

CODE OF PRACTICE REGULATING OPERATIONS WITH RELATED PARTIES

1. Foreword

Art. 1, comma 2 of the Self-Regulatory Code of listed companies issued by the Corporate Governance Committee of listed companies (Self-Regulatory Code) states: *The Board of Directors e) examines and approves operations of financial and economic relevance, in particular operations involving related parties.* It is stated in the comments: *The Committee recommends that the Board of Directors set guidelines and criteria to identify such operations.*

Saipem identifies *operations of financial and economic relevance* as follows: acquisitions, alienations, disposals, transfers of shareholdings, companies or company branches and/or immovable assets whose value exceeds € 2.5 million.

This Code of Practice (Code of Practice) sets the criteria to be adopted for operations with related parties, times and methods of information to be provided to the Board of Directors and the Board of Auditors of Saipem S.p.A. (Saipem). In particular, the Code of Practice complies with art. 23 bis of Saipem's Articles of Association, which reflects the provisions of comma 1, art. 150, Law Decree 58 of 24/2/98, the relevant Consob regulations and indications contained in the Self-Regulatory Code.

On 7th July 2003, the Board of Directors of Saipem approved this Code of Practice, which is effective from the same date.

2. Identification of related parties

Based on Consob Directive no. 2064231 of 30/09/02 (Directive), Saipem's related parties are:

- 2.1 Companies controlled by Saipem S.p.A., pursuant to art. 93 of Law Decree 58/98;
- 2.2 Eni S.p.A. and its controlled companies, as per art. 93 of Law Decree 58/98;
- 2.3 The Italian Ministry of Economics and Finance and its controlled companies, other than ENI S.p.A.;
- 2.4 Companies directly or indirectly associated with Saipem, as set forth in art. 2359 comma 3 of the Italian Civil Code;

- 2.5 Board Directors, Statutory Auditors and general managers;
- 2.6 Close relatives of persons in item 2.5; Consob specifies in the directive that close relatives *are defined as those potentially able to influence the individual, or be influenced by the individual in dealing with the company; these include co-habiting partners, the spouse if not legally separated and relations up to the second degree of kinship;*
- 2.7 Individuals controlled by or connected to persons identified in items 2.5 and 2.6, as set forth in art. 2359 comma 3 of the Italian Civil Code.

Persons as identified in item 2.5 shall complete the declaration (attachment A) and forward it to the Board of Directors' Secretary by the end of the month following each calendar quarter.

3. Operations with related parties

The term *operations* comprises all transactions involving company assets, such as (but not limited to) movable and immovable property, even if free of charge; the provision of works or services; granting or receiving of financing and guarantees; etc.

4. Criteria to be adopted for operations with related parties

Operations with related parties are carried out in accordance with the *criteria of fairness both in terms of substance and procedure* (art. 11 comma 1 of the Self-Regulatory Code). The expression '*substantial fairness*, according to the aforementioned comma, *is defined as fairness from a financial standpoint, i.e., for instance, the transfer price of a good is to be aligned with market prices.* The expression '*procedural fairness*' *is defined as complying with those procedures aimed at ensuring that operations are fair in essence.*

All documentation supporting operations carried out with related parties is filed in order to record: (i) characteristics of the operation; (ii) nature of the relation; (iii) the company's interest in the operations; (iv) possible atypical and/or unusual peculiarities of the operation; (v) method of assessment of the economic conditions of the operation.

Consob, in their directive no. 1025564 of 06/04/01, defines as *atypical and/or unusual* those operations, *which, in view of their size/relevance, nature of parties involved, object of the operation (even if it relates to ordinary operations), calculation of transfer price and time schedule of transfer (how close to fiscal year end) could raise doubts regarding: the*

correctness/completeness of information in the Financial Statements, a conflict of interests, the safeguarding of corporate assets, the protection of minority shareholders. Extraordinary operations (mergers, demergers, public purchase offers, capital increases and/or decreases, transfers, etc.) are not (in themselves) considered atypical operations.

5. Operations with related parties requiring prior approval by the Board of Directors

Operations between Saipem and/or its controlled companies and related parties require prior approval by the Board of Directors if:

- a) They are atypical and/or unusual and their value exceeds € 10 million (€5 million if with related parties detailed under 2.4). Operations between controlled companies as detailed under 2.1 are excluded;
- b) They involve acquisitions, alienations, disposals, transfers of shareholdings, companies or company branches or immovable assets whose value exceeds € 2.5 million. Operations between controlled companies as detailed under 2.1 are excluded;
- c) The related party is amongst those detailed in 2.5, 2.6 and 2.7 and the value of the operation exceeds € 1 million (€ 0,5 million if the operation is deemed atypical and/or unusual).

