012, following a review of internal existing regulation and the issue of new anti-corruption legislation, Saipem's Board of Directors approved a new procedure, the Management System Guideline 'Anti-corruption', which annulled and replaced the 'Anti-Corruption Compliance Guideline'.

On June 30, 2015, Saipem issued the latest revision of the 'Anti-corruption' Management System Guideline, rolled out to all Saipem personnel. The Management System Guideline 'Anti-Corruption' has been adopted by all Saipem subsidiaries through a Board of Directors' resolution.

Saipem's compliance and corporate governance systems in terms of anti-corruption regulations also provides for Anti-Corruption Regulatory instruments, aimed at preventing risks relating to areas and subjects that are particularly prone to corruption. Specifically, these include:

1. whistleblowing reports, anonymous or otherwise;
2. gifts, entertainment and hospitality expenses;
3. joint venture contracts - prevention of illegal activities;
4. contractual clauses concerning the administrative liability of legal entities for unlawful administrative acts deriving from offences;
5. anti-corruption provisions included in Saipem internal regulatory documents governing Saipem sales or acquisitions;
6. no profit and local community initiatives;
7. appointment of external lawyers;
8. purchase of third-party consultancy, supply and professional services;
9. sponsorship contracts;
10. anti-corruption provisions included in Saipem internal regulatory documents governing personnel recruitment;
11. missions and out-of-office services;
12. anti-corruption provisions included in Saipem internal regulatory accounting documents;
13. anti-corruption provisions included in Saipem internal regulatory documents governing the selection of Covered Business Partners;
14. relations with Public Officials and Relevant Private Bodies.

The aforementioned themes have been reviewed in light of the principles and updates contained in the aforementioned 'Anti-corruption' Management System Guideline and are constantly updated.

## External Auditors

The legal audit of Saipem's financial statements is entrusted – pursuant to the law – to an external audit company registered in the Consob special registry and appointed by the Shareholders' Meeting, upon a reasoned proposal by the Board of Statutory Auditors. The current external auditors are EY SpA, whose mandate was approved by the Shareholders' Meeting of April 26, 2010, for the financial years 2010-2018.

The financial statements of subsidiary companies are also subject to audit; these are carried out mostly by EY SpA.

With regard to the opinion on the consolidated financial statements, EY SpA is responsible for the audits carried out at subsidiary companies by other external auditors.

The external auditors have full access to all data, documents and information required to carry out their duties.

On May 3, 2018, the Shareholders' Meeting resolved to entrust the legal audit of the Financial Statements for the years 2019-2027 to the external audit company KPMG SpA.

## Officer Responsible for the Company's Financial Reporting

Pursuant to Article 21 of Articles of Association and Article 154-*bis* of Legislative Decree No. 58/1998, the Board of Directors, having heard the opinion of the Board of Statutory Auditors, having consulted the Compensation and Nomination Committee and the Audit and Risk Committee, and at the Chairman's proposal and in agreement with the CEO, appoints an Officer responsible for the Company's Financial Reporting, selected from individuals who have carried out the following for at least three years:

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

The Board of Directors ensures that the Officer responsible for the Company's Financial Reporting is granted adequate powers and has sufficient means to carry out their duties; the Board also ascertains that the administrative and accounting procedures are adhered to. The Officer responsible for the Company's Financial Reporting has the power to sign contracts, should they deem it necessary, for the provision of intellectual work and professional services up to the sum of €750,000 per contract, without budget restrictions.

The Board of Directors at their meeting of June 7, 2016, having received the positive opinion of the Board of Statutory Auditors and positive assessment from the Compensation and Nomination Committee, appointed Mariano Avanzi, Manager for Planning, Administration and Control, as the Officer responsible for the Company's Financial Reporting, pursuant to Article 154-*bis* of Legislative Decree No. 58/1998. The Board of Directors ascertained that Mr. Avanzi met the criteria of professional competence and good repute required by the Articles of Association, which are reviewed annually.

## Coordination of bodies involved in the Internal Control and Risk Management System

Saipem's Board of Directors assesses, twice yearly, the adequacy, efficacy and effective workings of the Internal Control and Risk Management System, with respect to the characteristics of the business and the risk profile assumed, with reference to the Company consistently with the Company's objectives.

As stated earlier in this Report, the Board of Directors appointed the CEO as the person responsible to set up, maintain and co-ordinate an efficient Internal Control and Risk Management system, and ensure its constant adequacy and efficiency with the support of the Audit and Risk Committee and the Director responsible for Internal Audit. The CEO implements the guidelines approved by the Board of Directors on matters concerning the Internal Control and Risk Management System.

The CEO has the power to request that the Internal Audit function carry out audits on specific areas of operation, and ensure adherence to internal regulations and procedures involving Company transactions and operations; of this, he notifies the Chairman of the Board of Directors, the Chairman of the Audit and Risk Committee and the Chairman of the Board of Statutory Auditors; the CEO reports promptly to the Audit and Risk Committee (or the Board of Directors) any critical issues or problems that emerged during this activity or that he has become aware of, so that the Audit and Risk Committee (or the Board of Directors) may take appropriate action.

The Audit and Risk Committee assists the Board of Directors with consulting and advisory functions, as well as through appropriate preliminary activity, in carrying out its duties in relation to the Internal Control and Risk Management System, as well as those regarding the approval of the periodic financial reports. The Director responsible for Internal Audit acts as the Secretary and supports the Audit and Risk Committee in performing its duties.

The Chairman of the Board of Statutory Auditors, or a statutory auditor designated by him/her, attends Committee meetings. Other statutory auditors may also participate. The Chairman may, from time to time, invite the Director responsible for the Internal Control and Risk Management System, the CFO, the Officer responsible for the Company's financial reporting and/or other members of the Board of Directors or of Company functions, or third parties, to attend the meetings of the Committee, when their presence might help the Committee improve the performance of its duties.

All information required by the Board of Directors to assess the Internal Control and Risk Management System is reviewed by Saipem's Audit and Risk Committee, which carries out all preparatory activities and reports directly to Saipem's Board of Directors, as part of its periodic reporting, by issuing specific opinions.

All information is shared also through specific meetings, at which the Committee gathers:

- information on the Internal Control and Risk Management System related to Company processes;
- periodic reports of the Compliance Committee, including in its capacity as Guarantor of the Code of Ethics;
- the results, periodic reports and indicators of Internal Audit activities;
- investigations and examinations conducted by third parties regarding the Internal Control and Risk Management System;
- the reports pursuant to the Compliance and Governance Models adopted in connection with the applicable laws; reporting of risks; statements on the adequacy of the regulatory system made by the various process owners or sector representatives; review of the HSE model; other information required by corporate procedures;
- the information made available by the General Counsel, Contract Management, Company Affairs and Governance and/or the competent Functions, with particular reference to information relating to the monitoring of the legal risk and the risk of non-compliance;
- information relating to problems and critical points emerging during the monitoring of the Internal Control and Risk Management System put forward by the Director in charge of the Internal Control and Risk Management System.

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

The Audit and Risk Committee reports to the Board of Directors, at least half-yearly, regarding the work performed and the adequacy (even in the form of negative assurance) of the Internal Control and Risk Management System.

