

# CORPORATE GOVERNANCE AND SHAREHOLDING STRUCTURE REPORT 2019

PURSUANT TO ARTICLE 123-BIS  
OF LEGISLATIVE DECREE NO. 58/1998, APPROVED BY  
THE BOARD OF DIRECTORS ON MARCH 12, 2020  
(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, France, Germany, Greece, Italy, Luxembourg, Malta, Netherlands, 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

### **AFRICA**

Algeria, Angola, Congo, Egypt, Ghana, Libya, Mauritania, Morocco, Mozambique, Namibia, Nigeria, Senegal, 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

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

## GLOSSARY

**Corporate Governance Code/Code:** the current Corporate Governance Code for listed Companies approved by the Corporate Governance Committee and endorsed by Borsa Italiana SpA, ABI, Ania, Assogestioni, Assonime and Confindustria (edition of the Corporate Governance Code dated July 2018, plus the parts already in force contained in the edition dated January 2020).

**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 2019, 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" or "the Company") corporate governance system.

In order to comply with applicable laws and stock market listing standards, in keeping with the recommendations of Borsa Italiana SpA and of the relevant business associations, the Report also furnishes information regarding Saipem's shareholding, its compliance with the corporate governance codes established by institutional bodies and the relevant commitments to observe them, as well as the choices that the Company has made in implementing its governance.

This Report is available at Saipem's headquarters, published on Saipem's website, and sent to Borsa Italiana SpA 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 2019 and has been updated, with respect to specific matters, as of March 12, 2020, the date of the Board of Directors' Meeting that approved it.

The final part of the letter accompanying the "Annual Report 2019 on the evolution of the Corporate Governance of listed companies - Seventh 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.

The Report hopes that the recommendations:

- > "will be the subject of a specific board debate and careful consideration also during the Board Review, to identify possible changes to the governance or to fill any gaps in the application or explanations provided";
- > "be submitted to the control body responsible for supervising the actual methods of implementation of the recommendations of the Code".

The Report also reiterates "the hope, already expressed in the last two years, that the considerations of the issuer [...] concerning the Committee's four recommendations and the possible planned or undertaken initiatives are reported prominently in the next corporate governance report in order to emphasise the constant attention paid by the issuer 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 2019 on the evolution of the Corporate Governance of listed companies - Seventh Annual Report on the Application of the Corporate Governance Code", drawing their attention to the four recommendations made in pages 93 to 98 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 24, 2020 attended by the Chairman of the Board of Statutory Auditors, reviewed the "Annual Report 2019 on the evolution of the Corporate Governance of listed companies - Seventh Annual Report on the Application of the Corporate Governance Code". This review focused on the recommendations made in the Annual Report 2019, which were brought to the attention of the Board of Directors and the Board of Statutory Auditors.

At their meetings of February 24, 2020, the Sustainability, Scenarios and Governance Committee reviewed this Corporate Governance and Shareholding Structure Report and, following this review, 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 meeting held on February 25, 2020.

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 that:

- > "The documentation that was examined and the information that was acquired enabled to ascertain the strict adherence of the overall functioning of Saipem's Board of Directors and its Committees to the indications and requirements contained: (a) in the 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)"; and that
- > "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".

## 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 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. The Company, through its XSIGHT Division, also carries out engineering services through simplified processes and innovative digitalisation models and operates in sectors such as renewable energy, infrastructure, decommissioning and maintenance, modification and operations. Saipem's ability to develop projects in critical and remote areas is ensured by the efficient coordination between the Corporate structure, 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 Saipem Group operates in 70 countries, employing local personnel and a large number of resources from developing countries, totalling approximately 33,000 employees of 120 different nationalities.

## Principles and values

Saipem undertakes to maintain 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 the 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 (Related Parties' Committee).

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 held this office until May 16, 2019. On the same day, the Board of Directors appointed Stefano Cavacini, who has been the Saipem's Chief Financial Officer since November 15, 2018, as the Officer Responsible for the Company's Financial, pursuant to Article 154-*bis* of Legislative Decree No. 58/1998.

## 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). The process of adjustment of the Regulatory System launched in 2017 was concluded in 2019, having aligned the regulatory document framework with the new division-based organisation adopted by Saipem and the subsequent re-engineering of work processes.

Activities were also carried out aimed at the verification of the design of the regulatory framework and alignment with the evolution of the operating models and the Company's organisational structure, the legislative/regulatory and business context, including through the periodic certification by the various process owners and sector referents.

Finally, in 2019, periodic monitoring activities ensured the implementation of regulatory documents by the subsidiaries.

## Sustainability

Sustainability is a current term, but its meaning is not always univocal in terms of linguistic codes.

Saipem recognises four areas of sustainability, which identify the areas of utmost interest, namely: economics and finance; social and personal care, the environment and the ethical-behavioural area.

Saipem's Sustainability Model ("Sustainability Model") has been further strengthened and developed with a view to increasing integration into governance and business processes, as well as to respond to legislative or regulatory requirements (among them, the Company's non-financial information pursuant to Legislative Decree No. 254/2016). The Sustainability Model aims, above all, to provide stakeholders with timely information on material issues for the Company, in order to test their perception and understand their expectations based on which they can contribute to the construction of the corporate strategy.

The pillars of the Sustainability Model remain unchanged as they represent the material issues for the Company: (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 based on:

- a) a corporate mission, 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;
- b) an organisation that assigns roles and responsibilities (for instance setting objectives for executives and management);

but also underpins the definition of processes and the preparation of tools (from the quantification of the shared value generated by the Company to the methodologies for evaluating innovation in backlog projects, to the ever greater integration of risk management and business strategies that guide the Company in the energy transition towards a sustainable business).

In 2019, Saipem's Board of Directors approved the new "Saipem Sustainable" Policy, also published on the Company's website, which sets forth the Company's values on sustainability. In addition to the report "Sustainable Saipem" and the "Consolidated Non-Financial Statement", in June 2019 Saipem published its annual statement pursuant to the UK Modern Slavery Act, regarding the fight against modern forms of slavery.

With regard to the specific governance of sustainability, the Board Committee named "Sustainability, Scenarios and Governance 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, Saipem's Corporate Social Responsibility, the review of scenarios envisaged in the preparation of the strategic plan and the corporate governance of the Company and the Group.

In 2019, this Committee held meetings on sustainability issues on February 26, May 10, November 11 and December 6. In particular, during the year, it monitored the adoption of the provisions contained in Legislative Decree No. 254/2016 for the purposes of the reporting and internal control system aimed at publishing the "Consolidated 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 2019, 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 2019, the Sustainability Management Committee met on February 21, July 10 and November 6 to:

- > discuss the targets achieved in 2018;
- > approve Sustainability targets for 2019;
- > approve a series of initiatives, derived from a structured process of materiality analysis that Saipem has been conducting for eight years through a survey of both external and internal stakeholders (the latter being management and employees), aimed at identifying the issues that are a priority to Saipem. In 2019, this survey also included a benchmark and regulatory analysis, as well as a news and social media analysis, using a dedicated cloud-based platform.

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 Saipem's Sustainability function whose Head, 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 initiative 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. Globally, Saipem also promotes the achievement by 2030 of the United Nations' Sustainable Development Goals (SDGs).

In addition to the awards recently received from various international institutions and bodies, in September 2019, 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 tenth 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 2019, ranking seventh (up from ninth place in 2018) 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.

## 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 March 11, 2019.

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 31, 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 and 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 Livia 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).

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.

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 43.

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.

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 the 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, 2019

### Share capital distribution

At December 31, 2019, 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 30, 2019, the Savings Shareholders' Meeting confirmed Augusto Clerici Bagozzi as their collective representative for three years. He had already been in office for the previous 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, 2019, Saipem holds No. 14,724,205, 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, 2019.

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 Industria SpA	126,905,637	12.55
Capital Research and Management Company (*)	51,056,596	5.05
Eleva Capital SAS	31,027,781	3.07

(\*) Capital Research and Management Company formally notified the Company on February 3, 2020 that it had reduced its stake in Saipem's share capital to 4.94%.

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

Shareholders	Number of shareholders	Shares held	% of capital
Italy	69,215	696,314,439 (*)	68.8
Other EU States	426	45,584,261	4.5
Americas	288	173,495,930	17.2
United Kingdom and Ireland	177	62,083,283	6.1
Other European States	140	24,374,706	2.4
Rest of the world	141	9,124,820	1.0
<b>Total</b>	<b>70,387</b>	<b>1,010,977,439</b>	<b>100.0</b>

(\*) Includes No. 14,724,205 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	43.1
> 3%	2	82,084,377	8.1
1% - 3%	1	10,569,945	1.0
0.5% - 1%	8	51,373,748	5.1
0.1% - 0.5%	40	77,860,852	7.7
≤ 0.1%	70,333	338,690,707	33.5
Treasury shares	1	14,724,205	1.5
<b>Total</b>	<b>70,387</b>	<b>1,010,977,439</b>	<b>100.0</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 (subsequently CDP Equity SpA and now CDP Industria SpA<sup>1</sup>), signed on October 27, 2015 with effect from January 22, 2016, was last updated on December 18, 2019. 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 Industria, 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 Industria 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 Industria, other than Syndicated Shares. As detailed in paragraphs 4.1.5 and 4.2.2, the Shareholders' Agreement provides for

(1) The holding in Saipem SpA is held by CDP Industria SpA since December 13, 2019 as a result of a partial demerger of CDP Equity SpA.

