



LOCAL CONTENT FOR SUSTAINABLE DEVELOPMENT

SAIPEM SOLUTIONS FOR EFFECTIVE LOCAL CONTENT IMPLEMENTATION
AND VALUE CREATION



LOCAL CONTENT FOR SUSTAINABLE DEVELOPMENT

1.0	LOCAL CONTENT AS LOCAL VALUE CREATION	1
2.0	PROMOTION OF LOCAL EMPLOYMENT	2
2.1	Opportunities for the best talents	2
2.2	Investing in knowledge	2
3.0	DEVELOPING THE LOCAL SUPPLY CHAIN	3
3.1	Increasing local content by increasing quality and capacities	3
3.2	Simplified qualification procedure	3
3.3	Long term agreements	3
4.0	LOCAL CONTENT ASSESSMENT MODEL AND RESULTS	4
4.1	SELCE - Saipem Externalities Local Content Evaluation Model	4
4.2	SELCE results	5
5.0	ANGOLA	7
5.1	Saipem in Angola	7
5.2	Saipem's local content approach in Angola	7
5.3	Local employment: the Angolanisation programme	7
5.4	Local procurement in Angola	8
5.5	SELCE model applied to Angola	8
6.0	SAUDI ARABIA	11
6.1	Saipem in Saudi Arabia	11
6.2	Saipem's local content approach in Saudi Arabia	11
6.3	Local employment in Saudi Arabia	11
6.4	Local procurement in Saudi Arabia	11
6.5	SELCE model application to Saudi Arabia	12
7.0	NIGERIA	15
7.1	Saipem in Nigeria	15
7.2	Saipem's local content approach in Nigeria	15
7.3	Local employment in Nigeria	16
7.4	Local procurement in Nigeria	16
7.5	SELCE model applied to Nigeria	17
8.0	INDONESIA	19
8.1	Saipem in Indonesia	19
8.2	Saipem's local content approach in Indonesia	19
8.3	Local employment in Indonesia	19
8.4	Local procurement in Indonesia	20
8.5	SELCE model applied to Indonesia	22
9.0	AZERBAIJAN	23
9.1	Saipem in Azerbaijan	23
9.2	Saipem's local content approach in Azerbaijan	23
9.3	Local employment in Azerbaijan	23
9.4	Local procurement in Azerbaijan	23
10.0	KAZAKHSTAN	25
10.1	Saipem in Kazakhstan	25
10.2	Saipem's local content approach in Kazakhstan	25
10.3	Local employment in Kazakhstan	25
10.4	Local procurement in Kazakhstan	26
10.5	SELCE model application to Ersai	26
11.0	BRAZIL	29
11.1	Saipem in Brazil	29
11.2	Saipem's local content approach in Brazil	29
11.3	Local employment in Brazil	29
11.4	Local procurement in Brazil	30
11.5	SELCE model application to Brazil	31

1.0

LOCAL CONTENT AS LOCAL VALUE CREATION

A long-term strategy for a mutually beneficial engagement between Saipem and local stakeholders.

For Saipem, local content means creating employment, developing local skills and capacity, transferring know-how, collaborating with local suppliers and subcontractors and enhancing local entrepreneurship with its operations.

In order to contribute to the creation of socio-economic value within the host communities, maximising local content is one of the cornerstones of Saipem's business philosophy in all markets. This approach aims to develop a durable and sustainable relation with all local stakeholders, helping to reduce costs and risks associated with projects, improving the perception of the Company, creating the conditions for a climate of mutual trust, and thereby guaranteeing the Company's 'licence to operate'.

On the other hand, Saipem's local content approach generates positive effects on local communities, contributing to the social stability and well-being of the local population.

This business model has been shown to have several advantages:

- development of durable and sustainable 'win-win' relationships with all local stakeholders;
- enhanced 'Learning Curve' and project risk reduction;
- improvement in the quality of local employment, with less use of expatriate workers and a consequent reduction of internal costs;

- improvement of the perception of the Company in the eyes of the local communities. A better knowledge of what the Company does and how it accounts for and contributes to the well-being of local people creates the conditions for a climate of mutual trust.

Saipem's local content approach also has positive effects on local communities, including:

- creating economic value by directly employing local people;
- contributing to local economic growth by promoting the use of local suppliers and subcontractors;
- developing know-how and competences among local employees, thus increasing their value in the labour market, as well as among local manufacturers and service providers, by improving their technological and managerial expertise;
- generating positive indirect effects for the social stability and well-being of local populations, through the benefits of employment and increasing economic value (taxes and induced expenditures in the regional economic context).

A win-win solution for Saipem and its local stakeholders

2.0 PROMOTION OF LOCAL EMPLOYMENT

Creating more opportunities for local, qualified staff to build career paths and access skills enhancement programmes.

2.1 OPPORTUNITIES FOR THE BEST TALENTS

Maximising local content allows the Company to develop and maintain relations with the host countries. Employing local workers on Saipem projects enriches the diversity of Saipem's workforce and provides young talents from around the world with the opportunity to grow professionally in their native country or overseas. In this way, Saipem is able to select the best talents worldwide, and keep strong links with each local community where it works while ensuring a rich, diverse and multicultural working environment.

Diversity as a value

- scholarships, often made possible thanks to the creation of relations with local institutions and international bodies;
- internship programmes and cooperation with local training institutions, to enhance Saipem's recognition at universities and engineering schools and attract to Saipem the best students for potential recruitment.

This strategy guarantees the Company's medium- to long-term presence on the local market and ensures critical professional skills for future projects.

2.2 INVESTING IN KNOWLEDGE

Saipem strongly invests in the development of technological and managerial expertise through:

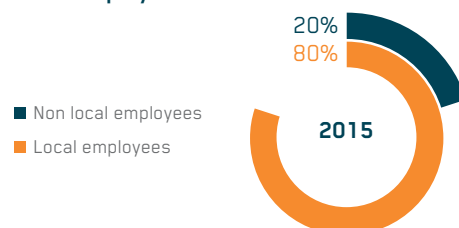
- development and training programmes (dedicated not only to young graduates, but also to future local managers) aimed at improving the quality of the local workforce, sharing know-how and developing skills and performances;

A strategy for a long term presence

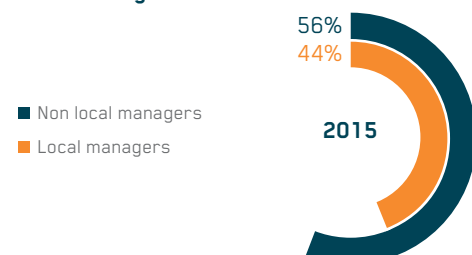
MORE LOCAL MANAGERS

From 43% (2014) to 44% (2015) – excluding France and Italy, where Local Management is higher. If those two countries were included, Local Management percentage would exceed 75%

Local Employees



Local Managers



3.0 DEVELOPING THE LOCAL SUPPLY CHAIN

In the procurement process, optimisation of local content takes the form of a series of measures to increase the percentage of local vendors involved in supplies.

