

# SUSTAINABILITY STATEMENTS 2016



# SUSTAINABILITY STATEMENTS

## 2016

'Sustainability Statements 2016' shows the Company's most significant results for the year, with indicators and trend analyses. The document is prepared in accordance with the principles of the 'Sustainability Reporting Guidelines' of the Global Reporting Initiative (GRI) - G4 version.

'Sustainability Statements 2016' is a supplement to 'Saipem Sustainability 2016', as it provides a more detailed performance analysis, both from a qualitative and quantitative point of view. The document is organised by sections, as seen in the contents. The disclosure on the Sustainability Approach (Disclosure on Management Approach) and the GRI and UN Global Compact Content Index are provided in Annexes I and II respectively of 'Saipem Sustainability 2016'. Both documents are also available online in the documents section of the website.

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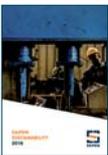
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# METHODOLOGY, CRITERIA AND REPORTING PRINCIPLES

Since 2011, indicators and, more generally the Group's sustainability performance, have been shown in the Annual Report. This document is complementary to 'Saipem Sustainability'. The documents deal with subjects material to Saipem and the stakeholders to whom they are addressed and describe the actions and initiatives carried out to reach the targets.

This document and 'Saipem Sustainability' are an integral part of Saipem's sustainability communication and reporting system consisting of a series of tools designed to convey information on sustainability performance to all stakeholders in an exhaustive and efficient way. All these documents are available on the website [www.saipem.com](http://www.saipem.com).

COMMUNICATION TOOLS	FINANCIAL STAKEHOLDERS	CLIENTS	EMPLOYEES	LOCAL STAKEHOLDERS
Saipem Sustainability				
Sustainability Statements				
Country Reports				
Annual Report				
Report on Corporate Governance and shareholding structure and Remuneration				
Annual leaflets and newsletters				
Saipem website				

## Reporting principles

This document has been prepared with reference to the principles of balance, comparability, accuracy, timeliness, reliability

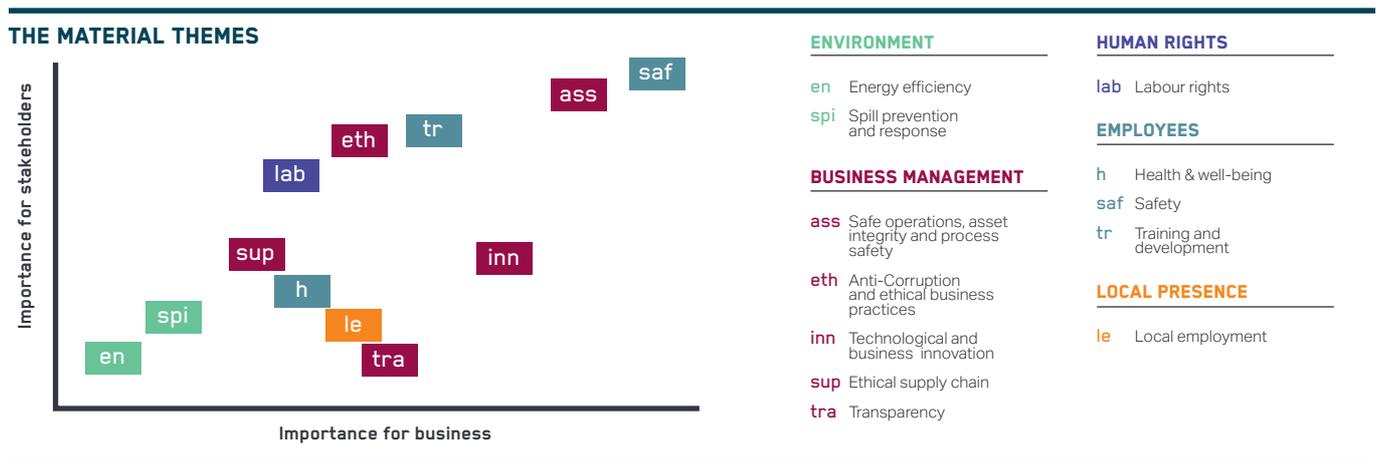
and clarity (principles for determining the quality of the report), as defined by the Global Reporting Initiative - GRI in 'G4 Sustainability Reporting Guidelines'. The contents of the

document has been defined with regard to the principles of materiality, stakeholder inclusiveness, sustainability context and completeness, as also defined by the GRI guidelines. The performance indicators, chosen on the basis of themes identified as material, have been collected on an annual basis. The sustainability reporting frequency is also annual. The information and quantitative data collection process has been organised in such a way as to guarantee comparability of the data and analysis of the trends over a three-year period, in order to enable a correct reading of the information and a full overview for all the stakeholders interested in the evolution of Saipem's performance.

**Definition of the content**

In 2016, a materiality analysis was carried out for the sixth year running to define the sustainability themes considered most significant, both within the Company and for stakeholders. First of all, significant themes were identified and those considered material were then selected. This process is based on the sustainability context and the analysis of the stakeholders involved. For ease of analysis and comparability of the results, the 30 themes identified were broken down into 5 macro categories. The level

of external interest was defined, through interviews or questionnaires, from a balanced sample of stakeholders. Clients, NGOs, representatives of local communities, business partners, business associations, investors, representatives of the authorities, vendors and employees were all involved. The level of internal significance was assessed by a panel of Saipem senior managers. The panel identified the most important issues, in terms of risks and opportunities, for the long-term success of the Company. The importance of each theme is determined by the nexus of internal and external significance. The material themes are those considered relevant to both Saipem and its stakeholders. The final results of the materiality analysis were validated by the Sustainability Committee and the Corporate Governance Committee and Scenarios. The upper right quadrant of the materiality matrix, represented below, shows the material topics. This document illustrates the indicators associated with material themes and those associated with themes that were also considered important, so as to ensure consistency with previous years. More details are available in the 'Methodology and Reporting Criteria' section of 'Saipem Sustainability 2016'.



**Reporting boundary**

This document contains information and a description of the performance indicators of Saipem SpA and all of the Group's direct or indirect subsidiaries. In line with the GRI G4 guidelines, the material themes are associated with corresponding GRI G4 aspects. In addition, the boundary within which these themes have an internal or external impact is specified. Any limits to the scope are specified. Any changes to the internal reporting boundary

are described in the methodological note in the 2016 Annual Report. More information on the external reporting boundaries and any restrictions is provided in the 'Methodology and Reporting Criteria' section of 'Saipem Sustainability 2016'.

**Limited audit**

Reporting is subject to limited controls by the same, sole external auditor used for the Annual Report, in which this section is included, and for the document 'Saipem Sustainability 2016'.

# SUSTAINABILITY INDICATORS

This section has been prepared in accordance with the principles of the GRI G4 standard and is organised by paragraph, each of which investigates a different theme.

## SAIPEM PEOPLE

### ■ Employment

		2014	2015	2016
Total employees at year end, of which:	(No.)	54,637	46,346	40,305
- Senior Managers	(No.)	421	417	399
- Managers	(No.)	5,012	4,972	4,276
- White Collars	(No.)	23,907	21,549	18,496
- Blue Collars	(No.)	25,297	19,408	17,134
Women	(No.)	5,832	5,257	4,251
Employees in non-European countries	(No.)	43,334	35,793	30,343
Employees with full-time contracts	(No.)	54,350	46,073	40,060
Employees with a key professional role	(No.)	19,774	17,840	14,991
Employees recruited through an agency	(No.)	-	4,489	5,643
Termination of employees with key professional role	(No.)	4,518	5,533	5,274
Voluntary turnover of employees with key professional role	(%)	8.01	6.38	8.28
Total turnover	(%)	-	-	40

In 2016 there was a 13% reduction in the workforce. These reductions were mainly due to the completion of some projects and the reduction of operations in Mexico, Canada, South America (especially in Venezuela) and Nigeria. In Italy there was a reduction of 12.3% in the workforce linked above all to the transfer of the Rome-Vibo Valentia engineering centre and staff rationalisation. Women employees represent 11% of the workforce, a figure in line with that of 2015. As for employees with a key professional role, they now represent 37% of the workforce, in line with the 2015 figure of 38%.