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:

- Eni SpA with registered office in Rome, Piazzale Enrico Mattei, 1, fiscal code and Rome Companies' Register number: 00484960588;
- CDP Industria SpA, with registered office in Rome, Via Goito 4, share capital €50,000, fiscal code and Rome Companies' Register number: 15220231003.

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

Both Eni and CDP Industria 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 CDP, a company also controlled by MEF, which holds a stake of approximately 82.77% in it; (ii) CDP holds a direct 100% stake in the share capital of CDP Industria.

### 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 Industria 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 (numbered 3 and 4 respectively), and one candidate numbered 9, nominated jointly by the parties;
- candidates numbered 1, 5 and 7 – appointed by Eni;
- candidates numbered 2, 6 and 8 – appointed by CDP Industria. 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 Industria 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 on the Board. Specifically the following have been elected: the Chairman and the CEO, nominated jointly by Eni and CDP Equity, and four Directors, nominated in equal number by Eni and CDP Equity, also in consideration of the independence and less represented gender requirements. The presentation of a minority list for the renewal of Saipem's Board of Directors did not require the presentation of candidates identified by the numbers 7, 8 and 9. Saipem's Shareholders' Meeting on April 30, 2019 appointed, at the proposal of CDP Equity, the director already co-opted by Saipem's Board of Directors on December 5, 2018 to replace one of the Directors appointed by the Shareholders' Meeting on May 3, 2018. 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 Industria 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 Industria shall ensure that at least 1 (one) Director designated by Eni and at least 1 (one) Director designated by CDP Industria 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 Industria 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 Industria;*
  - (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 Eni and CDP Equity; 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 Industria 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 Industria 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 Industria 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 Industria, 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 Industria 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).

It should also be noted that, pursuant to the Sale Agreement, should CDP enter into binding agreements which would result in a change of control of CDP Industria, CDP Industria and CDP Equity undertake to ensure that Syndicated Shares of CDP Industria are transferred, before the completion of the change of control, to CDP Equity or to another company directly or indirectly controlled by CDP (identified by CDP Equity or by CDP), in accordance with the technical methods of their choosing.

#### 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 Industria 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 Industria 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 4.2.1, 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 Industria 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 by the Court of Milan.

#### 5. Duration of the Agreement

The Agreement had been effective for three years from the Closing Date, expiring on January 22, 2019.

The parties had provided that the Agreement would be automatically 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.

#### 6. Filing of the Agreement

The Agreement was filed on October 30, 2015 with the Milan Company Register.

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

Whenever significant agreements are entered into, modified or extinguished in the event of a change of control of the Company (Article 123-bis, paragraph 1, letter h), of Legislative Decree No. 58/1998), the following two types of clauses apply in relation to financing and bank and/or insurance guarantees:

- 1) current financing subject to change of control clauses, which, at December 31, 2019, that had been drawn down amounted to a total of €2,893 million.
- At December 31, 2019, a "Revolving Credit Facility" of €1 billion expiring in July 2023 has not been drawn down. At December 31, 2019, approximately €390 million had been drawn down on the original €554 million export credit line taken out in 2016 with the guarantee of the Norwegian agency Garantiinstituttet for Eksportkreditt (GIEK). In 2019, Saipem has drawn down €220 million on this credit line.
- At December 31, 2019, approximately €228 million has been drawn down on the original €260 million export credit line taken out in 2017 with the guarantee of the Dutch agency Atradius.
- At December 31, 2019, bank loans were also drawn down for a total of €275 million, of which: €150 million on a line taken out in 2018, and €125 million on lines taken out in 2017.
- Should Saipem cease to be controlled by the Ministry of Economy and Finance, and/or Eni SpA 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 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.
- In the press release dated January 31, 2020, Saipem announced that, with reference to the notes named "€500,000,000 3.000% notes due 8 March 2021" issued by Saipem Finance International BV as part of the Euro Medium Term Note programme, Saipem Finance International BV has decided to exercise the option for the early redemption of 100% of the nominal amount of the outstanding notes, in accordance with the terms and conditions set out in the notes regulations. The notes will be redeemed on March 3, 2020.
- 2) Bank or insurance guarantees subject to change of control clauses, which, at December 31, 2019, amounted to a total of €1,377 million.
- At December 31, 2019, bank and insurance guarantees in the interests of the Saipem Group subject to change of control clauses amounted to approximately €1,377 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,

(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.



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). In particular, the Board of Directors on July 24, 2019 approved the modification to Article 3 of the Articles of Association, following the closure of the secondary office in Cortemaggiore, in the province of Piacenza, Italy.

On February 25, 2020, the Board of Directors approved an amendment to the Articles of Association to comply with the new gender balance regulations in the management and control bodies of listed companies (Law No. 160 dated December 27, 2019), through the cancellation of Article 31 (transitory clause) of the Articles of Association.

## 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' 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.

On April 30, 2019, the Annual General Meeting of Shareholders approved a Long-Term Incentive Plan for the years 2019-2021 ("Plan"), which provides for the free allocation of ordinary shares of Saipem SpA subject to the achievement of Company targets. The Plan provides for a free pay-out of Saipem shares after a three-year vesting period, the number of which varies in relation to individual allocations and to the degree of achievement of the performance parameters of the Plan. These shares can be either previously issued shares to be bought back pursuant to Article 2357 et seq of the Italian Civil Code, or already owned by Saipem. The assignment of shares is subject to the achievement of specific and predetermined performance indicators to be measured at the end of the reference three years upon completion of an accurate verification process of the results effectively achieved. This Plan, providing for three annual allocations starting from October 2019, applies to the management of Saipem SpA and its subsidiaries. The Plan was approved under the terms and conditions detailed in the Information Document prepared in compliance with Article 114-bis of Legislative Decree No. 58/1998 and Article 84-bis, paragraph 2, of Consob Issuers' Regulations, which was made available to the public under the terms of the law and can be downloaded from the Company's website.

The Annual General Meeting on April 30, 2019 also authorised the buy-back of treasury shares, up to a maximum of 10,500,000 ordinary shares and, at any rate, not exceeding the maximum sum of €60,000,000. These are destined for the 2019 award of the 2019-2021 Long-Term Incentive Plan. Authorisation for the buy-back of

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

treasury shares is requested for a period of 18 months from the date of the resolution of the Shareholders' Meeting. The buy-back may be achieved gradually as deemed appropriate through purchase on the market at a unit price not lower than the minimum and not higher than the maximum official price registered on the day of stock market trading preceding each individual buy-back transaction, decreased or increased respectively by 5% and, at any rate, at a price that is no higher than the highest price between that of the latest independent transaction and that of highest current independent offer of purchase during the same trading session, pursuant to Article 3 of Regulation (EU) 2016/1052. The buy-back transactions shall be executed to ensure equal treatment of shareholders, in compliance with Article 144-*bis* of Consob Issuers' Regulations. The buy-back transactions shall be executed in accordance with the terms established under current legislation and accepted market practices, as well as the conditions indicated in Regulation (EU) 596/2014.

The number of treasury shares held by the Company at December 31, 2019 was 14,724,205, 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 (subsequently CDP Equity SpA and now CDP Industria SpA), *"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 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 and the Board of Directors reviewed the latest updates of the Code in July 2018. The Board, having consulted the Sustainability, Scenarios and Governance Committee, had noted that changes required 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 had established that these changes did 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 were not due to expire in 2019. The Board further established that a review of Saipem's governance, required to implement the recent amendments to the Corporate Governance Code, would be carried out when the Corporate Governance Committee of Borsa Italiana would publish the new edition of the Corporate Governance Code, which was first expected in 2019 and subsequently in 2020.

On February 25, 2020, the Board of Directors, prior to the Sustainability, Scenarios and Governance Committee having reviewed them, approved an amendment to the Articles of Association to comply with the new gender balance regulations in the management and control bodies of listed companies (Law No. 160 dated December 27, 2019).

The Corporate Governance Committee of Borsa Italiana published the new "Corporate Governance Code" on January 31, 2020. The overall review of the 2020 Code managed to:

- strengthen some existing recommendations (assessment of independence, quality of information to Directors, role of the Chairman of the Board of Directors);
- explicitly recommend best practices which had been merely suggested in previous editions of the Code (succession plan for Executive Directors, equal treatment and gender opportunities in the company organisation); and
- align domestic corporate governance regulation with some international best practices (possibility of the Chairman of the Board of Directors being independent, recognition of the role of the Secretary of the Board of Directors, attention to foreign experiences in defining remuneration policies).