3.1 INCREASING LOCAL CONTENT BY INCREASING QUALITY AND CAPACITIES

Saipem strives to promote an increasing number of local vendors who are compliant with international standards in terms of quality, HSE management systems, working conditions and cost control. Saipem helps them reinforce their skills not only to satisfy its own requirements, but also to assist them in expanding their businesses.

3.2 SIMPLIFIED QUALIFICATION PROCEDURE

In order to facilitate and increase local vendor qualification, Saipem is simplifying the corporate qualification process. It will be more decentralised and assign greater responsibility to local procurement departments to manage the qualification process for the supply of goods and services, both critical and non-critical, with economic limitations. This new approach will also facilitate better integration with local conditions.

3.3 LONG TERM AGREEMENTS

As a procurement strategy, Saipem promotes medium to long-term agreements with local vendors to develop forms of multi-year cooperation that will hopefully lead to synergies. It is through this approach that, after many years of cooperation with Saipem, an increasing number of vendors have managed to expand the type of goods and services they offer and to boost the technological complexity of their supplies.

INITIATIVES TO SUPPORT LOCAL VENDORS

- Information campaign on Oil & Gas business and Saipem qualification process
- HSE Forum and workshops
- Workshops on strengthening marketing and business strategy
- Promoting Social Responsibility
- Verification of the respect of labour and human rights
- Collaboration with local business associations
- Boosting entrepreneurial potential

68%
**OF PROJECT-BASED
ORDERS PLACED
WITH LOCAL VENDORS**

Amounting to €4.56 billion in 2015



Suppliers' workshop,
Angola

4.0

LOCAL CONTENT ASSESSMENT MODEL AND RESULTS

Saipem has developed the Saipem Externalities Local Content Evaluation (SELCE) Model to measure the beneficial effects generated by local content in a local economy.

Evaluation of local content in quantitative terms commonly only caters for the direct components of the overall impact, i.e. the effects directly connected with operations (direct employment, direct purchasing by local suppliers and taxes paid to local government).

This approach excludes taking into consideration a number of other impacts on the socio-economic context.

Saipem has addressed this issue by developing a model which calculates the overall footprint of Saipem operations in a certain area, and thus can be used to evaluate the effectiveness of its local content strategies.

4.1 SELCE - SAIPEM EXTERNALITIES LOCAL CONTENT EVALUATION MODEL

Saipem Externalities Local Content Evaluation (SELCE) quantifies the positive effects of its activities on local economies and societies by calculating the direct, indirect and induced effects of operations.

The SELCE methodology measures three key positive impact categories, which best represent Saipem's local content strategy:

- economic output: the overall financial impact generated by the payments made by Saipem and its suppliers in terms of costs for locally-sourced products and services, wages to employees, and taxes;
- employment: the total number of jobs derived from Saipem's operations, including direct employment but also

jobs associated with Saipem operations along the supply chain and with the increase in household income;

- human capital development: the overall economic value, in terms of increased life-time earning expectancy, associated with the training activities carried out by Saipem for its local employees.

For each category, the direct, indirect and induced effects are calculated.

For 'Economic Output' and 'Employment', the direct effect is the effect generated directly by Saipem (i.e. direct employment, direct purchasing from local vendors and any taxes paid to local government), while the indirect effect is related to the value generated in the economy along Saipem's supply chain. The induced effect is the value Saipem's operations generate as a contribution to the increase in household consumption levels thanks to job opportunities promoted by the Company and its vendors. It is calculated on the basis of regional and national macroeconomic data and parameters.

For 'Human Capital Development', the investment in training generates an increase in the future earning expectancy

Economic output, employment and human capital development

Direct, indirect and induced effects

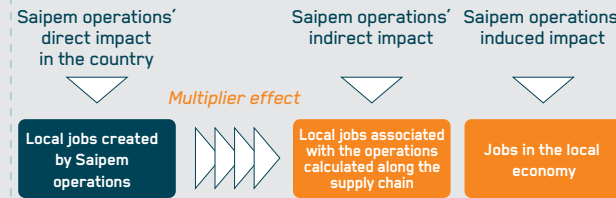
QUANTITATIVE EVIDENCE

Quantitative data comprising all Local Value Generation effect

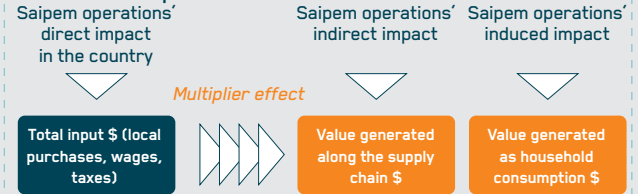
Overview of the

SELCE MODEL

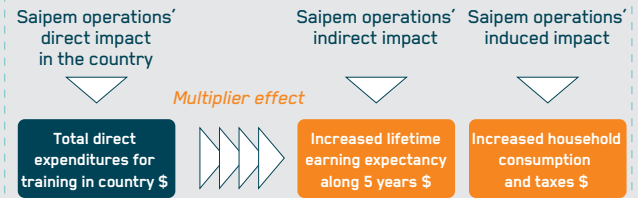
Employment impact



Economic impact



Human Capital Development



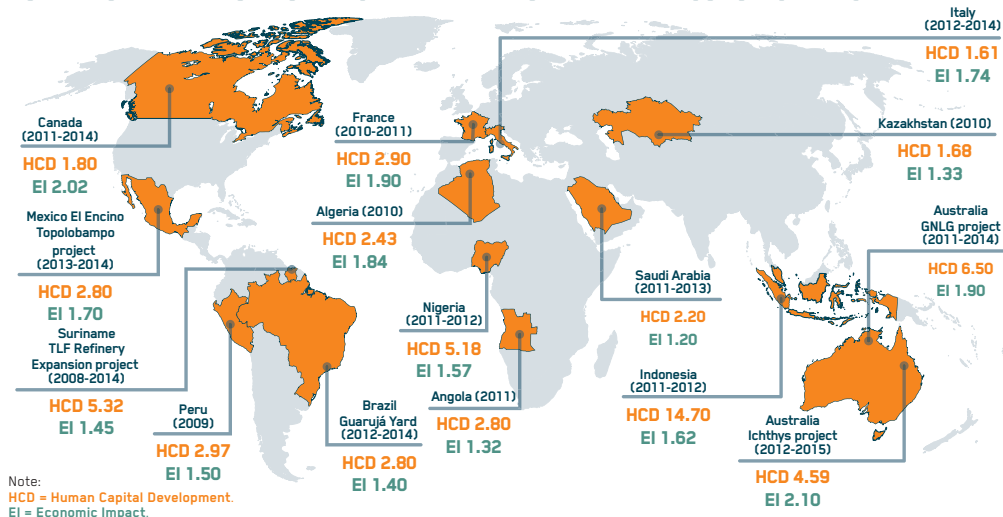
of the people trained (indirect effect) and an effect on the local economy due to the increase in household consumption levels and taxes associated with the trained employees due to their increased earnings (induced effect). The model provides tangible evidence of the socio-economic value created by Saipem through its operating company or specific project in the area of operations, and service they provide.