The voluntary turnover rate of key resources for the business was 8.28% in 2016, a figure slightly up compared to 2015, but in line with the figure of 2014. The overall turnover rate in 2016 was 40%, a figure that should be seen in the context of, a) the extremely dynamic situation in the Oil & Gas market which entailed, following a major reduction in investments in the sector, a considerable decrease in operations and b) the nature of Saipem's business, being a contractor company working for large projects with varying durations (from a few months to years). Due to these factors, the qualitative-quantitative sizing of Saipem's human capital was subject to fluctuations depending on the different operating phases of the projects. This involved a considerable increase in the workforce in a given area at a given time and a proportionate reduction when projects come to an end. Total turnover is calculated as the ratio of annual terminations to the average of the resources in the year.

Considering only the voluntary turnover rate of companies whose job performance is not affected by the end of projects (such as Saipem SpA, Saipem SA and Sofresid), turnover was 3.1%, a reduction of 1.68 percentage points compared to 2015. The turnover rate was calculated as the ratio of the number of annual voluntary resignations and the average of key resources in the year. Saipem uses personnel hired through employment agencies in some geographic areas and for some projects; at the end of 2016, there were 5,643 people.

Saipem gives its employees, bearing in mind local conditions, a range of benefits and methods for allocating them. These mainly include; supplementary pension funds; supplementary healthcare funds, mobility support services and policies, welfare initiatives and family support policies; catering (lunch tickets); training courses aimed at ensuring more effective integration within the socio-cultural context.

These benefits, when applicable, were offered to the whole target population, regardless of contract type (temporary/permanent), except for those specific services that may be incompatible in terms of the timing of the service with the duration of a contract.

## Skills development

Saipem bases its business success on a strong technical capacity of both its assets and its employees. The skills of the Saipem workforce are essential in guaranteeing operational excellence. Periodic skills assessments, with numerous training and development programmes, are conducted to reduce the loss of key skills for the business.

		2014	2015	2016
<b>Training</b>				
Total hours of training, of which:	(hours)	2,615,706	1,638,098	1,611,377
- HSE	(hours)	1,445,829	1,209,769	1,365,336
- managerial potential and skills	(hours)	48,425	36,390	24,446
- IT and languages	(hours)	100,106	54,226	20,969
- professional technical skills	(hours)	1,021,346	337,713	200,626
<b>Skills assessment</b>				
Skills assessment	(No.)	3,495	4,897	2,738
<b>Performance evaluation</b>				
Performance evaluation to which employees are subject, of which:	(No.)	28,787	18,446	24,144
	(%)	53	40	60
- Senior Managers	(No.)	426	398	375
- Managers	(No.)	5,359	2,734	3,034
- White Collars	(No.)	15,968	9,406	10,054
- Blue Collars	(No.)	7,034	5,908	10,362

In 2016, the total number of hours of training delivered remained constant, despite the significant reduction in the workforce during the year. The distribution of training hours compared to 2015 varied due to changing business needs and the need to streamline training efforts.

In quantitative terms, HSE training was the most significant. In 2016, 5.28 hours of HSE training were delivered for every 1,000 hours worked, an improvement on the figure for 2015. Of a total of around 1.36 million hours of HSE training, 743,296 were delivered to subcontractors. Of the remaining 622,041 hours of HSE training delivered to employees, 232,684 represent specific training related to each employee's professional role. On average, each employee attended 21.5 hours of training (24.8 in 2015), of which 15.4 were on HSE (15.6 in 2015).

In 2016, Saipem finalised the new Responsible Leadership Model which is adaptable to all levels in the company. The model endeavours to encourage the development of managers capable of making decisions that best reconcile the need for integrity with the business's needs, with a view to long-term value creation for the company. The new model has led to an analysis aimed at remodelling human resources management processes including the assessment of potential. For this reason the managerial appraisal processes and the assessment/development centre have been deferred to ensure effectiveness and coherence with the new Model.

Activities in 2016 focused on redefining the approach to these types of initiatives, and on identifying new selection criteria for assessments and more appropriate tools and techniques. The new methodology will enable more complete and detailed evaluation of an employee's potential; for the adoption of online diagnostic testing, various tests have been designed and developed to detect, in addition to leadership skills, distinctive traits, motivational drivers and logical, numerical and verbal skills.

Skills assessment in 2016 focused exclusively on technical skills, linked to the continuation of the K-Map initiative, which is part of the wider-ranging K-Factor project. The objective of this initiative is to map and monitor employee skills with special focus on roles considered critical for the business. The figure of 2,738 for skills assessments refers only to evaluations completed in 2016. A higher number of skills assessments created in 2016 will be completed under the work plan, in the first half of 2017.

In 2016, 60% of personnel were subject to performance evaluations, a significant increase over the year. In 2016, there was a marked rise in the percentage of blue collar employees involved in the performance evaluation process. This demonstrates the continued commitment of Saipem to disseminating a corporate culture that appreciates the contribution of each employee to achieving the business objectives. In fact, performance evaluations reflect the need to assess, encourage and develop the results obtained by each employee along with behaviours in line with the Saipem Leadership model.

Because of its importance to the business, the Competence Assurance & Assessment was an important programme, launched from 2014 to 2016 in the Offshore, Drilling and Floaters business units. The purpose of the programme is to evaluate in a structured manner, through practical and theoretical tests, if personnel have all the skills required for their professional role. Guaranteeing maximum professionalism of personnel is essential for efficient and safe operations.

More information on the skills management system can be found in the document 'Saipem Sustainability 2016'.

## Industrial relations

The global context in which Saipem operates, characterised by the management of diversity arising from the socio-economic, political, industrial and regulatory context means that the management of industrial relations requires the utmost care and attention. Over the years Saipem has developed an industrial relations model aimed at ensuring the harmonisation and optimal management of relations with trade unions, employers' associations, institutions and public bodies in line with Company policies. Whenever a major organisational change is introduced, it is common practice for the Saipem Group to communicate the development to the trade union representatives. In Italy, due to a specific provision in the collective bargaining agreement, meetings with the unions are regularly convened to illustrate and explain any changes.

		2014	2015	2016
Employees covered by collective bargaining	(%)	53	59	58
Strike hours	(No.)	54,456	35,018	65,196

Of more than 34,000 employees monitored (the total includes full-time Italian employees, French employees irrespective of the country they work in and local employees for all other countries), 19,915 are covered by collective bargaining agreements. It is important to bear in mind that Saipem also operates in countries where there are no provisions for these types of agreement.

In 2016, various industrial arrangements were renewed both in the form of collective bargaining agreements (renewal of the 'CCNL metalmeccanico' – national collective bargaining agreement - metalworkers – and the 'CCNL Marittimo - Sezioni Mezzi Navali Speciali' – national collective bargaining agreement – Maritime workers [Special Maritime Vessels Section]) and supplementary agreements (e.g. the Profit-Sharing Bonus). The signing of the agreement on early retirement under Article 4 of the Fornero Law was particularly important.

In 2016, the total number of strikes for the Saipem Group increased compared to the previous year. The strikes took place in Nigeria, Brazil, Italy, Egypt and Angola. Over half the number of strike hours for the year refer to Nigeria, due to dismissals following the completion of projects. The strike in Brazil, which took place in January 2016, was a reaction to disciplinary measures taken by the Company. The strike was declared illegal by the authorities and all staff immediately returned to work. In Italy, the strikes mainly concerned issues related to the renewal of the National Collective Bargaining Agreement for the energy, petroleum and engineering sectors.

More information is available in the 'Human resources and health' section of the Directors' Report in the 'Annual Report 2016'.