The substantial changes in the Code follow four fundamental guidelines: sustainability, simplification, engagement and proportionality.

In line with the new Code, Saipem will apply these provisions starting from the first financial year after December 31, 2020, informing the market in the Corporate Governance Report to be published in 2022, except for those provisions that are for immediate application (i.e. gender quotas).

At their meeting of February 24, 2020, the Sustainability, Scenarios and Governance Committee examined this Corporate Governance and Shareholding Structure Report for compliance with the Corporate Governance Code. The conclusions reached by the Sustainability, Scenarios and Governance Committee were shared with the Board of Directors at the meeting held on February 25, 2020.

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 that: *"The documentation that was examined and the information that was acquired enabled to ascertain the strict adherence of the overall functioning of Saipem's Board of Directors and its Committees to the indications and requirements contained: (a) in the 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 Report was prepared, as in previous years, utilising the Corporate Governance and Shareholding Structure Report format of Borsa Italiana SpA (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 undeleagable 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. 28 of January 30, 2020. 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' 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'

(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 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".

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 previous Board of Directors expired with the approval of the 2017 Financial Statements, Saipem's Board of Directors, having consulted the then 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. Pierfrancesco Latini tendered his resignation on December 23, 2019 to take on the office of Managing Director at

(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 S.A. 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.

SACE SpA. His resignation is effective from the appointment by Saipem's Board of Directors, pursuant to Article 2386 of the Civil Code, of a new Director to replace him. On February 5, 2020, the Board of Directors, taking into account the evaluations of the Compensation and Nomination Committee and with the approval of the Board of Statutory Auditors, appointed by co-optation, pursuant to Article 2386, first paragraph, of the Civil Code, Alessandra Ferone as non-executive and non-independent Director, as well as member of the Audit and Risk Committee. The invitation to consider the candidacy of Alessandra Ferone (Chief Risk Officer of Cassa Depositi e Prestiti SpA) for appropriate and independent assessment by the Board of Directors of Saipem SpA, in accordance with their mutual roles and any applicable regulation, was communicated by the shareholder CDP Industria SpA to Saipem SpA (and for information to the shareholder Eni SpA) by letter received on January 30, 2020. This communication was made pursuant to the provisions of the Shareholders' Agreement signed by Eni SpA and FSI (subsequently CDP Equity SpA and now CDP Industria SpA) on October 27, 2015. The latter's shareholding in Saipem SpA has been in the ownership of CDP Industria SpA since December 13, 2019, as a result of a partial demerger of CDP Equity SpA.

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.

With the appointment of the Board of Directors at the Shareholders' Meeting of May 3, 2018, the current statutory provisions on gender balance were applied for the third and last consecutive term of the Board of Directors, as required by Law No. 120 of July 12, 2011.

On February 25, 2020, Saipem's Board of Directors adopted, after a review by the Sustainability, Scenarios and Governance Committee, the statutory changes necessary to ensure compliance with the new legislation on gender balance (Law No. 160 dated December 27, 2019).

Board Directors, following their appointment and annually thereafter, provide statements in which they declare 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 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, 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 had acknowledged, based on the his own declaration, that the Board Director Pierfrancesco Latini had not met the independence requirement.

On February 5, 2020, the Board of Directors, taking into account the evaluations of the Compensation and Nomination Committee and with the approval of the Board of Statutory Auditors, appointed by co-optation, pursuant to Article 2386, first paragraph, of the Civil Code, Alessandra Ferone as non-executive and non-independent Director, as well as member of the Audit and Risk Committee.

Based on information provided by Alessandra Ferone, she does not possess the independence requirements and has no shareholdings in the Company. Her curriculum vitae is available at [www.saipem.com](http://www.saipem.com) under the "Governance" section.

At their meeting of March 12, 2020, 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.

## **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 50). 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 should have been 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.

Therefore, with the appointment of the Board of Statutory Auditors at the Shareholders' Meeting to be held on April 29, 2020, the provisions of the statutory clauses on gender balance (Article 31) should have still been valid.

In the meantime, however, gender balance in the composition of the corporate bodies has been the subject of a new legislative review (Law No. 160 of December 27, 2019), aimed at extending the effects of the aforementioned Law No. 120 dated July 12, 2011. In particular, the budget law 2020 that came into force on January 1, 2020 introduced a minimum quota for the "least represented" gender in administrative and control bodies, equal to two fifths of the body and which applies for six consecutive terms from its entry into force.

In the case of bodies comprised of three members, where the two-fifths provision is not applicable due to an arithmetic impossibility, Consob clarified, in its communication of January 30, 2020, that this rule can be rounded down rather than up, as currently envisaged by Issuers' Regulation, specifying that the scope of this interpretative clarification is limited to the bodies composed of three members only. For organs with different composition, the criterion of rounding up remains unchanged.

On February 25, 2020, Saipem's Board of Directors adopted, after the review by the Sustainability, Scenarios and Governance Committee, the changes to the Articles of Association necessary to ensure compliance with the new gender balance legislation (Law No. 160 dated December 27, 2019).

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

## 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 had 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. At their meeting on February 5, 2020, the Board of Directors asked the Compensation and Nomination Committee to study in-depth the work carried out during the previous mandate and make proposals to the Board of Directors.

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 their 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** nominated as a candidate by the shareholder Eni SpA also on behalf of the shareholder CDP Equity SpA Board Director of BNL-BNP Paribas Group (listed company<sup>7</sup>); Guala Closures SpA (listed company<sup>8</sup>) and Fondazione Eni Enrico Mattei (FEEM); Member of the Advisory Board of Politecnico di Milano.

**MARIA ELENA CAPPELLO** nominated as a candidate by the shareholder Eni SpA also on behalf of the shareholder 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).

(7) Company listed on the Global Equity Market.

(8) Company listed on the FTSE Italia STAR.

(9) Company listed on the FTSE Mib.

**CLAUDIA CARLONI** nominated as a candidate by the shareholder Eni SpA also on behalf of the shareholder CDP Equity SpA Board Director of Eni Gas e Luce SpA and Raffineria di Milazzo ScpA.

**FEDERICO FERRO-LUZZI** appointed from the list put forward by institutional investors

Board Director of Banca Sistema SpA (listed company<sup>10</sup>) and Chairman of the Nomination Committee; Member of the Internal Audit and Risk Management Committee and Member of the Ethics Committee; Board Director of Garofalo HC SpA (listed company<sup>11</sup>) and Chairman of the Nomination Committee; Member of the Internal Audit, Risk Management and Related Parties' Committee.

**PAOLO FUMAGALLI** nominated as a candidate by the shareholder Eni SpA also on behalf of the shareholder CDP Equity SpA

Chairman of the Board of Directors of BFS Partner SpA, Capfin SpA, SisalPay Group SpA, SisalPay SpA and SisalPay Servizi 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>12</sup>) and Autostrade Lombarde SpA.

**PAUL SCHAPIRA** appointed from the list put forward by institutional investors

Board Director of Tamburi Investment Partners SpA (listed company<sup>13</sup>).

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

Tendered his resignation on December 23, 2019 to take on the office of Managing Director of SACE SpA. His resignation was effective from the appointment by Saipem's Board of Directors, pursuant to Article 2386 of the Civil Code, of a new Director to replace him.

**ALESSANDRA FERONE** appointed by co-optation by the Board of Directors on February 5, 2020

The invitation to consider the candidacy of Alessandra Ferone for appropriate and independent assessment by the Board of Directors of Saipem SpA, in accordance with their mutual roles and any applicable regulation, was communicated by the shareholder CDP Industria SpA to Saipem SpA (and for information to the shareholder Eni SpA) by letter received on January 30, 2020. Board Director of CDP Immobiliare.

**INES MAZZILLI** appointed from the list put forward by institutional investors

Board Director of Safilo Group SpA (listed company<sup>10</sup>) and Assicurazioni Generali (listed company<sup>11</sup>); Chairman and Member of the Audit and Risk and Sustainability Committee and Chairman of the Related Parties' Committee of Safilo Group SpA; Member of the Compliance Committee of Safilo Group SpA, Safilo SpA and Safilo Industrial Srl; Member of the Audit and Risk Committee and of the Related Parties' Committee of Generali SpA; External Senior Advisor and Member of the Advisory Council of Genpact (listed company<sup>14</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 2018.

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).

On June 26, 2019, an induction session lasting about two hours was held on the topic of "Crisis Management". Furthermore, in the period November 19-21, 2019, the Board of Directors held a Board Meeting in Doha (Qatar) and, on this occasion, the visit of the "De-He" ship was organised to offer the Directors and Auditors another opportunity to increase their knowledge of the Company's operating activities and assets. On this occasion, the Board of Directors, with the support of the consultant Boston Consulting Group (BCG) and the presentation "Energy scenarios

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

(11) Company listed on the FTSE Italia All Share.

(12) Company listed on the FTSE Mib.