4.2 SELCE RESULTS

The results show that in a country like Angola, each dollar invested by Saipem to train local employees has generated an additional 1.80 dollars in the Angolan economy. Similar 'multiplier effects' have been obtained for France, Brazil and Saudi Arabia, while for a country like Indonesia each dollar invested has generated an additional 13.70 dollars in the local economy, resulting in a total impact of 15 million USD spread over 5 years.

Similarly, the value generated in the local economy by Saipem's activities and operations is calculated by considering the multiplier effect of each dollar introduced into the economy by Saipem through local spending, local wages and taxes paid. In a country like Canada, each Canadian dollar introduced into the economy by Saipem has a total multiplier effect of 2.02, meaning that it has generated an additional 1.02 Canadian dollars (2011-2014). For Australia and France, the multiplier effect is between 2.10 and 1.90, respectively. Countries with less structured industrial contexts show a more reduced but nevertheless significant impact, with multipliers of 1.20 for Saudi Arabia, 1.33 for Kazakhstan and 1.32 for Angola. Strengthening the competitive context in key regions where Saipem operates is a way of contributing to the country's growth, as well as to the Company's effectiveness and productivity.

TOTAL MULTIPLIER FOR HUMAN CAPITAL DEVELOPMENT AND ECONOMIC IMPACT





Amilcare Berti, 'Solitude'

5.0

ANGOLA

Saipem proved to be a key contributor to the development not only of Angola's Oil & Gas industry, but for the country as a whole.

5.1 SAIPEM IN ANGOLA

For over 30 years Saipem's presence forms an important element of the country's Oil & Gas sector development. From its operating centres such as the Ambriz Yard and the offices in Luanda, and through its joint ventures and local business subsidiaries – Saipem can provide a full range of EPCI services for onshore and offshore projects, with totally Angolan-made solutions. This experience and capacity, together with specific local value generation initiatives such as the 'Angolanisation' programme of the workforce at all levels, evidences Saipem's distinctive approach to local content and secures its deep-rooted, sustainable, and long term presence for the future.

5.2 SAIPEM'S LOCAL CONTENT APPROACH IN ANGOLA

Since the outset of the Group's activities in Angola, Saipem has contributed to socio-economic and sustainable

development within the country through a strong local content focus and commitment to knowledge transfer and training. An important part of this strategy is the development of local resources represented by the Petromar Angolanisation Programme.

5.3 LOCAL EMPLOYMENT: THE ANGOLANISATION PROGRAMME

An effective example of Saipem's local content strategy practices in Angola is the Angolanisation Programme, which consists in a process established to transfer expatriate job positions to Angolans. In order to make this transfer successful and sustainable, it must comprise a gradual transfer of know-how from expatriate personnel to identified Angolan staff. Launched in 2010, the Programme has succeeded in effectively promoting and recognising local competences. It is based on a Competence Assurance System (CAS) and consists of an enhanced training plan,

LOCAL CONTENT IN FIGURES (2015)

Saipem total workforce in Angola

2,307

of which locals:

62%

Active promotion of local supply chain: subcontractors participating in dedicated workshop in 2015

120

An important driver of development

including conventional training action and formal internal on-the-job training and coaching, as key points to improve competence and the transfer of know-how. The programme involves first of all mapping the knowledge and experience requirements for every position. Once validated, the map is followed by interviews and tests to determine the existing gaps between the competences held by a specific person and those required by the job he or she should fill. A programme is then set up to

fill the gaps with specific training actions.

As part of a local value generation strategy, cooperation with local universities results in an increased capacity to meet the needs of qualified resources by Saipem and other industry operators; in this area another interesting example of Saipem's effective commitment to developing local skills is the 'Talentissimo' programme, launched in Angola in 2015.

This initiative connects local universities and Saipem by organising activities such as specific training, workshops, design case-studies and competitions;

eventually the most motivated participants gained access to internships at Saipem, providing them with a fruitful opportunity to start their career path at home in Angola's top technological working environment.

5.4 LOCAL PROCUREMENT IN ANGOLA

Saipem's quest to feed its operations and projects with the highest standards of quality and competitiveness starts with

local suppliers. A shorter and closer supply chain not only helps improve procurement effectiveness and margins, it also generates local value and contributes to Angola's local market development. This is why, for Saipem, enhancing local markets is an opportunity to be developed with effective actions like support for the qualification process, a proactive strategy of identification of market capacities, a commitment to a long-term vision allowing subcontractors to improve their capacities, opportunities for cooperation, including through local business associations and chamber, of commerce, to enhance synergies and the effectiveness of capacity-building programmes.

Saipem promotes its subcontractors' capacities to meet the industry's needs also by organising events such as workshops focusing on the specificities of projects currently under way or HSE and the Code of Ethics. This approach effectively contributes to improving the level and capacities of Angolan subcontractors.

5.5 SELCE MODEL APPLIED TO ANGOLA

Saipem has quantified the economic and social impacts of its local content strategy in Angola in order to demonstrate a sustainability business approach and improve stakeholder relationships at local level. The study, based on data collected internally and from local suppliers, quantifies the contribution of the Group's activities to the economic and social development in Angola in 2011, and demonstrates the important role of the Saipem Group for Angola.

Economic output: Saipem's contribution to Angola's economy is about 1.32 times the direct expenditure in terms of local purchasing, salaries and taxes, for a total impact equivalent to 472 million USD. The largest recipients of this contribution are local businesses (61%) and households (22%).

Employment: the results show that the Saipem Group's contribution to Angola in terms of total employment is about 3.1 times the local direct employment. The total impact in terms of employment is 10,230 jobs, as a result of the Saipem Group's activities in Angola.

Human capital development: the results show that the Saipem Group's contribution to Angola's human capital

SUBCONTRACTOR WORKSHOP

Saipem is committed to contributing to local economic growth through the active promotion of local subcontractors. In cooperation with the local Chamber of Commerce (Centro de Apoio Empresarial-CAE), Saipem organised a workshop for subcontractors which also saw the involvement of client representatives. CAE identified a list of potential subcontractors to be invited to the event which was held in 2015. The objectives were to:

- identify new potential local subcontractors;
- give local subcontractors a medium-term vision of Saipem's activities in the country and encourage their qualification;
- develop collaboration with CAE. Cooperation with CAE was fruitful and can be replicated for future market scouting activities.

About 120 subcontractor representatives actively participated in the workshop which focused on current Kaombo project needs and covered several issues specific to the Oil & Gas industry.

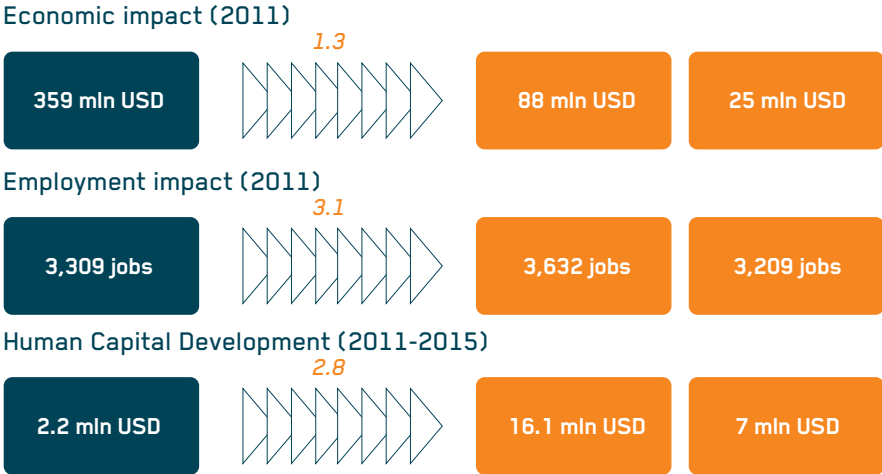


Talentissimo winning team visiting Ambriz Yard

development is about 2.8 times the Group's direct expenditure in training, meaning that for every dollar spent on training, an expected value of 1.8 is generated in the economy in the following 5 years.