## Diversity and equal opportunities

### Gender diversity

		2014	2015	2016
<b>Women</b>				
Employees	(No.)	5,832	5,257	4,251
Senior Managers	(No.)	20	22	23
Managers	(No.)	684	704	600
<b>Compensation</b>				
Ratio of basic salary of women to men, by employee category:				
- Senior Managers	(%)	91	91	88
- Managers	(%)	87	82	80
- White Collars	(%)	94	92	86
- Blue Collars	(%)	138	45	101

## Age diversity

(No.)	2014	2015	2016
<b>Age groups</b>			
Employees under 30	10,480	7,595	5,809
of which women	1,408	1,097	735
Employees aged between 30 and 50	35,264	31,436	28,418
of which women	3,822	3,529	2,961
Employees over 50	8,893	7,315	6,078
of which women	668	631	555

## Cultural diversity

(No.)	2014	2015	2016
<b>Multiculturalism</b>			
Number of nationalities represented in the employee population	131	128	120

The protection of specific categories of workers is guaranteed through the application of local laws and reinforced by specific corporate policies that highlight the importance of this issue. The aim of these is to ensure equal opportunities for all workers in an attempt to deter the onset of prejudice, harassment and discrimination of any kind (e.g. related to sexual orientation, colour, nationality, ethnicity, culture, religion, age and disability) in full respect of human rights. In various situations this protection is reflected particularly in specific regulations that provide for minimum entry requirements for disabled and young staff, or for set proportions between local and expatriate personnel.

As regards gender diversity, the percentage of women holding managerial positions with respect to the total number of women increased from 13% in 2015 to 15%.

Saipem has precise guidelines to standardise remuneration policies. This highlights Saipem's continued commitment to affirming the principle of 'equal pay for equal work' and reducing the pay gap between men and women, in all of the local realities where it operates although in some cases, the result of the gender pay gap indicator is influenced globally also by the dynamics of manpower which in 2016 were consistent. This resulted in a significant positive change in the indicator relating to blue collar employees (101% in 2016 and 45% in 2015). Apart from this, the most significant change was in the white collar category, where there was a decrease in the indicator (86% in 2016 compared to 92% in 2015). Apart from the abovementioned factors, it should be noted that the female population, especially women with the highest professional qualifications, are typically younger on average than men thus resulting in lower corporate seniority and, consequently, lower salaries for women.

The gender pay gap indicator was calculated as the ratio between the average salary of a woman compared to the average salary of a man by category.

Saipem promotes the work/family balance of its personnel through regulations and/or local policies that guarantee parental leave. In all environments, maternity/paternity leave is regulated and only differs in timing and type of leave from work. There was a slight increase in the use of parental leave for fathers dictated by provisions that accentuate family support. In 2016, Saipem had 1,278 employees, 725 men and 553 women, who used parental leave for a total of 55,215 days; at the same time, it is noted that in the same period 1,037 employees, 665 men and 372 women, returned to work from maternity/paternity leave, with an 81% return rate from parental leave.

## LOCAL PRESENCE

Saipem is present in many regions, working with a decentralised structure in order to respond better to local needs and sustainability aspects. Wherever it works, Saipem plays an active role in the community, providing a contribution to the social and economic life of the territory, in terms of local employment and value creation.

In line with client requests and indications in the management of its projects, Saipem uses social-economic impact evaluations and studies supplied by the clients themselves or produced in-house, if necessary. The operations in which Saipem has direct responsibility for the impacts generated at local level concern the fabrication yards or proprietary logistic bases. In these cases, Saipem identifies and assesses the potential effects of its activities and actions in order to ensure that they are managed appropriately, as well as any specific activities and projects aimed at developing the local socio-economic context. Typically, the instrument used is a Socio-Economic Impact Assessment (SIA) or the ESIA (Environmental Social Impact Assessment). As a result of this study, Saipem collaborates with the stakeholders involved in order to prepare an Action Plan which defines the necessary actions to manage the impacts on local communities.

With a view to mitigating impacts on local populations and areas, Saipem has implemented specific analysis tools to identify areas of intervention and lines of action. As regards relations with local areas, Saipem has a process in place for identifying the main stakeholders, as well as the means for involving them in order to establish a constructive and ongoing dialogue.

Saipem's local presence can take two main forms: a long-term presence where the Company owns fabrication yards or other operating structures; and a short/mid-term presence where Saipem is involved in a specific project. Saipem's involvement and dialogue with local stakeholders therefore depend on the type of presence.

(€ million)	2014	2015	2016
Expenses for initiatives targeting local communities	1.992	2.863	1.902

During 2016, Saipem committed, through its operating companies, to consolidate relations with local stakeholders, both through direct involvement and studies and analyses aimed at understanding the needs of the area and planning interventions. The decrease in spending in 2016 was mainly due to the completion of an important project in Nigeria and the reduction of operations in South America.

Of these €1.902 million, more than €1.1 million were allocated to operational projects. In 2016, Saipem implemented 54 projects, covered by agreements with local stakeholders in 7 countries, confirming focus on training and socio-economic development (which altogether account for more than 90% of the total spending).

Saipem has adopted a tool for assessing the positive effects of externalities generated in local areas in a strategy of maximising Local Content. Known as 'Saipem Externalities Local Content Evaluation' (SELCE), the model takes into account the indirect positive effects on the supply chain and the side effects generated on society. In 2016, the model was applied for the El Elcino Topolobampo project in Mexico.

During 2016, Saipem was not involved in any significant conflicts with local communities and indigenous peoples. Further information and details on the initiatives implemented in the local communities and the SELCE model are available in the document 'Saipem Sustainability 2016'.

## Local value creation

Saipem actively contributes to socio-economic development, creating value locally by investing in local economies and by employing local personnel. Employing local personnel not only means paying them a salary, but also developing their skills through training programmes or on-the-job training.

### Local economic development

(%)	2014	2015	2016
Project-based orders placed with local vendors, of which in:	56	68	69
- Americas	63	77	82
- CIS	40	70	69
- Europe	97	91	98
- Middle East	74	68	72
- North Africa	32	46	50
- Southern and Central Africa	27	51	46
- Far East and Oceania	67	86	93

		2014	2015	2016
By geographic area <sup>(*)</sup> , of which:	(€ billion)	10.89	8.27	5.66
- Americas	(%)	13	9	6
- CIS	(%)	4	13	8
- Europe	(%)	45	35	38
- Middle East	(%)	16	22	27
- North Africa	(%)	1	0	3
- Southern and Central Africa	(%)	8	12	9
- Far East and Oceania	(%)	12	8	9

(\*) Geographic area of the vendor.

In 2016, of a total of €5.66 billion of orders, excluding €1.44 billion (mainly due to investments and staff costs), €2.92 billion was ordered from local suppliers. An order is only considered local when the supplier is from the same country as the project for which the order is made.

In 2016, the total orders decreased significantly compared to 2015 (-31%), in line with the operational activities during the year. Despite the overall decrease in procurement, the quota of local procurement was more or less stable compared to 2015 (68% in 2015).

In the Americas, although a significant reduction of the total procurement can be seen, the percentage of local procurement over the area as a whole rose compared to the previous year. One of the most important projects that contributed to this result, the Mexican project El Encino Topolobampo, where civil engineering work was awarded to local suppliers, is worthy of mention. Two other projects contributing to this result were Lula Norte and Lula Extremo where the hydrostatic testing of the pipeline was carried out by American suppliers.

The CIS area showed a substantially stable percentage of local procurement compared to the previous year. Among the projects that have made a greater contribution to the maintenance of the local procurement rate were the Shah Deniz 2 barges and vessels hired from local suppliers.

2016 saw the purchasing volume from the European area almost halved compared to last year. In this scenario the percentage of local procurement was higher than the previous year with an increase of 7 percentage points. It should however be emphasised that the European area already had a particularly high percentage of local procurement in the previous year accounting for 91% of the total in the area. The development of facilities for the storage of natural gas in Cornegliano Laudense for Italgas Storage (IGS) was the project that contributed most to this result.

In 2016, the Middle East showed an increase of 4 percentage points in local procurement; this result is significant because this is the region where there is the highest volume of procurement.

Procurement in North Africa in 2016 increased significantly (€152 million in 2016 compared to €27 million in 2015) thanks to the acquisition of the Zohr project in Egypt. The percentage of local procurement increased from 46% in 2015 to 50% in 2016.

