

saipem



Addendum - Sustainability Performance 2014

## Mission

Pursuing the satisfaction of our clients in the energy industry, we tackle each challenge with safe, reliable and innovative solutions.

We entrust our competent and multi-local teams to provide sustainable development for our Company and for the communities where we operate.

## Our core values

Commitment to health and safety, openness, flexibility, integration, innovation, quality, competitiveness, teamwork, humility, internationalisation, responsibility and integrity.

### Countries in which Saipem operates

#### EUROPE

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

#### AMERICAS

Bolivia, Brazil, Canada, Chile, Colombia, Dominican Republic, Ecuador, Mexico, Peru, Suriname, Trinidad and Tobago, United States, Venezuela

#### CIS

Azerbaijan, Kazakhstan, Russia, Turkmenistan, Ukraine

#### AFRICA

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

#### MIDDLE EAST

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

#### FAR EAST AND OCEANIA

Australia, China, India, Indonesia, Japan, Malaysia, Pakistan, Papua New Guinea, Singapore, South Korea, Thailand, Vietnam

Addendum - Sustainability Performance 2014



saipem





# Sustainability Performance

This Addendum provides information on the Saipem Group's sustainability performance and has been drafted pursuant to the Guidelines of the Global Reporting Initiative (version G3.0).

The information contained herein has been structured according to GRI indicators and supplements the information disclosed previously in sections of the Annual Report and in Saipem Sustainability, as detailed in the chapter 'Methodology, criteria and principles of reporting'.

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# Organisational profile

Ref. GRI 2.1 - 2.10

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

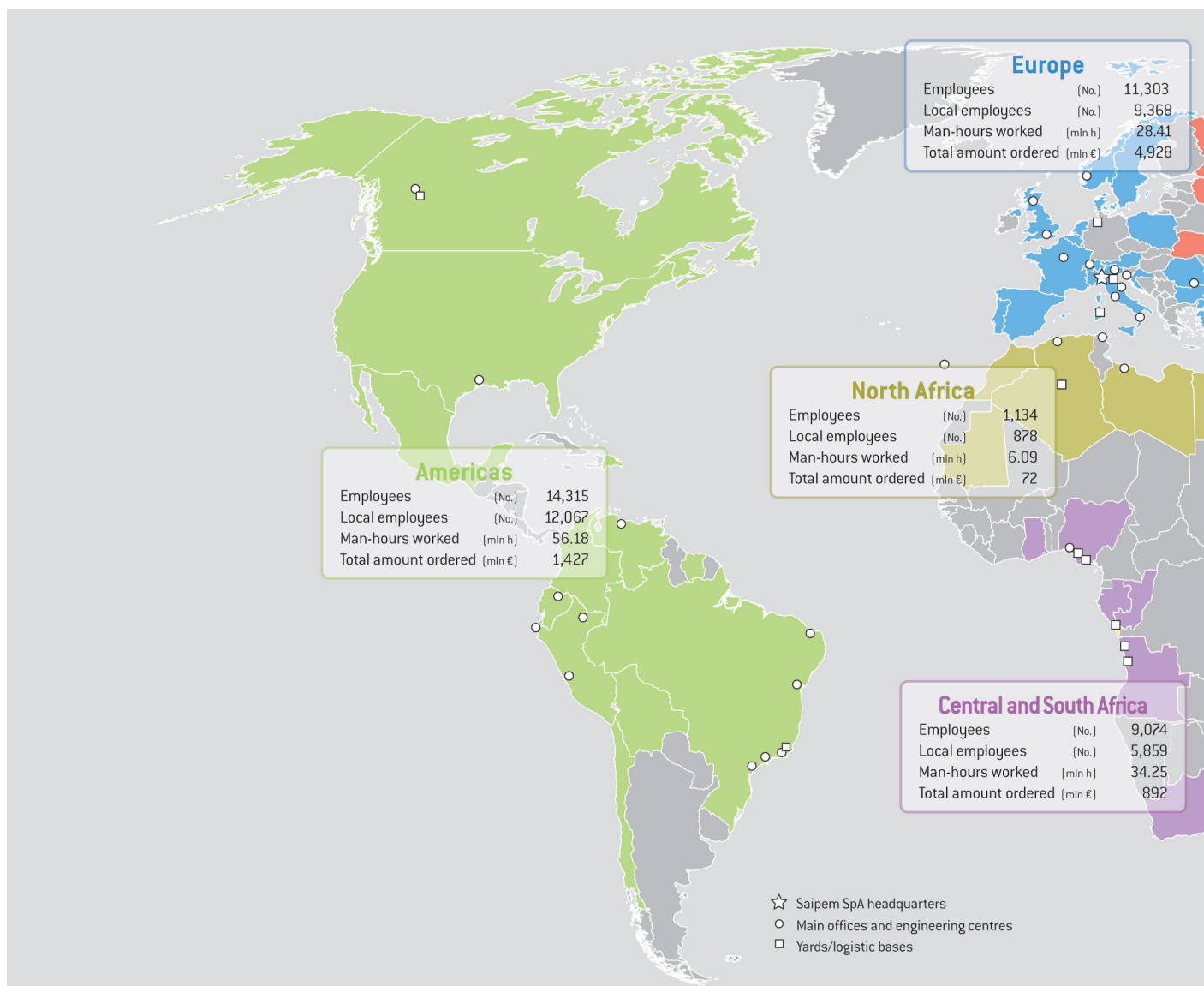
1984. Saipem is a subsidiary of Eni which currently holds a 42.93% share in the Company.

## The organisation

Saipem has cutting-edge competencies in engineering and project management and avails of a technologically advanced and extremely versatile fleet.

Following the changes which saw the Engineering & Construction and Drilling Business Units integrated under the control of the Chief Operating Officer, 2014 brought the introduction of a new organisational structure of business activities designed to enable Saipem to grasp the opportunities offered by the market and to improve Company performance and profitability, through:

- the creation of four Business Units equipped with the resources required to achieve the expected operating and economic results in terms of project acquisition and implementation;
- centralised management of Post Order activities for the Onshore,



Offshore and Floaters businesses; and

- the bolstering of the regional oversight role performed by the Regional Managers in order to ensure integrated business promotion at local level, represent the Company in a unified way in relations with stakeholders and optimise competencies, structures and assets.

**2014 in numbers**

In 2014, Offshore Engineering & Construction work involved the laying of 1,772 km of subsea pipeline and the installation of 101,799 tonnes of plant and equipment. As regards Onshore Engineering & Construction, on the other hand, work included the laying of 1,897 km of pipelines of varying diameter and the installation of 90,873 tonnes of plant and equipment.

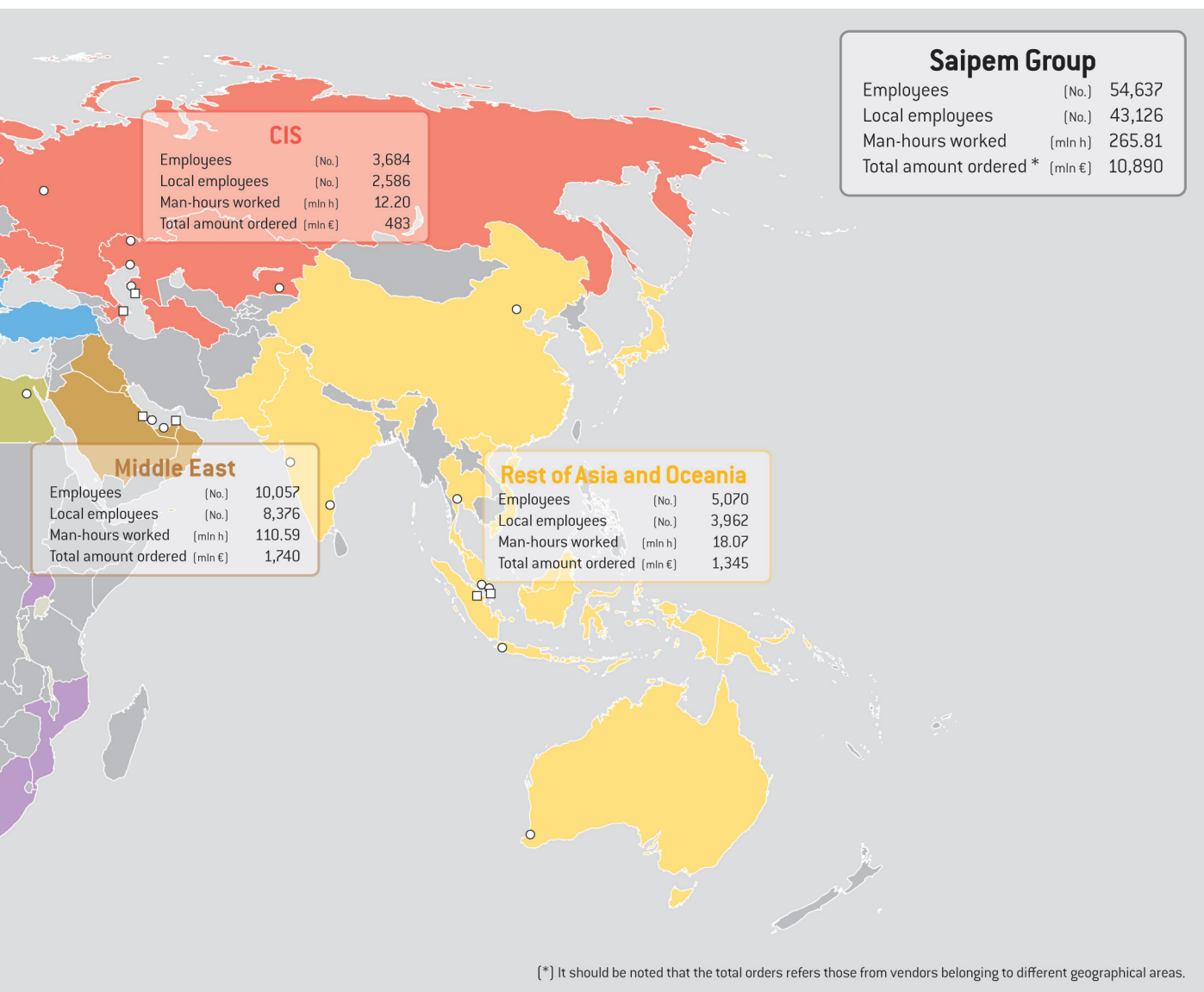
Offshore Drilling comprised the drilling of 123 wells, totalling 188,527 metres drilled. Onshore Drilling comprised 417 wells, totalling 877,567 metres drilled.

Shareholders by geographical area <sup>(1)</sup>		
Shareholders	Number of shares	% of capital
Italy	247,712,308 <sup>(2)</sup>	56.11
Other EU States	67,229,108	15.23
Americas	54,167,189	12.27
UK and Ireland	33,178,317	7.52
Other European States	12,562,295	2.85
Rest of the World	26,561,683	6.02

(1) Based on 2013 dividend payments.

(2) Includes 1,977,532 treasury shares with no dividend entitlement.

Backlog by geographical area	(%)
Europe	8.3
CIS	18.3
Middle East	24.9
Americas	12.6
North Africa	0.5
Central and South Africa	29.7
Rest of Asia and Oceania	5.7



(\*) It should be noted that the total orders refers those from vendors belonging to different geographical areas.

# Commitments, results and objectives

Ref. GRI 1.2

This section describes the main commitments, results and objectives of the function divided according to area of activity.

Further details on results achieved can be found in the document 'Saipem Sustainability 2014'.

