



SAIPEM SUSTAINABILITY 2016 SUMMARY



SAIPEM AT A GLANCE

2016 was a pivotal year for Saipem's recovery. Our renewed financial solidity, together with a robust and diversified order backlog, good operational performance, an aggressive cost-cutting plan and a streamlining of processes leads us to look with confidence to the future recovery of the Oil & Gas services market. All of the measures required to ensure the deconsolidation of the Company from Eni were completed and those needed to deal with the difficult market context were put in place.

In such a complex market environment, Saipem has been shaping its role and responsibility mainly through its commitment towards:

- innovation p. 6
- safety p. 10
- human capital development p. 12
- human rights p. 16

It is mainly in these areas that the **Saipem value creation model** focuses on.

€9,976 mln

TOTAL SALES

€14,219 mln

TOTAL BACKLOG

€5.66 bln

TOTAL GOODS AND SERVICES ORDERED

29,959

VENDORS

120

NATIONALITIES

40,305

EMPLOYEES

80%

LOCAL PERSONNEL

4,251

WOMEN

58%

PERCENTAGE OF EMPLOYEES COVERED BY COLLECTIVE BARGAINING CONTRACTS

1,203.4

SCOPE 1 EMISSION (KT CO₂ EQ)

UN GC

OFFICIALLY ACCEPTED
IN THE UN GLOBAL COMPACT

FTSE4GOOD

INCLUDED IN THE FTSE4GOOD SERIES INDEX
FOR THE 7TH YEAR RUNNING

68

COUNTRIES WHERE SAIPEM OPERATES

258.6 mln

WORKED MAN-HOURS

21.5

AVERAGE TRAINING
HOURS ATTENDED
BY EMPLOYEES

38.9 0.20

SCOPE 2 EMISSION
(KT CO₂EQ)

LOST TIME INJURY
FREQUENCY RATE

'In 2016, Saipem officially joined the **UN Global Compact**.

We are truly committed to making this initiative and its principles an integral part of our business strategy, day-to-day operations and organisational culture.

Therefore we will also continue to incorporate the **Ten Principles** in our decision-making processes with the genuine conviction that an important global economic actor such as Saipem shall play its part in contributing to advancing the **Sustainable Development Goals** in all its spheres of influence.

This renewed commitment is tangible proof of our willingness to continuously improve our Company and strive for constant progress while meeting the expectations of our stakeholders.'

Stefano Cao, Saipem CEO



THREE MILESTONES OF SAIPEM PROJECTS

A short overview of three examples of current projects Saipem is implementing as proof of excellence in all the steps of the Oil & Gas value chain. Together with our technology footprint, we leave our mark in the areas in which we operate, as well as on the socio-economic development of local communities.



EGINA UFR PROJECT

The development of the Egina Field is based on subsea wells connected to an FPSO (Floating Production Storage and Offloading) facility and stabilised crude oil for export via oil tankers using an offloading buoy. There is also a gas export pipeline from the FPSO to the AKPO gas export pipeline tie-in point.

The scope of work for the Flowlines, Risers, Offloading Systems and Offshore Works (UFR) include: EPCI of umbilicals, flowlines and risers and EPCI of 16 off FPSO mooring anchors; T&I of the subsea production system and T&I of the offloading buoy moored 2 km from the FPSO.

Field location: 100 km off the Nigerian coast, south of Port Harcourt (River State)

Max water depth 1,750 m

Oil production and water injection flow lines 52 km

Gas export pipelines 20 km

Umbilicals 80 km

Main worksites for onshore activities (Nigeria and Italy) 4

Main vessels for offshore activities (Saipem FDS 2, Saipem 3000, Normand Maximus) 3

Value of the contract \$3 bln

SOUTH CAUCASUS PIPELINE EXPANSION (SCPX) PROJECT

The SCPX project, along with the Shah Deniz Stage 2 (SD2), are part of the Shah Deniz Full Field Development (FFD), which aims to bring gas from Azerbaijan to Europe and Turkey. The objective of the SCPX project is to expand the capacity of the existing South Caucasus Pipeline (SCP) to accommodate additional gas throughput from the SD2 expansion development in the Caspian.

