

saipem



Addendum - Sustainability Performance 2013

## Mission

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

Our competent, multi-local teams provide sustainable development for our Company and for the communities in which 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, Croatia, Cyprus, Denmark, France, Greece, 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, United States, Venezuela

#### CIS

Azerbaijan, Kazakhstan, Russia, Turkmenistan, Ukraine

#### AFRICA

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

#### MIDDLE EAST

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

#### FAR EAST AND OCEANIA

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

Addendum - Sustainability Performance 2013



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 in accordance with the recommendations of GRI and supplements the information disclosed previously in sections of the Annual Report and through other tools used to report on the year's performance, 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 an excellent competitive position in terms of 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 technologically complex and difficult projects, including activities in remote areas, in deep waters and on projects that involve difficult gas or crude supplies. The drilling services offered by the Company stand out and are provided in many of the most critical areas of the oil industry, often thanks to synergies between the 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

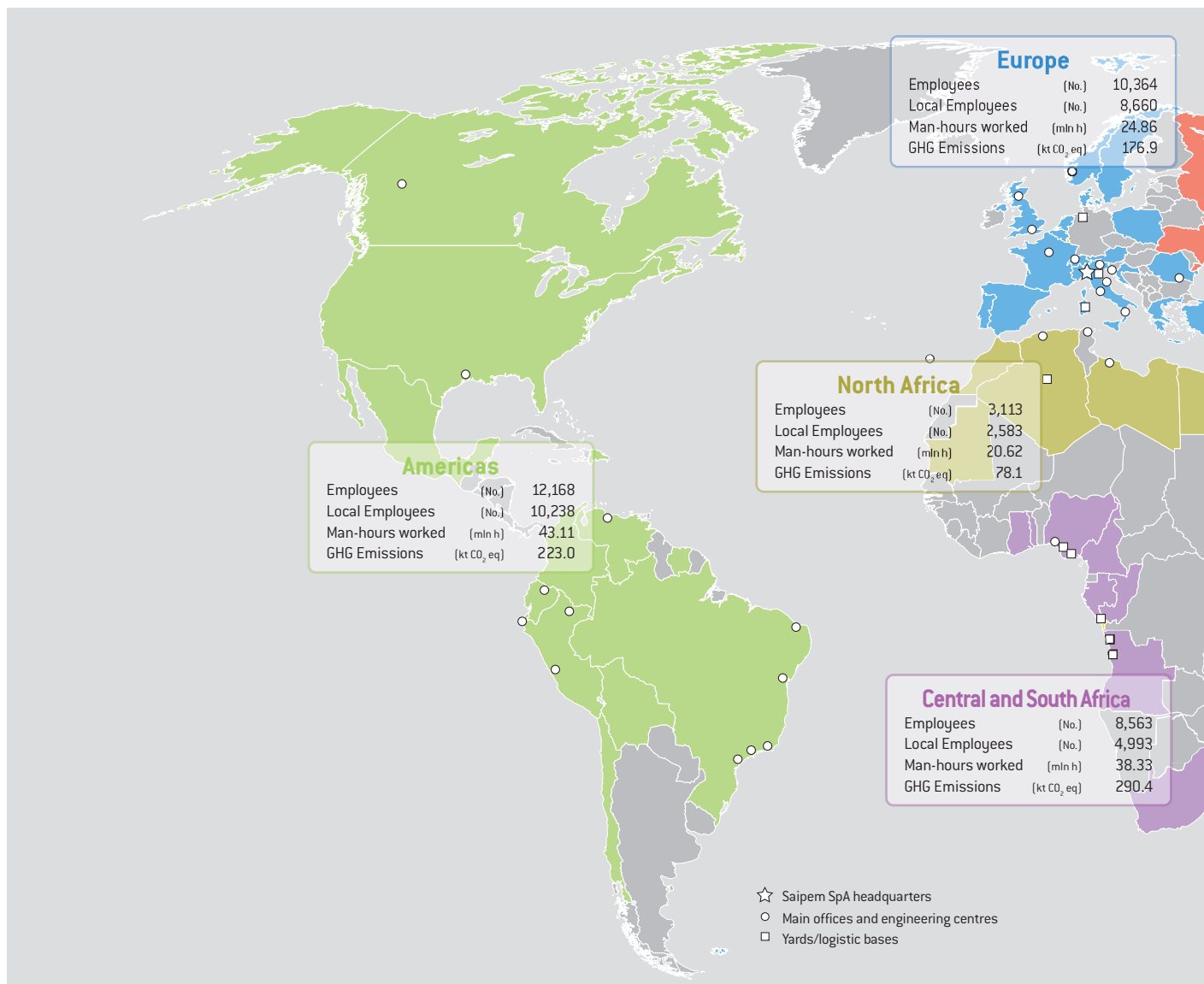
been listed on the Milan Stock Exchange since 1984. Saipem is a subsidiary of Eni which currently holds a 42.91% share in the Company.

## The organisation

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

In order to align the organisational model with the evolution of business, in 2013 a sole Chief Operating Officer was appointed to ensure integrated management of all business activities. The organisational structure resulting from the integration of the Engineering & Construction and Drilling business units is characterised by the following elements:

- four units, Onshore, Offshore, Drilling and Floaters, focusing on the development of different products and in charge of defining and implementing strategies at global level;



- eight Regional Managers, representing Saipem in the geographical area assigned and responsible for integrated promotion of business and optimisation of Local Content;
- central functions - 'Commercial', 'Tendering', 'Engineering, Technologies and Commissioning' and 'Project Management', which have a worldwide cross-product steering, coordination and control role.

**2013 in numbers**

In 2013, Offshore Engineering & Construction work involved the laying of 1,106 km of pipeline and the installation of 206,959 tonnes of plant and equipment. As regards Onshore Engineering & Construction, on the other hand, work included the laying of 433 km of pipelines of varying diameter and the installation of 178,252 tonnes of plant and equipment.

Offshore Drilling comprised the drilling of 127 wells, totalling 201,037 metres drilled, whereas Onshore Drilling comprised 373 wells, totalling approximately 820,872 metres drilled.