Area	2014 results	2015-2018 goals
<b>Safety</b>		
Ensure the safety of everyone who works for Saipem	<ul style="list-style-type: none"> <li>- Launch of the 'We Want Zero' campaign, an initiative which aims to reduce fatal accidents to zero</li> <li>- Preparation of material for the launch and dissemination of the programme 'Life Saving Rules' developed by the OGP (International Association of Oil &amp; Gas Producers)</li> <li>- Further implementation of the LiHS programme and its adaptation to more local operational realities. Engagement is ongoing and involves all levels of the Company</li> <li>- Saipem SpA obtained renewal of OHSAS 18001 certifications. The same was achieved by an additional 15 companies in the Saipem Group</li> </ul>	<ul style="list-style-type: none"> <li>- Ensure that HSE risk management is adequately assessed and that appropriate mitigation measures are taken into consideration</li> <li>- Classify companies/branches by risk cluster and achievement of OHSAS 18001 certification for those with a significant risk profile</li> <li>- Continue the 'We Want Zero' programme</li> <li>- Continue the process for standardising HSE training delivered in the Saipem Group</li> <li>- Extend the 'Train the HSE trainer' initiative to the main Company training centres</li> <li>- Continue the LiHS programme 'Leading Behaviours'</li> <li>- Improve communications and sharing of information with subcontractors to enhance their performance and compliance with Saipem's health and safety standards</li> <li>- Continue to implement the campaign for industrial hygiene</li> <li>- Continue the 'Hand safety' and 'Working at height and in confined space' campaigns</li> <li>- Launch the 'Life Saving Rules' campaign</li> </ul>
<b>Health</b>		
Safeguard and promote the health of Saipem people	<ul style="list-style-type: none"> <li>- Dissemination of the 'Pre-Travel Counselling' programme for all personnel travelling abroad (1,200 employees trained in 2014)</li> <li>- Agreements and collaborative initiatives confirmed with scientific institutions on a range of themes: with the IRCCS Policlinico di San Donato Milanese for health promotion initiatives and for emergency medical assistance provided to Saipem employees; with the CIRM (Centro Internazionale Radio Medico) for the provision of medical assistance via radio to employees working on the offshore fleet; and with Milan's Sacco hospital for infectious disease testing of employees returning from work abroad</li> <li>- Participation in the 'Workplace Health Promotion' programme</li> <li>- Launch of specific programmes for cardiovascular disease prevention to identify cardiovascular risks among workers at operating sites (the programme was conducted at 148 work sites)</li> <li>- Carried out a vaccine awareness campaign and continued preventive measures in favour of employees</li> <li>- Continued malaria programmes for employees and local communities</li> <li>- Further developed the H-Factor on other sites to promote correct nutrition (12 new sites)</li> </ul>	<ul style="list-style-type: none"> <li>- Promote the H-Factor campaign and extend it to other operating companies and branches</li> <li>- Continue programmes for the prevention of cardiovascular diseases</li> <li>- Spread the 'Pre-Travel Counselling' programme targeted at all personnel travelling abroad and update in line with international health alerts</li> <li>- Continuously monitor the Health Performance Indicators (HPI)</li> <li>- Strengthen implementation of telemedicine programmes and monitoring of their correct use</li> <li>- Continue the health promotion programmes targeted at local communities</li> </ul>
<b>Personnel development</b>		
Develop the skills and competencies of human resources and improve both the work environment and the HR management system	<ul style="list-style-type: none"> <li>- Realisation of the 'Strategy LineUp meeting' initiative, a series of meetings for the cascading of Company objectives and strategies</li> <li>- Extension of the 'Share &amp; Shape' project that gives young resources the change to put forward proposals for improvement to Top Management</li> <li>- Involvement of Top Management in the 'Responsible Leadership' workshop, held on two occasions in San Donato Milanese, designed in cooperation with Eni Corporate University and with teachers from the SDA Bocconi management school</li> <li>- Relaunch of the mapping, development and monitoring of skills, beginning with the analysis with a group of 5 key roles: Drilling Superintendent, Offshore Project Manager, Onshore Construction Manager, Procurement Manager, and Project Technical Manager</li> <li>- Collaborated with local universities and technical institutes for the development of the technical and managerial skills of personnel</li> </ul>	<ul style="list-style-type: none"> <li>- Promote Local Content, including through specific training and career programmes for the development and professional growth of local personnel</li> <li>- Maintain and optimise Saipem's know-how</li> <li>- Define and diffuse a responsible leadership model</li> <li>- Monitor remuneration policies</li> <li>- Take specific actions for the internal communication of HR management and development policies</li> <li>- Develop actions in support of the increase and quality of female employment (more women in management positions, on the Board of Directors and on other Boards)</li> </ul>



Area	2014 results	2015-2018 goals
	<ul style="list-style-type: none"> <li>- Collaboration agreement signed with Milan Polytechnic for the creation of a new visiting chair to be known as the 'Saipem International Chair', which will be awarded annually to a leading international scholar from the field of energy and plant engineering</li> <li>- Updating of the Succession Plans for strategic roles</li> </ul>	
<b>Security</b>		
Ensure the security of Saipem's people and vessels	<ul style="list-style-type: none"> <li>- Delivery of training on human rights for Security personnel in the Karimun Yard (Indonesia)</li> <li>- 100% achievement of contracts with external security companies that include clauses on human rights</li> </ul>	<ul style="list-style-type: none"> <li>- Design and deliver a training course on human rights for security personnel in other operational areas</li> </ul>
<b>Environment</b>		
Manage and minimise environmental impacts in the life cycle of operations and improve environmental performance	<ul style="list-style-type: none"> <li>- Carried out energy assessments in the office buildings of Fano and Vibo Valentia (Italy), the Arbatax Yard (Italy), the logistics base in Ravenna (Italy) and on an onshore drilling rig in Italy</li> <li>- Saipem SpA obtained renewal of ISO14001 certifications. The same was achieved by an additional 15 Saipem Group companies</li> <li>- Environmental awareness raising: 'World Environmental Day' (WED) was celebrated in June with the slogan 'Efficient consumption means green consumption'</li> <li>- Promoted 'Print Less Day' targeted at raising awareness about the need to reduce paper consumption</li> <li>- Continued the action plans previously defined in order to prevent environmental crimes pursuant to Italian Legislative Decree No. 231/2001</li> <li>- Drafted a leaflet on biodiversity best practices in the Saipem Group</li> </ul>	<ul style="list-style-type: none"> <li>- Continuous monitoring of environmental performance and impacts</li> <li>- Standardisation at Group level of the environmental impact assessment</li> <li>- Energy assessment on several assets to identify critical areas and propose corrective actions in order to increase energy efficiency</li> <li>- Promotion of initiatives to decrease water consumption, i.e. the reuse of waste water</li> <li>- Continuation of efforts to prevent spills through appropriate risk analysis, training and drills</li> <li>- Promotion of the 'monetisation of waste' option on operational sites with a view to reducing the quantity and hazardousness of waste</li> </ul>
<b>Local Areas and Communities</b>		
Improve and consolidate local stakeholder relations and contribute to the socio-economic development of the local context	<ul style="list-style-type: none"> <li>- Issued the Management System Guideline 'Sustainability Stakeholder Engagement and Community Relations', which sets out the stages of the process as follows: identification of stakeholders, definition of an engagement strategy, implementation and, finally, monitoring of the strategy</li> <li>- Consolidated activities for the monitoring of local community initiatives and stakeholder relations</li> <li>- Implemented the economic impact assessment model of the Local Content strategy on the Guarujá Yard (Brazil), Canada and on the Egina project (Nigeria)</li> <li>- Continued the auditing programme on 25 vendors in relation to labour rights and respect for human rights</li> <li>- Involved local vendors and subcontractors in sustainability initiatives targeted at host communities in Kazakhstan and Russia</li> <li>- Struck up partnerships and associations with local schools, institutes and universities to boost the education system and improve the skills of the local population, including with reference to technical Oil &amp; Gas related issues, as well as health and safety (Kazakhstan, Peru, Italy, Brazil, Nigeria, Colombia and Azerbaijan)</li> <li>- Struck up partnerships and associations with health organisations and institutions to improve local health conditions and combat endemic illnesses (Venezuela, Colombia, Kazakhstan, Congo, Angola and Nigeria)</li> <li>- Held initiatives to support qualification of local vendors and their compliance with the operating standards of Saipem in Iraq, Colombia, Saudi Arabia and Nigeria</li> </ul>	<ul style="list-style-type: none"> <li>- Reinforce dialogue with local Clients and institutions in relation to Saipem's programmes targeted at the development of the local context</li> <li>- Consolidate the system for mapping and defining stakeholder engagement strategies to strengthen relations</li> <li>- Strengthen processes for monitoring local community initiatives</li> <li>- Achieve ad hoc communications tools for local stakeholders</li> <li>- Continue implementation of the model for economic impact assessment of significant operations</li> <li>- Continue the labour and human rights audit programme on vendors in critical areas</li> <li>- Continue activities in support of the social and economic development of host communities and to maximise use of local resources in the countries where Saipem operates</li> <li>- Implement actions to increase the share of local procurements including by means of initiatives to support qualification of local vendors</li> </ul>
<b>Clients</b>		
Improve the quality of services offered, including in relation to sustainability issues that are of interest to the Client	<ul style="list-style-type: none"> <li>- Held specific meetings on sustainability issues with different Clients</li> <li>- Engaged and collaborated with a Client with a view to producing an economic impact assessment study for the Egina project in Nigeria</li> <li>- Cooperated with various Clients for the realisation of initiatives to promote the socio-economic development of communities in the vicinity of activities (i.e. Angola)</li> </ul>	<ul style="list-style-type: none"> <li>- Promote dialogue with Clients with a view to strengthening relations, including in a perspective of sustainable management of projects</li> <li>- Participate in national and international sustainability events to present and share results, programmes and approaches to interested stakeholders</li> </ul>

Area	2014 results	2015-2018 goals
<p><b>Governance</b></p> <p>Maintain and reinforce a governance system that is capable of meeting Saipem's business challenges in a sustainable way</p>	<ul style="list-style-type: none"> <li>- Optimised e-learning training and implemented classroom based activities in Italy and abroad on the themes of Anti-Corruption, Model 231 and the Code of Ethics</li> <li>- Completed updating of Saipem SpA's Model 231 in order to incorporate the crimes introduced into Legislative Decree No. 231/2001 by Law No. 190 of November 6 (Provision for the prevention and repression of corruption and illegality in the public administration), by Law No. 109 of July 16, 2012 (Implementation of directive 2009/52/EC which introduces minimum standards on sanctions and measures against employers of illegally staying third-country nationals) and by Law No. 172 of October 1, 2012 which ratified the 'Lanzarote Convention'</li> <li>- Provided training and a refresher courses for members of Compliance Committees</li> <li>- Analysed and reviewed several procedures</li> </ul>	<ul style="list-style-type: none"> <li>- Update Saipem SpA's Model 231 with a view to assessing the incorporation of the crimes introduced by Italian Legislative Decree No. 231/2001 during 2014</li> <li>- Monitor Anti-Corruption procedures</li> <li>- Provide training and refresher courses for Saipem personnel on Anti-Corruption, Model 231 and the Code of Ethics</li> <li>- Provide training and continuous refresher courses for members of the Compliance Committees of subsidiaries</li> <li>- Ensure that foreign subsidiaries commence checks to guarantee compliance of the Organisation, Management and Control Model with local legislation and that they subsequently carry out gap analyses on sensitive activities and on control standards in force in the companies themselves</li> </ul>

# Methodology, criteria and principles of reporting

Ref. GRI 3.1-3.13

Since 2011, the Group's sustainability indicators and, more generally, its sustainability performances, have been reported in the form of an Addendum to the Annual Report. The Addendum is a supplement to 'Saipem Sustainability'. Both these documents deal with themes that are material for Saipem and the stakeholders to whom they are addressed, and describe the measures and

initiatives adopted to achieve the targets set.

Both documents are an integral part of Saipem's sustainability performance reporting and communication system which consists of a series of tools designed to convey information to all stakeholders in an exhaustive and efficient way.

Communication tools	Financial stakeholders	Clients	Internal stakeholders	Local Stakeholders
Saipem Sustainability 2014				
Sustainability Performance 2014				
Country and Project Reports				
Annual Report, Corporate Governance, Code of Ethics				
Internal newsletters Annual leaflets				
Saipem web site, interactive version of documents				

## Principles of reporting and results of the materiality analysis

The information and data indicators dealt with herein are compliant with the Guidelines of the Global Reporting Initiative, version G3.0. The GRI Content Index is available in the documentation section of Company website ([www.saipem.com](http://www.saipem.com)).

In order to define the sustainability themes considered most significant, both within the Company and in relation to stakeholders, a materiality analysis was carried out in 2014, hence for the fourth year running.

The first step entailed identifying the significant aspects which are considered in the analysis in order to pinpoint those that are material. This process is based on the sustainability context and on the analysis of the stakeholders involved.

In order to simplify analysis and comparison of results, the 34 themes identified were broken down into 5 macro categories. The level of internal significance was assessed by a panel of Saipem managers, a balanced representation of both Corporate and local functions, areas of competence and geographical areas. The panel identified the most important themes in terms of risks and



opportunities for the long-term success of the Company. The level of external interest was defined, through an interview or a questionnaire, by a balanced mix (from the point of view of the type of organisation they belong to and from geographical competence area) of external stakeholders. Clients, NGOs, representatives of local communities, business partners, business associations, investors and representatives of the authorities were involved.

The materiality of topics is given by the nexus of the levels of internal significance and external interest. The results of this analysis were submitted to a panel of external stakeholders in order to receive preliminary feedback before the drafting of the Annual Report.