The contract involves detailed engineering for crossings, construction and commissioning support of 487 km pipeline, 424 km of which is in Azerbaijan and 63 km in Georgia. SCPX is the first stretch of the Southern Gas Corridor, the system designed to export gas from Azerbaijan to Italy.

Field location: Azerbaijan and Georgia

Peak of personnel engaged in project activities ~ 3,000

Pipeline through Azerbaijan and Georgia 487 km

New diameter pipeline through Azerbaijan and Georgia 48"

Total system capacity 23 bcma*

Value of the contract \$735 mln

* Billion cubic metres of natural gas per annum.





KAOMBO FPSO PROJECT

The Kaombo FPSO project is the first contract Saipem was awarded for the Kaombo Field Development Project. It consists of the EPCI of two converted VLCCs (Very Large Crude Carrier) into FPSO (Floating Production Storage and Offloading) units. The second 7-year contract awarded is for the field operation and maintenance services of the two vessels.

Fabrication and installation works have been spread out all around the world, onshore and offshore, and are mainly being carried out in Angola, Indonesia, Singapore and the UAE.

Field location:	Block 32, Angola
Max water depth	1,950 m
Standard cubic feet/day gas compression capacity	100 mln
Barrels of oil storage capacity	1.7 mln
Barrels/day water injection capacity	200,000
Barrels/day oil treating capacity	115,000
Value of the contracts	\$4 bln

2016 FINANCIAL RESULTS

Revenues €9,976 mln

Adjusted EBITDA €1,266 mln

Adjusted net profit €226 mln

Investments €296 mln

Net debt €1.45 mln

New contracts €8,349 mln

Backlog of orders €14,219 mln

THE ABILITY TO INNOVATE IS IN OUR DNA

‘Now, more than ever, innovation plays a key role because the ability to offer cost-effective solutions and faster and safer operations to our clients has become an essential condition for success.

Saipem’s ability to design and realise vessels and projects in a way that often goes beyond expectations is the main value we bring to the market.’

Stefano Cao, Saipem CEO

The success and competitiveness of many of our projects is driven by technological advances. Saipem’s innovation effort rests on three main pillars:

- **Technology Development:** tools, equipment, integrated systems and technologies for commercial project execution or licensing;
- **Transformative Innovation:** to change the company’s processes to boost productivity and chase new value propositions;
- **Technology Intelligence:** to scout new disruptive emerging technologies as opportunities with a high impact on Saipem’s business.

TECHNOLOGY INNOVATION IN THE ONSHORE AND OFFSHORE BUSINESS

As regards Technology Development, our innovation effort in the **onshore** business focuses on **improving the overall sustainability of projects** (i.e. plants designed with higher performance and availability, integration with the surrounding environment, etc.) in areas such as

gas monetisation, refineries and CO₂ management.

More specifically, we are proceeding to keep the proprietary fertiliser production technology ‘Snamprogetti™ Urea’ at the highest level of competitiveness; we have explored ways to reduce consumption during the LNG regasification process and to improve aspects of the design and construction procedure for pipeline EPC (a notable achievement in this field is Raise Boring, a trenchless solution for the Chinipas slope pipeline crossing in Mexico).