**Shareholders by geographical area <sup>(1)</sup>**

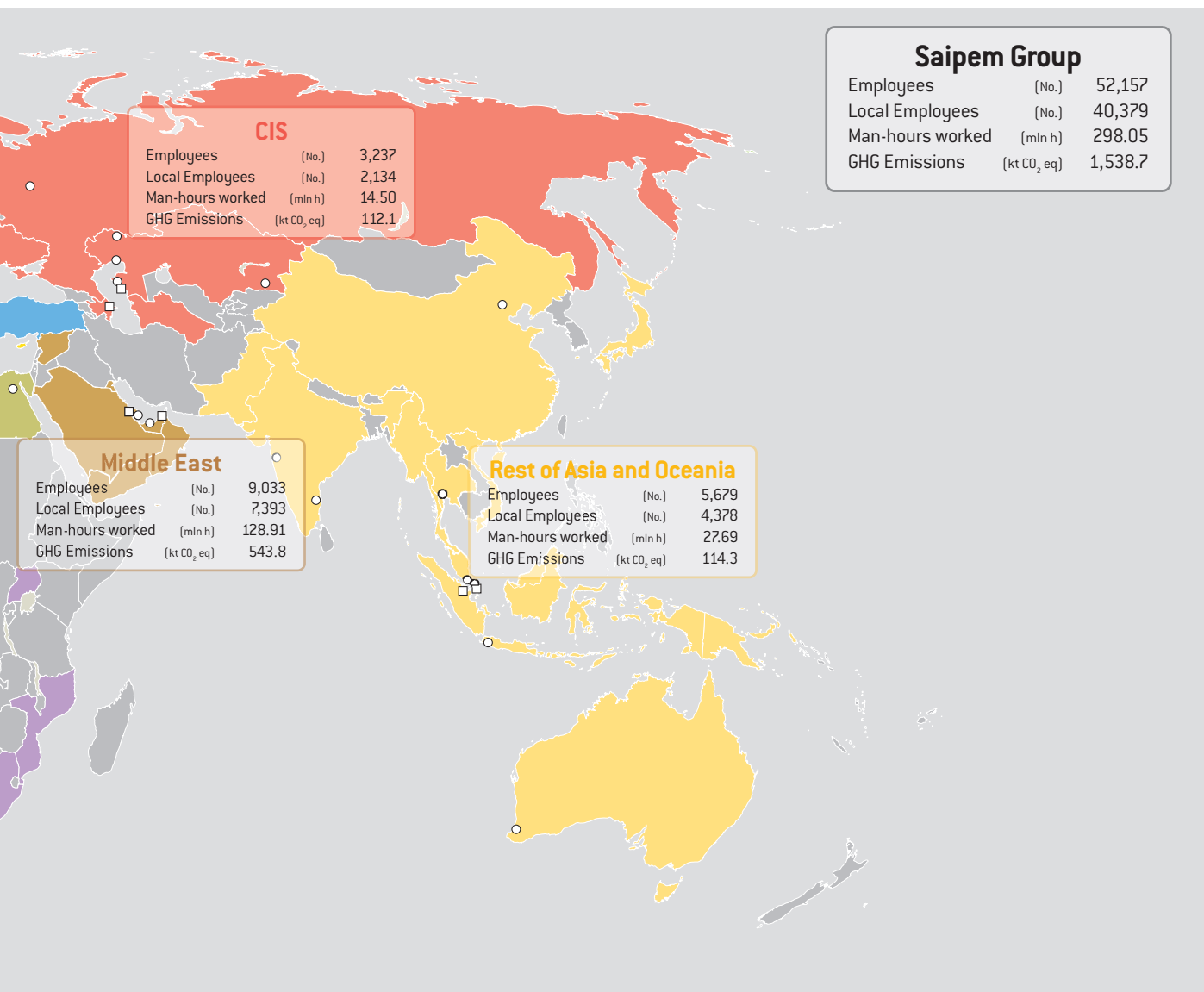
Shareholders	Number of shares	% of capital
Italy	247,712,308 <sup>(2)</sup>	56.11
Other EU States	67,229,108	15.23
Americas	54,167,189	12.27
UK and Ireland	33,178,317	7.52
Other European States	12,562,295	2.85
Rest of the World	26,561,683	6.02

(1) Based on 2012 dividend payments.

(2) Includes 1,939,832 treasury shares with no dividend entitlement.

**Backlog by geographical area (%)**

Europe	17
CIS	5
Middle East	19
Americas	15
North Africa	4
Central and South Africa	32
Rest of Asia and Oceania	8



# Commitments, results and objectives

Ref. GRI 1.2

Commitments	2013 Results	2014-2017 Goals
<b>Safety</b> Ensure the safety of everyone who works for Saipem	<ul style="list-style-type: none"> <li>- OHSAS 18001 certifications confirmed for Saipem SpA and another 18 companies and branches in the Group</li> <li>- Updated HSE Italy training protocols</li> <li>- Targeted initiatives at continuous improvement in the Emergency Management system, involving emergency officers in special courses dealing with operational, psychological and behavioural aspects in the event of an emergency</li> <li>- Further developed software dedicated to improving Company and operational HSE processes. Indeed, the use of the software applications Corinth (for managing the HSE audit process) and Nike (for managing and standardising Personal Protective Equipment) has been consolidated</li> <li>- Further implemented the LiHS programme and adapted it to more local operational realities. Engagement is ongoing and involves all levels of the Company</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 obtain OHSAS 18001 certification for those with a significant risk profile</li> <li>- Reduce workplace accidents and at the same time launch the 'We want zero' campaign, an initiative which aims to reduce fatal accidents to zero</li> <li>- Issue international HSE Training protocols</li> <li>- Continue the process for standardising HSE training delivered in the Saipem Group</li> <li>- Continue and expand the LiHS 'Leading Behaviours' campaign</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>- Continued dissemination of the 'Pre-Travel Counselling' programme for all personnel travelling abroad. The health protocols and pre-travel training also underwent validation on the part of the Institute of Occupational Medicine at the Università Cattolica in Rome</li> <li>- Launched the 'Si-Viaggiare' app with the Health Manual for the travelling worker. Available for Apple and Android operating systems</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</li> <li>- Launched the 'Choose Life' programme to promote a healthy lifestyle</li> <li>- Introduced new programmes such as the 'Weight Control and Obesity Prevention Programme', and the 'Don't take my breath away - Stop Smoking Campaign'</li> </ul>	<ul style="list-style-type: none"> <li>- Continue the 'Choose Life' campaign to promote a healthy lifestyle</li> <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>- Ensure ongoing training for medical personnel, providing specialist courses such as ATLS (Advanced Trauma Life Support)</li> <li>- Continue to spread the 'Pre-Travel Counselling' programme for all personnel travelling abroad and update thereto in line with international health alerts</li> <li>- Continue to monitor Health Performance Indicators (HPI)</li> <li>- Strengthen the implementation of telemedicine programmes and monitor their correct use</li> <li>- Continue health promotion programmes targeted at local communities</li> </ul>
<b>Personnel development</b> Develop the skills and competences of human resources and improve both the work environment and the HR management system	<ul style="list-style-type: none"> <li>- Continued the Synergy Project (Progetto Sinergia) for greater consistency between technical know-how and its application in the Company</li> <li>- Monitored and controlled the main 'critical' management phenomenon, such as overtime, working hours and absenteeism</li> <li>- Held the 'Share and Shape' event involving around 400 young resources who could submit their proposals for improvement to Top Management. Some of these will in fact be implemented beginning 2014</li> <li>- Started up a project to improve identification and monitoring of critical resources</li> <li>- Continued training and career programmes to replace expatriates with local personnel</li> <li>- Completed a feasibility study to identify quantitative objectives targeted at increasing the percentage of women on the Boards and Compliance Committees of companies in the Saipem Group</li> <li>- Collaborated with local universities 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>- Update employee engagement analysis</li> <li>- Continue the Synergy Project (Progetto Sinergia)</li> <li>- Take specific actions for the internal communication of HR management and development policies</li> <li>- Develop actions in support of female employment by increasing the presence of women candidates at all levels, improving the quality of their working conditions and adopting welfare tools</li> <li>- Implement monitoring policies on compensation and staff turnover</li> </ul>

Commitments	2013 Results	2014-2017 Goals
<b>Security</b>		
Ensure the security of Saipem's people and vessels	<ul style="list-style-type: none"> <li>- Issued the 'Project Security Risk Analysis Process' criteria</li> <li>- Held the first training session on human rights issues targeted at security personnel</li> <li>- In line with legal compliance indications, continued to diffuse the Internal Control Model to all hierarchical levels in Italy and abroad, with the delivery of e-learning courses on Legislative Decree No. 231/2001 (corporate liability) and security issues</li> </ul>	<ul style="list-style-type: none"> <li>- Expand the number of contracts with companies supplying security services that include clauses on human rights</li> <li>- Design and deliver a training course on human rights for security personnel</li> </ul>
<b>Environment</b>		
Manage and minimise environmental impact in the life cycle of operations and improve environmental performance	<ul style="list-style-type: none"> <li>- Carried out energetic assessments on office buildings, in compliance with ISO 50001:2001 standard 'Energy management systems' and took part in the project for the development of an energetic assessment of the Saipem 7000</li> <li>- Developed plans for the management of accidental spills on all sites and projects, along with training of staff involved in impactful activities and carried out periodic drills</li> <li>- Obtained ISO 14001 certification for drilling activities</li> <li>- Diffused the initiative 'Reduce your Footprint' linked with World Environmental Day and targeted at waste reduction</li> <li>- Reviewed control standard 231 on the environment</li> <li>- Organised the course 'Train the trainer' targeted at international HSE personnel identified as potential environmental trainers</li> </ul>	<ul style="list-style-type: none"> <li>- Continue ongoing monitoring of environmental performance and impacts</li> <li>- Carry out an energetic assessment on several assets (among which onshore rigs and water treatment plants) and office buildings to identify critical areas and propose corrective actions with a view to increasing energy efficiency</li> <li>- Draft a corporate procedure on the management of biodiversity and promotion of the Saipem Group's biodiversity management best practices</li> <li>- Promote initiatives to save on raw materials and develop guidelines for the diffusion of best practices regarding the use of water</li> <li>- Review corporate procedures in compliance with Legislative Decree No. 231 dated June 8, 2001, which nowadays also includes environmental crimes</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>- Held an in-house workshop with sustainability officers to standardise and improve tools for mapping and analysing stakeholders and local contexts</li> <li>- Consolidated activities for the monitoring of local community initiatives and stakeholder relations</li> <li>- Implemented the model for assessing the economic impacts of the Local Content strategy on Saudi Arabia, Indonesia and Australia and updated the analysis for Nigeria</li> <li>- Continued the auditing programme on 24 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</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 Algeria)</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 Nigeria and Colombia</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>- Reinforce processes for monitoring local community initiatives</li> <li>- Continue to produce 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>- Continue with actions to increase the share of local procurements including by means of initiatives to support qualification of local vendors</li> </ul>