The final results of the materiality analysis were approved by the Sustainability Committee in February 2015.

Selection of activities and programmes to be reported in detail in relation to themes identified as 'material' was carried out with due consideration for the sustainability context, assigning greater weight to those issues and countries in which the Company has a more significant impact and to the most significant initiatives.

Further details are available in the section 'Methodology and Reporting Criteria' of 'Saipem Sustainability 2014'.

### Reporting scope

In order to facilitate the understanding of performance trend over time, this Addendum contains information on, and a description of, the performance indicators of Saipem SpA and all its subsidiaries, including any companies involved in joint ventures with it, for the period 2012-2014.

As regards financial data, in accordance with the criteria adopted for the drafting of the Annual Report, the reporting scope also includes, on a line-by-line proportional basis, the data of subsidiaries and companies managed under joint operating agreements.

For HSE data, non-operating entities and subsidiaries that do not produce significant effects are not included in the reporting scope. In some cases, for some HSE indicators that are considered particularly important for the business of the Company, subcontractors and vendors working on Company projects are included within the reporting scope.

As regards other areas, subsidiaries in which Saipem has a less than 100% shareholding are calculated according to the operational criterion, which is to say that Saipem reports 100% of operations in which Saipem SpA or one of its subsidiaries exercises operational control.

Exceptions to the above criteria are expressly indicated in the text or in the section 'Methodology and Reporting Criteria' of 'Saipem Sustainability 2014'. Special methods for calculating indicators, any changes to these and any reformulations are detailed in the section 'Sustainability indicators' of this Addendum, without this in any way affecting the general commitment to maintain consistency in both the information and the data reported in previous editions.

### Limited audit

Reporting is subject to limited review by the same, sole independent auditor used for the Annual Report, in which this Addendum is included, and for the document 'Saipem Sustainability 2014'.

Report Application Level		C	C+	B	B+	A	A+
Standard Disclosures	G3 Profile Disclosures <b>OUTPUT</b>	Report on: 1.1 2.1 - 2.10 3.1 - 3.8, 3.10 - 3.12 4.1 - 4.4, 4.14 - 4.15		Report on all criteria listed for Level C plus: 1.2 3.9, 3.13 4.5 - 4.13, 4.16 - 4.17		Same as requirement for Level B	
	G3 Management Approach Disclosures <b>OUTPUT</b>	Not Required	Report Externally Assured	Management Approach Disclosures for each Indicator Category	Report Externally Assured	Management Approach Disclosures for each Indicator Category	Report Externally Assured
	G3 Performance Indicators & Sector Supplement Performance Indicators <b>OUTPUT</b>	Report on a minimum of 10 Performance Indicators, including at least one from each of: Economic, Social and Environmental.		Report on a minimum of 20 Performance Indicators, at least one from each of Economic, Environmental, Human rights, Labor, Society, Product Responsibility.		Report on each core G3 and Sector Supplement* Indicator with due regard to the Materiality Principle by either: a) reporting on the Indicator or b) explaining the reason for its omission.	

\*Sector supplement in final version

Saipem declares a Global Reporting Initiative (GRI) version G3.0 application level B+.

# Governance, commitment, stakeholder involvement

Ref. GRI 4.1-4.17

Saipem is committed to maintaining and reinforcing a Governance system in line with the standards of international best practices and suitable to the complexity of the Company's make-up.

Below is given a brief description of the Company's Governance structure. Further details are available in the document 'Corporate Governance Report and Shareholding Structure 2014' [CGR 2014], in the 'Remuneration Report', in the Code of Ethics and in the 'Governance' section of the Company website.

## Governance structure of the organisation

Saipem's organisational structure is characterised by the presence of a Board of Directors, a pivotal body in the Governance system, to which management of the Company is exclusively entrusted. Supervisory functions are entrusted to the Board of Statutory Auditors, whereas external auditors are in charge of the legal auditing of accounts. The Shareholders' Meeting manifests the will of the Shareholders through resolutions adopted in compliance with the law and the Company's Articles of Association. The present Board is made up of 9 Directors (of whom 8 are non-executive and 7 independent). It was appointed by the Shareholders Meeting of May 6, 2014, for one financial year, expiring on the day of the Shareholders Meeting called to approve the annual financial statements of December 31, 2014. Currently, women represent 22% of the Board of Saipem SpA (2 Directors out of 9). The Chairman of the Board of Directors is an independent, non-executive member. Two committees with advisory and consulting functions have been set up within the Board of Directors. These are the Audit and Risk Committee, consisting of 3 independent non-executive members, and the Compensation and Nomination Committee, likewise made up of 3 independent non-executive members.

## Dialogue with shareholders

Dialogue with individual shareholders is guaranteed by the manager of the Company Secretary function. Information of interest to them is made available on Saipem's website or can be requested via email at: [segreteria.societaria@saipem.com](mailto:segreteria.societaria@saipem.com). Dialogue with all other categories of investor and financial stakeholder is ensured by the Investor Relations function.

To protect minority interests, one Statutory Auditor and one Alternate Statutory Auditor from the Board of Statutory Auditors are chosen from among the candidates put forward by minority shareholders. The Shareholders' Meeting appoints the Chairman of the Board of Statutory Auditors from the list put forward by the minority shareholders.

More generally, information is guaranteed by means of ample documentation made available to investors, market and press on the Saipem website. It is further ensured by means of press releases, periodical meetings with institutional investors, the financial community and the press. Saipem employees have a number of dedicated information channels available, including the intranet portal, the quarterly magazine 'Orizzonti' and a large

number of newsletters and information leaflets.

Furthermore, information and dialogue channels provided for under agreements with the trade unions are ensured within the industrial relations system so that all employees receive timely information, are consulted and can participate.

Saipem provides employees and stakeholders with an information channel – overseen by the Compliance Committee in a way that ensures confidentiality – through which it is possible to report any problems related to the internal control system, financial reporting, corporate administrative liability, fraud or other topics (i.e. violations of the Code of Ethics, mobbing, theft, security, etc.). Further information is available in the 'Indicators' section of this document.

## Compensation

Compensation of the CEO and of Senior Managers with strategic responsibilities comprises a fixed component and a variable annual component. The latter is set with reference to Saipem's yearly objectives in terms of new contracts, investments and backlog, adjusted EBITDA and sustainability.

For issues relating to the compensation of Directors, Statutory Auditors and Senior Managers with strategic responsibilities, see the 'Remuneration Report', available to the public at Company headquarters and in the 'Corporate Governance' section of the Company website [www.saipem.com](http://www.saipem.com).

## Transparency and correctness

The Saipem procedure 'Transactions involving interests held by Board Directors and Statutory Auditors and Transactions with Related Parties' (available at [www.saipem.com](http://www.saipem.com) in the 'Corporate Governance' section), which aims to ensure transparency, as well as substantive and procedural correctness in transactions with other parties, was approved in 2010 and amended by the Board of Directors on March 13, 2012.

## Requirements for Board membership

Directors shall meet the honourability requirements prescribed by regulations, possess the professional expertise and experience to carry out their mandate efficiently and effectively, and be able to dedicate sufficient time and resources to their offices. In compliance with the Corporate Governance Code, the Board of Directors carries out a yearly Board Review on the size, composition and level of functioning and efficiency of the Board and its Committees. To this end, it avails of the assistance of a specialist external consultant.

## Mission, values and codes of conduct

Clear recognition of the Company's values and responsibilities is a foundational element of Saipem's relations with its stakeholders.

The following principles, further underscored in the Company's Mission Statement, are universally applied in the Group's business. Compliance with the law, regulations, statutory provisions, self-regulatory codes, ethical integrity and fairness, are constant commitment and duty of all Saipem people when carrying out their duties and responsibilities. Alongside a commitment to transparency, energy efficiency and sustainable development, these principles characterise the conduct of the entire organisation. In compliance with the provisions of law, the Code of Ethics clearly defines the values that Saipem recognises, accepts and shares, as well as the responsibilities the Company assumes both internally and externally.

In order to guarantee the achievement of business objectives, the Board of Directors has so far approved the following Policy documents: 'Our People'; 'Our Partners in the value chain'; 'Global Compliance'; 'Corporate Governance'; 'Operational Excellence'; 'Our Institutional Partners'; 'Information Management'; 'Our tangible and intangible assets'; 'Sustainability'; 'Integrity in our operations'. As shown in this document, the results of the Company and its subsidiaries in the social, environmental and economic spheres testifies to the degree to which the aforementioned principles have been implemented.

## Performance management and assessment

The Board of Directors receives from the delegated directors, at the Board meetings and, in any case, at least once every three months, a report on the activity carried out in the exercise of the delegated duties, on the Group's activity and on major transactions carried out by the Company or its subsidiaries, and approves the Strategic Plan which, alongside specifically economic and financial themes, includes objectives related to the sustainability aspects of Saipem's business.

The main risks referable to the HSE area are identified, monitored and managed by Saipem through an Integrated HSE Management System based on yearly planning, implementation, control, review of results and setting of new targets. The performance is presented and discussed at each meeting of the Board of Directors, which subsequently issues operative instructions. Furthermore, as part of the implementation of the policy of maximising Local Content, and with regard to the management of the Company's personnel, the Board of Directors is likewise informed, when needed, of the Company's social performance.

## Self-evaluation

In accordance with international best practices and in compliance with the Stock Exchange Code, the Board of Directors of Saipem annually conducts a Board Review on the size, composition and functioning of the Board of Directors and its committees and may provide advice on professionals whose presence on the Board is considered to be appropriate.

Every four months, the Sustainability Committee, chaired by the CEO, is presented with the main performance results and activities underway as regards sustainability. The Committee then supplies guidelines and approves the activity plan. The Committee is also

informed about, and provisionally approves, the external reports on the year's sustainability performance, which are subsequently approved formally by the Board of Directors concurrently with the Annual Report.

## Risk management

Having consulted with the Audit and Risk Committee, the Board of Directors approved the 'Principles of Integrated Risk Management' on July 30, 2013. The Integrated Risk Management (IRM) process, characterised by a structured and systematic approach, requires that the main risks are efficiently identified, assessed, managed, monitored, represented and, where possible, transformed into opportunities and competitive advantage. On the basis of the principles approved by the Board of Directors, Saipem has developed and implemented a Model for the integrated management of Company risks. This is now an integral part of the Risk and Internal Control Management System. Defined in compliance with the principles and international best practices, the Model aims to achieve an organic and synthetic vision of business risks, a greater consistency of methodologies and tools to support risk management and a strengthening of awareness that proper assessment and management of risks may affect the achievement of the objectives and the Company's value. For this purpose, the Model is characterised by the following elements:

- (i) Risk Governance: represents the general framework as regards roles, responsibilities and information flows for management of the main Company risks;
- (ii) Process: represents the grouping of all activities through which the various actors identify, measure, manage and monitor the main risks that could influence Saipem's ability to achieve its objectives;
- (iii) Reporting: reports and represents the results of the Risk Assessment, highlighting the most significant risks in terms of likelihood and potential impact, as well as the plans for dealing with them.

On January 26, 2015, following the outcome of the second cycle of risk assessment which analysed a four-year time frame, the CEO submitted details of the main risks Saipem faces to the Board of Directors.

## Codes of conduct adopted

The Universal Declaration of Human Rights adopted by the United Nations, the Fundamental Conventions of the ILO (International Labour Organisation) and the OECD Guidelines for Multinational Enterprises, are fundamental principles on which Saipem bases its Code of Ethics and conducts its operations.

## 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 participates in

46 associations. For its part, Saipem SpA is a member of 29 associations of these, among which: 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), ANIDA (Associazione Nazionale Imprese Difesa Ambiente) and the WEC (World Energy Council).

Other Group companies are members of the 'Ship Owners and Marine Industry Ventures Association' and of the BIP (Brazilian Institute of Petroleum and Gas). The Saipem Group as a whole takes part in a total of 46 associations.

## Stakeholder relations Ref. GRI 4.14-4.17

Saipem undertakes to carry out its activities by taking into consideration and involving its stakeholders, with the objective of ensuring an effective engagement of the interested parties through an approach that is as participatory and inclusive as possible.

In general, the commitment is based initially on a mapping process, which is required for the subsequent identification of a strategy of engagement of significant stakeholders on the basis of expectations and interests expressed. Finally, the activities and the results are monitored and assessed to improve this strategy over time.

This general approach aims to ensure open, transparent, positive and mutually advantageous relations with the interested parties.

This approach has allowed Saipem to build successful relations with its stakeholders in many parts of the world, facilitating a durable presence and an effective implementation of its activities locally.

The main engagement activities with stakeholders in 2014 can be summarised as follows.