Licensed units for Snamprogetti™ Urea technology

134

Subsea fields represent the main target of **offshore** technology innovation: new technologies are moving topside operations onto the seabed, extending our business



THE SAIPEM VALUE CREATION MODEL: INNOVATION, RESEARCH & DEVELOPMENT

Value for Saipem

Develop innovative solutions to strengthen competitive positioning

+2,300 patents

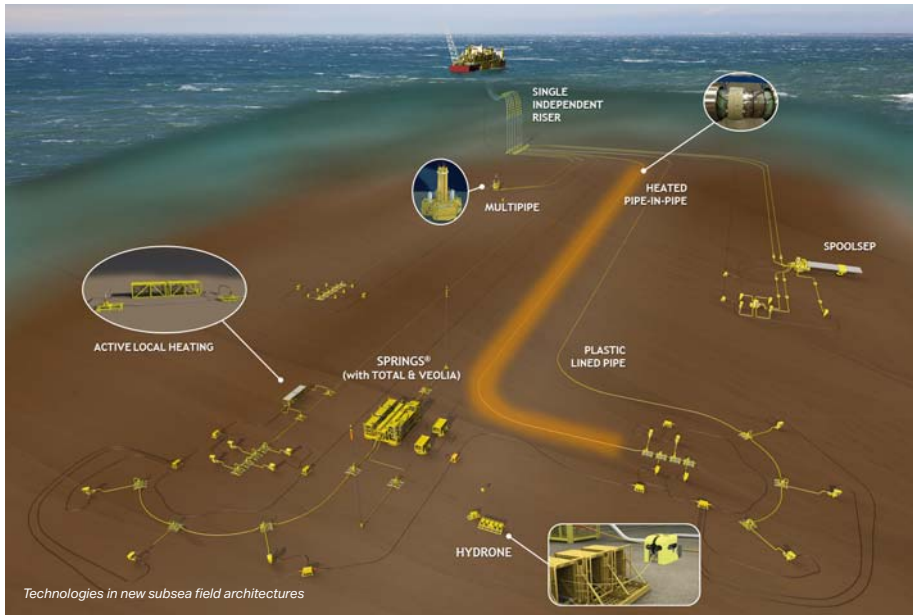
Value for Society

- Enable the industry to meet the global energy demand
- Spread innovation culture

+85 joint and collaborative projects

footprint into the so-called 'Subsea processing', 'Long-tie back' and Subsea-to-Shore distances, our URF EPCI offering into Life of Field, thus creating significant savings in

investing and operating costs. Innovating existing products, installation methods and materials represents the other fundamental lever to save costs.



SOME 2016 HIGHLIGHTS

Main technology innovation hubs **7**

New patents filed in 2016 **36**

Joint Industry Projects since 2013 **+60**

Collaborations with universities, spin-offs and research centres **+25**

GREENHOUSE GAS MITIGATION TECHNOLOGIES

Committed to reducing CO₂ emissions in the atmosphere, we are building a technology portfolio which includes different options such as technologies in the renewables field or for improving energy efficiency

(re-gasification of LNG), or CO₂ management.

ADVANCES IN OIL SPILL PREVENTION AND RESPONSE

Guided by a pollution prevention approach, we are committed to the continuous development of innovative solutions for oil spill preparedness. This commitment was awarded, for example, by the acquisition of a project such as the SWRP (Subsea Well Response Project).

Additionally, an equally extensive endeavour in spill monitoring and response is represented by the development of technologies such as the Early Warning Integrated System (EWIS) and intervention tools for cleaning oil spills.

Number of spills in 2016 compared to 2015 **-21%**

UN GLOBAL COMPACT PRINCIPLES

Environment



Principle 7: businesses should support a precautionary approach to environmental challenges;
Principle 8: undertake initiatives to promote greater environmental responsibility; and
Principle 9: encourage the development and diffusion of environmentally friendly technologies.

SUSTAINABLE DEVELOPMENT GOALS



CONTINUE TO STRENGTHEN ASSET INTEGRITY

Asset integrity refers to the prevention and control of events with a low frequency and high/severe consequences on people, the environment, assets or project performances. The assets involved include offshore construction vessels, leased FPSO, offshore yards and both onshore and offshore drilling units.

We have developed both our **Asset Integrity Management System** (adopting an integrated management of barriers to reduce the hazards and risks associated with Major Accident Event, MAE), and our **Asset Integrity Model**.