The Internal Audit function carries out independent and objective assurance and consulting activities aimed at improving Saipem's efficiency and effectiveness. The Internal Audit Function supports the Company's functions and management and control bodies in accomplishing their objectives by providing a systematic, disciplined and value-adding approach in order to evaluate and improve the effectiveness of risk management, control and governance processes.

The main duties of the Internal Audit function include the assignment of duties to and the administrative management of relations with the external auditors, notwithstanding the responsibilities of the Board of Statutory Auditors in their capacity as Committee for Internal Control and Legal Audit. It ensures that information is shared with the Compliance Committee, the Audit and Risk Committee and the Board of Statutory Auditors. The Audit and Risk Committee oversees the Internal Audit function.

## Directors' and Statutory Auditors' 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 obliged 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 issued by Borsa Italiana SpA, on November 24, 2010, Saipem's Board of Directors had unanimously approved the procedure 'Interests held by Board Directors and Statutory Auditors and transactions with related parties', effective from January 1, 2011. From that date, the latter had superseded the procedure 'Code of Practice Regulating Operations with Related Parties' approved by the Board of Directors on July 7, 2003.

In the exercise of its functions vis-à-vis transaction with related parties, the Audit and Risk Committee, comprised wholly of independent Directors pursuant to the Corporate Governance Code and the aforementioned Regulation, has expressed a preliminary opinion in favour of the adoption of this procedure.

On March 13, 2012, the Board of Directors updated the procedure after its first year of application and taking into account the ensuing operational requirements.

On June 27, 2016, having received the unanimous favourable opinion of the Audit and Risk Committee in the exercise of its functions vis-à-vis transaction with related parties, comprised entirely of independent Directors, the Board of Directors updated the procedure, taking into account the new operational requirements and the intervening changes to Saipem controlling bodies. An internal operational procedure has also been issued aimed at further regulating activities, roles and responsibilities of all parties involved in the procedure itself.

On April 23, 2018, the Board of Directors resolved a further update of the procedure, subject to the unanimous favourable opinion of the Audit and Risk Committee, in the exercise of its

functions vis-à-vis transaction with related parties, comprised entirely of independent Directors. The proposed changes were required by the need to implement the findings that emerged after both the annual audit by the Internal Audit and the Supply Chain Committee, to make the purchasing process more efficient and to extend access to the database of Related Parties to additional personnel in order to better monitor the counterparty verification process. The Board of Directors, at the same meeting, also resolved to prepare an update of the internal operating procedure 'Transactions involving interests held by Board Directors and Statutory Auditors and transactions with related parties - role and responsibilities of Signing Officers' to regulate the procedures for activating and disabling access to the database.

At their meeting of January 15, 2019, the Board of Directors updated the procedure taking into account the operational requirements and the best practices that emerged, subject to the opinion of the Control and Risk Committee, in the exercise of its functions vis-à-vis transactions with related parties, identified by the Board as the committee called to issue the opinion required by Article 4, paragraph 3, of the Consob Related Parties Regulation (Related Parties' Committee). The internal operating procedure 'Transactions involving interests held by Board Directors and Statutory Auditors and transactions with related parties - role and responsibilities of Signing Officers' has been updated accordingly.

The Management System Guideline (MSG) 'Transactions involving interests held by Board Directors and Statutory Auditors and transactions with related parties' sets out the principles and rules that Saipem and its subsidiaries must comply with in order to ensure the transparency and substantial and procedural fairness of transactions with related parties or with parties involving the interests of Directors and Statutory Auditors of Saipem, entered into by the Company or its subsidiaries.

The procedure 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 the transactions.

Specifically, the Board of Directors reserves the right to approve transactions of greater importance, subject to the Audit and Risk Committee<sup>20</sup> being in favour, in the exercise of its functions vis-à-vis Transaction with Related Parties and in its composition as per current legal provisions in terms of Transaction with Related Parties (Related Parties' Committee), having been involved in negotiations and having received complete and timely information. For transaction of lesser importance, the Audit and Risk Committee, in the exercise of its functions vis-à-vis Transaction with Related Parties, expresses a reasoned, albeit not binding, opinion on the interest the Company may have in a transaction and the expedience and substantial fairness of its terms. The procedure 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 and Risk Committee<sup>21</sup>, in its composition as per current legal provisions in terms of Transaction with Related Parties (Related Parties' Committee). In terms of the duty of information to the public, Saipem's procedure reflects the provisions of Consob Regulation in full.

The procedure envisages a specific discipline regulating transactions in which a Board Director or Statutory Auditor may hold an interest, on their own behalf or on behalf of a third party; the procedure details the checks and evaluations required in the preparatory and approval stages, as well as the reasons for the transactions involving a vested interest by a Director or a Statutory Auditor, notwithstanding the requirement of a reasoned opinion issued by the Audit and Risk Committee<sup>21</sup>, in the exercise of its functions vis-à-vis Transactions with Related Parties and in its composition as per current legal provisions in terms of Transactions with Related Parties (Related Parties' Committee), when a transaction requires approval by the Board of Directors.

The new procedure defines timeframes, responsibilities and verification tools by the interested parties, in addition to the flows of information required for the correct application of the procedure.

Board Directors, Statutory Auditors, General Managers 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. They also declare potential significant relations for the purposes of the identification of related parties (for example, close relatives).

(20) The composition is stated in the paragraph 'Management and Control System': 'With regard to the provisions of the applicable legislation on Transactions with Related Parties, the Audit and Risk Committee comprises, in addition to the independent and non-related members of the Committee, of another non-related and independent Director chosen on the basis of seniority'.

(21) Refer to note 14.

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.

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.

In 2018, the CEO provided periodical updates to the Board of Directors and the Board of Statutory Auditors of transactions entered into with related parties.

## The Board of Statutory Auditors<sup>22</sup>

### Composition, appointment and functions of the Board of Statutory Auditors

The Board of Statutory Auditors, pursuant to Article 149 of Legislative Decree No. 58/1998, monitors: compliance with 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. The Board of Statutory Auditors, in its capacity as the Committee for Internal Audit and the Audit of accounts, carries out the duties provided in Article 19 of Legislative Decree No. 39/2010. Pursuant to the latter, as amended by Legislative Decree No. 135/2016, the Board of Statutory Auditors submits a documented proposal to the Shareholders' Meeting, concerning the granting of auditing responsibilities as well as remuneration for the external auditors, and, in case of revocation of the external auditors' mandate by the Shareholders' Meeting, must be consulted in advance.

Whenever a Statutory Auditor has a vested interest, on their own behalf or on behalf of a third party, in a certain transaction entered into by the Issuer, they shall promptly inform the other Statutory Auditors and the Chairman of the Board of Directors detailing the nature, terms, origin and size of their interests. As part of their remit, Statutory Auditors may ask the Internal Audit function to audit specific areas of business and/or Company operations. The Board of Statutory Auditors and the Audit and Risk Committee can rely on a timely and prompt exchange of information they deem relevant in the fulfilment of their duties.