Commitments	2013 Results	2014-2017 Goals
<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 a project in Australia and a study on the value generated by ecosystem services in the framework of said project</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>
<b>Governance</b>		
Maintain and reinforce a governance system that is capable of meeting Saipem's business challenges in a sustainable way	<ul style="list-style-type: none"> <li>- Training (e-learning and in the classroom) carried out in Italy and abroad on the themes of anti-corruption, Model 231 and the Code of Ethics</li> <li>- Updated Saipem SpA's Model 231 to implement crimes introduced into Legislative Decree No. 231/2001 by Law No. 94, Law No. 99 and Law No. 116 of 2009</li> <li>- Training and a refresher courses for members of Compliance Committees</li> <li>- Commencement of checks on and updates necessary to several procedures</li> </ul>	<ul style="list-style-type: none"> <li>- Update Saipem SpA's Model 231 to include the environmental crimes introduced by Italian Legislative Decree No. 231/2001 and by Law No. 190 of November 6, 2012</li> <li>- Revise and update anti-corruption procedures</li> <li>- Training (e-learning and in the classroom) in Italy and abroad on the themes of anti-corruption, Model 231 and the Code of Ethics</li> <li>- Training and continuous updating of 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

Beginning in 2011, the Group's sustainability indicators and, more generally, its sustainability performances, have been reported in the form of an Addendum. The Addendum acts as a supplement to the document 'Saipem Sustainability', which deals with themes deemed to be 'material' for Saipem and its stakeholders and describes the measures and initiatives implemented 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 on sustainability performance to all stakeholders in an exhaustive and efficient way.

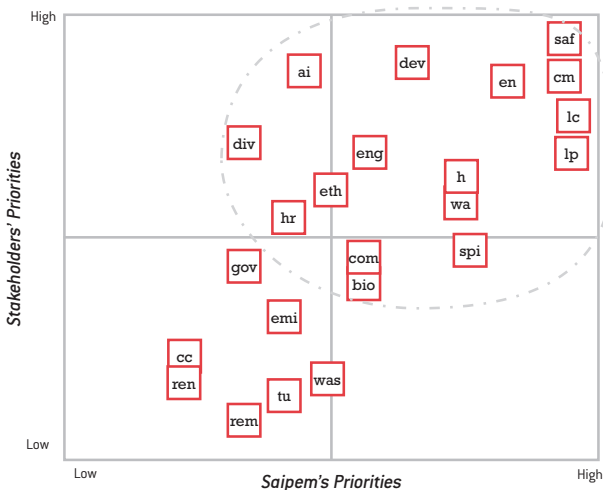
Communication Tools	Financial Stakeholders	Clients	Internal Stakeholders	Local Stakeholders
Saipem Sustainability 2013				
Addendum: Sustainability Performance				
Country & Project Reports				
Financial Statements 2013, Corporate Governance, Code of Ethics				
Annual leaflets, posters and internal newsletters				
Sustainability on the Web and interactive Reports				
iPad Application				

## 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. In order to define the sustainability themes considered most significant, both within the Company and in relation to stakeholders, a materiality analysis was once again carried out in 2013.

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 an analysis of the priorities of Saipem's stakeholders (Clients and financial stakeholders).

In order to simplify analysis and comparison of results, the 23 themes identified were broken down into 8 macro categories.



Local employment	<b>le</b>	Development & training	<b>dev</b>
Local procurement	<b>lp</b>	Trade unions	<b>tu</b>
Health	<b>h</b>	Engagement and community	<b>eng</b>
Safety	<b>saf</b>	Community initiatives	<b>com</b>
Contractor management	<b>cm</b>	Approach to ethics	<b>eth</b>
Asset integrity and emergency management	<b>ai</b>	Human rights & labour conditions	<b>hr</b>
Energy	<b>en</b>	Sustainability governance	<b>gov</b>
Water	<b>wa</b>	Sustainability-linked remuneration	<b>rem</b>
Biodiversity	<b>bio</b>		
Spills	<b>spi</b>	Approach to climate change	<b>cc</b>
Waste	<b>was</b>	Air emissions	<b>emi</b>
Diversity	<b>div</b>	Renewables	<b>ren</b>

The level of internal significance was validated by the Sustainability Committee on a proposal from the Sustainability function, with due regard for the Company's principles and values, its business strategy and objectives, as well as the skills and distinctive factors for which it stands out in its market segment.

The level of external interest was surveyed by combining (a) a sustainability benchmarking analysis of the Company's main Clients with (b) the results of the requests and interests that the various stakeholders considered in the analysis submitted to Saipem in the reporting year and (c) the results of a frequency and relevance analysis with which the topics dealt with appear in the questionnaires of financial analysts and rating agencies.

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

A more detailed description of this event can be found on page 6 of 'Saipem Sustainability 2013'.

Selection of the 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 geographical areas in which the Company has a more significant impact and to key initiatives.

**Reporting scope**

In order to facilitate reader comprehension of performance trends 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 2011-2013.

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, intangible companies and subsidiaries that do not produce significant effects are not included in the reporting perimeter. In some cases, for some HSE indicators deemed particularly important for the Company's business, subcontractors and vendors working on the Company's operative projects are included in the Report. Any exceptions are reported in the document with reference to the specific indicator.

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 all operations in which Saipem SpA or one of its subsidiaries exercises operational control.

Exceptions to the above criteria are expressly indicated in the text, as are any changes to the indicator calculation methodologies, without this in any way affecting the general commitment to maintain consistency in both the information and the data reported in previous editions.

Reporting is subject to limited controls by the same, sole independent auditor used for the Annual Report, in which this Addendum is included, and for the document 'Saipem Sustainability 2013'.

In relation to the Guidelines of the Global Reporting Initiative (version G3.0), for the present document Saipem declares an application level of B+.

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



# Governance, commitment, stakeholder involvement

Ref. GRI 4.1-4.17

Saipem is committed to maintaining and reinforcing a system of Governance that is in line with the standards of international best practices and is suited to the complexity of the Company's make-up. A brief description of the Company's governance structure is given below. Further details are available in the document 'Corporate Governance and Shareholding Structure Report 2013' [CGR 2013], in the 'Compensation Report', in the Code of Ethics and in the Governance section of the Company's 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 the responsibility of 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 current Board of Directors is made up of 9 members, of whom 8 are non executive and 6 are independent. 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

Communications with shareholders are ensured by the manager of the Secretary's Office and any information that is of interest to them is made available on the Saipem website or can be requested via e-mail by writing to: [segreteria.societaria@saipem.com](mailto:segreteria.societaria@saipem.com).

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, the market and the 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 local magazines.

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 and prevents any form of retaliation – 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.].

## Compensation

Compensation of the CEO and of Senior Managers with strategic responsibilities comprises a fixed component and an annual variable 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 'Compensation 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 applied universally throughout Group operations. Compliance with the law, regulations, statutory provisions, self-regulatory codes, ethical integrity and fairness, is a 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. The Code of Ethics clearly defines the values that Saipem recognises, accepts and shares, as well as the responsibilities the Company assumes towards internal and external parties.