(13) Company listed on the FTSE Italia Mid Cap and FTSE Italia STAR.

(14) Company listed on the NYSE.



and strategic implications for the industry” prepared by the latter, was able to view long-term strategic market scenarios as part of the preparation of the new strategic plan.

## 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 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 2019 Board Review found that: *"The timely provision of the documentation to the Board of Directors is more than adequate. Any exceptions fall within the norm. The Directors' opinion regarding scheduling, frequency of meetings, the timely provision of the documentation and the quality of summary documents (Tableau de Board, Executive Summary, etc.) is decidedly and unanimously positive"*.

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 2019, besides the Officer responsible for Financial Reporting and also Chief Financial Officer, who generally attends all Board meetings, 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", "Health, Safety, and the Environment", "Sustainability, Identity and Corporate Communication, Digital and Innovation" and the "Business Integrity Manager", 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 2019, the Board of Directors met on 17 occasions, their meetings lasting 4 hours and 35 minutes on average.

Three meetings have been scheduled to take place in the first half of 2020; as of March 12, 2020, the Board has already held 4 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 2019, an average of 96.08% of Board Directors and 96.47% of independent Directors attended Board meetings.

## Board Review

In compliance with the Corporate Governance Code, also in 2019 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 December 6, 2019, the Board of Directors granted the task of carrying out the 2019 Board Review process to the consulting firm Crisci & Partners, an independent company that does not perform other services for Saipem.

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 Crisci & Partners – 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, Crisci & Partners 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.

Crisci & Partners 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 25 2020, as follows:

## Executive summary

### a) Size, composition and balance of roles<sup>15</sup>

The current size of Saipem's Board of Directors is adequate and suited to the complex challenges it faces and allows for the correct composition of the Board Committees. All the professional skills that the Directors bring to the Board, both those who have been confirmed and the five members appointed in 2018, are considered to be exhaustive vis-à-vis the Board's requirements. In view of the renewal of the BoD, it is suggested that the Board consider the appointment of an authoritative managerial profile from the industrial sector, not necessarily Oil&Gas. The tenure of the current Directors (five in their first term, two in their second term and one in their third term) is such that it allows, with every three-year renewal, a refreshment of the Board that is both ordered and balanced between the required continuity and the addition of new members and professional skills. The first-term Directors have integrated productively, in the work of the Board, in its dynamics and discussions, in the work of the Committees and in the interactions with management, ensuring the continuity of balance in their contributions in terms of professional skills and personality to the development of the Board's performance. The Chairman, for the first time in such an important listed company, but with managerial experience of the utmost prominence, interpreted his role effectively, focusing on the priorities, but remaining sensitive to governance and sustainability issues and interacting positively and productively with the CEO.

### b) Onboarding and Induction

The success of Onboarding for new Directors was such that it is considered for extension to the new members of the Board Committees, when they do not have specific skills or experience of similar committees. The induction sessions received during the year are judged by the Directors to be positive overall. Most of the Directors, striving to prepare ever more in-depth and make their contribution more effective, hope that the induction includes topics such as: digital transformation; technological and product innovation; new business models based on sector or geopolitical strategic scenarios; analysis of competitors' strategies in the various business segments in which Saipem operates. They also suggest the involvement of external experts with industrial business expertise, rather than consultants.

### c) Functioning of the BoD as a whole

#### Purpose and responsibilities

The Board believes that it has operated effectively by applying correct governance criteria and methods, through an ever more precise application of corporate governance best practices and the principles of the Corporate Governance Code. The Board believes it interprets the Company's mission rigorously and positively. There is pride and a sense of belonging. Saipem's Directors, considering themselves as a whole body, believe that the Board of Directors has understood its mandate and responsibilities well, assessed the interests of shareholders and stakeholders, analysed and supervised the risk map by ascertaining its priorities correctly.

#### Organisation of Board meetings

The scheduling and frequency of the meetings is adequate for the topics under discussion and their resolutions. The duration is consistent with the density of the Agenda. The possibility of holding slightly more Board meetings is being evaluated, in order to reduce the number of items on the Agenda, when resolutions are less urgent or informative items can be postponed. The timely provision of the documentation to the Directors is more than adequate. Any exceptions fall within the norm. The detail of the documentation provided by management to the Committees and to the Board is high. Although there has been an improvement, it is believed that less technical editing is appropriate, to ensure a level of understanding of the subject matter that allows the Directors to be adequately informed. The use of summary documents (executive summaries, tableau de bord, flash reports) has increased compared to the past. A more concise version of the Tableau de Bord is suggested. The commitment and availability of the Secretary and the Company Secretary's Office in preparing the meetings of the Board of Directors and Committee are good.

#### Conduct of meetings

The dynamic of the Board is very positive. The relationship between independent and non-independent Directors does not require a specific challenge on the part of the independent Directors. The relationship of trust is high and allows for an open and constructive debate. The time management of the speeches is managed by the Chairman

(15) In 2019, the Board Review involved eight Directors. The Director Pierfrancesco Latini, having resigned, did not take part in the Board Review.

in a stringent and functional way. The debate and the participation of the Directors are not limited. The attendance of the Directors in person at Board and Committee meetings is very high, demonstrating a strong individual interest and commitment. The interaction between the Board and the Committees and the top managerial functions is open, frequent and constructive. The information flows between the bodies are excellent in terms of articulation, timeliness and continuity. Concerning the best allocation of meeting time dedicated to macro-themes, the Directors suggest that more space be devoted to issues concerning Technology/Cyber/Digital and Change Management/Talent Strategy, while the time dedicated to Risk Management/Business Integrity and Processes, Compliance and Regulatory Themes be reduced.

#### The Chairman

Timely management of the debate and decision-making process of the Board of Directors. Effective time management by allowing everyone to express their opinions. Attentive to governance issues in general. Focused on financial aspects and their impact on shareholders and the market. A promoter of strategic and scenario issues. Positively complementary to the CEO, with whom he has developed a constructive dynamic. The time he can devote, vis-à-vis other pressing professional commitments, is relatively limited, but still sufficient.

#### The CEO

Authoritativeness and great specific industrial expertise. Attentive to the role and skills of management, which he supports and drives. He is recognised for the complex Company reorganisation, carried out quickly and in a very difficult market and reputational context for Saipem. In a context that sees Saipem recovering its image and boosting its growth, the contribution of the CEO will facilitate a more open discussion with the Directors on scenarios, sector evolution and business model.

#### ESG issues

There is attention and commitment from the Board on Sustainability issues. The contribution of the Sustainability, Scenarios and Governance Committee and its Chairman is solid and well documented. The documentation, prepared and brought to the Shareholders' Meeting and to the market, is well articulated and convincing. The focus on ESG issues is still mainly focused on gender diversity and on obviously urgent Health & Safety issues.

#### Committees

##### a) Audit and Risk Committee

Excellent and detailed coverage of risk monitoring. Very accurate risk control systems. More focused on classic business risk issues. Need to broaden the vision to new risk profiles: cyber, digital, reputational, new business areas, geopolitical risks.

##### b) Compensation and Nomination Committee

Articulated and proactive control over remuneration plans. Remuneration report presented solidly and convincingly to proxies and investors. Existing succession plans for the first reporting line. The involvement of the Nomination Committee is rather limited.

##### c) Sustainability, Scenarios and Governance Committee

It has significantly increased the focus on Sustainability and ESG issues. The impact on good governance practices is evident. It is deemed advisable to increase the external disclosure of Saipem's non-financial performance by bringing examples of best practices."

As part of the Board Review 2019, the Crisci & Partners 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 documentation that was examined and the information that was acquired enabled to ascertain the strict adherence of the overall functioning of Saipem's Board of Directors and its Committees to the indications and requirements contained: (a) in the 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)", and that
- > "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, proposes to the Board the appointment and dismissal of General Managers;
- (b) proposes 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, proposes the appointment, dismissal and remuneration for the Director responsible for the Internal Audit function;
- (d) in agreement and conjunction with the CEO, makes 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
  - Financial Governance and Continuous Improvement;
  - Planning and Control;
  - Administration and Financial Statements;
  - Tax;
  - Finance;
  - Insurance and Risk Financing;
  - Investor Relations;
  - M&A and New Strategic Initiatives;
  - Onshore Drilling Administration, Finance and Control;
- 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;
  - 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.

A comprehensive review of the structure reporting to the Chief Financial Officer was carried out in 2019 with a view to continuous improvement and in order to ensure greater alignment with Saipem's divisional organisational model, "internal customers" requirements and international best practices, while maximising synergies and efficiency.

## 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 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. Pierfrancesco Latini tendered his resignation on December 23, 2019, with effect from the date of the resolution of the Board of Directors of Saipem SpA appointing a new member of the Board pursuant to Article 2386 of the Italian Civil Code; he resigned due to his recent appointment as Managing Director of SACE SpA.