Saipem's investment in training activities for Angolan employees has an expected indirect and induced effect, in terms of local employee salary gains and effect in the economy, in the order of 23 million USD.

Overall results for the period 2011





6.0

SAUDI ARABIA

2016 marks the 40th anniversary of Saipem's presence in Saudi Arabia: 4 decades of experience in providing the best services for Saudi Oil & Gas, Petrochemical and Infrastructure sectors.

6.1 SAIPEM IN SAUDI ARABIA

Saipem's presence in the Kingdom of Saudi Arabia dates back 40 years. Today the Saipem Group is rooted through its local companies Saudi Arabian Saipem Co Ltd, Snamprogetti E&C Co Ltd, Saipem Taqa Al Rushaid (STAR), and Snamprogetti Saudi Arabia Co Ltd which operate from:

- Dammam Construction Base: a large onshore Fabrication Yard & Construction Support Office with living facilities;
- STAR Offshore Facilities Fabrication Yard at Dammam Port;
- Dharhan drilling base: a drilling Service Support Base and living facilities at Dhahran.

Saipem can therefore provide from within the Kingdom the whole range of EPC/EPCI services with the quality and complexity level required by such a large and demanding Oil industry as Saudi Arabia's.

6.2 SAIPEM'S LOCAL CONTENT APPROACH IN SAUDI ARABIA

Saipem's Sustainability commitment focuses on local content as a pillar of the long-term strategy for the Company's presence in Saudi Arabia, which is based not merely on compliance to local content requirements (although these have been successfully demonstrated by belonging to the 'green' zone of the Nitaqat system), but also on training programmes and competence enhancement initiatives dedicated to

local resources, support to local market enhancement and promotion of local content quality and capacities including with subcontractors, and in general a strong engagement with local stakeholders.

6.3 LOCAL EMPLOYMENT IN SAUDI ARABIA

A strongly committed promoter of value generation within the Kingdom, Saipem is successfully implementing a 'Saudisation' programme, as well as delivering training programmes and competence enhancement initiatives dedicated to local resources. Saipem also implements periodic recruitment campaigns in the Kingdom universities and schools to hire graduates and facilitate their entry into a further development plan, to support Saipem's human resources needs and to increase the Kingdom's skills and expertise. This takes place by training programmes implemented in Saipem training centres in Saudi or in the Gulf area, including on-the-job training initiatives in which groups of young Saudis are enrolled on fast-track programmes where they are monitored and tutored by Saipem professionals to increase local skills and competencies and thus coverage of roles by Saudi personnel.

6.4 LOCAL PROCUREMENT IN SAUDI ARABIA

Saipem works proactively with local subcontractors to ensure excellent

Ensuring responsible long-term growth

quality and competitiveness, while enhancing its roots and value generation in the country. As a responsible business partner, Saipem makes sure local contractors are appropriately qualified and capable of responding to business needs; for example, to ensure fulfilment of stringent HSE rules, Saipem organises periodically dedicated forums for subcontractors.

6.5 SELCE MODEL APPLICATION TO SAUDI ARABIA

Saipem applied the SELCE model to its activities in Saudi Arabia for the years 2011, 2012 and 2013.

In 2011-2013, Saipem Group operations in Saudi Arabia generated a cumulative local economic value of approximately

7,033 million SAR (roughly 1,430 million USD). The overall impact was 1.2 times the direct effect, meaning that for each dollar Saipem spent in the local economy an additional 0.2 dollars were generated.

The Saipem Group is stable in the green zone of the Nitaqat System a Saudisation programme by the Ministry of Labour classifying companies in red (worst), yellow, green and platinum (best) markings – with a higher than 20% ratio of national employees vs total company employees in the last 3 years. Specifically, it is worth noting that the results of Saipem drilling operations

Creating long-term value

LOCAL CONTENT IN FIGURES (2015)

Saipem total workforce in Saudi Arabia

6,596

of which locals:

89%

Saipem local suppliers

1,456



Fabrizio Severini,
‘Desert souls’

reached a Saudisation percentage of higher than 40% in the period 2012-2013. The Saipem Group’s cumulative investment in training activities for Saudi

employees created a total economic value of 55.7 million SAR (14.9 million USD) in the Kingdom.

Overall results for the period 2011-2013

Economic impact (2011-2013)



Employment impact (2013)



Human Capital Development (2011-2013)





*Charles-Antoine Guiche,
'Pipe initiation operation'*

7.0

NIGERIA

Saipem has been working in Nigeria for over 50 years, contributing to developing the Oil & Gas sector, providing value generation for Nigerian people.

7.1 SAIPEM IN NIGERIA

Saipem has been working in Nigeria for over 50 years. Today its presence is visible in as an onshore and offshore drilling contractor (Saipem Nigeria Ltd) and an EPC contractor (Saipem Contracting (Nigeria) Ltd) capable of executing complex turnkey projects with totally in-country expertise, facilities and equipment.

In Nigeria, Saipem operates from its Lagos headquarters, logistic bases in Onne and Warri and a large fabrication yard in Port Harcourt. With such a rich experience and deep-rooted presence, Saipem is well positioned in Nigeria to

meet the demands of the local and international markets.

7.2 SAIPEM'S LOCAL CONTENT APPROACH IN NIGERIA

Saipem has been working on the promotion and development of local content by creating long-term investments and partnerships with local companies, as well as maximising project value, local employment and procurement activities in the country. Nigerian Content Development is a pillar of Saipem's business in the country: the long-standing commitment by Saipem to adding value to Nigerian economy and

SAIPEM RECEIVES 'EXCELLENCE IN NIGERIAN CONTENT' AWARD

In 2010, Saipem received an award for Excellence in Nigerian Content at the Nigeria Oil & Gas (NOG) Conference and exhibition, the foremost event in Nigeria's Oil & Gas industry. These prestigious awards acknowledge the companies and projects that have made an outstanding contribution to the Oil & Gas industry and implementation of Nigerian Content. They are open to all companies involved in Oil & Gas activities in Nigeria. Mr. Eithne Treanor, Senior Associate of the CWC Group, stated that the Nigerian Content category of the award was duly evaluated by the key stakeholders in the Oil & Gas sector and he lauded the impressive work done by Saipem in the development of Nigerian Content, describing the award as well deserved for the Company's efforts.

He made these remarks at a gala night organised by NNPC for the 10th anniversary of the NOG conference in recognition of companies that had done well in the sector over the years. Mr. Treanor said that Saipem, as a company which has been in Nigeria for 43 years, has done much to develop infrastructure, train Nigerians, encourage participation of indigenous companies and nurture excellent community relations.