### Financial stakeholders

Saipem has adopted a communications policy targeted at achieving constant dialogue with investors and systematic diffusion of comprehensive and timely information on Company activities. Information to investors and the market takes place through press releases, the periodical presentation of financial results and the broad documentation made available and constantly updated on the Company website, as well as periodical meetings with institutional investors and financial analysts. Individual shareholders are mainly involved through interfacing with the Company Secretary function. Dialogue with all other categories of investor and financial stakeholder is ensured by the Investor Relations function.

In 2014, management met the financial community during 20 Road Shows held in the main stock exchanges and at 10 financial conferences.

In 2014, Saipem involved 3 financial stakeholders in the study of material themes. Furthermore, several informative specifications concerning aspects of sustainability were drafted for the Ethical Council, GES, the OP Trust and SustainAltycs. Saipem also took part in the Carbon Disclosure Project (CDP).

### Clients

Reporting on operating projects is constant. Project Managers and project staff hold interviews and meetings and reply to the requests of the Client, who is often present on-site in day-to-day operations. Clients are also involved in HSE training initiatives, such as environmental awareness campaigns or the LiHS (Leadership in Health and Safety) programme. At the end of each project, and on an annual basis, the Client is asked for feedback using the 'Customer Satisfaction' tool. Furthermore, meetings with Clients or potential Clients are organised in pre-bid and bid phase and can involve a number of specific aspects such as Saipem's approach to sustainability.

In 2014, Saipem held meetings with Clients to involve them in its sustainability strategy in South America, Mexico, Kazakhstan and the Middle East.

In addition, the Company involved 9 Clients in the analysis of material themes.

The Company also took part in the 'Sustainable Development Industry (SDI) Reporting Qatar' organised by the Ministry of Energy and Industry of Qatar and by Qatar Petroleum.

In some projects, Saipem directly involved its Clients in the execution of local community initiatives, above all in Colombia, Venezuela, Angola and Indonesia.

### Employees

Workers' representatives and trade unions are involved in collective bargaining and in other forms of dialogue regarding specific local activities, including through periodical meetings. Management of Company employees is the responsibility of the Human Resources function on all Group operating sites, as described in the document 'Saipem Sustainability 2014'.

In 2014, the 'Share & Shape' initiative continues by involving young resources in France and Brazil.

The 'Strategy LineUp meeting' was launched, a process of cascading the Company's priority objectives and strategies to all employees. The process involved approximately 10,000 employees in 60 countries.

In various countries such as Peru, Venezuela and Kazakhstan, local employees were involved in local sustainability initiatives and investigations were carried out to obtain their feedback and to understand their expectations.

Personnel engagement and training activities on sustainability themes continued throughout 2014 with the organisation of thematic seminars and specific meetings with managerial functions.

### Local communities

As described in the document 'Saipem Sustainability 2014', each operating company or project has a specific approach to relations with local communities. This takes into account both the role of Saipem and the socio-economic and cultural context in which the Company operates. Many initiatives involving local communities were held during 2014.

In Kazakhstan, a public meeting was held with the population of Kuryk village to present and discuss the Ersai sustainability plan. On that occasion, several local stakeholders were identified to supervise and monitor the execution of activities. This was done in order to strengthen the sense of responsibility, as well as recognition of these initiatives on the part of the community.

In Nigeria, relations with local communities are defined and regulated in Memorandums of Understanding (MoU) signed by the Company, the Client (for projects) and representatives of the communities affected by operations.

Other local community initiatives and projects were held in the Congo, Colombia, Kazakhstan, Indonesia, Peru, Venezuela, Mexico, Angola and Brazil (for further details see 'Saipem Sustainability 2014').

In 2014, Saipem also involved 4 representatives of local communities in Brazil and Kazakhstan in the analysis of material themes.

#### Governments and local authorities

Engagement with governments and, above all, local authorities is defined in relation to the circumstances in which Saipem operates, taking into consideration the specificities of the country and the social context. Alongside institutional and official relations with the authorities, Saipem cooperates with public bodies for the launch of initiatives in favour of local communities and local areas. In this regard, Saipem collaborates with local government health entities, hospitals and medical centres to implement projects targeted at raising awareness of diseases such as malaria, AIDS in the Congo, Angola and Nigeria, as well as cooperation with local authorities in Peru, Colombia and Kazakhstan. In 2014, cooperation with the municipality of Guarujá in Brazil proceeded apace following the signing of the 'Declaration of Intent'. Saipem works with local institutions such as schools and universities, including through specific partnership agreements, in order to contribute to the development of an education system that meets the needs of the private sector, with particular reference to the Oil & Gas industry. Numerous initiatives are underway in Kazakhstan, Italy, Indonesia, Azerbaijan and Colombia in this regard.

The Company also took part in the 'Sustainable Development Industry (SDI) Reporting Qatar', organised by the Ministry of Energy and Industry of Qatar and by Qatar Petroleum.

In 2014, Saipem also involved 5 representatives of local authorities in Australia, Angola, Brazil and the Middle East in the analysis of material themes.

#### Local organisations and NGOs

In 2014, Saipem involved 4 national and international industrial associations in the study of material themes.

Saipem also collaborates with organisations or NGOs, above all at local level, and at times through specific partnership agreements, with a view to implementing community initiatives tailored to the area's specificities and main problems.

Cooperation with the NGO Foundation of Central Asia (EFCA) in Kazakhstan proceeded in 2014 with a view to completing initiatives aimed at education in the local community. Work with the Junior Achievement Azerbaijan (JAA) to reinforce the technical skills of university students also went ahead.

Furthermore, 3 NGOs were involved in the study of material themes.

#### Vendors

Relations with vendors are discussed in the document 'Saipem Sustainability 2014', where the selection and assessment processes are described.

Alongside periodical meetings with vendors with whom strategic agreements have been signed, in 2014 social responsibility audits were carried out on vendors in India and China.

During the year, 61 vendors filled in a questionnaire in accordance with the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas.

At local level, specific initiatives for vendor involvement are constantly ongoing. These are targeted at improving the quality of supplies and at encouraging vendors to comply with Saipem's quality, health and safety, environmental and social requirements. In particular, meetings and special training for vendors were held in Venezuela, Colombia, Nigeria and Saudi Arabia. In Kazakhstan, Peru and Colombia, vendors were involved in initiatives for local communities. Furthermore, the Company supported Aboriginal businesses in Australia and for the first time involved security service providers in Indonesia in special training on human rights.



# Disclosure on management approach

The Management Approach to sustainability issues pursuant to the Guidelines of the Global Reporting Initiative, version G3.0. All documents mentioned are available on the Company website [www.saipem.com](http://www.saipem.com).

## Economic performance

Saipem is an international contractor operating in the Oil & Gas industry whose revenues in 2014 totalled approximately €12.8 billion. The Company has in excess of 50,000 employees and is present in more than 60 countries, often on a medium- to long-term basis and in difficult or 'frontier' conditions. For this reason, the Company is committed to minimising any negative impacts on those areas and to contributing to the maximisation of positive impacts through the implementation of local sustainable development strategies.

Further details can be found in the 'Annual Report 2014' and in the chapter 'Managing operations for long-lasting success' of 'Saipem Sustainability 2014'.

## Environment

To supply excellent products and services is, for Saipem, consistent with the Company's commitment to environmental protection. Saipem has a well-structured and integrated HSE management system that acts as a benchmark for all production units and entails systematic auditing in order to ensure compliance with national and international legislation and regulations and with the conditions of contracts entered into with Clients. Alongside the HSE and Environmental Managers and their teams working in Corporate and in the main operating companies (where at least one HSE Manager and a HSE team are normally appointed), each operating project is specifically assigned an HSE team, often with an HSE or Environmental Manager. Reducing environmental impacts to a minimum is an objective found along the entire life cycle of a project, from engineering phase through to decommissioning. Furthermore, technological innovation at the service of Company assets is combined with the implementation of best practices on operating projects to pursue constant improvement of the Company's environmental performance.

Further information can be found in the chapter 'Safe operations for people and the environment' of 'Saipem Sustainability 2014', in the Directors' Report contained in the Annual Report 2014, in the section 'Commitments, results and objectives' of this Addendum and in the 'Sustainability' section of the Company website.

## Labour practices and indicators of decent working conditions

Saipem believes that human capital is a key element for its durable competitive success. This is why it is vital to ensure adequate

protection of labour, the continuous development of skills and competencies, the creation of a working environment that offers equal opportunities for all on the basis of merit and without discrimination, while at the same time guaranteeing respect for and adaptation to the characteristics of individual situations. The workplace health and safety of all Saipem personnel are a priority objective and are constantly monitored and guaranteed in the Company's operations management activities through an integrated HSE management system. Industrial relations are handled with due regard for the specificities of local socio-economic contexts, as well as for labour laws in force in the country where the Company is operating.

Further information can be found in the chapters 'Competence: the most powerful engine' and 'Safe operations for people and the environment' of 'Saipem Sustainability 2014', in the 'Sustainability' section of the Company website, in the Directors' Report contained in the 'Annual Report 2014' and in the section 'Commitments, results and objectives' of this Addendum.

## Human rights

Saipem complies with international human and workers' rights legislation and in turn is committed to ensuring that its own suppliers duly observe these. Saipem's sustainability policy declares explicitly that 'respect for Human Rights is the foundation of inclusive growth of societies and local 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 local human resources. As expressed quite clearly in the Code of Ethics, Saipem undertakes to spread knowledge of Company values and principles, including by implementing suitable procedures of control and protecting the specific rights of local populations.

Further information can be found in the Code of Ethics, in the Sustainability policy (both documents are available on the Company website [www.saipem.com](http://www.saipem.com)), in the chapters 'Managing operations for long-lasting success' and 'Generating value through a Local Content strategy' of 'Saipem Sustainability 2014', in the 'Sustainability' section of the Company website, in the Directors' Report contained in the 'Annual Report 2014' and in the section 'Commitments, results and objectives' of this Addendum.

## Society

Saipem is committed to contributing to the long-term social and economic development of the areas in which its business is located. This result is mainly pursued through the employment of local personnel, the transfer of know-how (technical and non-technical) and procurement of goods and services from local suppliers. With a view to mitigating impacts on local populations

and areas, Saipem has implemented specific tools for analysis of the local context to identify areas requiring intervention and lines of action. As regards local presence, Saipem avails of a process for identifying the main stakeholders and for identifying methods for engaging them in a way that is conducive to constructive and ongoing dialogue.

Further information can be found in the Sustainability policy, in the chapters 'Strengthening relations with local communities' and 'Generating value through a Local Content strategy' of 'Saipem Sustainability 2014', in the 'Sustainability' section of the Company website, in the Directors' Report contained in the 'Annual Report 2014' and in the section 'Commitments, results and objectives' of this Addendum.

## Product Responsibility

Customer satisfaction is a key factor in sustainable business. Each project has Quality and HSE Management Systems implemented in order to manufacture products, supply quality services and carry out all activities in conditions of maximum safety. In compliance with Corporate Policy for Quality, all of Saipem's operating companies have implemented a Quality Management System in accordance with ISO 9001, Corporate guidelines and the relevant standards. A Customer Satisfaction system has also been designed and implemented.

Further information can be found in the Sustainability policy, in the chapter 'Safe operations for people and the environment' of 'Saipem Sustainability 2014', in the Directors' Report contained in the 'Annual Report 2014' and in the section 'Commitments, results and objectives' of this Addendum.

# Sustainability indicators

This report contains the indicators covered in accordance with the 'Sustainability Reporting Guidelines' of the Global Reporting Initiative (GRI). All documents cited herein are available at [www.saipem.com](http://www.saipem.com). The document below has been arranged into sections, each of which discusses a specific topic in detail. The references to the GRI guideline in question are indicated beside the title of each section.

## Economic Indicators

### ■ Economic Performance (EC1, 3-4)

(€ million)	2012	2013	2014
Employee payroll and benefits	2,041	2,270	2,408
Research and development costs	15	14	11
Dividend distribution	330	375	45
Operating expenses	9,832	9,400	10,399
Net sales from operations	13,369	11,841	12,873
Income taxes	393	106	118
Seniority bonus schemes	5,456 (*)	5,871	6,786

(\*) On June 16, 2011, the merger by incorporation of the subsidiary Saipem Energy Services SpA was approved. The accounting and tax effects started on January 1, 2012.

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 supports the employee's supplementary pension plan with its own contribution.

### ■ Risk Management (EC2)

On the basis of the 'Principles of Integrated Risk Management' approved by the Board of Directors in July 2013, Saipem developed and implemented a model for the integrated management of Company risks. This is now an integral part of the Risk and Internal Control Management System. The model underscores the Company's commitment to a more organic and concise vision of the risks to which it is exposed, greater consistency of methodologies and tools to support risk management, and strengthening of awareness at all levels to the effect that an appropriate assessment and management of risks of various types can have a positive impact on the achievement of objectives and on the Company's value.