Barriers are functional groupings of safeguards and controls that prevent or limit the effect of an MAE and that are generally made by a combination of

Safety Critical Elements, classified into 3 families (equipment, procedures, competences) and supposed to work according to specific requirements (Performance Standards).

Assets operate within their limits and in such a way as to ensure that barriers are not compromised and carry out their function according to Performance Standards.

To guarantee assurance and assessment of the Barriers, activities such as inspection and maintenance, monitoring of failures/incidents, management of change, management of overdue work orders related to maintenance and Competence Assurance & Assessment are performed.

ASSET INTEGRITY MODEL



- Policy
- Planning
- Operation
- Performance monitoring
- Continual improvement
- Support

COMPETENCE ASSURANCE & ASSESSMENT

Personnel competence constitutes one of the main areas of concern identified and therefore several initiatives were developed to improve them, with a specific focus on the offshore and drilling business units.

**Personnel
from the offshore
and drilling business units
whose assessment was completed**

+250

 For further information see page 13.

SAFETY FIRST

‘Attention to health and safety is at all times at the highest levels and awareness raising and training programmes, as well as risk analysis and implementation of prevention and protection measures, have been maintained at all sites and yards and on all vessels where Saipem operates.’

Stefano Cao, Saipem CEO

We guarantee the **safety** of all people (employees, clients and partners, local communities) through a comprehensive HSE Management System, commitment to continuous improvement and the enhancement of our safety culture through numerous programmes and initiatives.

SOME 2016 HIGHLIGHTS

Total Recordable Incident Frequency Rate (TRIFR) **0.78**

Lost Time Injury Frequency Rate (LTIFR) **0.20**

These results reinforce a multi-annual trend in the continuous improvement of performance and are linked to the many initiatives carried out throughout 2016 aimed at maintaining occupational safety standards at the highest levels at all Saipem locations.

Among our safety programmes, **Leadership in Health and Safety (LiHS)** is a milestone: launched in 2007, it aims to foster leadership development and cultural change within Saipem. Even though the programme targets Saipem leaders, from top management to department and unit managers, it also involves clients and subcontractors. The methods used are innovative and based on interactive participation.

LiHS programme phases **5**

LiHS programme events in 2016 **782**

LiHS programme participants in 2016 **+15,000**

A second milestone is the **Life Saving Rules (LSR)** campaign which consists of a set of ‘non-negotiable’ industry rules related to safe



THE SAIPEM VALUE CREATION MODEL: SAFETY

Value for Saipem

- Guarantee a safe workplace
- Increase operational efficiency

0.78 Total Recordable Incident Frequency Rate

Value for Society

Spread a safety culture

5,549 people involved in the launch of the Life Saving Rules campaign

operation practices, initiated by the IOGP (International Association of Oil & Gas Producers) and customised to our specific contexts. Based on an analysis of our safety performance and risk profile, we identified 3 core rules (Safe Working at Height, Confined Spaces and Moving & Energised Equipment) and 3 supplementary rules (Personal responsibilities, Vehicle operations, Operation specific rules). The campaign was launched at the end of 2015 by Saipem's CEO and

cascaded among the business units and teams.

LSR campaigns launched since the beginning*

+100

People reached by each stage of LSR campaign since the beginning*

+24,000

* Figures as at January 10, 2017.

UN GLOBAL COMPACT PRINCIPLES

SUSTAINABLE DEVELOPMENT GOALS

Human Rights



Principle 1: businesses should support and respect the protection of internationally proclaimed human rights; and Principle 2: make sure that they are not complicit in human rights abuses.



INVESTING IN HUMAN CAPITAL AT ALL SAIPEM LOCATIONS AROUND THE WORLD

‘Saipem has responded to the environmental, territorial, social and economic challenges with a sustainable business model which, even in periods when rules were less stringent, went beyond what was demanded.