Agostino Napolitano,
'Jumbo'

society through its operations in both the onshore and offshore Oil & Gas industry is effectively demonstrated by Saipem's achievements in the framework of the government's law on Nigerian Content coordinated by the Nigerian Content Development and Monitoring Body (NCDMB).

7.3 LOCAL EMPLOYMENT IN NIGERIA

Saipem's local content approach in Nigeria has a focus on promotion of local employment at all levels: selection, development and retention strategies effectively contribute of providing Saipem with a qualified, competent and reliable workforce enabling it to respond to the challenges of the Oil & Gas industry in the country. Development paths and careers allow for talented Nigerians to provide their contribution to Saipem's achievements at all levels of the organisation. Promotion of local employment is also enhanced, by human capital

development programmes like industrial training for undergraduates, dedicated to tertiary education institutions. This creates an association of University graduates to project activities and provides them with on-the-job training programmes, such as specialised training in Offshore Engineering for local engineering post-graduates. These actions allow the best trainees to be selected and to continue working to bring their contribution and generate value in the local Oil & Gas industry.

7.4 LOCAL PROCUREMENT IN NIGERIA

In 2016, more than 2,000 Nigerian companies are qualified in the Saipem vendors database with the status of 'active' vendor. This figure has been steadily growing in the last year, showing both the increased capacity of the local market to meet Saipem needs (and those of the Oil & Gas industry in general), and the effectiveness of Saipem's commitment to promoting the

Ensuring
responsible
long-term growth

LOCAL CONTENT IN FIGURES (2015)

Saipem total workforce in Nigeria

4,380

of which locals:

88%

Goods and services ordered locally

81%



Saipem
Rumuolumeni yard

competitiveness of its local supply chain. This strategy turned out to be a success story, thanks to Saipem's management efforts to mentor local companies to reach world class status. In many cases, a long-term vision of cooperation with Saipem to work together for some of the world's most complex project in the Oil & Gas industry, enabled subcontractors and vendors to enlarge their commercial offer, enhance their quality and HSE standards, penetrate global markets and boost their business.

In 2011, as part of its SELCE study, Saipem monitored some examples of these success stories. The results proved that the increased capacities of local supply chain improved the quality and cost-competitiveness of local purchases.

7.5 SELCE MODEL APPLIED TO NIGERIA

Saipem has quantified the economic and social impacts of its local content strategy in Nigeria in order to evaluate the socio-economic impacts generated within Nigeria in 2013, 2014 and 2015, following the previous analysis conducted for the period 2007-2010 and the updates for 2011 and 2012.

This provides an economic quantification of the benefits brought to the economy and society in terms of wealth, skills and entrepreneurial capacity of Saipem operations and projects in Nigeria.

It supports the business development and stakeholder engagement process by providing strategic insights into Saipem's local content performance in Nigeria.

44 SUBCONTRACTORS ENGAGED

In Saipem, 2015 HSE forum to promote safety, ethical behaviour and environmental standards

Economic output: Saipem's SCNL and SNL local companies' contribution to Nigeria's economy is about 1.5 times the direct expenditure in terms of local purchasing, salaries and taxes, and has been increasing since 2013; the total impact equivalent amounts to 3.1 billion USD in the period 2013-2015.

Employment: the results show that SCNL and SNL's contribution to Nigeria in terms of total employment is about 6 times the local direct employment. Overall indirect employment related with business with Saipem in 2015 amounts to 11,194 jobs. Subcontracting, as a labour intensive sector, benefits most from Saipem's operations of in Nigeria; 'transport and logistics' and 'catering and accommodation' accounts for the 44% of the total.

Human capital development: the results show that the Saipem Group's contribution to Nigeria's human capital development is about 11 times the Group's direct expenditure in training. This means that for every dollar spent on training an economic value in the local economy of 11 million USD is generated in the following 5 years. The training

Creating local value



Charles Antoine Guiche,
Safety meeting

activities carried out in the 2013-2015 period generated a value of around 20 million USD over a 5 year timeframe. A remarkable figure is that the added value created by Saipem's operations in Nigeria was 741 million USD in 2015. This amounts to an added value

contribution of 0.16% to Nigeria's GDP in 2015. Merging previous data it is possible to calculate that from 2010 to 2015 Saipem contributed to Nigeria's GDP by an added value of between 0.11% and 0.16% every year.

Overall results for the period 2013-2015

Economic impact (2013-2015)



Employment impact (2015)



Human Capital Development (2013-2015)



8.0

INDONESIA

Saipem's important role in Indonesia is marked by its advanced Jakarta engineering and project direction centre, and its large, state-of-the-art fabrication yard in Karimun island.

8.1 SAIPEM IN INDONESIA

Saipem has been operating in Indonesia since 1995, represented locally by PT Saipem Indonesia (PTSI), operating from its offices in Jakarta and a fabrication yard in Karimun island, the largest in Southeast Asia. This means the Company can perform the whole range of EPCI operations for both Onshore and Offshore projects from within the country.