The Extraordinary Shareholders' Meeting of April 27, 2012 approved amendments to the Articles of Association to guarantee gender balance in the composition of the Board of Statutory Auditors, pursuant to the provisions of Legislative Decree No. 120 dated July 12, 2011, 'Amendments to the Legislative Decree No. 58/1998 on financial intermediation, concerning equal access to the management and control bodies of companies listed on regulated markets' and by Consob Resolution No. 18098 dated February 8, 2012.

The Board comprises three Statutory Auditors and two Alternate Auditors, appointed by the shareholders on April 28, 2017. 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, 2019. The Statutory Auditors perform their office with total autonomy and independence even from the shareholders who elected them (Article 8.P.1 of the Corporate Governance Code). With regard to the remuneration of the Board of Statutory Auditors, the Shareholders' meeting, at the time of their appointment and at the proposal of the Shareholder Eni SpA, set the annual gross remuneration of the Chairman of the Board of Statutory Auditors and of all Statutory Auditors at €70,000 and €50,000 respectively, plus reimbursement of expenses, deeming it fair and in line with the benchmark of comparable companies.

Pursuant to Article 27 of the Articles of Association, Statutory Auditors are appointed from voting lists; one Statutory Auditor and one Alternate Auditor are appointed from the list put forward by the minority Shareholders. The filing, presentation and publication of lists are governed by Article 19 of Articles of Association and Consob regulations vis-à-vis appointments of management and control bodies, the same regulations governing the appointment of members of the Board of Directors.

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. Lists that, considering both sections, present three or more candidates for the appointment of the majority of members to the Board of Statutory Auditors, must include, in the list of Statutory Auditors, candidates of both

(22) The professional résumés of Statutory Auditors are published on Saipem's website [www.saipem.com](http://www.saipem.com) under the section 'Governance'.

genders in order to comply with current gender balance legislation. Should the Alternate Auditors' section feature two candidates, these will have to be of different genders.

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.

Should the procedure for the appointment of Statutory Auditors fail to meet the requirements of regulations on gender balance, the ratio of votes is calculated for each candidate taken from the Statutory Auditors sections of the various lists, by dividing the votes received by each list by the order number of each candidate. The candidate of the most represented gender with the lowest ratio amongst candidates from all lists is replaced, by the candidate from the least represented gender with the higher order number in the same Statutory Auditors section of the list of the replaced candidate, or in the Alternate Auditors section of the same list of the replaced candidate (in this case, the latter replaces as Alternate Auditor who took their place). If by doing so the gender balance legislation is still not met, the candidate is replaced by a person appointed by the Shareholders' Meeting through a majority vote as required by law, so as to ensure that the composition of the Board of Statutory Auditors is compliant with the law and the Articles of Association. If candidates from different lists obtained the same ratio, the candidate from the list which has appointed the greater number of Statutory Auditors is replaced, or the candidate from the list that obtained the fewest votes, or, if votes are equal, the candidate who obtains the fewest votes by the Shareholders' Meeting in an ad-hoc ballot.

If, for any reason, Statutory Auditors cannot be appointed by the aforementioned procedures, the Shareholders' Meeting shall see to the appointments through a majority vote as required by law, so as to ensure that the composition of the Board of Statutory Auditors is compliant with the law and the Articles of Association.

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. If the replacement fails to meet gender balance requirements, the Shareholders' Meeting must be called promptly to ensure compliance with this legislation.

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

Pursuant to Article 27 of the Articles of Association, lists may be presented by voting shareholders who, individually or with others, hold voting shares representing at least to 1% of the ordinary share capital.

Lists enclose declarations by each candidate stating that they meet the integrity and independence requirements (see Article 148, paragraph 3 of Legislative Decree No. 58/1998) provided by law alongside their professional résumé.

The Board of Statutory Auditors comprises the following members: Mario Busso (Chairman) appointed from the minority list, Giulia De Martino (Statutory Auditor), Riccardo Perotta (Statutory Auditor) and Maria Francesca Talamonti (Alternate Auditor) appointed from the majority list and Francesca Michela Maurelli (Alternate Auditor) appointed from the minority list.

The personal and professional résumés of Statutory Auditors are published on [www.saipem.com](http://www.saipem.com) under the section 'Governance'.

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 No. 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 also applies to Board Directors), the Board of Statutory Auditors assesses annually, through their own declarations, that all its members meet the independence requirements.

In 2018, the Board of Statutory Auditors assessed the suitability of members and the adequate composition of the body, vis-à-vis the requirements of professional skills, competence, integrity and independence required by the legislation.

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



For this purpose, amongst others, the Board of Statutory Auditors has a Secretary. This role is held by Simone Negri, senior manager of Saipem SpA.

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

The Board of Statutory Auditors liaised closely with the Internal Audit function and the Audit and Risk Committee, attending Committee meetings and carrying out various joint meetings, some of which were also attended by the Director of the Internal Audit function.

The Chairman of the Board of Statutory Auditors (or other Statutory Auditor designated by the latter) attends the meetings of the Sustainability, Scenarios and Governance Committee and of the Compensation and Nomination Committee.

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

The Board of Statutory Auditors of Saipem SpA convened 29 times during 2018, with meetings lasting on average 5 hours and 50 minutes. Meetings were attended by an average of 91.96% of Statutory Auditors, while Board meetings were always attended by an average of 94.44% of members of the Board of Statutory Auditors.

In 2019, as of the date of this report (March 11, 2019), the Board of Statutory Auditors has already met on 7 occasions.

In 2018, the Board of Statutory Auditors carried out numerous specific audit and control activities relating to the following areas of: (i) compliance with the law and the deed of incorporation; (ii) compliance with the principles of good administration; (iii) adequacy and efficiency of the organisational structure, of the internal accounting system and the administrative/accounting system, the reliability of the latter to provide a fair reflection of business operations, and the general integrity of the financial reporting process; (iv) methods of completion of corporate governance regulations adopted by the Company; (v) the adequacy of directions given by the Company to its subsidiaries pursuant to Article 114, paragraph 2 of Legislative Decree No. 58/1998; (vi) the implementation of the procedure for the selection of the external audit firm; (vii) the implementation of the procedure for the preparation of the 'Consolidated Non-Financial Statements', pursuant to Legislative Decree No. 254 dated December 30, 2016.