The most senior manager of the relevant department notifies the Chairman by producing a report containing: (i) characteristics of the operation (strategic, industrial, economical-financial, legal and fiscal characteristics, risks connected with the operation, potentially critical elements, guarantees granted or received, etc.); (ii) the nature of the relation; (iii) possible conflicts of interests; (iv) the company's interest in the operation; (v) possible atypical and/or unusual peculiarities of the operation; (vi) method of assessment of the economic conditions of the operation.

As stated in the Self-Regulatory Code (art. 11, comma 2): *Should Directors have an interest, albeit potential or indirect, in an operation with related parties, they shall: a) inform the Board promptly and exhaustively of the existing interest and relevant circumstances; b) leave the Board meeting when resolution is carried out.* It is stated in the comments: *The Committee leaves to the Board of Directors' discretion all decisions regarding the fact that the Directors leaving the meeting when resolutions are carried out, might preclude the meeting reaching the necessary quorum.*

Art. 11, comma 3 of the Self-Regulatory Code states: *Wherever the nature, the value or the characteristics of the operation demand it, the Board of Director ensures that independent experts are appointed to value the assets and provide financial, legal and/or technical support; this to ensure that negotiated conditions reflect those between non-related parties.* It is stated in the comments: *Substantial fairness can be attained following certain International best practices, already widely used in Italy for non-repetitive and/or relevant operations, namely the engagement of advisors (banks, auditing firms, other experts) to provide fairness opinions and of lawyers to issue legal opinions. The Committee recommends that Boards of Directors carefully assess the independence of experts and, to strengthen such independence, suggests the engagement, in the most relevant of cases, of different experts for each related party.*

The Secretary of the Board of Directors informs the relevant persons of the resolutions passed by the Board on the proposed operations.

6. Operations with related parties for which notification is due to the Board of Directors and Statutory Auditors

The Board of Directors and the Board of Auditors must to be notified quarterly of all operations carried out by:

- a) Saipem S.p.A. with those related parties detailed under 2.2 and 2.3 whose value exceeds €50 million or executing contracts whose value exceeds € 50 million (€25 million for related parties detailed under 2.4);
- b) Companies controlled by Saipem S.p.A. with those related parties detailed under 2.2 and 2.3 whose value exceeds €50 million or executing contracts whose value exceeds € 50 million (€25 million for related parties detailed under 2.4);

Notification shall contain the information as indicated in item 4.

Notification is not required when:

- 1) Operations put into execution Board of Directors resolutions or they have already been specifically notified to the Board;
- 2) The value of the operation is based on the outcome of a specific tender issued by Saipem S.p.A. or a subsidiary company;

3) The value of the operation is based on official international market quotations (for instance derivatives contracts on foreign currencies, rates and commodities) and agreed differentials, if any, are in line with current commercial practices;

4) The value of the operation is based on the assessment by an independent third party.

Also, notification to the Board of Directors is not required for those operations carried out by Saipem S.p.A. or its controlled companies with other controlled companies if they relate to the general management of the Saipem Group and whose terms and methods are not dissimilar from normal market conditions and/or those generally applied to operations with non related parties.

7. Operations with related parties deemed particularly relevant

Art. 71-bis of *Regulations, enforcing Law Decree no. 58 of 24/02/1998, aimed at listed companies* (Regulations), issued by Consob, Directive no. 13616 of 12/06/2002, states:

- 1. For operations with related parties, even if carried out through controlled companies, that, due to their nature, value, method or time of execution, could affect company assets or the fairness and exhaustiveness of company information or financial data, listed companies are obliged to release a specific document. This obligation does not apply when the information is released pursuant to articles 66, 70 and 71.*
- 2. Notification of operation is lodged with the company at its legal headquarters and the market regulatory body within 15 days from the date of operation. A Press Release must be published immediately on at least one national newspaper, advising that notification has been lodged. Pursuant to art. 91-bis (Operations with related parties) of the Regulations: listed companies, when notifying the public, simultaneously send Consob notification as per art. 71-bis.*

The Board of Directors evaluates, as and when required, if such notification is needed.

8. Final provisions

The Secretary of the Board of Directors sends this Code of Practice to all Board Directors, Statutory Auditors, general managers of Saipem S.p.A. and Presidents of controlled or associated companies.