In the Far East and Oceania, local procurement increased by 7% compared to 2015. In particular, the Tangguh project contributed to this 2016 increase due to earthworks, demolition, civil engineering works and storage of materials.

In Southern and Central Africa the reduction of the area's total procurement compared to 2015 was mainly caused by the end of orders related to the Kaombo project with no new projects to replace it.

## Local employment

(%)	2014	2015	2016
Local employees	79	80	80
Local managers (*)	43	44	45

(\*) Manager refers to the total number of middle and senior managers.

Local personnel in 2016 amounted to 32,266 (80%), in line with the figures for 2015, which differs only by one percentage point compared to 2014 (79%), with the percentage of local managers increasing by 45%. Despite the decrease in the total workforce, the facts show Saipem has continued to pursue its commitment to value creation in areas where local personnel are employed. The percentage of local managers is calculated excluding figures for France and Italy; the inclusion of these countries would result in a percentage of 76% of local managers. The method used transparently and faithfully demonstrates the constant commitment of Saipem to promoting Local Content, also at the managerial position level.

Further details on initiatives implemented in 2016 are available in the document 'Saipem Sustainability 2016', in the 'Directors' Report' section of the 'Annual Report 2016', and in the 'Sustainability' section of the website.

## WORKPLACE HEALTH AND SAFETY

In Saipem, the culture of health and safety of workers is guaranteed and supported by the external regulatory environment, mainly characterised by laws and agreements at national and company level, and by an internal environment characterised by specific policies on health and safety that set particularly stringent criteria compared to the local contexts, which today still have regulatory systems in the process of development.

Not all countries in which Saipem operates have trade unions at both national and local level. Where specific agreements are in place, they can be broken down into three main lines pursued by the Company and shared with the trade unions:

- the establishment of workers' representatives for health and safety (composition and number);
- specific training for safety officers (those appointed by Saipem and workers' representatives) and the distribution of information on safety issues to all employees with particular reference to health and safety at work courses, firefighting courses, first aid courses and mandatory specialist courses for 'Special Operations' (Onshore-Offshore);
- regular meetings between the company and workers' representatives.

In Italy, workplace health, safety and the environment are governed by specific contractual provisions and the National Collective Labour Agreement. In particular, the collective agreement provides for the appointment of corporate representatives of the workers for their protection in the areas of health, safety and environment (RLSA). The appointment is made by election and the number of representatives is provided for by law and the collective bargaining agreement. A specific trade union agreement between Saipem and the trade unions defines the competences of the RLSA and their full authority to carry out their activities even over workers assigned temporarily to activities at yards and work-sites other than those of origin.

With a view to promoting the health and safety of its employees, in 2007 Saipem launched the LiHS (Leadership in Health and Safety) programme. This programme comprises various stages which, through workshops that involve all the company levels, set the aim of triggering cultural change in people so that they are more attentive and aware of health and safety issues. The programme is aimed at both staff and subcontractors on Saipem sites. The figures for the last three years are shown below:

	2014	2015	2016
<b>LiHS Programme</b>			
<b>Phase 1</b>			
Completed workshops	123	119	71
Number of participants in Phase 1 workshops	1,630	1,493	934
<b>Phase 2</b>			
Number of 'cascading events'	179	233	153
Number of participants in 'cascading events'	6,449	6,999	4,221
<b>Phase 3</b>			
Number of 'Five Stars Training' sessions	384	359	190
Number of participants in 'Five Stars Training' sessions	4,111	4,065	2,129
<b>Phase 4</b>			
Number of 'Leading Behaviour Cascading events'	119	257	347
Number of participants in the 'Leading Behaviour Cascading events'	4,060	7,283	7,625
<b>Phase 5</b>			
'Choose Life' campaign'	333	215	21
Number of participants in the 'Choose Life' campaign	5,570	2,682	434

The LiHS data are updated on a periodic basis, not always in line with the calendar year. Changes may occur from year to year.

LiHS programmes also involve subcontractor personnel and they have been included in the figure for participants. Further information on the LiHS programme is available in the document 'Saipem Sustainability 2016'.

## Safety performance

		2014	2015	2016
Man-hours worked	(million hours)	265.81	234.38	258.62
Fatal accidents	(No.)	1	2	1
Lost Time Injuries	(No.)	73	70	51
Lost workdays	(No.)	3,696	4,439	3,106
Severity Rate	(ratio)	0,01	0,02	0,01
Total Recordable Incidents	(No.)	289	253	201
Rate of absenteeism	(%)	4.00	4.64 <sup>(*)</sup>	4.86
LTI Frequency Rate (LTIFR)	(ratio)	0.28	0.31	0.20
TRI Frequency Rate (TRIFR)	(ratio)	1.09	1.08	0.78
Tool Box Talks	(No.)	891,256	796,723	704,900
Safety hazard observation cards	(No.)	908,340	710,817	623,981
HSE meetings	(No.)	41,136	25,338	19,454
Job Safety Analysis	(No.)	256,345	263,833	241,304
HSE inspections	(No.)	285,118	222,598	154,338

(\*) To be consistent with 2016 a second decimal place has been added in the indicator.

All safety statistics also include performance by subcontractors. For performance in the area of workplace safety, in 2016 a TRI Frequency Rate value (TRIFR) of 0.78 was recorded, significantly better than previous years, than the annual target (TRIFR=1.04 was the company's target for 2016) and than the benchmark figures for the sector. This result is definitely linked to the many initiatives carried out throughout 2016, aimed at maintaining occupational safety standards at the highest levels at all Saipem locations. Unfortunately, in 2016 there was a fatal injury to a Saipem subcontractor in an external yard (in the UAE) during the installation of pyramid supports which were necessary for some structures and systems.

The total figure for absenteeism at Saipem in the year 2016 came to around 3.4 million hours, with an average rate of 4.86%, which, on the whole, is satisfactory. The total hours of absenteeism are accounted for mainly by sick leave, paid leave and unpaid leave according to local regulations.

The absenteeism rate increased slightly compared to the previous year. This increase was mainly because the rate is calculated as the total hours of absenteeism in the year (including staff no longer on the payroll at the end of the year), divided by the number of employees at year end, which, as already stated above, decreased by about 13% compared to 2015.

The calculation methodology used for the main indicators is outlined as follows:

- the man-hours worked are the total number of hours worked by employees of Saipem and contractors working on the operating sites;
- lost days of work means the total number of calendar days in which the injured person was not able to do their job as a result of an LTI. The calculation of the number of days lost starts from the second day after the accident up to the day on which the person is able to return to work;
- LTIFR and TRIFR are calculated respectively as the number of LTI and TRI divided by hours worked, all multiplied by one million (these figures include injuries to both employee and contractors);
- the lost days are the sum of all the calendar days lost for incidents in the reference year. The severity rate is the working days lost divided by hours worked, multiplied by a thousand;
- the absenteeism rate is calculated as the ratio between the total hours of absence and the total hours theoretically worked in the year. The annual theoretical working hours are calculated in proportion to the workforce figure for December 31, 2016. The total hours of absence do not include parental leave and estimated holiday hours.

Further initiatives implemented to promote safety in the workplace are described in the document 'Saipem Sustainability 2016'.

## Health promotion

Saipem considers the health and well-being of its employees of inestimable value. We continually strive to reinforce the Health Management System. The system is designed to be fully functional in remote and frontier areas, so as to guarantee the same level of quality at all of Saipem's offices and worksites. The system has the following objectives:

- guarantee all workers ideal physical and mental health and therefore better and safer work performance through strict health control programmes;
- ensure prompt and appropriate response in medical emergencies;
- develop and implement informative and prevention programmes and initiatives to help identify and control potential health risks present in the work environment;
- provide support to managers for policy creation and adoption of key decisions on workers' health.