Based on information received by the management and having carried out their checks, the main activities carried out by the Board of Statutory Auditors in 2018 included:

- approval of the Annual Audit Plan;
- monitoring of the Integrated Risk Assessment System;
- review and evaluation of results of Internal Audit activities;
- meetings with the Company's top financial managers, the partner of the external Auditors to review the main items of the annual financial statements and interim reports;
- acknowledging the measures implemented by the Company to comply with Legislative Decree No. 231/2001, paying particular attention to the compliance, training and analysis of sensitive processes, as well as the updating of Model 231 of Saipem SpA (which includes the Code of Ethics) and associated enclosures;
- monitoring the preparation, publication, verification and compliance of the 'Consolidated Non-Financial Statements' pursuant to Legislative Decree No. 254 dated December 30, 2016;
- monitoring the organisational structure and power allocation at the basis of the decision-making process within the Saipem Group;
- periodic analysis of notification, even in confidential or anonymous form (whistle-blowing), that are received by Saipem, assessing their contents and proposed corrective measures;
- monitoring the actual application of the procedure adopted by the Company on related parties' transactions;
- review of the periodic reports by the Compliance Committees of main strategic subsidiaries;
- holding specific Annual Meetings dedicated to a mutual exchange of information with the Audit & Compliance Committees of the most strategic foreign subsidiaries, where a governance model is applied, which: (i) in the last quarter of 2016, saw the introduction of Audit and Compliance Committees in the Board of Directors of Cluster 'A' subsidiaries, comprised of two members: an external member who is the Chairman of the Audit and Compliance Committee and a professional internal member; (ii) and in 2017, the classification of subsidiaries was updated, increasing the number of the most strategically important Cluster A subsidiaries to 8 and reviewing the criteria for the composition of the administrative bodies of Cluster 'B', 'C' and 'D' companies, as well as the criteria for the appointment of their Compliance Committees;
- maintaining an adequate flow of information with Consob vis-à-vis the audit activities performed by the Board of Statutory Auditors;
- constant monitoring of ongoing judicial proceedings, fiscal assessments and request for information submitted by Supervisory Authorities, in addition to internal audits put in place by the Company, with the support of external consultants, where necessary;
- constant monitoring of the detailed analysis process launched by the Board of Directors, as part of the preparation of the 2019-2022 Strategic Plan;

- review of the updated version, if any, of the Shareholders' Agreement between the two main Shareholders Eni SpA and CDP Equity SpA (formerly Fondo Strategico Italiano SpA) dated October 27, 2015, last published in May 2017, pursuant to Article 130 of Consob Issuers Regulation No. 11971/1999. The Board of Statutory Auditors ascertained that, on April 5, 2018, Eni SpA and CDP Equity SpA proposed a joint list of candidates to the position of Directors for the renewal of the Board of Directors to be approved at the Saipem Shareholders' Meeting convened for May 3, 2018, as set forth in the existing Shareholders' Agreement between the two companies;
- overseeing the procedure for the appointment of the external audit firm for the legal audit over the period 2019-2027, as approved by the Shareholders' Meeting on May 3, 2018, based on the proposal put forward by the Board of Statutory Auditors;
- supervising the introduction of the new organisational structure approved by the Company in July 2018, aimed at significantly widening the autonomy of the five operating Divisions;
- monitoring of the additional elements of change that have occurred in the governance and organisational structure of the Company, with particular reference to:
  - (a) the appointment of the new CFO, Stefano Cavacini, on October 1, 2018 with effect from November 15, 2018;
  - (b) the resignation of the non-executive and non-independent Director Leone Pattofatto on October 4, 2018 and the subsequent co-optation of the new Director Pierfrancesco Latini by the Board of Directors on December 5, 2018.

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.

Giulia De Martino, Riccardo Perotta (Statutory Auditors) and Maria Francesca Talamonti (Alternate Auditor) were nominated jointly by Eni SpA and CDP Equity SpA, obtaining 63.50% of the voting capital; Mario Busso (Chairman) and Francesca Michela Maurelli (Alternate Auditor) were nominated by Institutional Investors obtaining 2.27% of the voting capital.

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.

#### **MARIO BUSSO**

**(Chairman) selected from the list put forward by Institutional Investors**

Statutory Auditor of Way SpA and Suissa SpA; Chairman of the College of Auditors of 'Compagnia di San Paolo'; Legal auditor of Quasar SpA; Chairman of the Board of Statutory Auditors of the Cepav Uno Consortium and Cepav Due Consortium.

#### **RICCARDO PEROTTA**

**(Statutory Auditor) put forward jointly by the shareholders Eni SpA and CDP Equity SpA**

Board Director of Mittel SpA (listed company<sup>23</sup>); Chairman of the Board of Statutory Auditors of Cassa Lombarda SpA, Molmed SpA (listed company<sup>23</sup>); Statutory Auditor of Boeing SpA.

#### **GIULIA DE MARTINO**

**(Statutory Auditor) put forward jointly by the shareholders Eni SpA and CDP Equity SpA**

Board Director and member of the Related Parties' and Compensation and Nomination Committees of Elettra Investimenti SpA (listed company<sup>24</sup>); Chairman of the Board of Statutory Auditors of Novasim SpA in liquidation; Statutory Auditor of Tim SpA (listed company<sup>25</sup>), Armònia SGR SpA, e-geos SpA, Eni Trading & Shipping SpA, Raffinerie di Gela SpA, Agi SpA, EniAdfin SpA and Autostrade per l'Italia SpA; Member of the Audit Committee of Credito Cooperativo Interprovinciale Veneto in l.c.a., Valore Italia Holding di Partecipazioni SpA and Independent Private Bankers Sim SpA.

#### **MARIA FRANCESCA TALAMONTI**

**(Alternate Auditor) put forward jointly by the shareholders Eni SpA and CDP Equity SpA**

Board Director of Elettra Investimenti SpA (listed company<sup>24</sup>); Sole Director of Bramito SPV Srl, Convento SPV Srl, Vette SPV Srl, New Levante SPV Srl, Ponente SPV Srl; Chairman of the Board of Statutory Auditors of BasicNet SpA (listed company<sup>23</sup>), Servizi Aerei SpA; Statutory Auditor of Costiero Gas Livorno SpA, DigiTouch SpA (listed company<sup>24</sup>), Musinet Engineering SpA, PLC SpA (listed company<sup>23</sup>), Raffineria di Milazzo S.c.p.A., PS Parchi SpA, Zetema progetto Cultura Srl; Member of the Board of Auditors of FIN - Federazione Italiana Nuoto; Alternate Auditor of Unicredit SpA (listed company<sup>23</sup>), Armonia SGR SpA, PS Reti SpA, Eni Fuel SpA, Agenzia Giornalistica Italiana SpA, Eniservizi SpA, Sirti SpA, MBDA Italia SpA, Sigemi Srl.

(23) Company listed on the FTSE Italia Small Cap.

(24) Company listed on the FTSE AIM Italia - formerly Mercato Alternativo del Capitale (MAC).

(25) Company listed on the FTSE Mib.

**FRANCESCA MICHELA MAURELLI**

**(Alternate Auditor) put forward jointly by the shareholders Eni SpA and CDP Equity SpA**

Sole Director of Cosmo SPV Srl, Corallo SPV Srl, Resloc IT Srl; Statutory Auditor of Acque Blu Fiorentina SpA, Am.e.a. SpA; Alternate Auditor of Acea Energia SpA, Acquedotto del Fiora SpA, AReti SpA, PLC SpA (formerly Industria e Innovazione SpA - listed company<sup>26</sup>); Auditor of Fitetrec Ante - Federazione Italiana Turismo Equestre.

## 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, Vincenzo Maselli Campagna. Information of interest is posted on Saipem's website ([www.saipem.com](http://www.saipem.com)) or can be requested via email from: [investor.relations@saipem.com](mailto:investor.relations@saipem.com).

The Company Affairs and Governance function maintains relations with the Shareholders, answering their requests and providing clarification and/or Company documentation through dedicated IT channels.