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.

## Board review

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 it deems 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 report on the year's sustainability performance, which is subsequently

approved formally by the Board of Directors concurrently with the Annual Report.

## Risk management

Having consulted with the Audit and Risk Committee, on July 30, 2013 the Board of Directors approved the 'Principles of Integrated Risk Management'. The Integrated Risk Management (IRM) process, characterised by a structured and systematic approach, requires that the risk principles be 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 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 with international best practices, the Model follows an organic and concise vision of the risks to which the Company 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. To this end, 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. Roles and responsibilities under the risk governance model are divided into three separate levels of control;
- (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.

## 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.

## Stakeholder relations Ref. GRI 4.14-4.17

The methods adopted by the Company to identify, map and engage with stakeholders locally are described in the document 'Saipem Sustainability 2013'. The main stakeholder engagement activities carried out in 2013 are outlined below.

### 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. Shareholders are mainly involved through interfacing with the Company Secretary function. In 2013, management met the financial community during 17 Road Shows held in the main stock exchanges and at 5 financial conferences. In 2013, Saipem provided a number of informative sustainability documents to EIRIS, VIGEO, Financière de l'Echiquier, Global Sustainability Rating, the Ethical Council and Storebrand. 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 Clients, who are 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 significant 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 2013, Saipem held numerous meetings with Clients to involve them in its sustainability strategy in South America, Canada, Saudi Arabia, Australia and Azerbaijan. The Company also cooperated with Qatar Petroleum on the 'Sustainable Development Industry (SDI) Reporting Qatar'.

### 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 2013'. 2013 saw analysis of the results of the engagement survey launched at the end of 2012. This was targeted at Senior Managers, Middle Managers and Office Staff of Saipem SpA and Saipem UK Ltd. 6,292 employees were invited to take part in this survey, 75% of whom took up the invitation. The overall result of Engagement in Saipem is 53%. The key questions of the survey were with reference to three behaviours: 'Say, stay, strive'. Around 400 young resources aged between 28 and 35 and with international experience of 3 to 5 years were subsequently involved and given the opportunity to submit some of their proposals to Saipem top management. In Angola, employees, along with their spouses, partners and children, participated in the Little LiHS workshop. Personnel engagement and training activities on sustainability themes continued throughout 2013 with the organisation of thematic seminars and specific meetings with managerial functions.

### Local communities

As described in the document 'Saipem Sustainability 2013', 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 2013. 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 for success 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 2013').

### 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 and AIDS in the Congo and Nigeria, as well as with environmental protection bodies in the Congo and Kazakhstan. In 2013, 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 Algeria, Kazakhstan, Italy, the Congo, Indonesia, Azerbaijan and Colombia in this regard.

### Local organisations and NGOs

Saipem collaborates with organisations or NGOs, above all at local level, and at times through specific partnership agreements, with the aim of implementing community initiatives tailored to the area's specificities and main problems. Cooperation with local NGOs is for the most part in the Congo and in Kazakhstan and is targeted at conducting studies and implementing initiatives of a local nature. Cooperation with the NGO Eurasia Foundation of Central Asia (EFCA) in Kazakhstan proceeded in 2013 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. In Colombia, the Company cooperated with a number of local NGOs to increase awareness on environmental issues.

### Vendors

Relations with vendors are discussed in the document 'Saipem Sustainability 2013', where the selection and assessment processes are described. At local level, specific initiatives for vendor involvement are constantly ongoing. These aim to improve the quality of supplies and to encourage vendors to comply with Saipem's quality, health and safety, environmental and social requirements. In this regard, meetings were held most especially with vendors in India, China and Brazil. In Kazakhstan, vendors were involved in initiatives for local communities. Forums targeted at vendors in Venezuela, Nigeria, Brazil and Colombia were organised in 2013, as were training courses in Azerbaijan and Nigeria. The Company supported Aboriginal companies in Australia and Canada through a variety of initiatives. Finally, it is worth mentioning the meetings organised periodically with vendors with whom strategic agreements have been signed.

## Disclosure on management approach

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

### Economic performance

Saipem is an international Oil&Gas contractor whose revenues in 2013 totalled €12 billion. The Company has in excess of 52,000 employees and is present in more than 70 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 2013' and in the chapter 'Developing long-term competitiveness' of 'Saipem Sustainability 2013'.

### Environment

For Saipem, supplying excellent products and services goes hand in hand with its commitment to environmental protection. Saipem has defined an HSE management system that constitutes a benchmark for all productive units and that requires 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, each operating project is specifically assigned an HSE team. Reducing environmental impacts to a minimum is an objective found along the entire life cycle of a project, from engineering phase through to de-commissioning. 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 'Minimising environmental impacts' of 'Saipem Sustainability 2013', in the Directors' Report contained in the 'Annual Report 2013', 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 competences, 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 'Competency as a business driver' and 'A safe workplace and a healthy workforce to ensure excellence' of 'Saipem Sustainability 2013', in the 'Sustainability' section of the Company website, in the Directors' Report contained in the 'Annual Report 2013' 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, in the chapters 'Competency as a business driver' and 'Local Content approach: delivering shared value' of 'Saipem Sustainability 2013', in the 'Sustainability' section of the Company website, in the Directors' Report contained in the 'Annual Report 2013' 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 countries in which it operates. 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 minimising impacts on local populations and areas, Saipem has implemented specific tools to analyse the local context and identify areas of intervention and lines of action. As regards relations with local areas, Saipem avails of a process for identifying

the main stakeholders, as well as the means for involving them in a way conducive to constructive and ongoing dialogue.

Further information can be found in the Sustainability policy, in the chapters 'Partnering with local communities' and 'Local Content approach: delivering shared value' of 'Saipem Sustainability 2013', in the 'Sustainability' section of the Company website, in the Directors' Report contained in the 'Annual Report 2013' and in the section 'Commitments, results and objectives' of this Addendum.

## Responsibilities for products

Customer satisfaction is a key factor of sustainable business. Quality and HSE management systems have been implemented on

each Saipem project to realise quality products and services and to perform 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 'A safe workplace and a healthy workforce to ensure excellence' of 'Saipem Sustainability 2013', in the Directors' Report contained in the 'Annual Report 2013' 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)	2011	2012	2013
Employee payroll and benefits	1,750	2,041	2,320
Research and development costs	12	15	14
Dividend distribution	319	330	375
Operating expenses	9,388	9,832	9,775
Net sales from operations	12,593	13,369	12,011
Income taxes	392	393	106
Seniority bonus schemes	3.867	5.456 (*)	5.871

(\*) On June 16, 2011 the merger by incorporation of the subsidiary Saipem Energy Services SpA was approved. The accounting and tax effects started at 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 has decided to support 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 new 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 first cycle of risk assessment which analysed a four-year time frame, on December 23, 2013 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 2013.

## Market presence (EC6-7)

Policy, practices, and proportion of spending on locally-based vendors at significant locations of operations.

		2011	2012	2013
Project-based orders placed with local vendors	(%)	56	52	51
Local employees	(No.)	33,688	37,285	40,379
	(%)	76	77	77
Local managers	(%)	46	42	43

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.

In 2013, out of a total of €9,066,450,601 of orders, excluding €1,598,637,932 for investments in corporate assets and staff expenses, €3,818,735,211 were ordered from local suppliers. An order is only considered local when the supplier is from the same State as the project for which the order is made. The number of local staff amounted to 40,379 (77.42%) in 2013 compared to 37,285 (76.94%) in 2012, and the percentage of local managers grew by 1%. Further details on initiatives implemented in 2013 are available in 'Saipem Sustainability 2013', in the chapter dedicated to Human Resources in the Annual Report 2013, and in the 'Sustainability' section of the Company website.