On February 5, 2020, the Board of Directors, taking into account the evaluations of the Compensation and Nomination Committee and with the approval of the Board of Statutory Auditors, appointed by co-optation, pursuant to Article 2386, paragraph 1, of the Civil Code, Alessandra Ferone as non-executive and non-independent Director, as well as member of the Audit and Risk Committee. The invitation to consider the candidacy of Alessandra Ferone (Chief Risk Officer of Cassa Depositi e Prestiti SpA) for appropriate and independent assessment by the Board of Directors of Saipem SpA, in accordance with their mutual roles and any applicable regulation, was communicated by the shareholder CDP Industria SpA to Saipem SpA (and for information to the shareholder Eni SpA) by letter received on January 30, 2020. This communication was made pursuant to the provisions of the Shareholders' Agreement signed by Eni SpA and CDP Industria SpA on October 27, 2015. The latter's shareholding in Saipem SpA has been in the ownership of CDP Industria SpA since December 13, 2019, as a result of a partial demerger of CDP Equity SpA.

Based on information provided by the new Director Alessandra Ferone, she does not possess the independence requirements and has no shareholdings in the Company. Her curriculum vitae is available at [www.saipem.com](http://www.saipem.com) under the Governance section. 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 and February 5, 2020, 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/EU 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. 0110353 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>16</sup> at the meeting on 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 and the Board of Statutory Auditors; (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

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

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.

## Board Committees

In order to carry out its responsibilities more efficiently, the Board has long since 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, the 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 is comprised of the following non-executive independent Board Directors: 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:

- > proposes 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 2019, the Committee convened on 13 occasions, with meetings lasting an average of 2.19 hours 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:

- > evaluating the candidacies of the members of the Compliance Committee;
- > reviewing actual 2018 performance results and setting the targets for the 2019 long and short-term plans;
- > periodic evaluation of the Remuneration Policy implemented in 2018, drawing up the new Remuneration guidelines for 2019 in light of recent events and Company results; evaluation of the Company's actual results for 2018, and setting performance targets for 2019 vis-à-vis variable incentive plans;
- > definition of the proposal for the buy-back of treasury shares to service the 2019 allocation of the 2019-2021 Long-Term Incentive Plan;
- > implementation of the 2019 Short-Term Variable Incentive Plan;
- > evaluating the proposal for the appointment of the Officer responsible for the Company's Financial Reporting;
- > analysing the remunerative positioning and proposing the remuneration of the Director responsible for the Internal Audit function;
- > modification of the contract of the CEO, following the approval by the Board of Directors on March 11, 2019 and subsequently by the Shareholders' Meeting on April 30, 2019, of the new stock based long-term incentive system;

- > finalising the proposal to review the 2019 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 2019;
- > reviewing the new Skill-based Human Capital Management system;
- > reviewing the succession plan methodology;
- > evaluating the appointment of members on the Boards of subsidiary companies;
- > analysis of the measures involved in the new Short-Term Management Incentive Plan;
- > definition of the budget of the Compensation and Nomination Committee for the year 2020;
- > evaluation of the proposal for the Saipem 2020 performance indicators.

The Committee scheduled at least 9 meetings to take place during 2020, 5 of which have already been held as of March 12, 2020.

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 provided, in compliance with Article 123-ter of Legislative Decree No. 58/1998, in the "Report on the Remuneration Policy and Paid Compensation".

## Directors' compensation

Article 123-ter of Legislative Decree No. 58/1998 has made it compulsory for listed companies to publish a "Report on the Remuneration Policy and Paid Compensation".

For all issues relating to the remuneration of Directors, Statutory Auditors and Senior Managers with strategic responsibilities, please refer to the Report on the "Report on the Remuneration Policy and Paid Compensation", 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 2019. At the General Shareholders' Meeting, Shareholders will be required to cast a non-binding vote on the first section of the same Report, pursuant to current legislation.

With reference to the remuneration policy, the Shareholder Rights Directive II (SHRD II) establishes that EU Member States ensure that companies develop a Directors' remuneration policy and that shareholders have the right to vote; according to the Directive, this vote is binding, unless the Member States opt for a consultative vote. The policy is required to indicate the criteria to be used, based on financial and non-financial results, taking into account, where appropriate, the criteria of corporate social responsibility.

Specifically, the Shareholder Rights Directive II introduces the following changes:

- > the vote is binding on the first section of the Report, (which provides the guidelines of the remuneration policy that will be adopted during the year for Directors and Senior Managers with strategic responsibilities) at least every three years or whenever the policy changes;
- > the vote is consultative for the second section of the Report (which describes the remuneration measures adopted for Directors and Senior Managers with strategic responsibilities and the compensation actually paid in the previous year);
- > extension of the relevant perimeter to members of the control bodies;
- > specific information on the derogations from the application of the remuneration policy and on the exceptional causes underpinning them;
- > obligation to describe how the Company has implemented the guidelines/vote expressed by the shareholders in defining the remuneration policy.

Legislative Decree No. 49/2019, transposing the aforementioned Directive, has amended Article 123-ter of Legislative Decree No. 58/1998 as follows:

- > changing the formal name of the "Remuneration Report" to "Report on the Remuneration Policy and Paid Compensation";
- > extending the obligation to illustrate the remuneration policy also to the members of the control bodies (without prejudice to the provisions of Article 2402 of the Italian Civil Code);
- > specifying that the remuneration policy "*contributes to the corporate strategy, to the pursuit of long-term interests and to the sustainability of the Company and illustrates the way in which it makes this contribution*";
- > introducing the binding vote (instead of the consultative vote) by the Shareholders' Meeting on the remuneration policy referred to in the first section of the Report, also providing that the policy is subject to the vote of the Shareholders' Meeting at least every three years (instead of on an annual basis). The shareholders' vote is also expressly envisaged whenever there is a change in the policy;
- > introducing the consultative vote on the second section of the Report (on the compensation paid).

The decree also introduces the obligation for the external auditing firm to verify the preparation of the second section of the Report.

## Audit and Risk Committee

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.

Pierfrancesco Latini tendered his resignation on December 23, 2019, with effect from the date of the resolution of the Board of Directors of Saipem SpA appointing a new member of the Board pursuant to Article 2386 of the Italian Civil Code; he resigned due to his recent appointment as Managing Director of SACE SpA. On February 5, 2020, the Board of Directors, taking into account the evaluations of the Compensation and Nomination Committee and with the approval of the Board of Statutory Auditors, appointed by co-optation, pursuant to Article 2386, paragraph 1, of the Civil Code, Alessandra Ferone as non-executive and non-independent Director, as well as member of the Audit and Risk Committee.

The Audit and Risk 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>17</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.

(17) 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 (Related Parties' Committee).

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 20 times in 2019 (of which 5 meetings were devoted to its responsibilities concerning transactions with related parties), with meetings lasting on average 3 hours and average attendance of 93% of members. All meetings were attended by at least one member of the Board of Statutory Auditors.

During these meetings, the Audit and Risk Committee:

- approved the Integrated Audit Plan and the annual 2019 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 2018 and 2019;
  - 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;
  - received information regarding the areas of analysis, objectives, planning methods, the timing and results of the External Quality Review, launched as part of the overall assurance and quality improvement programme by 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 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 2018 and 2019 Financial Statements, specifically reviewing the impairment test procedure.
- As of the date of the approval of this Report (March 12, 2020), the Committee has already met on 5 occasions.

## Related Parties' Committee

With regard to the provisions of the applicable legislation on transactions with related parties and in compliance with the Committee's Regulations, the Committee shall comprise, in addition to two independent and non-related members of the Audit and Risk Committee, of another non-related and independent Director, Mr. Paolo Fumagalli. With regard to the provisions of the applicable legislation on transactions with related parties, the Committee held 5 meetings in 2019.

## Sustainability, Scenarios and Governance Committee

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, Company Affairs 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, Company Affairs 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 their 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 2019, the Sustainability, Scenarios and Governance Committee met on five occasions, with meetings lasting an average one hour and attended by 100% 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 2019, the Sustainability, Scenarios and Governance Committee dealt with the following main issues:

- review of the 2018 Report on the evolution of the Corporate Governance of listed companies (6<sup>th</sup> Report on the application of the Italian Corporate Governance Code) and review of Saipem's situation. Assessment of the alignment of Saipem's Corporate Governance system with the recommendations of the Corporate Governance Code for listed companies;
- review of the draft document "Corporate Governance and Shareholding Structure Report 2018";
- review of the draft document "Sustainable Saipem 2018";
- review of the draft "Consolidated Non-Financial Statement". Includes the assessment of the adequacy of the organisational structure and of the management and control system, for the purposes of the non-financial statement;
- Management System Guideline "Internal Control System over Non-Financial Reporting";
- Policy "Sustainable Saipem";
- governance of Saipem Group companies: presentation of "clustering" for Group companies. Proposal of Group companies clustering for 2019;
- document "Climate, from strategy to action";
- presentation of results for the Materiality Analysis 2019;

- procedures for carrying out and selecting the consultant for the Board Review;
- budget 2020 of the Sustainability, Scenarios and Governance Committee;
- analysis of the strategic guidelines for the Onshore E&C and Offshore E&C divisions to be presented to the Board of Directors.