We stand out in this regard due to the constant attention we pay to the development of human capital – a strategic asset for us – and because we contribute to the creation of value by employing and training local people and by providing opportunities for professional development.’

Stefano Cao, Saipem CEO

Human capital and its development are key elements required to successfully compete in our industry. To guarantee the highest level of professional qualification, Saipem people are constantly engaged in induction plans and training programmes.

Training man-hours in 2016

+1.6 mln

Some examples of Saipem’s competence management strategy:

LEADERSHIP MODEL



Behavioural model designed to inspire and guide all our people, taking into

account the company’s needs and making the most of the central role assigned to responsible conduct.

Employees whose performance was evaluated in 2016 **60%**

K-FACTOR PROJECT



Project consisting of two pillars to map the professional skills and experiences of the Company’s

key roles (K-Map) and to strengthen the development and knowledge-transfer processes (K-Model). The objective is to monitor the level of skills required by market needs and the level of people’s expertise.

Resources mapped for the K-Map in 2016 **+2,700**



THE SAIPEM VALUE CREATION MODEL: LOCAL HIRING AND SUPPLY AND HUMAN CAPITAL DEVELOPMENT

Value for Saipem

- Generate profit through a competent and committed workforce
- Simplify the supply logistic

24,144 performance evaluations

Value for Society

- Create job opportunities and increase skills for local development
 - Support the local market
- 80% of local employees**
69% of goods and services ordered locally

COMPETENCE ASSURANCE & ASSESSMENT

Methodology to enhance the accountability of internal skills, such as strengthening workplace and process safety, leading to a specific training and coaching strategy and to an improved personnel development path.

CREATING LOCAL VALUE BY EMPLOYING LOCALLY

By investing in local resources, we contribute both to enriching the diversity of our workforce and creating value at the local level: we help local people find jobs and promote their professional growth through different development projects such as scholarships, apprenticeship programmes and on-the-job training.