8.2 SAIPEM'S LOCAL CONTENT APPROACH IN INDONESIA

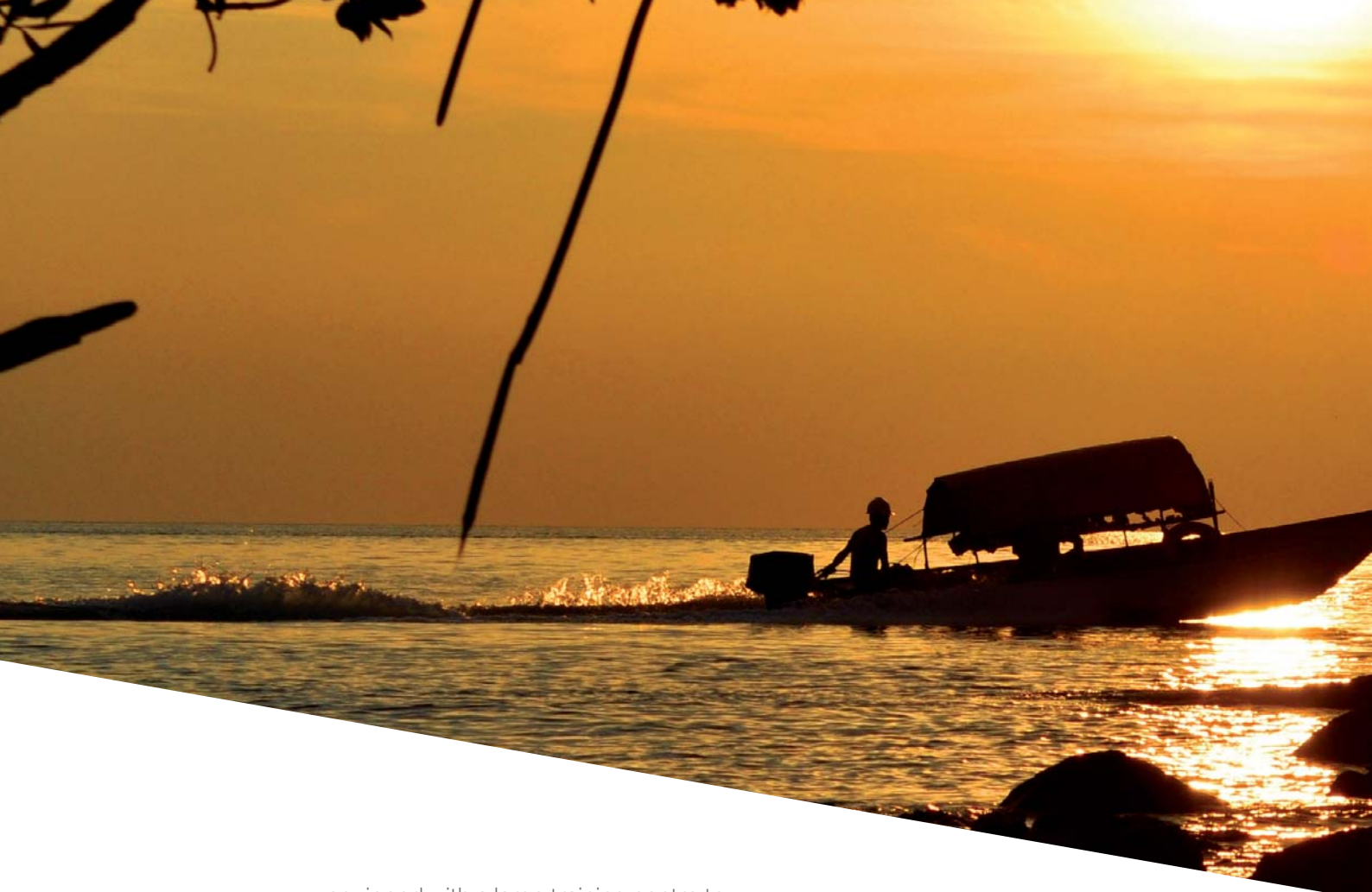
Saipem's long term vision in Indonesia has local content as its focus. The challenges posed by operating such a technologically advanced engineering centre like the one in Jakarta, as well as a large fabrication yard on Karimun island whose needs in terms of workforce and procurement vastly exceed the island's and the region's capacities, are enormous. These needs are addressed by a solid local content strategy, adequately shaped on local context, and aiming to establish stable and long term prospects for Indonesia and the whole area of Southeast Asia. In particular, Saipem is committed to an effective local content strategy in terms of employment and supply chain, knowledge transfer and development of professional competencies for the creation of job opportunities, development of entrepreneurial skills and the growth of local human capital. In Indonesia, the maximisation of local content is especially focused on the

employment and development of young graduates, mainly engineers, in order to reinforce the engineering and technical capabilities both in Jakarta and Karimun. In addition, the promotion of opportunities for local businesses aims to develop enduring relationships with local and national companies as vendors and subcontractors for effective and efficient project execution.

In addition, the Company is highly committed to maintaining and strengthening an active, open and transparent relationship with local stakeholders, through both periodical formal meetings and frequent informal meetings or communications. This is especially true in Karimun, where the Company is committed to bringing social and economic benefits to the host communities mainly through recruitment of local people and cooperation with local authorities to implement activities that contribute to socio-economic development.

8.3 LOCAL EMPLOYMENT IN INDONESIA

For its size and the complexity of the operations, Saipem Karimun Yard requires a level and quantity of skills which is not easily found on the island. This prompted Saipem to engage a local content strategy to meet project requirements and maximise local employment for its production positions through recruitment campaigns focused on Karimun regency and extended to other Indonesian regions. Karimun Yard is



Creating local value

equipped with a large training centre to deliver specific courses and improve skills of local workers.

Saipem also cooperates with local education institutions and in particular with vocational schools, to increase the capacities of the local education system to cater for the demand of qualified local employees expressed by Saipem.

In Jakarta, Saipem brings forward a local employment strategy for its advanced engineering centre which can avail of an excellent pool of graduates thanks to its cooperation with local universities.

8.4 LOCAL PROCUREMENT IN INDONESIA

Saipem considers Indonesia as a key provider of quality and competitive supplies for its complex and large activities based in the country.

A qualification campaign started in 2012 for scouting, inspecting and qualifying 103 Indonesian vendors.

In particular, in Karimun, island vendors are used as much as possible to supply those goods and services which are available locally. With a view to supporting the local economy and stimulating industrial development, Saipem has put a lot of effort into optimising local vendor involvement. The impact of the yard is noteworthy, especially if one considers the island's limited industrial base and the rather small size of the local population (about 200,000 people). Thanks to this constant commitment to local content on

LOCAL CONTENT IN FIGURES (2015)

Saipem total workforce in Indonesia

3,584

of which locals:

83%

Goods and services ordered locally

87%



Sudarsos Yos,
'A sunset crew boat'

Saipem's part, at present the most important general and maintenance services are procured on the island, as are some consumable goods. All vendors of interest to the Fabrication Yard undergo a qualification process and, if

successful, are placed in the Company's database and used systematically. To facilitate the growth of existing businesses and provide incentives for

Overall results for the period 2011-2012

Economic impact (2011-2012)



Employment impact (2011-2012)



Human Capital Development (2011-2012)





Claudia Calà, 'Look at me'

others, Saipem is also developing medium- to long-term procurement relations by entering into multi-year agreements that should allow local vendors to predict future volumes with a greater degree of certainty. The first framework agreements were issued in 2011 and in 2013 about 60 frame agreements were in place. These also include facilitated payment terms for newly registered companies. So far this strategy has allowed several vendors to expand, and it is reasonable to presume that it will lead in the future to the opening of new businesses linked with Saipem's local operations.

8.5 SELCE MODEL APPLIED TO INDONESIA

Saipem has quantified the economic and social impacts of its local content strategy in Indonesia in order to evaluate the value generated in the period 2011-2012, following the previous analysis conducted for the period 2007-2011 specifically focused only on the Karimun Yard construction project.

Economic output: the total economic impact of Saipem's activities in Indonesia

(2011-2012) was found to be around 453 million USD, comprising direct, indirect and induced effects. Its comprehensive contribution is about 1.62 times direct expenditures, meaning that for each US dollar Saipem spent in Indonesia, an additional 0.62 US dollars was generated in the local economy.

Employment: the cumulative employment figures for 2011-2012 add up to 12,874 jobs overall.

The multiplier indicates that each job directly created by Saipem in the country is associated with an additional 2.22 jobs as indirect or induced. Jobs along the supply chain mostly benefit sectors such as subcontracting, general services, catering and accommodation.

Human Capital Development: the investment in training for local employees over the period 2011-2012 generated a cumulative value of 15.2 million USD in the country. For each dollar Saipem invested in Indonesia in the training of its local employees, there was an additional value generated in the country of 13.7 million USD, calculated over the following 5 years.

9.0

AZERBAIJAN

Saipem's presence in Azerbaijan provides an important contribution to the advance of Oil & Gas in strategic projects.