(No.)	2014	2015	2016
Vaccines administered to employees and subcontractors	9,010	6,945	4,018
Medical staff	587	551	427
Medical consultations	107,890	124,224	139,354
Medical fitness examination	47,048	44,939	27,329
Occupational illnesses reported	13	26	9

In 2016, 27,329 medical fitness examinations were performed, a decrease of 39% compared to 2015, due to the reduction of the workforce and the 2015 extension by two years of the validity of the medical fitness certificates, in line with industry standards. In 2016, 4,018 vaccinations were administered (mainly for hepatitis A and B, tetanus, typhoid fever, yellow fever and influenza). The medical department performed 139,354 consultations, of which 51,422 were for prevention and follow-up visits.

Saipem organises numerous health promotion initiatives and programmes for its employees, such as:

- Programmes for the prevention of cardiovascular diseases. A significant number of repatriations in 2016 were associated with cardiovascular disease.
  - The 'Cardiovascular Disease Prevention' (CVDP) programme is based on the promotion of a healthy lifestyle and on risk assessment through overall monitoring of the state of health of employees. Employees considered to be at risk of cardiovascular disease are included in the 'Risk Factor Follow-up' (RFF) programme. In 2016, 103 sites were involved in this programme. Checks were performed on more than 19,000 employees, and those deemed at risk were included in the RFF programme.
  - In 2007, Saipem launched a Telecardiology programme with the aim of providing assistance at remote sites. In 2016, 57 sites were covered and a total of 3,448 ECGs (electrocardiograms) were transmitted; of these, 119 were treated as potential cardiac emergencies and swiftly dealt with by specialists. The other ECGs supported the CVDP programme in the global monitoring of the cardiovascular risk of employees.
- Malaria prevention programmes. Since Saipem operates in a number of countries considered at risk from malaria, 'Malaria Awareness Lectures' are organised for employees. At the end of 2016, 5,542 non-immune employees operating in these areas had taken the course.
- 'Pre-Travel Counselling'. The health information project, regulated by Italian law and the Company's corporate standard, implemented in Italy in 2008, is aimed at workers travelling abroad. The aim of the project is to provide information about specific risks in the destination country: biological, climatic and travelling risks. Following detailed evaluation of the epidemiological situation of a country, vaccinations may be recommended along with any behaviours to avoid. Since the programme began, more than 7,000 employees have been trained on the risks associated with their countries of destination (620 in 2016).
- Programmes for the promotion of a healthy lifestyle.
  - The 'Healthy Food' programme has been implemented with the collaboration of the catering companies that work for Saipem and with the support of the Company's medical department. In 2016, the programme was implemented at 18 operational sites.

- The 'Choose Life' programme (the figures for which were given above in the section on the LiHS programme) revolves around a two-hour workshop, in which the short film 'Choose Life' is shown with the aim of promoting a health culture. In 2016, 434 persons participated in the programme.
  - The 'Stop Smoking' programme had encouraging results and in 2017 it will be offered at a greater number of operational sites.
- The 'Workplace Health Promotion' (WHP) programme. Validated by the regional government of Lombardy, Saipem SpA joined this programme (for Italian sites) in 2014. In its third year of implementation, it is the result of the joint efforts of employers, workers and local institutions. The aim is to improve health and well-being in the workplace. It provides a path for effective implementation of best practices in the field of health promotion. The WHP programme includes the development of activities in 6 areas: promotion of a correct diet, anti-smoking campaigns, promotion of physical activity, road safety and sustainable mobility, alcohol and substance abuse prevention, personal and social well-being and the work/family balance. In 2016, for the third consecutive year, Saipem received an award for achieving the programme's goals.
- Further information on Saipem's approach to promoting health for employees and local communities can be found in the document 'Saipem Sustainability 2016'.

## BUSINESS ETHICS

Saipem is committed to operating within the law, regulations, statutory provisions, codes of conduct and in observance with the Code of Ethics. The Universal Declaration of Human Rights adopted by the United Nations, the Fundamental Conventions of the ILO (International Labour Organisation), the OECD Guidelines for Multinational Enterprises and the principles of the UN Global Compact are fundamental principles on which Saipem bases its Code of Ethics and conducts its operations.

Saipem's compliance with the law, regulations, statutory provisions, codes of conduct, ethical integrity and fairness, is a constant commitment and duty for all its people, and it defines the behaviour of the entire organisation. Saipem's business and corporate activities have to be carried out in a transparent, honest and fair way, in good faith, and in full compliance with competition protection rules.

### ■ Anti-corruption

Saipem organises training courses, using both e-learning and workshops, on the subjects of anti-corruption, the Code of Ethics, Model 231, and on other issues to raise employee awareness of these issues so as to avoid non-compliance with the law. The number of training hours has been calculated by multiplying the number of participants by the average hours of duration of the course.

(No.)	2014	2015	2016
Employees trained on issues of compliance, ethics and anti-corruption	-	-	2,813
Participation in training courses on compliance, ethics and anti-corruption issues	1,353	1,929	3,032
Hours of training on issues of compliance, ethics and anti-corruption	3,218	4,264	6,713

Participation was higher than the number of participants since some employees were enrolled in more than one course in this area.

This trend confirmed the continued growth bearing witness to the company's commitment to managing these issues.

More details on preventive corruption measures are available in the document 'Saipem Sustainability 2016', in the '2016 Annual Report', in the '2016 Interim Consolidated Report' and '2016 Corporate Governance and Shareholding Structure Report'.

### ■ Sustainable supply chain

All suppliers involved in procurement activities with Saipem must read and accept the Model 231 in full, including the Saipem Code of Ethics which draws its inspiration from the Universal Declaration of Human Rights of the United Nations, the Fundamental Principles of the International Labour Organisation (ILO) and the OECD Guidelines for Multinational Enterprises. This model is included in all standard contracts issued by Saipem. In the qualification phase, the vendor fills out the Vendor Declaration in which it makes a commitment to act in strict accordance with the principles defined in the Saipem Code of Ethics and to respect human rights in accordance with Saipem's Sustainability Policy. It also undertakes to fulfil the requirements in accordance with the national law in force on salary, social security contributions and insurance obligations in relation to its personnel.

In addition, in 2011 Saipem integrated its own process for evaluating vendors with the aim of assessing the social responsibility of its supply chain. The current vendor qualification system has been integrated with requirements for complying with social and labour rights, in line with the 'Fundamental Principles and Rights at Works' of the International Labour Organisation (ILO) and the SA8000 standard. To achieve this, there was a particular focus on child and forced labour, freedom of association and right to collective bargaining, remuneration, working hours, discrimination, disciplinary procedures and health and safety. Another important

aspect of the control of the supply chain are the questionnaires in which a vendor's performance can be thoroughly detailed. In 2016, the questionnaires included various questions on respect for labour rights and the Code of Ethics.

(No.)	2014	2015	2016
Qualification questionnaires on issues of labour rights analysed	401	367	106
Number of social audits conducted	25	13	6
Countries in which the social audits were conducted	2	4	3
Training hours delivered on a sustainable supply chain	-	-	245
Number of vendor feedback modules issued	1,131	2,175	1,475
Vendors qualified for more than 10 years	-	-	4,692

In 2016, 106 vendor qualification questionnaires were analysed in detail. These were selected according to the commodity codes and the countries with a potential risk of violation of human and labour rights, with requests for further details and documentation as necessary.

In 2016, 6 social audits were performed on new vendors (India, China and Indonesia). In total, since the beginning of the campaign in 2011, 104 audits have been carried out. An internal training programme was also launched with a view to improving knowledge and awareness of issues relating to human and labour rights in the supply chain. The training was targeted at the functions with the most contact with vendors. In 2017 an e-learning course on the subject will be launched in order to reach more people in more countries (in 2016 classroom training was provided at various Italian locations). Over the course of the year, 1,475 vendor feedback modules were issued, 74% having a positive assessment of the vendor.

Further information can be found in the document 'Approach to Sustainability', 'Saipem Sustainability 2016' and in the Code of Ethics.

## Security practices

In the management of security, Saipem gives utmost importance to respecting human rights. As witness to this, in 2010 Saipem introduced clauses concerning respect for human rights into contracts with external security companies. Any non-compliance represents due grounds for cancellation of the contract. Until now, the contractual clauses on human rights have been included in the 'General terms and conditions' and therefore in all contracts.