In 2020, as of the date of this report (March 12, 2020), the Committee has already met once.

## 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 Management System Guideline "Internal Control over Financial Reporting" defines 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. The provisions of this Management System Guideline were approved by the Board of Directors on October 29, 2007, December 13, 2011 and December 14, 2015. 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>18</sup>. Among the companies identified as relevant for the

(18) 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.



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>19</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 seventeen 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 timeframes for the preparation and publication of financial results (interim and annual financial statements and associated financial calendars); the "control activities" component covers organisational and regulatory structures that guarantee the achievement of financial reporting objectives (for instance the review and updating by specific departments of 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 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.

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

## 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>20</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 business risks that Saipem identifies and monitors are illustrated in the Annual Report 2019, 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 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>21</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 12, 2020, 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, 2019 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, 2019, 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"*.
- assessment by the Director of Internal Audit (included in the Report by the Audit and Risk Committee on activities carried out in 2019) which closes by stating: *"Based on:*

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

(21) 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.

- the assessments expressed in the Annual Report by the Director of Internal Audit as at December 31, 2018 issued on March 8, 2019 and in the Six-Month Report by the Director of Internal Audit as at June 30, 2019 issued on July 20, 2019;
  - activities carried out by Saipem Internal Audit Function during the reference period, compensating controls and improvement measures implemented and/or in progress due to the 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 2019;
  - fraud and potential fraud that have been ascertained during the year;
  - the conclusions expressed in the 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;
  - the results of the assignments conferred during 2019 up to the date of this Report, relating to the Internal Control and Risk Management System, the Internal Control System over Financial Reporting and Model 231;
  - 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 (which encloses the list of internal and external evaluations supporting the conclusions of the Committee) that closes by stating:
- "The Audit and Risk Committee of Saipem SpA concludes that, pursuant to item 7.C.2, lett. f), of the Corporate Governance Code, as of the date of this Report, taking into account its investigations and based on the information received for the items under its remit, 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 activities performed and on information acquired by the management during the meetings held from January 1, 2019 to the date of this Report; (ii) 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 (iii) 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, which closes by stating "Over the period of this Report and as far as the Compliance Committee of Saipem SpA is concerned at present and based on updates received 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, 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 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 the 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 5, 2020, the Director responsible for the 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, 2019, 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.

In 2019, 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.

In line with the requirements of the "Standards for the Professional Practice of Internal Audit", issued by the "Institute of Internal Auditors", which provide that Internal Audit functions are subject to continuous internal reviews and, at least every five years, carry out an assessment by a qualified or independent person or team outwith the organisation, in 2019 the Internal Audit function appointed the company Deloitte Risk Advisory Srl (Deloitte) to carry out an External Quality Review. Deloitte's conclusions stated that: "on the basis of the evidence accrued during the course of the activity and the analyses undertaken, we believe that Saipem's Internal Audit Function operates in a way that is 'generally compliant' with the International Standards for Professional Practice and with the Code of Ethics". This "generally compliant" assessment represents the maximum positive assessment provided by the Institute of Internal Auditors and implies that the Internal Audit function operates in compliance with the requirements of the International Professional Practices Framework - IPPF (i.e. the framework adopted internationally by the Professional Practice, consisting of the Code of Ethics, Professional Standards and related guidelines), albeit continuing to pursue certain areas of improvement.

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 regulations / Anti-Corruption 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 regulations / Anti-Corruption 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 Team to update the Model 231.

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>22</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>23</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.

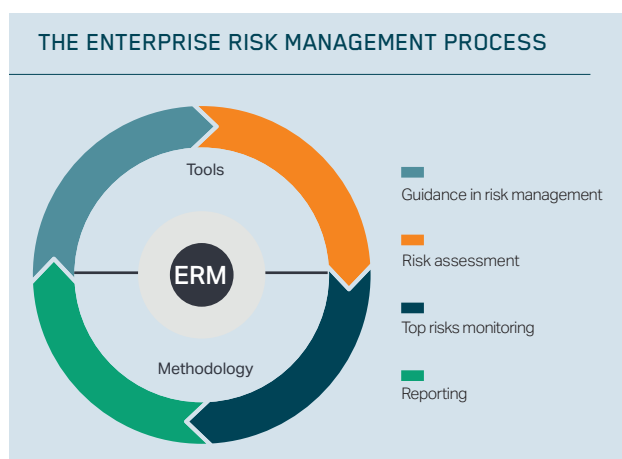
Within the Risk Governance, are the following bodies:

- 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 divisional business model adopted by Saipem. During 2018, the "Risk Management, Supply Chain 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 their 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 phases, 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:

- 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.



(22) Refer to the CoSO Report.

(23) Includes the Risk Management functions.

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 2019, 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 24, 2019. During the second half of 2019, 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 12, 2019.

### **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)” (“Model 231”) 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 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).

These legislative changes concerned measures to combat crimes against the public administration, regarding the statute of limitations for crimes and transparency for political parties and movements; in particular, it provides, among other things, significant changes to the Criminal Code and to Legislative Decree No. 231/2001 (for example, the inclusion of the crime of “Illicit trafficking” as part of 231 crimes).

The consequent changes to the Model were prepared with the external opinion of an important academic and criminal lawyer.

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 the findings of audits they carried out during the period, as well as new legislative provisions they may have been issued on matters concerning the administrative liability of legal entities.

In 2019, the Compliance Committee convened on 15 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.

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

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.

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, effective from February 1, 2019, to update the composition of the Compliance Committee by appointing: Renato Rordorf (Chairman, external member), Angelo Casò (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 December 20, 2019, 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 KPMG SpA, whose mandate was approved by the Shareholders' Meeting of May 3, 2018, for the financial years 2019-2027.

The financial statements of subsidiary companies are also subject to audit; these are carried out mostly by KPMG SpA. With regard to the opinion on the consolidated financial statements, KPMG 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.

## 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, had 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 had ascertained that Mr. Avanzi met the criteria of professional competence and good repute required by the Articles of Association, which are reviewed annually.

On May 16, 2019, the Board of Directors appointed Stefano Cavacini, Saipem's Chief Financial Officer since November 15, 2018, 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. Cavacini 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 and 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 meetings of January 15 and June 26, 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>24</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>25</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, in the exercise of its functions vis-à-vis transactions with related parties and in

(24) 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 (Related Parties' Committee)".

(25) Refer to note 24.

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).

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 2019, the CEO provided periodical updates to the Board of Directors and the Board of Statutory Auditors of transactions entered into with related parties.

The Related Parties' Committee is monitoring, periodically reporting to the Board of Directors, the legislative evolution of the implementation, in Italy, through the Legislative Decree No. 49/2019, of Directive 2017/828/EU (Shareholders Right Directive 2 - SHRD2), which amended the previous Directive 2007/36/EC in relation to the promotion of the long-term shareholders commitment and which regulates, amongst other things, information and procedural controls for significant transactions with related parties. This monitoring activity is aimed at identifying the updates that the procedure will require following the introduction of the new regulations.

## Board of Statutory Auditors<sup>26</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.

With the appointment of the Board of Statutory Auditors that will take place at the Shareholders' Meeting of April 29, 2020, the current statutory provisions on gender balance as per Law No. 120 of July 12, 2011 would have been applied for the third and last consecutive term of the Board of Statutory Auditors.

On February 25, 2020, Saipem's Board of Directors adopted, after a review by the Sustainability, Scenarios and Governance Committee, the statutory changes necessary to ensure compliance with the new legislation on gender balance provided for by the 2020 budget law.

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

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 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, as set forth in Consob's Resolution No. 28 dated January 30, 2020.

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, in office since 2017, 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".

In compliance with the recommendations of Article 1.C.1, letter h) of the Corporate Governance Code, similarly to what happens for the Company's Board of Directors and as the mandate of the Board of Statutory Auditors expires with the approval of the 2019 Financial Statements, the latter, taking into account the results of the 2019 Board Review as regards the Board of Statutory Auditors itself and the provisions of gender balance regulations, in view of the renewal of the Board of Statutory Auditors, provides the shareholders with its own recommendations on the various profiles that it deems suitable to sit on the new Board of Statutory Auditors.

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 2019, 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 20 times during 2019, with meetings lasting on average 4.30 hours. Meetings were attended by an average of 88.33% of Statutory Auditors, while Board meetings were attended by an average of 98.04% of members of the Board of Statutory Auditors.

In 2020, as of the date of this report (March 12, 2020), the Board of Statutory Auditors has already met on 6 occasions.