## Indirect Economic Impacts (EC8-9)

(€ million)	2011	2012	2013
Expenses for initiatives targeting local communities	1.898	2.126	2.066

In 2013, Saipem worked through its operating companies to strengthen relations with local stakeholders, both through direct involvement as well as through studies and analyses designed to provide an understanding of the needs of local areas, and to enable planning of interventions. The focus on training (at a cost of €713,000), socio-economic development and promotion of Local Content (at a cost of €757,000) was thus 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 2013, the model was updated for Angola and Nigeria to take current operating activities into account. It was also expanded in Indonesia and implemented in Saudi Arabia, and the results of this have been 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 document 'Saipem Sustainability 2013'.

## 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). Therefore, from both an economic and environmentally responsible perspective, raw materials fall under the scope of work.

In order to ensure the identification and evaluation of the environmental aspects of offices, since January 2013 the collection of environmental data has also included the paper consumed.

The results will be taken into account by Saipem in order to set goals for each site that has provided this information. In 2013, a total of 212.83 tonnes of paper were purchased. The data was monitored in Paris, San Donato Milanese, Fano, the Saipem SpA Office and Welding Workshop of the Croatian Branch at Rijeka, two office buildings in Rome, Vibo Valentia, the Arbatax Yard and the office of Saipem Contracting Algérie SpA. In 2014, the number of monitored sites will increase with the addition of offices in the UK, Indonesia, the United Arab Emirates and India.

It should be noted that Saipem SA rolled out an initiative to reduce waste from office printing, drafting a 'Copying and Printing Charter' available in both English and French. This was sent to all employees of Saipem SA to increase their awareness of waste minimisation. Saipem SA also uses a specific software called 'Watchdoc' to monitor the consumption of paper, by paper and print type, for each printer. With this information as its basis, a report was drawn up to show the costs sustained and the savings achieved.



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

		2011	2012	2013
<b>Direct energy consumption</b>				
Natural Gas	(ktoe)	1.2	1.4	0.95
Heavy Fuel Oil (HFO)	(ktoe)	6.0	3.2	-
Intermediate Fuel Oil (IFO)	(ktoe)	21.9	8.6	28.27
Light Fuel Oil (LFO)	(ktoe)	7.0	24.3	32.35
Diesel	(ktoe)	320.4	386.0	368.16
Diesel Marine Oil	(ktoe)	102.6	129.1	158.79
Gasoline	(ktoe)	5.8	5.6	6.05
<b>Indirect energy consumption</b>				
Electricity consumed	(GWh)	242.8	155.9	121.24
<b>Renewable energy</b>				
Electricity produced from renewable sources	(MWh)	297.3	271.7	266.31 (*)
<b>Total direct and indirect greenhouse gas emissions</b>				
Direct GHG emissions	(kt CO <sub>2</sub> eq)	1,320.9	1,542.6	1,538.7
Indirect GHG emissions (scope 2)	(kt CO <sub>2</sub> eq)	120.1	69.7	54.0
<b>Other significant emissions</b>				
SO <sub>2</sub> emissions	(kt)	4.0	4.2	4.4
NO <sub>x</sub> emissions	(kt)	22.4	26.2	25.8
CO emissions	(kt)	9.0	10.7	11.1
PM emissions	(kt)	-	0.7	0.7
NMVOc emissions	(kt)	-	1.0	1.0

(\*) 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.

Gasoline consumption in 2013 increased by 8%, mainly due to the consumption levels of the 'Etihad Railway' project, which, on account of the specificities of the activities, requires several cars to be travelling constantly along the railway line. The long voyages of some vessels (including the Normand Cutter, from Brazil to China) explain why Marine Diesel Oil consumption increased by 23%. In addition, the Scarabeo 8 and 9, the two new offshore drilling rigs, started activities at full capacity and this also influenced the increase. It should be noted that Heavy Fuel Oil (HFO) was not used in 2013, since the characteristics of certain geographical areas meant that some offshore vessels used other types of fuel. In the year of reporting, the Saipem 7000, the vessel which in 2012 was the largest user of HFO, was deployed in the North Sea and, therefore, has only used Light Fuel Oil (LFO), in accordance with local regulations. Consumption of electricity was down in the three-year period 2011-2013 from 242.8 to 121.24 GWh. The main explanation for this is the conclusion of the Qafco V project, which had required considerable quantities of energy.

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

As regards activities on the vessels, Saipem is continuing its plan to create an SEEMP (Ship Energy Efficiency Management Plan), a tool for managing the environmental performance of the Company's fleet (excluding drilling rigs), by 2015. This plan, provided by the International Convention for the Prevention of Pollution from Ships (MARPOL - annex VI), is specific to each vessel. To date, the SEEMP has been implemented on 17 vessels. The main actions proposed include the use of more energy-efficient lighting, maximisation of the efficiency of air conditioning, the adoption of higher capacity engines (which should lead to the use of a smaller number of engines), and improvements in voyage planning. The goal for 2014 is to reduce fuel consumption by 3-4% for these assets.

2013 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. During 2013, the software was applied to Castorone, FDS, FDS 2, Castoro Sei and Castoro Otto. Total savings amounted to 233 tonnes of fuel, with a total of 732 tonnes of CO<sub>2</sub> also saved. Moreover, for the purposes of increasing the energy efficiency of vessels, an energy assessment of the Saipem 7000 was conducted in 2013. The measures proposed are the installation of economisers to recover heat from the flue gases of the 12 diesel generators, voyage optimisation, the use of electric heaters for preheating the engine (instead of heating through the steam), the use of software to optimise the energy consumption of PCs, the use of additives in fuels and, finally, replacement of transformers. The main energy consumption reduction initiatives for offices are as follows:

- 1) energy assessments of 3 office buildings in Italy were carried out in 2013 in order to identify critical areas and propose corrective actions. These fall into two different categories, the first relating to the insulation of buildings and the second covering the introduction of technological systems. At present, management is in the process of evaluating different initiatives proposed downstream of the energy assessment;



- 2) temperature regulation in the offices: programmable timers were installed in the Saipem Croatian Branch offices beginning July 2013 to adjust the air conditioning and heating. Compared to 2012, the monthly saving is about 8,500 kWh;
- 3) Green PC: 2013 has seen the continuation of the initiative to reduce power consumption when computers are not in use. To date, the 'PowerMan' software has been installed on around 7,000 PCs, enabling a saving of about 300 MWh.

Saipem is very committed to increasing the energy efficiency of its offices, because:

- in most cases, the Company has operational control of these assets;
- total energy consumption in offices is significant, representing 2.6% of toe consumed by the Company and, more specifically, 53% of the electricity supplied by the national grid and about 98% of the natural gas used altogether.

As regards the search for innovative solutions, Saipem has been studying a number of techniques to increase the energy efficiency of its facilities. At the moment, the Company is focusing on the reduction of energy waste, improving the efficiency of air cooling equipment in particular.

More details on these issues can be found in the chapter 'Minimising environmental impacts' of 'Saipem Sustainability 2013'.

## Water (EN8, 10)

		2011	2012	2013
<b>Total water withdrawal by source</b>				
Total withdrawal of water, of which:	[10 <sup>3</sup> m <sup>3</sup> ]	7,234.8	8,245.1	8,740.1
- fresh water/from waterworks	[10 <sup>3</sup> m <sup>3</sup> ]	2,570.8	4,056.8	5,683.4
- groundwater	[10 <sup>3</sup> m <sup>3</sup> ]	3,938.8	3,251.8	1,997.8
- surface water	[10 <sup>3</sup> m <sup>3</sup> ]	86.6	221.3	218.4
- sea water	[10 <sup>3</sup> m <sup>3</sup> ]	638.5	715.1	840.43
<b>Recycled and reused water</b>				
Reused and/or recycled water	[10 <sup>3</sup> m <sup>3</sup> ]	303.9	1,024.8	1,788.2
	(%)	4	12	20

In 2013, water consumption reached 8,740.1 10<sup>3</sup> m<sup>3</sup> compared to 8,245.1 10<sup>3</sup> m<sup>3</sup> in 2012. Moreover, the percentage of reused water increased to 20% compared to 12% the previous year. There are two reasons for this:

- consumption levels on the Castorone, the Scarabeo 8 and the Scarabeo 9, which were fully operative in 2013;
- the requirements of the 'Shah Plant Project', which is one of the largest ever carried out by Saipem, and which had a significant impact on overall environmental performance (in 2013, the project totalled about 60 million hours worked compared to 40 million in 2012).