In compliance with the Integrated Risk Management process, and following completion of the second cycle of risk assessment which analysed a four-year time frame, on January 26, 2015, the CEO submitted details of the main risks Saipem faces to the Board of Directors.

Although climate change has not been identified as a significant risk in the short term, it may nevertheless affect Saipem's activities in the long term in those countries characterised by extreme and unpredictable weather conditions which in turn may affect operating costs and the integrity of Corporate assets, in addition to the risks involved for employees.

Furthermore, Saipem operates in a variety of countries, and its activities are subject to prior authorisation and/or to the acquisition of permits which require compliance with local HSE legislation. They are further subject to national laws that implement protocols and international conventions on climate change. These can impose restrictions on emissions into the atmosphere, the water and the soil and may provide for the application of very stringent operating standards that have an impact on the overall costs of the project.

Conversely, since climate change has become an issue of international importance, it can also represent an opportunity for business, particularly in the development of new technologies based on efficiency, low environmental impact and the promotion of renewable energy. A business sector within Saipem named 'Renewables and Environment' deals with the development and construction of facilities and services for renewables. Saipem is also working on research projects for the development of Carbon Capture & Storage (CCS).

More detailed information on the internal controls and risk management system can be found in the 'Corporate Governance and Shareholding Structure Report' and in the 'Directors' Report 2014'.

## Market Presence (EC6-7)

One of the pillars of Saipem's sustainability strategy is to maximise Local Content, which involves both local procurement and local personnel. Saipem helps create growth opportunities for people and businesses in the communities in which it operates.

(%)	2012	2013	2014
Project-based orders placed with local vendors: (*)	57	54	56
Americas	70	73	63
CIS	81	72	40
Europe	41	45	97
Middle East	51	44	74
North Africa	46	38	32
South and Central Africa	48	36	27
Oceania and Rest of Asia	65	69	67

(\*) Data for 2012 and 2013 were recalculated to refine the methodology and facilitate greater accuracy.

In 2014, out of a total of €10.890 billion of orders, excluding €2.696 billion for investments in Corporate assets and staff expenses, €4.560 billion of orders were from local suppliers. Orders are considered local only when the supplier is of the same state in which the project is located and in relation to which the order is made. A substantial reallocation of local and global purchases between various geographical areas can be noted. However, at consolidated level there is a small variation compared to the previous year (local purchases were 54% in 2013). The reduction in local purchases in the Americas is substantially due to the reduction compared to the previous year of civil works development activities in the El Elcino Topolobampo (Mexico) and Husky Oil, as well as completion of laying of pipelines and subsea cables on the Keathley Canyon project. All of these activities were entrusted to local vendors.

The increase in the CIS area of global purchases compared to 2013 is associated with the first phases of the South Stream, first of all with pre-trenching activities for the laying of pipelines, and secondly logistic and marine services. The project for upgrading the Saipem 7000, in particular linked to jacket installation and topside process modules, took place in an European shipyard using local suppliers.

The Middle East saw an important increase in the share of local orders, linked in the first instance to the execution entrusted to local vendors of the mechanical assemblies associated with the Jazan project, and secondly to the construction of industrial and electrical plants linked with the Shah Gas, Jazan and Rabigh projects.

The reduction of local orders in Central and Southern Africa was due to the construction activities of hulls for vessels on the Kaombo project, as well as the technological design and the project process itself, since activities have not yet been carried out in Angola.

(%)	2012	2013	2014
Local employees	77	77	79
Local managers	42	43	43

The number of local staff amounted to 43,126 (78.93%) in 2014 compared to 40,379 (77.42%) in 2013 and 37,285 (76.94%) in 2012, while the percentage of local managers remained unaltered at 43%.

The percentage of local managers is calculated by excluding data from France and Italy, since inclusion of those countries would lead to a figure of 73% of local managers. The methodology used shows with transparency and without distortion the constant commitment of Saipem to the promotion of Local Content, including as regards management positions.

Further details on initiatives implemented in 2014 are available in the chapter 'Generating value through a Local Content strategy' of 'Saipem Sustainability 2014', in the Directors' Report contained in the 'Annual Report 2014' and in the 'Sustainability' section of the Company website.

## Indirect Economic Impacts (EC8-9)

(€ million)	2012	2013	2014
Expenses for initiatives targeting local communities	2.126	2.066	1.992

In 2014, Saipem made a commitment, through its operating companies, to strengthening relations with local stakeholders, both through direct involvement, studies and analyses aimed at understanding the needs of the area, and planning of operations on a local level. In 2014, the focus on training (31% of expenses), socio-economic development and promotion of Local Content (35%) was reaffirmed.

Saipem has adopted a tool for assessing the positive effects of externalities generated on local areas by its 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 induced effects generated on society. In 2014, the model was applied to Canada, the Guarujá Yard (Brazil) and the Egina project (Nigeria). The results were presented to and discussed with several key local stakeholders. Further information and details on the initiatives implemented in the local communities and the SELCE model are available in the chapter 'Generating value through a Local Content strategy document' of 'Saipem Sustainability 2014'.

## Environment

### Raw Materials (EN1)

As a contractor operating in the Oil & Gas industry, the use Saipem makes of the main raw materials in its operating contexts is dictated by the contract conditions set out by the Client (when the materials are not supplied directly by the Client itself, even as semi-finished products). Hence, the raw materials used fall within the scope of the work required, in terms of both economic costs and responsibility.

In 2014, a total of 263.1 tonnes of paper and 8.7 tonnes of plastic were purchased. The data were monitored on 11 sites. For World Environment Day (WED) 2014, Saipem chose the slogan 'Efficient Consumption means Green Consumption', which was designed to highlight the findings of the energy diagnostics conducted and to reflect the strategy the Company has adopted to reduce waste and the consumption of natural resources. On the same day, the Company also held 'Print Less Day', which aimed to encourage staff to reduce their paper consumption. In 2014, Saipem undertook a process of due diligence to verify whether its products contain 'Conflict Minerals', namely, gold, cassiterite, columbite-tantalite, wolframite and their 3T derivatives (tin, tantalum and tungsten).

Further details can be found in the chapter 'Managing operations for long-lasting success' of 'Saipem Sustainability 2014'.

### Energy and Emissions (EN3-6, 16, 18, 20)

		2012	2013	2014
<b>Direct energy consumption</b>				
Total energy consumption, of which:	(ktoe)	558.2	594.8	536.5
Natural Gas	(ktoe)	1.4	1.0	0.9
Heavy Fuel Oil (HFO)	(ktoe)	3.2	-	0.004
Intermediate Fuel Oil (IFO)	(ktoe)	8.6	28.3	12.7
Light Fuel Oil (LFO)	(ktoe)	24.3	32.4	43.2
Diesel	(ktoe)	386.0	368.2	321.3
Diesel Marine Oil	(ktoe)	129.1	158.8	152.3
Gasoline	(ktoe)	5.6	6.1	6.1
<b>Indirect energy consumption</b>				
Electricity consumed	(GWh)	155.9	121.2	119.9
<b>Renewable energy</b>				
Electricity produced from renewable sources	(MWh)	271.7	266.3 (*)	310.8
<b>Total direct and indirect greenhouse gas emissions</b>				
Direct GHG emissions	(kt CO <sub>2</sub> eq)	1,542.6	1,538.7	1,420.1
Indirect GHG emissions (scope 2)	(kt CO <sub>2</sub> eq)	69.7	54.0	49.1
<b>Other significant emissions</b>				
SO <sub>2</sub> emissions	(kt)	4.2	4.4	4.2
NO <sub>x</sub> emissions	(kt)	26.2	25.8	24.3
CO emissions	(kt)	10.7	11.1	10.6
PM emissions	(kt)	0.7	0.7	0.6
NM VOC emissions	(kt)	1.0	1.0	0.9

(\*) This energy is produced by photovoltaics in Italy and Portugal. A photovoltaic system, consisting of 100 modules and occupying a total area of 165 m<sup>2</sup>, was installed on the roof of the offices of Madeira in 2013. April 2013 saw the first production of energy by this method, which is fed into the grid and not used in the Saipem office. It is important to note that the production levels of this type of energy are strongly influenced by weather conditions.

In 2014, the consumption of Intermediate Fuel Oil was down 55%, since the Castorone, the only Saipem vessel that uses it, was laid up for maintenance in Singapore. Today the vessel uses Light Fuel Oil and this explains the increase of 33% compared to the previous year.

The decrease in the consumption of diesel is due to the fact that some energy intensive onshore projects have been completed or are on the verge of completion (Jeddah Airport Project, Manifa, Etihad Railway Project, Shah Plant Project).

Saipem has developed a number of initiatives with the aim of increasing energy efficiency. The strategy consists of analysing the assets and implementing technical solutions together with training, and awareness-raising initiatives.

5 energy assessments were carried out on the following Italian assets: the Fano and Vibo Valentia offices, and onshore drilling rig, the Arbatax Yard and the logistical base in Ravenna. Their objective was to identify technical solutions for achieving enhanced energy efficiency that will be implemented in 2015-2016.

2014 also saw the continuation of the voyage optimisation initiative, which began in 2012. 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 the weather conditions and currents. In 2014, the consumption of about 403 tonnes of fuel was avoided, for a saving of 1,260 tonnes of CO<sub>2</sub>.

As regards investments, in mid 2013, 60 solar panels were installed on the roof of the offices and in the temporary accommodation at Guarujá Yard. The annual saving predicted for 2014 was about 151.2 MWh. Another significant initiative was realised in the Saipem Croatian Branch offices, where in July 2013 programmable timers were installed to adjust the air conditioning and heating. In 2014, the annual saving was about 107.9 MWh.

Further details on these topics can be found in the Directors' Report in the 'Annual Report 2014'.

## Water (EN8, 10)

		2012	2013	2014
<b>Total water withdrawal by source</b>				
Total withdrawal of water, of which:	(10 <sup>3</sup> m <sup>3</sup> )	8,245.1	8,740.1	6,318.6
- fresh water/from waterworks	(10 <sup>3</sup> m <sup>3</sup> )	4,056.8	5,683.4	3,968.9
- groundwater	(10 <sup>3</sup> m <sup>3</sup> )	3,251.8	1,997.8	1,132.7
- surface water	(10 <sup>3</sup> m <sup>3</sup> )	221.3	218.4	116.7
- sea water	(10 <sup>3</sup> m <sup>3</sup> )	715.1	840.43	1,100.3
<b>Recycled and reused water</b>				
Reused and/or recycled water	(10 <sup>3</sup> m <sup>3</sup> )	1,024.8	1,788.2	1,326.1
	(%)	12	20	21

Saipem promotes the implementation of initiatives to achieve water savings both at project level and on operational sites. Initiatives to encourage reuse of treated waste water are considered particularly important.

The decrease in water consumption is due to the fact that some large onshore projects situated in desert areas have been concluded or are on the verge of completion.

In an effort to identify areas at high water risk, Saipem carried 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 this way, the critical areas in which improvement projects will be implemented are identified.

## Biodiversity (EN11-12, 14)

Saipem considers biodiversity to be a significant theme and monitors its own potential effects within its Environment Management System implemented in all operating contexts. Management of potential effects, and related mitigation measures, is therefore practiced at the level of individual projects and operating conditions.

As a contractor, Saipem works on projects and in areas for which the Client normally provides an Environmental Impact Assessment. If this is not the case, or when conditions so require, Saipem carries out the environmental impact studies itself. These include systematic evaluation of the effects on biodiversity in the areas in which the Company operates, in order to evaluate and implement compensatory solutions with a view to maintaining the original environment. In the case of its own property, which consists mainly of manufacturing yards, Saipem is equipped with a system for monitoring the impacts of its activities, including any possible effects on the biodiversity of the surrounding areas.

As proof of the Company's commitment to technological development and to achieving business solutions that contribute to reducing environmental impact, above all in sensitive areas from a biodiversity perspective.

Saipem Australia, together with Thiess and Santos GLNG Gas Transmission Pipeline, were awarded a prize by the 'Queensland Government Department of Environmental and Heritage Protection and by Queensland University of Technology (QUT)', in the 'Innovation in Sustainability Technologies' category. Furthermore, in 2014, a leaflet describing several of the Company's best practices in the protection of biodiversity was published on the website [www.saipem.com](http://www.saipem.com).