For all new operational projects in which Saipem is responsible for security, a Security Risk Assessment on the country in question is made prior to any offers being tendered. If a decision is made to proceed with the offer, a Security Project Execution Plan is also prepared. The security risks related to operating activities and context is analysed, including any issues of human rights violations. The actions required to manage and reduce these to a minimum are decided based on the risks identified.

In December 2016, the third edition of the training programme on human rights and work practices was offered to personnel in Azerbaijan. In 2017, Saipem will extend this training to other Company sites.

Further information is available in the document 'Saipem Sustainability 2016'.

## Reporting suspected violations

Saipem has a Corporate Standard that details the process of managing reports.

The term 'report' refers to any information regarding possible violations, behaviour and practices that do not conform to the provisions in the Code of Ethics and/or which may cause damage or injury to Saipem SpA (even if only to its image) or any of its subsidiaries, by Saipem SpA employees, directors, officers, audit companies and its subsidiaries and third parties in a business relationship with these companies, in one or more of the following areas: the internal control system, accounting, internal accounting controls, auditing, fraud, administrative responsibilities under Legislative Decree No. 231/2001, and others (such as violations of the Code of Ethics, mobbing, security, and so on).

Saipem has prepared various channels of communication in order to facilitate the sending of reports, including, but not necessarily limited to, regular post, fax, yellow-box, email, and communication tools on the intranet/internet sites of Saipem SpA and its subsidiaries.

The Internal Audit function ensures that all appropriate controls are in place for any facts that have been reported, through one or more of the following activities, guaranteeing that these are carried out in the shortest time possible and respecting the completeness and accuracy of the investigation. Investigations consist of the following phases: (a) preliminary check; (b) assessment; (c) audit; (d) monitoring corrective actions.

The Internal Audit prepares a quarterly report on reports received that, following examination by the Saipem Board of Statutory Auditors, is transmitted to the following persons or officers at Saipem SpA: the Chairman, the Chief Executive Officer (CEO), the external auditors, the members of the Whistleblowing Committee and the manager of the Planning, Administration and Control Function, the members of the Whistleblowing Team, the Anti-Corruption Unit and Legal Compliance and, for reports within their

remit, to the Compliance Committee, the Chief Operating Officer or the managers of the functions that report directly to the CEO, to the senior management of each subsidiary involved and their respective control bodies.

(No.)	2014	2015	2016
<b>Number of files</b>			
Of which:	67	78	125
- founded or partially founded	16	20	17
- unfounded	51	56	72
- open	-	2	39 (*)

The three-year figures are updated to December 31, 2016.

(\*) The 39 dossiers count includes 3 files closed by the internal control system, but reopened for other reasons.

Details of some categories of files are provided below:

(No.)	2014	2015	2016
<b>Files on cases of discrimination</b>			
Of which:	5	11	19
- founded or partially founded	-	2	1
- unfounded	5	9	11
- open	-	-	7
<b>Files on workers' rights</b>			
Of which:	19	15	30
- founded or partially founded	1	5	4
- unfounded	18	10	16
- open	-	-	10
<b>Files on violations of the rights of local communities</b>			
Of which:	-	2	2
- founded or partially founded	-	-	-
- unfounded	-	2	1
- open	-	-	1

The data are updated to December 31, 2016.

In 2016, 19 files were opened on issues of discrimination, of which 7 are still open and 12 closed; 30 files were opened on issues of workers' rights, 10 of which are still open and the remaining 20 closed; 2 files were opened on issues related to indigenous communities, of which one is still open and one closed. All 51 files were submitted to the Compliance Committee of the companies involved in the reports.

With regard to the issues of discrimination, in 9 cases the reporting files were closed by the Compliance Committee or Saipem's Statutory Auditors of Saipem SpA, on the basis of investigations, as it was deemed there had been no violation of the Code of Ethics with reference to the facts reported. In one case a violation was confirmed and two cases were held unfounded; however, corrective actions were implemented, in the form of a verbal warning to the employees involved in the behaviours reported, with dedicated training sessions and by implementing the company's regulations. Furthermore, during the course of 2016, 6 files from 2015 and 1 from 2014 were closed relating to discriminatory behaviour. These had still been open at the time of the last reporting. Of the 7 cases closed, 2 were unfounded, 2 were held partially founded and 3 cases were unfounded, for which corrective actions were implemented in the form of a work instruction, monitoring of workplace behaviour and in raising awareness of compliance with the rules in the Code of Ethics.

Either the relevant Compliance Committee or Saipem's Statutory Auditors closed 9 files on workers' rights issues, on the basis of investigations, deciding that cases of violation of the Code of Ethics did not exist in the cases reported. In 4 cases a violation was confirmed and in 7 cases were held unfounded, for which significant corrective actions were implemented in the form of formal warnings or disciplinary action against those responsible for the reported behaviour, dedicated training sessions, raising awareness to respect the rules and types of behaviour established in the Code of Ethics and in conducting random checks.

In the course of 2016, 6 files on workers' rights issues from 2015, and 2 from 2014, were closed. These had still been open at the time of the last reporting.

1 file was held unfounded, 4 founded and 3 cases were unfounded, for which significant corrective actions were implemented in the form of disciplinary action against those responsible for the reported behaviour, holding dedicated training sessions, and in raising awareness on compliance with corporate procedures.

One file on issues concerning relations with local communities was closed. The Board of Statutory Auditors of Saipem SpA, on the basis of the investigation, closed it having decided that there had been no violation of the Code of Ethics in the case reported. In relation to these cases, no corrective actions were implemented. Also in the course of 2016, 1 file from 2015 relating to indigenous communities was closed having been held unfounded.

## ENVIRONMENT

Saipem's main commitment to the environment, as set forth in the HSE Policy, is to minimise the impacts on the environment caused by its operations and to pursue continuous improvement in environmental performance.

In the light of this commitment, the environmental strategies are oriented towards the reduction of any type of impact and the conservation of natural resources. A key element in these strategies is the promotion of widespread environmental awareness and the adoption of best practice in all of Saipem's sites and projects. This also includes pollution prevention activities that contribute to saving energy and water, and that encourage the re-use or recycling of waste.

Saipem's top management strongly encourages continuous improvement of environmental performance during operations. Saipem reaffirms its commitment to reducing environmental damage, pollution and, more generally, negative effects on the environment, through research and development programmes, environmental monitoring and a wide range of risk mitigation measures.

### Energy and emissions

		2014	2015	2016
<b>Energy consumption</b>	(ktoe)	<b>564.3</b>	<b>514.0</b>	<b>411.7</b>
Total direct energy consumption, of which:	(ktoe)	536.5	488.2	388.1
- Natural gas	(ktoe)	0.9	1.5	1.4
- Heavy Fuel Oil (HFO)	(ktoe)	0.004	-	-
- Intermediate Fuel Oil (IFO)	(ktoe)	12.7	21.0	7.5
- Light Fuel Oil (LFO)	(ktoe)	43.2	28.7	1.4
- Diesel	(ktoe)	321.3	290.6	256.6
- Diesel Marine Oil	(ktoe)	152.3	139.7	111.8
- Gasoline	(ktoe)	6.1	6.8	9.5
<b>Indirect energy consumption</b>				
Electricity consumed	(MWh)	119,867.7	112,094.5	102,343.4
<b>Renewable energy</b>				
Electricity produced from renewable sources	(MWh)	310.8	309.9	305.0
<b>Total direct and indirect greenhouse gas emissions</b>				
Direct GHG emissions	(kt CO <sub>2</sub> eq)	1,420.1	1,504.2 <sup>(1)</sup>	1,203.4
Indirect GHG emissions (Scope 2)	(kt CO <sub>2</sub> eq)	49.1	43.0	38.9
<b>Other significant emissions<sup>(1)</sup></b>				
SO <sub>2</sub> emissions	(kt)	4.2	5.1	3.8
NO <sub>x</sub> emissions	(kt)	24.3	26.5	20.2
CO emissions	(kt)	10.6	12.0	10.3
PM emissions	(kt)	0.6	0.6	0.5
NMVOC emissions	(kt)	0.9	1.0	0.8

(1) The method of calculation of direct GHG emissions and other significant emissions was modified in 2015.