Information of interest to Shareholders is posted on Saipem's website or can be requested via email from: [segreteria.societaria@saipem.com](mailto:segreteria.societaria@saipem.com).

The Sustainability, Identity and Corporate Communication department, headed by Gaetano Colucci, reports directly to the CEO and is responsible for defining strategies and guidelines for external communication, and from 2017 also for Sustainability, developing the Company's image and maintaining relations with institutional investors at both national and international level.

Every January, Saipem discloses to the public, and publishes on its website, its financial calendar detailing the main financial events for the current year. In 2019, the disclosure took place, as usual, through a press release published on December 14, 2018.

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](http://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 accurate, comprehensive, transparent, timely and non-selective is stated in the Code of Ethics, which identifies the values it applies in its business operations and 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 (Legislative Decree No. 27 of January 27, 2010) and legal audit of accounts (Legislative Decree No. 39 of January 27, 2010). Further amendments to the Articles of Association, on which the Company must express a choice, were approved by the Extraordinary Shareholders' Meeting convened on May 4, 2011. At their meeting of March 13, 2013, the Board of Directors amended the Articles of Association, specifically Articles 11, 13 and 19, to reflect the new provisions of Legislative Decree dated June 18, 2012 (so-called 'Corrective Decree') which in turn amended Legislative Decree No. 27 of January 27, 2010 (implementing EU Directive on 'Shareholders' Rights'). Please refer to the section hereafter 'The Shareholders' Meeting'. As regards the rights of shareholders, following the issue of EU Directive 2017/828/EU by the European Parliament and Council, amending Directive 2007/36/EC governing long-term shareholders commitment, for which member States are required to issue the necessary laws, regulations and administrative provisions to comply with the aforementioned Directive by June 10, 2019, the Company is monitoring the evolution of the relevant regulatory framework to ensure the implementation of the necessary instruments to meet the needs of shareholders.

The documentation relating to the General Shareholders' Meeting of May 3, 2018 was posted on the Company's website [www.saipem.com](http://www.saipem.com), as well as information on the share capital and the relevant directions on how to exercise the following Shareholders' rights: the right to submit questions prior to the meeting, adding items to the meeting agenda, voting by proxy utilising either the appropriate section of the Company's website or delegating a designated representative, methods for the presentation of lists for the appointment of the management bodies.

(26) Company listed on the FTSE Mib.

No questions were received prior to the Shareholders' Meeting of May 3, 2018, pursuant to Article 127-ter of Legislative Decree 58/1998.

## The Shareholders' Meeting

The Shareholders' Meeting represents the institutional meeting point of the Company's Board of Directors 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 Market Abuse Regulations.

The functions of the ordinary Shareholders' Meeting are regulated by Article 2364 of the Italian Civil Code, with the exception of those matters for which the Board of Directors is responsible, in accordance with Article 20 of the Articles of Association.

The Shareholders' Meeting of January 30, 2001 approved the Shareholders' Meetings regulations (posted on Saipem's website [www.saipem.com](http://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 Legislative Decree No. 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 provisions of law in terms of Shareholders' rights (Legislative Decree No. 27 of January 27, 2010). At the proposal of the Board of Directors dated March 8, 2011, the Extraordinary Shareholders' Meeting, on May 4, 2011, also approved amendments to the Articles of Association of a non-normative nature, which, pursuant to Legislative Decree No. 27 of January 27, 2010 ('Shareholders' Rights'), are at the Company's discretion.

Specifically, these 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 their 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 Legislative Decree No. 59/1998, for the 2018 General Shareholders' Meeting, the Company appointed Mr. Dario Trevisan as Shareholders' Representative, whom the Shareholders may confer a proxy free of charge with voting instructions on one or more proposals on the agenda.

At the proposal of the Board of Directors of March 13, 2012, the Extraordinary Shareholders' Meeting of April 27, 2012 approved amendments to the Company's Articles of Association required to comply with new gender regulations aimed at ensuring gender balance in Boards of Directors and Control Bodies of listed companies (Legislative Decree No. 120 of July 12, 2011, and Consob Regulation No. 18098 of February 8, 2012). These amendments meant that Articles 19 and 27 were modified and a new Article 31 added.

At their meeting of March 13, 2013, the Board of Directors amended the Articles of Association, specifically Articles 11, 13 and 19, to reflect the new provisions of Legislative Decree dated June 18, 2012 (so-called 'Corrective Decree') which in turn amended Legislative Decree No. 27 of January 27, 2010 (implementing EU Directive on 'Shareholders' Rights'). Now Shareholders representing at least one fortieth of the share capital may submit resolution proposals on items already on the General Shareholders' Meeting agenda, under the same terms and deadlines currently used for presenting additions to the meeting agenda (Article 126-bis of Legislative Decree No. 58/1998). These amendments are of a purely normative nature and can be approved by the Board of Directors pursuant to Article 20 of the Articles of Association and Article 2365, paragraph 2, of the Italian Civil Code.

The Extraordinary Shareholders' Meeting held on December 2, 2015 resolved to eliminate the par

value of ordinary and savings shares, and amend Articles 5 and 6 of the Articles of Association accordingly. The meeting also approved the proposal to increase the share capital for cash, in one or more tranches, for a maximum overall amount (including share premium, if any) of €3,500 million, through the issue of ordinary shares with the same characteristics and entitlement as ordinary shares of Saipem SpA currently in circulation, with no par value, to be offered in option to current holders of Saipem ordinary or savings shares pro-rata to the number of shares they own, pursuant to Article 2441, paragraph 1, of the Italian Civil Code, and amend Article 5 of the Articles of Association accordingly. This operation was completed on February 23, 2016.

The Extraordinary Shareholders' Meeting of April 28, 2017 approved the reverse stock split of Saipem shares, in the ratio of one new ordinary share for every 10 existing ordinary shares, and one new savings share for every 10 existing savings shares, with prior cancellation of a minimum number of savings shares for the sole purpose of numerically balancing the transaction and the amendment of Article 5 of the Articles of Association. The reverse stock split was carried out within the timeframes and modalities agreed with Borsa Italiana SpA and the other relevant authorities, successfully closing on May 22, 2017.

The Extraordinary Shareholders' Meeting also approved several formal amendments to the Articles of Association, namely Articles 7, 12, 19, 21, 22 and 27 – to comply with the changes that had been made to the relevant regulations and also to the fact that Saipem is no longer subject to the direction and coordination of another listed company.

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, made public 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 General Shareholders' Meeting of May 3, 2018 was attended by the then Chairman Paolo Andrea Colombo, the CEO Stefano Cao and all the serving Directors and Statutory Auditors.

With regard to the share performance, please refer to the paragraph 'Saipem SpA share performance' in Saipem's Annual Report.

## Saipem Corporate Governance additional practices

In 2018, the in-depth study launched in 2013 of corporate governance best practices continued with the aim of further reviewing, with the aim of continuous improvement, the corporate governance of the Saipem Group, in light of the recent reorganisation into Divisions launched in May 2017.