Beneficiaries of professional training projects in 2016

+700

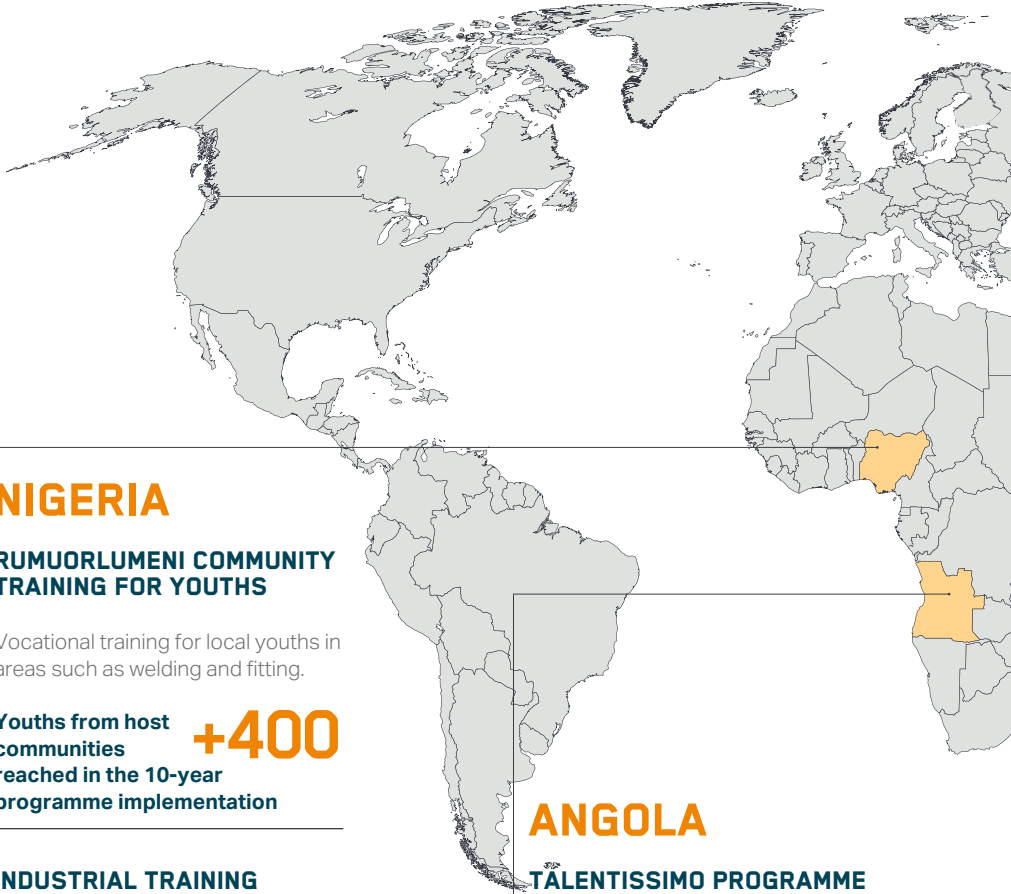


SUSTAINABLE DEVELOPMENT GOALS



HUMAN CAPITAL DEVELOPMENT IN LOCAL PROJECTS

Some examples of local projects in the professional training area, implemented in 2016 for local communities in some of the countries where we operate, are provided below.



NIGERIA

RUMUORLUMENI COMMUNITY TRAINING FOR YOUTHS

Vocational training for local youths in areas such as welding and fitting.

Youths from host communities reached in the 10-year programme implementation **+400**

INDUSTRIAL TRAINING FOR UNIVERSITY STUDENTS

On-the-job training initiated by the Federal Government of Nigeria for tertiary students.

Training man-hours recorded in 2016 **+30,000**

ANGOLA

TALENTISSIMO PROGRAMME

Programme for students to develop their technical competences and enhance their employability in the Oil & Gas industry.

Students enrolled in the programme since 2015 **-120**



AZERBAIJAN

YOUNG GRADUATES INTERNSHIP

Oil & Gas industry induction and internship opportunities at Saipem premises in Azerbaijan for students from several local universities.

**Students selected
for the internship
since 2010** **+60**

**Programme
participants employed
with Saipem since 2010** **+40**

KAZAKHSTAN

ERSAI SCHOLARSHIP PROGRAMME

Scholarship programme for school-leavers from low-income families to finance their studies in the specialisation required by Saipem at one of the state universities.

**Students
enrolled in the programme** **15**

DOING OUR PART FOR HUMAN RIGHTS

‘Saipem is committed to recognising, protecting and promoting human rights in all of the over 60 countries where it operates, in all its operations and along its entire supply chain.

But we strive to go beyond this by contributing also to the creation of the best conditions possible for the practical implementation of those rights.’

Stefano Cao, Saipem CEO

We recognise, protect and promote human and labour rights, drawing inspiration from international standards and taking into account local legislation. Our commitment is addressed both to our people, the ones working with and for us and the ones locally impacted by our activities. In 2016, we developed a human and labour rights action plan, comprised of different projects such as:

- a human and labour rights training session for HR personnel, general and branch managers, project directors and project managers to deal with this topic both from a global and local perspective;
- strengthen communication channels for employee grievances;
- a rigorous selection and management process of international personnel from employment agencies.

Countries assessed on human and labour rights **62**

Employees covered by collective bargaining contracts **58%**

Our commitment to promoting human and labour rights also extends to our vendors, resulting in processes and initiatives that guarantee an ethical supply chain. A few examples are provided below:

VENDOR SOCIAL RESPONSIBILITY CAMPAIGN

Social responsibility audit campaign at vendor sites to assess their alignment with international human and labour rights standards and Saipem principles.