The total energy consumption in 2016 was 411.7 ktoe, down by about 20% compared to 2015.

The overall decrease especially with regard to gasoline consumption is mainly due to the reduction of operating activities of the offshore drilling and of onshore drilling (particularly in relation to Petrex) units and the completion of various projects, including the Cabiunas project (completed in 2015) and the Kashagan project (concluded in the first half of 2016).

In particular, the reduced consumption of Marine Diesel Oil was due to the completion of the Wasit and Normand Clipper project in 2015 and the general slowdown in offshore drilling. As regards Intermediate Fuel Oil and Light Fuel Oil, the reduction was mainly determined by the fact that some of the major vessels (Castorone and Saipem 7000) were in maintenance for most of the year. In addition, the Far Samson was inactive for almost five months.

Gasoline consumption increased due to activity at the Ploiesti welding workshop, on the Jazan project and on board Castoro 6. Saipem has developed various initiatives with the aim of increasing energy efficiency. The strategy consists of two main parts: an analysis of the assets and implementation of technical solutions together with training and awareness-raising initiatives.

In 2016, actions were taken to improve energy efficiency such as: improving the management of diesel power generators; consumption containment of equipment in stand-by mode; limiting the use of artificial lighting during daylight hours; repairing damaged compressed air lines; installation of frequency regulators; implementing a more efficient lighting system. After these measures were taken, the predicted savings in the Karimun (Indonesia) and Arbatax (Italy) yards were: 545,681 litres of diesel, 144 MWh of electricity and a total of 1,523 tonnes of CO<sub>2</sub> avoided.

Another action aimed at minimising energy consumption was the building of the new office at the Ravenna logistic base. The energy saving is due to the following systems adopted in the new office: thermal insulation of walls and windows, installation of a more efficient air conditioning system, and a photocell system to switch on the lights in the lavatories only when people are present. The savings achieved over the year consisted of 114 MWh and approximately 50 tonnes of CO<sub>2</sub> thanks to energy

efficiency measures, and roof installation of a photovoltaic system with 56 modules. The photovoltaic system produced 18.5 MWh and contributed to a saving of 7 tonnes CO<sub>2</sub>.

In 2016, the route optimisation project, started in 2012, continued. Route optimisation consists of identifying the optimal route for the voyage, through satellite evaluation performed with specially designed software, in order to reduce navigation time and, consequently, fuel consumption. The best route is detected each day, taking into consideration weather conditions and currents. Analysis of the weather conditions is provided 4 times a day and on the basis of this information, Captains can choose the best route to minimise fuel consumption. In 2016, about 58 tonnes of fuel was saved, and therefore also around 180 tonnes of CO<sub>2</sub>. Further information on these issues can be found in the Directors' Report of the 'Annual Report 2016' and in 'Saipem Sustainability 2016'.

## Water

		2014	2015	2016
<b>Total withdrawal of water, of which:</b>	(10 <sup>3</sup> m <sup>3</sup> )	<b>6,318.6</b>	<b>5,226.4</b>	<b>6,972.9</b>
- Fresh water/from aqueducts	(10 <sup>3</sup> m <sup>3</sup> )	3,968.9	2,614.9	3,054.5
- groundwater	(10 <sup>3</sup> m <sup>3</sup> )	1,132.7	1,571.6	2,571.9
- surface water	(10 <sup>3</sup> m <sup>3</sup> )	116.7	152.8	69.5
- sea water	(10 <sup>3</sup> m <sup>3</sup> )	1,100.3	887.0	1,276.9
<b>Recycled and reused water</b>				
Reused and/or recycled water	(10 <sup>3</sup> m <sup>3</sup> )	1,326.1	309.9	308.4
	(%)	21	6	4

Saipem promotes the implementation of initiatives to achieve water savings both at project level and on operational sites. Water consumption in 2016 increased by 33% mainly because of the operations at the Jazan and Rabigh project. Both projects involve the use of a large number of personnel (with an impact on water consumption for domestic use) and the realisation of major construction activities.

To identify areas subject to a high water risk, Saipem carries out a two-step assessment. In the first, once all operational sites (yards and logistical bases) have been identified, Saipem uses the following instruments to assess the water risk: Global Water Tool, Aqueduct and Maplecroft. The second step involves assessing the water withdrawal, use, discharge and the systems present. In addition, if required by local regulations, contractual requirements or other specific requirements, Saipem also prepares a Water Management Plan and Water Assessment.

## Biodiversity

The conservation of biodiversity and ecosystems is a fundamental element of the approach taken by Saipem to manage interactions of its activities with the surrounding environment, paying particular attention to the presence of:

- protected areas and other areas material to the conservation of biodiversity;
- endangered species;
- ecosystem services which are socially and ecologically fundamental, such as water. Saipem promotes efficient use and consumption of water, particularly in areas affected by high levels of water stress.

On all of its operations, Saipem implements all requirements and control measures needed to ensure the safeguarding of biodiversity and the integrity of ecosystems. These requirements are dictated by current regulations and, in the case where Saipem is a contractor, the contract documents (Environmental Impact Assessment, contract, client procedures, etc.) to which Saipem has agreed.

Where Saipem is the client, e.g. for the construction of new office buildings or permanent sites, specific studies must be prepared to assess the impact of the new works on biodiversity and local ecosystems and define suitable control and mitigation measures.

## Discharges

(10 <sup>3</sup> m <sup>3</sup> )	2014	2015	2016
<b>Total waste water produced, of which:</b>	<b>4,015.7</b>	<b>3,746.3</b>	<b>4,858.9</b>
- water discharged into sewers	482.6	569.4	427.7
- water discharged into bodies of surface water	1,007.2	1,182.2	2,556.3
- water discharged into the sea	950.9	1,064.6	1,142.7
- water discharged to other destinations	1,575.0	930.1	732.2

The increase in the volume of water discharged is due to the increase in water withdrawals.

## Waste

(kt)	2014	2015	2016
<b>Total weight of waste produced, of which:</b>	<b>453.6</b>	<b>508.5</b>	<b>907.6</b>
- hazardous waste disposed of in landfill sites	32.1	31.9	36.3
- hazardous waste incinerated	3.5	2.8	1.6
- hazardous waste recycled	9.3	5.0	18.7
- non-hazardous waste disposed of in landfill sites	192.4	285.8	138.9
- non-hazardous waste incinerated	3.6	6.4	3.0
- non-hazardous waste recycled	212.7	176.5	708.1

The increase in non-hazardous waste was due mainly to activities connected with the South Stream WP 5.1 project. This project is divided into three main phases: the landing section (landfall), nearshore and offshore. The Saipem scope of work involves the engineering, procurement, construction and mechanical completion of the landing section.

The plan is for about 2.4 km of pipeline to be below ground level (1.5 metres deep). Near the shore there is a steep cliff, therefore the remaining 1.4 km of pipeline will be laid through micro-tunnels. As established by the contract requirements, earth excavated in connection with the project is recorded as non-hazardous waste disposed of in landfills. Saipem is committed to minimising the production of waste, and hazardous waste in particular, and to promoting the best practice already implemented at operating sites (e.g. recycling of some materials, waste monetisation).

## Spills

		2014	2015	2016
<b>Number of spills</b>				
Total	(No.)	50	38	30
Spills of chemical substances	(No.)	14	4	5
Spills of oily substances	(No.)	36	34	25
<b>Volume of spills</b>				
Total	(m <sup>3</sup> )	21.60	2.18	4.26
Spills of chemical substances	(m <sup>3</sup> )	17.40	0.06	0.71
Spills of oily substances	(m <sup>3</sup> )	4.20	2.12	3.54

In 2016, there was a reduction in the number of spills. As for the volume spilled, most was due to two incidents in Angola and Indonesia (both spills were around 1,000 litres). All incidents are reported and investigated appropriately in order to establish the causes and identify corrective actions to prevent such events from happening in the future. Each quarter, environmental bulletins and reports are disseminated throughout the Group in order to share the 'lessons learned'.