In 2019, 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 implementation 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 preparation of the "Consolidated Non-Financial Statement", 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 2019, 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;
- > periodic exchange of information with the auditing firm in the areas under their remit;
- > launch of a specific in-depth activity on the Audit Quality Indicators (AQI), which will allow the Board of Statutory Auditors to carry out an increasingly effective monitoring of the work carried out by the external auditors. This took into account the outcome of meetings that the Financial Services Authority (Consob) held during 2019 with the Audit Committees of public-interest entities (listed companies, banks and insurance companies as per Legislative Decree No. 39 dated January 1, 2010) on February 1, 2019 and September 27, 2019;
- > 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 Statement" pursuant to Legislative Decree No. 254 dated December 30, 2016;
- > supervising, with the Company's Audit and Risk Committee, the Company's financial reporting process, for issues under their respective remit;
- > 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 all subsidiaries;
- holding specific Annual Meetings dedicated to a mutual exchange of information with the Audit and Compliance Committees of the foreign subsidiaries of greater strategic importance, where a governance model has been introduced, to be considered the “best practice” in the market of Italian listed companies. This governance system, launched in 2016, with the strong support of the Board of Statutory Auditors, saw the introduction of the Audit and Compliance Committees in the Board of Directors of the most important foreign subsidiaries, comprised of two members: an independent member, external to the Saipem Group with proven and international professional experience, who is the Chairman of the Audit and Compliance Committee and a second “professional internal member”. This is the model of governance applied at main subsidiaries in line with that of a so-called “Monistic” system, comprising a Board committee with supervisory duties similar to those of the Board of Statutory Auditors;
- supervising the updating of the clustering process for 2019: a classification model for the subsidiaries, divided into “Clusters”, determined based on drivers that take into account both the quantitative size of the individual entity and the qualitative levels of risk it is potentially subject to. The Board of Directors approved the proposal, shared with the CEO, to update the clustering for 2019, having received the favourable opinion of the Board of Statutory Auditors;
- monitoring of ongoing judicial proceedings and the periodic updates provided by the Legal Department at Board meetings;
- monitoring of the analysis process launched by the Board of Directors, as part of the preparation of the 2020-2023 Strategic Plan and evaluating the main strategic options offered by the market;
- monitoring of the decision-making process adopted by the Company;
- review of the updated version of the Shareholders’ Agreement between the two main shareholders (Eni and CDP Equity SpA, formerly Fondo Strategico Italiano SpA), last published in December 18, 2019, pursuant to Article 130 of Consob Issuers Regulation No. 11971/1999 to announce that *“on December 12, 2019, as part of the reorganisation of the shareholding structure of the Cassa Depositi e Prestiti SpA Group (‘CDP’), a partial demerger took place, pursuant to Articles 2506 and subsequent of the Civil Code, of the holding by CDP Equity in Saipem SpA in favour of CDP Industria SpA (‘CDP Industria’), whose share capital is wholly owned by CDP. This demerger is effective as of December 13, 2019. As a result of the aforementioned demerger, the shares owned by CDP Equity, representing approximately 12.503% of Saipem’s ordinary share capital, were transferred to CDP Industria with the consent of Eni, notwithstanding Article 6.1.2 of the Shareholders’ Agreement. CDP Equity, Eni and CDP Industria, on December 16, 2019, entered into an agreement for the transfer of the Shareholders’ Agreement, as a result of which CDP Industria takes over from CDP Equity in the rights and obligations deriving from the Shareholders Agreement from the date of the demerger referred to above, without prejudice to the joint and several liability of CDP Equity with CDP Industria in relation to the fulfilment of the obligations deriving from the Shareholders’ Agreement”*.
- supervising the introduction of the new organisational structure, specifically;
  - a) the establishment of the Financial Governance and Continuous Improvement Function reporting directly to the Company’s CFO;
  - b) the establishment of Administration, Finance and Control Functions specifically dedicated to the business sectors;
  - c) the appointment of the new Director of the Risk Management, Supply Chain and Business Integrity Function;
  - d) the appointment of the new head of the Function Audit Planning, Methodologies and Relations with Control Bodies, within the Internal Audit Function.
- providing information to the Board of Directors, on the outcome of the statutory audit of the accounts, accompanied by the additional report, as per Article 11 of the European Regulations, and associated observations. In compliance with Article 19, paragraph 1, letter a) of Legislative Decree No. 39/2010, the Board of Statutory Auditors (as the Internal Control and Audit Committee) informed the administrative body of the results of the statutory audit of the accounts for the 2018 financial year, sending the additional report pursuant to Article 11 of European Regulation 537/2014 on April 11, 2019;
- providing a favourable opinion to the Board of Directors, regarding the new composition of the Company’s Compliance Committee, effective from February 1, 2019:
  - a) five-members of the Compliance Committee;
  - b) the majority being external members (three out of five);
  - c) the internal members being the Internal Audit Manager and of the Business Integrity Manager;
- supervising the process for the appointment of a non-executive and non-independent Director, who had been co-opted in 2018; the appointment took place at the shareholders’ meeting in May 2019;
- monitoring changes that have occurred in the governance of the Company, with particular reference to the resignation letter received on December 23, 2019 from Pierfrancesco Latini, non-executive and non-independent Director, as well as member of the Audit and Risk Committee of the Company. Mr. Latini resigned because he took on the office of Managing Director of SACE SpA, with effect from the appointment by Saipem’s Board of Directors, pursuant to Article 2386 of the Civil Code, of Mrs. Alessandra Ferone;
- maintaining an adequate flow of information with Consob, concerning the supervisory activities already carried out or in progress.

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**

Chairman of the Board of Statutory Auditors of "CEPAV (Consorzio Eni per l'Alta Velocità) Uno", "CEPAV (Consorzio Eni per l'Alta Velocità) Due", International Energy Services SpA and Fondazione Renzo Giubergia; Chairman of the College of Auditors of Compagnia di San Paolo; Statutory Auditor of LIFTT Srl, WAY SpA, Ufficio Pio, Fondazione Italia per il Dono; Legal Auditor of QUASAR SpA and Fondazione PAIDEIA; Vice Chairman of "Accademia Nazionale dei Dottori Commercialisti (ANDOC)"; independent Director of Circolo della Stampa.

**GIULIA DE MARTINO (Statutory Auditor) nominated as a candidate by the shareholder Eni SpA**

**also on behalf of the shareholder CDP Equity SpA**

Board Director and Member of the Related Parties' and Compensation and Nomination Committees of Elettra Investimenti SpA (listed company<sup>27</sup>); Chairman of the Board of Statutory Auditors of Versalis SpA and Novasim SpA in liquidation; Statutory Auditor of Tim SpA (listed company<sup>28</sup>), e-geos SpA, Eni Trading & Shipping SpA, Raffinerie di Gela SpA, Agi SpA, Società Italiana Traforo del Monte Bianco SpA, Autostrade per l'Italia SpA and International Energy Services SpA; Liquidator of Advam Partners SGR SpA in l.c.a.; 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.

**RICCARDO PEROTTA (Statutory Auditor) nominated as a candidate by the shareholder Eni SpA**

**also on behalf of the shareholder CDP Equity SpA**

Board Director of Mittel SpA (listed company<sup>29</sup>); Chairman of the Board of Statutory Auditors of Cassa Lombarda SpA, Fire Group SpA, Fire SpA, FSI Sgr SpA, Molmed SpA (listed company<sup>29</sup>) and Saipem Offshore Construction SpA; Statutory Auditor of Boeing SpA and International Energy Services SpA.

**MARIA FRANCESCA TALAMONTI (Alternate Auditor) nominated as a candidate by the shareholder Eni SpA**

**also on behalf of the shareholder CDP Equity SpA**

Board Director of Elettra Investimenti SpA (listed company<sup>27</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>29</sup>), Servizi Aerei SpA; Statutory Auditor of Acea SpA (listed company<sup>30</sup>), Armonia SGR SpA, Costiero Gas Livorno SpA, DigiTouch SpA (listed company<sup>27</sup>), D-Share SpA, Musinet Engineering SpA, PLC SpA (listed company<sup>29</sup>), Raffineria di Milazzo ScpA, PS Parchi SpA, Rainbow Magicland SpA; Member of the Board of Auditors of FIN - Federazione Italiana Nuoto.

**FRANCESCA MICHELA MAURELLI (Alternate Auditor) selected from the list put forward by institutional investors**

Sole Director of Cosmo SPV Srl, Corallo SPV Srl, Resloc IT Srl; Chairman of the Board of Statutory Auditors of Credito Valtellinese SpA (listed company<sup>31</sup>); Statutory Auditor of Acque Blu Fiorentine 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>31</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.

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

(28) Company listed on the FTSE Mib.

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

(30) Società quotata sull'indice FTSE Italia All-Share Capped.

(31) Società quotata sull'indice FTSE Italia All-Share.



Relations with investors and financial analysts are maintained by the Investor Relations Manager, who until July 31, 2019 was Vincenzo Maselli Campagna and from August 1, 2019 is Massimiliano Cominelli. 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 [www.saipem.com](http://www.saipem.com) 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 2020, the disclosure took place, as usual, through a press release published on December 13, 2019.