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.

In an effort to identify areas at high water risk, Saipem carries out a two-step assessment. In the first, once all operational sites have been identified, Saipem uses the Global Water Tool, Aqueduct and Maplecroft instruments to assess the water risk. 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. Downstream of the water risk assessment, Saipem will carry out a case study in 2014 on the management of the Company's water resources in which greater detail will be sought on the most affected water sources and the measures needed to reduce these impacts.

## Biodiversity (EN11-12, 14)

Saipem considers biodiversity to be a significant issue 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. In this regard, a Corporate Standard Procedure will be drafted in 2014 to govern the biodiversity and define activities and responsibilities in relation to it.

The chapter 'Minimising environmental impacts' of 'Saipem Sustainability 2013' describes the process of identifying and managing any type of environmental impact and provides a concrete example with the 'Shah-Habshan-Ruwais' project for the construction of a railroad in the UAE.

## Discharges (EN21)

(10 <sup>3</sup> m)	2011	2012	2013
<b>Total water discharge</b>			
Total waste water produced, of which:	1,642.0	3,696.3	5,319.4
- water discharged into the sewer systems	-	400.4	616.1
- water discharged into bodies of surface water	-	572.8	1,543.7
- water discharged into the sea	-	480.3	750.7
- water discharged to other destinations	-	2,242.6	2,408.9

The increase in the total amount of water discharged has a twofold explanation: (i) the operational needs of the 'Shah Plan Project' and (ii) greater accuracy in the environmental reporting system.

## Waste (EN22, 24)

(kt)	2011	2012	2013
<b>Total weight of waste by type and disposal method</b>			
Total waste produced, of which:	199.9	257.9	387.4
- hazardous waste disposed of in landfill sites	22.3	31.9	50.9
- incinerated hazardous waste	4.3	5.3	3.4
- recycled hazardous waste	4.3	13.9	7.8
- non-hazardous waste disposed of in landfill sites	134.6	171.5	282.8
- incinerated non-hazardous waste	11.2	4.0	6.0
- recycled non-hazardous waste	23.2	31.3	36.5

The Shah project has significantly influenced the production of non-hazardous waste.

It is important to note that hazardous waste is mainly disposed of locally through a third party company, with the exception of some waste incinerated onboard some of the main vessels. Saipem has implemented a number of initiatives at site level for the optimisation of waste management. One of these is the project to improve the division of waste and recovery of waste water, implemented in Saudi Arabia at the Dhahran base.

## Spills (EN23)

		2011	2012	2013
<b>Number of spills</b>				
Total	(No.)	94	144	77
Spills of chemical substances	(No.)	-	19	21
Spills of oily substances into fresh water	(No.)	-	125	56
<b>Volume of spills</b>				
Total	(m <sup>3</sup> )	656.45	5.4	67.2
Spills of chemical substances	(m <sup>3</sup> )	-	1.6	62.7
Spills of oily substances	(m <sup>3</sup> )	-	3.8	4.5

Saipem has changed its methodology for monitoring spills by separating the reporting of 'near misses' and spills under 10 litres from other spills for better analysis and classification of the incidents. These types of incident are, however, included in the environmental reporting system for optimal management of incidents.

In 2013 there were 7 spills larger than one m<sup>3</sup>, including a 35.5 m<sup>3</sup> spill that happened on the Saipem 10000 drillship. Due to the emergency situation, the Master ordered a disconnection from the well and activated the Emergency Shut Down (ESD) procedure as well as the Emergency Quick Disconnect (EQD) for the Lower Marine Riser Package (LMRP). The consequence of the emergency disconnection of the LMRP was the leakage into the sea of 35.5 m<sup>3</sup> of oil based mud contained in the marine riser. Bad weather and a strong current contributed to the accident.

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'.

## 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 2013, 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)	2011	2012	2013
HSE investments	19.4	35.4	36.97
Expenses for integrated HSE management	31.7	39.7	38.55
Expenses for the environment	2.7	6.7	7.1

## Working conditions and practices

### Employment (LA1-3, 15)

(number)	2011	2012	2013
Total employees at year end, of which:	44,232	48,455	52,157
- Senior Managers	441	436	431
- Managers	4,696	4,857	4,954
- White Collar	20,382	22,148	22,849
- Blue Collar	18,713	21,014	23,923
Employees in countries outside Europe	33,822	37,322	41,793
Female employees	5,068	5,331	5,701
Employees with a stable work contract	17,679	18,025	18,662
Employees with full-time open-ended contracts	-	48,227	51,903
Termination of employment of key resources	2,918	3,541	4,581

In 2013 there was further growth 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 370 female employees (7%) and 3,332 male employees (8%). As regards employees who play what is considered a key professional role, these now account for 36% of the workforce, an increase of 3% compared to 2012.

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 'Competency as a business driver' of the document 'Saipem Sustainability 2013'.

### Industrial Relations (LA4-5)

		2011	2012	2013
Employees covered by collective bargaining	(%)	55	48	50
Strikes	(hours)	-	-	61,477

The industrial relations model adopted has the primary objective of ensuring a fair and transparent Company/union relationship based on compliance with international conventions and the transnational agreements to which Saipem adheres. It also ensures optimal management of relations with the

employers' associations of the sector, institutions and public bodies. Whenever a major organisational change is expected, it is the practice of the Saipem Group to communicate the development to the trade union representative. 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.

Out of the 43,418 employees monitored, 21,628 are covered by collective bargaining agreements. It is important to bear in mind that Saipem operates in countries where there 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. In 2013, there were 61,477 hours of strikes of which 43,200 were in Algeria. In view of the impending conclusion of drilling operations in Algeria, in 2013 a detailed meeting was held with the union to define methods for handling redundancies. In May, a strike involving 243 employees lasted a total of 16 days. However, negotiations led to an agreement with the union covering the drilling sector.

More information is available in the Human Resources section of the management report of the 'Annual Report 2013' and in the chapter 'Competency as a business driver' of 'Saipem Sustainability 2013'.

## 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);
- regular meetings between the Company and workers' representatives.

In Italy, health, safety and environment are regulated by specific contract clauses and by the national labour contract. Specifically, the latter requires the appointment of worker representatives for the protection of the health, safety and environment of workers. This is done by election and the number of representatives is set by law and by the national labour contract. Furthermore, for some years now, Saipem has, in part, linked the provision of supplementary premiums to its safety objective indicators (for example the Safety Frequency Rate) as well as with profitability and productivity indicators.

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.

	2011	2012	2013
<b>LiHS Programme</b>			
<b>Phase 1</b>			
LiHS trained facilitators	12	24	19
Workshops performed	105	130	113
Number of participants in workshop phase 1	1,421	1,643	1,405
<b>Phase 2</b>			
Number of cascading events	80	126	87
Number of cascading participants	4,882	4,459	2,962
<b>Phase 3</b>			
Five Stars train the trainer	14	3	6
Number of Five Stars training courses	197	252	121
Number of Five Stars participants	2,064	2,373	1,329
<b>Phase 4</b>			
Number of Leading Behaviours Cascading events	757	265	86
Number of Leading Behaviours Cascading participants	26,928	9,639	4,291

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.

## Safety in the workplace

		2011	2012	2013
Man-hours worked	(million hours)	329.54	321.99	298.05
Fatal accidents	(No.)	6	3	6
Lost Time Injuries	(No.)	96	99	71
Days lost	(No.)	4,447	5,625	3,611
Total Recordable Incidents	(No.)	427	342	344
Rate of absenteeism	(%)	-	-	2.2
LTI Frequency Rate	(ratio)	0.31	0.32	0.26
TRI Frequency Rate	(ratio)	1.30	1.06	1.15
Tool Box Talks	(No.)	585,957	781,401	925,017
Safety hazard observation cards	(No.)	519,768	575,611	701,329
HSE meetings	(No.)	41,757	45,287	45,376
Job Safety Analysis	(No.)	334,598	390,721	239,475
HSE inspection	(No.)	189,702	258,875	301,820

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;
- the LTIFR and TRIFR values are calculated on the basis of 1,000,000 hours worked, in compliance with the standards applied internationally in the industry, and include injuries involving both employees and contractor staff;
- 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.