9.1 SAIPEM IN AZERBAIJAN

After a brief spell in 1996, Saipem has been continuously present in Azerbaijan since 2002 as an installation and fabrication contractor for the Azeri Oil & Gas industry. Today, Saipem operates in Azerbaijan mainly through its Saipem Contracting Netherlands BV Azerbaijan Branch, providing a fundamental contribution to the development of strategic projects like Shah Deniz Stage 2.

9.2 SAIPEM'S LOCAL CONTENT APPROACH IN AZERBAIJAN

The sustainable business approach of Saipem in Azerbaijan contributes to the development of the country by offering employment opportunities, training and transfer of know-how, as well as working efficiently with local suppliers and subcontractors. To develop the local content in line with the nationalization programme, Saipem initiated the system of Competency Assessment through the creation of a training scheme, utilising specialist trainers both in and out of the country to promote and support the advancement of Azeri nationals.

9.3 LOCAL EMPLOYMENT IN AZERBAIJAN

As a prominent employer of local resources, Saipem has developed a range of actions aimed at increasing the local value generated by its presence on the employment side. One of these is the Young Graduates Internship programme, a Saipem initiative in operation for many years targeted at creating a formal

mechanism that allows young talents to develop actual on-the-job experience during summer internships prior to their formal entry into the labour market. Since 2010, Saipem Azerbaijan and Junior Achievement Azerbaijan (JAA) have selected, trained and provided career opportunities for 120 students (from a pool of more than 600) in their final year of study. This allows Saipem to access the best and most motivated potential candidates, as well as to increase employment opportunities for local resources and to transfer knowledge locally. During the implementation of the initiative Saipem established good working relations with the network of 8 local universities, both state and private. The training consists of academically-enriching and experiential learning sessions on work-readiness education and career perspectives. Based on their performance during training and interviews, students advance to the next stage of the programme to take advantage of the industry induction and internship opportunities at Saipem's offices in the country.

9.4 LOCAL PROCUREMENT IN AZERBAIJAN

Saipem stimulates local vendors to invest in an increased capacity to meet the Oil & Gas industry needs, and to improve quality and HSE standards, this development allows them to access other opportunities with international partners. Local companies improvement,



Nasibov Sabuhi,
'Rollup sky vision'

in term of professionalism and quality, is achieved to respond to Oil & Gas market requirements. Local suppliers benefit from Saipem's assistance in understanding its business requirements and get technical assistance in order to bid for and win supply contracts with Saipem and other international companies in Azerbaijan. In 2015, as a result of an audit plan to verify the compliance of local suppliers to international and corporate standards and requirements in areas like

recruitment processes, local content development requirements, personnel training and development, labour rights, Saipem provided selected subcontractors with useful elements for developing and achieving improvements. This achievement is the result of many years of Saipem's active involvement in local content development in Azerbaijan. These actions effectively demonstrate Saipem's support to local market enhancement and promotion of local content quality and capacities.

LOCAL CONTENT IN FIGURES (2015)

Saipem total workforce in Azerbaijan

1,094

of which locals:

51%

Goods and services ordered locally

82%

10.0

KAZAKHSTAN

Saipem's specific experience in Kazakhstan offshore and onshore activities is shaped by an effective local content strategy, resulting in an important contribution to the country's dynamic Oil & Gas sector.

10.1 SAIPEM IN KAZAKHSTAN

Saipem has been present in Kazakhstan since 1995 and operates locally through Saipem SpA Kazakhstan Branch, Saipar Drilling Co and ERSAL Caspian Contractor Llc (Ersai). These companies operate in the Offshore, Onshore and Drilling sectors. In Kazakhstan, Saipem has offices in various parts of the country, with the main offices located in Aktau and Atyrau; the joint venture Ersai operates a fully equipped yard in Kuryk, 70 km south of Aktau City, providing fabrication and support facilities to fulfil a wide range of services for the Oil & Gas industry.

10.2 SAIPEM'S LOCAL CONTENT APPROACH IN KAZAKHSTAN

Saipem, through its joint ventures and local subsidiaries, engages in a local value generation strategy, which is not only seen as a form of compliance to local content rules but also as a business strategy providing a competitive advantage by reducing risks, optimising resources and improving efficiency, generating value locally and providing value to the Company's clients. Local content is the critical market differentiator in the country and creates a strong competitive advantage. In Kazakhstan, Saipem's local content strategy is based on a commitment to an annual increase in the number of Kazakh personnel as a result of training programmes, and gives priority to goods and services and the use of equipment,

materials and finished products manufactured in Kazakhstan.

10.3 LOCAL EMPLOYMENT IN KAZAKHSTAN

On the employment side, the objective of maximising value generated locally has a focus on training, to support the development of local capacities and promote employment for local resources rather than expatriates. This is achieved by a range of initiatives such as the Ersai Scholarship programme, supporting access to local universities for Kuryk students in the specialisations required most by Saipem; other initiatives include capacity-building programmes for local schools and teachers, especially in Kuryk. As part of the Sustainability and Local Content Development Programme, Saipem implemented a 4-year Marine Training initiative in cooperation with International Maritime College Oman (IMCO) in Sohar (Oman) to foster professional manpower for operations in the maritime industry. The 16 best candidates selected from the top Kazakhstan universities were sent to IMCO. The academic programme, which consisted of theoretical and practical classes, was developed and delivered by the STC (Shipping and Transport College) Group from Rotterdam (Netherlands), an academic partner of IMCO. Cadets were trained in the best innovative learning environment by teachers with professional seaman background and from different parts of the world, thereby



Ersai fabrication yard in Kuryk

Retention programmes for local employees

improving their practical skills on up-to-date simulators. They also benefited from a 12-month sea apprenticeship on the Atlantic Ocean and Caspian Sea, which enabled them to meet the requirements of the international maritime and Oil & Gas companies. At the end of 2015, the first 8 cadets sponsored by Saipem successfully graduated. 2 Deck Officers and 6 Marine Engineers received their Bachelor Degree Diploma in Nautical Studies and Marine Engineering, and a Certificate of Competence in accordance with STCW (Standards of Training, Certification and Watchkeeping for Seafarers).

An effective retention programme for local resources was implemented by Ersai, awarding the employees fidelity to the Company through a joint savings scheme coupled with the certainty of personal development and continuity provided by a long term vision such as Saipem's in Kazakhstan.

10.4 LOCAL PROCUREMENT IN KAZAKHSTAN

In Kazakhstan, Saipem is working with its local suppliers and subcontractors to

develop their capabilities in order to meet international standards. In particular, Ersai's Vendor Management Process focuses on quality Assurance and HSE with special oversight during the entire Vendor Management Process.

To support the development of the local supply chain, Ersai organises QHSE workshops twice a year in order to brief and update potential subcontractors on Ersai requirements and to support them in their implementation. HSE training and Leadership in Health and Safety (LiHS) training is provided to all subcontractors working on Kuryk Yard.

Moreover, audits are conducted on suppliers and subcontractors with the purpose of assessing their QHSE Management System against ISO 9001, OHSAS 18001, and ISO 14001 international standards and to provide feedback on improvement actions to be taken and to pre-qualify the suppliers in the Vendor Data Base.