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 Legislative Decree No. 49 dated May 10, 2019 which implements in Italy the EU Directive 2017/828/EU issued by the European Parliament and Council, amending Directive 2007/36/EC governing long-term shareholders commitment, for which member States were required to issue the necessary laws, regulations and administrative provisions to comply with the aforementioned Directive by June 10, 2019, the Company has been monitoring since 2017 the evolution of the relevant regulatory framework to ensure the implementation of the necessary instruments to meet the needs of shareholders.

If the Directive of 2007 focused on the rights of shareholders of listed companies, the measures necessary to facilitate their participation in the Shareholders' Meeting and their exercise of voting rights, also through the provision of adequate pre-meeting information, the Directive of 2017 focuses on the behaviour of shareholders, and in particular on the measures necessary to encourage their long-term commitment and increase transparency between companies and Investors.

Legislative Decree No. 49 of May 10, 2019 amended the provisions of the Italian Civil Code concerning transactions with related parties, and intervened on Legislative Decree No. 58/1998, modifying the provisions related to the identification of shareholders, the remuneration of Directors and the right to ask questions, introducing a new section on the transparency obligations of institutional investors and proxy advisors, and updating sanctions.

Saipem is monitoring the implementation status of this Directive.

The documentation relating to the General Shareholders' Meeting of April 30, 2019 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. Questions were received from a shareholder prior to the Shareholders' Meeting of April 30, 2019, pursuant to Article 127-ter of Legislative Decree No. 58/1998.

## 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.

Following the issue of Legislative Decree No. 49 of May 10, 2019, which implements in Italy Directive 2017/828/EU issued by the European Parliament and Council and amended the previous Directive 2007/36/EC in relation to the promotion of the long-term shareholders commitment, for which member States were required to issue the laws, regulations and administrative provisions necessary to comply with the aforementioned Directive by June 10, 2019, the Company has been monitoring, since 2017, the evolution of the regulatory framework, in order to update, if necessary, the rules and tools necessary to best meet the needs of shareholders.

Legislative Decree No. 49 of May 10, 2019 amended the provisions of the Italian Civil Code concerning transactions with related parties, and intervened on Legislative Decree No. 58/1998, modifying the provisions related to the identification of shareholders, the remuneration of Directors and the right to ask questions, introducing a new section on the transparency obligations of institutional investors and proxy advisors, and updating sanctions. Specifically, the Annual General Meeting is called by publishing a notice 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 2019 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 (please refer to the section "Policy on diversity", Article 123-*bis*, paragraph 2 of Legislative Decree 58/1998, on page 19).

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 April 30, 2019 was attended by the Chairman Francesco Caio, the CEO Stefano Cao, the Chairmen of the Board Committees, the Chairman of the Board of Statutory Auditors, four Directors and one Statutory Auditor.

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 2019, 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 (now Risk Management, Supply Chain and Business Integrity) 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 and 2018*

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.

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 No. 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 and Compliance Committees' reports;
- 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 and 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.

*Activities carried out in 2019*

In order to pursue a further improvement in corporate governance, the following initiatives were undertaken in 2019:

- also in 2020, the boards of the main foreign subsidiaries carried out an annual board review for the 2019 financial year and included the outcome of the same in the Audit and Compliance Committee report<sup>32</sup>;
- review of the number of foreign subsidiaries considered to be of greater relevance for the purposes of adopting the aforementioned governance rules and updating the composition of their Audit and Compliance Committees to be submitted to the Shareholders' Meeting of the subsidiaries of greater importance for the purpose of their appointment on their respective Board of Directors.

## Events subsequent to year end

No events worthy of note occurred after the end of the financial year 2019.

## Considerations on the letter by the Corporate Governance Committee of Borsa Italiana dated December 19, 2019<sup>33</sup>

The final part of the letter accompanying the "Annual Report 2019 on the evolution of the Corporate Governance of listed companies - Seventh 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, hoping that these recommendations:

- "will be the subject of a special board debate and careful assessment during the board review with the purpose of identifying the possible evolution of governance or of remedying any shortcomings in the application or the explanations provided";
- "be submitted to the controlling body, which is responsible for overseeing the implementation of the Code's recommendations".

The Report also reiterates "the hope, as expressed in the last two years, that the considerations of the company [...] concerning the Committee's recommendations and the possible planned or undertaken initiatives are clearly reported in the next corporate governance report in order to emphasise the issuer's unflinching attention to the quality of its 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 93 to 98 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 24, 2020 attended by the Chairman of the Board of Statutory Auditors, reviewed the "Annual Report 2019 on the evolution of the Corporate Governance of listed companies - Seventh 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 2019, 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 meeting of February 24, 2020. The conclusions reached by the Sustainability, Scenarios and Governance Committee were shared with the Board of Directors at the meeting of February 25, 2020.

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 that:

- "the documentation that was examined and the information that was acquired enabled to ascertain the strict adherence of the overall functioning of Saipem's Board of Directors and its Committees to the indications and requirements contained: (a) in the 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)"; and that
- "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".

(32) The Board Review of Cluster A subsidiaries was completed in January 2020.

(33) The Corporate Governance Committee of Borsa Italiana.

## Tables

Table 1. Shareholding structure

## Shareholding structure at December 31, 2019

	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, 2019

Declarant	Direct shareholder	% of ordinary scapital	% of voting capital
Cassa Depositi e Prestiti SpA	CDP Industria SpA	12.55	12.55
Ministero dell'Economia e delle Finanze	Eni SpA	30.54	30.54
Capital Research and Management Company (*)	-	5.05	5.05
Eleva Capital sas	-	3.07	3.07

(\*) Capital Research and Management Company formally notified the Company on February 3, 2020 that it had reduced its stake in Saipem's share capital to 4.94%.

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

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 Leg. D. 58/98	No. of other offices (3)	(4)	(4)	(5)	(4)	(5)	(4)	(5)	(4)	(5)
Chairman	Francesco Caio	1957	2018	May 3, 18	Approval Fin. Stat. 2020	M		X		2	17/17	5/5	C						
CEO <sup>Δ</sup>	Stefano Cao	1951	1997	May 3, 18	Approval Fin. Stat. 2020	M		X		-	17/17								
Director	Maria Elena Cappello	1968	2015	May 3, 18	Approval Fin. Stat. 2020	M		X	X	3	15/17	5/5	M						
Director	Claudia Carloni	1967	2018	May 3, 18	Approval Fin. Stat. 2020	M		X		-	16/17	5/5	M						
Director	Paolo Fumagalli	1960	2018	May 3, 18	Approval Fin. Stat. 2020	M		X	X	1	16/17			(5/5)	(M)	13/13	C		
Director	Federico Ferro-Luzzi	1968	2014	May 3, 18	Approval Fin. Stat. 2020	m		X	X	2	17/17	5/5	M				13/13	M	
Director	Ines Mazzilli	1962	2018	May 3, 18	Approval Fin. Stat. 2020	m		X	X	2	17/17		15/15	C	(5/5)	(C)			
Director	Paul Schapira	1964	2018	May 3, 18	Approval Fin. Stat. 2020	m		X	X	1	17/17		14/15	M	(5/5)	(M)	13/13	M	
Director	Pierfrancesco Latini	1968	2018	Dec. 5, 18	Approval Fin. Stat. 2020	M		X		-	15/17		12/15	M		(M)			
Directors terminated during the year																			
Director																			
Number of meetings held during the year:									BoD: 17			CGCS: 5			ARC (6): 15 (5)			CNC: 13	
Minimum quorum 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.

(6) Also with reference to the functions relating to transactions with related parties.

## 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 pursuant to CG Code	Independence pursuant to Leg. D. 58/98 <sup>(3)</sup>	No. of other offices <sup>(4)</sup>
Chairman	Mario Busso	1951	2011	April 28, 17	Approval Fin. Stat. 2019	m	X	20/20	-
Statutory Auditor	Giulia De Martino	1978	2015	April 28, 17	Approval Fin. Stat. 2019	M	X	16/20	2
Statutory Auditor	Riccardo Perotta	1949	2017	April 28, 17	Approval Fin. Stat. 2019	M	X	19/20	2
Alternate Auditor	Maria Francesca Talamonti	1978	2015	April 28, 17	Approval Fin. Stat. 2019	M	X	-	5
Alternate Auditor	Francesca Michela Maurelli	1971	2017	April 28, 17	Approval Fin. Stat. 2019	m	X	-	2
Statutory Auditors terminated during the year									

Number of meetings held during the year: 20

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-*quinquiesdecies* of Consob's Issuer Regulations.









Società per Azioni  
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Headquarters: San Donato Milanese (Milan) - Italy  
Via Martiri di Cefalonia, 67

Investor Relations  
e-mail: [investor.relations@saipem.com](mailto:investor.relations@saipem.com)

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

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

Making change possible - Sustainability Report (in English)

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SAIPEM SpA  
Via Martiri di Cefalonia, 67  
20097 San Donato Milanese (MI)

[SAIPEM.COM](http://SAIPEM.COM)