Audits on labour rights at vendor sites since 2011

+100

IN-HOUSE TRAINING PROGRAMME ON HUMAN RIGHTS AND SUPPLY CHAIN

Training programme for our functions involved in the supply chain control system to reinforce their knowledge on human rights



THE SAIPEM VALUE CREATION MODEL: HUMAN AND LABOUR RIGHTS PROMOTION ALONG THE VALUE CHAIN

Value for Saipem

- Protect the company's reputation
- Strengthen employee attraction and retention

6,713 training man-hours delivered on OM&C Model, Code of Ethics and Anti-Corruption

Value for Society

Promote awareness and respect for the highest ethical standards

11 vendor qualification audits on HSE and labour rights

topics and highlight their role in reporting serious situations in which human rights are not respected or guaranteed by suppliers.

Training man-hours delivered on human rights and supply chain between June-December 2016

245

UN GLOBAL COMPACT PRINCIPLES

SUSTAINABLE DEVELOPMENT GOALS

Human Rights

Principle 1: businesses should support and respect the protection of internationally proclaimed human rights; and
Principle 2: make sure that they are not complicit in human rights abuses.



Labour

Principle 3: businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
Principle 4: the elimination of all forms of forced and compulsory labour;
Principle 5: the effective abolition of child labour; and
Principle 6: the elimination of discrimination in respect of employment and occupation.



CREATING THE BEST CONDITIONS FOR HUMAN RIGHTS IMPLEMENTATION

Saipem's **health mission** is another example of our commitment to protecting and promoting human rights.

We safeguard and manage our employees' health at work, for example by:

- assuring the best possible medical assistance when working in extreme environments;
- arranging periodic medical examinations;

Employees subjected +27,000 to medical fitness examination

- implementing numerous initiatives and programmes as part of our Health Prevention Plan (i.e., Cardiovascular Disease Prevention Programme or Stop Malaria Campaign, which is also addressed to local communities, etc.).

Employees screened ~20,000 for the Cardiovascular Disease Prevention Programme



BUSINESS INTEGRITY

Recognising and respecting human rights also means conducting our business with integrity, upholding our principles, values and standards in operations. To foster a business integrity culture, many programmes and initiatives were implemented, such as:

- Training programme to regularly inform and train employees.

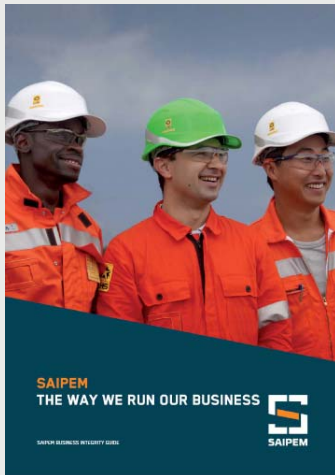
**Employees trained on OM&C Model,
Code of Ethics and Anti-Corruption**

+2,800

- Issue of the Saipem Business Integrity Guide to promote knowledge and understanding of our procedures and standards on Integrity-related issues.

**Awareness sessions to promote
the Business Integrity Guide**

-20



**Business Integrity is a
business imperative.
By 'Business Integrity' we
generally mean respect
for all the values and
principles of integrity in
the implementation of work
activities.**

Stefano Cao, Saipem CEO

- Implementation of the HOPE (Human OPERational Environment) training programme to develop better management understanding of human rights risks and issues for the Oil & Gas industry in a specific local context.

**HOPE participants
between 2014-2016**

-90

Contributing to the socio-economic development of the areas where we operate also means contributing to create an environment favourable to respecting human rights. Some examples of the local projects we implemented in view of this are provided below.



CHILE
Massive scouting of the local market and specific training sessions on HSE rules and procedures for local vendors were carried out for the Codelco project, the first onshore project in Chile. In addition, they were involved in an LiHS workshop along with the client.