### Activities carried out in previous years

For the sake of completeness, a description is provided below:

#### *From 2013 to 2016*

Activities focused on the governance of foreign Group companies, improving on the actions adopted since 2013:

- 1) preparation of a matrix of authorisation of Saipem SpA, branches, subsidiaries and their branches, with a review of processes and activities considered highly sensitive;
- 2) review of the procedure for the appointment of Board Directors of subsidiary companies;
- 3) review of regulations and criteria used to determine the composition of Compliance Committees at foreign subsidiaries through the implementation of a dedicated governance model. This Model provides that Group companies are segmented based on risk identification criteria in order to ensure a tailored approach to proposed solutions.

In 2016, the following initiatives were launched to further improve the corporate governance of foreign Group companies:

- a) within the Board of Directors of the major foreign subsidiaries – so-called Cluster 'A' – setting up Audit and Compliance Committees, comprised of two members, one of whom (the Chairman) is an external independent member. This means the entry into the Board of the audit function, albeit with non-executive powers, in accordance with the so-called one-tier system;
- b) nomination by the Board of Directors of Saipem SpA, at the proposal of the CEO, having obtained the favourable opinions of the Compensation and Nomination Committee and the Audit and Risk Committees, having heard the Board of Statutory Auditors, of the members of the Audit and Compliance Committees to be submitted for approval to the Shareholders' Meeting of the most relevant foreign subsidiaries, in order for them to be appointed on the Boards of Directors of the same companies;
- c) reviewing the number of the most significant foreign subsidiaries, for the purposes of the aforementioned governance regulations;

- d) setting up a Corporate facility within the Risk Management and Business Integrity function to ensure: (i) methodological direction to the Compliance Committees of the companies of the Saipem Group, to facilitate the alignment of processes, instruments and information flows with the development of the procedural system and with benchmark best practices; (ii) technical and specialist assistance to the Compliance Committees on the request of the latter, including in relations with the competent Corporate functions; (iii) the definition and proposal of training plans targeted at candidates for and members of the Compliance Committees in order to ensure the availability of professional competencies suited to the needs of the Group. All of the above shall not affect the independence and autonomy of the Compliance Committees.

Also, in 2016, the analysis initiated in 2015 regarding the organisational position of the Compliance function continued; at the beginning of 2017, Saipem's Board of Directors, at the proposal of the then Corporate Governance Committee and Scenarios, decided to change the name of the Anti-Corruption function to Business Integrity and place it under the leadership of, and reporting to, the CEO - Integrated Risk Management (renamed Risk Management and Business Integrity function, now Risk Management, Supply Chain and Business Integrity), in order to emphasise its independence and seize the synergies resulting from the integrated management of all risks.

Furthermore, the following initiatives on corporate governance were also adopted in 2016:

- 1) the Corporate Governance Committee was renamed Corporate Governance Committee and Scenarios, with an additional preparatory, consultative and advisory role aimed at 'reviewing scenarios for the preparation of the Company's Strategic Plan, expressing an opinion to the Board of Directors;
- 2) the process of identification of the risk appetite was completed as part of the review of the procurement process and execution of contracts;
- 3) during the months of June-July 2016, the powers granted to the Board and those delegated to the CEO were revised to adapt them to: (i) the increased involvement of the Board in the commercial process; (ii) the financial autonomy that Saipem gained after the refinancing operation in January-February 2016; (iii) the adoption of the aforementioned process of appointing the members of the Audit and Compliance Committee at main subsidiaries; (iv) the decisions taken by the Board of Directors in 2016 vis-à-vis the regulations of Board Committees.

#### *In 2017*

On July 24, 2017, the Board of Directors approved the adoption of a contingency plan, to cover sudden and unforeseen events which may prevent the CEO from carrying out his duties.

The governance of the Group's foreign companies was further refined in 2017.

On October 24, 2017, Saipem's Board of Directors approved new criteria for 'clustering', the composition of Boards of Directors and composition of Compliance Committees. In particular, the criteria to be adopted for the composition of the Board of Directors of the subsidiaries were reviewed and integrated through the following actions:

- the review of the size/risk assessment ('clustering') that led to the identification of additional Cluster 'A' companies, which required the implementation of the relevant governance model, i.e. the presence on the Board of Directors of the Audit & Compliance Committee, comprising two members and chaired by an independent external member;
- the review of the process for the appointment of Board members ensuring (i) no hierarchical dependence, i.e. the hierarchical independence of the Chairman, (ii) ensuring the professional solidity of candidates and (iii) that the majority, or at least half of Directors are resident in the country or the area where the Company has its registered office.

The clustering system required the review of the criteria for the appointment of Compliance Committees, in terms of their composition and the maximum number of memberships held in other Compliance Committees.

#### *Activities carried out in 2018*

To pursue a continuous improvement in corporate governance, the following initiatives were undertaken during 2018:

- for the purposes of the Application Criteria 1.C.2 and 1.C.3 of the Corporate Governance Code, to ensure that the Directors can devote the necessary time for the effective performance of their duties, taking into account the commitment connected to their activities and the participation of Directors in the Board Committees, on February 26, 2018, the Board of Directors approved the new guidelines on the cumulation of offices in administrative and control bodies, as well as the guidelines on the size and composition of the new Board of Directors in view of its appointment by the Shareholders' Meeting on May 3, 2018;
- on May 16, 2018, following the appointment of the new Board of Directors, the Sustainability, Scenarios and Governance Committee was set up, replacing the previous Corporate Governance and Scenarios Committee; the powers granted to the Corporate Governance and Scenarios Committee were extended to include sustainability issues;

- following the introduction of organisational measures aimed at widening the autonomy of the Divisions with particular regard to the procurement, commercial and investment processes, as well as the delegation of powers, audits were launched and completed on the control system and on the organisational model pursuant to Legislative Decree 231/2001;
- from 2018, in respect of 2017, the Boards of Directors of main foreign subsidiaries started carrying out annual board reviews and included their findings in the Audit & Compliance Committees' reports<sup>27</sup>;
- in 2019, in respect of 2018, the Boards of Directors of main foreign subsidiaries continued to carry out annual board reviews and included their findings in the Audit & Compliance Committees' reports;
- in light of the new regulations, a comprehensive review of the Management System Guideline (MSG) 'Market Abuse' was carried out to complete the reference regulatory framework, approved by Saipem's Board of Directors in July 2018.

## 'Fit for the Future' programme

The 'Fit For the Future' programme was launched in May 2015, aimed at improving Saipem's efficiency and efficacy in a turbulent market scenario. It started a process of transformation, which strives to redefine Saipem's positioning in terms of costs and performance improvement, enabling the Company to maintain its competitive advantage in a changed market.

The programme in its initial phase (FFF 1.0) involved approximately 160 initiatives with targets focusing on four areas: (i) reordering of geographic presence; (ii) reduction of complexity and redesign of processes; (iii) rationalisation of fleet and assets; and (iv) optimisation of general and overhead costs. Globally, from 2015 to 2017, the programme managed to achieve accumulated savings of approximately €1.7 billion.