## Discharges (EN21)

(10 <sup>3</sup> m <sup>3</sup> )	2012	2013	2014
<b>Total water discharge</b>			
Total waste water produced, of which:	3,696.3	5,319.4	4,015.7
- water discharged into the sewer systems	400.4	616.1	482.6
- water discharged into bodies of surface water	572.8	1,543.7	1,007.2
- water discharged into the sea	480.3	750.7	950.9
- water discharged to other destinations	2,242.6	2,408.9	1,575.0

The decrease in the volume of waste water is due to the fact that some large onshore projects situated in desert areas have been concluded or are on the verge of completion.

## Waste (EN22, 24)

(kt)	2012	2013	2014
<b>Total weight of waste by type and disposal method</b>			
Total waste produced, of which:	257.9	387.4	453.6
- hazardous waste disposed of in landfill sites	31.9	50.9	32.1
- incinerated hazardous waste	5.3	3.4	3.5
- recycled hazardous waste	13.9	7.8	9.3
- non-hazardous waste disposed of in landfill sites	171.5	282.8	192.4
- incinerated non-hazardous waste	4.0	6.0	3.6
- recycled non-hazardous waste	31.3	36.5	212.7

The increase in waste production was influenced by dredging activities which were needed for the initial phase of the South Stream project in Anapa (Russia). In this phase a huge quantity of rocks, soil and other materials was removed from the site. Part of the soil was reused on the same project. The part left over was classified as non-hazardous waste.

Saipem is committed to minimising the production of waste and to promoting the best practices already implemented on the operating sites. Saipem is developing a new technology with a view to minimising the quantity of waste and the environmental impact in the event of an accidental spill. Another best practice is represented by management of the project to dismantle the Concordia, described in the chapter 'Safe operations for people and the environment' of 'Saipem Sustainability 2014'.

## Spills (EN23)

		2012	2013	2014
<b>Number of spills</b>				
Total	(No.)	144	77	50
Spills of chemical substances	(No.)	19	21	14
Spills of oily substances	(No.)	125	56	36
<b>Volume of spills</b>				
Total	(m <sup>3</sup> )	5.4	67.2	21.6
Spills of chemical substances	(m <sup>3</sup> )	1.6	62.7	17.4
Spills of oily substances	(m <sup>3</sup> )	3.8	4.5	4.2

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'. It should be noted that 2013 saw the reporting methodology revised, and only spills above 10 litres are now in fact monitored. The variation in methodology explains in part why the number of spills in 2012 is much higher compared to 2013 and 2014.

Further information on the Company's approach to spill prevention are available in the chapter 'Safe operations for people and the environment' of 'Saipem Sustainability 2014'.

## Impacts, costs and investments (EN27-30)

As a contractor in the Oil & Gas industry, from the contractual point of view it is not possible for Saipem to account for the products and services provided, as these are defined and managed by the Client. However Saipem implements all measures necessary to ensure the protection of the environment when carrying out its work, both in activities managed directly by its own personnel and vessels, and in all operations subject to operational control. Saipem considers it of extreme importance to manage properly the significant environmental aspects and impacts that derive from these. Indeed, Saipem has long adopted a certified Environmental Management System according to the international standard ISO 14001, a tool for monitoring the environmental impacts of its activities, but also for systematically striving for continuous improvement.

In 2014, Saipem did not receive any significant fine and/or monetary sanction for non-compliance with environmental laws and regulations.

As a contractor, Saipem accounts for expenses and investments solely in relation to its own activities and assets, and not for those related to commissioned projects, which form part of the overall project costs and are reimbursed by the Client.

(€ million)	2012	2013	2014
HSE investments	35.4	37.0	39.2
Expenses for integrated HSE management	39.7	38.6	41.3
Expenses for the environment	6.7	7.1	9.6

It should be noted that expenses for integrated HSE management refer mainly to costs for the management and training of Saipem HSE personnel.

## Working Conditions and Practices

### Employment (LA1-3)

		2012	2013	2014
Total employees at year end, of which:	(No.)	48,455	52,157	54,637
- Senior Managers	(No.)	436	431	421
- Managers	(No.)	4,857	4,954	5,012
- White Collar	(No.)	22,148	22,849	23,907
- Blue Collar	(No.)	21,014	23,923	25,297
Total female employees	(No.)	5,331	5,701	5,832
Employees in non-EU countries	(No.)	37,322	41,793	43,334
Employees with full-time open-ended contracts	(No.)	48,227	51,903	54,350
Employees with a stable work contract	(No.)	18,025	18,662	19,774
Termination of employment of key resources	(No.)	3,541	4,581	4,518
Turnover of key resources	(ratio)	-	-	8.01

In 2014, there was further growth (5%) in the workforce due to the needs of some Onshore E&C projects, particularly with regard to activities carried out in Mexico and Canada.

There was an increase of 131 female employees (2%) and 2,349 male employees (5%). As regards employees who play what is considered a key professional role, these now account for 36% of the workforce, stable compared to 2013.

It should be noted that a stable work contract is considered such independent of the country and of the form of contract and when the resource covers a key role for the business.

The voluntary turnover rate of key resources for business was 8.01% in 2014. Considering solely the voluntary turnover rate for companies whose occupational trends are less conditioned by the completion of projects (i.e. Saipem SpA and Saipem SA), the turnover was 6.49%.

The turnover rate is calculated as the ratio between the number of voluntary annual terminations and the average workforce during the year.

Saipem provides its employees with different benefits and methods of allocating these, in accordance with local conditions. These include: complementary pension plans, supplementary healthcare funds, mobility support services and policy, welfare initiatives and family support policies, catering (lunch tickets) and training courses aimed at ensuring more effective integration within the social-cultural context in question.

The benefits, where applicable, have been offered to the entirety of the specific target population to date, 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 the contract itself.

Further details relating to employment are provided in the chapter 'Competence: the most powerful engine' of 'Saipem Sustainability 2014'.

## Industrial Relations (LA4-5)

Given the global nature of the environment in which Saipem operates today, which encompasses a wide range of socio-economic, political, industrial and legislative situations and conditions, the management of industrial relations requires maximum care and attention. The Company's industrial relations model has thus for many years now focused on ensuring the harmonisation and optimal management of relations with trade unions, employers' associations, institutions and public bodies in line with Company policies.

With a view to further reinforcing this participatory model of industrial relations, the Company and the trade union organisations entered into discussions during 2014 to establish an industrial relations protocol that recognises the centrality of communication, negotiation and dialogue. The aim is to have a definitive protocol ready by the first quarter of 2015. The year also saw a revision of the Standard Procedure 'Overseas Industrial Relations', which was updated to include a chapter dedicated to Human Rights, with the objective of bolstering and underlining Saipem's policy of conducting its business activities at all times in full respect therefore. Whenever a major organisational change is expected, it is the practice of the Saipem Group to communicate this to the trade union representatives. In Italy, due to a specific provision for collective bargaining, meetings with the unions are regularly convened to enable illustration of/exposure to the change in place.

		2012	2013	2014
Employees covered by collective bargaining	(%)	48	50	53
Strike hours	(No.)	-	61,477	54,456

Out of the 45,668 employees monitored, 24,440 are covered by collective bargaining agreements. It is important to bear in mind that Saipem operates in countries where they are no provisions for these types of agreement. In cases of divergence between local and international standards, the Company seeks solutions that facilitate behaviour based on international standards whilst considering the local principles.

The first half of 2014 saw the signing of a collective agreement with a new trade union organisation on behalf of the workers employed in the Guarujá Yard in Brazil. The agreement, which was entered into concomitantly with the renewal of the existing collective labour agreement, redefined salary categories for yard personnel and also introduced a participation bonus, in keeping with recommendations contained in local regulations. The end of 2014 also saw the renewal of two important collective labour agreements for the energy and construction sector in Nigeria. The employment regulations laid down in the agreements were adapted to provide enhanced resolution mechanisms for industrial disputes. Furthermore, the workers at the Karimun Yard in Indonesia have formed a trade union with which a collective agreement is expected to be entered into at the beginning of 2015.

In 2014, the total number of hours of strikes in the Saipem Group was down compared to the previous year. There were strikes in Italy, Brazil and Nigeria. Over half of all strike hours were in Nigeria, where the number of days of collective abstention from work were three in June and one in October. These, however, were over issues that only in part concerned employment relations. In Brazil, there were strikes in April and December in the Guarujá Yard, concerning themes such as profit sharing and implementation of a transport plan for the yard. As regards Italy, the strikes were focused on the second half of the year and mainly concerned questions linked with the declaration by Eni of its intention to sell its majority share in Saipem.

More information is available in the 'Human resources' section of the Directors' Report contained in the 'Annual Report 2014'.

## Health and Safety (LA6-9)

In Saipem, the culture of health and safety of workers is guaranteed and backed by a strong internal campaign. This, in turn, is facilitated by the external regulatory environment, mainly characterised by laws and agreements at national and Company level, and by the internal environment characterised by specific policies on health and safety that define particularly stringent criteria when compared to the local contexts, which today are characterised by the presence of a regulatory system still 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:

- setting up workers H&S committees (composition and number);
- specific training for safety officers (responsible Company figures and employee representatives) and grassroots information on safety matters to all employees, with particular reference to courses on Health and Safety at Work, Fire Fighting, First Aid, and mandatory 'Special Operations' (Onshore-Offshore); and
- regular meetings between the Company and workers' representatives.

In Italy, workplace health, safety and environment are regulated by specific contract clauses and by the national labour contract. In particular, the collective agreement provides for the appointment of representatives of the workers for their protection in the areas of health, safety and the environment. The appointment is made by election and the number of representatives is provided for by law and the collective agreement. One specific agreement between Saipem and the Trade Unions defines the competencies of the representatives of the workers for health, safety and environment and their full power to exercise their role, including for workers assigned temporarily to activities in the yards and on the sites where they operate.



Saipem launched the LiHS (Leadership in Health and Safety) programme in 2007 with a view to promoting the health and safety of its employees. This programme consists of several stages which, through workshops directed at all levels of the Company, aim to spark a cultural shift in the personnel so that they are more attentive to and aware of health and safety issues. Figures for the last three years are given below.

	2012	2013	2014
<b>LiHS Programme</b>			
<b>Phase 1</b>			
LiHS trained facilitators	22	23	12
Workshops performed	130	113	119
Number of participants in workshop phase 1	1,643	1,405	1,591
<b>Phase 2</b>			
Number of cascading events	160	90	179
Number of cascading participants	5,046	2,993	6,449
<b>Phase 3</b>			
Five Stars train the trainer	3	6	5
Number of Five Stars training courses	252	122	345
Number of Five Stars participants	2,373	1,336	3,597
<b>Phase 4</b>			
Number of Leading Behaviours Cascading events	265	167	116
Number of Leading Behaviours Cascading participants	9,617	5,930	3,875

LiHS data is updated on a periodic basis, not always in line with the calendar year. Changes can occur from one year to the next.

Further information can be found in the chapter 'Safe operations for people and the environment' of 'Saipem Sustainability 2014'.

## Safety in the workplace

		2012	2013	2014
Man-hours worked	(million hours)	321.99	298.05	265.81
Fatal accidents	(No.)	3	6	1
Lost Time Injuries	(No.)	99	71	73
Days lost	(No.)	5,625	3,611	3,696
Total Recordable Incidents	(No.)	342	344	289
Rate of absenteeism	(%)	-	2.2	4.0
LTI Frequency Rate	(ratio)	0.32	0.26	0.28
TRI Frequency Rate	(ratio)	1.06	1.15	1.09
Tool Box Talks	(No.)	781,401	925,017	891,256
Safety hazard observation cards	(No.)	575,611	701,329	908,340
HSE meetings	(No.)	45,287	45,376	41,136
Job Safety Analysis	(No.)	390,721	239,455	256,345
HSE inspections	(No.)	258,875	301,820	285,118

The reporting perimeter corresponds to that (not necessarily geographical) of the work area in which Saipem is responsible for defining HSE standards and for ensuring and monitoring their application. 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 the Company and contractors working on the operating sites;
- lost days of work translate into 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 days lost starts from the second day after the accident and counts up to the day on which the person is able to return to work;
- LTIFR and TRIFR are calculated in millions of man-hours worked, as per the standard applied internationally in the Oil & Gas industry and include injuries involving both Company and contractor personnel;
- the rate of absenteeism is calculated as the ratio between the total hours of absence and the theoretical total annual hours to be worked. The total hours of absence do not include parental leave and estimated holiday hours.

For remarks on the safety performance, see the chapter 'Safe operations for people and the environment' of 'Saipem Sustainability 2014'.