More details on the safety performance can be found in the chapter 'A safe workplace and a healthy workforce to ensure excellence' in 'Saipem Sustainability 2013'.

## Health

(No.)	2011	2012	2013
Vaccines administered to employees and subcontractors	12,387	9,124	7,607
Medical staff	529	558	545
Medical consultations	75,464	85,361	90,923
Medical fitness examinations	34,737	36,518	42,519
Occupational illnesses reported	7	7	10
Cases of repatriation of employees and subcontractors	143	170	159
Sites where the H-Factor programme has been implemented	2	24	37

Saipem considers the health and well-being of its employees to be of unquestionable value. It is constantly working to strengthen its Health Management System. The Company organises a number of health promotion initiatives for its employees, such as:

- initiatives for the prevention of circulatory diseases;
- 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 companies 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 2013, 99.96% (5,312) of non immune employees operating in those zones had taken the course.

More details and information on these initiatives are available in the chapters 'A safe workplace and a healthy workforce to ensure excellence' and 'Partnering with local communities' of the document 'Saipem Sustainability 2013'.

## ■ Training (LA10)

(hours)	2011	2012	2013
<b>Training</b>			
Total hours of training, of which:	1,809,753	2,624,610	2,592,093
HSE	1,236,260	2,026,677	1,746,201
Managerial behaviour and skills	70,582	72,931	77,017
IT and languages	103,910	95,680	120,841
Technical professional skills	312,271	336,971	604,633
Other professional skills	86,730	92,351	43,401

It should be noted that the 1,746,201 HSE training hours include 1,508,601 hours for foreign projects targeted at both Saipem and employees and subcontractors.

## ■ People development (LA11-12)

		2011	2012	2013
<b>Skills assessment</b>				
Skills assessment, of which:	(hours)	761	2,605	3,118
- management skills	(hours)	5	54	22
- evaluation of potential	(hours)	186	118	257
- technical skills	(hours)	91	2,184	2,640
- evaluation of potential for experts	(hours)	479	249	199
<b>Performance assessment</b>				
Evaluation of the performance to which employees are subject, of which:	(No.)	17,220	23,498	22,411
- Senior Managers	(No.)	-	436	406
- Managers	(No.)	-	2,965	1,905
- White Collar	(No.)	-	10,774	10,945
- Blue Collar	(No.)	-	9,323	9,155

Saipem bases its business success on a strong technical capacity in both its equipment and its employees. Continuous training and skills development are key elements in the management and development of people. Saipem manages its skills assessment by basing it on a specific road map for each role within the Company in terms of objectives, responsibilities and skills, both technical and personal. In particular, professional skills are monitored and measured using a specific evaluation process, with a timeline connected to specific needs. The activity currently requires that, based on the role of the person, the manager in question carries out an evaluation of the employee's technical skills in relation to the level of seniority, which is then accompanied by an assessment of their personal skills. During this activity, shortfalls can emerge between the level of skills and knowledge required by a specific role and that possessed by the person. If this is the case, the employee is offered the opportunity to undergo specific training, on the job, in the classroom, or in practice in order to expand their professional skills. Training therefore acts as a process over the entire professional life cycle of the person, ensuring coverage of the role they currently occupy and roles they will occupy in the future based on staff development plans designed to cover the needs of the project and the Company's structure in terms of quality and quantity.

More information on the training and development of people can be found in the chapter 'Competency as a business driver' in 'Saipem Sustainability 2013'.

## Diversity and Equal Opportunities (LA13-14)

### Gender diversity

		2011	2012	2013
<b>Female presence</b>				
Female employment	(No.)	4,911	5,331	5,701
Female Senior Managers	(No.)	-	16	19
Female Managers	(No.)	-	606	653
<b>Compensation</b>				
Ratio of basic salary of women to men, by employee category:				
- Senior Managers	(%)	-	79	89
- Managers	(%)	91	90	91
- White Collar	(%)	92	89	92
- Blue Collar	(%)	92	128	116

### Age diversity

(No.)	2011	2012	2013
<b>Age groups</b>			
Employees under 30 years of age	-	9,140	9,820
of which women:	-	1,399	1,405
Employees aged between 30 and 50	-	31,230	33,524
of which women:	-	3,341	3,628
Employees over 50 years of age	-	8,085	8,813
of which women:	-	591	668

### Cultural diversity

(No.)	2011	2012	2013
<b>Multiculturalism</b>			
Number of nationalities represented in the employee population	119	124	126

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, there was a slight increase in the percentage of women in managerial positions (12.47% of the total in 2013 compared to 11.75% in 2012).

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. The categories of foreign employees were identified using the 'Job Evaluation System' logic. Analysis of the average salary per country and per category shows that 78% of countries have made efforts to align wages or at least to reduce the gap between men and women in the last two years.

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). The possibility of adoption-related leave is also worth a mention. In 2013, about 800 employees of the Saipem Group had taken a total of around 41,000 days of parental leave.

## Human rights

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

Saipem is committed to operating within the law and in compliance with regulations, statutory provisions, codes of conduct and 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. In the qualification phase, the vendor fills out the Vendor Declaration in which it makes a commitment to act in strict accordance with the principles defined in the Saipem Code of Ethics and to respect human rights in accordance with Saipem's Sustainability Policy. It also undertakes to fulfil the requirements in accordance with the national law in force on salary, social security contributions and insurance obligations in relation to its staff.

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 is 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 2013, audits were carried out on 22 new vendors in China, India, Brazil and Italy. The qualification questionnaires of 317 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. 16 vendors were identified as requiring a specific audit.

(No.)	2011	2012	2013
Vendor audits on workers' rights	17	19	24

Beginning 2013 follow-up audits were also carried out on several suppliers previously analysed. In the reporting year, 2 of the 24 audits carried out were of this type.

More details can be found in the chapter 'Local Content approach: delivering shared value' of 'Saipem Sustainability 2013' and 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.

All reports are subject to the prior scrutiny of the Internal Audit function in order to reach a preliminary determination on whether there are any legal and practical implications of the report, and to decide whether or not to proceed with the investigation. In the circumstances so require, an audit is carried out by the Internal Audit function, taking priority over any audits performed under the annual programme. These audits are done as quickly as possible and the results are assessed by the Internal Audit function, in coordination with the Human Resources, Organisation and ICT department, the Legal function and, for issues concerning accounting, internal accounting controls, auditing and fraud, with the cooperation of the Chief Financial Officer. Top management of the entity being audited defines, in cooperation with the above functions, the contents of the 'Action Plan' required for the removal of any risks identified. For each finding there must also be a deadline defined for corrective actions and an indication of the organisational position and name of the person responsible for the implementation of the corrective action.



Two different reports, one quarterly and one half-yearly, are drawn up and submitted to the Chairman, the Board of Auditors, the Internal Audit Committee, the Independent Auditors, Eni's Internal Audit function, the Chief Financial Officer (for issues regarding accounting, internal accounting controls, auditing and fraud) and the Compliance Committee (for matters concerning administrative liability under legislative decree).

(No.)	2011	2012	2013
<b>Number of files</b>			
Of which:	28	38	58
- founded or partially founded	3	10	5
- unfounded	25	25	16
- pending	-	3	37

Data is up to date as of December 31, 2013.

Details of some categories of file are provided below:

(No.)	2011	2012	2013
<b>Files on cases of discrimination</b>			
Of which:	3	4	4
- founded or partially founded	-	-	-
- unfounded	-	-	1
- pending	-	-	3
<b>Files in relation to workers' rights</b>			
Of which:	2	10 (*)	17
- founded or partially founded	1	1	1
- unfounded	-	7	6
- pending	-	2	10

Data is up to date as of December 31, 2013.