Further information on the Company's approach to spill prevention is available in the document 'Saipem Sustainability 2016'.

## ADDITIONAL INFORMATION

### Economic performance

(€ million)	2014	2015	2016
Net sales from operations	12,873	11,507	9,976
Operating expenses	10,399	9,723	9,674
Employee payroll and benefits	2,408	2,222	1,782
Seniority bonus schemes	6,786	4,427	4,652
Research and development costs	11	14	19
Income taxes	118	127	445
Dividends distribution	45	17	7

Saipem Group companies implement and manage the supplementary pension plans based on the legal and social system of the state in which the company operates. Despite the fact that laws in some countries such as the United States and the United Kingdom do not require that the employer pay into employee pension funds, Saipem has decided to support employee supplementary pension plans with a contribution from the company.

No contributions, direct or indirect, in any form, were made in 2016 to political parties, movements, committees or political and trade union organisations, to their representatives and candidates, except those provided by specific legislation.

## Product responsibility

As a contractor, Saipem operates in accordance with the client's requests and in compliance with international regulations at all times, while the contractual responsibility for the product remains with the client.

For its technical and quality standards, Saipem refers to the contractual conditions imposed by clients. Therefore, clients are responsible for products, Saipem only for their manufacture. Saipem promotes the protection of the health and safety of all personnel engaged in its operational activities and of its host communities. The Company has implemented specific procedures and processes for the management of particularly complex systems, where the operational and safety-related risks are higher (see the document 'Saipem Sustainability 2016').

## Customer satisfaction

Analysing and quantifying the perception of the client and how Saipem's work is perceived is a fundamental factor in the approach for continuous improvement. Saipem believes that constant monitoring of client satisfaction is vital to achieving the best results. The client satisfaction process is based on a questionnaire, administered online, which asks for client feedback on many topics, both managerial and technical, from engineering to procurement and construction. Specific sections are devoted to project management, quality, HSE and sustainability. These sections are designed to evaluate Saipem's capacity in its relations with local communities and the promotion of Local Content. In 2016, Saipem received 59 questionnaires from onshore, offshore and drilling project clients. The main results are as follows:

(No.)	2014	2015	2016
Client satisfaction questionnaires received	104	91 <sup>(1)</sup>	59
Average client satisfaction score (on a scale of 1 to 10)	8.14	8.27	8.17
Average client satisfaction score on sustainability issues <sup>(2)</sup> (on a score ranging from 1 to 10)	7.63	8.34	7.53

(1) Change due to data correction.

(2) 42 questionnaires were used in the calculation of the average client satisfaction score on sustainability issues (68 in 2015 and 82 in 2014).

## Membership of associations

Saipem participates in numerous initiatives and associations that have as their main objective the sharing of best practices within their specific business sectors. The Saipem Group is a member of 72 associations. In particular, the parent company participates in 28 associations, including: ANIMP (Associazione Nazionale di Impiantistica Industriale - Italian Association of Industrial Plant engineering), Assomineraria, IADC (International Association of Drilling Contractors), IMCA (International Maritime Contractors Association), IPLOCA (International Pipeline & Offshore Contractors Association), and WEC (World Energy Council: Italian National Committee of the World Energy Council).

# INDEPENDENT AUDITORS' REPORT



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## Independent auditors' report on the "Sustainability Statements 2016" (Translation from the original Italian text)

To the Shareholders of  
Saipem S.p.A.

We have carried out a limited assurance engagement of the "Sustainability Statements 2016" (hereinafter "Sustainability Statements"), the addendum to the "Annual Report 2016" of Saipem S.p.A. and its subsidiaries (hereinafter "Saipem Group") as of December 31, 2016.

### Management's responsibility on Sustainability Statements

The Management is responsible for the preparation of the Sustainability Statements in accordance with the reporting principles detailed in the paragraph "Methodology, criteria and reporting principles" of the Sustainability Statements, as well as for that part of internal control that they consider necessary in order to allow the preparation of a Sustainability Statements that is free from material misstatements, even caused by frauds or not-intentional behaviors or events. The Management is also responsible for defining the Saipem Group's commitments regarding the sustainability performance and for the reporting of the achieved results, as well as for the identification of the stakeholders and of the significant matters to report.

### Auditors' responsibility

It is our responsibility the preparation of this report on the basis of the procedures carried out. Our work has been conducted in accordance with the criteria established by the principle "International Standard on Assurance Engagements 3000 - Assurance Engagements other than Audits or Reviews of Historical Financial Information" ("ISAE 3000"), issued by the International Auditing and Assurance Standards Board for the engagements that consist in a limited assurance. This principle requires the respect of relevant ethical principles, including those related to independence, as well as the planning and the execution of our work in order to obtain a limited assurance that the Sustainability Statements is free from material misstatements. These procedures included inquiries, primarily with company's personnel responsible for the preparation of the information included in the Sustainability Statements, documents analysis, recalculations and in other procedures in order to obtain evidences considered appropriate.

The procedures performed are summarized below:

- a. Comparison of the economic and financial data and information included in the Sustainability Statements with those included in the Saipem Group's consolidated financial statements as of December 31, 2016 on which we issued our audit report, pursuant to art. 14 and 16 of Legislative Decree dated January 27, 2010, on April 3, 2017;

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Capitale Sociale deliberato Euro 3.250.000,00, sottoscritto e versato Euro 2.950.000,00 I.V.  
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- b. Analysis, through interviews, of the governance system and management process of the issues related to sustainable development regarding Saipem Group's strategy and operations;
- c. Analysis of the process relating to the definition of material aspects included in the Sustainability Statements, with reference to the identification modalities in terms of their priority for the different stakeholders' categories and to the internal validation of the process outcome;
- d. Analysis of the operation of the processes that support the generation, recording and management of the quantitative data reported in the Sustainability Statements. In particular, we have carried out the following procedures:
  - interviews and discussions with personnel of the Management of Saipem S.p.A. to obtain an understanding about the information, accounting and reporting system in use for the preparation of the Sustainability Statements, as well as about the internal control processes and procedures supporting the collection, aggregation, data processing and transmission of data and information to the department responsible for preparation of the Sustainability Statements;
  - on-site verifications at Saipem Global Petroproject Services AG (Zurich, Switzerland) and on the vessel Saipem 7000;
  - analysis on a sample basis of the documentation supporting the compilation of the Sustainability Statements, in order to confirm the processes in use, their adequacy and the operation of the internal control for the correct reliability of data and information in relation to the objectives described in the Sustainability Statements;
- e. Analysis of the compliance and internal consistency of the qualitative information included in the Sustainability Statements to the principles identified in paragraph "Management's responsibility on Sustainability Statements" of the present report;
- f. Analysis of the process relating to the stakeholders engagement, with reference to the procedures applied, through the review of summary minutes or any other existing documentation relating to the main topics emerged from discussions with them;
- g. Obtaining of the representation letter, signed by the legal representative of Saipem S.p.A., relating to the compliance of the Sustainability Statements with the principles indicated in paragraph "Management's responsibility on Sustainability Statements", as well as to the reliability and completeness of the information and data presented in the Sustainability Statements.

Our examination has entailed a lower extension of work compared to the work to be performed for a reasonable assurance engagement in accordance with ISAE 3000 and, as consequence, we may not have become aware of all the significant events and circumstances which we could have identified had we performed a reasonable assurance engagement.



### Conclusion

Based on our work, nothing has come to our attention that causes us to believe that the "Sustainability Statements 2016" included in the "Annual Report 2016" of Saipem Group as of December 31, 2016 is not in compliance, in all material aspects, with the reporting principles stated in the paragraph "Methodology, criteria and reporting principles" of the Sustainability Statements.

Milan, April 3, 2017

EY S.p.A.  
Signed by: Pietro Carena, Partner

*This report has been translated into the English language solely for the convenience of international readers.*



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

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

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

Saipem Sustainability (in English)

Also available on Saipem's website:  
[www.saipem.com](http://www.saipem.com)

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