ANGOLA, CONGO AND NIGERIA

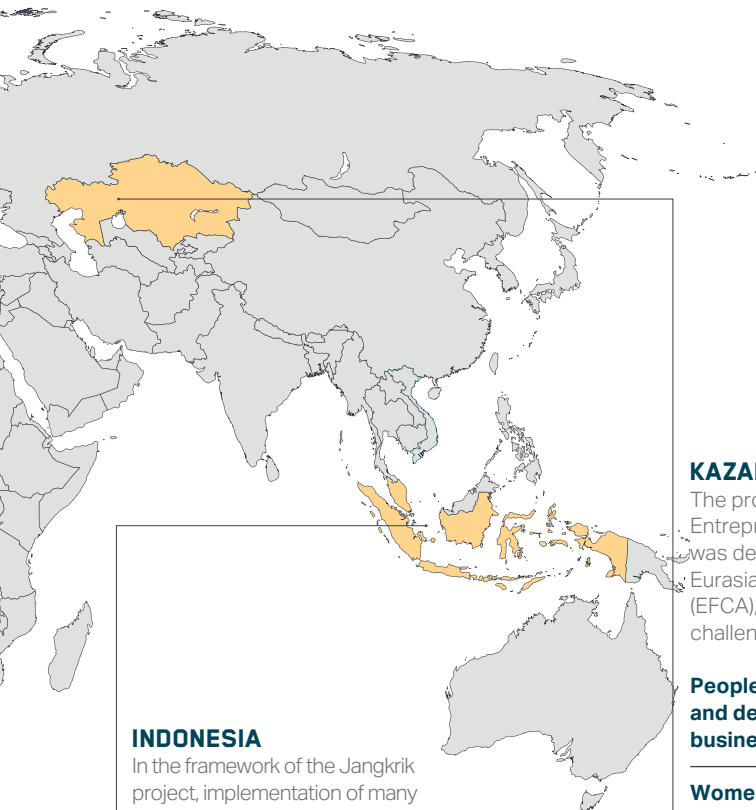
Malaria prevention initiatives based on training, equipment distribution and practical actions for local communities.

Locals involved in the malaria awareness campaign in Angola **2,000**

CONGO

Women's empowerment initiative to increase the employment level of local women living with social issues, consisting of a training and insertion phase.

Women trained in welding, bodywork and paint since 2016 **4**



INDONESIA

In the framework of the Jangkrik project, implementation of many activities within the LSR campaign, with a focus also on subcontractor safety.

KAZAKHSTAN

The project 'Boosting Entrepreneurship Potential in Kuryk' was designed, in partnership with the Eurasia Foundation of Central Asia (EFCA), to address unemployment challenges in Mangystau Oblast.

People who learnt and developed basic business skills

+70

Women trained in handicrafts

40



THE SAIPEM VALUE CREATION MODEL: LONG-TERM PARTNERSHIPS WITH LOCAL STAKEHOLDERS

Value for Saipem

- Enhance stakeholder engagement
 - Strengthen Saipem's licence to operate
 - Reduce the risk of work interruptions
- 7 countries where local development projects are covered by agreements**

Value for Society

- Shape Saipem's areas of intervention for local communities
- Support community well-being

54 local development projects +4,000 beneficiaries for health promotion projects

MORE ON SAIPEM



Saipem Sustainability 2016

Our sustainability commitment in practice

Sustainability Statements 2016

Our sustainability performance up close



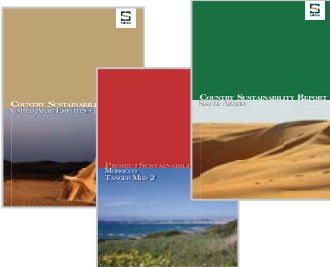
Sustainability is online! Visit the:

- Sustainability section of the Saipem website
- interactive report



Thematic leaflets

Leaflets focusing on Biodiversity and Local Content



Saipem around the world

Country and project reports that describe our activities, best practices and results in terms of sustainability

FIND US ON





Share capital:

€2,191,384,693 fully paid up

Tax identification

and Milan Companies' Register

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F.C. Zingale, Every day we build our

tomorrow, Nigeria



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