## Health

(No.)	2012	2013	2014
Vaccines administered to employees and subcontractors	9,124	7,607	9,010
Medical staff	558	545	587
Medical consultations	85,361	90,923	107,890
Medical fitness examinations	36,518	42,519	47,048
Occupational illnesses reported	7	10	13
Cases of repatriation	170	159	178
Sites where the H-Factor programme has been implemented (*)	24	37	48
Workshop Choose Life	-	87	315

(\*) The number given is cumulative.

Saipem considers the health and wellbeing of its employees to be of unquestionable value. It is constantly working to strengthen its Health Management System.

In 2014, 47,048 medical fitness examinations were carried out, an increase of 11% compared to 2013, and 9,010 vaccines were administered, mainly against Hepatitis A and B, Tetanus, Typhoid Fever, Influenza and Yellow Fever.

The Company organises a number of health promotions for its employees, such as:

- initiatives for the prevention of circulatory diseases. 23% of cases of repatriation in 2014 were linked with cardiovascular illnesses. The approach adopted by Saipem is based on the promotion of a healthy lifestyle and on risk assessment through comprehensive monitoring of the state of health of employees. In 2007, Saipem launched the Telecardiology programme with the aim of providing assistance on remote sites. In 2014, the number of sites covered was 55 and overall 3,642 ECGs (electrocardiograms) were transmitted, of which 142 were treated as potential emergencies and hence promptly analysed by specialists;
- initiatives and programmes for the promotion of a healthy lifestyle such as the H-Factor and Choose Life. The first has been implemented with the cooperation of Saipem's catering company and with the support of the Company's medical service. The second is a programme consisting of a two-hour workshop, in which the short film 'Choose Life' is shown with the aim of boosting the health culture;
- Saipem operates in a number of countries considered at risk of malaria. 'Malaria Awareness Lectures' are therefore organised for employees. At year-end 2014, 100% of non-immune employees operating in those zones had taken the course;
- in Italy, Saipem has been using the 'Pre-Travel Counselling' service since 2008 for employees departing on work-related assignments. In these meetings information is given regarding the epidemiological situation in the country of destination and advice on any vaccines that may need to be administered. Since the programme began, 7,200 employees have been trained on the risks associated with the country of destination; and
- in 2014, Saipem SpA (Italian headquarters) signed up to the 'Workplace Health Promotion' (WHP) validated by the regional government of Lombardy. This programme is the outcome of the joint efforts of employers, workers and local institutions. The aim is to improve health and wellbeing in the workplace. It involves a pathway to the realisation of best practices that will be effective in the promotion of health. The WHP programme, which lasts 3 years, entails the development of activities in 6 thematic areas: promotion of a correct diet, an anti-smoking campaign, promotion of physical activity, road safety and sustainable mobility, alcohol and drug dependency, personal and social wellbeing and work/family balance.

Saipem's approach to the promotion of the health of employees and local communities is discussed in more detail in the chapters 'Safe operations for people and the environment' and 'Strengthening relations with local communities' of 'Saipem Sustainability 2014'.

## Training (LA10)

(hours)	2012	2013	2014
<b>Training</b>			
Total hours of training, of which:	2,285,191	2,354,493	2,615,706
HSE	1,687,258	1,508,601	1,445,829
Managerial Behaviour and Competencies	72,931	77,017	48,425
IT and languages	95,680	120,841	100,106
Professional technical skills	429,322	648,034	1,021,346

In 2014, the total number of training hours delivered was up 11% compared to 2013. Over the year, the two themes to which most focus was given were:

- technical training, which with 1,021,346 hours delivered saw an increase of 57% compared to the previous year, especially in Saudi Arabia (which represents about 18% of the hours worked). It should be noted that 'Other Professional Skills' was aggregated with 'Technical Professional Skills'; and
- HSE training which, although down in absolute terms by 4% compared to 2013, is up in relation to the hours worked. In 2014, 5.44 training hours were delivered for every 1,000 hours worked, while in 2013, this was 5.06. Out of the total of 1,445,829 HSE training hours, 566,684 were delivered to subcontractors. It should be noted, moreover that the hours for 2013 and 2012 were recalculated as part of the data collection refining process.

As regards the hours delivered to Saipem employees (around 2 million), 70% was for blue collar workers (46% of the workforce) for HSE and technical training, 23% for white collar workers (44% of the workforce), 6.5% to managers (9% of the workforce) and 0.5% to senior managers (1% of the workforce). More information on the training and development of people can be found in the chapters 'Safe operations for people and the environment' and 'Strengthening relations with local communities' of 'Saipem Sustainability 2014'.

## ■ People development (LA11-12)

		2012	2013	2014
<b>Skills assessment</b>				
Skills assessment, of which:	(No.)	2,605	3,118	3,495
- management skills	(No.)	54	22	32
- evaluation of potential	(No.)	118	257	247
- technical skills	(No.)	2,184	2,640	3,135
- evaluation of potential for experts	(No.)	249	199	81
<b>Performance assessment</b>				
Evaluation of the performance to which employees are subject, of which:	(No.)	23,498	22,411	28,787
	(%)	48	43	53
- Senior Managers	(No.)	436	406	426
- Managers	(No.)	2,965	1,905	5,359
- White Collar	(No.)	10,774	10,945	15,968
- Blue Collar	(No.)	9,323	9,155	7,034

Saipem bases its business success on a strong technical capacity in both its equipment and its employees. Continuous training and skills enhancement are key elements in the management and development of people.

For 2014, an increase in the number of performance assessments at Group level was registered. Specifically, an increase for managers and white collar workers was noted. Generally speaking, the incremental trend is justified with the launch of the new process of management performance targeted at rendering performance management a widespread and traced process at worldwide level. Among its distinctive features are the ease of filling in assessment sheets, the tracing of the entire process through the system, and the ability to extend the tool to all roles and all contexts.

In 2014, an integrated team was set up dedicated to the relaunch of mapping, development and monitoring of skills, beginning with the analysis of a group of 5 key roles: Drilling Superintendent, Offshore Project Manager, Onshore Construction Manager, Procurement Manager, and Project Technical Manager. The information is collected in a summary dashboard that reprocesses them and represents them in various ways that allow for easy analysis in terms of the quality and quantity of the people's skills, as well as of the type of experience gained on the different types of projects, geographic areas, technologies and so forth.

It is within this scenario, as a supplement to it, that another activity launched in 2014 can be found, namely, the updating of managerial and technical career pathways targeted precisely at defining the experiences and key skills for the passage from one role to another and the operative actions in support of this. In this case, too, an integrated work team was initially dedicated to the definition of the development pathway model and, later on, to its application to two professional pilot areas: Commercial and Procurement.

More information on the training and development of people can be found in the chapter 'Competence: the most powerful engine' of 'Saipem Sustainability 2014'.

## Diversity and Equal Opportunities (LA13-15)

### Gender diversity

		2012	2013	2014
<b>Female presence</b>				
Female employment	(No.)	5,331	5,701	5,832
Female Senior Managers	(No.)	16	19	20
Female Managers	(No.)	606	653	684
<b>Compensation</b>				
Ratio of basic salary of women to men, by employee category:				
- Senior Managers	(%)	79	89	91
- Managers	(%)	90	91	87
- White Collar	(%)	89	92	94
- Blue Collar	(%)	128	116	138

### Age diversity

(No.)		2012	2013	2014
<b>Age Groups</b>				
Employees under 30 years of age		9,140	9,820	10,480
of which women		1,399	1,405	1,408
Employees aged between 30 and 50		31,230	33,524	35,264
of which women		3,341	3,628	3,822
Employees over 50 years of age		8,085	8,813	8,893
of which women		591	668	668

### Cultural diversity

(No.)		2012	2013	2014
<b>Multiculturalism</b>				
Nationalities represented in the employee population		124	126	131

The protection of specific groups of employees is safeguarded through the application of local laws, and is reinforced by specific Corporate policies that emphasise the importance of this issue. The goal is to ensure equal opportunities for all types of worker in an effort to deter the onset of prejudice, harassment and discrimination of any kind, whilst safeguarding dignity, sexual orientation, colour, race, nationality, ethnicity, culture, religion, age and disability in full respect of Human Rights. In the various environments in which Saipem operates, this protection is reflected in the context of specific regulations that provide for minimum employment obligations of disabled staff, young staff or in relation to certain proportions between local and expatriate staff, for example.

With regard to gender diversity, the percentage of women in managerial positions remained more or less unchanged (12%). Women make up 13% of all managers, up 1% compared to 2013.

In terms of salary, the indicator has been calculated as the ratio between the average salary of a woman compared to the average salary of a man by category. From the analysis of average salary levels by country and category, increasing attention to the application of interventions targeted at aligning salaries or reducing gender pay gaps is evidenced, even if the variations of manpower, especially if relevant, can determine salary discrepancies at global analysis level.

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 abstention from work. This is accompanied by possibilities of leave for breastfeeding, child or family member illness, and raising a child (flexible and part-time working hours and telecommuting). The possibility of adoption-related leave is also worth a mention. In 2014, 991 employees of the Saipem Group took parental leave for a total of around 51,000 days.

## Human Rights

### Investment and Procurement Practices (HR1-2, 5-7)

Saipem is committed to operating within the law, regulations, statutory provisions, codes of conduct and compliance with codes of ethics. All vendors involved in procurement activities with Saipem must read and accept 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 OECD guidelines for multinational companies. This model is included as a document in all standard contracts with Saipem. During qualification phase, the vendor fills in the Vendor Declaration in which it undertakes to act in strict accordance with the principles laid down in Saipem's Code of Ethics, and to respect Human Rights in conformity with the Saipem Sustainability Policy and undertakes to accept requests in accordance with the national law in force and to fulfil all salary, welfare and insurance obligations for 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 supplemented with requirements for complying with social and labour rights, in line with the 'Fundamental Principles and Rights at Work' of the International Labour Organisation (ILO) and SA8000 standard. To achieve this, there was a particular focus on child and forced labour, freedom of association and the right to collective bargaining, remuneration, working hours, discrimination and disciplinary procedures, and health and safety. In 2014, audits were carried out on 22 new vendors in China and India. The qualification questionnaires of 401 vendors were also analysed in detail. The questionnaires were selected according to the class of goods and nations with potential risk, with further details and additional documentation being requested where necessary.

(No.)	2012	2013	2014
Vendor audit on workers' rights	19	24	25

Beginning 2013, follow-up audits were also carried out on several suppliers previously analysed. There were 2 follow-up audits in 2013 and 3 in 2014. Overall, since the beginning of the campaign in 2011, 85 audits have been carried out.

Further details can be found in the chapters 'Generating value through a Local Content strategy' and 'Managing operations for long-lasting success' of 'Saipem Sustainability 2014' as well as in the Code of Ethics.

### Reports (HR4)

Saipem has a Corporate standard that describes 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, on the part of 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, theft, 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 numbers, voice mail and e-mail, and communication tools on the intranet/internet sites of Saipem SpA and its subsidiaries.

The Internal Audit function will ensure that all the appropriate checks are carried out on the facts outlined in the whistleblowing reports received, by doing one or more of the following activities and guaranteeing that these phases are carried out as quickly as possible and in accordance with the completeness and accuracy of the preliminary investigations. The preliminary investigations consist of the following phases: (a) preliminary check; (b) assessment; (c) audit; and (d) monitoring of corrective actions.

Furthermore, a three-monthly whistleblowing report is drafted and sent to the following persons or functions of Saipem SpA: the Chairman, the Chief Executive Officer, the Board of Statutory Auditors, the External Auditor, the members of the Whistleblowing Committee and the Anti-Corruption Legal Support Unit. Saipem SpA's Board of Statutory Auditors, during its review of the quarterly whistleblowing report, will evaluate whether to send to the Control and Risk Committee any whistleblowing files considered relevant for its impact on the Internal Control System and Risk Management. In addition, following the examination on the part of the Board of Statutory Auditors, the three-monthly whistleblowing report is sent to the Compliance Committee, the Chief Operating Officers the Chief Financial and Compliance Officer, each for matters within their remit and limited to significant facts which are founded or to issues concerning accounting, audits, internal controls over financial reporting and any fraud related to these issues.

(No.)	2012	2013	2014
<b>Number of files</b>			
Total, of which:	38	58	67
- founded or partially founded	11	10	7
- unfounded	27	32	19
- pending	-	16	41

The data is updated as of December 31, 2014.

Details of some categories of file are provided below:

(No.)	2012	2013	2014
<b>Files on cases of discrimination</b>			
Total, of which:	4	4	5
- founded or partially founded	-	2	-
- unfounded	4	2	1
- pending	-	-	4
<b>Files in relation to workers' rights</b>			
Total, of which:	10	17	19
- founded or partially founded	1	1	1
- unfounded	7	13	6
- pending	2	3	12

The data is updated as of December 31, 2014.