10.5 SELCE MODEL APPLICATION TO ERSAI

The SELCE Model was applied to Ersai operations in 2009 and in 2010. Results show that in 2010 Ersai's

LOCAL CONTENT IN FIGURES (2015)

Saipem total workforce in Kazakhstan

3,268

of which locals:

64%

Local suppliers (qualified)

983



Alexander Kolésov, 'Port'

contribution to local value generation in Kazakhstan was about 1.3 times the direct expenditure in terms of local purchasing, salaries and taxes. The total impact in the Republic of Kazakhstan's economy was estimated at 473 million USD. Employment results show that Ersai's contribution was about 4.3 times the local direct employment, with an

overall impact on employment of about 8,305 jobs in 2010. Human capital development results show that Ersai's contribution was about 1.68 times its direct expenditure in training, with a comprehensive expected value generated of about 13 million USD in the following 5 years.

Overall results for the period 2010

Economic impact (2010)



Employment impact (2010)



Human Capital Development (2010, over a 5 years period)



THE ERSAI PROFESSIONAL TRAINING CENTRE

Recognising the necessity for professional qualified personnel as welders, pipefitters, steel carpenters, scaffolders, instrumentation specialists, painters, hydro-test specialists and electricians, Ersai decided to further develop its Training Centre opened in 2005. Starting from 2009 Ersai Training Centre became a separate entity with the new name Professional Training Centre Llp, strictly focused on serving the industry's training needs. The Professional Training Centre instructs people from the local community on the skills necessary to meet the requirements of the Company and provides additional training to further enhance the individual skills. The PTC is certified in accordance with ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007.

PTC has been the first training centre in Kazakhstan authorised to train for the international levels 'International Welding Practitioner' and 'International Welder'.



Marcus Accon, 'Overview
'pipelaying'

11.0

BRAZIL

Thanks to the competent and committed Brazilian workforce and to the world-class assets located in Brazil, Saipem can provide from within Brazil the whole range of EPCI services for its international clients and for the technologically challenging Brazilian Oil & Gas sector.

11.1 SAIPEM IN BRAZIL

Saipem's presence in Brazil has contributed in the past decades to the country's oil and gas and energy infrastructures by the Company participating in important projects such as construction of pipelines and Oil & Gas plants. Present continuously since 2002, with the development of the Guarujá Yard, strategically located in the port area of Santos (Sao Paulo state) and right in front of the rich ultra-deep Santos oil fields, Saipem significantly scaled up the range of its capacities in Brazil. Today, from its headquarters in Rio de Janeiro comprising state-of-the-art engineering and project execution capabilities and the CTCO (Centre for Technology and Offshore Construction) of Guarujá, fully equipped with logistic, fabrication, training, engineering and support functions, Saipem can provide a whole range of EPCI services from within Brazil for its local and international clients.

11.2 SAIPEM'S LOCAL CONTENT APPROACH IN BRAZIL

Saipem, through its local entity Saipem do Brasil, has developed local content strategies to develop its business in Brazil with a long term vision and a responsible, sustainable approach. As a result, it has enhanced quality employment opportunities for Brazilians, offering development possibilities and acting proactively in the training sector to improve local value generation. By also availing of the country's vast and mature

industrial and economic fabric, Saipem maximises access to the local supply chain and supports the qualification process, improvements in quality and HSE standards and the capacity to address the sector's needs.

11.3 LOCAL EMPLOYMENT IN BRAZIL

Saipem in Brazil has a local employment maximisation strategy focusing on development of Brazilian resources, provision of appealing attraction and retention packages, and cooperation with local training sector institutions for dedicated professional education opportunities. Indeed, in the Baixada Santista area near its Guarujá Yard (Sao Paulo state), Saipem has cooperated in particular with local institutions, vocational training centres and universities. This is done to secure the best talents and enhance the Company's workforce attraction strategies, but also to form skilled people for the expanding Oil & Gas sector, contributing to the education sector development with dedicated capacity building actions and exploring possibilities in the areas of cooperation in research and innovation. These activities have significantly contributed to expanding local capacities and quality employment opportunities for Brazilians. An interesting example of these strategies action is the cooperation with local professional training institutions like the SENAI to create ad-hoc courses to address Saipem's demand for a skilled



workforce in the area of Guarujá. This cooperation has included capacity building for professional training. As an example, 67 trainees were selected and hired by Saipem at the end of the first year of training. In addition, the CTCO includes a welding school and other training facilities, focusing on HSE and professional courses.

11.4 LOCAL PROCUREMENT IN BRAZIL

Saipem works proactively with local subcontractors to ensure excellent quality and competitiveness, while enhancing its roots in the country. Since becoming established in Guarujá, Saipem has analysed the local supply chain and proactively engaged to facilitate the qualification process with dedicated workshops and meetings. This is coupled with qualification campaigns and auditing activities in order to improve access to local supply chain and the level of quality and HSE

compliance, especially for some vendors in the Baixada Santista region (where the CTCO is located) who were new to the Oil & Gas industry and its peculiar and demanding standards, and who will now be able to compete in a new market. Saipem's roots in the Baixada Santista area of Brazil have unlocked a great potential in the offshore services sector which was relatively new for the region, even though the area has a vast port and logistics vocation, as well as a relevant petrochemical industrial presence, providing local suppliers with new business opportunities in a related although unexplored sector. To that end, Saipem has actively cooperated with local business associations such as SEBRAE (Brazilian Service of support to Small and Medium Enterprises): in 2015, for example, in cooperation with SEBRAE, Saipem organised a workshop attended by 44 local entrepreneurs, to promote familiarity with

LOCAL CONTENT IN FIGURES (2015)

Saipem total workforce in Brazil

1,527

of which locals:

63%

Local suppliers qualified

2,608



Saipem CTCO in Guarujá

the sector's peculiarities and to support the local supplier qualification process.

11.5 SELCE MODEL APPLICATION TO BRAZIL

The study assesses the construction of the Saipem CTCO and the activities carried out by the yard for Saipem's Brazilian projects in the years 2012, 2013 and 2014. Between 2012 and 2014, the CTCO generated:

Cumulative local economic value of approximately 1.8 billion BRL. The overall impact was 1.4 times the direct effect, meaning that for each BRL Saipem spent in the local economy an additional 0.5 BRL were generated. The Baixada Santista region in Sao Paulo state, where

the CTCO is located, benefited from 970 million BRL, 53% of the total economic value generated in the country.

Local employment: it is calculated that 5,025 Brazilian jobs were created either directly, indirectly or induced as an effect of the CTCO presence. The Baixada Santista benefited most, accounting for approximately 1,975 of these (39% of the total).

Human capital development: the CTCO's cumulative investment in training for Brazilian employees created a total economic value of 7.1 million BRL, of which 5.8 million BRL was related to training of Brazilian employees and about 1.3 million BRL to training provided through the collaboration with SENAI.

Overall results for the period 2012-2014

Economic impact (2012-2014)



Employment impact (2014)



Human Capital Development (2013-2014, over a 5 years period)





Arigliani Alessandro,
'Ready for departure'

Cover photo F.C. Zingale, 'The Best Team'

Most of the pictures included in this document are the work of Saipem colleagues who participated in the annual on-house Sustainability Award.



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