In 2016, Saipem's Board of Directors approved the Strategic Plan 2017-2020, which identified the following measures aimed at tackling a particular market context, which experienced a protracted contraction in spending and therefore strong competition, as well as the evolution of technology, resources and processes for our business. These measures were:

- (i) re-focusing the business portfolio;
- (ii) de-risking of operations;
- (iii) optimisation of costs and improved process efficiency;
- (iv) technology and innovation.

To meet these targets, a new industrial and organisational model was adopted through the launch of the dedicated programme, called 'Fit For the Future 2.0', focused on:

- effectiveness, through the implementation of simpler and leaner structures and processes, customised according to the needs of each business and the peculiarities of the relevant markets;
- full accountability through the assignment of all the decision and operational leverages to the positions in charge of business results;
- optimisation of the company configuration through a more flexible model, to pursue strategic operations (alliances, acquisitions, etc.).

In July 2018, a new phase of reorganisation was approved and was made fully operational by the end of the year to ensure the full autonomy of the Divisions in the pursuit of their individually set targets and priorities, placing them in the best position to face the dynamics of the current market and exploit future opportunities with the necessary flexibility.

Saipem's new division-based organisational model, formalised on May 1, 2017, provides:

- a corporate functional structure fulfilling a role of direction and control at Group level, also responsible for managing critical or relevant aspects of corporate governance;
- five Divisions – Onshore E&C, Offshore E&C, Onshore Drilling, Offshore Drilling and XSIGHT – with full responsibility for achieving the results assigned to the business worldwide and equipped with all the decisional, managerial and operational levers necessary to achieve those targets.

As part of the process of consolidating the Divisional model, in 2018 the following objectives of effectiveness, efficiency, simplification, innovation, and rejuvenation were pursued and, both the Divisions and the Corporate structure, identified further specific optimisation initiatives, recording their associated savings in their annual budgets.

Consistently with Fit For the Future 2.0 guidelines, in the second half of 2018 measures were implemented aimed at achieving the full autonomy of the Divisions, through the review of:

- Saipem's powers and proxy system, also updating the powers previously granted to senior management positions;
- operational models and work processes, at the same time strengthening the role of Corporate guidance and control.

(27) The Board Review of Cluster A subsidiaries was completed in the first half of January 2018.

## Events subsequent to year end

No events worthy of note occurred after the end of the financial year 2018.

### Considerations on the letter by the Corporate Governance Committee of Borsa Italiana dated December 21, 2018<sup>28</sup>

The final part of the letter accompanying the 'Annual Report 2018 on the evolution of the Corporate Governance of listed companies - Sixth Annual Report on the Application of the Corporate Governance Code', sent to all Chairmen of Italian listed companies (and for information to their Managing Directors-CEOs and Chairmen of the Board of Statutory Auditors) draws attention to the recommendations made therein, reiterating *'the hope, already expressed last year, that the considerations of the issuer [...] concerning the Committee's four recommendations and the possible planned or undertaken initiatives are reported in the corporate governance report in order to emphasise its constant attention to the quality of the issuer's governance'*.

The Chairman has therefore shared with the Board of Directors and the Board of Statutory Auditors the contents of the document, drawing their attention to the four recommendations made in pages 79 to 83 of the document.

Before drafting this Report, at the proposal of the Chairman of the Board of Directors, the Board Committee Sustainability, Scenarios and Governance Committee, at their meeting of February 26, 2019 attended by the Chairman of the Board of Statutory Auditors, reviewed the 'Annual Report 2018 on the evolution of the Corporate Governance of listed companies - Sixth Annual Report on the Application of the Corporate Governance Code', sent to all Chairmen of Italian listed companies (and for information to their Managing Directors-CEOs and Chairmen of the Board of Statutory Auditors) by the Corporate Governance Committee of Borsa Italiana. The review focused on the recommendations made in the Annual Report 2018, which were brought to the attention of the whole Board of Directors and the Board of Statutory Auditors.

The Sustainability, Scenarios and Governance Committee examined this Corporate Governance and Shareholding Structure Report for compliance with the aforementioned recommendations and, more generally, assessed the Company's compliance to the Corporate Governance Code, at their meetings of October 11, 2018 and February 26, 2019. The conclusions reached by the Sustainability, Scenarios and Governance Committee were shared with the Board of Directors at the meetings held on October 23, 2018 and February 27, 2019.

These conclusions were also confirmed during the Board review: in fact, the consultant appointed by the Board of Directors ascertained that the Board review found a *'strict adherence of the overall functioning of Saipem's Board of Directors and its Committees with the indications and provisions contained: a) in legislative and regulatory provisions applicable to issuers; b) in the Corporate Governance Code for listed companies; c) in the internal regulatory framework adopted by the Company (Articles of Association, Code of Ethics, internal regulations and procedures)'*.

(28) The Corporate Governance Committee of Borsa Italiana.



## Tables

### Table 1. Shareholding structure

#### Share capital distribution at December 31, 2018

	No. of shares	% of share capital	Listed Market/ not listed	Rights and obligations
Ordinary shares	1,010,966,841	99.999%	Computerised Share Trading Market (Mercato Telematico Azionario Italia - MTA)	Dividend / entitled to vote at the Shareholders' Meeting
Shares with multiple voting	-	-	-	-
Shares with limited voting entitlement (savings shares)	10,598	0.001%	Computerised Share Trading Market (Mercato Telematico Azionario Italia - MTA)	Convertible with ordinary shares without time restriction / dividend per share €0.03 higher than ordinary shares / dividend per share up to €0.05 higher than ordinary shares if profits were recorded / not entitled to vote at the Shareholders' Meeting
Shares without voting entitlement	-	-	-	-
Other	-	-	-	-

#### Relevant shareholdings at December 31, 2018

Declarant	Direct Shareholder	% of ordinary capital	% of voting capital
Cassa Depositi e Prestiti SpA	Cassa Depositi e Prestiti SpA	12.55	12.55
Italian Ministry of Economy and Finance	Eni SpA	30.54	30.54

## Structure of the Board of Directors and its Committees

Table 2-A (up to May 3, 2018)

Board of Directors											Corporate Governance Committee and Scenarios			Audit and Risk Committee (also with reference to the functions relating to transactions with related parties)				Compensation and Nomination Committee		
Office	Members	Year of birth	First appointment (1)	In office since	In office until	List (M/m) (2)	Exec.	Non exec.	Indep. purs to CG Code	Indep. purs to DL 58/1998	No. of other offices (3)	(4)	(4)	(5)	(4)	(5)	(4)	(5)	(4)	(5)
Chairman	Paolo Andrea Colombo	1960	1999	Apr. 30, 15	Approval F.S. 2017	M		X			1	16/16	2/2	C						
CEO <sup>Δ</sup>	Stefano Cao	1951	1997	Apr. 30, 15	Approval F.S. 2017	M	X				-	16/16								
Director	Maria Elena Cappello	1968	2015	Apr. 30, 15	Approval F.S. 2017	M		X	X	X	3	13/16							5/5	C
Director	Francesco Antonio Ferrucci	1948	2015	Apr. 30, 15	Approval F.S. 2017	M		X	X	X	-	16/16	2/2	M					5/5	M
Director	Federico Ferro-Luzzi	1968	2014	Apr. 30, 15	Approval F.S. 2017	m		X	X	X	1	16/16							5/5	M
Director	Guido Guzzetti	1955	2014	Apr. 30, 15	Approval F.S. 2017	m		X	X	X	2	15/16	2/2	M	6/6	M	(1/1)	(M)		
Director	Flavia Mazzarella	1958	2015	Apr. 30, 15	Approval F.S. 2017	M		X	X	X	2	16/16			6/6	M	(1/1)	(M)		
Director	Leone Pattofatto	1968	2016	Jan. 21, 16	Approval F.S. 2017	M		X			-	15/16	2/2	M						
Director	Nicla Picchi	1960	2014	Apr. 30, 15	Approval F.S. 2017	m		X	X	X	1	15/16			6/6	C	(1/1)	(C)		
Directors terminated during the year																				
Number of meetings held during the year:									BoD: 16			CGCS: 2			ARC: 6 (1)			CNC: 5		
Minimum <i>quorum</i> required for the presentation of lists by minority shareholders for election of one or more members (pursuant to Article 147-ter of Legislative Decree No. 58/1998): 1%																				