(\*) The figure is varied compared to 2012, because beginning 2013 the data is reported in cases/files and not in reports as per the previous year. Indeed, a case/file includes various reports.

During the course of 2013, 17 files were opened relating to workers' rights. Of these, 10 are still open while the remaining 7 have been closed. Six reports were deemed unfounded and 1 founded. For the report deemed founded, concerning stalking behaviour against a Saipem employee, corrective actions have been implemented to protect the staff member. In addition, with reference to a report closed as unfounded concerning bullying behaviour, corrective actions have nevertheless been implemented with a view to creating a respectful and collaborative working environment.

Finally, 3 of the 5 reports that were still open in 2012 (out of a total of 10 files) were closed in 2013. All 3 were unfounded and did not result in corrective actions. In 2013, 4 files were opened in relation to reports of discrimination, of which 3 remain active, while one has been closed. With reference to the latter case, the report was set to the Compliance Committee of the company concerned. On the basis of its investigation, and having deemed that there was no evidence of any violation of the Code of Ethics with reference to the facts contained in the report, the Compliance Committee closed the file. No corrective actions were implemented. It should be noted, moreover, that the only report file still open in the 2012 reporting period with discriminatory behaviour as its subject matter was closed in 2013. The report was deemed unfounded. However, improvement measures were implemented, including the adoption of a programme of cultural induction for all expatriates and the construction of facilities for local workers.

## Security (HR8, 10)

In the management of security, Saipem gives utmost importance to respecting human rights. To underscore 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. Any personnel working overseas are normally given pre-departure training. In 2013, special training was launched for the promotion of human rights involving 15 security managers and the HR managers. In 2014, this training is expected to be extended to staff in different operating environments.

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. On the basis of the risks identified, the actions needed both to manage and reduce these to a minimum are decided upon.

		2011	2012	2013
Contracts with Security suppliers with human rights clauses	(%)	33	72	84
Security Risk Analysis in the commercial phase (*)	(No.)	21	58	48

(\*) Figures for the years 2011 and 2012 differ from 2013. This is because a new reporting system has been introduced and is still being implemented. Data for 2011 and 2012 are, therefore, underestimated.

More information can be found in the chapter 'Competency as a business driver' of 'Saipem Sustainability 2013'.

## 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 area including, but not solely, in terms of local employment and the 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 the Socio-Economic Impact Assessment (SIA) or the ESIA (Environmental Social Impact Assessment). As a result of such studies, Saipem collaborates with the stakeholders involved to prepare an Action Plan in order to define the interventions 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.

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

The Group is a party to legal proceedings still underway. Further details can be found in the section 'Legal proceedings' of the 'Annual Report'.

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 most significant of these include the Management System Guidelines (MSG) 'Anti-corruption', and 'Legal' and the standard procedures 'Joint Venture agreements', 'Intermediary Contracts', 'Standard contractual clauses concerning administrative liability of the company deriving from criminal offences', 'Expenses for hospitality', 'Authorisation and control of sales or acquisitions of participations, companies or lines of business', 'Charity/Donations and Sponsorship' and 'Procurement of Consulting and Professional Services'.

Saipem's anti-corruption procedures and Model 231 provide for corrective measures and disciplinary sanctions in the event of the violation of laws, regulations or procedures in this regard. Furthermore, specific contract clauses provide for the termination of contracts in force whenever trade partners, brokers or subcontractors violate anti-corruption laws or internal procedures. On the basis of any violations, and the manner in which they were committed, the corrective measures deemed necessary and most appropriate are taken.

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 among employees in an effort to prevent cases of non-compliance with the law.

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

(No.)	2011	2012	2013
Employees trained on issues of compliance, governance, ethics and anti-corruption	999	1,050	1,370
Hours of training carried out on issues of compliance, governance, ethics and anti-corruption	8,400	16,800	7,957

Further details on measures to prevent corruption are available in the chapter 'Developing long-term competitiveness' of the document 'Saipem Sustainability 2013' and in the 'Corporate Governance and Shareholding Structure Report 2013'.

## ■ Transparency and other information [S06-8]

Compliance with the law, regulations, statutory provisions and codes of conduct, and the practice of ethical integrity and fairness, are a constant commitment and duty of all Saipem People. Indeed, they characterise 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, either 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 2013, 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. It should be noted that this sentence is not final and is subject to appeal and that in any case the fines have no financial impact on Saipem since, at the time of the sale of Snamprogetti SpA to Saipem, Eni undertook to indemnify Saipem for losses sustained in connection with the legal proceedings.

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

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

Saipem supplies products that do not require labelling, and in each case reference to 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 protection of health and safety of all personnel engaged in its operational activities and of the host communities. The Company has implemented management procedures and processes specific to the particularly complex systems, where the highest risks are operational and safety-related (see the document 'Saipem Sustainability 2013').

## ■ 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 the internet 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 2013, Saipem received 71 questionnaires from Clients of onshore and offshore drilling projects. The main results are as follows:

		2011	2012	2013
Customer Satisfaction questionnaires received	(No.)	96	84	71
Average Client satisfaction score (on a scale of 1 to 10)		7.87	8.09	7.75
Average Client satisfaction score on issues of Sustainability (on a score ranging from 1 to 10)		7.72	7.74	7.52

Saipem has a Client satisfaction evaluation system in place. More information can be found in the chapter 'Developing long-term competitiveness' in 'Saipem Sustainability 2013'.

# Independent Auditors' Report



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## **Independent auditors' report on the limited assurance engagement of the addendum to the "Annual Report 2013" named "Sustainability Performance 2013" of Saipem Group (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 2013" of Saipem Group named "Sustainability Performance 2013" (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, 2013 and for the year then ended, on which we issued our auditor's report on April 8, 2014, 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 PT Saipem Indonesia's personnel carried out in Karimun (Indonesia) and on-site verifications at operations in Karimun (Indonesia);
  - 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.

With respect to the data and information relating to the prior year, presented for comparative purposes, reference should be made to our report issued on April 3, 2013.

3. Based on our work nothing has come to our attention that causes us to believe that the Addendum "Sustainability Performance 2013" included in the "Annual Report 2013" 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 8, 2014

Reconta Ernst & Young S.p.A.  
Signed by: Pietro Carena, partner



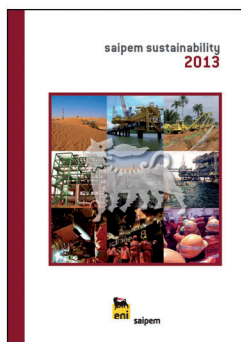
# More on Saipem

## Reports and publications:



### Annual Report:

details of Saipem's financial and operating performance over the year



### Saipem Sustainability 2013:

details of Saipem's sustainability over the year



**Saipem discloses its financial and non-financial commitments and performance in both print and online media on the Company's Website**

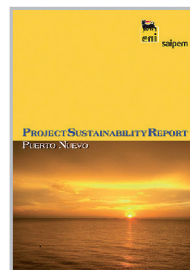
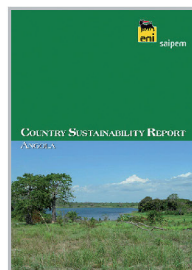
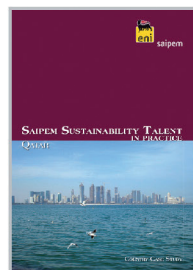
[www.saipem.com](http://www.saipem.com)

**You can order Saipem's printed publications or request more information by writing to:**

[investor.relations@saipem.com](mailto:investor.relations@saipem.com)  
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**for corporate information**

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**for sustainability information**



### Sustainability Country Report and Project Report:

Documents which Saipem has published since 2003, focusing on a specific project or country, describing the activities taking place, best practices implemented and the results achieved by Saipem and its operating companies on sustainability issues.

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saipem

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Publications  
Bilancio al 31 dicembre (in Italian)  
Annual Report (in English)

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

Saipem Sustainability (in English)

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

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