In 2014, 5 files were opened in relation to reports of discrimination, of which 4 remain active and 1 has been closed. All 5 files were sent to the Compliance Committees of the companies involved in the reports. As regards the one file closed, the competent Compliance Committee, on the basis of assessments carried out, decided that there had been no violation of the Code of Ethics with reference to the facts reported. No corrective actions were implemented.

It should be noted, moreover, that 3 files still open in the 2013 reporting period with discriminatory behaviour as their subject matter were closed in 2014. One report was unfounded, while another 2 were deemed founded and improvement actions were implemented, consisting of disciplinary sanctions against the perpetrators of the discriminatory behaviour reported.

In 2014, 19 files on reports relating to Human Rights were open, of which 12 remain such while the remaining 7 were closed. In 6 of these latter cases, the report was deemed unfounded, while in the last case, which had sexual molestation and mobbing against an employee as its subject matter, corrective actions were implemented to protect the member of staff. Furthermore, with reference to three reports closed as unfounded, corrective actions were nevertheless implemented with a view to creating, in one case, a respectful and collaborative working environment, and, in the remaining 2 cases, to resolving working relations management problems.

Furthermore, in 2014, 7 of the 10 reports still open in 2013 were closed. All 7 were unfounded and did not result in corrective actions, except in one case in which improvement actions were promoted in the work environment.

## Security (HR8, 10)

In the management of security, Saipem gives utmost importance to respecting Human Rights. In testimony to this, in 2010 Saipem introduced clauses concerning respect for Human Rights into its contracts with the external security company. Any non-compliance is due grounds for cancellation of the contract. Currently, the contractual clauses on Human Rights are inserted in the general terms and conditions and from there into all contracts.

		2012	2013	2014
Contracts with Security suppliers with Human Rights clauses	(%)	72	84	100

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 risk related to the 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 upon based on the risks identified.

In December 2014, training sessions were delivered on Human Rights and workplace practices to Security personnel in the Karimun Yard (Indonesia). In 2015, the Company will work to extend this training to other locations.

More information can be found in the chapter 'Managing operations for long-lasting success' of 'Saipem Sustainability 2014.'

## Local communities (S01)

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, also and not only in terms of local employment and creation of value. Saipem has always strived to establish an open and transparent dialogue with all stakeholders. Depending on Client requirements and instructions, Saipem makes use of the socio-economic impact assessments and studies supplied by the Clients themselves or produced in-house, where necessary, in its operational project management. The operations in which Saipem has direct responsibility for the impacts generated at a local level relate to the manufacturing yards or logistic bases that it owns. In these cases, Saipem identifies and assesses the potential

effects of its activities and actions in order to ensure they are managed appropriately, as well as any specific activities and projects aimed at developing the local socio-economic context. The typical tool used is a Socio-Economic Impact Assessment (EIA) or the ESIA (Environmental Social Impact Assessment). As a result of this study, Saipem collaborates with the stakeholders involved to prepare an Action Plan in order to define actions required to manage the impacts generated on the local communities. For example, PT Saipem Indonesia Karimun Branch, which operates on the island of Karimun (Indonesia), updates the analysis on the impact of Saipem's activities on the local communities on an annual basis.

In 2014, Saipem was not involved in any conflicts with local communities or indigenous populations.

More information can be found in the chapter 'Strengthening relations with local communities' of 'Saipem Sustainability 2014'.

## ■ Business ethics and the prevention of bribery and corruption (S03-4)

In order to reduce the risk of exposure to sources of corruption, Saipem has issued further Anti-Corruption regulatory instruments relating to various topics and particularly sensitive areas. These internal procedures are subject to constant checks to ensure they are updated when and where necessary. The following are among the most significant updated or issued in 2014:

- the Management System Guidelines 'Company Affairs', 'Integrated Risk Management', 'Public Affairs', 'External Communications', 'ICT Process', 'Investor Relations', 'Sustainability Stakeholder Engagement and Community Relations'; and
- the Standard Procedures 'Standard Procedure on Whistleblowing reports received (including anonymously) by Saipem and by its subsidiaries in Italy and abroad', 'Gifts', 'Entertainment expenses', 'Assigning and Managing Appointments for Notarial Services'.

The Anti-Corruption procedures and the Saipem Model provide specific corrective actions and disciplinary sanctions in the event of violation of the rules and procedures in the field of Anti-Corruption. In addition, specific contractual clauses provide for the possibility of terminating existing contracts in the event that commercial partners, intermediaries or subcontractors act in violation of such laws or internal procedures. Based on the possible violations, the corrective actions deemed necessary and most appropriate are implemented.

Saipem organises training courses, both via e-learning and workshops on themes such as Anti-Corruption, the Saipem Code of Ethics, Model 231 and other issues to raise awareness of these issues among employees in an effort to prevent cases of non-compliance with the law.

It is worth mentioning that the number of training hours have been calculated by counting the average number of hours per type of course.

(No.)	2012	2013	2014
Employees trained on issues of Compliance, Governance, Ethics and Anti-Corruption	1,737	1,351	1,353
Hours of training carried out on issues of Compliance, Governance, Ethics and Anti-Corruption	4,523	3,273	3,218

It should be noted that the training hours carried out and the number of employees trained have been recalculated for 2012 and 2013 following a fine-tuning of the methodology.

Further details on measures to prevent corruption are available in the chapter 'Managing operations for long-lasting success' of 'Saipem Sustainability 2014' and in the 'Corporate Governance and Shareholding Structure Report 2014'.

## ■ Transparency and other information (S06-8)

Compliance with the law, regulations, statutory provisions, codes of conduct, ethical integrity and fairness, is a constant commitment and duty of all the Saipem People, and in fact characterises the conduct of Saipem's entire organisation.

Saipem's business and Corporate activities must be carried out in a transparent, honest and fair manner, in good faith, and in full compliance with competition protection rules. Saipem does not make contributions, whether direct or indirect, in any form, to political parties, movements, committees and political organisations and unions, their representatives and candidates, except those provided for by specific regulations.

In 2014, the Company did not receive any legal notices for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes.

On July 11, 2013, the Court of Milan ordered Saipem SpA (as the legal entity incorporating Snamprogetti SpA) to pay a fine of €600,000 and further ordered the confiscation of the deposit of €24.5 million in relation to the charge of international corruption in Nigeria. On September 17, 2013, the Court of Milan made known the reasons for its verdict and the Company subsequently lodged an appeal against the Court's ruling.

On November 21, 2014, a hearing was held before the Milan Court of Appeal. On February 19, 2015, the Court of Appeal confirmed the sentence handed down by the Court of Milan on July 11, 2013, which had ruled that Saipem SpA had committed the unlawful administrative act. Saipem intends to appeal against the ruling at the Italian Court of Cassation. Saipem became involved in the investigation on the activity of the TSKJ Consortium in Nigeria in the period 1994-2004, only because in 2006 Saipem SpA acquired Snamprogetti SpA, the parent company of Snamprogetti Netherlands BV, which holds a 25% stake of the Consortium TSKJ.

The decision taken by the Court of Milan and by the Court of Appeal of Milan has no financial impact on Saipem since, at the time of the sale of Snamprogetti SpA to Saipem, Eni SpA undertook to indemnify Saipem for losses to the detriment of the latter with reference to the TSKJ matter.

Further information can be found in the 'Legal proceedings', section of the 'Annual Report 2014'.

## ■ Product Responsibility [PR1-2 and {3-4, 6-9 non-material}]

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

Saipem supplies products that do not require labelling, and in each case the reference for the technical and quality standards are the contractual conditions imposed by the Client. Therefore, the Client is responsible for the product, Saipem only for its manufacture.

Saipem promotes the preservation of health and safety of all personnel engaged in its operational activities and of the host communities. The Company has implemented management procedures and specific processes for the management of particularly complex systems, where the highest risks are operational and safety-related [see 'Saipem Sustainability 2014'].

## ■ Customer Satisfaction [PR5]

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 via web that 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 the local community and the promotion of Local Content.

In 2014, Saipem received 104 questionnaires from Clients of onshore and offshore drilling projects. The main results are as follows:

		2012	2013	2014
Customer Satisfaction questionnaires received	(No.)	84	71	104
Average Client satisfaction score (on a scale of 1 to 10)		8.09	7.75	8.14
Average Client satisfaction score on issues of Sustainability <sup>(*)</sup> (on a score ranging from 1 to 10)		7.74	7.52	7.63

(\*) It should be noted that 82 questionnaires were taken into consideration when calculating the average client satisfaction score on sustainability themes.



# Independent Auditors' Report



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## **Independent auditors' report on the limited assurance engagement of the addendum to the "Annual Report 2014" of Saipem Group named "Sustainability Performance 2014" (Translation from the original Italian text)**

To the Shareholders of  
Saipem S.p.A.

1. We have carried out the limited assurance engagement of the addendum to the "Annual Report 2014" of Saipem Group named "Sustainability Performance 2014" (hereinafter "Addendum"). The Directors of Saipem S.p.A. are responsible for the preparation of the Addendum in accordance with the "Sustainability Reporting Guidelines" issued in 2006 by G.R.I. - Global Reporting Initiative, as indicated in the paragraph "Methodology, criteria and principles of reporting", as well as for determining the Saipem Group's commitments regarding the sustainability performance and the reporting of achieved results. The Directors of Saipem S.p.A. are also responsible for the identification of stakeholders and of significant matters to report, as well as implementing and maintaining appropriate management and internal control processes relating to data and disclosures indicated in the Addendum. Our responsibility is to issue this report on the basis of the work performed.
2. Our work has been conducted in accordance with the principles and guidelines established by the "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. This standard requires the compliance with ethical principles ("Code of Ethics for Professional Accountants" issued by the International Federation of Accountants - I.F.A.C.), including professional independence, as well as planning and executing our work in order to obtain a limited assurance, rather than a reasonable assurance, that the Addendum is free from material misstatements. A limited assurance engagement of the Addendum consists in making inquiries, primarily with company's personnel responsible for the preparation of information included in the Addendum, in the analysis of the Addendum and in other procedures in order to obtain evidences considered appropriate. The procedures performed are summarized below:
  - a. comparison between the economic and financial information and data included in the Addendum with those included in the Saipem Group consolidated financial statements as of December 31, 2014 and for the year then ended, on which we issued our auditor's report on April 2, 2015, pursuant to art. 14 and 16 of Legislative Decree n. 39 dated January 27, 2010;
  - b. analysis of the processes that support the generation, recording and management of the quantitative data included in the Addendum. In particular, we have carried out the following procedures:
    - interviews and discussions with Saipem S.p.A.'s management to obtain an understanding about the information, accounting and reporting system in use for the preparation of the Addendum as well as of the internal control processes and procedures supporting the collection, aggregation, processing and transmission of data and information to the department responsible for the preparation of the Addendum;

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- interviews and discussions with Saipem do Brasil Serviços de Petróleo Ltda's personnel carried out in Rio de Janeiro (Brazil) and on-site verifications at operations in Guarujá (Brazil);
  - analysis, on a sample basis, of the documentation supporting the preparation of the Addendum, in order to obtain evidences of the processes in use, their adequacy and the operation of the internal control system for the correct treatment of data and information in relation to the objectives described in the Addendum;
- c. analysis of the compliance of the qualitative information included in the Addendum with the guidelines identified in paragraph 1 of this report and of their internal consistency, with particular reference to the strategy, the sustainability policies and the identification of the significant matters for any category of stakeholders;
  - d. analysis of process relating to the engagement of stakeholders, with reference to the procedures applied;
  - e. obtaining of the representation letter, signed by the legal representative of Saipem S.p.A., relating to the compliance of the Addendum with the guidelines indicated in paragraph 1, as well as to the reliability and completeness of information and data presented in the Addendum.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement performed in accordance with ISAE 3000 and consequently 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.

The Directors restated certain comparative data related to the prior years with respect to the data previously presented and subject to our limited review, on which we issued our auditors' reports on April 3, 2013 and on April 8, 2014. We have examined the method used to restate the comparative data and the information presented in the explanatory notes in this respect, for the purpose of expressing this report.

3. Based on our work nothing has come to our attention that causes us to believe that the Addendum "Sustainability Performance 2014" included in the "Annual Report 2014" of the Saipem Group is not in compliance, in all material respects, with the "Sustainability Reporting Guidelines" issued in 2006 by G.R.I. - Global Reporting Initiative, as described in the paragraph "Methodology, criteria and principles of reporting".

Milan, April 2, 2015

Reconta Ernst & Young 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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saipem

**saipem** Società per Azioni  
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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:  
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