Table 2-B (from May 3, 2018)

Board of Directors											Sustainability Scenarios and Governance Committee			Audit and Risk Committee (also with reference to the functions relating to transactions with related parties)				Compensation and Nomination Committee		
Office	Members	Year of birth	First appointment (1)	In office since	In office until	List (M/m) (2)	Exec.	Non exec.	Indep. purs to CG Code	Indep. purs to DL 58/1998	No. of other offices (3)	(4)	(4)	(5)	(4)	(5)	(4)	(5)	(4)	(5)
Chairman	Francesco Caio	1957	2018	May 3, 18	Approval F.S. 2020	M		X			2	14/14	5/5	C						
CEO <sup>Δ</sup>	Stefano Cao	1951	1997	May 3, 18	Approval F.S. 2020	M	X				-	14/14								
Director	Maria Elena Cappello	1968	2015	May 3, 18	Approval F.S. 2020	M		X	X	X	3	12/14	5/5	M						
Director	Claudia Carloni	1967	2018	May 3, 18	Approval F.S. 2020	M		X			-	12/14	3/5	M						
Director	Paolo Fumagalli	1960	2018	May 3, 18	Approval F.S. 2020	M		X	X	X	1	14/14					(1/1)	(M)	8/8	C
Director	Federico Ferro-Luzzi	1968	2014	May 3, 18	Approval F.S. 2020	m		X	X	X	1	13/14	5/5	M					8/8	M
Director	Ines Mazzilli	1962	2018	May 3, 18	Approval F.S. 2020	m		X	X	X	2	14/14		11/11	C	(1/1)	(C)			
Director	Paul Schapira	1964	2018	May 3, 18	Approval F.S. 2020	m		X	X	X	-	14/14		11/11	M	(1/1)	(M)	8/8	M	
Director	Pierfrancesco Latini	1968	2018	Dec. 5, 18	Approval F.S. 2020	M		X			-	1/1		-	M	(-)	(M)			
Directors terminated during the year																				
Director	Leone Pattofatto	1968	2016	May 3, 18	Oct. 4, 18	M		X			-	9/10		7/8	M					
Number of meetings held during the year:									BoD: 14			SSGC: 5			ARC: 11 (1)			CNC: 5		
Minimum <i>quorum</i> required for the presentation of lists by minority shareholders for election of one or more members (pursuant to Article 147-ter of Legislative Decree No. 58/1998): 1%																				

• The Officer responsible for the Internal Control and Risk Management System.

Δ The Officer mainly responsible for the management of the issuer, i.e. the Chief Executive Officer (CEO).

° Lead Independent Director (LID).

(1) The first year in which a Director has ever been appointed in the Board of Directors of the issuer.

(2) 'M' denotes the list from which a member has been appointed ('M': majority list; 'm': minority list; 'Board of Directors: list presented by the Board of Directors).

(3) Other Directorships or Auditorships held by a Director in other companies listed either in Italy or abroad, and/or in financial, banking, insurance or large companies. Full details of these additional offices are provided inside this Report.

(4) Participation to meetings of the Board of Directors or a Committee (out of the total number of meetings held).

(5) The office of a Director in a Committee: 'C': Chairman; 'M': Member.

**Table 3. Structure of the Board of Statutory Auditors****Board of Statutory Auditors**

Office	Members	Year of birth	First appointment <sup>(1)</sup>	In office since	In office until	List (M/m) <sup>(2)</sup>	Independence purs to CG Code	Attendance to meetings of the Board of Statutory Auditors <sup>(3)</sup>	No. of other offices <sup>(4)</sup>
Chairman	Mario Busso	1951	2011	April 28, 17	Approval of Fin. Stat. 2019	m	X	28/29	-
Statutory Auditor	Giulia De Martino	1978	2015	April 28, 17	Approval of Fin. Stat. 2019	M	X	24/29	2
Statutory Auditor	Riccardo Perotta	1949	2017	April 28, 17	Approval of Fin. Stat. 2019	M	X	27/29	2
Alternate Auditor	Maria Francesca Talamonti	1978	2015	April 28, 17	Approval of Fin. Stat. 2019	M	X	-	5
Alternate Auditor	Francesca Michela Maurelli	1971	2017	April 28, 17	Approval of Fin. Stat. 2019	m	X	-	1
Statutory Auditors terminated during the period									

Number of meetings held during the period: 29

Minimum *quorum* required for the presentation of lists by minority shareholders for election of one or more members (pursuant to Article 148 of Legislative Decree No. 58/1998): 1%

(1) The first year in which a Statutory Auditor has ever been appointed in the Board of Statutory Auditors of the issuer.

(2) 'M' denotes the list from which a member has been appointed ('M': majority list; 'm': minority list).

(3) Statutory Auditors' attendance to meetings of the Board of Statutory Auditors (attendance/number of meetings held during the period of office).

(4) Other Directorships or Auditorships held by a Statutory Auditor pursuant to Article 148-*bis* of Legislative Decree No. 58/1998 and the regulations included in Consob's Issuer Regulations. Full details of these additional offices are provided by Consob on their website pursuant to Article 144-*quinqüesdecies* of Consob's Issuer Regulations.



Headquarters: San Donato Milanese (Milan) - Italy  
Via Martiri di Cefalonia, 67  
Branches:  
Cortemaggiore (Piacenza) - Italy  
Via Enrico Mattei, 20



Società per Azioni  
Share Capital €2,191,384,693 fully paid up  
Tax identification number and Milan, Monza-Brianza, Lodi  
Companies' Register No. 00825790157

Information for Shareholders  
Saipem SpA, Via Martiri di Cefalonia, 67  
20097 San Donato Milanese (Milan) - Italy

Relations with institutional investors  
and financial analysts  
Fax +39-0244254295  
e-mail: [investor.relations@saipem.eni.it](mailto:investor.relations@saipem.eni.it)

Publications  
Relazione finanziaria annuale (in Italian)  
Annual Report (in English)

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

Saipem Sustainability (in English)

Also available on Saipem's website:  
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20097 San Donato Milanese (MI)

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